

Item 1 – Cover Page

Form ADV Parts 2A and 2B: FIRM BROCHURE

PINGORA ASSET MANAGEMENT, LLC

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

Pingora is an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”). Registration the SEC does not imply a certain level of skill or training.

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

Item 2 – Material Changes

There are no material changes from Pingora's last Brochure, dated March 19, 2013. However, this year's Brochure provides more disclosure and detail in most Items. In particular, this Brochure has been amended in its entirety from Pingora's previous annual filing to more accurately reflect its business practices.

Pursuant to SEC rules, Pingora provides a summary of material changes to its Brochure within 120 days of the close of Pingora's fiscal year. Pingora may provide further disclosures about material changes as deemed necessary. Additionally, Pingora will provide to clients a new Brochure as necessary, without charge. Pingora's Brochure may be requested by contacting Ron Bendalin, Chief Compliance Officer at (720) 475-1292 or rbendalin@pingorafund.com.

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Item 4 – Advisory Business

A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

Founded in 2012, Pingora Asset Management, LLC (“Pingora”) is a specialized private investment firm. Pingora provides investment advisory services to two master funds (“Master Funds”): Pingora MSR Opportunity Fund I-A, L.P., a Delaware limited partnership (“Fund A”); and Pingora MSR Opportunity Fund I-B, L.P., a Delaware limited partnership (“Fund B”). Pingora also has two private investment feeder funds: Pingora MSR Opportunity Feeder I-A, L.P., a Cayman Island exempted limited partnership (“Feeder A”) and Pingora MSR Opportunity Feeder I-B, LLC, a Delaware limited liability company (“Feeder B”) (“Feeder Funds”, and collectively with the Master Funds, the “Funds”). The Master Funds make investments, and the Feeder Funds invest in the Master Funds. Each investor will have the same percentage interest in each of Fund A and Fund B, although certain investors may hold investments through a Feeder Fund.

Pingora MSR Fund I GP, LLC, serves as the general partner for each Master Fund, and is deemed a relying adviser registered with the United States Securities and Exchange Commission (“SEC”) and subject to Pingora’s compliance program. Pingora serves as the Funds’ investment manager. References in this Brochure to Pingora include its general partner affiliates through which Pingora provides investment advisory services.

Pingora 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”). Sterling is an investment adviser registered with the SEC.

B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.

Pingora provides advisory services as investment manager to the Funds. Pingora’s primary investment strategy focuses on securities arising from one or more specified pools of mortgage servicing rights, specifically mortgage servicing rights (“MSR”) called MSR Pools. These MSRs relate to U.S. mortgage loans. A MSR is a contractually created right to service a mortgage loan or pool of mortgage loans over the life of the loans in exchange for a specified fee stream. The fee stream continues as long as there is continued performance of services in accordance with the related loan servicing contracts.

Pingora’s advisory services consist of investigating, identifying and evaluating MSR Pool-related investment opportunities; structuring, negotiating and making investments on behalf of the Funds; managing and monitoring the performance of the investments and disposing of the investments. Pingora tailors its advisory services to the specific investment objectives and restrictions of each Fund as set forth in each Fund’s limited partnership or limited liability company agreement, investment management agreement, confidential private placement memorandum and other

governing documents (“Governing Documents”). Further details regarding the investment approach and objectives of the Funds may be found in each Fund’s Governing Documents, and further details regarding Pingora’s investment strategy may be found in Item 8 below. .

C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.

Pingora manages Fund assets on a discretionary basis in accordance with the terms and conditions of each Fund’s Governing Documents. Pingora provides investment advice directly to each Fund and does not tailor its advisory services to the individual needs of investors in its funds.

Fund investors cannot impose restrictions on investing in certain securities or types of securities. Investors participate in the overall investment scheme of the Fund. Pingora may enter into side letter or similar agreements that have the effect of establishing investor specific rights, benefits or privileges that are not made available to investors generally. The Funds generally will only offer such agreements if Pingora believes other Fund investors will not be materially disadvantaged.

