

PINGORA ASSET MANAGEMENT, LLC

FORM ADV – PART 2A

1755 BLAKE STREET, SUITE 200
DENVER, CO 80202
TELEPHONE: (720) 475-1292

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This brochure provides information about the qualifications and business practices of Pingora Asset Management. If you have any questions about the contents of this brochure, please contact us at (720) 475-1292. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Pingora Asset Management is also available on the SEC’s website at www.adviserinfo.sec.gov.

REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT PINGORA ASSET MANAGEMENT, LLC OR ANY OF THE PERSONNEL OR EMPLOYEES OF PINGORA ASSET MANAGEMENT, LLC POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY OR ANY OTHER BUSINESS.

Item 2 - Material Changes

Pingora Asset Management last filed Part 2A in November 2012. Pingora Asset Management is now updating Part 2A to reflect the following material changes:

- Items 4, 8, 10 and 11 – updated to reflect structure of investments by the Funds in MSRs and the relationship with the affiliated Master Servicer.

In the future, this Item 2 will set forth a brief summary of any material changes to our Brochure since our last annual update.

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Item 4 - Advisory Business

Pingora Asset Management is a private investment firm that was founded in 2012 and is owned and controlled by Sterling Capital Partners IV, L.P. and its parallel and related vehicles (collectively, "SCP IV"), a private equity fund sponsored and managed by Sterling Fund Management, LLC ("Sterling"). Pingora Asset Management has been formed to provide investment advisory services primarily to private investment funds sponsored or organized by Pingora Asset Management (the "Funds"). A related person of Pingora Asset Management generally will act as the general partner of (or in another equivalent management position for) each Fund. References to Pingora Asset Management in this Brochure include, as the context requires, affiliates through which Pingora Asset Management provides investment advisory services or that act in any capacity referenced in the previous sentence. References to "person" in this Brochure include, as the context permits, natural persons and entities.

Pingora Asset Management's primary investment focus will be investments in securities (the "Assets") intended to provide certain economic benefits arising from one or more specified pools ("Specified MSR Pools") of mortgage servicing rights ("MSRs") related to U.S. mortgage loans. An MSR is a contractually created right to service a mortgage loan or pool of mortgage loans over the life of such loans in exchange for a specified fee stream, subject to continued performance of services in accordance with the servicing contracts. The Funds' Assets will be in two forms which collectively will represent a beneficial interest in all of the excess servicing fees generated by Specified MSR Pools, less expenses and liabilities related thereto. A majority of the Funds' invested capital will be invested in excess servicing participation certificates ("ESPCs") representing the right to receive a specified portion of excess servicing fees from Specified MSR Pools. Excess servicing fees are fees to which the holder of an MSR is entitled in excess of the fee amounts necessary to compensate the MSR holder (or its designee) for performing the operational services related to mortgage loans. A minority of the Funds' invested capital will be invested in the form of non-voting tracking stock ("NVTS") issued by Gilpin Financial Services, Inc. (the "Master Servicer"), an affiliate of Pingora Asset Management. The NVTS will be designed to track the performance of Specified MSR Pools, less all expenses and liabilities related thereto. The investments in and allocations among the ESPCs and NVTS will be designed with the goals of satisfying regulatory requirements applicable to the Master Servicer and tax efficiency for the investors in the Funds. The Funds expect to generate proceeds for investors from the cash flow from and sale of these Assets. There can be no assurance that the investment objectives of the Funds will be achieved.

The Funds' excess servicing investments will primarily take the form of securities issued by the Master Servicer who will service the underlying loans pursuant to the servicing contracts. Although the primary focus of the Funds will be on private investments in MSRs, Pingora Asset Management may from time to time recommend other types of investments to the extent consistent with the respective Fund's investment strategy and objectives and its Governing Documents (as defined below).

Pingora Asset Management's advisory services will consist of investigating, identifying and evaluating investment opportunities; structuring, negotiating and making investments on behalf of the Funds; managing and monitoring the performance of such investments; and disposing of such investments on behalf of the Funds. Pingora Asset Management tailors its advisory services

to the specific investment objectives and restrictions of each Fund set forth in each Fund's limited partnership agreement, investment management agreement, confidential private placement memorandum and other governing documents (collectively, the "Governing Documents"). Investors and prospective investors of each Fund should refer to the Governing Documents of that Fund for complete information on the investment objectives and investment restrictions with respect to that Fund. There is no assurance that any of the Funds' investment objectives will be achieved.

In accordance with common industry practice, one or more of the Funds or their general partners may enter into "side letters" or similar agreements with certain investors pursuant to which the Fund or its general partner grants the investor specific rights, benefits, or privileges that are not made available to investors generally.

Pingora Asset Management does not participate in any wrap fee programs.

Pingora Asset Management will manage assets of the Funds on a discretionary basis in accordance with the terms and conditions of each Fund's Governing Documents. As of March 19, 2013, Pingora Asset Management had no assets under management.

Item 5 - Fees and Compensation

Compensation and Fee Schedules

Initially, Pingora Asset Management will receive no advisory fee, "carried interest" or other incentive compensation from its Funds. Instead, the Funds will pay, or reimburse Pingora Asset Management or its affiliates for their payment of, all ordinary administrative and overhead expenses of Pingora Asset Management, including, but not limited to, compensation of Pingora Asset Management's employees, rent, administrative costs and general office overhead of Pingora Asset Management, and costs and expenses (including internal and external legal expenses) related to Pingora Asset Management's registration as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and ongoing compliance and filings in connection therewith (collectively, "Manager Expenses"); provided, that the Funds shall not pay Manager Expenses in an aggregate amount in excess of a cap specified in the applicable Governing Documents.

