

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

As of March 29, 2013

Material Changes

The brochure was last amended on March 29, 2012. Item 4 has been updated to reflect Impact Investment Adviser LLC's new non-advisory business, a business consulting practice.

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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 (“ICC”), and the insurance company owners of ICC are major investors in investments managed by IIA.

Advisory Business

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. Each privately placed pooled investment vehicle is created as a special purpose entity ("SPE") with specific geographic and asset class investment criteria that provide financial and measurable, social benefits (primarily in respect of 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, nonprofit entities, 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 the 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 governing documents and the investment strategy is not tailored to the needs of any particular investor. Within these established guidelines, IIA may determine the composition of the underlying 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 to fund expansion or acquisition, and thereby create jobs or other opportunities for underserved communities. IIA’s services do not involve exchange-traded securities.

For example, IIA advises funds that provide:

- permanent mortgages on multifamily affordable housing supported by Low Income Housing Tax Credits,
- 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 difficult to obtain, and
- mezzanine debt for small-to-medium size businesses.

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

- in low and/or moderate income ("LMI") geographic areas,
- benefiting LMI individuals or families,
- in rural areas,
- in local areas designated for redevelopment by a government agency,
- 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
- financing growth of established small and mid-sized businesses that meet investment criteria.

IIA also provides non-discretionary investment advice to the owners of ICC. IIA finds and develops investment opportunities fitting certain tax, investment and other criteria provided by ICC's members and presents information and analyses regarding appropriate 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, 2012, IIA managed client assets over \$481,950,000 on a discretionary basis within the guidelines established for each client SPE.

Non Advisory Business

In 2012 IIA launched its business consulting practice. In this capacity, IIA provides business advice to entities that are in the business of making socially responsible investments and desire guidance on creating structured finance transactions to provide liquidity to finance additional socially responsible investments. It is anticipated that the client base will be sophisticated nonprofit entities that originate and pool investments. IIA does not perform any advisory and/or management work in connection with its business consulting practice.

IIA expects all fees from this work to constitute less than 1% of its income in 2013. IIA charges an hourly fee for its business consulting services. IIA enters into a contract with a client that sets forth the hourly fee arrangement, scope of services, and maximum value of the contract. IIA bills the client monthly, in arrears, as work is performed. Each party may terminate the arrangement upon 30 days' notice to the other party.

Fees and Compensation

IIA sets fees for its investment advisory services at the formation of each investment and the fees are described in the governing documents of each respective SPE.

Fees are negotiable and may depend on, among other things, the nature of the services provided and the investment strategy utilized. Generally, fees are based on a percentage of assets under management, are paid quarterly in arrears, and are deducted from the SPE'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 SPE
2. upon dissolution of the SPE, or
3. by IIA, after providing 90 business days written notice to the SPE.

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 SPE's account, all expenses paid on the SPE's account, and a statement of all funds held by IIA on the SPE's account covering the period following the date of the last accounting furnished to the SPE. Any prepaid investment advisory fees (this would not be common) will be prorated to the date the termination is effective and the unearned portion refunded to the SPE.

As noted in Item 12 below, broker-dealers are not utilized in IIA clients' investments, although there may be deal related costs and expenses (e.g. legal and custody costs) in connection with establishing or disposing of any investment. The client, not IIA, is responsible for these costs and expenses. See Item 12, below, which discusses brokerage in more detail.

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

Advisory Business

IIA's clients are typically SPEs in which insurance companies or other qualified institutional investors are the primary investors, and also the major insurance companies that own ICC, IIA's parent company.

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. 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 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, and these investors often refer such opportunities to IIA. IIA has an open-door policy to meet as many industry participants as possible to ensure that 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
- if applicable, the state of the real estate market.

IIA conducts full due diligence on potential investments, 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 the relevant parties to address further questions and issues. 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 discuss in depth 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 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 each SPE investment.

All of IIA's investments involve risk of loss that clients may bear, and such risks are outlined in appropriate documentation that is provided to the potential investors.

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.

Risks Relating to Investments

Risks of Lending on Income-Producing Properties Generally

Lending on the security of income-producing real estate (such as affordable multifamily housing) is generally viewed as exposing a lender to a greater risk of loss than lending on the security of single-family residences. A number of factors, many beyond the control of the property owner, can affect the ability of an income-producing real estate project to generate sufficient net operating income to pay debt service and/or to maintain its value. Among these factors are economic conditions generally and in the area of the project, the age, quality and design of the project and the degree to which it competes with other projects in the area, changes or continued weaknesses in specific industry segments, increases in operating costs, and the willingness and ability of the owner to provide capable property management and maintenance. If leases are not renewed, if tenants default, if rental rates fall and/or if operating expenses increase, the borrower's ability to repay the loan may be impaired and the resale value of the property, which is substantially dependent upon the property's ability to generate income, may decline. In addition, there are other factors, including changes in zoning or tax laws, the availability of credit for financing, and changes in interest rate levels that may adversely affect the value of a project (and thus the borrower's ability to sell or refinance) without necessarily affecting the ability to generate current income.

