



PAGAYA INVESTMENTS US LLC

Firm Brochure Form ADV Part 2A

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THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF PAGAYA INVESTMENTS US LLC (“PAGAYA” OR THE “ADVISER”). IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT US AT 646-214-8587 AND/OR FUNDSCOMPLIANCE@PAGAYA.COM. FOR QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE. THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES AUTHORITY. ANY REFERENCE TO PAGAYA INVESTMENTS US LLC OR ANY PERSONS AS A “REGISTERED INVESTMENT ADVISER” OR BEING “REGISTERED” DOES NOT IMPLY ANY CERTAIN LEVEL OF SKILL OR TRAINING.

ADDITIONAL INFORMATION ABOUT PAGAYA INVESTMENTS US LLC MAY ALSO BE AVAILABLE ON THE SEC’S WEBSITE AT: WWW.ADVISERINFO.SEC.GOV. THE SEARCHABLE IARD/CRD NUMBER FOR PAGAYA INVESTMENTS US LLC IS 299672.

2. Material Changes

The Adviser does not consider any of the information contained in this version of the Brochure to represent material changes from the information contained in its most recent annual amendment dated March 28, 2023.

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4. Advisory Business

Company Background, Overview and Principals

Pagaya US Holding Company LLC (formerly known as Pagaya Investments US LLC) (“Pagaya HoldCo”) was formed on July 3, 2017 and became registered as an investment adviser firm on May 3, 2021. On November 1, 2021, Pagaya Technologies Ltd. (“Pagaya Tech”) and its subsidiaries underwent an internal corporate restructuring, whereby Pagaya HoldCo transferred all of the assets and liabilities of its investment advisory business to the Adviser. Effective November 1, 2021, the Adviser succeeded to Pagaya HoldCo’s registration as a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) by completing a succession by amendment to Pagaya HoldCo’s Form ADV. The Adviser was formed on October 12, 2021 and is a direct wholly-owned subsidiary of Pagaya HoldCo and an indirect wholly-owned subsidiary of Pagaya Tech, an Israeli domiciled financial technology (*fintech*) company founded in 2016 by Gal Krubiner, Chief Executive Officer, Avital Pardo, Deputy Chief Executive Officer and Chief Technology Officer, and Yahav Yulzari, Chief Revenue Officer. Pagaya Tech provides Pagaya, pursuant to a services agreement among Pagaya, Pagaya Tech and Pagaya Holdco, with general corporate support for accounting, finance, operations, legal, technology and client advisory services. Pagaya Tech’s other subsidiaries include direct and indirect entities engaged in a variety of businesses, as discussed further below under Item 10 “Other Financial Industry Activities and Affiliations”.

Pagaya Tech, the indirect parent company of Pagaya, merged with EJP Acquisition Corp., a publicly traded special purpose acquisition company, on June 22, 2022, with Pagaya Tech continuing to exist as the surviving entity.

Pagaya currently provides investment advisory services on a discretionary basis to its clients, which are privately offered investment funds (the “Funds”). Pagaya may in the future manage separate accounts for clients.

The information provided in this brochure about the investment advisory services provided by Pagaya to each Fund is qualified in its entirety by reference to the relevant Fund’s governing documents and offering materials. The offering documents for each Fund should be read carefully prior to investment. No offer to sell interests in the Funds is made by the descriptions in this brochure, and the Funds are available only to investors that are properly qualified.

Types of Services

Pagaya relies primarily on proprietary technology¹ (the “Proprietary Technology”), developed and owned by Pagaya Tech and provided as a service to Pagaya to inform the investment management of the Funds. Specifically, Pagaya utilizes proprietary credit technology, deployed through machine learning technology that seeks to assess the credit quality of borrowers underlying loans originated and sold by banking institutions, consumer lending platforms, point of sale lenders and other intermediaries (together with the entities that service such loans, collectively, the “Partners”). Currently, this Proprietary Technology is primarily deployed through integration with the credit and/or origination processes of certain Partners with which Pagaya has established relationships. In addition, the Proprietary Technology is utilized by Pagaya to inform the acquisition of real estate assets. The Proprietary Technology was created and continues to be developed, utilized and deployed for a variety of purposes and businesses by Pagaya Tech and for a variety of actual and potential uses by Pagaya Tech, Pagaya and their affiliates. Please see Item 8 below for additional information regarding the Proprietary Technology and how it is utilized to inform the investment management of the Funds. The offering materials for each Fund also provide additional information regarding how the Proprietary Technology is utilized to inform the investment management of each Fund.

Tailoring Advisory Services and Restrictions

Pagaya has full discretionary authority with respect to the investment decisions of the Funds in accordance with the investment objectives and guidelines set forth in each Fund’s governing documents and investment guidelines.

Wrap Fee Programs

Pagaya does not participate in any wrap fee programs.

¹ Pagaya Tech’s proprietary technology uses “machine learning” models as a subset of artificial intelligence that go through extensive testing, validation and governance processes before they are used or further modified. The models are static and do not have the ability to self-correct, self-improve and/or learn over time. Any change to the models requires human intervention, testing, validation, and governance approvals before a change can be made.

Client Assets

As of December 31, 2023, Pagaya had total regulatory assets under management of \$2,132,493,346 on a discretionary basis. Pagaya does not manage any assets on a non-discretionary basis.

5. Fees and Compensation

General Description

For each Fund, Pagaya is generally compensated for its investment advisory services in the following manner: (i) management fees (“Management Fees”) and (ii) either performance-based fees or allocations or carried interest (“Incentive Fees”). In addition, the SFR II Fund (as defined below) pays Pagaya Tech or its affiliates (collectively, the “Pagaya Affiliates”) a technology services fee as further described below (the “Technology Services Fees”). The Management Fees, the Incentive Fees and the Technology Services Fees (collectively “Fees”) are set out in the terms of the respective Fund’s governing documents. However, from time to time, Pagaya has entered into, and may in the future enter into, side letters or similar agreements with some Fund investors that provide different economic or other terms to investors, including with respect to fees.

Management Fees for new investors in the Pagaya Opportunity Funds and Pagaya Auto Loans Funds are charged at an annual rate that generally ranges from 0.5% to 1.75% of each Fund’s net asset value per unit. The Management Fee charged to the Pagaya Smartresi FI Fund (“SFR I Fund”) entities is 1.5% of committed capital during the investment period and 1.5% of net invested capital after the investment period. The Management Fee for these funds is generally paid monthly. The Management Fee charged to the Pagaya Smartresi Fund II (“SFR II Fund”) entities is 0.25% of aggregate capital commitments during the investment period and 0.25% of unreturned capital contributions after the investment period. This Management Fee is generally paid quarterly.

The Incentive Fee for the Pagaya Opportunity Funds and Pagaya Auto Loans Funds generally ranges from 10% to 20% of each Fund’s net realized and unrealized gains on an annual basis, which may be subject to a “hurdle,” high water mark, or loss carryforward calculation, which varies by Fund. SFR I Fund is subject to a 25% carried interest with respect to distributions in excess of a 10% preferred return to investors, subject to a general partner catchup provision. SFR II Fund is subject to a 20% carried interest with respect to distributions in excess of a 12% preferred return to investors, subject to a general partner catch up provision.

SFR II Fund also pays a Technology Services Fee to a Pagaya Affiliate in an amount up to 5% of the purchase price of each portfolio investment in consideration for access to Pagaya Tech’s Proprietary Technology. The Technology Services Fee is generally paid quarterly based upon the portfolio investments acquired during that calendar quarter.

Pagaya Tech is actively seeking to use the Proprietary Technology to expand its commercial relationships with, and its provision of technological solutions and services to, the Partners.

Pagaya Tech and/or Pagaya Affiliates receive fees and other revenues from its commercial relationships with the Partners, including fees in consideration for access to and rights to use the Proprietary Technology and other services provided by Pagaya Tech and/or a Pagaya Affiliate to the Partners. These fees include certain AI network fees (also sometimes referred to as model fees, feature fees or incentive fees) that are typically calculated as a percentage, generally ranging from 0.5% to 1.5%, of the principal amount of loans originated through the use of the Proprietary Technology. In connection with sales by certain Partners of loans that are in default or charged off, Pagaya Tech and/or Pagaya Affiliates also receive from Partners fees calculated as a percentage of the net proceeds of sales made or facilitated through access to the Pagaya network and Partner relationships and/or the use of the Proprietary Technology. Pagaya Tech and/or Pagaya Affiliates may earn other fees or sources of revenues in the future from its relationships with the Partners.

Pagaya, in its discretion, has at times in the past waived or reimbursed, and may in the future waive or reimburse, the Funds for certain of the Fees and other expenses incurred by the Funds.

The methodology for calculating the Fees varies for each Fund. Accordingly, Fund investors should carefully review the offering materials for the relevant Fund for more information regarding the Fees and expenses paid by each Fund.

Payment

Pagaya deducts its Fees directly from each Fund's accounts.

Other Fees and Expenses

Generally, in addition to Management Fees, Incentive Fees and, in the case of the SFR II Fund, Technology Services Fees, investors bear all other fees and expenses of the Funds as specified in their respective governing documents. By way of example, such fees and expenses may include: (i) brokerage commissions, custodial fees, settlement costs, origination fees, sourcing fees, transaction fees, agent fees, servicing fees and other charges for transactions in securities and other instruments; (ii) prime brokerage fees, "bid-ask" spreads, mark-ups and interest and stock loan expenses; (iii) margin and interest expense and commitment fees on debit balances or borrowings; (iv) fees related to trading, portfolio management, order management and risk management systems; (v) fees, costs and expenses incurred in connection with borrowings by a Fund; (vi) fees, costs and expenses (including travel, legal and consulting fees) related to the identification, research, due diligence, development, analysis, evaluation, negotiation, purchase, holding, valuation, maintenance, monitoring, financing, refinancing, structuring, restructuring, offer, sale, settlement, transfer, disposition or realization of investments (whether or not consummated), including to Pagaya and/or another Pagaya Affiliate; (vii) third-party and out-of-pocket research and market data expenses (including, without limitation, news, quotation, statistics and pricing services, including Bloomberg; hardware, software, data bases and other technical and telecommunications services and equipment used in the investment management, portfolio accounting and order management processes; and consulting fees and travel expenses in connection with investigating and monitoring potential and existing investments); (viii) costs of any outside appraisers, accountants, attorneys, administrators (including anti-money laundering

