

Item 1: Cover Page

Rialto Capital Management, LLC

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Miami, FL 33131

August 12, 2020

Form ADV, Part 2A (the “Brochure”) brochure provides information about the qualifications and business practices of Rialto Capital Management, LLC and its subsidiaries (collectively “Rialto” or “Adviser”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“CCO”) at (305) 229-6633 or email at amanda.vega@rialtocapital.com. Additional information about Rialto is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Rialto is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority. The oral and written communication the Adviser provides to you, including this Brochure, serve as information for you to use to evaluate the Adviser and should be considered in your decision whether to invest in an investment vehicle advised by the Adviser.

Item 2: Material Changes

This “Item 2 – Material Changes” summarizes material changes made to the Brochure since the previous annual updating amendment dated March 30, 2020. This Brochure replaces the firm’s prior Brochure as of the effective date noted on the cover page.

Rialto has updated Item 9. Disciplinary Information following the entry by Rialto into a settlement order with the SEC on August 7, 2020. Other information in this brochure has not been updated since the annual update dated March 30, 2020.

Item 3: Table of Contents

Item 2: Material Changes	2
Item 3: Table of Contents	3
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation	6
Item 6: Performance Based Fees and Side-by-Side Management	11
Item 7: Types of Clients	12
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	13
Item 9: Disciplinary Information	18
Item 10: Other Financial Industry Activities and Affiliations	19
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	31
Item 12: Brokerage Practices	33
Item 13: Review of Accounts	34
Item 14: Client Referrals and Other Compensation	35
Item 15: Custody.....	36
Item 16: Investment Discretion	37
Item 17: Voting Client Securities	38
Item 18: Financial Information	39

Item 4: Advisory Business

Rialto Capital Management, LLC (collectively with its subsidiaries as described herein, “Rialto” or the “Adviser”), a Delaware limited liability company, was formed in 2007 and operates as an integrated investment and asset management business with professionals operating from offices throughout the United States and Europe. In 2018, Rialto and its parent company were acquired by various funds managed by Stone Point Capital, LLC (the “Stone Point Group” or “Stone Point”) and certain Rialto employees. Rialto is led by Jeffrey Krasnoff, Chief Executive Officer, and Jay Mantz, President.

Rialto Capital Management, LLC registered with the SEC as an investment adviser in 2012. Together with its affiliates, Rialto Partners GP, LLC, Rialto Partners GP II, LLC, Rialto Mezz Partners GP, LLC, RPCF GP, LLC, Rialto Partners GP III - Debt, LLC, Rialto Partners GP III - Property, LLC, Rialto Partners GP IV – Debt, LLC, Rialto Partners GP IV – Property, LLC, Rialto Credit Partnership GP, LLC and Rialto Absolute Partnership GP (“General Partner(s)”), Rialto provides investment advice to unregistered pooled investment vehicles (each a “Fund” and together the “Funds”) and separately managed accounts and also sub-advises certain pooled investment vehicles and a registered real estate investment trust (collectively with the Funds”, its “Clients”). Unless the context otherwise requires, the General Partners are included in the term “Rialto.” Any persons acting on behalf of the General Partners are subject to the supervision and control of Rialto in connection with any investment advisory activities. In accordance with SEC guidance, the General Partners are registered as investment advisers in reliance on one Form ADV filed by Rialto. While Rialto is the managing member controlling the General Partners, Lennar Corporation, Rialto’s former parent company prior to November 30, 2018, retained a material economic interest in certain General Partners.

Rialto’s relying advisers, Rialto Capital Management Luxembourg Sarl and Rialto Capital Management Netherlands B.V. are registered under the Advisers Act pursuant to Rialto’s registration in accordance with SEC guidance. Rialto (including the General Partners), and these relying advisers operate as a single investment advisory business. Unless the context otherwise requires, these relying advisers are included in the term “Rialto”.

Clients invest primarily in real estate properties, real estate loans and real estate related securities located in the U.S. and Europe. The Rialto Funds rely primarily on exemptions from registration under Section 3(c)(7) and Section 3(c)(1) of the Investment Company Act of 1940, as amended (the “Investment Company Act”). Interests in the Funds also are not registered under the Securities Act of 1933 (“Securities Act”) in reliance on exemptions provided by Section 4(a)(2) of the Securities Act of 1933 and Regulation D promulgated thereunder.

Rialto provides investment advice directly to the Funds and not individually to their limited partners or other investors. Rialto manages each Fund’s assets in accordance with the objectives and strategy as defined in each Fund’s private placement memorandum and/or limited partnership agreement or other operating agreement (“Governing Fund Documents”). All terms are generally established at the time of a Fund’s formation and investors may not restrict the Fund’s investments except as indicated in the Governing Fund Documents.

Additionally, Rialto provides investment advice to its other Clients in accordance with the objectives and strategy as defined in each Client's investment management agreement or sub-advisory agreement (the "Management Agreements" and, together with the Governing Fund Documents, the "Governing Documents"). Rialto primarily provides discretionary advice to its Clients, but it does have certain separately managed account Clients to which it provides non-discretionary advice. The Adviser tailors its advisory services to the particular needs of each Client. However, the specific needs of the individual investors in a Fund Client (i.e., limited partner investors) are not the basis for the recommendations by the Adviser. Investment advice is provided directly to the Client, not individually to the respective investors in the Client.

As of December 31, 2019, Rialto managed approximately \$4.1176 billion on a discretionary basis and approximately \$613.7 million on a non-discretionary basis.

Item 5: Fees and Compensation

Rialto's revenue is derived from investment management fees and carried interest allocations. Rialto and its affiliates also earn additional fees for the provision of other services to the Clients as agreed to by the Clients. While a general description of these fees is provided below, specific terms of these arrangements are detailed in the Governing Documents and other agreements that Rialto enters with each Client.

Investment Management Fee

Rialto's investment management fees vary by Client and are payable quarterly in advance. Fees generally range between 0.25% to 1.5% per annum based on capital contributions/commitments less contributions that have been invested in investments that have been liquidated, sold, or written off, invested capital, or principal as variously defined within the applicable Governing Documents. With respect to some Funds, commitments in excess of certain thresholds are subject to a discounted fee pursuant to negotiated side letter provisions.

Certain Clients pay investment management fees quarterly in advance and, in certain cases, as provided for in the Governing Documents agreed upon with the Clients, such fees are not refundable.

Rialto reserves the right to waive or reduce these fees for certain Clients and Fund investors, including employees and others as may be determined at Rialto's sole discretion.

Investment management and other fees are generally withheld from the applicable Client's current income distributions. Investment management fees will not be paid by Rialto Associate investors in connection with their investments. Notwithstanding the foregoing, such Rialto Associate investors will generally directly pay for their pro rata share of the other expenses incurred by the applicable Client. For more information on the allocation of Client expenses, please see "Other Expenses" in Item 5 below.

The investment management fee paid to the Adviser, pursuant to the Governing Documents of Clients, with respect to the investors in the Fund Clients is generally offset by some or all of such the placement agent fees paid (if applicable) for an investor subscription. Additionally, there are generally caps on organizational expenses for Funds as specified in the relevant Governing Documents, amounts over the cap will reduce investor's investment management fees by their pro rata share over the cap.

