

**Form ADV Part 2A: FIRM BROCHURE**

**PINGORA ASSET MANAGEMENT, LLC**

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This brochure (“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](mailto: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 with 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](http://www.adviserinfo.sec.gov).

## **Item 2      Material Changes**

Since Pingora's last annual Brochure amendment dated March 27, 2017, (i) Pingora is under new ownership and (ii) Pingora has begun providing investment advisory services to an institutional investor through a separately managed account. For more information about the ownership of Pingora please see Item 4 of this Brochure, as well as Pingora's Form ADV Part 1, Schedules A and B. For more information about the separately managed account, please see Items 4, 5, 6, 7, 8, 10, 15 and 16 of this Brochure.

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](mailto: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 currently provides investment advisory services to (i) two private investment funds, Pingora MSR Opportunity Fund I and Pingora MSR JV I (each as described below) and (ii) a separately managed account for an institutional investor (the “SMA”).

Pingora MSR Opportunity Fund I is comprised of four master funds (collectively, the “Fund I Master Funds”): (i) Pingora MSR Opportunity Fund I-A, L.P., a Delaware limited partnership (“Fund I-A Master”); (ii) Pingora MSR Opportunity Fund I-B, L.P., a Delaware limited partnership (“Fund I-B Master”); (iii) Pingora MSR Opportunity Fund I-A (AI), L.P., a Delaware limited partnership (“Fund I-A (AI) Master”); and (iv) Pingora MSR Opportunity Fund I-B (AI), L.P., a Delaware limited partnership (“Fund I-B (AI) Master”). Pingora MSR Opportunity Fund I also has two feeder funds: (i) Pingora MSR Opportunity Feeder I-A, L.P., a Cayman Island exempted limited partnership (“Fund I Feeder A”); and (ii) Pingora MSR Opportunity Feeder I-B, LLC, a Delaware limited liability company (“Fund I Feeder B,” collectively with Fund I Feeder A, the “Fund I Feeder Funds”). The Fund I Feeder Funds and the Fund I Master Funds are collectively referred to as “Fund I”. The Fund I Master Funds make investments and the Fund I Feeder Funds invest in the Fund I-A Master and Fund I-B Master Funds. Each Fund I investor has the same percentage interest in each of Fund I-A Master and Fund I-B Master (or the Fund I-A (AI) Master and Fund I-B (AI) Master, as applicable), although certain investors may hold investments through a Fund I Feeder Fund.

Pingora MSR JV I is comprised of two master funds: (i) Pingora MSR JV I-A, LP, a Delaware limited partnership (“JV I-A Master”) and (ii) Pingora MSR JV I-B, LP, a Delaware limited partnership (“JV I-B Master,” collectively with JV I-A Master the “JV I Master Funds.”). Pingora MSR JV I has one feeder fund: Pingora MSR JV Feeder I-B, LP, a Delaware limited partnership (“JV I Feeder” and collectively with the JV I Master Funds, the “JV I Fund”). The JV I Master Funds make investments, and the JV I Feeder invests in the JV I-B Master. Each JV I Fund investor has the same percentage interest in each of JV I-A Master and JV I-B Master, although certain investors may hold investments indirectly through JV I Feeder and other investors may hold investments directly through the JV I-B Master.

Fund I and JV I Fund are referred to collectively as the “Funds.”

New Fund I GP LLC, serves as the general partner or managing member (as applicable) for each Fund I entity, and Pingora MSR JV I GP, LLC serves as the general partner for each JV I Fund entity. Each 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 such general partner and managing member affiliates.

Pingora also provides investment management and advisory services to an institutional investor through a separately managed account (the “SMA”) pursuant to a portfolio management agreement (a “Portfolio Management Agreement”) between Pingora and the institutional investor.

