

Item 1
Cover Page

PART 2A OF FORM ADV: FIRM BROCHURE

Rialto Capital Management, LLC

730 NW 107th Avenue
Suite 400
Miami, FL 33172
Tel: 305-485-2077
Fax: 305-229-6425

February 28, 2013

This brochure provides information about the qualifications and business practices of Rialto Capital Management, LLC (“Rialto” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (305) 485-2077. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

From time to time in this and other documents Rialto may refer to itself as a “registered investment adviser” by virtue of its registration with the SEC. This title does not imply any level of training or skill.

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

Item 2
Material Changes

This amendment to the brochure dated February 28, 2013, contains no material changes from the Firm's previous brochure, which was filed on February 14, 2012.

Item 3

Table of Contents

<u>Item 1</u>	<u>Cover Page</u>	1
<u>Item 2</u>	<u>Material Changes</u>	2
<u>Item 3</u>	<u>Table of Contents</u>	3
<u>Item 4</u>	<u>Advisory Business</u>	4
<u>Item 5</u>	<u>Fees and Compensation</u>	5
<u>Item 6</u>	<u>Performance-Based Fees and Side-By-Side Management</u>	6
<u>Item 7</u>	<u>Types of Clients</u>	7
<u>Item 8</u>	<u>Methods of Analysis, Investment Strategies and Risk of Loss</u>	8
<u>Item 9</u>	<u>Disciplinary Information</u>	11
<u>Item 10</u>	<u>Other Financial Industry Activities and Affiliations</u>	12
<u>Item 11</u>	<u>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</u>	13
<u>Item 12</u>	<u>Brokerage Practices</u>	15
<u>Item 13</u>	<u>Review of Accounts</u>	16
<u>Item 14</u>	<u>Client Referrals and Other Compensation</u>	17
<u>Item 15</u>	<u>Custody</u>	18
<u>Item 16</u>	<u>Investment Discretion</u>	19
<u>Item 17</u>	<u>Voting Client Securities</u>	20
<u>Item 18</u>	<u>Financial Information</u>	21

Item 4

Advisory Business

A. Rialto Capital Management, LLC (“Rialto” or the “Firm”), a Delaware limited liability company, is an investment adviser headquartered in Miami, Florida, founded in 2007. Rialto serves as an investment adviser to pooled investment vehicles (the “Funds”), and proprietary investment vehicles (“Proprietary Entities” and together with the Funds, collectively referred to as “Clients”). The Funds are exempt from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”), pursuant to Section 3(c)(1), 3(c)(7) or other exemptions of the Investment Company Act. Interests in the Funds were privately offered only to qualified investors, and in the United States, these interests were offered under the private placement exemption provided by Section 4(2) of the Securities Act of 1933 and Regulation D promulgated thereunder.

Affiliates of Rialto serve as the general partners or managing members (each, a “General Partner”) of the Clients. Currently, Rialto has 240 employees, approximately 30 of whom perform investment advisory functions. Rialto is wholly owned by the Lennar Corporation (“Lennar”), a publicly held company focused on home building and housing-related financial services.

From its inception in 2007 through November 2010, Rialto provided advisory services to the Proprietary Entities, which are limited liability companies owned by Lennar, and joint ventures between Lennar and the Federal Deposit Insurance Corporation (“FDIC”). In November 2010, Rialto had its initial closing of its first Fund, which is a pooled investment vehicle comprised of capital from various institutional and high net worth investors. Since this closing, and for the foreseeable future, Rialto’s investment management activities are focused primarily on the advisory services it provides to the Funds. However, Rialto continues to provide management services to the Proprietary Entities as a result of the nature of the assets Rialto invests in (as described more fully below), which are extremely illiquid and often require multiple-year holding periods before they can realize gains.

Due to the fact that the Proprietary Entities will generally not be acquiring new investments (except as provided for in the exclusivity clause (“Exclusivity Clause”) in the governing documents of the Funds, which require Rialto to generally offer all investment opportunities to the Funds before the Proprietary Entities) and have no outside investors besides a U.S. government entity, the remainder of this brochure will focus on the Funds, and the advisory services Rialto provides to those Funds.

B. Rialto provides discretionary investment advisory services to the Funds. The Firm focuses on distressed and value-add investment opportunities, including asset management, workout and turnaround situations. The Firm invests in distressed commercial and residential real estate loans and properties, as well as mortgage backed securities.