Pingora Asset Management may establish other investment vehicles or accounts in the future that utilize different compensation or fee schedules in accordance with such entity's Governing Documents. Upon the establishment of any other investment vehicles or accounts managed by Pingora Asset Management, unless the advisory committee for a Fund otherwise consents, the Manager Expenses shall be allocated among the Funds and such investment vehicles and other accounts pro rata based on the aggregate unpaid principal balance of the mortgage loans related to the Specified MSR Pools in which the Funds and such investment vehicles and other accounts invest in accordance with the applicable Governing Documents.

Please refer to the Governing Documents of each applicable Fund for complete information on the fees and compensation payable with respect to such Fund.

Investors and prospective investors in the Funds should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees.

Deduction of Manager Expenses; Timing of Payments; Termination

Pingora Asset Management is authorized under the Governing Documents to charge and deduct Manager Expenses directly from the assets of the Funds. Payment of Manager Expenses is generally made on a quarterly basis. Please refer to the Governing Documents of each of the Funds for complete information on the timing of payments of Manager Expenses.

Upon termination of any Fund's advisory relationship with Pingora Asset Management, any prepaid Manager Expenses will be promptly refunded to such Fund, and any unpaid Manager Expenses will be due and payable.

Other Fees and Expenses

In addition to any Manager Expenses payable to Pingora Asset Management, a Fund will incur certain charges imposed by third parties and other expenses. Such expenses may include (but are not limited to): expenses associated with: the acquisition, holding, modification and disposition of Assets, (including prospective investments not consummated); hedging strategies; operating the Fund; organizing and operating any entities related to the Fund or any Feeder Fund (as defined below), including any AIVs (as defined below) (provided, that if not all investors of a Fund participate in any AIV, such expenses shall instead be allocated to such AIV unless otherwise determined by the general partner of the applicable Fund in its discretion); maintaining the places of business of the Fund or any Feeder Fund; any borrowings or guarantees by the Fund; taxes or other governmental charges or levies; legal, custodial, auditing, accounting, due diligence, appraisal, valuation, brokerage and consulting services; certain fees and expenses of the Master Servicer or any sub-servicers; fees and expenses of the administrator; out-of-pocket expenses of the advisory committee; organizational expenses; Manager Expenses; preparing reports to investors; preparing tax returns; investor meetings; reasonable premiums for insurance protecting the Fund and the general partner (and the Fund's allocable portion of any premiums for insurance protecting Pingora Asset Management, as determined in good faith by Pingora Asset Management); winding up and liquidating the Fund; any investor's default in respect of a commitment; and any litigation and indemnification expenses, if any.

The types of other fees and expenses incurred will vary from Fund to Fund. Please refer to the Governing Documents of each applicable Fund for more complete information.

The section titled "*Brokerage Practices*" (Item 12 below) describes the factors Pingora Asset Management considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

Timing of Payments

Please refer to the subsection titled "*Deduction of Fees; Timing of Payments; Termination*" described above.

Transaction-Based Compensation

Pingora Asset Management does not receive any compensation as broker or agent for the sale of securities or other investment products to any Fund. Please refer to the subsection titled “*Economic Benefits Received from Third Parties*” in Item 14 below for information on other types of compensation that Pingora Asset Management may receive with respect to investments by the Funds.

Item 6 - Performance-Based Fees and Side-by-Side Management

Performance-Based Fees

As discussed under the section titled “Fees and Compensation” (Item 5 above), Pingora Asset Management does not receive performance fees, “carried interest” or other form of incentive compensation from its Funds.

Side-by-Side Management

Pingora Asset Management does not provide concurrent advisory services to (a) Funds that are not charged a performance-based fee or allocation by Pingora Asset Management or its related persons and (b) Funds that are charged a performance-based fee or allocation by Pingora Asset Management or its related persons. However, in the future, Pingora Asset Management may provide concurrent advisory services to (x) Funds that are not charged a performance-based fee or allocation by Pingora Asset Management or its related persons and (y) Funds or accounts that are charged a performance-based fee or allocation by a related person of Pingora Asset Management. Pingora Asset Management may also provide concurrent advisory services to Funds that are charged different performance-based fees or allocations and, in certain cases, Pingora Asset Management may only be permitted to take a performance-based fee or allocation from a Fund after the investors in such Fund have received a preferred annual return on their contributed capital. As a result, the potential for Pingora Asset Management’s related persons to receive different fees or allocations from performance-based accounts creates a potential conflict of interest with respect to the allocation of investment or disposition opportunities because Pingora Asset Management may have an incentive to direct the best investment ideas to, or to allocate investments in favor of, the account that pays a more favorable performance fee or allocation. In the event Pingora Asset Management in the future has accounts that are charged a performance-based fee or allocation, it will adopt an investment allocation policy to mitigate this potential conflict of interest.

Item 7 - Types of Clients

Types of Clients

Pingora Asset Management generally will provide investment advice to pooled investment vehicles, including the Funds. The limited partners or members of the Funds may include private funds, corporations, financial institutions, funds-of-funds, governmental bodies or agencies, insurance companies, endowments, foundations, trusts, estates, individuals and pension and profit sharing plans.

Pingora Asset Management may also provide investment management and supervisory services to separate account clients.

In connection with the formation and management of a Fund, Pingora Asset Management may form certain related entities for such Fund. Pingora Asset Management may establish vehicles (“Feeder Funds”) to address tax, legal or regulatory issues or requirements of certain investors in such Fund. Each Feeder Fund, if formed, would be a limited partner (or equivalent) of a Fund or an AIV (as defined below) and interests in such Feeder Fund would be held by investors who participate in the Fund or an AIV through such Feeder Fund. Please refer to the Governing Documents of the applicable Fund or AIV for complete details on any Feeder Fund established by Pingora Asset Management in connection with that Fund. Pingora Asset Management may also form “parallel funds” to invest alongside such Fund in all of its investments. In addition, Pingora Asset Management may form “alternative investment vehicles” or special purpose vehicles (collectively, “AIVs”) for the purpose of facilitating certain investments by one or more Funds. Please refer to the Governing Documents of the applicable Fund for complete details on parallel funds and AIVs.

