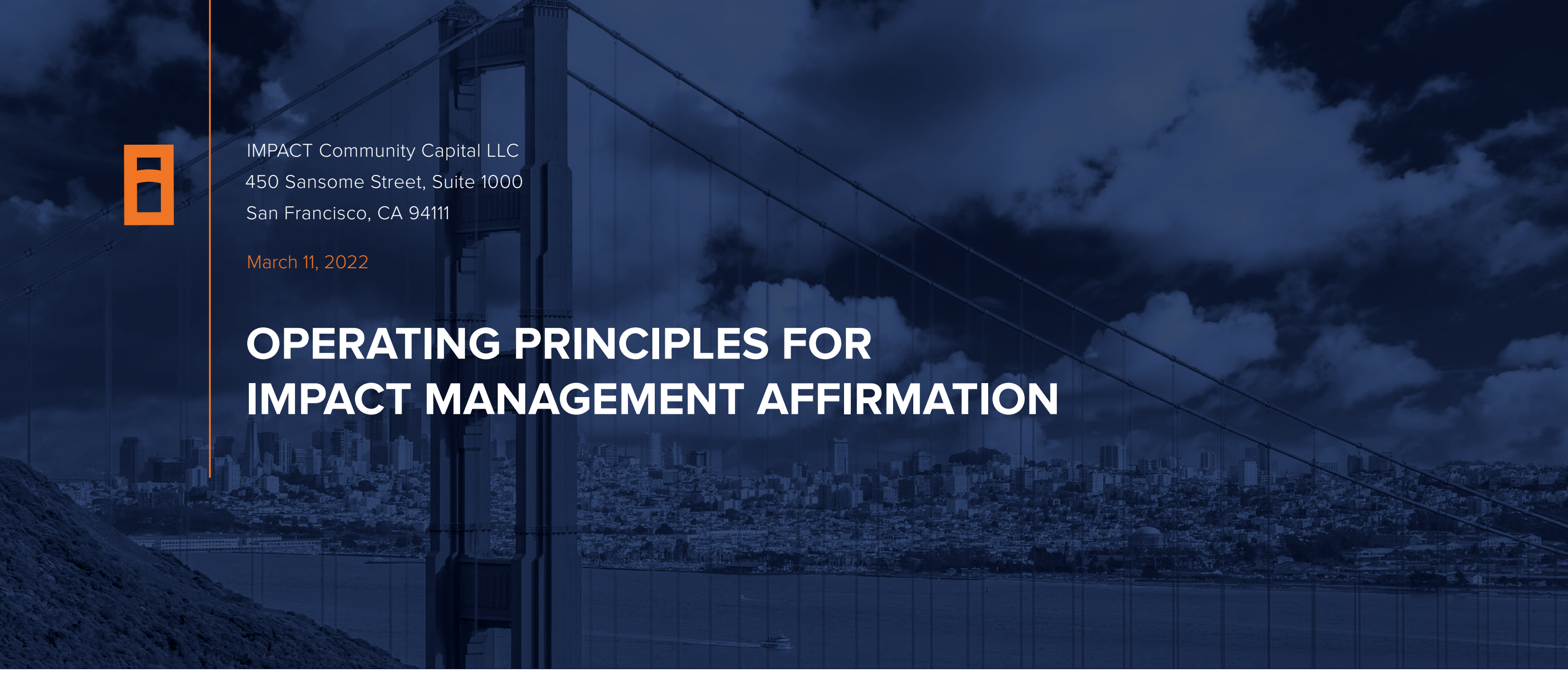
IMPACT COMMUNITY CAPITAL

OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

DISCLOSURE STATEMENT

MARCH 2022



IMPACT Community Capital LLC
450 Sansome Street, Suite 1000
San Francisco, CA 94111

March 11, 2022

OPERATING PRINCIPLES FOR IMPACT MANAGEMENT AFFIRMATION

IMPACT Community Capital LLC (the “Signatory” or “IMPACT”) hereby affims its status as a Signatory to the Operating Principles for Impact Management (the “Impact Principles”). IMPACT Community Capital LLC, became a signatory of the Impact Principles on February 16, 2021. This Disclosure Statement applies to all of IMPACT’s assets, including the following assets or business lines (the “Covered Assets”):

- IMPACT Community Impact Loan Fund
- IMPACT Mortgage Opportunities Fund

The total Covered Assets in alignment with the Impact Principles is $417m USD as of December 31, 2021.