officers) or other experts or consultants engaged by Pagaya in connection with specific transactions; (ix) expenses related to the maintenance of registered offices; (x) costs, expenses, fees, profits or other remuneration associated with acquiring, sponsoring, structuring, operating, organizing and maintaining any special purpose vehicles and accounts through which a Fund makes investments, including without limitation any securitization vehicles in which the Fund invests whether or not affiliated with, formed or sponsored by a Fund, Pagaya, Pagaya Tech or any other Pagaya Affiliate, as well as, indirectly, the fees and expenses of such vehicles and accounts; (xi) broken trade and broken deal fees; (xii) fees, costs and expenses of pricing, news, quotation, statistics, data and exchange services and memberships and support services (including data processing, trading, clearing, settlement and other related services); (xiii) expenses relating to marketing a Fund to prospective investors (including the costs of preparing marketing materials, travel expenses and expenses of negotiating with, responding to requests from (e.g., responses to due diligence questionnaires) and preparing communications with investors and potential investors); (xiv) costs and expenses incurred for the purpose of protecting and enhancing the value of the assets of a Fund (including the costs of instituting and defending litigation); (xv) costs, fees and expenses relating to investor communications, relations, bookkeeping, accounting and the preparation and mailing of financial, tax and performance information to investors; (xvi) legal fees, costs and expenses incurred in matters specific to the operations of a Fund, including without limitation, costs and expenses relating to distributions made by a Fund, annual and other meetings of the Fund and principal amounts of, interest on and all fees, costs and expenses arising out of all guarantees made by the Fund including the arranging thereof; (xvii) all costs and expenses relating to insurance policies maintained by a Fund, a general partner of a Fund or Pagaya (including premiums for directors' and officers' and errors and omissions liability insurance); (xviii) technology costs (including, without limitation, hardware, software, licensing and consulting fees relating to the portfolio management of a Fund, including fees payable to Pagaya Affiliates); (xix) costs and expenses related to a Fund's indemnification or subscription obligations); (xx) fees payable to sub-advisors (for example, if Pagaya determines that such an arrangement represents the best way to access a particular investment opportunity or a difficult to access market or otherwise makes available specialized investment expertise to a Fund), including, without limitation, through investments in pooled investment vehicles; (xxi) certain U.S. federal, state and local and non-U.S. taxes (including any interest, fines, assessments, penalties, or additions to tax imposed in connection therewith or with respect thereto) of a Fund or any Pagaya Affiliate (other than taxes on the income of a Pagaya Affiliate), except to the extent that such amounts are (A) payable by a partner of a Fund and (B) actually borne and paid by such partner; (xxii) any fees or other governmental charges, including any filing and registration fees levied against a Fund or a Pagaya Affiliate under the laws of the State of Delaware, the Cayman Islands, the United States or any other jurisdiction; (xxiii) fees or other governmental charges; (xxiv) all other routine administrative expenses (including the cost of reporting and providing information to investors, custodial fees and expenses, and governmental, registration, license and membership fees payable to regulatory as well as self-regulatory organizations, if any) incurred by a Fund; (xxv) regulatory filing fees and compliance costs (including, without limitation, costs incurred by a Pagaya Affiliate in connection with the preparation of Form ADV, Form PF, Form CPO-PQR, Form D and other regulatory filings to the extent applicable now or in the future); (xxvi) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of

business; (xxvii) any and all costs and expenses incurred by any member of an advisory board and/or independent fiduciary provided that such costs and expenses are incurred in connection with such member's duties in respect of a Fund; and (xxviii) any other fee, cost, expense or liability specifically related to a Fund and not assumed by Pagaya. Pagaya and/or another Pagaya Affiliate may at Pagaya's discretion incur on a Fund's behalf various fees and expenses, provided however that such Pagaya Affiliate is entitled to prompt reimbursement (or, at its discretion, other amortized reimbursement arrangement) out of a Fund's assets for any of such expenses that they incur on a Fund's behalf. The foregoing fees, costs and expenses incurred by a Fund could increase, and thus lower investor returns, over time due to, among other reasons, an increase in Fund size, heightened tax, regulatory or compliance requirements applicable to a Fund, or additional structuring needs in order to accommodate a Fund's investment strategy. This could require additional services and support from third party service providers, including administrative, operational, tax, legal and regulatory support.

SFR I Fund and SFR II Fund invest primarily, directly or indirectly, in interests in single family real estate. Accordingly, SFR I Fund and SFR II Fund, in addition to the expenses described above, also bear, without limitation: (i) all costs and expenses relating to the investigation, acquisition, holding, management, sale, other disposition, or restructuring, or proposed acquisition, sale, other disposition, or restructuring of interests in real estate, including legal, technical and accounting due diligence, auditing, accounting, tax planning, brokerage, investment banking, consulting, finder's, custody, transfer, registration, interest, and travel expenses, fees and commissions, and other similar fees or expenses; (ii) real estate-related costs including costs of feasibility studies, environmental investigations and reports, engineering investigations and reports, fees paid to technical advisors, insurance advisers, legal advisers and zoning advisers, fees for appraisal reports and title searches, and expenses related to leases (including tenant related matters, including leasing commissions, tenant improvements, tenant concessions, and tenant retention expenses), brokerage, marketing, business development, training, start-up, environmental, entitlement and zoning, structuring (including, without limitation, structuring a tenancy in common structure for a transaction that includes a 1031 tax deferred exchange), appraisal, surveys, security, engineering, debt-related services, custodial and depository services, maintenance (including, without limitation, tenant relations, technology installation, vendor administration and site inspections), and other property-related matters (including licensing, qualification, reporting, auditing and filing and any training costs); and (iii) sourcing, maintaining and managing properties, including technology services, analytics, licensing, strategic advice, construction costs, asset management services, development services, renovation services, real estate brokerage costs, real estate-related, servicing, administrative and other services, including in each case above any such fees payable to Pagaya, Pagaya Tech and Pagaya Affiliates.

The Funds may also invest in other commingled investment vehicles, including securitization vehicles, and including investments by one Fund in another Fund, in which cases the investing Fund will also bear indirectly its proportionate share of the fees and expenses of such other vehicles.

Investors and prospective investors should refer to the governing documents of each Fund for more detailed information about the fees and expenses borne by each Fund.

Advance Payment of Fees and Refunds of Pre-Paid Fees

Fees earned or paid in advance by a Fund or by a Fund investor are specified in each Fund's governing documents.

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

As discussed in Item 5 above, Pagaya receives an Incentive Fee from each Fund. Performance-based compensation such as the Incentive Fee may create an incentive for Pagaya to make more speculative investments than it would otherwise make in the absence of such performance-based compensation. Such fee arrangements may also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. All performance-based compensation arrangements comply with the requirements of the Advisers Act.

Pagaya has adopted policies in order to ensure that all investment opportunities are allocated among its clients in a manner that it considers fair and equitable to all clients, considering all factors potentially applicable to each client as described further below under Item 10 "Other Financial Industry Activities and Affiliations – Allocation of Investment Opportunities".

7. Types of Clients

At present the only clients of Pagaya are the Funds, although Pagaya may in the future manage separate accounts for clients. Interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility criteria set forth in each Fund's governing documents. Typically, investors are institutions, funds, high net worth individuals, and other similarly qualified persons.

8. Investment Strategies, Methods of Analysis, and Risk of Loss

Strategies and Analysis

Pagaya provides advisory services to the Funds with respect to investments in loans, receivables, credit and debt instruments, real estate, and other assets as specified in each Fund's governing documents. The Funds are generally permitted to invest directly or indirectly in such investments, including through special purpose entities or through investments in securitization vehicles, including securitization vehicles sponsored by Pagaya Affiliates or others that in turn hold such investments.

Currently, Pagaya advises three groups of Funds that utilize the investment strategies summarized below:

Pagaya Opportunity Funds

The Pagaya Opportunity Funds' investment objective is to seek relatively high levels of income and capital preservation over the medium to long term by investing in, either directly or indirectly through special purpose vehicles and shares and securities of other legal entities that

hold or are exposed, directly or indirectly, to, unsecured credit and debt-related instruments of any type, including business or consumer loans, notes, and certificates, advances against or purchases of corporate receivables, partial or whole securitizations of any such instruments, other specialty finance pools, and related hedging or derivative instruments.

Pagaya Auto Loans Funds

The Pagaya Auto Loans Funds' investment objective is to seek relatively high levels of income and capital preservation over the medium to long term by investing in, either directly or indirectly through special purpose vehicles and shares and securities of other legal entities that hold or are exposed, directly or indirectly, to, credit and debt instruments collateralized by U.S. originated automobile loans and related financing instruments of any type, including business or consumer loans, auto retail installment sale contracts, notes, and certificates, advances against or purchases of corporate and other receivables, partial or whole securitizations of any such instruments, other specialty finance pools, and related hedging or derivative instruments.

As further described in the governing documents for the Pagaya Opportunity Funds and the Pagaya Auto Loans Funds, Pagaya's investment management decisions for these Funds are informed by the Proprietary Technology. With respect to analyzing credit, the Proprietary Technology is generally grounded in the "fundamental analysis" of borrowers underlying each investment to be purchased for a Fund's portfolio. For example, loans and credit and debt-related instruments are analyzed for borrower risk and probability of default and based on information available from the relevant Partner, marketplace, servicers or other sources.

Pagaya SmartResi Funds

The Pagaya SmartResi Funds aim (i) to maximize long-term value for their partners by making direct or indirect investments in single family residential real estate properties in the United States ("SFR"), including through joint ventures, investments in equity, debt and/or other securities with underlying SFR assets and/or that invest directly or indirectly in SFR, including securitization vehicles sponsored by Pagaya Affiliates or others that in turn hold such assets, and (ii) enhancing the value of those properties through active management, renovation and a stabilization and improvement program, with the goal of financing and/or ultimately disposing of such investments.

As further described in the governing documents for the Pagaya SmartResi Funds, Pagaya's investment decisions for these Funds are informed by Proprietary Technology in a manner designed to optimize decisions regarding market selection, property acquisition, renovation, development, management and disposition, including but not limited to the decisions and processes used to (i) identify, evaluate and structure potential investments, execute the closing of purchases, identify and engage service providers to services and enhance the properties to be acquired and (ii) to manage, monitor and dispose of the properties and other administrative functions. In addition, the Proprietary Technology may be used to analyze location, operations and management, construction, improvements, other material costs, repairs, asset useful life, depreciation, property managers, proposals, bids and servicing of real property, consumer activity and consumer borrowing trends.

Use of Leverage

Pagaya uses leverage in a variety of forms in an effort to enhance the investment returns of the Funds. Pagaya also uses leverage as a source of incremental liquidity for contingent risks of the Funds. Leverage can be achieved through various methods, including borrowing from a bank or other lender; repurchase agreements; reverse repurchase agreements; and access to capital market funding through the securitization market.