Minimum Investment Requirements

Interests in the Funds are offered in private placements under the U.S. Securities Act of 1933, as amended (the “Securities Act”). As a result, Pingora Asset Management generally offers limited partner (or equivalent) interests in the Funds to a limited number of “accredited investors” as defined in Regulation D under the Securities Act.

There is no stated minimum investment commitment required of an investor to participate in a Fund. However, Pingora Asset Management expects most investors will be large institutional investors investing in excess of \$1,000,000. Investors and prospective investors in each Fund should refer to the Governing Documents of such Fund for more complete information on minimum investment requirements for participation in such Fund.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies

Pingora Asset Management’s primary investment focus is investments in Assets intended to provide certain economic benefits arising from one or more Specified MSR Pools of MSRs related to U.S. mortgage loans. An MSR is a contractually created right to service a mortgage loan or pool of mortgage loans over the life of such loans in exchange for a specified fee stream, subject to continued performance of services in accordance with the servicing contracts. The Funds’ Assets will be in two forms which collectively will represent a beneficial interest in all of the excess servicing fees generated by Specified MSR Pools, less expenses and liabilities related thereto. A majority of the Funds’ invested capital will be invested in excess servicing participation certificates (“ESPCs”) representing the right to receive a specified portion of excess servicing fees from Specified MSR Pools. Excess servicing fees are fees to which the holder of an MSR is entitled in excess of the fee amounts necessary to compensate the MSR holder (or its designee) for performing the operational services related to mortgage loans. A minority of the Funds’ invested capital will be invested in the form of non-voting tracking stock (“NVTS”) issued by Gilpin Financial Services, Inc. (the “Master Servicer”), an affiliate of Pingora Asset Management. The NVTS will be designed to track the performance of Specified MSR Pools, less all expenses and liabilities related thereto. The investments in and allocations among the

ESPCs and NVTs will be designed with the goals of satisfying regulatory requirements applicable to the Master Servicer and tax efficiency for the investors in the Funds. The Funds expect to generate proceeds for investors from the cash flow from and sale of these Assets. There can be no assurance that the investment objectives of the Funds will be achieved.

MSR investments will primarily take the form of unregistered securities issued by the Master Servicer who will service the underlying loans pursuant to the servicing contracts. Although the primary focus of each Fund will be on private investments in MSRs, Pingora Asset Management may from time to time recommend other types of investments to the extent consistent with the respective Fund's investment strategy and objectives and its Governing Documents.

Methods of Analysis

Pingora Asset Management will conduct due diligence on every seller of MSRs through the Master Servicer to the Funds and every originator of loans related to such MSRs, if different, to determine the quality of the underwriting they perform, the quality of the underlying loans and the financial strength of the seller. The goal of this due diligence is to ensure the creditworthiness of the seller as a counterparty and to ensure that the MSRs the Funds purchase perform well against Pingora Asset Management's investment assumptions, and in particular, Pingora Asset Management's delinquency and prepayment assumptions, as these are two key drivers of returns. Pingora Asset Management expects to continuously monitor the performance of loans of each seller over the life of the MSRs to identify areas for improvement in its underwriting of sellers and opportunities to fine-tune the Funds' portfolio mix depending on how certain loan types perform.

Pingora Asset Management will employ a combination of pre-funding due diligence and constant back testing that generally may include:

- Re-underwriting random samples of loans underlying MSRs owned by the Funds;
- Back testing loans underlying MSRs owned by the Funds against initial assumptions; and
- Comparing each loan originator's product against its peers to try to identify outlying data.

Pingora Asset Management expects that its diligence of prospective sellers and originators generally will include:

- Reviewing the most recent audits or feedback letters from the government-sponsored entities ("GSEs"), Government National Mortgage Association ("Ginnie Mae"), Federal Housing Administration ("FHA"), Department of Veterans Affairs ("VA"), Rural Housing Service ("RHS") and the Department of Housing and Urban Development ("HUD");
- Reviewing and underwriting financial performance, including audits;
- Interviewing other investors to whom they are selling or for whom they are servicing;
- Reference calls;

- Reviewing the origination, processing, underwriting and closing processes;
- Reviewing internal post-closing quality control reports;
- Reviewing outstanding and historical repurchase requests from GSEs and investors;
- Evaluating compare scores, historic delinquencies, and other available metrics for originators; and
- Underwriting the credit of the originator and limiting counterparties to those with sufficient net worth to mitigate representation and warranty risk; and
- Reviewing pre-closing quality control processes (e.g. determining whether the seller performs a verbal Verification of Employment, recertifies appraisals, etc.).

The foregoing describes diligence practices generally; however, not all diligence procedures may be pursued with respect to every counterparty or transaction.

Material Risks

The task of identifying investment opportunities and managing such investments is difficult. There can be no assurance that a Fund will be able to make any particular investment or that a Fund will be able to generate returns for its investors. In addition, there can be no assurance that any investor will receive any distribution from a Fund. Investing in a Fund involves a risk of loss that investors should be prepared to bear. Investors should carefully consider, among other factors, the following material risks involved with Pingora Asset Management's investment strategies. Please refer to the Governing Documents of the applicable Fund for more complete information on the investment strategies employed by such Fund and corresponding risks associated with such investment strategies.