Other Fees

Rialto and/or its affiliates receive additional fees for other services they provide to the Clients, and these include:

Investment-Level Fees

Subject to the terms of the relevant Client's Governing Documents, Rialto earns fees for performing various "Investment-Level Services" on behalf of its Clients, and such fees may

include due diligence fees, asset management fees and in-house professional services fees (“Investment-Level Fees”). Investment-Level Services include asset-level field due diligence, loan file due diligence, loan and real estate owned asset management services, asset-level accounting, loan servicing and other similar services that outside professionals or outside consultants may otherwise typically perform for similar clients, sometimes referred to as third-party tasks in Governing Documents. Investment-Level Fees vary and are more fully described in the applicable Client’s Governing Documents, which further provide that Investment-Level Fees are to be paid or reimbursed at cost, fixed or market rates as determined by Rialto in good faith and, to the extent applicable, as approved by investors in accordance with the Client’s Governing Documents. These fees do not offset any other fees payable to Rialto or its affiliates.

Property Level Fees

In certain instances, Rialto’s affiliates may earn fees for performing property, construction, or development, management, leasing and related or similar services with respect to assets or investments held by the Clients. These fees vary by Client and are detailed in Client’s Governing Documents. In cases in which such fees are not predetermined in the Governing Documents, they are required to be approved by the relevant Client or to be consistent with those generally available in arm’s length transactions.

Servicing Fees

Rialto’s affiliates, Rialto Capital Servicing, LLC and Quantum Servicing Corporation (“Rialto Servicing”), earn a fee for acting as a servicer with respect to loans held by certain Clients. In general, servicing fees vary and are calculated either based a cost plus methodology or on the unpaid principal balance of the loan, while liquidation fees are charged based on the amounts recovered.

Special Servicing Fees

Rialto’s affiliate, Rialto Capital Advisors, LLC (“Rialto Advisors”), is Rialto’s asset management arm for certain Clients and earns fees for acting as a special servicer with respect to certain pools of commercial mortgage-backed securities (“CMBS”) held by certain Clients. These fees are deal-specific and are detailed in the agreements that govern the servicing of CMBS pools and other pools of mortgage loans (“Pooling and Servicing Agreements”). These fees are generally paid by the applicable CMBS trust and borrowers and do not offset any other fees payable to Rialto or its affiliates.

The Adviser and its personnel and related parties will receive intangible and other benefits, discounts, and prerequisites arising or resulting from their activities on behalf of its Clients, which will not offset or reduce investment management fees or otherwise be shared with the Clients or Fund Client their investors. For example, airline travel or hotel stays will result in “miles” or “points” or credit in loyalty or status programs, and such benefits will, whether or not de minimis or difficult to value, inure exclusivity to the benefit of Rialto, its personnel or related parties receiving it, even though the costs of the underlying service is borne by the Client.

Other Expenses

Clients, including its Funds (and therefore, investors in the Funds) and any feeder funds, bear certain other expenses (directly or by reimbursing the General Partners or Rialto) which vary from Client to Client, as provided in the Governing Documents for each Client. These expenses include, but are not limited to: (i) organizational expenses; (ii) placement agent fees; (iii) reasonable costs and expenses incurred by members of a Fund's Limited Partner Advisory Committee ("LPAC") in attending meetings of the LPAC that are not concurrent with the annual meeting of the Fund; (iv) third party out of pocket unreimbursed fees, costs and expenses incurred in connection with any transfer or proposed transfer by a Limited Partner; (v) financing, commitment, origination and similar fees, costs and expenses of financing with respect to a Fund entity; (vi) fees incurred with a third party and all costs and expenses related to background checks on borrowers, guarantors and other third parties dealing with a Fund entity; (vii) governmental fees, taxes and other charges levied against a Fund entity and out of pocket fees, costs and expenses incurred in connection with any tax or other governmental audit, investigation, settlement or review with respect to a Fund entity; (viii) custodial, accounting, audit, administrative and similar fees, costs and expenses of a Fund entity incurred with a third party; (ix) fees incurred with third parties and all costs and expenses related to the preparation, printing, distribution, mailing or filing of Fund-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s and other communications with Partners; (x) fees incurred with a third party and all costs and expenses related to other governmental, administrative, compliance or regulatory filings or reports (including Form PF) and any administrative, regulatory, reporting, filing, or other compliance requirements (including registrations, filings and compliance with matters contemplated by the AIFMD), excluding costs of the Manager's general compliance with its regulatory obligations; (xi) fees, costs and expenses related to a depository and to representative(s) and paying agent(s), and any other types of fees, costs, expenses, liabilities or obligations as required under applicable laws or regulations; (xii) fees, costs and expenses associated with information technology services and any computer software or hardware or electronic equipment (including the cost of software, applications, periodicals, databases or systems) purchased from third party vendors that is used for the purposes of the Fund; (xiii) reasonable out of pocket fees, costs and expenses incurred by managers, directors, officers, members, partners, employees or other agents of the General Partner, the Manager or their respective affiliates for travel, lodging and meals related to the Fund; (xiv) directors and officers liability, errors and omissions liability, fidelity bond, cyber-security, crime coverage and general partnership liability premiums and other insurance, including any fees, costs and expenses related to any retention or deductibles (to the extent such costs relate in part to services unrelated to the Fund, a pro rata portion of such costs relating to the Fund); (xv) fees incurred with a third party and all costs and expenses related to the wind-up, liquidation, termination or dissolution or other similar types of events of the Fund or any Fund entity; (xvi) advisory, consulting or similar expert or professional fees and out-of-pocket costs and expenses relating to such functions relating to a Fund entity; (xvii) fees incurred with a third party and all costs and expenses associated with any activities with respect to protecting the confidential or non-public nature of any information or data (to the extent such costs relate in part to services unrelated to the Fund, a pro rata portion of such costs relating to the Fund), and (xviii) legal fees (including collection and enforcement)

incurred with a third party and all disbursements relating to legal or regulatory matters or proceedings (including transactional, investigatory and litigation costs and expenses), and the amount of any judgments or settlements paid in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for relating to a Fund entity.

Clients, including its Funds (and therefore, investors in the Funds) and any feeder funds, bear certain other investment level expenses (directly or by reimbursing the General Partners or Rialto) which vary from Client to Client, as provided in the Governing Documents for each Client. These investment level expenses include, but are not limited to: (i) advisory, consulting, extraordinary due diligence, valuation, appraisal or similar expert or professional fees incurred with a third party and out-of-pocket costs and expenses relating to such functions (whether or not performed by a third party); (ii) fees incurred with a third party for administration, advertising, structuring, organizing, negotiating, managing, valuing, holding, monitoring or bidding activity and out-of-pocket costs and expenses relating to such functions (whether or not performed by a third party); (iii) brokerage and other commissions, trading or hedging costs, investment banking fees and expenses, reverse breakup fees, termination fees and other similar fees, costs and expenses incurred with a third party; (iv) financing, commitment, origination and similar fees, costs and expenses of financing one or more specific Investment(s); (v) fees incurred with a third party and costs and expenses related to background checks on borrowers, guarantors, joint venture partners and other third parties; (vi) legal fees (including collection and enforcement) incurred with a third party and all disbursements relating to legal or regulatory matters or proceedings (including transactional, licensing, investigatory and litigation costs and expenses), and the amount of any judgments or settlements paid in connection therewith, except to the extent such costs or expenses have been determined to be excluded from the indemnification provided for herein; (vii) custodial, accounting, audit, administrative, tax preparation and similar fees, costs and expenses incurred with a third party; (viii) reasonable out-of-pocket fees, costs and expenses for travel, lodging and meals that relate to one or more specific investment(s); (ix) governmental fees, taxes, and other charges and out of pocket fees, costs and expenses incurred in connection with any tax or other governmental audit, investigation, settlement or review; (x) fees, costs and expenses incurred with a third party related to the wind-up, liquidation, dissolution, termination or other similar types of events; and (xi) out-of-pocket regulatory compliance fees and other fees, costs and expenses, but excluding costs of the Rialto's general compliance with its regulatory obligations.