C. Rialto utilizes a similar strategy for all its Funds; however, some Funds may differ in their particular investing approach, as specified in each Fund’s offering memoranda. Rialto may also tailor the advisory services it provides to the Funds to the extent that certain investments cannot be held by certain Funds for legal and tax purposes.

From time to time, Rialto may enter into agreements, commonly known as “side letters,” with certain investors under which Rialto waives or modifies the application of certain investment terms applicable

to such investors, without obtaining the consent of any other investor in the Fund (other than an investor whose rights would be materially and adversely affected by the waiver or modification). Generally, when Rialto does enter into side letters, they do not alter the material terms by which Rialto provides advisory services.

D. Rialto does not participate in wrap fee programs.

E. As of December 31, 2012, Rialto directly managed approximately \$3.7 billion in assets on a discretionary basis.

Item 5

Fees and Compensation

A. The Funds were only offered to “qualified purchasers” as defined in the Investment Company Act.

B. Rialto deducts investment management fees (the “Investment Management Fee”) directly from the Funds’ investors’ capital accounts on a quarterly basis. The Firm or its affiliates may also be entitled to a performance-based fee (the “Carried Interest Distribution”), based on realized gains from investments above a performance benchmark. Carried Interest Distributions, if applicable, are deducted directly from Clients’ assets as investments realize gains above a performance benchmark specified in each Fund’s offering memoranda, and not on a pre-determined schedule.

C. The Funds will generally bear their own expenses, such as investment expenses (e.g., custodial fees, interest expense, consulting and other professional fees relating to particular investments, research related investments and travel expenses incurred in connection with due diligence and monitoring, other out-of-pocket expenses directly related to the investigation of investment opportunities (whether or not consummated), acquisition and ownership expenses including all expenses relating to the servicing or monitoring of investments post-acquisition), legal expenses, systems and technology, audit and tax preparation expenses, organizational expenses, expenses relating to the offer and sale of interests in the Funds and extraordinary expenses.

Clients may incur brokerage and other transaction costs. Please see Item 12 “Brokerage Practices” for more information.

Organizational expenses above a pre-determined limit, as outlined in each Fund’s offering documents, and all expenses related to investor referrals from third-party placement agents, will be offset by the Investment Management Fee, and therefore, such expenses are borne by Rialto.

D. Investment Management Fees are paid quarterly in advance. In the unlikely event Rialto does not provide services for the full period, a portion of the Investment Management Fee is typically required to be returned to investors in the applicable Fund. In general, the amount of fees returned is calculated based on the number of days remaining in the applicable period.

E. Neither Rialto nor any of its supervised persons receive, directly or indirectly, any compensation from the sale of securities or other investment products.

Item 6

Performance-Based Fees and Side-By-Side Management

The General Partners may be entitled to receive a Carried Interest Distribution, which is based on realized gains from investments above a performance benchmark specified in each Fund's offering memoranda. As interests in the Funds were privately offered only to qualified investors, the Carried Interest Distributions are structured in accordance with the available exemption under Rule 205-3 promulgated under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

The Carried Interest Distribution may create an incentive for the Firm to recommend to the Funds investments that are riskier or more speculative than those which would be made under a different fee arrangement. However, the Firm is committed to fulfilling its fiduciary duty to the Funds to act at all times in the best interests of the Funds. To this end, the Firm has implemented internal controls to address the potential conflicts associated with performance based fees, as more fully described in each Fund's offering memoranda.

Although the fee structures vary significantly between the Funds and the Proprietary Entities, this does not pose a material conflict of interest due to the fact that the Proprietary Entities are not generally acquiring new investments, except as provided for in each Fund's Exclusivity Clause.

Further, as stated above, Rialto is committed to fulfilling its fiduciary duty to the Funds to act at all times in the best interests of the Funds, and has implemented internal controls to address the potential conflicts of interest between the Funds and the Proprietary Entities.

Item 7

Types of Clients

Rialto provides investment advice to the Funds, which are private investment vehicles that are exempt from registration under the Investment Company Act. The Funds are limited to individuals and entities that meet the criteria of “accredited investors”, “qualified clients” and “qualified purchasers”, or those deemed to be “knowledgeable employees” of Rialto. The Funds are marketed exclusively to institutional investors and high net worth individuals that met these criteria.

In general, the minimum investment in a Fund is \$5 million; however, this is subject to the discretion of the General Partner of each Fund.