Pingora is indirectly owned and controlled by Bayview Asset Management, LLC, a SEC-registered investment adviser (“Bayview”). For more information about the ownership of Pingora, please see Item 10 below as well as Pingora’s Form ADV Part 1, Schedules A and B. In addition, Pingora is affiliated with the Master Servicer (as defined in Item 8. A. below).

**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 and the SMA. 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. An 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; 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 (i) each Fund as set forth in such Fund’s limited partnership or limited liability company agreement, investment management agreement, any confidential private placement memorandum and other governing documents and (collectively “Governing Documents”) and (ii) the SMA as set forth in its Portfolio Management Agreement. Further details regarding the investment approach and objectives may be found in the applicable Fund’s Governing Documents and the SMA’s Portfolio Management Agreement, 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 client assets on a discretionary basis in accordance with the terms and conditions of each Fund's Governing Documents and the SMA's Portfolio Management Agreement. Pingora provides investment advice directly to its clients and does not tailor its advisory services to the individual needs of investors.

With respect to the 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, 2017, Pingora had regulatory assets under management of approximately \$1,633,456,376, 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.**

### **Fund I**

Pingora does not receive a traditional asset management fee, carried interest allocation or other incentive compensation from Fund I. Instead, Fund I pays or reimburses Pingora and its affiliates for a portion 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 Fund I Governing Documents, of 1.5% of Fund I’s capital commitments (during the Fund I investment period) or a sliding percentage of Fund I’s asset historical cost (after the investment period), measured each quarter. If the limit causes any portion of Manager Expenses to not be paid in any quarter, such unpaid expenses are carried forward and reimbursed in the subsequent period(s) (assuming the limit for the subsequent period has not been reached). If the limit is not reached in any particular quarter, the difference between the computed maximum Manager Expenses and the actual Manager Expenses is carried forward into, and thus raises the limit for, the subsequent period. Pingora may waive a portion of the Manager Expense payment proportionate to capital commitments made by Pingora employees or related persons.

## **JV I Fund**

As basic compensation for services rendered to JV I Fund, JV I Fund pays to Pingora a management fee (the “Management Fee”) at the annual rate of 0.75% of the net asset value of JV I Fund, payable quarterly in advance and prorated for any partial quarterly periods. The manner and calculation of the net asset value of JV I Fund is set forth in such Fund’s Governing Documents.

In addition, Pingora is entitled to receive “carried interest” based on the profits distributions to JV I Fund’s investors in accordance with the provisions of such Fund’s Governing Documents (“Carried Interest”). Pingora’s Carried Interest is subject to the obligation to return certain distributions pursuant to “clawback” arrangements upon liquidation of JV I Fund as provided in such Fund’s Governing Documents, and is described more fully below in Item 6.

For further details regarding fees and compensation payable with respect to the Funds, please refer to the Governing Documents of each applicable Fund.

## **SMA**

As basic compensation for services rendered to the SMA, the SMA pays to Pingora a Management Fee at the annual rate of 1.00% of the net asset value of the SMA, payable quarterly in advance and prorated for any partial quarterly periods. The manner and calculation of the net asset value of the SMA is set forth in the SMA’s Portfolio Management Agreement.

In addition, Pingora is entitled to receive a performance fee with respect to the net proceeds from the disposition of the SMA’s investments (the “Performance Fee”). The manner and calculation of the Performance Fee is set forth in the SMA’s Portfolio Management Agreement, and is described more fully below in Item 6.

For further details regarding fees and compensation payable with respect to the SMA, please refer to the Portfolio Management Agreement.

**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.**

## **Fund I**

Pingora deducts Manager Expenses directly from Fund I's assets on a quarterly basis based on Fund I's Governing Documents.

## **JV I Fund**

Pingora will either call capital for Management Fees and other expenses or pay such fees and expenses out of current income and disposition proceeds of JV I Fund.

## **SMA**

Pingora does not deduct fees from the SMA's assets. Pingora issues invoices to the SMA's investor for Management Fees, Performance Fees and expenses.

