

IMPACT

INVESTMENT ADVISER LLC

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This brochure provides information about the qualifications and business practices of Impact Investment Adviser LLC. If you have any questions about the contents of this brochure, please contact us. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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Additional information about Impact Investment Adviser LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

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Material Changes

The brochure was last amended on March 29, 2011. No material changes have been made since that amendment.

Table of Contents

Advisory Business	3
Fees and Compensation	5
Performance-Based Fees and Side-By-Side Management	6
Types of Clients	6
Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Disciplinary Information.....	9
Other Financial Industry Activities and Affiliations	9
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	9
Brokerage Practices	10
Review of Accounts.....	10
Client Referrals and Other Compensation	10
Custody	11
Investment Discretion	11
Voting Client Securities.....	11
Financial Information.....	11
Requirements for State-Registered Advisers	11

Advisory Business

Impact Investment Adviser LLC ("IIA") is an investment adviser created in 2009 by major insurance companies to manage socially responsible investments. IIA is wholly owned by Impact Community Capital LLC, and the insurance company owners of Impact Community Capital LLC are major investors in those investments that IIA manages.

IIA provides investment advisory and management services to privately placed pooled investment vehicles that seek reasonable returns on structured investments. These privately placed pooled investment vehicles are usually organized as a Delaware limited liability company (or in another appropriate legal form under the laws of an appropriate jurisdiction). Each privately placed pooled investment vehicle is created as a special purpose entity ("SPE") with specific geographic and asset class criteria that provide both financial and measurable, reportable social benefits (primarily to low-to-moderate income individuals and communities).

Only qualified institutional investors (primarily major insurance companies, but may include other qualified investors such as charitable foundations and banks) may invest in these SPEs.

IIA is engaged to provide investment advisory services to the SPEs. In some investments, an affiliate of IIA may serve as sole managing member of each SPE, in which case this relationship is disclosed to all investors. Each SPE is managed in accordance with the investment objectives, strategies and guidelines contained in its operating agreement and are not tailored to the individual needs of any particular investor. Within these guidelines, IIA may determine the composition of each SPE's investments, and is responsible for the purchase, sale or retention of such investments.

IIA advises primarily debt and private equity funds that invest in real estate interests that target community development. IIA also advises non-real-estate investments that meet community development investment criteria, such as loans to businesses that fund expansion or acquisition, and hence creates jobs or other opportunities for underserved communities. IIA's services do not involve exchange-traded securities.

For example, IIA provides services to funds that provide:

- permanent mortgages on multifamily affordable housing supported by the Low Income Housing Tax Credit,
- long term financing for community healthcare centers,
- long term financing for childcare centers serving low income children and families,
- permanent mortgages to, or equity investments in, commercial real estate in low-income communities or other areas where financing is more difficult to attract, and
- mezzanine debt for small-to-medium size businesses.

IIA facilitates opportunities in socially responsible partnerships and investments, with a focus on California. Such benefits include targeting community development:

- in low- and moderate-income ("LMI") geographic areas,
- for LMI individuals or families,
- in rural areas,
- in local areas designated for redevelopment by a government agency,
- in brownfields,
- in environmentally "green" projects, and
- by creating or retaining jobs, particularly for LMI individuals.

IIA may advise on investments not secured by real estate that target community economic development by:

- financing non-start-up, women - or minority-owned businesses;
- "green" businesses that reduce pollution, increase sustainability or provide environmental benefits; or
- growth of established small- and mid-sized businesses that meet investment criteria.

IIA also provides non-discretionary investment advice to the owners of Impact Community Capital LLC ("ICC"), IIA's parent company. IIA finds and develops investment opportunities fitting certain tax, investment and other criteria provided by ICC's members and presents to the members information and analyses regarding such investment opportunities. Such opportunities typically consist of non-managing, debt and/or equity interests in real estate developed to serve low-income populations, and are structured through SPEs. ICC's members are not obligated to invest in any SPE created by IIA.

On December 31, 2011, IIA managed client assets over \$410 million on a discretionary basis within the guidelines established for each client SPE.

Fees and Compensation

IIA sets fees for its investment advisory services when the SPE is formed and the fees are described in the SPE's governing documents.

