



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 646-710-7714 AND/OR COMPLIANCE@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

Pagaya Investments US LLC is required to identify and provide a summary of any material changes that were made to this brochure since its most recent filing on September 24, 2021 (the “September Brochure”). This brochure was updated on November 17, 2021, providing information with respect to the succession by amendment that occurred on November 1, 2021 as described in Item 4. The following is a summary of the material updates that were made in the brochure:

- In Item 4, the description of the Adviser in Company Background, Overview and Principals was modified.

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4. Advisory Business

Company Background, Overview and Principals

Pagaya US Holding Company LLC (f/k/a 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 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 Technologies Ltd. (“Pagaya Tech”), an Israeli domiciled financial technology (*fintech*) company founded in 2016 by Gal Krubiner, Chief Executive Officer, Avital Pardo, Chief Technology Officer, and Yahav Yulzari, Chief Revenue Officer. Pagaya Tech is privately owned by its founders, other executive officers, employees and certain outside institutional investors. Pagaya Tech provides Pagaya with general corporate support for accounting, operations, legal and technology. 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 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 utilizes proprietary technology (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 artificial intelligence and machine learning technology that seek to assess the credit quality of borrowers underlying loans originated and sold through lenders, lending platforms and other intermediaries (“Lenders”). Currently, this Proprietary Technology is primarily deployed through integration with the credit and/or origination processes of certain Lenders 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.

Client Assets

As of December 31, 2020, Pagaya had total regulatory assets under management of \$ 1,000,519,868 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 in two ways for its investment advisory services: (i) in the form of management fees ("Management Fee") and (ii) either performance-based fees or allocations or carried interest ("Incentive Fee"). The Management Fee and Incentive Fee (collectively "Fees") are set out in the terms of each 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 Pagaya Opportunity Fund and Pagaya Auto Loans Fund is charged at an annual rate that generally ranges from 1% to 1.50% of each Fund's net asset value per unit. The Management Fee charged to Pagaya SmartResi Fund is 1.5% of committed capital during the investment period and 1.5% of net invested capital after the investment period. The Management Fee is generally paid monthly.

The Incentive Fee for Pagaya Opportunity Fund and Pagaya Auto Loans Fund is generally equal 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. Pagaya SmartResi Fund is subject to a 25% carried interest with respect to distributions in excess of a 10% preferred return to investors.

The methodology for calculating the Fees varies for each Fund. Accordingly, Fund investors should carefully review their Fund documentation for more information regarding their Fund.

Payment

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

Other Fees and Expenses

Generally, in addition to Management and Incentive Fees, investors bear all other fees and expenses of the Funds as specified in their respective organizational 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 its affiliates; (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 the Fund, the Manager 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 or 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 an affiliate of Pagaya; (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 the Fund, Pagaya and their respective affiliates (other than taxes on the income of Pagaya and its affiliates), 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, Pagaya or their respective affiliates 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 Pagaya or its affiliates in connection with the preparation of Form ADV, 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 its affiliates may at Pagaya's discretion incur on a Fund's behalf various fees and expenses, provided however that Pagaya or its affiliates are 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.

The Funds may also invest in other commingled investment vehicles, including securitization vehicles, in which case the Fund will also bear indirectly the fees and expenses of such other vehicles.

Advance Payment of Fees and Refunds of Pre-Paid Fees

Treatment of Fees earned or paid in advance by a Fund or by a Fund investor is specified in each Fund's organizational 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 allocates all investment opportunities among its clients in a manner that it considers fair and equitable to all clients, considering all factors potentially applicable to each client. Among the factors that may be considered by Pagaya in allocating investment opportunities among client accounts are: investment policies, guidelines or restrictions applicable to each client; tax considerations; account size; cash availability; liquidity requirements (e.g., for payment of redemptions or other purposes); whether a particular account is in a “ramp-up” stage; risk tolerances; restrictions under ERISA or other applicable laws or regulations; available credit lines; counterparty arrangements; investment size; benchmark sector weightings; industry and security weightings; and hedging objectives and activity.

7. Types of Clients

The Funds are structured as offshore exempt limited partnerships or limited partnerships organized under U.S. law. Interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility criteria set forth in each Fund’s organizational and offering 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 organizational 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 sponsored by Pagaya or others that in turn hold such investments.

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

Pagaya Opportunity Fund

The Opportunity Fund’s 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 Fund

The Auto Loans Fund's 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 instruments collateralized by U.S. originated automobile loans and related financing instruments of any type, including business or consumer loans, auto retail instalment 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.

Pagaya SmartResi Fund

The SmartResi Fund aims (i) to maximize long-term value for its 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, and (ii) enhancing the value of those properties through active management and a stabilization and improvement program, with the goal of financing and/or ultimately disposing of such investments.