**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.**

Except as set forth in Item 5.A above with respect to Fund I, Pingora will generally pay all of its own ordinary administrative and overhead expenses, including the compensation of employees and payroll taxes relating thereto or the rent and general office overhead, including clerical, bookkeeping and administrative costs, information technology expenses, office supplies and office equipment expenses.

## **Fund Expenses**

Each Fund will generally pay, or will generally reimburse Pingora for, such Fund's own operating and other expenses and expenses attributable to such Fund's activities and investments, which generally include but are not limited to expenses associated with: the acquisition, holding, modification and disposition of investments (including prospective investments that are not consummated); organizing and operating any other entities related to the Fund (including, without limitation, any alternative investment vehicles); any borrowings or guarantees by the Fund; taxes or governmental charges or levies; legal, custodial, auditing, accounting, due diligence, appraisal, valuation, brokerage and consulting services; certain fees and expenses of the sub-servicers per applicable sub-servicing agreements; fees and expenses of any administrator; organizational expenses; any Management Fees;



preparing reports to investors; preparing tax returns; FATCA compliance costs; each Fund's reasonable share of premiums for the Master Servicer's (as defined herein) Mortgage Bankers Bond Policy; winding up and dissolving or liquidating the Fund; expenses associated with an investor's default; and any litigation and indemnification expenses related to the Fund's investments or operations.

A Fund will generally not reimburse Pingora for organizational expenses in a combined aggregate amount in excess of a certain dollar amount, as set forth in applicable Fund's Governing Documents.

### **SMA Expenses**

The SMA will pay, or reimburse the Pingora for, the expenses attributable to the management of the SMA's investments, including, but not limited to, expenses associated with: the holding, modification and disposition of the investments; organizing and operating any entities related to the investments; any borrowings or guarantees relating to the investments, taxes or governmental charges or levies; legal, custodial, auditing, accounting, due diligence, appraisal, valuation and consulting services; certain fees and expenses of sub-servicers per applicable sub-servicing agreements; preparing reports to the investor; preparing or assisting in the preparation of tax returns; the SMA's reasonable share of premiums for the Master Servicer's Mortgage Bankers Bond Policy; and any litigation and indemnification expenses related to the SMA's investments or operations.

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.**

As noted in Item 5.A above, the Management Fee charged to the JV I Fund and the SMA is payable quarterly in advance but is prorated for any partial quarterly periods. In addition, the ability of investors in the Fund I JV to withdraw is limited by the terms of such Fund's Governing Documents and the ability of the SMA investor to terminate the Portfolio Management Agreement is limited by the terms thereof, and thus the ability of such investors to terminate the obligation to pay the Management Fees is consequently limited.

Pingora does not require 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 of Pingora 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.**

As described in Item 5.A above, Pingora receives Carried Interest based on the profit distributions to investors in JV I Fund and a Performance Fee based on the net proceeds from the disposition of the SMA's investments.

The payment of performance-based compensation by certain clients may cause Pingora to favor or recommend investments that are riskier than investments that would have been recommended without such compensation. In addition, the payment of performance-based compensation may create an incentive for Pingora to disproportionately allocate time, services, or functions to clients paying such compensation or to allocate investment opportunities to such clients. With respect to certain Funds, generally, and except as may be otherwise set forth in the Governing Documents of the Funds, this conflict is mitigated by provisions (i) restricting Pingora from establishing a new Fund with objectives substantially similar to those of the applicable Fund until the earlier of (a) the expiration of the Fund's investment period or (b) such time as the applicable Fund's capital commitments are invested, committed or reserved beyond a percentage set forth in the Governing Documents of such Fund and (ii) requiring Pingora to allocate investment opportunities meeting the investment guidelines set forth in such Fund's Governing Documents during such Fund's investment period.