D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

Pingora does not participate in wrap fee programs.

E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date “as of” which you calculated the amounts.

As of December 31, 2013, Pingora had regulatory assets under management of approximately \$547,900,000, all of which are managed on a discretionary basis. Pingora does not manage any assets on a non-discretionary basis.

Item 5 – Fees and Compensation

A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

Pingora does not receive a traditional asset management fee, carried interest allocation, or other incentive compensation from its Funds. Instead, the Funds pay or reimburse Pingora and its affiliates for all of their administrative and overhead expenses (collectively, “Manager Expenses”) including, without limitation, Pingora employee compensation, rent, administrative costs and general office overhead, and costs and expenses (including internal and external legal expenses) related to Pingora’s registration as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) and related ongoing compliance and filings. Manager Expenses are subject to a cap, specified in the applicable Governing Documents, of 1.5% of Fund capital commitments (during the Fund investment period) or a sliding percentage of Fund asset historical cost (after the investment period), measured each quarter. If the limit causes any portion of

Manager Expenses to not be paid, the expenses are reimbursed in later periods (assuming the limit is not reached in these later periods). Pingora may waive a portion of the Manager Expense payment proportionate to capital commitments made by Pingora employees or related persons. For further details regarding fees and compensation payable with respect to the Funds, please refer to the Governing Documents of each applicable Fund.

Pingora may establish future investment vehicles or accounts that use different compensation or fee schedules. Upon establishment of these investment vehicles or accounts, , Manager Expenses will be allocated among the Funds, the investment vehicles and other accounts pro rata based on the aggregate unpaid principal balance of the vehicles or accounts' MSR Pools (unless otherwise agreed to by the advisory committee for the relevant Fund).

B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.

Pingora deducts Manager Expenses directly from Funds' assets on a quarterly basis based on the Funds respective Governing Documents.

C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.

In addition to any Manager Expenses payable to Pingora, the Funds incur charges imposed by third parties and are required to pay these in accordance with each Fund's Governing Documents. These charges include expenses associated with the acquisition, holding, modification and disposition of Fund assets, (including prospective investments not consummated); hedging strategies; Fund operations; organizing and operating any entities related to the Fund or any Feeder Fund (as defined below in Item 7), any AIVs (also as defined below in Item 7) (but if not all Fund investors participate in the AIV, the expenses are allocated to the AIV unless otherwise determined by Pingora); maintaining the places of business of a Fund or any Feeder Fund; any borrowings or guarantees by a 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 (as defined below in Item 8) or any sub-servicers; fees and expenses of administrators; out-of-pocket expenses of a Fund advisory committee; organizational expenses; preparing reports to investors; preparing tax returns; investor meetings; reasonable premiums for insurance protecting a Fund or general partner (and a Fund's allocable portion of any premiums for insurance protecting Pingora); winding up and liquidating the Fund; any Fund investor's default for a capital call and any litigation and indemnification expenses.

The portion of these costs that relate to Fund offering and organization expenses are subject to a general limit of \$1.5 million; Pingora is required to pay any excess.

Item 12 below describes the factors Pingora considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

- D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.**

Pingora does not require Manager Expenses or any other fees be paid in advance.

- E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.**

Neither Pingora nor any supervised person accepts compensation for the sale of securities or other products.

Item 6 – Performance-Based Fees and Side-By-Side Management

If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a Client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.

Pingora does not receive a carried interest allocation or any other performance-based compensation from the Funds.

Item 7 – Types of Clients

Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

Pingora provides discretionary investment advice to the Funds. Investment advice is provided directly to the funds and not individually to investors in the Funds. Identifying details about the Funds may be found in Item 4, above, as well as the portion of Pingora's ADV Part 1 captioned "Private Fund report" at Section 7.B.(1).