Item 8

Methods of Analysis, Investment Strategies and Risk of Loss

Rialto focuses on distressed and value-add investment opportunities, including asset management, workout and turnaround situations. The Firm invests in distressed commercial and residential real estate loans and properties, as well as mortgage backed securities.

The Firm's goal is to provide superior, risk-adjusted returns for the Funds by focusing on real estate opportunities that meet the Funds' targeted return and arise from dislocations in the U.S. real estate markets and the eventual restructure and recapitalization of those markets. Rialto seeks to deliver these returns through its abilities to source, underwrite, price, turnaround, and ultimately monetize distressed real estate assets in markets across the United States.

Although each real estate market dislocation has different characteristics, Rialto believes it will be able to draw upon the decades of experience of its senior management in the U.S. and abroad to efficiently identify and access new opportunities and maximize returns while effectively managing downside risk.

Rialto believes that the workout and asset management expertise of its senior management combined with the broad geographic footprint and decades of development, building and real estate finance skills of Lennar provide the Funds a competitive advantage to extract value from multiple types of real estate assets in a variety of markets.

Investors should be aware that Rialto's investment program is speculative and entails substantial risks, including risk of loss of the entire investment. There can be no assurance that the Funds' investment objectives will be achieved, and actual investment results may vary substantially. Investors should be prepared to bear these risks.

The risks inherent to the strategies employed by Rialto, including those listed below, are described in further detail in the Funds' offering documents.

Risks Associated with the Funds' Investment Strategies

The success of the Funds' investment activities depends to a significant degree on Rialto's ability to identify and exploit inefficiencies in the markets. No assurance can be given that Rialto will be able to locate investment opportunities or effectively exploit inefficiencies in the markets. If there are fewer investment opportunities than anticipated by Rialto (caused by a prolonged period during which sellers of real estate assets are "price-disabled" or caused by other reasons), this will reduce the scope of the Funds' potential investment strategies. If Rialto is unable to effectively identify and exploit inefficiencies in the markets, the Funds will be unable to achieve their investment objectives.

Further Deterioration in the Mortgage, Real Estate, or Financial Markets

The collapse of the U.S. subprime mortgage loan market and of various large financial institutions and investment funds and widespread related losses have continued a series of unprecedented catastrophic economic events that have resulted in an ongoing liquidity and credit crisis throughout the United States. This has resulted in the United States experiencing a broad and ongoing economic recession. High unemployment and the continued lack of availability of credit have led to increased default rates on real estate loans. As a result, this may adversely affect the performance of the Funds' investments in

general. Specifically, the Funds' investments will be materially affected by conditions in the mortgage market, the residential and commercial real estate markets and the financial markets and the economy generally. The mortgage market has been severely adversely affected by changes in the lending landscape, and there is no assurance that these conditions have stabilized or that they will not worsen. Delinquencies and losses with respect to residential and commercial real estate loans generally have increased recently and may continue to increase. Although the Funds' investments may be acquired at favorable prices that already reflect these circumstances, a further deterioration of the mortgage or real estate markets or the financial markets or the economy in general may nonetheless cause the Funds to experience losses related to investments in real estate loans and other real estate related assets.

Leverage

A Fund may acquire property subject to existing financing or may obtain new financing and may incur secured or unsecured indebtedness at the asset level and/or the Fund level, if the General Partner believes it is appropriate. In addition, a Fund, or a subsidiary of a Fund, may obtain a subscription facility to finance investments, which may be secured by a pledge of the investors' unfunded commitments in the Fund.

Should a Fund obtain substantial leverage, such leverage will increase the Fund's exposure to adverse economic factors such as significantly rising interest rates, severe economic downturns, further real estate downturns or deteriorations in the condition of its investments or one or more geographic markets in which investments are located. In the event an investment is unable to generate sufficient cash flow to meet principal and interest payments on the Fund's indebtedness, as well as pay other operating expenses of the Fund (most of which will be fixed in nature), the Fund's return on its investments would likely be significantly reduced or even eliminated. Moreover, the presence of debt creates significant additional risks, such as: (i) lending institutions may have rights to participate in certain decisions relating to the management of the Fund or investments; (ii) financial obligations of the Fund will have to be repaid before the investors will be able to receive a return, if any, on their interests; and (iii) cash flow from operations may be insufficient to pay the Fund's debt service, potentially resulting in capital calls being made on the investors or foreclosure on the collateral given by the Fund to secure its obligations under such debt. Any inability of the Fund to repay such borrowings could result in a reduction or complete loss of the investors' investments in the Fund.