In addition to the above, the Clients, including its Funds (and therefore, investors in the Funds) and any feeder funds, bear certain additional costs and expenses including, but not limited to, costs and expenses incurred in connection to (i) travel and other expenses related to the Clients' organization, fundraising and investment activities (including first class and/or business class airfare (and/or private charter, where appropriate), first class lodging, ground transportation and premium meals (including, as applicable, cars and meals outside of normal business hours) and social and entertainment events with employees, investors, potential investors, brokers, borrowers, operating partners and service providers) and related costs and expenses incidental thereto); (ii) attending investment or Client related conferences (iii) due diligence on placement agents, finders, administrators and other service providers; (iv) vehicles through which the Clients or their investors directly or indirectly participate in investments; (v) organization or maintenance of any intermediary entity; (vi) research, including news and other services; (vii) broken or dead deal;

and (viii) complying provision in investor side letter agreements related to the Clients, including “Most Favored Nations” provisions.

Investors in a Fund Client are typically allocated (or otherwise bear) their pro rata share of such fees and expenses, which will, in certain circumstances, be calculated based on capital commitments, invested capital, available capital or other metrics as determined by the respective General Partners in their sole discretion. From time to time, the General Partners will be required to decide whether costs and expenses are to be borne by a Fund Client, on the one hand or the General Partner or the Adviser, on the other, and/or whether certain costs and expenses should be allocated between or among the Clients. Certain expense may be suitable for only a particular Client and borne only by such Client, or as is more often the case, expenses may be allocated pro rata among the relevant Clients, even if the expense relates only to particular vehicles and/or investors and such allocation can be expected to be calculated based on capital commitments, invested capital, available capital or other metrics as determined by the General Partners in their sole discretion. The General Partners will make judgments on a fair and reasonable basis, and in their sole discretion, notwithstanding their interest in the outcome, and may make corrective allocations should it be determined that such corrections are necessary or advisable. There can be no assurance that a different manner of allocation would not result in a Client bearing less (or more) expenses.

Investors should review the applicable Governing Documents to fully understand all fees and expenses borne by the relevant Fund Clients and, indirectly, by the investors in such Fund Clients.

Item 6: Performance Based Fees and Side-by-Side Management

Rialto and/or the General Partners are entitled to receive performance based fees pursuant to the Governing Documents executed with certain of its Clients.

Specifically, a portion of each Fund's net investment profit is allocated to the capital account of its General Partner as "carried interest." The manner of calculation of such carried interest is disclosed in each Fund's Governing Documents and varies by Fund. As is the case with investment management fees, Rialto and its subsidiaries reserve the right to waive or reduce carried interest for certain investors, including employees, a limited number of strategic partners, advisers and consultants and others, as may be determined by Rialto or at the General Partners' sole discretion.

Rialto also charges certain incentive fees to its separately managed account and sub-advised Clients on a case by case basis as determined by the relevant Client's Management Agreement.

Rialto and/or the General Partners' receipt of performance fees may create an incentive for Rialto to make investments on behalf of the Funds and its Clients that are riskier or more speculative than would be the case in the absence of such compensation. However, Rialto believes that this conflict is mitigated because carried interest and incentive fees are not earned until the Client achieves stated hurdle rates. Furthermore, Rialto believes that its interests are aligned with those of the Funds because Rialto and/or the General Partners and members of Rialto's management team have committed their capital to the Funds.

Rialto may also be incentivized to allocate the most lucrative investment opportunities to Clients that are charged the highest performance fee, rather than to Clients for which the opportunity may be most suitable. Rialto recognizes its fiduciary duty to Clients and will endeavor to make a good faith determination to allocate such opportunities in accordance with the Clients' Governing Documents and Rialto's investment allocation policy.

Item 7: Types of Clients

Rialto provides investment advisory services to separately managed accounts and Funds. With respect to the Funds, Rialto provides the advisory services to the Funds, and not individually to the investors in the Funds. Investors in Clients include, but are not limited to, high net worth individuals, family offices, pension plans (corporate, state and foreign), sovereign wealth funds, endowments, foundations, banks, insurance companies, pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations, and corporate or business entities.

Certain Funds require minimum commitments from investors as outlined in the relevant Fund Governing Documents; however, Rialto maintains discretion to accept less than these amounts.

An investor in the Funds must meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act and a “qualified purchaser” as defined in the Investment Company Act. Also, investors will be required to make certain representations that they (i) are acquiring an interest for their own account, (ii) received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment, and (iii) have the ability to bear the economic risk of an investment in the Fund. Details concerning applicable investor suitability criteria are set forth in the respective Fund’s Governing Documents and subscription materials which are furnished to each investor.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Rialto has an integrated investment and operating platform, including in-house resources with the capability to underwrite and diligence complex portfolios of real estate debt and assets, workout and restructure distressed debt, manage real estate owned assets, and maximize cash recoveries and profits. Utilizing its integrated operating platform and established relationships with market parties, Rialto is able to source, close and manage debt, equity and securities investments to generate risk-adjusted returns for Clients. Rialto's dedicated team of underwriting professionals performs in-depth asset level due diligence which is complemented by market-based research to confirm underwriting assumptions. Rialto does not rely on any single real estate data provider but focuses on specialists for each local market and asset type. Rialto has access to a variety of CMBS-related data providers and receives information from a variety of industry organizations and publications.

Investment Strategies

Clients invest primarily in real estate properties, real estate loans and real estate related securities located in the U.S. and Europe.

Risks of Loss

All investing involves a risk of loss and identifying and evaluating potential investments is challenging. Many investment decisions made by the Adviser will be dependent upon the ability of its employees to obtain relevant information and reliance upon information provided by third parties. The Adviser's investment strategy entails substantial risk and could result in significant loss over short or long periods. An investment in a Client is a speculative investment and is not intended as a complete investment program. It is rather designed for sophisticated investors who fully understand and are capable of bearing the risk of such an investment. Rialto makes neither guarantee nor representation that its Clients will achieve their investment objective or that the Clients' investors will receive a return of their capital.

The success of the Clients' investment activities depends to a significant degree on the Rialto's ability to identify and capitalize on inefficiencies in the markets. No assurance can be given that Rialto will be able to locate investment opportunities or effectively capitalize on inefficiencies in the markets. Additional buyers have entered and may enter the market (including additional CMBS buyers, some of which may be set up to serve as sponsors and originators and hold certificates for risk retention purposes) and compete with the Clients for investment opportunities. 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 capitalize on inefficiencies in the markets, its Clients will be unable to achieve its Investment Objective. Sudden and extreme changes in the markets precipitated by natural disasters, acts of terrorism, global viral pandemics or other large scale or localized market impacts can further negatively affect Rialto's ability to capitalize on inefficiencies in those markets.

Investment analysis and decisions by the Adviser may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In other cases, even where an investment is not required to be made on an expedited basis, the seller of assets may not make certain information

available either because such information is subject to confidentiality restrictions or otherwise. In such cases, the information available to the Adviser at the time of making an investment decision may be limited, and these parties may not have access to detailed information regarding the investment property, such as physical characteristics, environmental matters, zoning regulations or other local conditions affecting an investment opportunity. Therefore, no assurance can be given that the Adviser will have knowledge of all relevant circumstances that may adversely affect an investment prior to the time of investment. The Adviser's due diligence efforts may not uncover all of an investment's weaknesses. Before making an Investment, Rialto assesses the strength and quality of the prospective investment and other factors that it believes are material to the performance of the investment. In making the assessment and otherwise conducting customary due diligence, Rialto relies on the resources available to it and, in some cases, an investigation by third parties. This process is particularly important and subjective because there may be little or no information publicly available about the investments. There can be no assurance that the due diligence processes for Rialto will uncover all relevant facts or that any investment will perform as anticipated.