Investments in Securitization Vehicles

The Funds invest in the securities of securitization vehicles, including securitization vehicles sponsored by Pagaya Affiliates or a Fund. Securitization vehicles typically issue term non-recourse debt which may be rated or unrated, and therefore effectively constitute another form of leverage used by the Funds.

Oversight

Pagaya's Investment Committee evaluates and approves all investment management and allocation related decisions effected by Pagaya on behalf of each Fund. In meeting its responsibilities, the Investment Committee (i) sets the tone for establishing and enhancing Pagaya's capabilities on matters relating to investment management and allocations, (ii) provides oversight and ensures alignment between Pagaya's investment and risk management strategies and objectives; (iii) formulates the investment policy, investment policy objectives and strategies of each Fund, and seeks to ensure that there is alignment with each Fund's governing documents and other applicable disclosures; and (iv) evaluates and approves investment and allocation decisions.

Investment Risks

The investment strategy employed by Pagaya on behalf of each of the Funds involves significant risks. Prospective clients and investors in the Funds should carefully review the risks described in the offering materials for the relevant Fund, and should evaluate the merits and risks of an investment in the context of their overall financial circumstances. The risk factors below are not intended to be exhaustive and should be considered carefully by prospective investors together with the full text of the offering materials for the relevant Fund.

In general, all investments involve a risk of loss, including the risk of losing the entire investment, which investors investing in each Fund must be prepared to bear. No guarantee or representation can be or is made that any Fund will be successful.

General Risks

Lack of Diversification. Each of the Funds invests in only a limited number of sectors and in only a limited number of types of investments and may also deal with only a limited number of Partners and other counterparties. Accordingly, each Fund's portfolio may be subject to more

risk than would be the case if the Fund were required to maintain a wider diversification among types of assets, issuers, and counterparties.

Cybersecurity Concerns. The highly automated nature of the investment industry make it an attractive target and potentially vulnerable to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions. Pagaya's and Pagaya Tech's systems process sensitive data received from borrowers, investors, counterparties and other sources related to investment and other transactions. While each of Pagaya and Pagaya Tech has taken steps to protect all confidential information that it has access to, its security measures could be subject to breach or failure. Pagaya also relies on services provided by third party service providers, such as administrators, custodians, brokers, loan servicers, property managers and other agents, whose systems could also be subject to breach or failure. Any accidental or willful security breaches or other unauthorized access could cause confidential borrower or investor information to be stolen and used for criminal or other purposes. Security breaches or unauthorized access to confidential information could also expose a Fund to liability related to the loss of the information, time-consuming and expensive litigation and damage to the Fund's reputation. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in the software are exposed and exploited, the relationships of Pagaya and the Funds with borrowers and investors could be severely damaged, which could have a material adverse effect on a Fund.

Natural Disasters, Changes in Social or Economic Conditions, and Other Events. Events beyond the control of Pagaya, including earthquakes, hurricanes, floods or other natural disasters, outbreaks of an infectious disease, pandemic or any other serious public health concern (such as COVID-19), infrastructure failures, war, terrorism, labor strikes, social unrest or instability, and other changes in general social and economic conditions, either within or outside the United States, may adversely affect the Funds and their investments. In particular, the dislocations caused by COVID-19 and the regulations and restrictions imposed to limit its spread have affected and may continue to affect the ability or willingness of borrowers to make payments on their loans, and consequently impact the performance of each Fund's portfolio investments. Economic factors include, but are not limited to, interest rates, unemployment levels, gasoline prices, adjustments in monthly payments of adjustable-rate mortgages and other debt payments, the rate of inflation, changes in tax laws, technological developments and consumer perceptions of economic conditions. Social factors include, but are not limited to, changes in consumer confidence levels and changes in attitudes with respect to incurring debt and the stigma of personal bankruptcy. Pagaya is not able to predict the extent, severity or duration of these or other similar events or the impact that these events may have on the Funds or their investments.

While various tools may be available to adjust to changing market conditions, including the ability to quickly adapt technology and dynamically increase or decrease pricing to provide an appropriate level of loss coverage to investors, there are no guarantees that such tools will be effective to manage risk or avoid losses. Accordingly, these external events and economic conditions and resulting trends or uncertainties could adversely impact the Funds, Pagaya, Partners, platforms and performance results.

Systemic Risks. Certain investment assets have in the past, especially during periods of market turmoil, experienced periods of substantial illiquidity and volatility. The inability of investors to sell certain types of investments could lead to their inability to meet margin calls, the impact of which can be further aggravated as dealers and counterparties reduce available credit lines and investors withdraw additional capital. In credit markets, a default by one or more large financial institutions could cause a series of defaults by other institutions. This is sometimes referred to as “systemic risk” and could adversely affect financial intermediaries, such as Partners, clearinghouses, banks, securities firms and other institutions with which the Funds interact. A systemic failure could have material adverse consequences on the Funds and on the markets in which they invest. In extreme market conditions, these factors can lead to a downward cycle that can have a significant adverse effect on the value of investments. Under some circumstances, even a positive move in general market prices of securities can have a negative effect on the values of some investments held by the Funds.

Inflation Risks. Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on the economies and financial markets, which may in turn affect the markets in which the Fund invests. For example, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on investments. Governmental efforts to curb inflation often have negative effects on the level of economic activity. There can be no assurance that inflation will not become a serious problem in the future and have an adverse impact on a Fund’s returns.

Interest Rate Risks. An investment in a Fund may be adversely affected by changes in market interest rates. The value of loans and other credit and debt related instruments owned by the Funds may decrease if market interest rates increase, while the cost of borrowing by the Funds may increase and the ability of borrowers to repay their loans might be adversely affected.

Illiquid Investments. An investment in each of the Funds is subject to substantial restrictions on transferability and liquidity. The Pagaya SmartResi Funds are closed-end funds that do not permit redemptions or withdrawals by investors. The Pagaya Opportunity Funds and Auto Loan Funds permit redemptions only under limited circumstances and at limited times, and payment of redemption proceeds may be satisfied in cash or by the transfer of the respective Fund’s assets, or a combination of each, including by the distribution to an investor of interests in a vehicle to which all or a part of the respective Fund’s assets have been transferred. An investor will not be entitled to transfer its interest in any Fund without the consent of Pagaya, which generally may be withheld in Pagaya’s sole and absolute discretion. There is no market for interests in the Funds and none is expected to develop. Therefore, an investment in each Fund is suitable only for a sophisticated, experienced investor that is financially able to maintain its investment for a substantial period of time and that can afford a loss of its investment.

Leverage and Financing Risk. The Funds have leveraged their capital because Pagaya believes that the use of leverage enables the Funds to achieve a higher rate of return. In addition, the Funds have the authority to borrow for cash management purposes, such as to satisfy redemption requests. Accordingly, the Funds will pledge their investments in order to borrow additional funds. The Funds may also leverage their investment return with options, futures, forwards, swaps and other derivative instruments, which may require registration or licensing of Pagaya as

a commodity pool and commodity pool operator prior to the time the Funds invest in those products. The amount of borrowings which a Fund may have outstanding at any time may be substantial in relation to its capital.

While leverage presents opportunities for increasing a Fund's total return, it also has the effect of potentially increasing losses. Accordingly, any event which adversely affects the value of an investment by a Fund would be magnified to the extent a Fund is leveraged. The cumulative effect of the use of leverage by a Fund in a market that moves adversely to the Fund's investments could result in a substantial loss to the Fund which would be greater than if such Fund were not leveraged.

Hedging Transactions. The Funds may, but are not required to, utilize financial instruments, both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of a Fund's investment portfolio resulting from fluctuations in fixed-income markets, changes in interest rates or other events; (ii) protect a Fund's unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of investments; (iv) enhance or preserve returns, spreads or gains on any investment; (v) hedge the interest rate or currency exchange rate with respect to any liabilities or assets; or (vi) for any other reason that Pagaya deems appropriate.

The success of any Fund hedging strategy will depend, in part, upon Pagaya's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of a Fund's portfolio investments being hedged. Since the characteristics of many fixed-income instruments change as markets change or time passes, the success of any Fund hedging strategy will also be subject to Pagaya's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While a Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for such Fund than if it had not engaged in such hedging transactions, and may expose such Fund to counterparty risk.

For a variety of reasons, Pagaya may not seek or be able to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation will prevent a Fund from achieving the intended hedge or expose such Fund to risk of loss. Pagaya may choose not to hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of a Fund's holdings.

Effect of Recent Developments Affecting Banks. Recent developments in the banking sector have resulted in the appointment of the Federal Deposit Insurance Corporation as receiver for Silicon Valley Bank and Signature Bank, the sale of Credit Suisse to UBS, and speculation about the prospects of other banks. A number of U.S. regional banks have suffered declines in their stock prices and needed to obtain access to additional funds. These events have led to uncertainty in financial and lending markets and the business community as to the stability of the

banking sector more generally. It is possible that systemic risk in the banking sector is greater than expected and that the current uncertainty could lead to more widespread disruption of the banking and broader financial sectors, or that other sectors and industries will be affected, including the sectors in which the Funds and Partners operate. Should any such disruption become widespread, this may pose a material risk to the Fund's performance.

Risks Associated with the Funds' Credit-Focused Investments

Nature of Portfolio Investments and General Credit Risks. Certain of the Funds will generally invest, directly or indirectly, in loans or receivables focused on the debt obligations of consumers. Such investments are generally not rated by rating agencies and are highly risky and speculative because payment to the Funds depends entirely on receipt of payments from individual borrowers (or their guarantor). If a borrower (or its guarantor) fails to make any payments on the corresponding loan, the Funds will not receive any payments on such loan and thereby experience a decline in the value of its investment in such borrower. Certain of the loans or receivables are unsecured obligations and, with the exception of certain loans or receivables for which there may be a guarantor, certain of the loans are not backed by any collateral or guaranteed or insured by any third party. The failure of a borrower to repay a loan or receivable does not result in any direct cause of action. The Funds must rely on the applicable Partner, in its capacity as servicer, and its designated third-party collection agency to pursue collection against any borrower. The Funds will typically have no recourse against borrowers and no ability to pursue borrowers to collect payments under loans. Accordingly, the creditworthiness of the borrower is of great importance. Additionally, a Partner is typically not obligated to make any payments due on a loan or receivable except to the extent that the Partner actually receives payments from the borrower on the related loan. Accordingly, lenders and investors assume all of the credit risk on the loans or receivables they fund or purchase from a Partner and are not entitled to recover any deficiency of principal or interest from the Partner if the underlying borrower defaults on its payments due with respect to a loan. More generally, each Fund cannot guarantee the adequacy of the protection of the Fund's interests and may be exposed to losses resulting from default on loans purchased by the Fund. In addition, a Partner is generally not required to repurchase loans or receivables from a lender or purchaser except under very narrow circumstances, such as in cases of verifiable identity fraud by the borrower or as may otherwise be negotiated by a purchaser of whole loans.