As further described in the offering materials of each Fund, Pagaya's investment decisions for the 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 seller, marketplace, servicers or other sources. For real estate, 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

Consumer credit can be an appropriate asset class to finance because of its relatively short duration, high cash flow and low volatility. Financing of consumer assets, or the loans purchased by the Funds, can be accomplished principally through two methods:

- Credit facility from a bank – This is a committed line of credit that is secured by a portion of the Fund's assets (asset-backed). The bank typically charges a floating rate tied to commercial paper plus a spread.
- Capital markets funding – Another way to finance unsecured consumer assets is through the securitization market. A current advantage of the asset-backed securities (ABS) market is relatively low cost of funding and the term of any borrowing can be matched to the life of the underlying loans.

Investments in Securitization Vehicles

The Funds may invest in the securities of securitization vehicles, including securitization vehicles sponsored by Pagaya and its affiliates. Securitization vehicles typically issues 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 offering documents and other applicable disclosures; and (iii) evaluates and approves all 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 securities and obligations, and may also deal with only a limited number of Lenders 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.

Social or Economic Conditions. General social and economic conditions within and outside the United States, including but not limited to the dislocations caused by COVID-19 and/or the regulations and restrictions imposed to limit its spread, may affect the ability or willingness of borrowers to make payments on their loans, and consequently impact the credit 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. Neither Pagaya nor any of its affiliates has any control over any of these conditions.

While any number of 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 economic conditions and resulting trends or uncertainties could adversely impact the Funds, Pagaya, lenders, platforms and performance results.

Risks Associated with the Funds' 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 unsecured debt obligations of consumers and small businesses. 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. The loans or receivables are unsecured obligations and, with the exception of certain loans or receivables for which there may be a guarantor, 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 Lender, 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 Lender is typically not obligated to make any payments due on a loan or receivable except to the extent that the Lender 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 Lender and are not entitled to recover any deficiency of principal or interest from the Lender 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 Lender 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 Lender, 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 Lender'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. The 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 Funds are typically originated or facilitated through unrelated third party Lenders that operate lending platforms. The Funds may not be able to invest their available capital and achieve their investment objectives if one or more Lenders were to dissolve, liquidate, become bankrupt or otherwise cease operations, or change their business. Furthermore, each Lender typically has no legal obligation to offer or sell investments to any Fund, or Pagaya may decide to cease working with one or more Lenders.

Funds that purchase investments from Lenders may be required to use affiliates of the Lenders to provide services with respect to the loans in which the Fund invests. The loan servicing function to be performed by the Lenders 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 Lenders 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 Lender.

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 indirectly, including by purchasing equity or debt interests in, or issued by, securitization vehicles (including those sponsored and administered by Pagaya and its 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 equity securities issued by asset-backed securitization vehicles, including securitization vehicles that are sponsored by, and may pay administration, monitoring or other fees to, Pagaya or its affiliates. Asset-backed securitization vehicles are special purpose companies that issue debt and equity 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 equity investors, the equity 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 or its affiliates by any securitization vehicle sponsored by Pagaya or an affiliate, 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 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 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; 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. There is no assurance that there will be a ready market for resale of any particular real estate assets at any point in time.

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 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 or otherwise affiliated with Pagaya, 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 or an affiliate is 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 or its affiliates that provide administration services to a securitization vehicle will receive fees that typically range from 20 bps to 50 bps (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 dissipate. Quickly consuming enormous numbers of data and records to more accurately make conclusions or predictive recommendations or transmit information to a lender 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 credit technology deployed through artificial intelligence and machine learning technology originally created and developed by Pagaya Tech, the parent of Pagaya. 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. This technology is primarily deployed through integration with the loan sellers' credit and/or origination processes. 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 loan sellers 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 affiliates of Pagaya Tech on an exclusive basis, 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), 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 third parties) and other inputs and processes (including "AI" machine learning processing tools) developed by Tech's personnel. 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. Any loans from Pagaya 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. However, certain bodies, including the SEC and the Institutional Limited Partners Association ("ILPA"), have suggested that investors, and the private equity industry generally, take into account the associated costs and expenses when considering the use of such facilities.

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 any 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 any of its affiliates act as a creditor to any Fund. In the event of the bankruptcy or dissolution of a Fund, Pagaya and/or an affiliate thereof that has extended credit to such Fund will stand in priority to such Fund's investors.

Broad and Wide-Ranging Activities of Pagaya and its Affiliates. Pagaya, Pagaya Tech and their affiliates (collectively, "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 the Pagaya Affiliates, or the investment activities or strategies used for the Funds and for securitization vehicles sponsored or managed by Pagaya and its 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. The investment activities of the Pagaya Affiliates 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 the Pagaya Affiliates operate different asset management businesses, the 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 the Pagaya Affiliates had only 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, and any 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, Lenders 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.