Set forth below is a non-exhaustive list of such risks (some of which may not apply to a particular Client):

- Risks related to real estate investments
- Deterioration in the mortgage, real estate or financial markets or the economy in general may cause the fund to experience losses
- Uncertainty in economic, social and political environments
- Concentration of investments in real estate; lack of diversification
- Portfolio concentrations of property types subject clients to increased risk of decline in particular industries and businesses
- Geographic concentrations of investments may increase risks
- The lack of liquidity in Fund investments may adversely affect the performance of Fund's investments
- Valuation risk of illiquid investments
- Competition for investments
- Risks related to debt investments including, but not limited to:
 - o Mezzanine loans
 - o Commercial mortgage loans, CMBS and other pools of commercial mortgage loans
 - o Residential mortgage loans, RMBS and other pools of residential mortgage loans
 - o Subordinated securities
 - o Investments in junior or subordinate loans and mezzanine debt
 - o B-notes and A/B structures
- Risks related to reliance on relationships with repeat sellers and CMBS sponsors
- Risks relating to increases in prepayment rates of debt underlying CMBS and RMBS
- Risks related to loans acquired from banks and other financial institutions directly or through the FDIC or other governmental agencies
- Certain legal aspects of mortgage loans; lender liability
- Effect of changes in interest rates on investments in mortgage loans
- Hedging transactions
- Lower quality collateral
- Loans of portfolio securities
- Risk of borrower fraud

- Counterparty risk
- Reliance on relationships with repeat counterparties and sellers
- Prepayments and sales of mortgage loans may adversely affect returns
- Subordinate liens on mortgaged properties and the existence of mezzanine debt creates additional risks for senior loans held by the fund
- Risk of uninsured losses
- Risk of eminent domain
- Risks associated with investments in REITs
- Environmental liabilities
- Risks associated with non-U.S. investments
- Economic, political and social uncertainty in the markets where Clients invest and globally
- Financial market fluctuations and the availability of financing
- United Kingdom exit from the European Union (BREXIT)
- Sovereign immunity
- Co-investment with third parties
- Long-term nature of investment with no certainty of return
- Limited rights of the limited partners
- Lack of management control by limited partners; reliance on the General Partners' and the Advisor's management
- Distribution of illiquid securities and/or other illiquid assets
- Client/Fund-level indebtedness
- No redemption
- No market for interests; restrictions on transfer of interests
- Reinvestment risk
- Leverage (including with respect to subscription credit facilities)
- Limited obligation of the general partner and its affiliates to provide funds for Clients
- Assumptions used to calculate the target returns and performance may be inaccurate; target returns may not be achieved
- Inability to implement a Client's investment strategy
- Fluctuations in value of investments prior to the final closings
- Failure to make capital contributions
- Recourse to the Clients' assets
- Limitation of liability of the General Partners and Adviser
- Liability for return of distributions
- Investments longer than term
- Risks related to development, redevelopment, renovation and construction
- Risks related to distressed investments
- Credit risk retention requirements for asset-backed securities transactions
- A borrower's form of entity may cause special risks
- Adverse consequences associated with borrower concentration, borrowers under common control and related borrowers
- Risks related to certain types of commercial properties including, but not limited to:
 - o Special risks associated with office properties
 - o Special risks associated with multifamily projects
 - o Special risks associated with manufactured housing community properties

- Special risks associated with condominium properties
- Special risks associated with shopping centers and other retail properties
- Special risks associated with hospitality properties
- Special risks associated with self-storage facilities
- Special risks associated with industrial and mixed-use facilities
- Risks related to investments in restructurings
- Risks associated with originating loans to entities in distressed situations
- Risks related to balloon loans
- Investments in private companies
- Risks related to foreclosure on debt investments
- Risks related to implementing operating improvements
- Regulatory risks of private investment funds
- Lack of regulatory oversight; increased regulatory oversight
- Compliance with the Alternative Investment Fund Managers Directive and other international law
- Entities subject to particular restrictions
- Global marketing restrictions
- Certain tax risks and compliance with tax law (including FATCA and partnership audit rules)
- Protection of confidentiality by investors
- Cybersecurity and risks related to electronic communications
- Limited ability to protect the Client's interest when making non-controlling investments or investments with third parties (including joint ventures)
- Service provider process/control
- Inability to deploy capital in conjunction with finding suitable investments
- Dependence on the Adviser and the Adviser's key personnel
- Litigation risk (including at the property level)
- CFTC registration requirements or maintenance of exemptions therefrom
- Compliance with pay-to-play laws, regulations and policies
- Compliance with U.S. economic and trade sanctions
- Compliance with anti-corruption laws and regulations
- Due diligence/underwriting may not reveal all factors affecting an investment and may not reveal weakness in underlying loans securing such investments in all circumstances
- Failure of servicers to effectively service loans
- Risks related to rating agencies
- Risks related to bridge financings
- Terrorist activities
- Natural disasters
- Availability of insurance against certain catastrophic losses
- Risks relating to due diligence/underwriting investments
- Public health emergencies including pandemics

Prospective investors are advised to review the applicable Client's Governing Documents for a more extensive description of the applicable investment strategies and the risks of its investment program.

Stock markets, bond markets and real estate markets fluctuate substantially over time. Performance of any investment is not guaranteed. As a result, there is a risk of loss of the investments managed by the Adviser that are out of its control. The Adviser cannot guarantee any level of performance or that the Clients will not experience a substantial or complete loss of their investment. There is no assurance that the Clients will be able to generate returns or that the returns will be commensurate with the risks inherent in their investment strategy. The marketability and value of any investment will depend on many factors beyond the control of the Adviser. Included among the factors beyond the controls of the Adviser are natural disasters (e.g., fire, flood, earthquake, storm and hurricane) and epidemics, pandemics or other outbreaks of serious contagious diseases. The occurrence of a natural disaster or an epidemic could adversely affect and severely disrupt the business operations, economies and financial markets of many countries (even beyond the site of the natural disaster or epidemic) and could adversely affect the Adviser's ability to do business. In addition, terrorist attacks, or the fear of or the precautions taken in anticipation of such attacks, could, directly or indirectly, materially and adversely affect specific assets and certain investments in which the Adviser has invested Client assets or could affect the countries and regions in which Client assets are invested, where the Adviser has its offices or where the Adviser or its Clients otherwise do business. Other acts of war (e.g., war, invasion, acts of foreign enemies, hostilities and insurrection, regardless of whether war is declared) could also have a material adverse impact on the financial condition of businesses or investments in which the Adviser has invested Client assets. Furthermore, natural disasters, epidemics and terrorist attacks can have the effect of compounding and exaggerating the impact of any of the specific investment risks noted above on Clients' investments.

The expenses of the Clients may exceed their income, and an investor in a Fund Client would lose the entire amount of its contributed capital. Therefore, an investor should only invest in a Fund Client if the investor can withstand a total loss of its investment. The past investment performance of the Clients' portfolios cannot be taken to guarantee future results of Client portfolios or any of their investments.