In connection with the formation and management of its Funds, Pingora established Feeder Funds to address tax, legal or regulatory issues or requirements for investors in such Fund. Investors invest at the Feeder Fund level, and the Feeder Funds are limited to investors who are both "accredited investors" as defined in the Securities Act of 1933, as amended, and "qualified clients," as defined in the Advisers Act. Investors in the Funds may include institutions, such as private funds,

corporations, financial institutions, funds-of-funds, governmental bodies or agencies, insurance companies, endowments, foundations, trusts, estates, and pension and profit sharing plans.

Investors and prospective investors should refer to the Governing Documents of such Fund for complete information on minimum investment requirements for participation in such Fund.

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

A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.

The applicable Governing Documents of each Fund set forth more detailed descriptions of each Fund's investment strategies and methods of analysis. There can be no assurance that Pingora will achieve the investment objectives of the Funds and a loss of investment may be possible.

Pingora's investment strategy is focused on investments and economic benefits arising from MSR Pools related to U.S. residential mortgage loans. .

The Funds' assets will be invested in two forms, which collectively will represent a beneficial interest in all of the excess servicing fees generated by MSR Pools, less expenses and liabilities. The first is an excess servicing participation certificate ("ESPC") representing the right to receive a specified portion of excess servicing fees from MSR Pools. Excess service fees are loan portfolio servicing fees that exceed the basic servicing fees charged by the loan servicer (the excess fees are necessary to provide market compensation to the operational servicer to the mortgage loans). Most Fund investments fall into this form of MSR Pool investments.

The second form of MSR Pool investments is non-voting tracking stock ("NVTs"). This tracking stock is issued by Pingora Loan Servicing, LLC (the "Master Servicer"), an affiliate of Pingora. NVTs track the performance of MSR Pools, minus related expenses and liabilities. Pingora allocates Fund investments among ESPCs and NVTs in a manner that satisfies regulatory requirements applicable to the Master Servicer and is tax efficient for the Investors in the Funds. MSR investments primarily take the form of unregistered securities issued by the Master Servicer, who services the underlying loans pursuant to a servicing contract

An investment in any Fund involves a high degree of risk. A Fund may not meet its investment objectives or otherwise be able to successfully carry out its investment program. Therefore, an investment in a Fund should be undertaken only by investors whose financial resources are sufficient to enable them to bear the loss of all or part of their investment.

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

Pingora's diligence of prospective sellers and originators includes: 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 and the like).

Further details regarding the investment approach and objectives of a Fund may be found in its Governing Documents; further details regarding the risks attributable to Pingora's investment strategy may be found in Item 8.B below

- B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.**

Pingora and its investors bear the risk of loss that their applicable investment strategy entails.

The task of identifying investment opportunities and managing these investments is difficult. Investors may not receive any distributions from a Fund. Investors should carefully consider, among other factors, the following material risks involved with Pingora's investment strategies:

1. *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.
2. *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.
3. *Long-Term Investment.* An investment in a Fund is a long-term commitment.
4. *Competition and Supply.* The success of a Fund depends, in part, on Pingora's ability to identify and acquire investments for the Fund on advantageous terms. In acquiring the MSRs, a Fund competes 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 service companies.

5. *Disclosure Requirements; Exclusion or Mandatory Withdrawal of Investor.* Certain federal agencies, including Federal National Mortgage Association (“Fannie Mae”), Freddie Mac”) and Ginnie Mae (collectively, the “Agencies”), and state regulatory authorities require disclosure or delivery of information and documentation regarding the 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 a 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.

6. *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. There can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the Investors will occur.

7. *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 that would be greater than if the Fund were not leveraged.

8. *Nature of Investments.* The Funds expect to acquire assets to generate current income from servicing fee revenues. The assets that a Fund acquires 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.

9. *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 would be the case if the Fund had a more broadly diversified investment portfolio.

10. *Side Letters; Different Terms of Interests.* The Funds and the general partner, and in certain cases Pingora, 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. See also Item 11.B.

11. *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.

12. *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 of behalf of the security and/or loan holder. Consequently, if the economy slows 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.

13. *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 significant negative impact on the Funds.