Loans and receivables are obligations of the borrowers and the terms of certain loans or receivables may not restrict the borrowers from incurring additional debt. If a borrower incurs additional debt after obtaining a loan or receivable through a Partner, the additional debt may adversely affect the borrower's creditworthiness generally, and could result in the financial distress, insolvency or bankruptcy of the borrower. To the extent borrowers incur other indebtedness that is secured, such as a mortgage, the ability of the secured creditors to exercise collection remedies against the assets of that borrower may impair the borrower's ability to repay its loan or it may impair the Partner's ability to collect on the loan upon default. Generally, borrowers may choose to repay obligations under other indebtedness (such as loans obtained from traditional lending sources) before repaying a loan because the borrowers have no collateral at risk. A Fund will not be made aware of any additional debt incurred by a borrower, or

whether such debt is secured. The effect of this can be to allow other creditors to move more quickly to claim any assets of the borrower.

Dependence on Third Party Lending Platforms. Investments to be acquired by the Pagaya Opportunity and Auto Loans Funds are typically originated or facilitated through unrelated third-party Partners that operate lending platforms. The Pagaya Opportunity and Auto Loans Funds may not be able to invest their available capital and achieve their investment objectives if one or more Partners were to dissolve, liquidate, become bankrupt or otherwise cease operations, or change their business. Furthermore, each Partner typically has no legal obligation to offer or sell investments to any Fund, or Pagaya may decide to cease working with one or more Partners.

Funds that purchase investments from Partners may be required to use affiliates of the Partners to provide services with respect to the loans in which the Fund invests. The loan servicing function to be performed by the Partners may include, among other things, collecting monthly payments of principal and interest on the underlying loans, managing delinquent and defaulted loans, remitting net collections from the loans to investors, and providing related reporting. Certain Partners may retain certain other legal rights with respect to the underlying loans that they service. There is no assurance that any of these loan servicers will continue to exist or that each will perform its loan servicing activities in accordance with the related servicing agreement. The failure of any of the servicers to perform the loan servicing function consistent with the standards set forth in the applicable contract, or the occurrence of one or more events having a material adverse effect on the lending platforms, could cause an interruption or delay in loan collections and investor remittances, or an increase in the population of seriously delinquent or defaulted loans, which would in turn have a material adverse effect on the amounts of funds available for distribution, and the timely payment of such funds, to a Fund owning such investments. In addition, the contractual requirement to use these servicers could negatively affect the liquidity of the loans in which certain of the Funds invest, as potential secondary market investors may desire to use a loan servicer other than the servicer designated by the Partner.

Borrower Credit Risk. Certain of the Funds' investments may represent obligations of consumers who would not otherwise qualify for, or would have difficulty qualifying for, credit from commercial banks and other more traditional sources of lending, or small and mid-sized enterprises or companies that are unable to effectively access public equity or debt markets, as a result of, among other things, limited assets, adverse income characteristics, limited credit or operating history or an impaired credit record, which may include, for example in the case of consumers, a history of irregular employment, previous bankruptcy filings, repossessions of property, charged off loans and/or garnishment of wages. The average interest rate charged to, or required of, such borrowers generally is higher than that charged by commercial banks and other institutions providing traditional sources of credit or that set by the debt market. As a result of the credit profile of the borrowers and the interest rates on such loans, the delinquency and default experience on such Investments may be significantly higher than those experienced by loans and other financial products arising from more traditional sources of lending. This risk may be particularly acute during periods of market dislocation, including but not limited to the dislocations caused by the impact of COVID-19 and/or the regulations and restrictions imposed to limit its spread.

Indirect Investments. The Funds typically invest both directly and indirectly, including by purchasing debt or equity-like interests in, or issued by, asset-backed securitization vehicles (including those sponsored and administered by Pagaya Affiliates) and other special purpose or similar entities that, in turn, invest directly in underlying investments. While the return or payment on such interests or debt depends on the performance of the relevant assets underlying each such securitization vehicle or other indirect investment, the exposure to a Fund may be different than if the Fund had invested in those underlying investments directly. Further, if a Fund should seek to securitize any of its portfolio investments, it is possible that it may not be able to do so on advantageous terms, or at all.

Investments in Asset-Backed Securitizations. The Funds are expected to invest in debt or equity-like securities issued by asset-backed securitization vehicles, including securitization vehicles that are sponsored by, and may pay administration, monitoring or other fees to, Pagaya Affiliates. Asset-backed securitization vehicles are special purpose companies that issue debt and equity-like securities to investors and then use the proceeds to purchase a portfolio of loans or other assets, such as consumer loans, auto loans or credit card receivables. The loans acquired by securitization vehicles often have characteristics that differ from traditional debt securities. Among the major differences are that interest and principal payments are usually made more frequently, typically monthly, and that principal may be prepaid at any time because the underlying consumer loans or other assets generally may be prepaid at any time. The default rates of loans backing these securities can depend on a number of factors, including national and regional economic growth, the level of interest rates, unemployment rates, and other factors. Since a securitization vehicle must pay off its debt obligations before any return to its investors that hold equity-like interests, the equity-like interests of securitization vehicles are subject to increased exposure to the effects of increased default rates on the underlying loans, and could, in the event of a significant increase in the rate of default of the underlying loans, lose part or all of their investment.

Some asset backed securitization vehicles do not have the benefit of any security interest in any underlying collateral. Credit card receivables, for example, are generally unsecured, and the debtors are entitled to the protection of a number of state and U.S. federal consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Many securitization vehicles backed by automobile loan receivables permit the loan servicers to retain possession of the underlying obligations. Because of the large number of automobile loans involved in a typical securitization backed by automobile loans and technical requirements under state laws, the securitization vehicle may not have a proper enforceable security interest in all of the underlying vehicles. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available or sufficient to satisfy the underlying loan obligations. The value of an asset-backed security may also be affected by changes in the market's perception of the assets backing the security and the creditworthiness of the servicing agent for the loan pool or the originator of the loans. As a result of the fees payable to Pagaya Affiliates by any securitization vehicle sponsored by Pagaya Affiliates or a Fund, Pagaya may have a conflict of interest in deciding on behalf of a Fund whether or not to invest in such a securitization vehicle.

Risks Associated with Credit Card Receivables. Certain of the Funds invest in credit card receivables. These investments are subject to certain specific additional risks, including economic, competitive, social and event-driven risks (e.g., the fact that payment patterns of cardholders may not be consistent over time), tax, regulatory risks related to credit card receivable originators, consumer bankruptcy and insolvency risks, and risks related to credit card and consumer credit legislation, among others.

Risks Associated with Auto Loans. Certain of the Funds will focus on purchasing “near prime” and “sub-prime” loans to borrowers who do not qualify for conventional motor vehicle financing as a result of, among other things, a lack of or adverse credit history, low income levels and/or the inability to provide adequate down payments. The average interest rate charged to such borrowers is generally higher than that charged by banks, credit unions and captive finance companies, which typically impose more stringent credit requirements and target obligors that would typically be classified as “prime”. A portfolio of auto loans that includes a high percentage of auto loans that are obligations of sub-prime obligors will typically have higher default rates than obligations of prime obligors, and is likely to be more sensitive to changes in the economic climate in the areas in which such obligors reside. In the event of defaults, generally the most practical alternative is repossession of the financed vehicle. The financed vehicles securing sub-prime auto loans are expected to consist primarily of used vehicles and, depending on the timing of the default, are likely to have a liquidation value substantially below the outstanding balance of the loan. Consequently, losses on auto loans are anticipated from repossessions and foreclosure sales that do not yield sufficient proceeds to repay the related loans in full. As a result of the credit profile of the borrowers, the terms of the auto loans (such as high contract rates) and the expected recovery following a default by the obligor, the delinquency experience on the auto loans held directly or indirectly by the Funds is expected to be higher (and may be significantly higher) than those experienced by participants in the auto finance industry that focus primarily on prime obligors.

Risks Associated with the Funds’ Real Estate-Focused Investments

Risks Associated with Investments in Real Estate. To the extent that a Fund invests, directly or indirectly, in single-family homes or other real estate assets, it will be subject to the risks incident to the ownership and operation of real estate. The yields available from investments in real estate depend on the amount of revenue generated and expenses incurred. The revenues generated by, and the value of, a particular property may be adversely affected by a number of factors, including: the cyclical nature of the real estate market; national, regional and local economic climates; local real estate market conditions; occupancy rates, fluctuations in operating costs; changes in interest rates; and the availability, cost and terms of financing. Real estate values are also affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing, and potential liability under changing environmental and other laws. Investments in real property may also involve risks of acquiring interests in properties that are subject to liabilities or that have problems relating to environmental condition, state of title, physical condition or compliance with zoning laws, building codes or other legal requirements. There is no assurance that there will be a ready market for resale of any particular real estate assets at any point in time.

Investment in Single Family Residential Properties. The Pagaya SmartResi Funds are expected to invest, directly or indirectly, primarily in the single family residential sector. Investments in single family residential properties are subject to certain additional risks. In particular, a downturn or slowdown in the rental demand for single-family housing, including seasonal fluctuations in demand, or as caused by adverse economic, regulatory or environmental conditions in local markets or in the national and economic markets more generally may negatively impact the value of a Fund's single-family residential property investments. There is also significant competition (i) for the acquisition of single-family residential properties in certain markets, which may limit strategic opportunities and increase the cost to acquire properties, and (ii) in the leasing market for quality tenants, which may limit the ability to rent single-family residential properties or at all. The success of a Fund's single family residential property investments is also dependent on third-party service providers, including property managers, independent contractors and trade professionals hired to manage, develop or renovate single family residential properties.

Dependence on Property Managers. Although Pagaya monitors the performance of each investment, the management of real properties on a day-to-day basis is primarily the responsibility of property managers hired by Pagaya, which may include Pagaya Affiliates. A Fund's results of operations, including its ability to make payments on any indebtedness, depend in large part on the ability of these property managers to operate and lease the properties on economically favorable terms. There can be no assurance that the property management firms employed by a Fund will be able to operate each investment successfully. Moreover, the risks of dependence on property management firms are different by property type and by investment stage (for example, properties in development or redevelopment have a greater dependence on the leasing abilities of a property manager or leasing agent).