General Economic and Market Conditions. General economic and market conditions, such as interest rates, housing prices, mortgage prepayment rates, availability of credit, inflation rates, increased competition, economic uncertainty and changes in laws and regulations, may have a significant impact on a Fund and its investments.

Limited Liquidity. An investment in a Fund will be illiquid. An investor will not be permitted to sell, assign or transfer its interest in the Fund without the prior written consent of the general partner, which may be granted or withheld in its sole and absolute discretion.

Long-Term Commitment Required. An investment in a Fund is a long-term commitment.

Competition and Supply. The success of a Fund will depend, in part, on Pingora Asset Management's ability to identify and acquire investments for the Fund on advantageous terms. In acquiring the MSRs, a Fund will compete with other mortgage banking companies and institutional investors, including large financial institutions, other funds with investment objectives similar to the Fund's, mortgage loan servicers and other financial services companies.

Disclosure Requirements; Exclusion or Mandatory Withdrawal of Investor. Certain federal agencies, including Federal National Mortgage Association (“Fannie Mae”), Federal Home Loan Mortgage Corp. (“Freddie Mac”) and Ginne Mae (the “Agencies”), and state regulatory authorities require disclosure and/or delivery of certain information and documentation regarding the direct and indirect owners of the Master Servicer who own, directly or indirectly, more than a specified amount of the Master Servicer (the “Disclosure Requirements”).

Failure to comply with any Disclosure Requirements, including due to an investor’s failure to provide information or documentation necessary to comply with such Disclosure Requirements, may subject the Master Servicer to penalties or fines or could lead to the termination and foreclosure of the Master Servicer’s MSR by the Agencies, which would adversely impact the Fund’s business and returns. In addition, an investor may be compelled to effect a full or partial redemption or sale of its interest in a Fund to the extent the general partner makes a good faith determination, after consultation with counsel, that there is a substantial likelihood that as a result of the investor’s continued interest in the Fund, (i) the Fund or the Master Servicer would be in violation of, or would not be in compliance with, any law, rule or regulation to which the Fund or the Master Servicer is or would be subject, or (ii) a significant delay, extraordinary expense or material adverse effect on the Fund, the Master Servicer or the partners is likely to result.

Investments Longer than Term. A Fund may make investments which may not be advantageously disposed of prior to the date that the Fund will be dissolved, either by expiration of the Fund’s term or otherwise. The Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Leverage and Financing Risk. A Fund may leverage its capital if the general partner believes that the use of leverage is prudent in relation to the nature of the asset and the Governing Documents of the applicable Fund permit leverage. Accordingly, the Fund may pledge its assets in order to borrow additional funds for investment purposes. While leverage presents opportunities for increasing a Fund’s total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by a Fund would be magnified to the extent the Fund is leveraged. The cumulative effect of the use of leverage by a Fund in a market that moves adversely to its investments could result in a substantial loss to the Fund which would be greater than if the Fund was not leveraged.

Nature of Investments. The Funds expect to acquire assets to generate current income from servicing fee revenues. The assets a Fund may acquire may, however, fail to generate expected returns as a result of borrower prepayment of or default on the underlying mortgage loans associated with the assets. Accordingly, a Fund may not be able to realize returns from its acquired assets.

Concentration of Investments. The Funds will concentrate their investments in certain assets and strategies, and may concentrate their investments in certain geographies or in assets originated by certain originators. Accordingly, a Fund’s investments may be disproportionately impacted by economic, political, geographic or regulatory conditions affecting such assets and strategies, or a particular originator, geography or market, than if the Fund had a more broadly diversified investment portfolio.

Side Letters; Different Terms of Interests. The Funds and the general partner, and in certain cases Pingora Asset Management, have the discretion to waive or modify the application of any provision of the applicable Governing Document in respect of any investor, or grant special or more favorable rights with respect to any provision, including, without limitation, the provisions relating to transfers, notices and transparency, with respect to any investor.

Prepayment of Underlying Mortgage Loans. Income to a Fund from its assets is based on the amount of servicing fees received by the Master Servicers engaged by the Fund. The amount of servicing fees that the Master Servicers receive, in turn, is based on the unpaid principal balance of the loans underlying the MSRs held by the Master Servicers. The purchase price for the assets acquired by the Fund will be based in part on projected cash flows from the related mortgage loan or pool of loans. Such cash flows will be impacted by the speed and volume of borrower prepayments of such loans. If prepayment rates are higher than projected, the actual value of an asset may be low in relation to its purchase price. Voluntary prepayments may occur as a result of refinancings due to lower interest rates or home sales as a result of rising home prices. The Fund's income also may decrease as a result of "involuntary prepayment" of underlying mortgage loans due to borrower default or delinquency with respect to such loans.

Increase in Servicer Advance Obligations. During any period in which a borrower is not making payments on a mortgage loan, generally under the servicing agreements for the loan, the servicer is required to advance to the security holders certain delinquent payments of principal and interest, and additionally the servicer may advance payments for delinquent taxes and assessments and hazard insurance premiums, and foreclosure, maintenance, sale and liquidation related expenses in order to preserve the lien and property on behalf of the security and/or loan holder. Consequently, if the economy slows and/or the housing market continues to deteriorate, causing an increase in delinquencies and defaults, servicer advance obligations may increase. In most cases, the Fund or the Master Servicer will bear the economic consequences of such advances. An increase in servicing advances outstanding relative to the amount of the unpaid principal balance of the mortgage loans underlying a Fund's assets could result in a strain on the financial resources of the Master Servicer, and consequently, the Fund, as this would increase the Master Servicer's financing costs with no offsetting increase in interest income or servicing fee revenue. In addition, if the cost of servicing advances increases to a level where the Master Servicer is unable to finance additional servicing advances, the Master Servicer may not be able to fulfill its obligations to fund servicing advances itself.