14. *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 originators and sold to 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.

15. *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.

16. *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 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.

17. *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.

18. *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.

19. *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 of dividends to the Funds in respect of their ESPCs or NVTs.

20. *Time Commitment; Allocation of Opportunities.* Pingora 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 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 or enhance such existing Fund's MSR investments in particular pools of mortgage loans.

21. *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 governmental regulations and the actions of the GSEs or Agencies could have a negative impact on the Funds of 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.

C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.

For information regarding the types of securities and portfolio companies in which Funds invest, please see Item 4.B and Item 8.A, above.

Item 9 – Disciplinary Information

If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

Like other registered investment advisers, Pingora is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor's evaluation of Pingora or

the integrity of Pingora's management. Pingora and its management persons have not been subject to any material legal or disciplinary events applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

- A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.**

Pingora is not actively engaged in a business other than giving investment advice to its clients, the Funds. Neither Pingora nor any management persons are registered or have an application pending to register as a broker-dealer or a registered representative.

- B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities, disclose this fact.**

Neither Pingora 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 adviser, or associated person of the foregoing.

- C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.**

- 1. Broker-dealer, municipal securities dealer, or government securities dealer or broker**
- 2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)**
- 3. Other investment adviser or financial planner**
- 4. Futures commission merchant, commodity pool operator, or commodity trading advisor**
- 5. Banking or thrift institution**
- 6. Accountant or accounting firm**
- 7. Lawyer or law firm**
- 8. Insurance company or agency**
- 9. Pension consultant**

10. Real estate broker or dealer

11. Sponsor or syndicator of limited partnerships

Other Investment Adviser. Pingora 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. Like any other private equity investor, SCP IV will seek to capitalize on its investment through a sale of its portfolio companies, including Pingora and the Master Servicer. Consequently, Pingora 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 of such a transaction.

Relationships with the Master Servicer. The Master Servicer is an affiliate of Pingora that is indirectly owned and controlled by SCP IV. Acquiring and owning MSRs requires licenses and approval by the applicable Agencies and applicable state regulatory authorities. The Funds will collaborate with the Master Servicer to obtain the necessary licenses and approvals, to hold the MSRs. Although the Funds have engaged the Master Servicer on terms and conditions customary to the loan servicing market, including customary indemnification, these terms were not negotiated on an arm's-length basis and may not be as favorable to the Funds as a loan servicing arrangement with an unaffiliated third party.

The Funds partner with other 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 holds pools of MSRs, engages one or more sub-servicers to perform the requisite loan servicing functions and issues to the Funds a variety of financial instruments to convey economic benefits of specific pools of MSRs.

Pingora has and will continue to develop relationships with professionals who provide services it does not provide, including legal, accounting, banking, tax preparation, insurance brokerage, investment management services and other personal services. None of the above relationships create a material conflict of interest with any of the Funds or the Fund investors.

From time to time, Pingora receives training, information, promotional material, meals, gifts or prize drawings from vendors and others with whom it may do business or to whom it may make referrals. At no time will Pingora accept any benefits, gifts or other arrangements that are conditioned on directing individual investor transactions to a specific security, product or provider.

- D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.**

Pingora does not recommend or select other investment advisers for the Funds.

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

- A. If you are an SEC-registered adviser, briefly describe your Code of Ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your Code of Ethics to any client or prospective client upon request.**

As fiduciaries, Pingora and its employees have certain legal obligations to put clients' interests ahead of their own. Pingora has adopted a written code of ethics based on principles of openness, honesty, integrity and trust. The code is designed to govern personal securities trading activities in employee accounts. It is based upon the principle that Pingora and its employees owe a fiduciary duty to the Firm's clients to conduct their affairs, including their personal securities transactions, to avoid (1) serving their own personal interests ahead of clients, (2) taking inappropriate advantage of their position with the Firm, and (3) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility. At least once a year, each Pingora employee is required to acknowledge this code of ethics in writing and agree to be bound by it.