Founded on the belief that private capital is required to solve social issues like poverty, homelessness, and inequality, leading insurance companies formed IMPACT in 1998, to make and manage investments on their behalf, that seek to create transformative change in underinvested communites throughout the United States and provide risk-adjusted returns.

To date, IMPACT has originated over $2.4 billion of impact investments in 43 states plus D.C.. Approximately half of this amount has been invested in affordable housing, primarily through mortgage lending strategies for investors in private debt funds. The remainder has been invested in community facilities, economic development, and other socially responsible investments benefitting low-income individuals, families, and communities.

We hope you find the information offered in this disclosure useful and we will be happy to respond to any questions. We look forward to hearing from you.

Sincerely,

Jeff Brenner
President & Chief Executive Officer, IMPACT Community Capital

PRINCIPLE 1

DEFINE STRATEGIC IMPACT OBJECTIVE(S), CONSISTENT WITH THE INVESTMENT STRATEGY

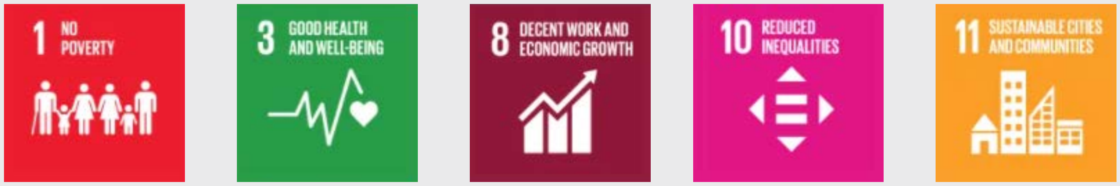
The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

IMPACT maintains an impact thesis across all the portfolios under its management, including the Covered Assets.

IMPACT THESIS

We believe a need exists across underinvested communities for private capital to drive change. We also believe that institutional investors can play a pivotal role in meeting that need. At IMPACT, we strive to build opportunities for institutions to efficiently deliver capital to low-income communities, and by directing capital at scale, we aim to make positive, systemic change for individuals and families.

IMPACT utilizes five of the United Nations Sustainable Development Goals (SDGs) to define our area of focus within the impact investing universe:

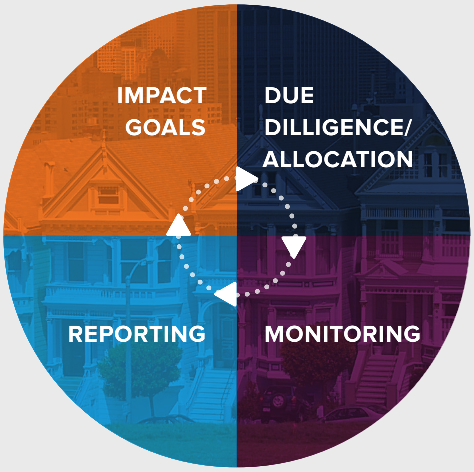


In alignment with its focus on these five SDGs, IMPACT seeks to develop strategies that increase the institutional capital invested for impact. For each strategy, we set intentional impact objectives that align with institutional investor needs for return, investment and capital structures, liquidity, and scale. IMPACT then defines its contribution to impact across two planes: its contribution to solutions that increase capital flow and the benefits to underserved communities.

PRINCIPLE 2

MANAGE STRATEGIC IMPACT AND FINANCIAL RETURNS AT THE PORTFOLIO LEVEL

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.



For each strategy in the Covered Assets, IMPACT sets **impact goals** or a broad impact target focused on industry standard measurement frameworks. These goals provide key information as to what the intended outcomes will be, who will benefit, how much benefit is expected, IMPACT's role in creating the benefits, and risks to achieve the intended goals. IMPACT also includes aggregate impact goals in its annual incentive goals for employee compensation, such as total units of affordable housing created or preserved. IMPACT believes that this intentional goal-setting process builds accountability and transparency.

In its **due diligence and investment allocation** decisions, IMPACT incorporates ESG factors to avoid negative outcomes for the investment and the communities it intends to support through its investment. These might include negative impacts of climate change such as adverse weather events, negative social outcomes such as gentrification, or adverse governance issues that lead to fraud.

IMPACT **monitors** its investments through their lifecycle to ensure that the intended impact thesis is maintained, investment performance meets expectations and long-term positive change in communities is achieved.