Use of Affiliated Service Providers. The Funds use the services of Pagaya Affiliates. In particular, Pagaya Affiliates provide real estate brokerage services, residential property management services, residential property renovation services, and provide credit. Pagaya will have a conflict of interest in selecting a Pagaya Affiliate to perform these services and determining the fees to be charged for such services. Pagaya Affiliates will also benefit from indemnification and exculpation protections in connection with providing services to the Funds, the terms of which may be more favorable to the Pagaya Affiliates than what Pagaya may seek to negotiate with unrelated service providers. Moreover, Pagaya Affiliates may delegate some or all of their duties to third parties, share revenues with such third parties, or otherwise enter into arrangements with third parties regarding joint ventures or other business ventures. Such arrangements may introduce additional, or compound existing, conflicts and potential conflicts.

Risks Associated with Investments in Securitization Vehicles

Multiple Levels of Fees and Expenses. The Funds implement their investment programs in part by investing indirectly through securitization vehicles and other special purpose entities that in turn hold consumer loans, interests in real property or other assets. The use of such securitization and other vehicles will increase, potentially significantly, the fees, costs and expenses payable by a Fund and borne directly or indirectly by the Fund's investors. In addition to the fees and expenses at the Fund level, securitization vehicles will incur ongoing costs and

expenses related to their operations. The Funds may also invest in securitization vehicles sponsored by a Fund or a Pagaya Affiliate (or otherwise affiliated with a Pagaya Affiliate), and such securitization vehicles will incur additional fees, costs and expenses which will be borne by a Fund as an investor in each such securitization vehicle, including organizational and operating expenses and financing costs. A Fund, as an investor in a securitization vehicle, will be liable for such fees and allocations payable at the securitization vehicle level even if the returns of the Fund as a whole are not positive.

Pagaya Affiliates are generally entitled to earn fees or other benefits in exchange for providing services to a securitization vehicle, and such fees will not offset, or otherwise reduce, the fees paid by a Fund. Typically, Pagaya Affiliates charge administrative fees (sometimes referred to as accrued receivable purchasing fees and/or receivable monitoring fees) equal to approximately 50bps (0.50%) of the assets of the securitization vehicle annually, and in certain circumstances Pagaya Affiliates also may retain a portion of the servicing fee that is charged to the securitization vehicle (generally ranging from approximately 25bps to 50bps (0.25%-0.50%) of the assets of the securitization vehicle annually). These various levels of fees, costs and expenses will be incurred whether or not the performance of a Fund that invests in the securitization vehicle generates positive returns for the Fund's investors. As a result, the Funds (and indirectly the investors in the Funds) will bear multiple levels of fees and expenses, which in the aggregate will exceed the expenses that would typically be incurred by a direct investment in the underlying assets, and reduce each Fund's profits.

Risks and Conflicts Associated with Pagaya's Management and the Funds' Structures

Affiliate Data Sets and Analysis. Pagaya is informed by the Proprietary Technology in connection with its investment decision making process. Any perceived or actual advantage to a Fund, through Pagaya's access to proprietary credit technology or technological and communication systems for analysis, or any others chosen or inherent, that incorporate big data, artificial intelligence and/or machine-learning and technology ("System Analysis"), over traditional statistical analysis, may not be realized or may dissipate. Quickly consuming enormous numbers of data and records to more accurately make conclusions or predictive recommendations or transmit information to a Partner is susceptible to "bad data in, bad data out" syndrome. In the case of self-learning System Analysis, the type of "bad data" can mean various inaccuracies, problems, or bias now, or developed over time. System Analysis that results in a forecast may only be as good as the data, inputs, and training limits and there is no guarantee the System Analysis can or will be designed to accurately or properly analyze, learn, forecast or act on the output information, or will not draw a faulty analytical connection from complete, missing, inaccurate, or corrupted data sets. The System Analysis that results over time may deviate and will be different over time, and thus not readily explainable and completely transparent on any particular date in time. Any modifications may be reactive and not proactive.

Reliance on Technology. In implementing a Fund's investment program, Pagaya's investment approach is informed by proprietary technology deployed through artificial intelligence and machine learning technology originally created and developed by Pagaya Tech. Currently, along with other resources (such as personnel, middle and back office and related support), Pagaya Tech makes the technology accessible to Pagaya in the conduct of its advisory business, in

particular in the use of the technology to identify, select and assess underlying borrowers of loans and potential investments for the Funds. Nevertheless, there is no guarantee that Pagaya will continue to have access to the technology and other resources of Pagaya Tech in the future, or that Partners will be able or willing to have such technology integrated with their processes in the future, to the same degree or extent of any services (including access) currently made available to Pagaya. For instance, currently the technology is made available to Pagaya Affiliates, without charge. As the business of Pagaya Tech continues to develop, Pagaya Tech may impose additional parameters or conditions for continued access by Pagaya (such as a licensing or similar use fee) or could continue to develop the technology for functions or capabilities that are less directed at Pagaya's business or its clients (whether currently existing or in the future) or may cease developing or maintaining the technology altogether including as a result of a shift in commercial priorities. Although Pagaya relies to a significant degree on the technology developed and maintained by Pagaya Tech, Pagaya Tech is not a fiduciary to the Funds and is under no obligation to continue to provide such services to the Funds. It may also be difficult for Pagaya to locate an alternative service provider. Moreover, in the event of insolvency or other material adverse event affecting Pagaya Tech and the related technology used by Pagaya (including a data breach or cybersecurity event), the Funds may also potentially be affected.

The technology and intellectual property developed by Pagaya Tech relies on data obtained from various sources (including Partners and third-parties), credit variables, and other inputs and processes (including "AI" machine learning processing tools) developed by personnel and monitored by Pagaya Tech. It also relies on various computer and telecommunications technologies, many of which are provided by or are dependent upon third parties such as data feed, data center, telecommunications, or utility providers. The successful deployment, implementation, and/or operation of such activities and strategies, and various other critical activities of Pagaya Tech, could be severely compromised by system or component failure, telecommunications failure, power loss, a software related "system crash," unauthorized system access or use (such as "hacking"), computer viruses and similar programs, weather, fire or water damage, human errors in using or accessing relevant systems, or various other events or circumstances. Despite rigorous design, development, testing and monitoring, it is possible that the technology may not always perform exactly as intended and suffer negative effects on performance as a result of the foregoing risks. These risks in turn could materially affect Pagaya's ability to manage the Funds.

Loans by Pagaya to the Funds. Under the terms of each Fund's governing documents, the Funds are generally permitted to borrow funds and incur indebtedness, including without limitation from Pagaya and the other Pagaya Affiliates. Any loans from Pagaya or another Pagaya Affiliate to any Fund will be either on market terms or terms that are more favorable to the Fund, as determined by Pagaya. Borrowing arrangements are often utilized by private funds to bridge the time between the closing of an investment and the calling of capital from investors and for broader cash management purposes. From an investor's perspective, such facilities can smooth cash flows and ease the administrative burden of responding to capital calls. In addition, borrowing may permit a Fund to have ready access to cash in the event short-term funding obligations (e.g., liquidity or margin requirements) arise, which Pagaya believes allows for more efficient cash management as opposed to holding larger cash reserves.

Fund investors typically fund the full amount of their capital contributions to the respective Fund, and therefore the risks associated with extensions of credit to the Funds by Pagaya and/or a Pagaya Affiliate thereof to bridge capital calls will not generally apply. Nevertheless, other risks associated with the use of credit facilities as discussed above will be applicable. These include the use of leverage as part of a Fund's operations (including to satisfy redemption requests), reliance on such facilities in implementing a Fund's investment program (rather than realization or disposition proceeds), and added counterparty risk associated with having Pagaya and/or another Pagaya Affiliate act as a creditor to any Fund. In the event of the bankruptcy or dissolution of a Fund, Pagaya and/or another Pagaya Affiliate that has extended credit to such Fund will stand in priority to such Fund's investors.

Broad and Wide-Ranging Activities of Pagaya and Pagaya Affiliates. Pagaya and Pagaya Affiliates engage in a broad spectrum of activities, including development, use and licensing of technology, financial services, investment advisory services, asset management services, securitizations, research, and sponsoring and managing private investment funds and other client accounts. The investment activities or strategies of Pagaya and Pagaya Affiliates, or the investment activities or strategies used for the Funds and for securitization vehicles sponsored or managed by Pagaya or a Pagaya Affiliates, may conflict with the transactions and strategies employed on behalf of other Funds and/or other securitization vehicles, and may affect the prices and availability of investments in which a Fund may invest. Pagaya Affiliates' activities are carried out generally without reference to positions held by a Fund and may have an effect on the value of the positions so held, or may result in a Pagaya Affiliate having an interest in an issuer adverse to that of a Fund (e.g., a Pagaya Affiliate may have an investment in a security that is senior to the security held by a Fund). Because Pagaya and Pagaya Affiliates operate different businesses, Pagaya and Pagaya Affiliates are subject to a number of potential and actual conflicts of interest, potentially greater regulatory oversight, and more legal and contractual restrictions than would be the case if Pagaya and Pagaya Affiliates had a single line of business.

The interests of the Pagaya Affiliates or any of their respective clients may conflict with the interests of a given Fund or its investors, notwithstanding Pagaya's acting as investment adviser to, or direct or indirect participation in, each Fund. Except as specifically set forth in each Fund's governing documents, nothing precludes, restricts or in any way limits the activities of the Pagaya Affiliates, including their ability to buy or sell interests in, or provide financing to, the Funds, portfolio companies or businesses, for their own accounts or for the accounts of other Funds, accounts or clients.

Conflicts of interest that arise between a Fund, on the one hand, and a Pagaya Affiliate, an existing or future Fund, accounts or clients of a Pagaya Affiliate, on the other hand, will be evaluated by Pagaya. Any such evaluation will take into consideration the interests of the relevant parties and the circumstances giving rise to the conflict. Because of the wide range of services offered by Pagaya Affiliates, it is possible that Pagaya Affiliates may have business relationships with a Fund's service providers, Partners or any issuers of the securities in which the Fund invests that are independent of an investment by the Fund and, therefore, Pagaya may have a conflict of interest when taking any actions in connection with a Fund's investments.