Minimum Servicing Fee Changes. Currently, when a Fannie Mae or Freddie Mac loan is sold into the secondary market, the servicer is generally required to retain a minimum servicing fee ("MSF") of 25 basis points of the outstanding principal balance for fixed rate mortgages. In September 2011, the Federal Housing Finance Agency ("FHFA") announced that a Joint Initiative on Mortgage Servicing Compensation was seeking public comment on two alternative mortgage servicing compensation structures. Any changes to the MSF could have a significant negative impact on the Funds.

Representation and Warranty Risk. In connection with the sale of a mortgage loan, the originator makes certain representations and warranties about the loan, the underlying property, compliance with laws and regulations, underwriting guidelines established by the applicable GSE or agency and meeting servicing standards. A breach of any of the origination

representations and warranties subjects the originator to the risk that the applicable GSE or agency will require the originator to repurchase the loan or otherwise indemnify the owner for losses related to such loan. The Master Servicer will be subject to such liabilities in respect of its legacy loan origination business. In some cases, a Fund or a wholly owned subsidiary of a Fund will be directly liable for such liabilities. A breach of servicing representations and warranties on Ginnie Mae loans may result in penalties or fines to the servicer or, in some cases, the termination of the servicing rights. Unless bifurcated, representations and warranties related to loans originated by Fannie Mae and Freddie Mac are assumed by any purchaser or successor servicer (although there are occasions where the purchaser of the MSR does not assume the representations and warranties). The GSEs reserve the right to terminate and foreclose on a servicer's MSRs for breaches of these representations and warranties. In addition, if the representations and warranties made in connection with the origination of a mortgage loan or pool of mortgage loans are assumed by the Master Servicer in connection with its acquisition of the MSRs related to such loans, the Funds will be liable for the repurchase of such loans in the event of a breach of the originator's representations and warranties. In those circumstances, the Funds' only recourse will be against the originator and their ability to recover any losses may depend on the creditworthiness of the originator.

Interest Rate Risk; Hedging. Changes in interest rates are a key driver of the performance of investments in MSRs. If interest rates fall, homeowners are more likely to refinance loans, effectively terminating the servicing fees associated with such loans. The Funds may also use derivatives to hedge a portion of its exposure to other sources of volatility related to the MSR market, and this approach has certain risks, including the risk that losses on a hedge position will reduce the cash available for distribution to investors and that such losses may exceed the amount invested in such instruments.

Counterparty Risk; Diversification. The Funds will seek to acquire assets from a diverse group of mortgage loan originators in order to manage potential risks associated with counterparties associated with the assets. Counterparty risks include, among other things, the creditworthiness of the originator, the originator's ability to satisfy any indemnification claims and whether the originator originated the underlying mortgage loans using underwriting guidelines that conform to Fannie Mae, Freddie Mac, FHA, VA or RHS guidelines. The Funds' performance may be materially adversely impacted by the poor performance of assets related to mortgage loans originated by a single originator.

Lack of Available Credit. The residential mortgage market has been severely affected by changes in the lending landscape. There can be no assurance that this market has stabilized or that it will not worsen. Further credit availability contractions could limit the availability of investment opportunities.

Residential Mortgage Underwriting Standards. Some residential mortgage loans underlying the assets in which the Funds will invest may have been originated using less stringent underwriting guidelines than those used in underwriting mortgage loans that generally conform to Fannie Mae or Freddie Mac guidelines. Residential mortgage loans underwritten pursuant to less stringent guidelines, or that were poorly underwritten to their stated guidelines, have experienced substantially higher rates of delinquencies, defaults and foreclosures than those

residential mortgage loans underwritten in a manner more consistent with Fannie Mae, Freddie Mac, FHA, VA or RHS guidelines.

Risks Related to the Master Servicer. The performance of the Funds is directly related to the cash flow received in respect of their investments in ESPCs and NVTs issued by the Master Servicer. Such cash flows may be directly impacted by results of operation, financial condition, liquidity and liabilities of the Master Servicer. Certain additional risk factors could impact the Master Servicer's cash available for payment or dividend to the Funds in respect of their ESPCs or NVTs.

Regulated Business. The U.S. residential mortgage, real estate and financial markets are highly regulated by U.S. federal, state and local authorities. The Master Servicer or the Fund may be subject to certain liabilities to the GSEs or Agencies, and the GSEs or Agencies may have certain rights with respect to the Master Servicer and the MSRs, and may impose penalties and fines on the Master Servicer. Such government regulations and the actions of the GSEs or Agencies could have a negative impact on the Funds or their investments. In addition, changes in regulations applicable to the Funds, their investments, MSRs and servicers could have a negative impact on the Funds or their investments. These changes are difficult to predict and their impact on certain participants in an industry, including the Funds, could be particularly acute.

Item 9 - Disciplinary Information

Pingora Asset Management and its management persons have not been the subject of any material legal or disciplinary proceeding required to be disclosed in response to this item.

Item 10 - Other Financial Industry Activities and Affiliations

Registered Broker-Dealers

Neither Pingora Asset Management nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors

Neither Pingora Asset Management nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of any of the foregoing.

Relationships with Related Persons

Pingora Asset Management is owned and controlled by SCP IV, a private equity fund sponsored and managed by Sterling. Sterling provides investment advisory services to private equity investment funds it has sponsored or organized. SCP IV will also invest in the Funds. Like any private equity investor, SCP IV may seek to capitalize on its investment through a sale of its portfolio companies, including Pingora Asset Management and/or the Master Servicer. Consequently, Pingora Asset Management and/or the Master Servicer may be sold during the

term of a Fund, subject to compliance with the Advisers Act and the Governing Documents of the applicable Funds. Please refer to the Governing Documents of each Fund for more information regarding the requirements for such a transaction.