#### **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 and the SMA. Investment advice is provided directly to the Funds and the SMA and not individually to investors. Identifying details

about the Funds and the SMA may be found in Item 4 above. Additional information about the Funds may be found in Pingora's ADV Part 1, Schedule D. 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 Funds. Certain investors invest at the Feeder Fund level. Investors in the Funds and in the SMA (and any future SMAs) may include institutions, such as private funds, corporations, financial institutions, funds-of-funds, governmental bodies or agencies, insurance companies, endowments, foundations, trusts, estates as well as pension and profit sharing plans. Investors must meet certain suitability and net worth qualifications prior to making an investment in a Fund or an SMA.

Investors and prospective investors should refer to the Governing Documents of the respective Fund for more complete information on the 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 Governing Documents of each Fund and the Portfolio Management Agreement set forth more detailed descriptions of the investment strategies and methods of analysis for each Fund and the SMA, respectively. There can be no assurance that a Fund or SMA will achieve its investment objectives 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' and SMA's assets are invested in two forms, which collectively 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 of the mortgage loans). Most Pingora investments fall into this form of MSR Pool investments.

The second form of MSR Pool investments is non-voting tracking equity ("NVTs"). This tracking equity 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 investments among ESPCs and NVTs in a manner that satisfies regulatory requirements applicable to the Master Servicer and is tax efficient for its investors. 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 or SMA involves a high degree of risk. A Fund or SMA may not meet its investment objectives or otherwise be able to successfully carry out its investment program. Therefore, an investment in a Fund or an SMA 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 originator of loans who sells MSR through the Master Servicer 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 portfolio mix, depending on how certain loan types perform.

Pingora's diligence of prospective sellers 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; 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 loan originators; underwriting the credit of the seller 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 may be found in the applicable Fund's Governing Documents and in the SMA's Portfolio Management Agreement; 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. Investors should carefully consider, among other factors, the following material risks involved with Pingora's 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 Pingora's clients and their investments.
- *Competition and Supply.* The success of Pingora's depends, in part, on its ability to identify and acquire investments for its clients on advantageous terms. In acquiring the MSRs, Pingora competes with other mortgage banking companies and institutional investors including large financial institutions, other funds with investment objectives similar to Pingora's clients, mortgage loan servicers and other financial service companies.
- *Disclosure Requirements.* Certain federal agencies, including Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") and Government National Mortgage Association ("Ginnie Mae") (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 MSRs by the Agencies, which would adversely impact a Pingora's business and its clients' returns.
- *Investments Longer than Term.* A Fund or SMA may make investments, which may not be advantageously disposed of prior to the date that the Fund will be dissolved or SMA terminated. Pingora may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution or termination. 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.
- *Leverage and Financing Risk.* Pingora may leverage a client's capital if Pingora believes that the use of leverage is prudent in relation to the nature of the asset and the applicable Fund's Governing Documents or applicable SMA's Portfolio Management Agreement permits leverage. Accordingly, Pingora may pledge a client's assets in order to borrow additional funds for investment purposes. While leverage presents opportunities for increasing a client's total

return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of a client investment would be magnified to the extent the investment is leveraged. The cumulative effect of the use of leverage by Pingora for a client in a market that moves adversely to its investments could result in a substantial loss to the client that would be greater than if the client's investments were not leveraged.