Investments in Securitization Vehicles Sponsored by Pagaya Affiliates. Pagaya Affiliates are actively engaged in the formation, sponsoring, structuring and administration of securitization vehicles that invest in the same types of investments in which the Funds currently invest and expect to continue to invest in the future. As part of a securitization sponsored by a Pagaya Affiliate, the Pagaya Affiliate (which could be a Fund) sponsoring the securitization generally assumes certain duties in connection with managing or administering the assets that will be acquired by the securitization vehicle. Those duties generally include selecting the assets to be purchased by the securitization vehicle. Although Pagaya anticipates that the Pagaya Affiliates will operate within a limited and defined set of parameters (e.g., time, scope and duration) when acquiring and administering any such assets, a Pagaya Affiliate or Pagaya could encounter actual and potential conflicts to the extent that any such securitization vehicle competes with a Fund for investment opportunities or Pagaya's resources (e.g., personnel). The Funds may also encounter conflicts because they will bear additional fees, costs and expenses associated with investing in securitization vehicles managed or administered by a Pagaya Affiliate instead of investing in the assets directly. These activities can adversely affect the prices and availability of loans or other instruments held by or potentially considered for purchase for the account of a Fund. The obligations of the Pagaya Affiliates to the securitization vehicle will typically be more limited after the securitization is completed.

Pagaya expects that the Funds have and will continue to acquire or dispose of securities issued by securitization vehicles sponsored by Pagaya Affiliates, including risk retention securities, which are equity-like securities issued by securitization vehicles that are required to be held by the sponsor of the securitization vehicle or a related entity. The conflicts of interest inherent in such a transaction will be heightened to the extent that a Fund invests in a securitization vehicle managed or administered by a Pagaya Affiliate, in particular where the Pagaya Affiliate does not have the authority (or limited authority) to mitigate the impact of potentially adverse market or other events on the securitization vehicle (and indirectly the Fund). Moreover, the Pagaya Affiliates will be entitled to earn compensation for providing services to a securitization vehicle at various stages of its existence, and such additional fees or compensation will not offset or reduce the fees charged to a Fund that invests in the securitization vehicle. Additional conflicts would also arise to the extent that the interest in a securitization vehicle held by a Fund involves risk retention securities required to be held directly or indirectly by the securitization sponsor, typically a Pagaya Affiliate. The Funds have held, and it is expected that the Funds will continue to hold, such risk retention securities indirectly through one or more entities under the control of a Pagaya Affiliate in order to comply with applicable securitization risk retention rules. Holding such risk retention securities could limit or restrict Pagaya's ability to trade such securities on behalf of a Fund, even if it would be in the Fund's interest to do so, in order to comply with the rules regarding risk retention and other applicable law. In addition, Pagaya has an incentive to cause a Fund to invest in one or more such vehicle since doing so has the effect of diluting the amount of risk retention securities that Pagaya or another Pagaya Affiliate would otherwise have to retain as the sponsor of the securitization vehicle.

Subject to the requirements of each Fund's and each securitization vehicle's governing documents, investment opportunities sourced by the Pagaya Affiliates will generally be allocated among the accounts of the Funds and the securitization vehicles in a manner that the Pagaya

Affiliates believe to be appropriate given the factors that they believe to be relevant, as described further below under Item 10 “Other Financial Industry Activities and Affiliations – Allocation of Investment Opportunities”. A Pagaya Affiliate may give priority to certain securitization vehicles, Funds or other accounts that are in a “ramp-up” phase, and could cause securitization vehicles, Funds or other accounts to engage in transactions (jointly, as counterparties, co-investors, or otherwise) with one another, Pagaya or a Pagaya Affiliate. At times, Pagaya Affiliates will determine to source or allocate direct investment opportunities to securitization vehicles sponsored by Pagaya Affiliates rather than to Pagaya’s Fund clients and determine to provide Pagaya’s Fund clients with exposure to those investments indirectly through an investment in such securitization vehicles. Any decision to have a Pagaya Fund client invest in any securitization sponsored by (or otherwise affiliated with) a Pagaya Affiliate will be determined based on factors that could include, without limitation, such Fund’s and such securitization vehicle’s respective investment objectives, policies, guidelines or restrictions; concentration limits; interest and asset coverage tests; collateral quality; liquidity and requirements tests; lender covenants; total capital and capital commitments; anticipated cash requirements; anticipated future cash flows; available credit lines; risk tolerances; tax considerations; restrictions under ERISA or other applicable laws or regulations; counterparty arrangements; investment size; sector, industry or geographical weightings; indirect exposure to similar assets through investments in other vehicles; and hedging objectives and activity.

To the extent that potential conflicts arise with respect to a Fund and another Fund or a securitization vehicle, Pagaya will seek to resolve such conflicts in any manner permitted by applicable law, including by implementing appropriate policies and procedures, providing disclosure to investors, or obtaining the consent of an independent person(s) (e.g., an appointed individual, an advisory board composed of third party investors, a conflicts committee, or an independent fiduciary) selected for such purpose.

Big Data. In the course of managing the Funds, Pagaya and the other Pagaya Affiliates expect to collect data in connection with investments and other transactions entered into by the Funds. Pagaya expects to utilize this data in connection with the management of the Funds and for other purposes, including other purposes that may be unrelated to the Fund(s) that enabled and paid for the data to be collected. In particular, Pagaya expects to be able to use this data to enhance the data analytics employed for the benefit of other clients, products or services offered by Pagaya and/or Pagaya Affiliates, including services or products to customers or clients other than the Fund that enabled and paid for such data collection. Such products and services may be entirely unrelated to Pagaya’s advisory business. Accordingly, Pagaya expects to derive value from the services provided by it or another Pagaya Affiliate in addition to any fees or other compensation received from a Fund, and such Fund will not be compensated in connection with that value retained by Pagaya or have any rights to revenue associated with the use of such data.

Pagaya receives or obtains various kinds of data and information from the Funds, third parties and other sources, including data and information relating to consumers, market prices, and other metrics, some of which is sometimes referred to as “big data.” Pagaya may be better able to anticipate macroeconomic and other trends, and otherwise develop investment themes, as a result of its access to (and rights regarding) this data and information, but there can be no assurance

that all or any portion of this information will be used for the benefit of any particular Fund (including any Fund that helped enable, or paid for access to, such data).

Pagaya and Pagaya Affiliates have entered and/or will continue to enter into information sharing and use arrangements with third parties, related parties and service providers, which will give Pagaya and the other Pagaya Affiliates access to (and rights regarding) data that it would not otherwise obtain in the ordinary course. Although Pagaya believes that these activities improve its investment management activities on behalf of the Funds, information obtained from these sources also provides material benefits to Pagaya and the other Pagaya Affiliates without compensation or other benefit accruing to the Funds or their investors. For example, information related to a Fund's investments may enable Pagaya and the other Pagaya Affiliates to better understand a particular market and execute investment strategies (or make business decisions) in reliance on that understanding for Pagaya or Pagaya Affiliates other businesses (including their clients or customers) that do not own an interest in such market, without compensation or benefit to the Fund that helped generate and pay for such information.

The sharing and use of "big data" and other information presents potential conflicts of interest. Any benefits received by Pagaya or the other Pagaya Affiliates will not offset or reduce the fees payable by the Funds. As a result, Pagaya and the other Pagaya Affiliates may have an incentive to select counterparties or engage in activities that allow Pagaya and the other Pagaya Affiliates to obtain data and information that can be utilized in a manner that benefits Pagaya and the other Pagaya Affiliates, even if that results in a lower overall quality of service received from counterparties or higher transaction costs borne by a Fund versus otherwise comparable counterparties or activities that do not enable Pagaya or Pagaya Affiliates to obtain such data and information.

9. Disciplinary Information

In the past 10 years, neither Pagaya nor its employees have been involved in, or have pending, any domestic or foreign criminal, civil, administrative, or disciplinary events or proceedings that would be material to a client's evaluation of the company or its personnel.

10. Other Financial Industry Activities and Affiliations

Registered Broker-Dealers

Pagaya and its management persons are not affiliated with any broker-dealer or bank.

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

Pagaya and its management persons are not registered as or affiliated with a registered futures commission merchant, commodity pool operator or commodity trading advisor.

Relationships with Related Persons

Pagaya Opportunity Manager Ltd., Pagaya Auto Loans Manager, LP, Pagaya RE Management GP LLC, and SFR Fund II GP LLC, each of which is an affiliate of Pagaya, act as the general partners of the respective Fund.

Pagaya Tech is engaged in the business of developing, owning and exploiting the Proprietary Technology. Pagaya Tech provides as a service the Proprietary Technology to Pagaya for use in connection with the management of Pagaya's client accounts. As described above under "Broad and Wide-Ranging Activities of Pagaya and Pagaya Affiliates", there is no assurance that Pagaya Tech will continue to develop or maintain the Proprietary Technology, or that Pagaya Tech will not use or license the Proprietary Technology to third parties in ways that are competitive with, or could be harmful to, clients of Pagaya. During the normal course of its business, Pagaya relies primarily on the Proprietary Technology as a means of informing its investment decisions. Similar products and services may be developed and provided by other Pagaya Affiliates, the cost of which may be borne in part by Pagaya's clients, including the Funds. Pagaya and other Pagaya Affiliates may use this technology and systems for purposes other than for the sole benefit of their clients. This may create an incentive for Pagaya to have its clients pay for the development of technology and systems that may also benefit Pagaya and the other Pagaya Affiliates.

Pagaya relies primarily on Pagaya Tech, through Pagaya Tech's Proprietary Technology, to source investment opportunities for its clients. Pagaya Tech may determine to make certain direct investment opportunities available only to the securitizations that it sponsors. Pagaya and Pagaya Tech determine how to allocate investment opportunities among Pagaya clients and securitization vehicles as described in greater detail below under Item 10 "Other Financial Industry Activities and Affiliations – Allocation of Investment Opportunities". As a result, Pagaya clients may gain exposure to certain assets only indirectly through an investment in a securitization vehicle sponsored by a Pagaya Affiliate. Pagaya's decision to have a client invest in a Pagaya Affiliate-sponsored securitization presents a potential conflict of interest since the additional fees and expenses such clients bear through investing in a securitization are ultimately paid to Pagaya Affiliates. In addition, Pagaya Affiliates are subject to various risk retention requirements in connection with their securitization business, and Pagaya's decision to have its clients invest in Pagaya Affiliates securitizations could be seen as favoring Pagaya Affiliates at the expense of Pagaya's clients. Any decision by Pagaya to have a client invest in any securitization sponsored by or otherwise affiliated with a Pagaya Affiliate will be determined by Pagaya based on a variety of factors, including any potential benefits to Pagaya Affiliates, and Pagaya will seek to resolve any conflicts by implementing appropriate policies and procedures, providing disclosure to investors, or obtaining the consent of an independent person(s) selected for such purpose.

Pagaya HoldCo, Pagaya Structured Products LLC and related entities sponsor and administer securitization vehicles, including securitization vehicles in which the Funds will invest, and will receive fees from such securitization vehicles for providing such services.