SPE fees depend, among other things, on the nature of the services provided and the investment strategy utilized. Generally, such fees will be based on a percentage of assets under management, are paid quarterly in arrears and are deducted from the client's assets. In addition to its fees, IIA may be reimbursed for all reasonable expenses incurred on behalf of the SPE such as custodian fees.

The advisory agreement between IIA and the SPEs may be terminated:

1. by the client
2. upon dissolution of the SPE, or
3. by IIA after providing 90 business days written notice to the client.

On the effective day of the termination, IIA will promptly deliver to the SPE any funds held by IIA for the SPE, with a full accounting showing all payments collected for the client's account, all expenses paid on the client's account, and a statement of all funds held by the IIA on the client's account covering the period following the date of the last accounting furnished to the client. Any prepaid investment advisory fees (this would not be common) will be prorated from the date the termination is effective and the unearned portion refunded.

Performance-Based Fees and Side-By-Side Management

IIA does not charge fees based on a share of capital gains on, or capital appreciation of, the assets of a SPE, and so IIA's supervised persons do not face conflicts of side-by-side management.

Types of Clients

IIA's clients are typically SPEs in which insurance companies or other large institutional investors are the primary investors, and also the major insurance companies that own IIA's parent company (Impact Community Capital LLC).

Each SPE offers interests to investors that meet the requirements for "accredited investors" in a private offering that is not registered pursuant to Regulation D under the Securities Act of 1933 Act. IIA expects each SPE to qualify for exception from the definition of "investment company" under the Investment Company Act of 1940. Investors in each SPE are expected to include insurance companies and other institutional investors (meeting the qualifications of those exceptions and exemptions under which the SPE operates) wishing to invest in accordance with the SPE's socially responsible investment objective. Investors are "qualified clients" under the Investment Advisers Act of 1940.

Methods of Analysis, Investment Strategies and Risk of Loss

IIA is often approached by investment funds because of its presence in the multifamily affordable housing market, its New Markets Tax Credit investments, and its active interest in prudent, socially responsible investments. Investors in IIA's SPEs are also approached with investment opportunities as large institutional investors, and these investors refer such opportunities to IIA. IIA has an open-door policy to meet as many industry participants as possible to ensure its networks and knowledge base remain current. Even if it is unlikely that IIA will advise on an investment in the near term, IIA develops relationships with entities that have the potential to meet its investment criteria in the future. In addition, IIA takes a proactive approach to the socially responsible investment market, its investment focus in this arena, and leveraging existing industry relationships to seek and research potential investment opportunities.

Before advising on the investment, to manage risk within the investments it advises, IIA may analyze:

- the macroeconomic outlook,
- financial market conditions, and
- the state of the real estate market.

IIA conducts full due diligence on the proposed use of funds, including:

- projected returns – both financial and community benefit,
- type of investment,
- type of security,
- investment term,
- size of investment,
- current relevant interest rates, and
- information about all parties necessary to effect the investment.

IIA employs a bottom-up process to select operational partners, such as underwriters, with proven capabilities, differentiated investment strategies and established market presence. Such selection is critical to ensuring prudent and sound investment performance while achieving community investment goals. Operational partners must prove their compelling competitive advantage, verifiable track record and the attributes necessary for long-term organizational stability. For example, for pooled investment vehicles investing in mortgages, IIA may also review reports prepared by qualified underwriters, and follow up with questions, discussion and further inquiries of the relevant parties. In the case of private equity investments, IIA thoroughly screens managers/general partners of potential portfolio fund investments, including quantitative and qualitative manager assessments, detailed analysis and onsite visits to evaluate the manager's deal sourcing strategy, due diligence methodology, and ability to negotiate appropriate investment terms and conditions.