Item 9: Disciplinary Information

On August 7, 2020, Rialto entered into a settlement with the SEC (the “Order”) without admitting or denying any wrongdoing with respect to certain of Rialto’s earliest funds, specifically Rialto Real Estate Fund, LP (“Fund I”) and Rialto Real Estate Fund II, LP (“Fund II”). The Order states that Rialto did not provide sufficient disclosure as part of its annual Advisory Committee approval process for certain reimbursable costs regarding (i) the calculation for certain reimbursable non-personnel costs and (ii) statements about market rates for third party tasks Rialto performed in-house for Fund I. The Order also found that Rialto misallocated to Funds I and II costs and expenses related to its performance of third party tasks that should have been allocated to related co-investment vehicles Rialto also managed. In addition, the Order stated that Rialto did not adopt and implement adequate written compliance policies or procedures regarding the foregoing. The SEC credited remedial acts promptly undertaken by Rialto, and Rialto agreed as part of the settlement to cease and desist from committing or causing any violations and future violations of Sections 206(2) and 206(4) of the Advisers Act (as defined herein) and Rules 206(4)-7 and 206(4)-8 thereunder and to pay a civil monetary penalty of \$350,000 to the SEC.

Item 10: Other Financial Industry Activities and Affiliations

In the ordinary course of their business, Rialto and its subsidiaries together with the General Partners, engage in activities that could be in conflict with the interests of Clients. The discussion below identifies certain types of conflicts that may arise from time to time but does not purport to be a comprehensive discussion. Dealing with conflicts of interest is complex and it is not possible to predict every conceivable conflict. New and different types of conflicts may subsequently arise as a result of changes in operations or practices, the development of new relationships, etc. Not all potential, apparent and actual conflicts of interest are included herein and additional conflicts could arise as a result of new activities, transactions or relationships commenced in the future. Nonetheless, Rialto seeks to address conflicts of interest that may arise in favor of its Clients and in accordance with its fiduciary obligations under the Advisers Act. Rialto will take such actions as required by the Governing Documents of the applicable Client to handle conflicts.

Rialto, together with certain affiliates, operates as an integrated investment and asset management business. Jeffrey Krasnoff is the global chief executive officer and Jay Mantz the global president of the Rialto platform. The platform's two primary components are Rialto Capital Management and its affiliate Rialto Capital Advisors, LLC (referred to as "Rialto Advisors").

Rialto Advisors provides due diligence, asset management, special servicing and loan servicing services to Clients. As a rated special servicer, Rialto Advisor's primary function is to manage loans that go into default or become delinquent during their term or at maturity, as well as perform surveillance services. In January 2014, Rialto Advisors, through its subsidiary Rialto Servicing, acquired Quantum Servicing Corporation, a wholly owned loan servicing business that specializes in servicing performing and non-performing whole loans, mezzanine loans, and B-notes.

Stone Point, an SEC registered investment adviser, is the investment manager of certain private investment funds that are indirect owners of Rialto.

Performance-Based Compensation

Rialto's performance-based compensation creates a greater incentive for Rialto to make more speculative investments on behalf of a Client or time the purchase or sale of investments in a manner motivated by the personal interest of Rialto personnel than if such performance-based compensation did not exist, as Rialto receives a disproportionate share of profits above the preferred return hurdle. The Adviser may be incentivized to allocate the most lucrative investment opportunities to clients who are charged the highest performance-based fees, rather than to Clients for whom the opportunity may be most suitable.

Allocation of Investment Opportunities

In general, Rialto's investment offerings endeavor to identify investments with distinct characteristic and return profiles. Rialto seeks to allocate investment opportunities fairly among the Clients, taking into consideration, among other things, any applicable exclusivity clause contained in the relevant Governing Documents, the expected time commitment for an investment, projected return profile and other factors identified in more detail below. Each Client

is subject to the investment and co-investment allocation requirements set forth in the applicable Governing Documents.

From time to time, Rialto may identify an investment opportunity that is appropriate for more than one Client. In such a case, Rialto shall allocate the investment opportunity between or among such Clients in accordance with the investment allocation provisions of the applicable Client Governing Documents. If a Client has exclusivity with respect to a certain category of investments and rejects an investment presented by Rialto in that specific category, Rialto may present such investment to other Clients. To the extent discretion is permitted under the applicable investment allocation provisions of such Governing Documents, Rialto, and in some cases, Rialto's allocation committee, will allocate the opportunity on a basis that it determines in good faith to be fair and equitable taking into account any factors enumerated in such allocation provisions, as well as other considerations deemed relevant by Rialto. Among other things, the factors taken into consideration with respect to the allocation of investments may include the approximate size of the investment opportunity, the asset class or type of the investment opportunity, the nature of the investment in relation to the activities and focus of the relevant parties, the geographic location of the investment opportunity, the available capital and projected future capacity for investment of the relevant parties, the availability of other suitable investment opportunities for the relevant entities, the timing of the transaction and other factors that may be deemed relevant by Rialto in good faith. Rialto may determine that an investment opportunity that would be suitable for a Client may be allocated in whole or in part to other Clients; provided that Rialto will seek to allocate investment opportunities on a fair and equitable basis over time. The Manager does not expect to have an allocation process for investments proposed to be made by clients of the Stone Point Group and may in any event be unaware of such proposed investments. The Adviser may be incentivized to allocate the most lucrative investment opportunities to Clients who are charged the highest performance-based fees, rather than to Clients for whom the opportunity may be most suitable.

In addition, subject to the terms of the Governing Documents, Rialto and its affiliates and the Stone Point Group and its affiliates may invest in certain investments alongside the Clients or may otherwise invest in opportunities that might be suitable for a Client. However, under the Governing Documents of certain Clients, Rialto may not invest in any investment alongside the Fund other than: (i) through a co-investment vehicle, (ii) through an alternative investment vehicle, (iii) through another Fund entity, (iv) as permitted by or in accordance with certain procedures set out in the Governing Documents, or (v) through another Client. In addition, Rialto may invest, or permit any limited partner that is an affiliate of the General Partners to invest, the amount of capital that would otherwise be required from such limited partner (A) directly into any investment, or (B) through a separate vehicle on substantially the same terms and conditions as the relevant Client, including the sharing of applicable fees, costs and expenses.

An investment opportunity that is suitable for multiple Clients may not be capable of being shared among some or all of such Clients due to the limited scale of the opportunity or other factors. There can be no assurance that the Adviser's efforts to allocate any particular investment opportunity fairly among all Clients for whom such opportunity is appropriate will result in an allocation of all or part of such opportunity to the Clients. Not all conflicts of interest can be expected to be resolved in favor of the Clients.

From time to time, certain affiliates and personnel of the Adviser and the Stone Point Group and their affiliates may be presented with the opportunity to invest in transactions or entities, whether in their individual capacities or on behalf of certain “family offices” or other estate planning vehicles or entities, generally in areas that are outside of a Client’s investment focus and/or target investment size. The Adviser and its affiliates have adopted procedures to address potential conflicts of interest with respect to the pursuit of investment opportunities by such affiliates and personnel, including the adoption of a code of ethics.

If a perceived or actual conflict of interest occurs as a result of Rialto’s advisory discretion, Rialto will consult with the Client, if applicable, the Clients’ Advisory Committee, Rialto’s General Counsel, and the compliance department as necessary. Furthermore, the Clients’ Governing Documents generally provide for the disclosure of potential conflicts for the waiver, approval or disapproval of actions taken with respect to an investment.