Risks of General Economic Conditions and Cyclicalities

Real estate values are particularly sensitive to changes in local markets and economic conditions and to fluctuations in the economy as a whole. Equity real estate investments are relatively illiquid. Such illiquidity will tend to limit the ability of mortgagors to respond to changes in economic or other conditions. There can be no assurance that downturns or prolonged adverse conditions in the real estate or capital markets or in the economy as a whole will not have a material adverse impact on the mortgagors in respect of the mortgage loans included in the mortgage pool.

Risks Related to Litigation at the Mortgaged Properties

There may be pending or threatened legal proceedings against the mortgagors and managers of the mortgaged properties and their respective affiliates from time to time arising out of the ordinary business of the mortgagors, managers and affiliates. There can be no assurance that such litigation will be covered by the related mortgagor's insurance coverage or that it will not have a material adverse effect on the ability of the mortgagor to meet its obligations under the mortgage loan.

Risks Related to Foreclosure of the Mortgaged Properties

Mortgage loans are secured by, among other things, a mortgage lien on the fee simple and/or leasehold interest of the mortgagor in the mortgaged properties. In the event that funds generated by the operations of a mortgaged property are not sufficient to pay debt service on the mortgage loan or in the event that a balloon payment cannot be paid in full when due, or upon

any other mortgage loan event of default, the mortgages may be foreclosed. Foreclosure is an expensive and lengthy process and could lead to a significant delay in the recovery by the IIA clients of amounts owed under the mortgage loan. Furthermore, there can be no assurance that the net proceeds realized from foreclosures on the mortgages, after payment of all foreclosure expenses, would be sufficient to pay the principal, interest and other expenses, if any, which are due under the mortgage loan.

Lack of Skillful Property Management Entails Risks

The successful operation of a real estate project depends upon the property manager's performance and viability. The property manager is responsible for responding to changes in the local market, planning and implementing the rental structure, operating the property and providing building services, managing operating expenses, and assuring that maintenance and capital improvements are carried out in a timely fashion.

Generally, mortgaged properties deriving revenues primarily from short-term sources, such as short-term or month-to-month leases, are generally more management intensive than properties leased to creditworthy tenants under long-term leases.

There can be no assurance as to the skills of any present or future managers. In many cases, the property manager is an affiliate of the related mortgagor and may not manage properties for non-affiliates. Additionally, there can be no assurance that the property managers will be in a financial condition to fulfill their management responsibilities throughout the terms of their respective management agreements.

Risks of the Real Estate Market

In recent years, the real estate and securitization markets, as well as global financial markets and the economy generally, have experienced significant dislocations, illiquidity and volatility.

While the United States economy may technically be coming out of the recession, any recovery could be fragile and may not be sustainable for any specific period of time, and the United States economy could slip into an even more significant recession. Declining real estate values, coupled with diminished availability of leverage and/or refinancings for commercial and multifamily real estate have resulted in increased delinquencies and defaults on commercial and multifamily mortgage loans. In addition, the downturn in the general economy has affected the financial strength of many commercial and multifamily real estate tenants and has resulted in decreased occupancy, decreased rents and/or other declines in income from, or the value of, commercial and multifamily real estate. Any continued downturn may lead to decreased occupancy, decreased rents or other declines in income from, or the value of, commercial and multifamily real estate. Additionally, the lack of credit liquidity, correspondingly higher mortgage rates and decreases in the value of commercial and multifamily properties have prevented many commercial mortgage borrowers from refinancing their mortgages and may adversely affect the ability of a borrower to continue to perform its loan obligations. Defaults, delinquencies and losses have further decreased property values, resulting in additional defaults by commercial mortgage borrowers, further credit constraints, further declines in property values and further adverse effects on the perception of the value of investments in mortgages. A substantial number of United States mortgage loans backed by commercial and multifamily properties, many with balloon payment obligations in excess of their respective current property values, will mature in the future. This may make the circumstances described above especially

severe. As a result of all of these factors, weakness, illiquidity, volatility and other dislocations in the market may re-occur or become more severe.

Credit Risk

Debt instruments are subject to credit risk. Credit risk refers to the likelihood that an obligor will default in the payment of principal or interest on an instrument. Financial strength and solvency of an obligor are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and debt instruments that are rated by rating agencies are often reviewed and may be subject to downgrade. The value of a debt instrument may decline because of concerns about an obligor's ability to make principal or interest payments.

Disciplinary Information

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

Other Financial Industry Activities and Affiliations

IIA is wholly owned by ICC, which is owned by a group of major insurance companies. Many of these insurance companies are also major investors in the SPEs advised by IIA. In some investments, ICC, or an 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 on behalf of IIA, as well as all officers. A copy will be provided to any investor or prospective investor upon request.

Certain SPEs may pay fees to an affiliate of IIA that 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 investors in writing prior to any investment in such a SPE. For example, ICC, or an 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 encouraged to carefully review those statements and to compare account statements from the qualified custodian with information received from IIA. With respect to accounts that are pooled investment vehicles, IIA may comply with the Custody Rule by providing investors with audited financial statements within 120 days following the fiscal year end of each pooled investment vehicle.

Investment Discretion

IIA may have discretionary authority to purchase assets on behalf of clients, however, such discretion is limited by the objectives, strategies and investment criteria specified in the SPE's governing documents.

Voting Client Securities

Due to the nature of the assets held by its clients, IIA does not have occasion to vote proxies on securities. IIA's investment advisory agreements do not confer proxy voting authority.

Financial Information

Not applicable.