In particular, 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 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 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 Pagaya. 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 and its affiliates 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 instruments, 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 Pagaya believes to be appropriate given the factors that it believes to be relevant, such as each Fund's and each securitization vehicle's respective investment objectives, concentration limits, interest and asset coverage tests, collateral quality, liquidity and requirements tests, lender covenants, other limitations of each client, the amount of free cash each of them has available for investment, total capital and capital commitments, anticipated future cash flows and cash requirements, and other considerations. At times, Pagaya or 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.

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 its affiliates expects 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 or any of its 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 an 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 from the clients of Pagaya Affiliates, 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 its 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 its 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 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 its affiliates to better understand a particular market and execute investment strategies (or make business decisions) in reliance on that understanding for Pagaya or its 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 its affiliates will not offset or reduce the fees payable by the Funds. As a result, Pagaya and its affiliates may have an incentive to select counterparties or engage in activities that allow Pagaya and its affiliates to obtain data and information that can be utilized in a manner that benefits Pagaya and its 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 its 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, and Pagaya RE Management GP LLC, each of which is an affiliate of Pagaya, act as the general partners of the Funds.

Pagaya Investments Israel Ltd. and MDP Loan Funds Ltd., each of which is an affiliate of Pagaya based in Israel, act as the general partner and investment manager of certain investment funds organized outside the United States.

Pagaya Tech (the parent company of Pagaya) 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 its 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 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. Pagaya and its 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 or its affiliates.

Park Avenue Property Advisors LLC ("**PAPA**") is a subsidiary of Pagaya Tech that has applied for and expects to obtain real estate brokerage licenses in all the states in which Pagaya Affiliates are actively pursuing real estate transactions, including Alabama, Arizona, Colorado, Florida, Georgia, Indiana, Kansas, Minnesota, Missouri, Nevada, North Carolina, Tennessee and Texas. PAPA's current business plan is to complement and support Pagaya's real estate activities, including identifying real estate acquisition opportunities and servicing Pagaya's own corporate office space needs. PAPA will receive real estate brokerage commissions at customary market rates in connection with real estate transactions for which it acts as broker for the Funds.

Tangent Insurance Services, LLC ("**Tangent**") is licensed in approximately 48 states as a Managing General Agent authorized to underwrite and sell insurance. As described above under "Broad and Wide-Ranging Activities of Pagaya and its Affiliates", Pagaya and its 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 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 securitization vehicles administered by Pagaya and its affiliates. The fees paid to Pagaya may differ among clients or investment vehicles, and one client or investment vehicle could pay more fees to Pagaya than another. Pagaya and its affiliates may also own investments in some Funds or other Pagaya clients. Any difference in the fees payable to Pagaya Affiliates or economic interests of Pagaya Affiliates could create an opportunity for Pagaya to favor one client or investment vehicle over another when allocating a limited investment opportunity that cannot be allocated among all accounts. Pagaya will allocate investment opportunities among the accounts that it manages in a manner that it determines to be fair and equitable, consistent with the governing documents of each Fund and Pagaya's investment allocation policies.

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 has 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 is 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 advisory board or an independent fiduciary 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 the employee 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 its affiliates) 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 its affiliates, in a variety of circumstances, may have financial interests and participate in transactions as described below

Pagaya and its 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 co-invests with the Funds to 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 its Affiliates benefit from the use of the Proprietary Technology, which could be acquired in part at the expense of a Fund in connection with transactions, which Pagaya and its 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 it. The valuation is based on the purchase price and an accretion of the discount or premium over time.

Generally, however, where there is no established market place for the loans, receivables and residences of the nature Pagaya typically is in search of buying 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 associated with their unique loans, receivables or residences and Pagaya will evaluate the value of those prospective investments, along with the price/premium that applies, and decide if paying such a premium is worth acquiring those unique investments. In some cases, a client will acquire unique investments and if Pagaya believes the embedded premium 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 Lender 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 Lender needs to be able to support the business and ongoing servicing of the assets.
- Servicing Capabilities: A Lender needs to follow best serving practice and comply with applicable laws and regulations.
- Size: Investments should take into account the scale of the Lender.
- Data: The Lender has transparent data that is updated regularly.
- Reporting: The Lender 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 and Allocation of Trades

A Fund may have similar investments to another Fund. Pagaya Affiliates may own similar investments as some Funds, including investments in Funds. Pagaya Affiliates may hold investments in some Funds, but not in others, and may have different levels of investments in the various Funds. Therefore, risks of conflicts of interest include, but are not limited to, the allocation of investments to Pagaya Affiliates or a Fund in preference to another Fund. To the extent that a limited investment opportunity is presented, such as in the case of unique assets such as loans or pools of loan assets, that is suitable for more than one Pagaya Fund client or affiliated investment vehicle (such as a securitization vehicle) allocations will be made in a manner that is determined by Pagaya to be fair and equitable and consistent with Pagaya's investment allocation policy.

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.

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 NAV or capital account statements monthly 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 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.

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 organizational 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 securities issued by securitization vehicles, which do not ordinarily submit matters to a vote of equity holders. If Pagaya is required to vote any such 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, its 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.