An initial screening of potential investment opportunities may begin with the private placement memorandum. If an investment opportunity matches the target investment goals, IIA then meets with the fund manager to inquire in depth about the manager's investment philosophy, process and view of the market opportunity. If IIA believes the investment merits further consideration, IIA will engage in additional meetings with the manager to discuss core issues for investment consideration. A site visit with the manager and other key personnel to be involved in the investment is arranged to evaluate specifics of the manager's track record, portfolio companies and investment process. Typically, at this stage, IIA will initiate interviews with prior investors and other stakeholders to independently confirm information and to evaluate the manager's reputation for professional and ethical behavior. The due diligence process includes a systematic analysis of historical returns, average holding periods, investment style and risk profile of the manager's prior funds. IIA also investigates the reasons behind prior portfolio successes and failures and reviews how the manager has applied learning from such experiences to its investment strategy. Finally, an investment report which details the merits and issues of the investment is created and discussed with investment decision makers. During the due diligence period, IIA will negotiate with the manager the reporting and data analysis requirements to track the community development component of the investment. All investments are documented with the assistance of legal counsel, and investment strategies are outlined in the governing documents of its investment SPEs.

All of IIA's investments involve risk of loss that clients may bear, and such risks are outlined in the SPE's governing documents.

IIA also provides ongoing monitoring of primary fund investments, including review of accounting and other financial information, continuing communication with portfolio fund managers, and independent assessments of the markets in which the investments operate. Effective post-investment review and maintenance of close relationships are important to ensure proper adherence to investment criteria, maximize the value of investments, protect client interests and evaluate investment activity within the SPEs. IIA maintains an active dialogue with fund managers over issues such as extension periods, fund reductions, conflicts of interests, and co-investment opportunities.

Disciplinary Information

After diligent review, IIA is not aware of any legal or disciplinary events that are material to a client's evaluation of IIA's advisory business or the integrity of IIA's management.

Other Financial Industry Activities and Affiliations

IIA is wholly owned by Impact Community Capital LLC, which is owned by a group of major insurance companies. Many of these same insurance company owners are also major investors in the SPEs advised by IIA. In some investments, Impact Community Capital LLC, or another affiliate of IIA, may be a manager of the SPEs in which ICC's members are investors and in which other qualified institutional investors may be solicited to invest. Such relationships are disclosed to all investors.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

IIA has adopted a Code of Ethics which sets forth standards of business conduct for those providing investment services to clients, as well as all officers and directors. A copy will be provided to any client or prospective client upon request.

IIA may recommend investments in certain SPEs of which an affiliate of IIA serves as a managing member. The nature of any affiliation between the managing member of a SPE and IIA, as well as any compensation an affiliated managing member may receive, will be disclosed to clients in writing prior to any investment in such a SPE. For example, Impact Community Capital LLC, or another affiliate of IIA, is a manager of SPEs in which ICC's members are investors, and may be a manager of future client SPEs of IIA. Such relationships will be disclosed to all investors.

Brokerage Practices

Due to the nature of its business, IIA does not use broker-dealers.

Review of Accounts

The investment manager for each SPE reviews the accounts and assets each time there is activity, and no less frequently than monthly if there is no activity. SPEs are regularly monitored and reviews are conducted on an ongoing basis, with accounting control managed by the Treasurer. Each SPE is audited annually by a CPA firm registered with the Public Company Accounting Oversight Board. The President and Chief Compliance Officer conduct periodic reviews of each account and the underlying securities held within each account depending on level of activity and no less frequently than quarterly.

Quarterly reports are provided to investors in each SPE, and reports include highlights of activities within each SPE during the quarter, including all investment activity, current and projected performance data for investments, a summary of investments by type and location, and a forecast of capital calls. In addition, a quarterly report details total capital committed, capital invested, and remaining capital commitments to be drawn. Quarterly reports include financial statements reviewed by each SPE's external auditors. Annual financial statements are audited.

Client Referrals and Other Compensation

Due to the nature of its business, IIA does not compensate anyone for client referrals.

Custody

Certain client securities are held by a qualified custodian that sends quarterly, or more frequent, account statements directly to clients. Clients are urged to carefully review those statements and to compare account statements from the qualified custodian with information received from IIA.

Investment Discretion

IIA may have discretionary authority to purchase assets on behalf of clients. Such discretion is limited by the objectives, strategies and investment criteria specified in the SPE's governing documents which have been reviewed, and often signed by, investors.

Voting Client Securities

Due to the nature of its business, IIA does not have occasion to vote proxies on securities. IIA's investment advisory agreements do not accept proxy voting authority.

Financial Information

IIA does not solicit prepayment of more than \$1,200 in fees, six months or more in advance. IIA does not face a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.