- *Nature of Investments.* Pingora's clients have acquired and expect to acquire assets to generate current income from servicing fee revenues. The assets that Pingora's clients have acquired or will 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, Pingora's clients may not be able to realize returns from their acquired assets.
- *Concentration of Investments.* Pingora's clients have concentrated and will continue to concentrate their investments in certain assets and strategies, in certain geographies and in assets originated by certain originators. Accordingly, a client'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 client had a more broadly diversified investment portfolio.
- *Prepayment of Underlying Mortgage Loans.* Income to a Pingora client from its assets is based on the amount of servicing fees received by the Master Servicers engaged by such client. The amount of servicing fees that the Master Servicers receive, in turn, is based on the unpaid principal balance of the loans underlying the MSR's held by the Master Servicers. The purchase price for the assets acquired by a client 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. A client'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 of behalf of the security and/or loan holder. Consequently, if the economy slows or the housing market deteriorates, causing an increase in delinquencies and defaults, servicer advance obligations may increase. In most cases, a Pingora client 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 client's assets could result in a strain on the financial resources of the Master Servicer, and consequently, the client, 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 significant negative impact on Pingora's clients.
- *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 Pingora's clients or a wholly owned subsidiary of such client 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, Pingora's clients 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, Pingora's clients' 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. Pingora may also use derivatives for its clients to hedge a portion of their 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.* Pingora's clients have sought and 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. Pingora's clients' 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 materially affected by changes in the lending landscape since 2008. 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 Pingora's clients have invested or 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 Pingora's clients 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 Pingora's clients in respect of their ESPCs or NVTs.
- *Time Commitment; Allocation of Opportunities.* Pingora and its related persons may manage multiple client accounts, including multiple Funds and SMAs. This can create conflicts in the allocation of time, resources and investment opportunities among Pingora's clients. Please refer to the Governing Documents of the relevant Fund or Portfolio Management Agreement



of the relevant SMA for more complete information on the requisite time commitments (if any) of Pingora and its related persons to its clients and the allocation of investment opportunities among its clients. In addition, investment opportunities that are otherwise appropriate for a client may be made available in whole or in part to another client because such opportunity would be complementary to or enhance such existing client's MSR investments in particular pools of mortgage loans.

- *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 a client 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 Pingora's clients or their investments. In addition, changes in regulations applicable to Pingora's clients, their investments, MSRs and servicers could have a negative impact on clients or their investments. These changes are difficult to predict and their impact on certain participants in an industry, including Pingora's clients, could be particularly acute.
- *Valuation of Investments.* Valuations of client investments will be by necessity subjective and uncertain. In determining the purchase price for an investment, Pingora will make assumptions regarding the rates of prepayment and repayment of the underlying mortgage loans, projected rates of default and delinquency, future interest rates, the amount of future servicing advances and the costs of sub-servicers. Because the methodologies that Pingora uses in valuing many individual investments are generally based on a variety of estimates and assumptions specific to the particular investments, there is limited market guidance as to the accuracy of the internal models Pingora uses to value its investments. Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair market value of such investments held by Pingora's may not reflect the prices that would actually be obtained by Pingora on behalf of its client if such investments were sold. Furthermore, many of its clients' investments are subject to rapid changes in value caused by sudden market developments which could have a material adverse effect on the performance of client investments. Valuations of client investments are conclusive and binding on all investors.
- *Cybersecurity.* Pingora, its clients, service providers, its counterparties and other market participants on whom Pingora relies increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect its clients and/or its investors, despite the efforts of Pingora, its service providers, its counterparties and other market participants on whom Pingora relies to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks

and other technology assets, as well as the confidentiality, integrity and availability of information belonging to its clients and/or its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of Pingora, its service providers, its counterparties and other market participants on whom Pingora relies or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of systems to disclose sensitive information in order to gain access to Pingora's data or that of its investors. A successful penetration or circumvention of the security of Pingora's systems or the systems of Pingora's service providers, counterparties or other market participants on whom Pingora relies could result in the loss or theft of investor data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause Pingora, its clients, their service providers, their counterparties and other market participants on whom Pingora relies to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

**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 in which the Funds and the SMA invest, and thus the material risks involved in such investments, please see Item 8.B, 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 and the SMA. 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

*Relationships with the Master Servicer.* The Master Servicer is an affiliate of Pingora and is also indirectly owned and controlled by Bayview. Acquiring and owning MSRs requires licenses and approval by the applicable Agencies and applicable state regulatory authorities. Pingora, on behalf of the Funds and the SMA, has collaborated and will continue to collaborate with the Master Servicer to obtain the necessary licenses and approvals for the Master Servicer to hold the MSRs. Although the Funds and the SMA 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 or the SMA as a loan servicing arrangement with an unaffiliated third party.