Concentration of Real Estate Investments

The concentration of the Funds' investments only in the real estate industry may increase the volatility of the returns and will increase the exposure to the risk of downturns in this industry to a greater extent than if the portfolios also included other sectors of the economy. As a result, further distress in the real estate industry could adversely affect returns to investors in the Funds and may result in the loss of all or a part of investors' investments in the Funds.

Lack of Liquidity in the Investments May Adversely Affect Performance

Many of the Funds' investments will have no (or only a limited) liquid market or may be subject to legal or other restrictions on transfer.

Rialto cannot predict the length of time needed to find a willing and suitable purchaser for many investments. The Funds may not be able to sell assets when the Funds desire to do so or to realize what the Funds believe to be the fair value of its assets in the event of a sale. The sale of illiquid assets and restricted securities often requires more time and results in higher brokerage charges or dealer

discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. In addition, the Funds may become subject to legal or contractual restrictions that prevent a Fund from disposing of an investment at a time it might otherwise seek to do so, and, in times of extreme market disruption, there may be no market at all for one or more investments, potentially resulting in the inability of a Fund to dispose of its assets for an indefinite period of time. Any of these circumstances could prevent or delay the disposition of a Fund's investments, or reduce the amount of proceeds that a Fund might otherwise realize, which may adversely affect returns to investors in the Fund or cause a loss of all or a portion of investors' investments in a Fund.

Risks Associated with Commercial Mortgage Loans, CMBS and Other Pools of Commercial Mortgage Loans

The Funds are expected to invest directly in commercial mortgage loans and may indirectly invest in commercial mortgage loans by purchasing CMBS and/or interests in other pools of commercial mortgage loans. CMBS evidence interests in, or are secured by, pools of commercial mortgage loans. Accordingly, the CMBS and other pools of commercial mortgage loans that the Funds may invest in are subject to all of the risks of the respective underlying commercial mortgage loans.

Commercial lending is generally viewed as exposing a lender to a greater risk of loss, in part because it typically involves making larger loans to a single borrower or groups of related borrowers. In addition, repayment of loans secured by commercial properties often depends upon (i) the ability of the related real estate project to generate income sufficient to pay debt service, operating expenses and leasing commissions and to make necessary repairs, tenant improvements and capital improvements and (ii), in the case of commercial loans that do not fully amortize over their terms, to retain sufficient value to permit the borrower to pay off the loan at maturity through a sale or refinancing of the mortgaged property.

The ability of borrowers to repay commercial mortgage loans typically depends upon the successful operation and/or, if applicable, construction or rehabilitation, of the related real estate project and the availability of financing. Any factor which affects the ability of the project to generate sufficient cash flow could have a material adverse effect on the value of such loans. These factors include: (i) the uncertainty of cash flow to meet fixed obligations; (ii) adverse changes in general and local economic conditions, including interest rates and other local market conditions; (iii) tenant credit risks; (iv) the unavailability of financing, which may make the operation, sale or refinancing of a property difficult or unattractive; (v) vacancy and occupancy rates; (vi) fluctuation of construction and operating costs; (vii) regulatory requirements, including zoning, rent control and real and personal property tax laws, rates and assessments; (viii) environmental concerns; (ix) project and borrower diversification; (x) vandalism (with attendant security costs); (xi) uninsured losses; (xii) restrictions and compliance costs imposed by the Americans with Disabilities Act, the Fair Housing Act, as amended, and similar laws; and (xiii) general non-recourse status. In addition, commercial properties often involve a single user or tenant or relatively few tenants. Commercial property specifications may be tailored to the requirements of particular users or tenants and, accordingly, it may be difficult, costly and time consuming to liquidate such properties or attract new tenants.

Some mortgaged properties securing commercial mortgage loans may not be readily convertible (or convertible at all) to alternative uses if those properties were to become unprofitable for any reason. For example, a mortgaged property may not be readily convertible (or convertible at all) due to

restrictive covenants related to such mortgaged property including, in the case of mortgaged properties that are part of a condominium regime, the use and other restrictions imposed by the condominium declaration and other related documents, especially in a situation where a mortgaged property does not represent the entire condominium regime. In addition, mortgaged properties that have been designated as historic sites may be difficult to convert to alternative uses and may also require certain governmental approvals to make alterations or modifications to the related mortgaged property. Further, converting commercial properties to alternate uses generally requires substantial capital expenditures. The liquidation value of any mortgaged property, subject to limitations of the kind described above or other limitations on convertibility of use, may be substantially less than would be the case if the property were readily adaptable to other uses.

