

Item 1
Cover Page

PART 2A OF FORM ADV: FIRM BROCHURE

Rialto Capital Management, LLC

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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 27, 2014, contains no material changes from the Firm's previous brochure, which was filed on February 28, 2013.

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>	6
<u>Item 6</u>	<u>Performance-Based Fees and Side-By-Side Management</u>	7
<u>Item 7</u>	<u>Types of Clients</u>	8
<u>Item 8</u>	<u>Methods of Analysis, Investment Strategies and Risk of Loss</u>	9
<u>Item 9</u>	<u>Disciplinary Information</u>	14
<u>Item 10</u>	<u>Other Financial Industry Activities and Affiliations</u>	15
<u>Item 11</u>	<u>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</u>	16
<u>Item 12</u>	<u>Brokerage Practices</u>	17
<u>Item 13</u>	<u>Review of Accounts</u>	18
<u>Item 14</u>	<u>Client Referrals and Other Compensation</u>	19
<u>Item 15</u>	<u>Custody</u>	20
<u>Item 16</u>	<u>Investment Discretion</u>	21
<u>Item 17</u>	<u>Voting Client Securities</u>	22
<u>Item 18</u>	<u>Financial Information</u>	23

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 private funds (the “Funds”), a separately managed account (the “Managed Account”) and proprietary investment vehicles (“Proprietary Entities”). 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 Funds and Proprietary Entities. Currently, Rialto has 385 employees, approximately 35 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 Rialto, and joint ventures between an affiliate of Rialto 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 and Managed Account. 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. Additionally, in May 2013 Rialto established Rialto Mortgage Finance, LLC (“RMF”), a wholly owned business primarily focused on originating commercial real estate mortgage loans for securitization.

Due to the fact that Rialto will not generally be acquiring or managing additional Proprietary Entities (except as provided for in the exclusivity clause (“Exclusivity Clause”) in the governing documents of the Funds and Managed Account, which require Rialto to generally offer all investment opportunities that fall within the investment mandate of a Fund/ Managed Account to the relevant Fund(s)/Managed Account 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 Managed Account (collectively, “Clients”), and the advisory services Rialto provides to the Clients.

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

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

As noted above, Rialto provides non-discretionary investment advisory services to the Managed Account, and as such, the beneficial owner of the Managed Account has ultimate authority to determine the investments made of behalf of the Managed Account.

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 a 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, 2013, Rialto managed approximately \$4.3 billion in assets on a discretionary basis and approximately \$200 million on a non-discretionary basis.

Item 5

Fees and Compensation

A. The Funds were only offered to “qualified purchasers” as defined in the Investment Company Act. The beneficial owner of the Managed Account is a qualified purchaser.

B. Rialto deducts investment management fees (the “Investment Management Fee”) directly from the Clients 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 Client’s governing documents, 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.

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

The Managed Account will generally bear its own expenses, as detailed in the Managed Account’s governing documents, including but not limited to the “annual budget of operating expenses,” which sets forth a mutually agreed upon operating budget for Rialto’s services to the Managed Account.

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

D. Investment Management Fees are paid quarterly. Each Client’s governing documents specify whether the Investment Management Fee is paid in advance or arrears. For those Clients that pay in advance, in the unlikely event that 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 Client. 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 Firm and/or 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 Client's governing documents. As interests in the Funds were privately offered only to qualified investors, and the beneficial owner of the Managed Account is a qualified investor, 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 Clients 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 Clients to act at all times in the best interests of the Clients. 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 Client's governing documents.

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

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

Item 7

Types of Clients

Rialto provides investment advice primarily 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.

Rialto also provides investment advice to institutional investors through Managed Accounts. Currently, Rialto provides investment advice to a single Managed Account, the beneficial owner of which is an institutional investor.

The terms of each Managed Account are individually negotiated.

Item 8

Methods of Analysis, Investment Strategies and Risk of Loss

Rialto focuses on value-add investment opportunities, including asset management, workout and turnaround situations. The Firm invests in 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 Clients by focusing on real estate opportunities that meet the Clients' 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 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 Clients 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 Clients' 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 Clients' governing documents.

Risks Associated with the Clients' Investment Strategies

The success of the Clients' 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 Clients' potential investment strategies. If Rialto is unable to effectively identify and exploit inefficiencies in the markets, the Clients will be unable to achieve their investment objectives.