Pingora partners with other third party "master servicers" to hold certain MSRs 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 and the SMA a variety of financial instruments to convey economic benefits of specific pools of MSRs.

As a Master Servicer, Pingora Loan Servicing, LLC is also subject to oversight and regulation from the Department of Housing and Urban Development, Ginnie Mae, the Consumer Financial Protection Bureau, Fannie Mae, Freddie Mac and each state where the Master Servicer is licensed.

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. Some of these professionals may provide services to the Funds, subject to any restrictions that are set forth in the Governing Documents. None of the above relationships create a material conflict of interest with any of the Funds, the SMA or any of their respective 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.

As noted above in Item 4, the general partners and managing members of the Funds are relying advisers and together with Pingora operate as a single advisory business subject to SEC registration. In addition, while not material to its advisory business, Pingora has listed related parties of its indirect owner, Bayview, in its ADV Part 1, Schedule D, Item 7.A.

**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 or the SMA.

## **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 (the "Code") 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 Pingora's clients to conduct their affairs, including their personal securities transactions, to avoid: (i) serving their own personal interests ahead of clients; (ii) taking inappropriate advantage of their position with Pingora; and (iii) 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 in writing and agree to be bound by it.

The Code covers standards of business conduct; supervised persons prohibited business practices; outside business activities; personal trading requirements; reporting of personal securities transactions; insider trading; procedures designed to detect and prevent insider trading; and administration of the Code. In rare cases, Pingora's business may provide Pingora and its access persons with access to material non-public information. The Code includes a prohibition on insider trading and outlines strict policies that dictate how any such information is treated.

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

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

### **Participation or Interest in Client Transactions**

Certain Pingora management employees are investors in Fund I and will share in any profits and losses generated by Fund I's investments in the same manner as other investors in Fund I. Pingora does not believe this presents a conflict, as it aligns management's interests with those of Fund I.

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 managed by Pingora on the condition that the transaction is consistent with Pingora’s fiduciary obligations to each client 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. The Funds’ purchases of ESPCs and NVTs from the Master Servicer are on terms (including price) negotiated with the third party seller of the 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 does not require the consent of any investors or the advisory committee of the applicable Funds. By subscribing for an interest in the Funds, investors consented to the Funds’ purchases of ESPCs and NVTs from the Master Servicer on the terms and conditions described herein.

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.

### **Conflicts of Interest**

While Pingora endeavors at all times to act in the best interest of its clients, investors should be aware that the types of transactions described above create potential conflicts of interest with respect to Pingora and its clients. Pingora and its related persons manage multiple clients. This can create conflicts in the allocation of time, resources and investment opportunities among its clients. Please refer to the Governing Documents of the relevant Fund or Portfolio Management Agreement of the relevant SMA for more complete information on the requisite time commitments (if any) of Pingora and its related persons to its clients and the allocation of investment opportunities among its clients. Investment opportunities that are otherwise appropriate for client may be made available in whole or in part to another client because such opportunity would be complementary to or enhance such existing client’s MSR investments in particular pools of mortgage loans. Pingora determines all matters relating to structuring transactions, including the amount and terms of securities and allocation of securities among the relevant clients, using its best judgment about the best interests of each client and considering all factors it deems relevant. Pingora has written policies and procedures governing the resolution of conflicts of interest.

Each Fund’s investors include persons or entities residing in various jurisdictions, including the United States and other countries, who may have conflicting investment, tax and other interests with respect to their investments. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by each Fund vehicle, the structuring of the acquisition of portfolio companies and the timing of the disposition of investments. Such structuring

of portfolio companies may result in different after-tax returns being realized by different limited partners. As a consequence, conflicts of interest may arise in connection with decisions made by Pingora that may be more beneficial for one investor than another investor, especially with respect to investors' individual tax situations. Pingora considers the investment and tax objectives of each Fund as a whole, and not the individual investment, tax or other objectives of any particular investor.