Alignment of Interests

Rialto and its affiliates engage in a broad spectrum of real estate related activities. They may have direct or indirect interests in real properties that are in the same markets as, and compete with, certain of the real properties underlying the investments of Clients. Consequently, personnel of Rialto and its affiliates who perform services on behalf of Clients could also perform services related to real properties that compete with real properties that underlie investments made by Clients.

Clients, principals or subsidiaries may make an investment in an entity, asset or property in which another Client holds an investment in a different class of debt or equity securities or obligations. For example, a Fund may acquire an interest in a senior mortgage loan on a particular property with respect to which another Client holds or acquires mezzanine debt, a companion loan or other additional debt or an equity interest or other type of interest. As a result, the economic interests and incentives of such Clients will not be aligned and could pose potential conflicts should an event arise that requires Rialto to take an action that will impact the Clients in different ways.

Additionally, a Client may acquire mezzanine debt, a companion loan or other debt, or an equity interest or other interest in a particular property on which another Client or another affiliate of the General Partner or Rialto has acquired an interest in a senior mortgage loan on that same property and with respect to which an affiliate of the General Partner or Rialto has been appointed special servicer. For example, it is possible that a Client may acquire mezzanine debt, a companion loan or other debt, or an equity interest or other interest in a particular property on which the related senior mortgage loan has been included in a CMBS pool and another Client or Rialto affiliate may hold an investment in the same CMBS pool and, in connection with such investment, an affiliate of the General Partner or the Adviser is appointed as the special servicer for such pool.

Pooling and Servicing Agreements typically require the special servicer to service and administer loans in such pools in the best interest of all classes of certificate holders and without regard to any other relationship or interest that the special servicer or any of its affiliates may have with respect to the related properties or borrowers (such as an interest of a Client as a lender on other debt). In these or similar circumstances, the affiliate of the General Partner or Rialto that is acting

as special servicer would be required to put the interests of investors in the pool of mortgage loans ahead of the interests of the Fund and its limited partners or other Clients and investors, and the special servicer may be required to take certain actions that would be adverse to the interests of the Fund and its limited partners or Clients and investors. Any such conflicts of interest would need to be resolved in accordance with the applicable mechanisms in the relevant Pooling and Servicing Agreement, such as those pertaining to the resignation of the special servicer. Pooling and Servicing Agreements entered into starting with the third quarter of 2015 generally require the special servicer to recuse itself by resigning as special servicer with respect to the loan in connection with which the conflict arose.

Subject to the provisions set forth in the Governing Documents, Rialto and the General Partners will endeavor to manage any conflict of interest between or among Clients in their discretion, consistent with Rialto's fiduciary obligations. Certain additional matters involving possible conflicts of interest will also be raised with the relevant Client.

Fees Payable and Expense Reimbursements to Rialto by the Fund or Investments

The Clients will directly or indirectly through investments bear certain fees and expenses in addition to the investment management fee payable to Rialto. These fees and other expenses include the include those listed above in Item 5. The Adviser or affiliates of the Adviser are expected to provide services and Rialto will receive fees for such services that are borne by the Clients and do not offset the investment management fee. In the event that any fees, costs or expenses are to be paid to a "third party" or "third parties," the affiliates of the General Partner are included as part of the definition of such terms to the extent such fees, costs and/or expenses are otherwise permitted pursuant to the Clients' Governing Documents to be paid to such affiliates.

Ancillary Benefits – CMBS Transactions

Rialto's affiliates perform other services and/or serve in other roles with respect to CMBS and receive ancillary benefits thereto. For example, investors in the B-piece of a CMBS typically maintain the right to appoint and remove the special servicer for relevant loan pools within the CMBS. Certain Clients are investors in B-pieces related to CMBS, and as such, have appointed Rialto Advisors as the special servicer of the relevant CMBS pools so acquired. Rialto Advisors is remunerated for these services by the CMBS trust. The investors in the Funds have the right to require the Funds to terminate the special servicer if such special servicer is the General Partner or one of its affiliates and to designate a different special servicer who is not affiliated with the General Partner.

Having acquired multiple deals from loan contributors and issuing banks, Rialto has developed extensive relationships that provide potential investment opportunities for Clients as well as for Rialto and its affiliates. However, it is possible that such business opportunities could present further conflicts between the interests of the Clients and those of Rialto and its affiliates.

The pooling and servicing agreements of CMBS pools and other pools of mortgage loans ("Pooling and Servicing Agreement") typically require the special servicer to service and administer loans in such pools in the best interest of all classes of certificate holders and without

regard to any other relationship or interest that the special servicer or any of its affiliates may have with respect to the related properties or borrowers (such as an interest of a Rialto client as a lender on other debt). In these or similar circumstances, Rialto Advisors or the other party that is acting as special servicer would be required to put the interests of investors in the pool of mortgage loans ahead of the interests of the Clients, and the special servicer may be required to take certain actions that would be adverse to the interests of the Clients. Any such conflicts of interest would need to be resolved in accordance with the applicable mechanisms in the relevant Pooling and Servicing Agreement, such as those pertaining to the resignation of the special servicer. Pooling and Servicing Agreements entered into starting with the third quarter of 2015 require the special servicer to recuse itself by resigning as special servicer with respect to the loan in connection with which the conflict arose.

Other Services Provided by Affiliates

Rialto may retain one or more of its affiliates (including but not limited to, RCA, Kensington Vanguard, Ten-X, LLC (f/k/a Auction.com, LLC), ARC Group LLC, Situs Group LLC, Sabal Capital Partners, LLC and Quantum Servicing Corporation) to perform extraordinary due diligence, servicing, special servicing, property management, maintenance, construction and/or development, leasing, escrow, title or similar types of services for the Clients, provided that any fee or other compensation paid to Rialto in connection with such services will either (x) be approved by LPAC, if applicable, or majority limited partner consent, or (y) be on terms and conditions (including for consideration) consistent with those generally available in arm's-length transactions with qualified independent third parties for a comparable quality service, in which case item (y) will be presented to the LPAC, if applicable, annually for its review.

In addition, Rialto will, from time to time, perform asset level field due diligence, loan file due diligence, the production of property or loan level business plans and valuations, loan and real estate owned asset management services, asset level accounting, legal, and tax services, and other similar services that outside professionals or outside consultants otherwise would typically perform with respect to investments.

The Fund may buy assets from (or sell assets to) affiliates of the General Partner and the Manager (including Stone Point) and otherwise engage in transactions that would constitute "principal transactions" under Section 206(3) of the Advisers Act, subject to the approvals required under the Limited Partnership Agreement.

Subject to the terms of the Governing Documents, an affiliate of the General Partner and the Manager may participate as an investor or joint venture partner in one or more co-investment opportunities with the Fund.

Property Services. As provided for in the Governing Documents, an affiliate of Rialto may be engaged to perform property, construction or development, management, leasing and related or similar types of services for Clients, and for which the Clients would otherwise retain third parties.

Loan servicing. Rialto Servicing, has been engaged to provide loan servicing, asset management, and similar services in accordance with approved rates.

Investment-level services. The Clients' Governing Documents provide that Rialto, and their respective affiliates, will perform asset-level field due diligence, loan file due diligence, loan and real estate owned asset management services, asset-level accounting, loan servicing and other similar services that outside professionals or outside consultants otherwise would perform for the Client. As discussed in Item 5, fees for these investment-level services vary by Client and are more fully described in each Client's Governing Documents.