Currently, Darwin Homes, Inc., Darwin Homes, LLC ("Darwin LLC"), Darwin Homes Texas, LLC ("Darwin Texas"), Darwin Homes Florida, LLC ("Darwin Florida"), Darwin Homes Georgia, LLC ("Darwin Georgia") , Darwin Homes Missouri, LLC ("Darwin Missouri", and Adoor Property Management LLC ("APM LLC" and together with Darwin Homes, Inc., Darwin LLC, Darwin Texas, Darwin Florida, Darwin Georgia, and Darwin Missouri, the "Real Estate Brokerage Affiliates") maintain real estate brokerage licenses in certain states, and each receive real estate brokerage commissions at customary market rates in connection with real estate transactions for which it acts as broker for the Funds and other Pagaya Affiliates. The Real Estate Brokerage Affiliates also may use a third-party real estate broker in states in which the Funds and other Pagaya Affiliates are actively pursuing real estate transactions, and typically receive a referral fee at customary market rates from any such broker in connection with such real estate transactions.

Pref 2019 LLC and Darwin Homes, Inc. and its subsidiaries (collectively, "Darwin Homes") perform services which include, without limitation, property management services, renovation services and general contracting services for residential properties, which may include properties owned by the Funds and securitization vehicles in which the Funds invest, and will receive fees for providing such services at customary market rates.

APM LLC is a property management platform controlled by Darwin Homes.

Pagaya Technologies US LLC is a service company that employs and provides the services of all of the U.S. employees of Pagaya HoldCo and its subsidiaries, including Pagaya.

As described above under "Broad and Wide-Ranging Activities of Pagaya and Pagaya Affiliates", the Pagaya Affiliates, including Pagaya Tech, currently engage in a wide range of activities which may give rise to actual and potential conflicts of interest as described further in such section. In particular, Pagaya Affiliates may manage or sponsor accounts for other clients, including other funds and securitization vehicles.

Allocation of Expenses

Pagaya may determine that more than one client should bear the expenses associated with a particular investment, including acquiring, selling, refinancing or restructuring the investment. Generally, a client may only bear an expense if it is permitted to bear such expense under the relevant advisory contract or investment vehicle's governing documents. Pagaya will generally seek to allocate costs and expenses borne by more than one client in a manner that generally reflects each client's relative size of investment, consumption of resources, receipt of benefits and/or other equitable considerations that may be appropriate under the circumstances.

Pagaya may, depending on the circumstances, allocate expenses using one or more of the following methodologies:

- Pro rata allocation among clients participating in an investment (e.g., based on cash/capital available for investment, net assets or other methodology previously determined to be appropriate).

- Non-pro rata allocation based on the number of clients receiving the benefit or other methodology determined to be appropriate (e.g., the cost of a research report allocated equally to each client account).
- If disclosed in the relevant contract or investment vehicle governing documents, certain clients may bear all the costs of unconsummated transactions (even if other clients would have borne such expenses if the transaction were consummated).
- The governing documents of investment vehicles may provide that certain fees and expenses may be borne only by entities within an investment vehicle fund structure (e.g., Cayman Islands-specific fees and expenses are typically borne only by Cayman Islands entities).

Allocation of Investment Opportunities

An investment opportunity may arise that would be appropriate for more than one Pagaya client as well as for securitization vehicles sponsored, managed or administered by Pagaya Affiliates. The fees paid to Pagaya and/or other Pagaya Affiliates may differ among clients or investment vehicles, and one client or investment vehicle could pay more fees to Pagaya and/or other Pagaya Affiliates than another. Pagaya Affiliates may also own investments in some Funds or other Pagaya clients. Any difference in the fees payable to Pagaya and/or other Pagaya Affiliates or economic interests of Pagaya and/or other Pagaya Affiliates could create an opportunity for Pagaya and/or another Pagaya Affiliate to favor one client or investment vehicle over another when allocating a limited investment opportunity. Pagaya has adopted policies in order to ensure that all investment opportunities are allocated among the accounts that it manages in a manner that it determines to be fair and equitable over time, consistent with the investment objectives and governing documents of each Fund. Investment opportunities will generally be allocated among the Funds and securitization vehicles in a manner that Pagaya believes to be fair and appropriate given the factors that it believes to be relevant, such as each Fund's and each securitization vehicle's respective investment objectives, policies, guidelines or restrictions; concentration limits; interest and asset coverage tests; collateral quality; liquidity and requirements tests; lender covenants; total capital and capital commitments; anticipated cash requirements; anticipated future cash flows; available credit lines; risk tolerances; tax considerations; restrictions under ERISA or other applicable laws or regulations; counterparty arrangements; investment size; sector, industry or geographical weightings; indirect exposure to similar assets through investments in other vehicles; and hedging objectives and activity. At times, Pagaya Affiliates may give priority to certain securitization vehicles, Funds or other accounts that are in a "ramp-up" phase. All allocation decisions are reviewed on a regular (at least monthly) basis by Pagaya's Investment Committee.

Cross Trades

Pagaya may cause client accounts to enter into cross transactions with each other. Cross trades between clients are permitted in certain situations, such as to rebalance accounts (for example, because one Fund is experiencing capital outflows while another Fund is experiencing capital inflows), provided that the transaction is in the best interests of both clients and is effected at the

current market price of the relevant assets. Pagaya will not receive any additional compensation for effecting a cross transaction between client accounts.

Principal Transactions

Section 203(3) of the Advisers Act prohibits an investment adviser, either directly or indirectly, from acting as principal for its own account, and either selling any security to a client or purchasing any security from a client, without first disclosing to the client in writing the capacity in which the adviser is acting, and obtaining the client's consent. As these types of transactions may cause a conflict of interest for Pagaya, blanket disclosure and consent are not permitted, and the disclosure and consent requirements must be obtained on a transaction-by-transaction basis as described below.

In particular, Pagaya and the other Pagaya Affiliates have in the past, and could in the future, temporarily purchase and hold (or "warehouse") an asset for a Fund, extend credit to a Fund, or otherwise purchase an asset from, or sell an asset to, a Fund. These transactions constitute principal transactions and, consistent with the governing documents of each Fund, Pagaya and Pagaya Affiliates are permitted to enter into such transactions by providing appropriate written disclosure of the material terms of such transactions and seeking consent from the applicable Fund before entering into such a transaction. For certain Funds, such consent may be obtained through the use of an independent fiduciary or other independent body retained by the Fund to act on behalf of the Fund's investors, in accordance with the governing documents of such Fund.

Valuation of Assets

Valuation of the assets in client accounts will affect fee calculations and performance results. While some assets can be valued based on publicly available sources, others, including some of the assets in which Pagaya clients invest, may have no publicly available market price. Pagaya will apply valuation methods in accordance with its policies. In addition, Pagaya may obtain a valuation from an independent valuation agent, or Pagaya may apply a fair value determination when valuing these instruments. However, as valuation will affect Management Fee and Incentive Fee calculations and performance reporting, Pagaya could be perceived to have an incentive to value such assets higher than the value that might be assigned by an independent pricing source.

Addressing Conflicts; Client Consent

Conflicts of interest can be addressed in various different ways. Certain conflicts can be resolved through full disclosure of all material facts relating to the conflict to the relevant clients and Fund investors and, if appropriate, obtaining the consent of the client. It may not be feasible to obtain consent from all of the investors in a Fund, or from a majority of its investors. For this reason, the governing documents of a Fund may authorize the appointment of an independent fiduciary or other independent body to act on behalf of the Fund and its investors.

Selection or Recommendation of Other Advisers

Pagaya does not recommend or select other investment advisers for its clients.

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

Code of Ethics

Pagaya has adopted a Code of Ethics (the “Code”) that sets forth its policy and standards for the conduct expected of its employees, to comply with the broad anti-fraud provisions of the Advisers Act, to protect against the misuse of material nonpublic information, to require its “access persons” to submit their personal securities transactions for review, and to protect personally identifiable information and other confidential information as required by applicable law.

The Code applies to all officers and covered employees of Pagaya, certain employees of Pagaya’s affiliates that provide services to Pagaya and certain consultants (“Supervised Persons”) in accordance with Pagaya’s policies. Among other things, it requires that Supervised Persons (1) pre-clear certain personal securities transactions, (2) report personal securities transactions on at least a quarterly basis, and (3) provide a detailed summary of holdings (both initially upon commencement of their Pagaya relationship and annually thereafter) over which such person has a direct or indirect beneficial interest.

Pagaya access persons are prohibited from trading, either personally or on behalf of others (including funds managed by Pagaya or another Pagaya Affiliate), in any securities while in possession of material non-public information (“MNPI”). This includes but is not limited to front running and insider trading.

The Code also imposes restrictions on (1) contributions by Supervised Persons to certain charitable organizations or political parties, (2) the receipt or giving of gifts or extravagant entertainment by or to Supervised Persons, and (3) outside business activities or interests of Supervised Persons.

A copy of the Code is available to any investor or prospective investor upon request.

Participation in Client Investments

Pagaya and other Pagaya Affiliates, in a variety of circumstances, may have financial interests and participate in transactions as described below.

Pagaya and/or the other Pagaya Affiliates receive fees for administration and other services provided to securitization vehicles in which the Funds invest. The ability to charge two sets of fees on the same assets, i.e., Fund assets and interests in securitization vehicles in which a Fund invests, presents an actual conflict of interest for Pagaya when making a decision to cause a Fund to invest in securitization vehicles sponsored or administered by Pagaya Affiliates.

Pagaya's Affiliates may co-invest with the Funds and hold interests in securitization vehicles in accordance with applicable risk retention rules. Causing a Fund to invest in a vehicle that holds the risk retention securities allows Pagaya Affiliates to spread required ownership retention interests, or dilute its ownership, in such vehicles.

As described in Item 8 above, Pagaya and the other Pagaya Affiliates benefit from the use of the Proprietary Technology, which could be developed in part at the expense of a Fund in connection with transactions, which Pagaya and the other Pagaya Affiliates then use for their own benefit and/or for the benefit of other clients.

12. Brokerage Practices

As part of its fiduciary duty to its clients, Pagaya has an obligation to execute securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances. According to the SEC, this obligation is not determined or satisfied by obtaining the lowest possible brokerage commission or execution cost but, instead, the best qualitative execution.

In determining how to achieve best execution for Pagaya clients, the particular market place in which investments are bought and sold has to be considered. Specifically, the investments that Pagaya seeks to acquire for its clients may include unsecured whole loans, credit card receivables, point of sale loans, auto loans and single-family residences. These assets, with their unique characteristics, are not generally available through multiple sources but, instead, are typically only available on specific platforms sponsored by different originators (or their partners). Although there are many sources to buy these kinds of investments, there typically are not multiple sources to buy (or subsequently sell) specific loans, receivables or residences. Therefore, Pagaya is often not able to "shop" investments identified for purchase (or existing investments for sale) among multiple execution venues.