IMPACT **reports impact metrics** to its investors and to its wider set of stakeholders. IMPACT constantly evaluates its performance—not only to avoid negative ESG outcomes but also to ensure its impact thesis, strategies and objectives meet or exceed industry standards. IMPACT reports impact metrics to its investors quarterly, enabling investors to compare investment impact across their portfolio. IMPACT also produces an annual impact report that is available to our wider set of stakeholders and the public.

PRINCIPLE 3

ESTABLISH THE INVESTOR'S CONTRIBUTION TO THE ACHIEVEMENT OF IMPACT

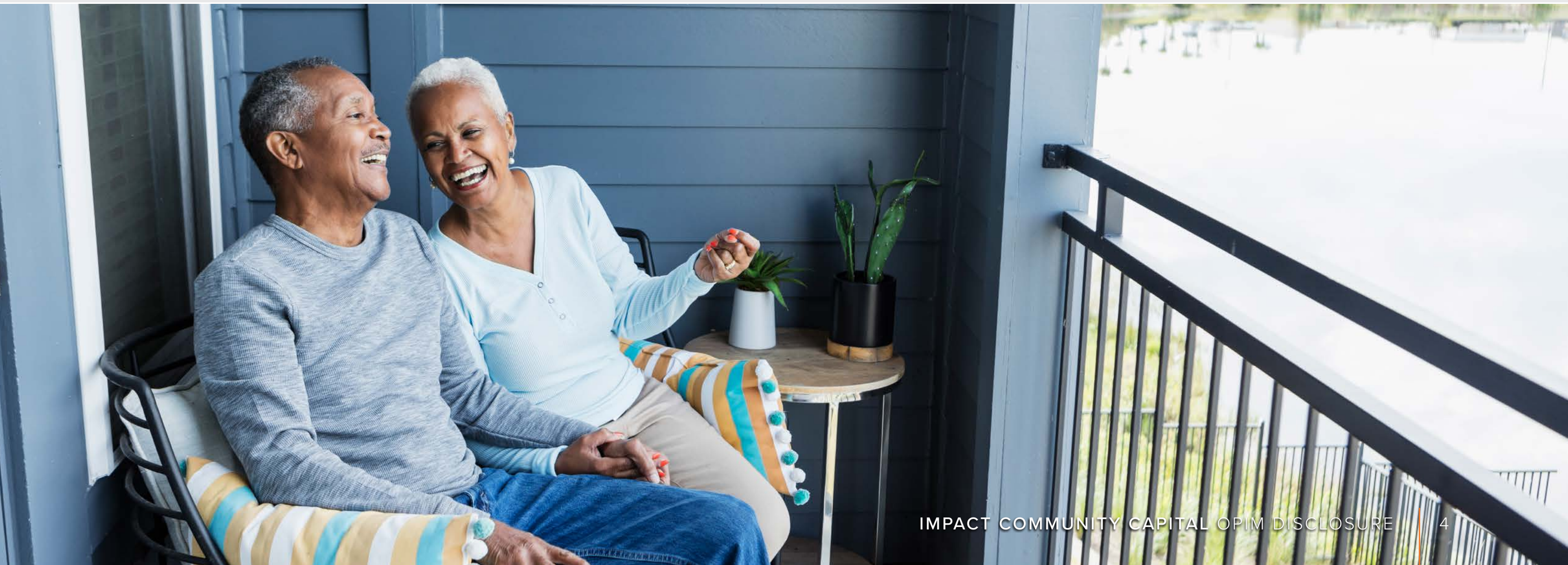
The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

IMPACT defines its contribution to impact across two planes:

1. its contribution to solutions that increase capital flow
2. the benefits to underserved communities

In alignment with IMPACT's impact thesis, IMPACT acknowledges and documents the investment rationale in its investment recommendation for each investment opportunity. This rationale includes information on the financial and non-financial impact expected from the investment for the investor, the investee, and underserved communities.

Annually, through its strategic goal setting process and annual reports to investors, IMPACT tracks the amount of capital invested to finance affordable housing properties and the number of affordable units created or preserved. No less than quarterly, IMPACT tracks and reports to investors its progress in meeting the investment and impact thesis for each portfolio within the Covered Assets.



PRINCIPLE 4

ASSESS THE EXPECTED IMPACT OF EACH INVESTMENT, BASED ON A SYSTEMATIC APPROACH

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

Through its due diligence process and documented in investment recommendations, IMPACT evaluates and documents what the intended impact of the investment might be, who benefits, the size of the benefit, and the likelihood that the benefits will continue in the future. These are all part of a typical investment recommendation.