Placement Agents, Finders and Other Persons

Clients may utilize placement agents to assist in raising capital for the Client. Any such placement agent will be compensated based on the capital raised, which means it will have an interest in obtaining capital commitments to the Client irrespective of the agent's beliefs about the performance of the Fund or its evaluation of Rialto, the Stone Point Group or the investment opportunity. The Client or the General Partner may also compensate finders, whether engaged by a Client, General Partner or Rialto, the Stone Point Group or by any prospective investor. Each prospective investor should assume, unless told otherwise by Rialto, that any third party involved in its decision to invest is compensated for its recommendation in a way that may give such person a strong incentive to encourage investment in the Clients and/or to act in ways that are not in the best interest of the prospective investor.

Advisors, Consultants and Partners

Rialto and its parties engage and retain advisors, consultants and partners ("Consultants") to provide a variety of services. Any amounts paid by a Client, including performance-based compensations (e.g., promote), retainers and expense reimbursements, will be treated as an expense of the Clients, and will not be, even if they have the effect of reducing any retainers or minimum amounts otherwise payable by Rialto, be chargeable to Rialto or deemed paid to or received by Rialto, or offset or reduce investment management fees to Rialto or be subordinated to return of capital. Amounts charged by consultants will not necessarily be confirmed as comparable to market rates for such services.

The time dedication and scope of the work of a Consultant varies considerably. In some cases, a Consultant provides Rialto with industry-specific insights and feedback on investment themes, assists in transaction due diligence, and makes introductions to, and provides references checks on, management teams. A Client may rely on these Consultants to recommend Rialto and the Client as a preferred investment partner and carry out its investment program, but there is no assurance that any consultant will continue to be involved with a Client for any length of time. Rialto and its Clients can be expected to have formal and informal relationships with Consultants that may or may not have termination options and include arrangements for compensation, no compensation or deferred compensation until occurrence of a future events, such as commencement of a formal engagement. In certain cases, Consultants have attributes of Rialto "employees" (e.g., they can be expected to have dedicated offices at Rialto, receive administrative support from Rialto personnel, participated in general meetings and events for Rialto personnel or

on Rialto matters as their primary or sole business activity, have Rialto-related email addresses or business cards and participate in certain benefit arrangements typically reserved for Rialto employees), even though they are not Rialto employees, affiliates or personnel for purposes of the Governing Documents, and their salary and related expenses are paid by a Client upon disclosure and approval by the relevant LPAC or a majority of limited partners consent and without any reduction or offset to investment management fees.

The Consultant could be compensated with a salary and equity incentive plan, including a portion of profits derived from the Client or asset of the Client or other long term incentive plans. The Client could initially bear the cost of overhead (including rent, utilities, benefits, salary or retainers for the individuals or their affiliated entities) and the sourcing, diligence and analysis of investments. None of such Consultants will be treated as affiliates of the Adviser for purposes of the Governing Documents and none of the fees, costs or expenses described above will reduce or offset the investment management fee.

Allocation of Management Time and Services; Limited Role of Stone Point

The Clients do not have independent management or employees and will instead rely upon affiliates of the General Partner, including management and other personnel of Rialto, and independent contractors engaged by Rialto for the acquisition, management, servicing, administration and disposition of the Fund's investments, none of whom will work full time for the Fund.

While there are certain consequences if, during the Commitment Period, (i) Jeffrey Krasnoff ceases to devote substantially all of his business time to the activities of Rialto, the Fund and certain other clients and accounts currently and/or in the future managed by the General Partner, the Manager and/or their respective affiliates and their investments, or (ii) there ceases to be at least three named key persons devoting a substantial majority of their business time and attention to Rialto, Clients currently and/or in the future managed by Rialto and/or their respective affiliates and their investments, none of such persons are expected to work full time for a specific Client. Each of such persons will perform services not only for the Clients but also for Rialto and other investments and investment advisory relationships outside of the Clients. Such persons may also engage in personal investments and charitable or civic activities that may occupy a portion of their time and attention.

The General Partner and Rialto believe that they and their affiliates have recruited or can recruit sufficient personnel to enable them to discharge their respective responsibilities to the Clients, although no assurance can be given that sufficient personnel can be recruited and retained at all times. In addition, conflicts of interest may arise in allocating management time, services, resources or functions among the Clients and Rialto.

Stone Point will not be actively involved in the day to day operations of Rialto or the Fund and its investments and Stone Point and its personnel are not required to dedicate any amount of time to the Rialto business or the Fund or its investments. No member of the Stone Point Group will sit on the Investment Committee. In addition, funds managed by Stone Point are not required to hold a direct or indirect ownership interest in Rialto for any specific period of time, and private equity

funds typically liquidate their portfolio holdings prior to the end of the fund's term, which would potentially be shorter than the Fund's term. For these reasons, as well as the possibility of foreclosure under the Acquisition Loan (as defined below), prospective investors should understand that any role of Stone Point with respect to Rialto may be discontinued at any time. Accordingly, no prospective investor should rely on the efforts of Stone Point or any member of the Stone Point Group when deciding whether to invest in the Fund.

In connection with the acquisition of Rialto by funds managed by Stone Point in partnership with Rialto's management, as described above, Rialto Management Group, LLC, the indirect parent of the Adviser, borrowed funds from a lender to finance the acquisition. In connection with the Acquisition Loan, the lender was granted a security interest in the equity of subsidiaries of Rialto Capital Group Holdings, Inc. (the parent of Rialto Management Group, LLC and also an indirect parent of the Manager). This includes a pledge of the equity of the Adviser and its subsidiaries (as well as their respective assets). No pledge or guarantee under the Acquisition Loan encumber any Fund assets; however, the security interest under the Acquisition Loan includes the fees receivable by the Manager from its clients. If there were to be a default under the Acquisition Loan that were to continue beyond any applicable notice and cure periods, the lender may be entitled to foreclose upon the collateral pledged to it, including the equity interest in the Adviser and its subsidiaries, which would be expected to have a material adverse effect upon Rialto and its Clients. In addition, any such foreclosure would negatively affect the alignment of interests between the members of the management team and the Clients, which is achieved in part through the participation of the executive management team in a compensation plan that includes profit sharing and equity participation in the Adviser.

Co-Investment Opportunities

Clients may, at Adviser's option, provide co-investment opportunities to one or more limited partners. In these cases, while the Adviser will seek to act in the best interest of the Client, it might be alleged that the Client received a smaller investment allocation in the particular issuer than it otherwise might have received if Rialto had not provided such co-investor with the co-investment opportunity. In addition, the General Partner may agree to provide co-investment opportunities related to the Client to some, but not all, limited partners pursuant to the Client's co-investment policies (which may provide for co-investment opportunities to be offered based upon capital commitments or other criteria). The Adviser may also have a conflict of interest in deciding whether to treat a potential co-investment opportunity as a co-investment (which might require it to offer the opportunity to certain limited partners) or deem it a joint venture, in which case the opportunity may be offered to third parties, including in transactions where the joint venture partner is granted certain approval or management rights with respect to the venture and Rialto receives fees, costs or expenses and/or a carried interest from a third party or the joint venture.