Risks Related to Residential Mortgage Loans, RMBS and Other Pools of Residential Mortgage Loans

The Funds may invest directly in residential mortgage loans and may indirectly invest in residential mortgage loans by purchasing RMBS and/or interests in other pools of residential mortgage loans. RMBS evidence interests in or, are secured by, pools of residential mortgage loans. Accordingly, the RMBS and other pools of residential mortgage loans that the Funds may invest in are subject to all of the risks of the respective underlying mortgage loans.

Residential mortgage loans are typically secured by single-family residential property and are subject to risks of delinquency and foreclosure and risks of loss. The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors, including, without limitation, a general economic downturn, natural disasters, environmental disasters, acts of terrorism, social unrest and civil disturbances, may impair borrowers' abilities to repay their loans. Since the economy and markets have not yet recovered from the current downturn and the Funds intend to acquire distressed residential mortgage loans, these are significant risks to the Funds. In addition, the Funds may invest in non-agency RMBS, which are backed by residential real property but, in contrast to agency RMBS, their principal and interest are not guaranteed by federally chartered entities such as Fannie Mae and Freddie Mac and, in the case of Ginnie Mae, the U.S. government. In the event of any default under a mortgage loan held directly by the Funds, the Funds will bear the risk of loss of principal to the extent of any deficiency between the value of the collateral (which, for many residential and other real estate properties, has already significantly declined and may decline further in the future) and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on the return on the Funds' investments. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process which could have a substantial negative effect on the Funds' anticipated return on the foreclosed mortgage loan.

The Funds may also invest in RMBS or other pools of residential mortgage loans that include or are backed by collateral consisting of subprime residential mortgage loans. "Subprime" mortgage loans refer to mortgage loans that have been originated using underwriting standards that are less restrictive than the underwriting requirements used as standards for other first and junior lien mortgage loan purchase programs, such as the programs of Fannie Mae and Freddie Mac. These lower standards include mortgage loans made to borrowers having imperfect or impaired credit histories (including outstanding judgments or prior bankruptcies), mortgage loans where the amount of the loan at origination is 80% or

more of the value of the mortgage property, mortgage loans made to borrowers with low credit scores, mortgage loans made to borrowers who have other debt that represents a large portion of their income, and mortgage loans made to borrowers whose income is not required to be disclosed or verified. Due to recent and current economic conditions, including increased interest rates (triggered by the resetting of rates on adjustable rate mortgages) and lower home prices, as well as aggressive lending practices, subprime mortgage loans have in recent periods experienced significantly increased rates of delinquency, foreclosure, bankruptcy and loss, and they are likely to continue to experience delinquency, foreclosure, bankruptcy and loss rates that are higher (and which may be substantially higher) than those experienced by mortgage loans underwritten in a more traditional manner. Thus, because of the higher delinquency rates and losses associated with subprime mortgage loans, the performance of RMBS and other pools of residential mortgage loans that include or are backed by subprime mortgage loans in which the Funds may invest could be correspondingly adversely affected, which could adversely impact the return on the Funds' investments.

Development and Redevelopment Risks

The Funds may invest in undeveloped land, development and/or redevelopment properties. Undeveloped land and development and redevelopment properties involve additional risks as compared to properties on which development has been completed. Undeveloped land, development and redevelopment properties may not generate operating revenue while costs and expenses are incurred between the acquisition of a project and the realization of the project's objectives, including, but not limited to, property taxes and insurance. Because of this, a project may, as a result of changes in real estate market, economic and/or other conditions prior to completing the project, become an economically unattractive investment. In addition, there are risks that development projects may be abandoned after a Fund has expended significant resources, construction may not be completed within budget or on schedule because of cost overruns, work stoppages, shortages of building materials, the failure of contractors or subcontractors to perform their obligations under construction contracts, defects in plans and specifications and/or other factors. Development and redevelopment activities are also subject to risks relating to the inability to obtain, or delays in obtaining, necessary entitlements, zoning, land-use, building, occupancy and other required governmental permits and authorizations. Any delay in completing the development or redevelopment of a project may result in increased interest and construction costs and the potential loss of previously identified purchasers or tenants. Any of these risks may cause losses to the Funds and ultimately to investors in the Funds.