**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.**

### **Personal Trading**

Pingora's 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, Pingora does maintain a restricted list of those securities about which it contains material non-public information.

Supervised persons are required to submit annual 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 Pingora'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 Pingora's clients.

## **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.

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 its clients.

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.

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

3. ***Directed Brokerage.***

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 regularly monitors portfolio investments on behalf of the Funds and the SMA. The investments held by the Funds and the SMA 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, Chief Financial Officer and Chief Operating Officer, regularly review the investment portfolios of the Funds and the SMA 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 Executive Officer, Chief Financial Officer, Chief Operating Officer and 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.**

## **Funds**

Pingora furnishes to all investors unaudited financial statements of the Fund in which they are invested 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 hard copy or are delivered electronically as per each investor's preference. Pingora also has contact with investors (personal visits, telephone and email) throughout the year as conditions warrant. Additionally, upon request, certain investors may receive additional information and reporting that other investors may not receive.

## **SMA**

Pingora furnishes daily and monthly reports to the SMA's investor containing information regarding the SMAs' investments, the performance of such investments for such day or month and other asset-level data. All reports are sent to the investors in either a hard copy or are delivered electronically. Pingora also provides such additional information to the SMA's investor as such investor may reasonably request from time to time.

## **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 did not use third parties for client referrals in connection with Fund I or the SMA. In connection with fundraising for JV I Fund, Pingora retained the services of Wells Fargo Securities, LLC (“Wells Fargo”) in connection with the referral of certain investors. In consideration of such referral services, Wells Fargo received compensation from Pingora based on the capital commitments received from investors referred by Wells Fargo. The compensation paid to Wells Fargo was borne by Pingora and not by any investors in JV I Fund. Pingora may in the future enter into other placement agent or other solicitor arrangements. In each instance, all arrangements and payments of placement agent fees will be disclosed to the applicable investor. In addition, any solicitor retained by Pingora will, if required, be registered as a broker-dealer or otherwise properly licensed in the applicable jurisdictions in which it is operating, and any broker-dealer in the U.S. will be duly licensed with FINRA.

## **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.**

The Investment Advisers Act of 1940 Rule 206(4) (the “Custody Rule”) requires that pooled investment vehicles advised by the adviser either undergo an annual GAAP financial statement audit or be subject to a surprise custody examination by an SEC-registered auditing firm. Pingora has elected to undergo annual financial audits for its Funds.

By its ability to deduct management expenses from Fund accounts, Pingora or an affiliate is deemed to have custody over its Funds’ assets. The Funds are audited annually by Ernst & Young LLP and Pingora complies with the Custody Rules by delivering a copy of the audited financial statements within 120 days of the fiscal year end to the Funds and their underlying Fund investors. Pingora also obtains an audit of the Master Servicer annually.

Pingora does not have custody over the SMA’s assets.

## **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 investments pursuant to the terms of each Fund's Governing Documents and the SMA's Portfolio Management Agreement. The terms upon which Pingora serves as an investment manager are established at the time each client retains Pingora as its investment manager. Pingora is not required to contact an investor prior to transacting any business once such investor executes these documents. Investment advice is provided directly its clients and not to investors individually. Pingora has discretionary authority based on the Governing Documents and the Portfolio Management Agreement (as applicable) to buy and sell securities and other investments on behalf of the Funds and the SMA, respectively.

A prospective investor must execute a subscription agreement with a Fund or enter into a Portfolio Management Agreement with Pingora to establish an SMA. An investor may impose limitations on Pingora's authority through a side letter agreement with the applicable Fund or through the Portfolio Management Agreement for an SMA 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 Pingora's 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 investments, the investors will not be permitted to direct the vote of Pingora with respect to the securities held by Pingora's clients.

**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.**

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.