Some kinds of investments appropriate to buy for clients are available in the secondary market. In cases where a secondary market exists, Pagaya may buy pools of loans or homes in the secondary market, either securitized or not. Generally, these are competitive situations and are executed by brokers who have access to the relevant sellers or have special expertise or regional expertise required for best execution. In secondary market transactions, the price actually paid is not necessarily a reliable indicator of the current market valuation, as the sellers of such investments may be under pressure to release liquidity or have other urgent reasons to exit the investment before maturity. Competitive pressure in the market may also command a premium for certain assets. Sellers who are under pressure to sell can often only sell their holdings at a discount. In the absence of reliable market comparability and an established main market, Pagaya decides on the valuation/price of the relevant investment on the basis of the most advantageous market for its clients. The valuation is often based on the purchase price and an accretion of the discount or premium over time.

Generally, however, where there is no established marketplace for the loans, receivables and residences of the nature Pagaya typically seeks to buy for its clients, price is generally considered to be the main factor in achieving best execution, unless special circumstances require otherwise.

Some of the sources of loans Pagaya will seek to acquire for clients may charge premiums, origination fees, sourcing fees, finders fees, or similar fees associated with their unique loans, receivables or residences. Pagaya will evaluate the value of those prospective investments, along with the price and any premium or fee that applies, and decide if paying such a premium or fee is worth acquiring those unique investments. In some cases, a client will acquire unique investments and if Pagaya believes the embedded premium or fee is too high, Pagaya might in its discretion elect to reimburse a client for a portion of the purchase price or related fees in order to bring the embedded cost into a more reasonable range. Any decision to provide such a reimbursement to a client will be evaluated on a case-by-case basis by Pagaya in its sole discretion.

Factors other than price may take precedence in seeking best execution. For example, in the event of market disruptions or system failures, aspects such as speed or a higher probability of execution and settlement may be prioritized.

The importance of the following secondary criteria are generally evaluated on a case-by-case basis:

- Type of financial instrument and size of execution
- Probability of execution
- Probability of actual execution
- Willingness and capacity of the broker
- Speed of settlement.

Otherwise, under normal circumstances, when seeking best execution, the costs of execution are not necessarily the sole or primary determinant of achieving best price in transactions involving loans, receivables or residences. Execution costs are often borne by the borrower. Many other important factors are also to be considered, such as existing price ranges of the buying and selling market, quality of assets, diversification attributes, expected return, financial strength of the organization originating and servicing the loans, servicing practices, as well as other market influences, taxes due and closing fees.

The following criteria are considered when selecting Partner platforms from which to make potential purchases (and subsequent sales) of loans, receivables or residences may include, without limitation, and not necessarily listed in order of priority:

- Quality of assets: The expected return potential.
- Financial Strength: A Partner needs to be able to support the business and ongoing servicing of the assets.
- Servicing Capabilities: A Partner needs to follow best serving practice and comply with applicable laws and regulations.

- Size: Investments should take into account the scale of the Partner.
- Data: The Partner has transparent data that is updated regularly.
- Reporting: The Partner works with Pagaya on reporting requirements.

Research and Soft Dollars

Pagaya does not generally seek to obtain products, research or services other than transactional services from brokers and other intermediaries. Pagaya does not participate in any soft dollar arrangements to pay for third party research or receive research not readily available to investors. Outside of routinely available public research, Pagaya's policy is to bear the cost of research it receives and not direct trading activity in lieu of payments for research or other services. Any research received supplements Pagaya's research efforts. Any soft dollar arrangements used by Pagaya would fall within the safe harbor under Section 28(e) of the Securities Exchange Act of 1934.

Client Referrals

Pagaya does not consider Client referrals in selecting or recommending broker-dealers.

Directed Brokerage

Pagaya has discretionary authority to manage the Funds' assets, including with respect to the selection of brokers, dealers or other counterparties for use in client transactions, and what commissions or markups and markdowns are acceptable costs for payment by the Funds. Currently, no Fund client trades are effected through a directed broker and none are contemplated.

Aggregation of Trades

Pagaya may aggregate orders placed on behalf of the Funds and other investment vehicles or accounts. However, it is generally not possible to sub-divide and allocate individual loans among more than one account. As a result, individual loans will be allocated among the Funds and other investment vehicles or accounts in an equitable manner as described above under Item 10 "Other Financial Industry Activities and Affiliations – Allocation of Investment Opportunities".

Trade Errors

As soon as a trading error is identified, the Compliance Department must be notified, and will review the facts and determine an appropriate course of action. Unless otherwise agreed to between Pagaya and each client, Pagaya will not ordinarily be responsible for losses in client accounts, whether caused by the actions of Pagaya or unrelated third parties, unless caused by the gross negligence, fraud or willful misconduct of Pagaya. Accordingly, Pagaya will not ordinarily be responsible for the consequences of ordinary trade errors, unless caused by the gross negligence, fraud or willful misconduct of Pagaya.

Pagaya utilizes sophisticated quantitative systems developed by Pagaya Tech that use artificial intelligence and machine learning technology. These systems rely heavily on data sourced from third parties. Inaccuracies in the data received, the design and implementation of the systems, and in the sourcing, processing and incorporation of the data into these systems can result in flaws in the implementation of a Fund's investment strategy, potentially resulting in losses to the Funds. Systems that rely on artificial intelligence and machine learning technology are generally developed with the aid of historical data, which reflects how markets behaved in the past under different circumstances. These systems might not be able to predict or detect fundamental changes in market behavior and might not perform as designed or intended during periods of unexpected market behavior. Developing and maintaining quantitative systems requires highly skilled personnel applying advanced quantitative methods to vast data sets. Notwithstanding Pagaya's and Pagaya Tech's approach to hiring highly qualified quantitative research personnel, commitment to well-defined research and development protocols, and extensive testing and ongoing monitoring of their systems, the complex nature of quantitative artificial intelligence and machine learning technology creates the risk that flaws will arise in these systems. Such flaws may be difficult to detect and therefore may impact these systems for extended periods of time. All of these risks are intrinsic to the operation of artificial intelligence and machine learning technology, and investors in the Funds must assume that the foregoing elements constitute an inherent risk of an investment in the Funds. As such, any losses attributable to these issues will not be deemed to be trade errors and will be borne by the Funds.

Although the liability of Pagaya is limited as described above, Pagaya or other Pagaya Affiliates may determine to reimburse a Fund under certain circumstances for certain losses, expenses, or other costs or expenditures, incurred by a Fund that are associated with Pagaya's use of sophisticated and sometimes novel algorithmic models and other systems, processes and technology in the management of a Fund's investments. Although Pagaya and the other Pagaya Affiliates take reasonable precautions in the design, development, process management, risk management, testing, implementation and monitoring of its model, systems and technology and in the negotiation, establishment, management and operation of relationships with third parties, it is nevertheless possible that technology may not perform as expected or achieve the expected or desired results, or that conditions or other unanticipated events will occur that have or may have had a negative effect on the performance of a Fund. In their sole discretion, Pagaya and/or the other Pagaya Affiliates may determine that it is appropriate or desirable to reimburse a Fund under certain circumstances for some or all of the consequences of such an event. Any such reimbursement (which could also take the form of a waiver or reduction in the fees charged to a Fund or, subject to the respective Fund Agreement, the purchase of loans or other assets held by a Fund) shall not be deemed an acknowledgement of responsibility or liability of Pagaya and/or another Pagaya Affiliate, nor shall any such reimbursement in any specific case give rise to or create any obligation or presumption that reimburse will occur for any similar or different loss, expense, or other cost or expenditure in any similar or different future situation.

13. Review of Accounts

Generally, the account of each Fund is reviewed by Pagaya's Investment Committee at least monthly (and in some cases, more frequently, if any new purchase arrangement is proposed to be

allocated to a Fund). Pagaya's financial operations team reviews each Fund account at least weekly.

Investors will receive net asset value or capital account statements either monthly or quarterly as well as annual tax reports and audited financial statements concerning their respective Funds within 120 days of the end of the relevant Fund's fiscal year.

14. Client Referrals and Other Compensation

Pagaya does not currently utilize referral arrangements to solicit clients, although it may do so in the future. Pagaya does not currently engage any placement agents to solicit investors in the United States to invest in its Funds, although it may do so in the future. Pagaya and its affiliates do engage placement agents outside the United States to assist in marketing the Funds to investors outside the United States. Where Pagaya or a Pagaya Affiliate enters into investor solicitation arrangements, the fees paid to these placement agents do not affect the gross fee charged to the investor and are paid solely out of Pagaya's own assets or are paid by the relevant Fund but fully offset against the fees Pagaya would otherwise receive from the relevant Fund on a dollar-for-dollar basis.

15. Custody

Pagaya is deemed to have custody of each of the Funds' cash and securities by virtue of its relationship with the general partners of the Funds. Each Fund investor will receive audited financial statements within 120 days of the end of such Fund's fiscal year. In general, all of the cash and securities of each Fund are held by one or more qualified custodians. Certain private securities and loans are not required to be maintained with a qualified custodian.

16. Investment Discretion

Pagaya has full discretionary authority to manage the investments of each Fund subject to the investment restrictions and limitations set out in each Fund's governing documents. This includes the authority to make decisions with respect to what assets are bought and sold, the amount and price of those assets, along with which brokers or dealers are to be used for a particular transaction, and the commissions or markups and markdowns that are acceptable costs for payment.

17. Voting Client Securities

The Funds do not typically own equity securities, other than equity-like securities issued by securitization vehicles, which do not ordinarily submit matters to a vote of equity holders. If Pagaya is required to vote on any securities, it will exercise its voting authority in a manner consistent with the best interest of the relevant client. Prior to exercising its voting authority, Pagaya reviews the relevant facts and determines whether or not a material conflict of interest may arise due to business, personal or family relationships of Pagaya, other Pagaya Affiliates, employees or related persons. If a material conflict exists, Pagaya takes steps to ensure that its voting decision is based on the best interests of the client and is not a product of the conflict.

Pagaya may, at its discretion, (A) seek the advice of the applicable advisory board in voting such security (if any); (B) disclose the conflict of interest to the client and defer to the client's voting recommendation; (C) defer to the voting recommendation of an independent third party provider of proxy voting services; and/or (D) take such other action in good faith which would serve the best interest of the client.

Pagaya will promptly deliver to each client upon written request a complete copy of its proxy voting policies and procedures information on how it voted proxies for the applicable Fund(s).

18. Financial Information

Pagaya is not aware of any financial condition that impairs its ability to meet contractual commitments to its clients.