The code of ethics covers personal trading requirements; prohibitions on the spread of false information; restrictions on gifts, entertainment and political contributions; prevention of bribery; and outside activities. In rare cases, Pingora's business may provide Pingora and its access persons with access to material nonpublic information. The code of ethics includes a prohibition on insider trading and outlines strict policies that dictate how any such information is treated.

Violations of the code of ethics may result in remedial actions, including, but not limited to, fines, censure, suspension or termination.

Pingora will provide a copy of its code of ethics to any existing or prospective investors upon request to its Chief Compliance Officer, Ron Bendalin, at (720) 475-1292 or rbendalin@pingorafund.com.

- B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

1. Participation or Interest in Client Transactions

As investors or members of the general partner (or equivalent control person) of each of the Funds, Pingora and its related persons (including SCP IV, Sterling and their 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.

Pingora 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 on the condition that the transaction is consistent with Pingora'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.

In general, transactions between a Fund and the Master Servicer, or an affiliate of Pingora require the prior written consent of the Fund's advisory committee. These transactions are on terms (including price) negotiated with the third party seller of the MSR Pool for the applicable ESPCs and NVTs. The Funds' purchases of investments from the Master Servicer in accordance with these arrangements do not require the consent of any investors or the advisory committee of the applicable Funds.

The consent of a Fund's advisory committee is required for any transaction for which investor consent is required under the Advisers Act. By subscribing for an interest in a Fund, investors have consented to the Fund's advisory committee approving any these transactions on behalf of the Fund.

2. Conflicts of Interest

While Pingora endeavors at all times to act in the best interest of the Funds, investors should be aware that the types of transactions described above create potential conflicts of interest with respect to Pingora and the Funds. Pingora and its related persons may manage multiple Funds. This can create conflicts in the allocation of time, resources and investment opportunities among the Funds. Pingora determines 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 about the best interests of each Fund and considering all factors it deems relevant. Pingora has written policies and procedures governing the resolution of conflicts of interest.

Pingora and its related persons management of multiple Funds 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 and its related persons to the Funds and the allocation of investment opportunities among the Funds. 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 or enhance such existing Fund's MSR investments in particular pools of mortgage loans.

- C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.**

1. Personal Trading

Pingora supervised persons are permitted to make securities transactions in their own accounts, subject to certain limitations. However, supervised persons are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information or communicating material non-public information about such securities to others. While it is uncommon for Pingora to have access to any material non-public information, the Firm does maintain a restricted list of those securities about which it contains material nonpublic information.

Supervised persons are required to submit annual and quarterly reports of security transactions for their own accounts or any account in which they have a direct or indirect beneficial interest and to seek pre-clearance for purchases of publicly traded securities on the Firm's restricted list and for proposed purchases of initial public offerings and private placements.

- D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

Except for the limited circumstances described in Item 11.B, Pingora and its related persons do not invest in the securities of companies recommended to the Funds.

Item 12 – Brokerage Practices

- A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).**
- 1. *Research and Other Soft Dollar Benefits.* If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.**
 - a. Explain that when you use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.**
 - b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your clients' interest in receiving most favorable execution.**
 - c. If you may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.**
 - d. Disclose whether you use soft dollar benefits to service all of your clients' accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.**
 - e. Describe the types of products and services you or any of your related persons acquired with client brokerage commissions (or markups or markdowns) within your last fiscal year.**

- f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits you received.**

Pingora does not currently select or recommend brokers or dealers to its clients, nor does it engage in soft dollar arrangements with respect to securities transactions for the Funds.

- 2. *Brokerage for Client Referrals.* If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.**
 - a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving client referrals, rather than on your clients' interest in receiving most favorable execution.**
 - b. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for client referrals.**

Pingora does not select broker-dealers or receive referrals of potential investors from a broker-dealer or third party.

3. *Directed Brokerage.*

- a. If you routinely recommend, request or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their clients to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of client transactions, and that this practice may cost clients more money.**
- b. If you permit a client to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of client transactions. Explain that directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.**

Pingora does not engage in directed brokerage.