In a typical investment recommendation for the Covered Assets, IMPACT will document the populations served by the affordable housing financed with the proposed investment including any income level restrictions or priority populations being targeted (homeless, veterans, seniors, etc). IMPACT will also document the social services provided to the priority populations, such as childcare, job training, health services and transportation.
Additionally, each investment recommendation will provide an analysis of the potential rental savings by unit type and income level. We then assess the likelihood that they property will be able to continue meeting this impact in the future, as well as factors strengthening or weakening this ability.

The realized impact within each portfolio is reported to investors quarterly and reported publicly on an annual basis in our **Impact Report**, which also provides investors details regarding our impact assessment framework.

PRINCIPLE 5

ASSESS, ADDRESS, MONITOR, AND MANAGE THE POTENTIAL NEGATIVE EFFECTS OF EACH INVESTMENT

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

In due diligence and investment allocation decisions, IMPACT incorporates ESG factors to avoid negative outcomes for investors and communities. These factors may include negative impacts of climate change, negative social outcomes such as gentrification, or adverse governance issues that create headline risk. IMPACT manages these risks through a combination monitoring, insurance, and legal protections/investment terms.

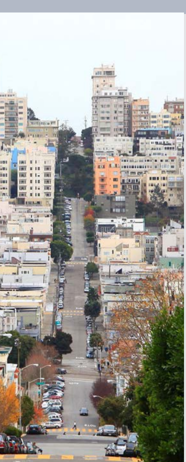
IMPACT continues to monitor its investments through their lifecycle to ensure that the intended impact thesis is maintained, investment performance meets expectations and long-term positive change in communities is achieved. When appropriate, IMPACT may engage with its investee, to address concerns or investee performance in accordance with the terms of the investment documents.

As a signatory to the United Nations Principles for Responsible Investment, our investment framework is also outlined in our UN PRI Signatory Assessment, which can be **found here**.

PRINCIPLE 6

MONITOR THE PROGRESS OF EACH INVESTMENT IN ACHIEVING IMPACT AGAINST EXPECTATIONS AND RESPOND APPROPRIATELY

The Manager shall use the results framework (referenced in Impact Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.



IMPACT's data systems and monitoring framework is designed to capture the key metrics for measuring and monitoring our achievement of the stated impact goals for each investment and each portfolio within the Covered Assets.

Since IMPACT's investments in Covered Assets are typically first mortgages in real estate in the United States, monitoring of progress toward our goals can be accomplished with minimal interaction with the borrower. IMPACT documents and stores data in a proprietary database for use in its quarterly and annual reports. The database is available for assisting in individual investment reviews and analysis as needed. Ongoing monitoring is primarily provided through third-party mortgage loan servicers who provide monthly, quarterly, and annual reporting to IMPACT.