Sterling and its related persons currently engage, and Pingora Asset Management and its related persons will engage, in a broad range of activities, including investment activities for their own account. As a result, the interests of a Fund may conflict with the interests of Sterling or Pingora Asset Management or their respective related persons or one or more other Funds or private investment funds managed by Sterling. Certain of these conflicts of interest are described below (although the discussion below does not necessarily describe all of the conflicts that may potentially be faced by a Fund). Please also refer to the subsection titled “*Participation or Interest in Client Transactions; Personal Trading*” in Item 11 below and the Governing Documents of each Fund for more information, including with respect to transactions that may be subject to specific consent requirements.

Pingora Asset Management and its related persons may manage multiple Funds. This can create conflicts in the allocation of time, resources and investment opportunities among the Funds. Please refer to the Governing Documents of the relevant Fund for more complete information on the requisite time commitments (if any) of Pingora Asset Management and its related persons to the Funds and the allocation of investment opportunities among the Funds.

In addition, investment opportunities that are otherwise appropriate for a Fund may be made available in whole or in part to another Fund because such opportunity would be complementary to and/or enhance such existing Fund’s MSR investments in particular pools of mortgage loans.

Certain Funds may hold or may acquire positions in investments in which other Funds invest or have invested. Such investments may be coincident with or precede one another. Where investments by multiple Funds in the same pools of MSRs are made at different times, in different proportions or in different forms, conflicts of interest with regard to valuation and other matters can arise. Where a Fund co-invests with one or more other Funds, such Fund may have divergent interests from the other Funds with respect to exit timing and strategies with respect to such investments.

Investments by a Fund may cause Pingora Asset Management and its related persons to become subject to legal or contractual restrictions on their ability to effect transactions for other Funds, for example due to the receipt of non-public information or due to the existence of a control relationship between Pingora Asset Management and a servicer. In addition, it is possible that in a bankruptcy proceeding a Fund’s interest in an investment may be adversely affected by another Fund’s involvement and such other Fund’s actions relating to its investment.

Pingora Asset Management will determine all matters relating to structuring transactions, including the amount and terms of securities and allocation of securities among the relevant Funds, using its best judgment considering all factors it deems relevant and subject to any specific consent or other requirements under the Governing Documents for the relevant Funds.

Relationships with the Master Servicer

Acquiring and owning MSR requires licenses and approval by the applicable Agencies and applicable state regulatory authorities. The Funds will collaborate with the Master Servicer, an affiliate of Pingora Asset Management that will have or will obtain the necessary licenses and approvals, to hold the MSRs. The Funds may initially (and in limited instances, at other points during the term of the Funds) partner with third party “master servicers” to hold certain MSRs including in instances where the Master Servicer does not have the requisite licenses and approvals required by a state regulatory authority. The Master Servicer will hold pools of MSRs, engage one or more sub-servicers to perform the requisite loan servicing functions and issue to the Fund a variety of financial instruments to convey to the Fund certain economic benefits of specified pools of MSRs. The Master Servicer also may acquire MSRs from sub-servicers.

The Master Servicer is an affiliate of Pingora Asset Management that is indirectly owned and controlled by SCP IV. Accordingly, although the Funds will engage the Master Servicer on terms and conditions customary to the loan servicing market, including customary indemnification, the terms of any servicing arrangement with the Master Servicer will not be negotiated on an arms-length basis and may not be as favorable to the Funds as a loan servicing arrangement with an unaffiliated third party. The Funds also may purchase Assets from the Master Servicer. Although the Funds will purchase any such Assets on market terms and conditions, any such arrangement will not be negotiated on an arms-length basis and may not be as favorable to the Funds as a transaction with an unaffiliated third party.

As described in the applicable Governing Documents for the Funds, a Fund will purchase ESPCs and NVTs from the Master Servicer on a regular basis. The Funds’ purchases of ESPCs and NVTs from the Master Servicer will be on terms and conditions, including price, negotiated with the third party seller of the Specified MSR Pool to which such ESPCs and NVTs relate. The Funds’ purchases of ESPCs and NVTs from the Master Servicer in accordance with these arrangements will not require the consent of any investors or the advisory committee of the applicable Funds. By subscribing for an interest in a Fund, the investors are consenting to the Fund’s purchases of ESPCs and NVTs from the Master Servicer on the terms and conditions described in the Fund’s Governing Documents.

As described in the applicable Governing Documents for the Funds, the Funds intend to purchase ESPCs and NVTs from the Master Servicer in respect of the MSRs owned by the Master Servicer at that time (the “Gilpin Legacy MSR Portfolio”) on the terms and conditions described in the applicable Fund Governing Documents. The Funds also may purchase additional ESPCs and NVTs in respect of MSRs from the Master Servicer if the Master Servicer continues to originate mortgage loans. To the extent Pingora Asset Management determines that any portion of the Gilpin Legacy MSR Portfolio does not fit the Funds’ investment criteria, such MSRs will be retained by the Master Servicer and beneficial ownership thereof will not be conveyed to the Funds. The purchases of ESPCs and NVTs from the Master Servicer in respect of the Gilpin Legacy MSR Portfolio will not require the consent of any investors or the advisory committee of the applicable Fund. By subscribing for an interest in a Fund, investors are consenting to the Fund’s purchases of ESPCs and NVTs in respect of the Gilpin Legacy MSR Portfolio on the terms and conditions described in the Fund’s Governing Documents.