Investment in Real Estate in General

There is no assurance that investment decisions made by Rialto on behalf of the Clients will be profitable. Real estate, like many other long-term investments, historically has experienced significant fluctuation and cycles in value. Specific market conditions may result in occasional or permanent reductions in the value of the investments. The value of the Clients' investments will depend on many factors beyond the control of Rialto, including: changes in general economic or local conditions; changes in supply of or demand for competing properties in an area; changes in interest rates, which may affect,

among other things, the Clients' ability to enter into a favorable transaction or the Clients' ability to sell all or part of an investment; the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and tenant safety; unavailability or cost of mortgage funds which may render the construction, leasing, sale or refinancing of a property difficult; the financial condition of borrowers and of tenants, buyers and sellers of property; changes in tax rates and other operating expenses (including the cost and availability of insurance of all types (particularly windstorm and flood insurance)); the imposition of rent controls; energy, materials and/or labor shortages or the cost thereof; various uninsured or uninsurable risks; natural disasters; war; and terrorism. There is no assurance that there will be a ready market for the investments made by a Client because investments in real estate (either directly or indirectly through partnership or other ownership vehicles) generally are less marketable and illiquid due to the unavailability of reliable or any market quotations. Accordingly, the ability of the Clients to vary their portfolios in response to changes in economic or other conditions may be limited. Any one or more of the foregoing risks could materially adversely affect the Clients and could cause the loss of all or a part of an investor's investment in a Client.

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

There was a significant decline in economic growth, both in the United States and globally, that began in 2008 and continued through 2009. Although the real estate development industry and the U.S. economy have seen signs of gradual improvement recently, there can be no assurance that market conditions will remain or improve further in the near future. In addition, as a result of the onset of the credit crisis and the occurrence of several high profile bankruptcies, recent government bailouts, continuing bank failures, other negative corporate events and certain other recent events, the availability and cost of capital for the Clients and that of the Client's competitors have been adversely affected. 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 Clients in general. Specifically, the Client's 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 over recent years and may continue to increase. Although the Client's 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 Clients to experience losses related to their investments in real estate loans and other real estate related assets.

Leverage

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

Should a Client obtain substantial leverage, such leverage will increase the Client'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 Client's indebtedness, as well as pay other operating expenses of the Client (most of which will be fixed in nature), the Client'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 Client or investments; (ii) financial obligations of the Client 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 Client's debt service, potentially resulting in capital calls being made on the investors or foreclosure on the collateral given by the Client to secure its obligations under such debt. Any inability of the Client to repay such borrowings could result in a reduction or complete loss of the investors' investments in the Client.

Concentration of Real Estate Investments

The concentration of the Clients' 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, distress in the real estate industry could adversely affect returns to investors in the Clients and may result in the loss of all or a part of investors' investments in the Clients.

Lack of Liquidity in the Investments May Adversely Affect Performance

Many of the Clients' 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 Clients may not be able to sell assets when the Clients desire to do so or to realize what the Clients 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 Clients may become subject to legal or contractual restrictions that prevent a Client 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 Client to dispose of its assets for an indefinite period of time. Any of these circumstances could prevent or delay the disposition of a Client's investments, or reduce the amount of proceeds that a Client might otherwise realize, which may adversely affect returns to investors in the Client or cause a loss of all or a portion of investors' investments in a Client.

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

The Clients 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 Clients 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.

Development and Redevelopment Risks

The Clients 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 Client 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 Clients and ultimately to investors in the Clients.

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 Client 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 Client’s rights to realize upon or control the underlying assets.

Co-Investment with Third Parties

The Clients 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 Client’s co-venturers or partners might become bankrupt, have economic or business interests or goals which are inconsistent with those of the Client, or be in a position to take action contrary to the Client’s objectives. A Client 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 Client to liquidate its interest in any such partnership, joint venture or other entity. Disputes between a Client and co-venturers or partners may result in litigation that may negatively impact or jeopardize the financial interests of a Client. If a co-venturer or partner is the subject of unrelated litigation or negative business publicity, the co-investment may suffer.

RMF-Related Investments Excluded

In May 2013 Rialto established Rialto Mortgage Finance, LLC (“RMF”), a wholly owned business primarily focused on originating commercial real estate mortgage loans for securitization. To avoid any conflict, or the appearance of any conflict of interest, Rialto has determined that going forward, unless specific authorization is provided in a Client’s governing documents, Rialto will not invest in any securitized loan pool that contains loans originated by RMF on behalf of a Client. This may impact the returns for certain Clients if they are required to pass on such investments.

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 Clients with the types of entities described in this section.
- D.** Rialto does not recommend or select other investment advisers for the Clients.

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, the Firm’s parent company, Lennar, initial public offerings of securities and private placements of securities; 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 Client’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 Client’s advisory committee or as otherwise specified in the governing documents of such Client.

From time to time, Rialto, Lennar, or their related persons may invest side-by-side with a Client through a parallel vehicle. Such situations, as more fully described in each Client’s governing documents will generally only occur in certain situations as specified in the Client’s 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 Clients' portfolios on a regular basis. Due to the low turnover and long holding periods for typical Client investments, in addition to the static nature of investments after they are acquired, Client investments are reviewed on a weekly, quarterly, or as needed basis, depending on the type of asset. Senior Management also reviews the Clients' 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 each Fund's fiscal year-end, audited financial statements are mailed to each investor in the Fund. Investors also receive unaudited performance information for their respective Fund(s) after each calendar quarter-end, as well as a quarterly report providing additional detail on their Funds' investments. Such reports include the value of such investor's interest in a 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 Funds. As described more fully in each Fund's governing documents, 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 Clients do come into possession of securities with voting rights, the Firm will generally have the authority to vote proxies and, in such instances, 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.