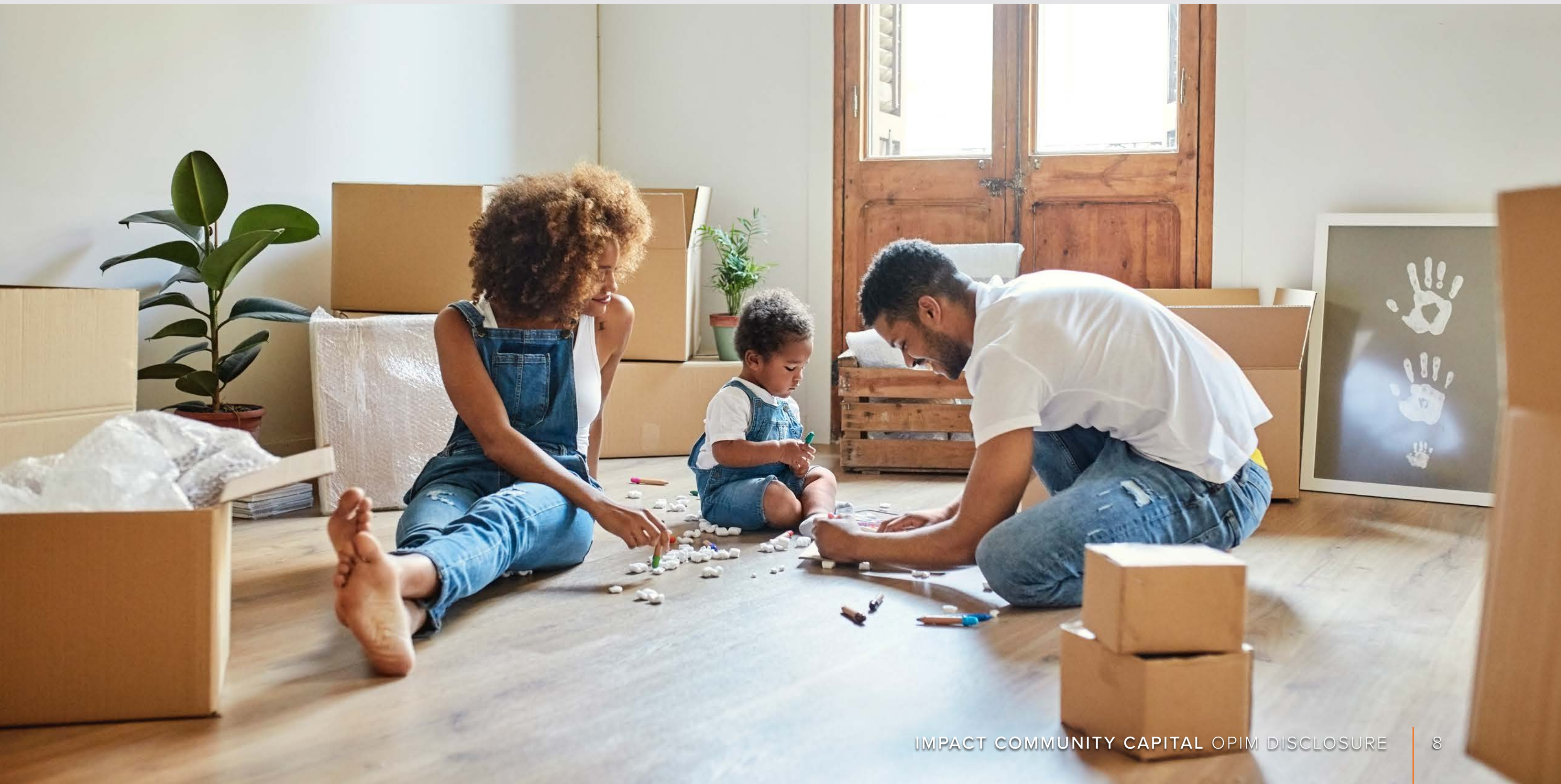
If an investment does not meet our expectations over time, IMPACT, working through its third-party servicers, will take actions appropriate to the circumstances to mitigate negative impacts and financial outcomes for investors.

PRINCIPLE 7

CONDUCT EXITS CONSIDERING THE EFFECT ON SUSTAINED IMPACT

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

Across all of IMPACT's assets, the investment team seeks to align its exits with its fiduciary obligations to investors and minimize negative impacts. As, an investor in first mortgage debt in its Covered Assets, the vast preponderance of exit activity is the natural pay-off of the indebtedness by investees according to the provisions of the investment's loan documents. As such, there is limited concern about managing negative impacts and fiduciary obligations. On the rare occasion that IMPACT must exit an underperforming asset, IMPACT makes every effort to balance the sustainability of the asset with its fiduciary obligations as an asset manager.



PRINCIPLE 8

REVIEW, DOCUMENT, AND IMPROVE DECISIONS AND PROCESSES BASED ON THE ACHIEVEMENT OF IMPACT AND LESSONS LEARNED

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

IMPACT's data systems and monitoring framework is designed to capture the key metrics for measuring and monitoring our achievement of the stated impact goals for each investment and each portfolio within the Covered Assets. Additionally, IMPACT receives quarterly reporting from its third-party servicers regarding the ongoing operations at its investees. These third-party servicers are primarily commercial mortgage servicers that provide non-public information regarding our investments. IMPACT incorporates this information into the financial and impact performance assessment of the portfolios and Covered Assets, which is reported to investors each quarter.

PRINCIPLE 9

PUBLICLY DISCLOSE ALIGNMENT WITH THE PRINCIPLES AND PROVIDE REGULAR INDEPENDENT VERIFICATION OF THE EXTENT OF ALIGNMENT

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

This Disclosure Statement affirms the Signatory's, IMPACT Community Capital, LLC, commitment, and alignment with the Impact Principles and will be updated annually. It is available on the Signatory's website at impactcapital.net.

Independent verification of the Signatory's alignment with the Impact Principles will be conducted in 2022 and posted alongside this Disclosure Statement on the Signatory's website.

IMPACT
COMMUNITY CAPITAL

THANK YOU to all our investors, owners, employees and lending partners for supporting our mission and vision.

For more information, please contact us at info@impactcapital.net

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