As early as six months prior to the expiration of the term of a Fund, the general partner of the applicable Fund may determine that it is in the best interests of the Fund to dispose of its

portfolio of ESPCs and NVTs in its entirety in a bulk transaction in order to liquidate the Fund. The purchaser of such ESPCs and NVTs in such a bulk sale may be the Master Servicer, another investment vehicle managed by Pingora Asset Management (including, without limitation, a successor fund) or another affiliate of Pingora Asset Management or the general partner of the applicable Fund. The general partner of the applicable Fund shall seek the approval of the advisory committee of the Fund for any such sale of all of the Fund's ESPCs and NVTs in a bulk transaction with an affiliate in order to liquidate the Fund.

Except as expressly provided in the applicable Fund's Governing Documents, transactions between a Fund, on one hand, and the Master Servicer or an affiliate of Pingora Asset Management, on the other hand, will require the prior written consent of the Fund's advisory committee. In addition, except as expressly provided in the applicable Fund's Governing Documents, the consent of the Fund's advisory committee will be required for any transaction for which limited partner consent is required pursuant to the Advisers Act. By subscribing for an interest in a Fund, investors are consenting to the Fund's advisory committee approving any such transactions on behalf of the Fund. Any transaction approved by the Fund's advisory committee will be deemed to have satisfied any of the conditions outlined herein. Please also refer to the subsection titled "*Participation or Interest in Client Transactions; Personal Trading*" in Item 11 below and the Governing Documents of each Fund for more information, including with respect to transactions that may be subject to specific consent requirements.

Pingora Asset Management has adopted policies and procedures to address these conflicts of interests.

Selection or Recommendation of Other Advisers

Pingora Asset Management does not recommend or select other investment advisers for its clients and does not receive compensation from such advisers in a manner that would create a material conflict of interest. Pingora Asset Management does not have other business relationships with other advisers that create a material conflict of interest.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Pingora Asset Management has adopted a code of ethics ("Code of Ethics") under Rule 204A-1 of the Advisers Act, expressing Pingora Asset Management's commitment to ethical conduct. Pingora Asset Management's Code of Ethics describes its fiduciary duties and responsibilities to its advisory clients (such as a Fund), and sets forth, among other things, Pingora Asset Management's (1) policies on receipt of gifts by employees and the making of political campaign contributions, (2) practice of obtaining reports on and monitoring the personal securities transactions of its supervised persons with access to client investment recommendations and (3) pre-clearance requirements for certain personal securities transactions by such supervised persons. Under Pingora Asset Management's Code of Ethics, all of its supervised persons have a duty to act only in the best interests of the Funds and are required to promptly report all violations of the Code of Ethics to Pingora Asset Management's Chief Compliance Officer.

(“CCO”). All supervised persons must acknowledge receipt of the Code of Ethics and any amendments thereto.

Pingora Asset Management will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions; Personal Trading

As limited partners or members of the general partner (or equivalent control person) of each of the Funds, Pingora Asset Management and its related persons (including SCP IV, Sterling and its related persons) generally will have indirect beneficial interests in the investments owned by the Funds and will share in any profits and losses generated by the Funds’ investments.

The Master Servicer will issue and sell ESPCs, NVTs and other securities to the Funds as described herein and the applicable Fund Governing Documents. Please refer to the subsections titled “*Relationships with Related Persons*” and “*Relationships with the Master Servicer*” in Item 10 above and the Governing Documents of each Fund for more information.

Pingora Asset Management may cause a Fund to engage in “cross transactions” via the purchase of a portfolio investment from, or the sale of a portfolio investment to, another Fund, provided that the transaction is consistent with Pingora Asset Management’s fiduciary obligations to each Fund participating in the cross transaction and subject to any conditions or required consents under a Fund’s Governing Documents.

While Pingora Asset Management endeavors at all times to act in the best interests of the Funds, investors should be aware that the types of transactions described above create potential conflicts of interest with respect to Pingora Asset Management and the Funds.

Item 12 - Brokerage Practices

Discretionary Brokerage

With respect to those limited instances in which the Funds purchase, sell or distribute publicly traded securities through a broker-dealer or other agent, Pingora Asset Management will seek to satisfy its best execution obligation by considering relevant facts and circumstances, including, but not limited to, the agent’s service and responsiveness, the price and size of the order, the trading characteristics of the securities involved, the value of research provided by the broker, the agent’s execution abilities, commission rates, and the broker’s financial responsibility.

Research and Soft Dollar Benefits

Pingora Asset Management does not engage in soft dollar arrangements with respect to securities transactions for the Funds.

Any research services and/or other products or services that are provided to Pingora Asset Management by brokers or dealers in exchange for or in connection with brokerage commissions may be used for the benefit of all clients of Pingora Asset Management and do not necessarily benefit solely the Fund from which the commissions were generated. The receipt of research

and/or other products or services is not directly connected to the recommendation of brokerage services to the Funds, but does create a potential conflict of interest of which investors should be aware in assessing Pingora Asset Management's choice of broker-dealers.

Brokerage for Client Referrals

Pingora Asset Management does not consider in determining its selection of broker-dealers whether Pingora Asset Management receives referrals of potential investors from a broker-dealer or third party.

Directed Brokerage

Pingora Asset Management will have discretionary authority to select the brokers or dealers in connection with securities transactions of the Funds, and investors generally will not be permitted to direct Pingora Asset Management to use a particular broker or dealer to execute portfolio transactions on behalf of a Fund.

Trade Aggregation

Although Pingora Asset Management will not often trade in public securities, in such circumstances Pingora Asset Management may, to the extent possible, place a combined order for two or more Funds it manages engaged in the purchase or sale of the same public security at the same time if, in its good faith determination, joint execution would be consistent with its duty to seek best execution, consistent with the terms of the relevant Funds' Governing Documents, and otherwise in the best interest of the relevant Funds.