- B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders**

when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.

It is not expected that opportunities to aggregate the purchase or sale of securities will occur frequently. However, when such opportunities arise, Pingora intends to trade such securities on an aggregated basis.

Item 13 – Review of Accounts

- A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.**

Pingora will regularly monitor portfolio investments on behalf of the Funds. The investments held by the Funds are private, illiquid and long-term in nature; therefore Pingora's review of them is not directed toward a short-term decision to dispose of securities. Pingora's Chief Executive Officer, Michael Lau regularly reviews the investment portfolios of the Funds for consistency with their objectives, guidelines and restrictions.

- B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.**

The Chief Compliance Officer would perform additional reviews in the event that a portfolio investment might be sold to a third party or if there were a serious performance issue.

- C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.**

Pingora furnishes to all investors unaudited financial statements for the first three quarters of each fiscal year within 45 days of each quarter's end and annual audited financial statements within 120 days of calendar year end. Each report includes an individual statement of account to all investors. All reports are sent to the investors in either a physical copy or are delivered electronically as per each investor's preference. The Firm also has contact with investors (personal visits, telephone, e-mail) throughout the year as conditions warrant.

Item 14 – Client Referrals and Other Compensation

- A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

Pingora does not receive an economic benefit from any non-clients for providing investment advice or other advisory services to its clients.

- B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.**

Pingora does not use third parties for client referrals. Pingora may in the future enter into cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to a Fund. Any future cash solicitation agreements would comply with Rule 206(4)-3 of the Advisers Act. Any solicitor retained by Pingora will be registered as a broker-dealer.

Item 15 – Custody

If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.

By its ability to deduct management expenses from investor accounts, Pingora or an affiliate is deemed to have custody over its client funds. Pingora, however, does not take physical possession of Fund investor money or securities; contributed capital generally is wired directly to Pingora's qualified custodian. In all such cases, Pingora complies with the custody rules under the Advisers Act applicable to pooled investment vehicles, including the requirement that it deliver a copy of Fund audited financial statements within 120 days of the fiscal year end and that the qualified custodians send quarterly account statements to the Funds.

Item 16 – Investment Discretion

If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

Pingora is retained on a fully discretionary basis and is authorized to determine and direct execution of Fund investments pursuant to the terms of each Fund's Governing Documents. The terms upon which Pingora serves as an investment manager are established at the time each Fund investor retains Pingora as their investment manager. Pingora is not required to contact a Fund investor prior to transacting any business once such investor executes these documents. Investment advice is provided directly to the Funds and not to investors in the Fund individually. Pingora has discretionary authority based on the Governing Documents to buy and sell securities and other investments on behalf of the Funds.

To invest in a Fund, a prospective investor must execute a subscription agreement with the Fund. An investor in the Fund may impose limitations on Pingora's authority through a side letter agreement and the Pingora may choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed upon an investor's account must be presented to

Pingora in writing and agreed to by all parties. No Investors to date have limited Pingora's discretion to provide investment advice.

Item 17 – Voting Client Securities

- A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.**

Almost all of the Funds' investments will be in ESPCs and NVTs related to MSRs, and there are typically limited or no voting rights associated with these instruments. Where there are voting rights with respect to the Funds, the investors in the Funds will not be permitted to direct the vote of Pingora with respect to the securities held by such Funds.

- B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.**

This Item is not applicable to Pingora.

Item 18 – Financial Information

- A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.**
- 1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.**
 - 2. Show parenthetically the market or fair value of securities included at cost.**
 - 3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to Article 2 of SEC Regulation S-X.**

This Item is not applicable to Pingora as it does not require prepayment of more than \$1,200 in fees per client, six months or more in advance.

- B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.**

Pingora does not require prepayment of more than \$1,200 in fees per client, six months or more in advance.

- C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.**

Pingora has not been the subject of a bankruptcy proceeding.