Risks Related to Investments in Junior or Subordinate Loans and Mezzanine Debt

Certain loans may be in a junior or subordinate position to senior financing either because the loans are a second lien on the real estate or are secured by a direct or indirect lien on the equity of the owner of the underlying real estate (i.e., mezzanine debt). In certain circumstances, in order to protect its investment, a Fund may decide to repay all or a portion of the senior indebtedness relating to the particular loan or to cure defaults with respect to such senior indebtedness. In a bankruptcy of a borrower, those loans that are not secured by a lien on the underlying real estate would have a priority no greater than other general creditors of the borrower. In addition to repayment risks, these subordinate positions may be "soft," meaning subject to restrictions on enforcement rights prior to maturity or foreclosure of the senior position. These restrictions may adversely affect a Fund's rights to realize upon or control the underlying assets.

Co-Investment with Third Parties

The Funds may co-invest with third parties through partnerships, joint ventures or other entities that own or invest, directly or indirectly, in real estate assets. Such relationships may involve additional risk beyond those faced when investing individually, including, for example, the possibility that one or more of a Fund's co-venturers or partners might become bankrupt, have economic or business interests or goals which are inconsistent with those of the Fund, or be in a position to take action contrary to the Fund's objectives. A Fund may be subject to additional liabilities if a co-venturer or partner, due to business difficulties or other reasons, is unable to satisfy its obligations. It may also be difficult for the Fund to liquidate its interest in any such partnership, joint venture or other entity. Disputes between a Fund and co-venturers or partners may result in litigation that may negatively impact or jeopardize the financial interests of a Fund. If a co-venturer or partner is the subject of unrelated litigation or negative business publicity, the co-investment may suffer.

Item 9

Disciplinary Information

In the past ten years, there have been no legal or disciplinary events involving either Rialto or any of its management persons that are material to Rialto's advisory business.

Item 10

Other Financial Industry Activities and Affiliations

- A.** Neither Rialto nor any of its management persons are registered, or have an application pending to register, as broker-dealers or registered representatives of a broker-dealer.
- B.** Neither Rialto nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C.** Neither Rialto nor any of its management persons have any relationship or arrangement that is material to its advisory business or the Funds with the types of entities described in this section.
- D.** Rialto does not recommend or select other investment advisers for the Funds.

Item 11

Code of Ethics, Participation or Interests in Client Transactions and Personal Trading

A. Rialto has adopted a Code of Ethics (the “Code”), which describes the Firm’s fiduciary duties and responsibilities to its Clients, requires that the Firm’s employees act in the best interests of Clients to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with Clients to the extent reasonably possible, and identify and manage conflicts of interest to the extent that they arise. Rialto’s employees are also required to comply with applicable provisions of the federal securities laws and make prompt reports to the Firm or other appropriate party of any actual or suspected violations of such laws by Rialto or its employees. In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of Rialto’s employees deemed to be “access persons”. The Code requires access persons to receive written authorization from the Chief Compliance Officer prior to engaging in personal trading involving securities of issuers on the Firm’s pre-clearance list and the Firm’s parent company, Lennar; requires access persons to provide duplicate brokerage accounts statements and trade confirmations to the Firm or to report all securities transactions on at least a quarterly basis; and requires access persons to provide a summary of securities holdings on at least an annual basis. The Code also includes policies and procedures to prevent the misuse and disclosure of material nonpublic information (“insider trading”) and other confidential information by all employees. Further, the Code includes policies to mitigate conflicts of interest among access persons, by requiring reporting and pre-clearance for outside activities, gifts and business entertainment, and political contributions. Rialto will provide a complete copy of its Code to any Client or investor upon request to Liat Heller at liat.heller@rialtocapital.com.

B. Neither Rialto nor any related person recommends to Clients, or buys or sells for Client accounts, securities in which the Firm or any related person has a material financial interest.

C. Neither Rialto nor any related person invests in the same securities that the Firm or any related person recommends to Clients.

D. From time to time, investment opportunities may arise that are attractive to both Rialto and its parent company, Lennar. Although infrequent, if a single bank holds a loan pool, of which a portion is attractive to Rialto from a real estate debt perspective, while a separate portion of the pool is attractive to Lennar for the underlying property on the loans, Rialto and Lennar may aggregate the purchase, on mutually beneficial terms, subject to the provisions of the relevant Fund’s Exclusivity Clause, and split the assets based on their distinct objectives. If any such investment occurs, Rialto and Lennar will fully disclose the details of such transaction to the applicable Fund’s advisory committee or as otherwise specified in the offering memorandum of such Fund.