Pursuant to Pingora Asset Management's policy, the proposed allocation of any such combined order placed on behalf of more than one Fund should be determined and recorded in writing prior to placing the order. If all such orders are not filled at the same price, then Pingora Asset Management will use reasonable measures to cause each Fund to pay or receive the average of the prices at which the orders were filled for all accounts. If all orders placed for a Fund cannot be fully executed under prevailing market conditions, then Pingora Asset Management will use reasonable measures to ensure that the securities purchased or sold are allocated among the applicable Funds on a pro rata basis or in some other equitable manner, taking into account the size of the order placed for each Fund and any other relevant factors.

Item 13 - Review of Accounts

Review of Client Accounts

Pingora Asset Management will regularly monitor portfolio investments on behalf of the Funds. Pingora Asset Management's investment committee will review developments and progress of portfolio investments, generally. Investments will also be reviewed in the context of each Fund's stated investment objectives, guidelines and restrictions as set forth in the Governing Documents of such Fund. Pingora Asset Management's Chief Executive Officer will regularly review the investment portfolios of the Funds for consistency with such objectives, guidelines and restrictions.

Reports to Clients

Pingora Asset Management will distribute quarterly and annual written reports to the investors in each Fund. Quarterly reports generally will contain an unaudited balance sheet and income statement of the Fund for the quarter and summary information regarding the Fund's investments and performance for such quarter. Annual reports generally will contain summary information regarding the Fund's investments and performance and the audited financial statements of the Fund for such year.

Investors should refer to the Governing Documents of the relevant Fund for further information on the reports provided by a particular Fund to its investors.

Item 14 - Client Referrals and Other Compensation

Economic Benefits Received from Third Parties

Pingora Asset Management does not expect to charge or receive any transactional fees, or similar fees from third parties in connection with the investments of the Funds. Certain affiliates or related persons of Pingora Asset Management may provide *bona fide* servicing, master servicing and related services to the Funds or in connection with the Fund's investments and receive market based fees therefor. Please refer to the subsection titled "*Relationships with the Master Servicer*" in Item 10 above and "*Participation or Interest in Client Transactions; Personal Trading*" in Item 11 above and the Governing Documents of each Fund for complete information.

Third Party Compensation for Investor Referrals

Pingora Asset Management and related persons of Pingora Asset Management may enter into cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to a Fund. Any sales charge or placement fee associated with such arrangements will be borne by Pingora Asset Management unless otherwise provided by a Fund's Governing Documents.

Item 15 - Custody

Pingora Asset Management will not have physical custody of any client assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Nevertheless, Pingora Asset Management will generally be deemed to have custody of the assets of the Funds as a result of its position as an affiliate of the general partner (or equivalent control person) of each Fund.

It is Pingora Asset Management's general policy to cause the annual financial statements of each Fund with assets over which Pingora Asset Management is deemed to have "custody" to be audited annually and to distribute such audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to investors in such Fund no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of any such Fund, Pingora Asset Management will generally obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all of its

investors promptly after completion of the audit. For these Funds, investors will not receive account statements from the bank or other qualified custodian holding physical custody of such Fund's securities.

In the cases where a Fund does not deliver audited financial statements to investors as provided above, a qualified custodian will send quarterly account statements to each investor in such Fund. Investors should review these account statements carefully. If Pingora Asset Management, on behalf of the Fund, also provides investors in such Fund with a quarterly report detailing account holdings for such Fund, investors are urged to compare the account statements received from the Fund with account statements received from the qualified custodian.

Item 16 - Investment Discretion

Subject to the investment objectives, guidelines and restrictions of each Fund as set forth in its Governing Documents, Pingora Asset Management will have discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of such Fund, including the selection of, and commissions paid to, broker-dealers.

Item 17 - Voting Client Securities

Almost all of the Funds' investments will be in ESPCs and NVTs related to MSRs. In such cases, there are typically limited or no voting rights. However, where there are voting rights, with respect to the Funds, Pingora Asset Management will exercise any such voting rights for securities held by each Fund. The investors in the Funds will not be permitted to direct the vote of Pingora Asset Management with respect to the securities held by such Fund.

Because Pingora Asset Management will have, or will accept, authority to vote securities held by a Fund, Pingora Asset Management has policies and procedures (the "Proxy Voting Policies and Procedures") which have been designed to ensure that Pingora Asset Management will comply with the requirements of Rule 206(4)-6 under the Advisers Act, and reflect Pingora Asset Management's commitment to vote all Fund securities for which it exercises voting authority in a manner consistent with the best interest of the applicable Funds.

Prior to exercising its voting authority, Pingora Asset Management, in consultation with the CCO, if appropriate, will review the relevant facts and determines whether or not a material conflict of interest may arise due to business, personal or family relationships of Pingora Asset Management or any of its supervised persons. If a material conflict exists, Pingora Asset Management will take steps to ensure that its voting decision is based on the best interests of the applicable Fund and is not a product of the conflict. Pingora Asset Management may, at its discretion, (1) seek the advice of the applicable advisory committee of a Fund (if any) in voting such security; (2) disclose the conflict of interest to the applicable advisory committee of a Fund and defer to the recommendation of such advisory committee; (3) (in the case of a publicly traded company) defer to the voting recommendation of an independent third party provider of proxy voting services; (4) exclude the supervised person with whom the conflict exists from the decision on voting the securities; and/or (5) take such other actions in good faith which would serve the best interest of the Fund. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest may differ from the resolution of another

conflict of interest, even though the general facts underlying both conflicts may be similar (or identical).

Pingora Asset Management will deliver to each Fund and each investor in a Fund, upon written request, a complete copy of its Proxy Voting Policies and Procedures and/or information on how it voted securities for the applicable Fund.

Item 18 - Financial Information

Pingora Asset Management has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.