From time to time, Rialto, Lennar, or their related persons may invest side-by-side with a Fund through a parallel vehicle. Such situations, as more fully described in each Fund’s offering memoranda and governing documents, will generally only occur in certain situations as specified in the Funds’ offering memoranda and governing documents.

Item 12
Brokerage Practices

- A.** Due to the nature of the Firm's strategy, Rialto does not generally utilize broker-dealers for transactions contemplated by this section. If, in the future, the Firm does utilize broker-dealers for transactions, this section will be updated accordingly.
- B.** Rialto does not engage in soft dollar arrangements with broker-dealers.
- C.** Rialto does not utilize broker-dealers for transactions, therefore this question is inapplicable.
- D.** Rialto does not engage in directed brokerage.
- E.** Rialto does not aggregate the purchase or sale of securities for various Clients accounts.

Item 13
Review of Accounts

- A.** The Firm's senior management ("Senior Management") reviews the contents of the Funds' portfolios on a quarterly basis. During these quarterly meetings each investment held by a Fund is reviewed and discussed. Due to the low turnover and long holding periods for typical Fund investments, in addition to the static nature of investments after they are acquired, more frequent formal review is conducted only as necessary. Senior Management also reviews the Funds' assets informally on a continual basis. Additionally, the Firm's Investment Committee thoroughly reviews all investments prior to acquisition.
- B.** The Firm does not utilize any specific criteria to trigger a review of Client investments at this time.
- C.** Within 90 days after a Fund's fiscal year-end, audited financial statements are mailed to each investor in the Funds. The Firm also intends for investors to receive unaudited performance information for the Funds after each calendar quarter-end, as well as a quarterly report providing additional detail on the Funds' investments. Such reports will include the value of such investor's interest in the Fund as determined based on the unaudited fair market value of the holdings in the respective Fund.

Item 14

Client Referrals and Other Compensation

- A.** No one other than the Clients provides an economic benefit to Rialto for providing investment advice or other advisory services to the Clients.
- B.** Neither Rialto nor any related person directly or indirectly compensates any person who is not a supervised person for Client referrals. However, from time to time Rialto may use an unaffiliated third party for investor referrals. If Rialto does engage the services of a third party for investor referrals, such third party will be required to be a registered broker-dealer.

Item 15

Custody

Rialto does not maintain physical custody of its Clients' assets. However, Rialto believes that it would generally be viewed by regulators as having custody of the assets of each Fund for which it or an affiliate serves as General Partner under Rule 206(4)-2 of the Advisers Act (the "Custody Rule"). Accordingly, Rialto adheres to the applicable requirements of the Custody Rule with respect to each Fund for which it or an affiliate serves as general partner or managing member. Rialto's CFO will be responsible for arranging for the annual independent audits of the Funds by an independent auditor in accordance with generally accepted accounting principles, and for delivery of the Funds' audited financial statements to investors within 120 days of the Funds' fiscal year end, as required under the Custody Rule.

Item 16

Investment Discretion

Rialto has full discretionary authority to manage the assets of the Clients. As described more fully in each Fund's offering memoranda, Rialto is granted power of attorney over each Fund's assets, including the right to pursue an investment program in its full discretion and all rights, privileges and powers of ownership with respect to the Funds' assets.

Item 17
Voting Client Securities

Rialto's investment strategy does not involve the acquisition of public securities with voting authority. In the unlikely event that any Funds do come into possession of securities with voting rights, the Firm will have the authority to vote proxies and will do so in accordance with the following:

Rialto's policy is to vote proxies solely in the interests of its Clients. Generally, Rialto will vote proxies in line with management. However, under certain circumstances when Rialto believes that management's proposal is not designed to maximize value for its Clients, Rialto will vote against management.

Clients may obtain information about how proxies were voted or a copy of Rialto's proxy voting policies by contacting Liat Heller at liat.heller@rialtocapital.com.

Item 18
Financial Information

Rialto is not required to include a balance sheet for its most recent fiscal year, does not believe there are any financial conditions reasonably likely to impair its ability to meet contractual commitments to Clients and has not been the subject of a bankruptcy petition at any time during the past ten years.