Diverse Interests of Partners

Clients and their respective limited partners may have conflicting investment, tax and other interests with respect to the investments made by the Clients. Conflicts of interest may arise in connection with decisions made by the Adviser, including with respect to the nature or structuring

of investments, which may be more beneficial for one or more of the limited partners of a Fund Client, on the one hand, than the Fund Client, on the other hand, or that may be more beneficial for one type of investor in the Fund Client than for another type of investor in the Fund Client. For instance, the manner in which a particular investment is structured, or the manner in which one or more investments are reported for tax purposes, may produce tax results that are favorable to one or more partners of a Fund Client, but not to the Client (or vice versa), or are favorable to a U.S. investor as compared to a non-U.S. investor (or vice versa) or a taxable investor as compared to a tax-exempt investor (or vice versa). In selecting investments appropriate for the Fund Clients and in structuring those investments, the Adviser will generally consider the investment objectives of the Fund Client as a whole, rather than the investment, tax or other objectives of the specific limited partners separately. In addition, the Fund Client may take tax or other reporting positions that may benefit or detriment one or more groups of investors, and the Adviser or its affiliates may face certain tax risks based on positions taken by the Fund Clients, including as a withholding agent. The Adviser reserves the right on behalf of itself and its affiliates to take positions adverse to Fund Clients in these circumstances, including by withholding amounts to cover actual or potential tax liabilities.

Various Loan-Level Conflicts of Interest

Many property managers for the properties securing Clients' loans or their affiliates may manage additional properties, including properties that may compete with those properties. Affiliates of the managers, and certain of the managers themselves, also may own other properties, including competing properties. The managers of the properties securing the Clients' loans may accordingly experience conflicts of interest in the management of those properties. There can be no assurance that a property manager will not divert potential tenants from a property owned or managed by it and securing one of the Clients' loans to a competing property that is owned or managed by it or an affiliate.

Affiliates of the Adviser or the Stone Point Group may serve as the property manager to some or all of the investments, and in this capacity would be entitled to fees for their services. The Adviser has an incentive to use its affiliates for such purposes, rather than engaging third parties. Any fee or other compensation paid to Rialto or its affiliates in connection with extraordinary due diligence, servicing, special servicing, property management, maintenance, construction and/or development, leasing, escrow, title or similar types of services for the Client will either (x) be approved by LPAC consent, if applicable or (y) be on terms and conditions (including for consideration) consistent with those generally available in arm's-length transactions with qualified independent third parties for a comparable quality service, in which case item (y) will be presented to the LPAC, if applicable, annually for its review.

Many of the borrowers under the Clients' loans may own other properties and, in some cases, those other properties may compete with the property securing a loan held by a Client. There can be no assurance that a borrower or an affiliate of a borrower will not divert potential tenants from a property owned by such borrower and securing one of the Clients' loans to a competing property that is owned by such borrower or one of its affiliates.

If a property is leased in whole or substantial part to the borrower under a loan or to an affiliate of the borrower, there may be conflicts. For instance, a landlord may be more inclined to waive lease conditions for an affiliated tenant than it would for an unaffiliated tenant. There can be no assurance that the conflicts arising where a borrower is affiliated with a tenant will not adversely impact the value of the related loan held by the relevant Client (or in a CMBS pool for which the Fund holds certificates). Insofar as a borrower affiliate leases space at a property, a deterioration in the financial condition of the borrower or its affiliates can be particularly significant to the borrower's ability to perform under the loan, as it can directly interrupt the cash flow from the property if the borrower's or its affiliate's financial condition worsens.

Broken (or Dead) Deal Expenses

The Adviser is not required to and, in most circumstances, will not seek reimbursement of broken or dead deal expenses (i.e., expenses incurred in pursuit of an investment that is not consummated) from third parties, including counterparts to the potential transaction or potential co-investors. Examples of such broken or dead deal expenses include, but are not limited to, reverse termination fees, extraordinary expenses such as litigation costs and judgments, travel and entertainment expenses incurred, and legal, accounting, tax and other due diligence and pursuit costs and expenses). Any such broken or deal expenses could, in the sole discretion of the Adviser, be allocated solely to a Client and not to other Clients, co-investors or other Rialto vehicles that could have made the investment, even when the other Clients, co-investors or other Rialto vehicles commonly invest alongside the Client in its investments or Rialto or other Clients in their investments. In such cases a Client's share of expenses would increase. In the event broken or dead deal expenses are allocated to Clients, co-investors or other Rialto vehicles, the Adviser or Client will, in certain circumstances, advance such fees and expenses without charging interest until paid by the Clients, co-investors or other Rialto vehicles, as applicable.

Related Party Leasing

Certain assets related to a Client's investments, owned by Client, in certain circumstances, lease property to or from another Client, Rialto or its related parties. The leases are generally expected to be at market rates. Rialto can be expected to confirm market rates by reference to other leases it is aware of in the market, which Rialto expects to be generally indicative of market given the scale of Rialto's real estate business. Rialto requests the relevant Client's LPAC, if applicable, approval of the rates prior to execution of a lease with a related party. Rialto will nonetheless have conflicts of interest in making these determinations. There can be no assurance that a Client will lease to or from any such related parties on terms as favorable to a Client as would apply if the counterparties were unrelated.

Joint Venture Partners

A Client has and will from time to time enter into one or more joint venture arrangements. Investments made with joint venture partners will often involve performance-based compensation and other fees payable to such joint venture partners, as determined by the Adviser in its sole discretion. The joint venture partners could provide services similar to those provided by the Adviser to a Client. Yet, no compensation or fees paid to the joint venture partners would reduce

or offset investment management fees or performance-based compensation payable to the Adviser. Additional conflicts would arise if a joint venture partner is related to Rialto in any way, such as an investor in, lender to, a shareholder of, or a service provider to Rialto, Clients, the Stone Point Group or any affiliate personnel, officer or agent of any of the foregoing.

Valuation Matters

The fair value of all investments (including any asset received in exchange for any investments or interests in a Client, as applicable) will ultimately be determined by the Adviser in accordance with the Governing Documents and a Client's valuation policy and procedures. It will, in certain circumstances, be the case that the carrying value of an investment may not reflect the price at which the investment is ultimately sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation methodologies used to value any investment will involve subjective judgments and projections and will, in certain circumstances, not be accurate. Valuation methodologies will also involve assumptions and opinions about future events, which may or may not turn out to be correct. Ultimate realization of the value of an asset depends to a great extent on economic, market and other conditions beyond Rialto's control. There will be no retroactive adjustment in the valuation of any investment or the offering price at which interests in a Client were purchased by investors or repurchased by a Client, as applicable, to the extent any valuation proves to not accurately reflect the realizable value of an asset in a Client. However, the valuation of any investment has no direct economic impact to Fund Client investors.

The valuation of investments of Clients will, in certain circumstances, affect the decision of potential investors to subscribe for interests in a Client. Similarly, the valuation of investments of a Client will, in certain circumstances, affect the ability of Rialto to form and attract capital to Clients. As a result, the valuation of investments of a Client, which generally remains in the sole discretion of Rialto, involve conflicts.

Affiliated Investors

Certain investors in a Client, including current and/or former senior advisors, officers, directors and personnel of Rialto and its affiliates and Stone Point Group and its affiliates established by or associated with any of the foregoing, and other persons related to Rialto and the Stone Point Group, will not pay investment management fees or performance-based compensation in connection with their investment in a Client. Notwithstanding the foregoing, such investors will either directly pay for their pro rata share of certain partnership expenses, or the pro rata amount of such expenses will be allocated to the Adviser or its affiliates. Such pro rata allocation of partnership expenses will, in certain circumstances, be calculated based on commitments, invested capital, available capital or other metrics as determined by the Adviser in good faith. Any such methodology (including the choice thereof) involves inherent conflicts and will, in certain circumstances, not result in perfect attribution and allocation of expenses.

Conflicts Relating to a Subscription Credit Facility

Certain Clients enter into and utilize a subscription credit facility, which involves potential conflicts of interest. Subject to the limitations in the Governing Documents, the use of a subscription credit facility by a Client is within the Adviser's discretion. Generally and without limiting the foregoing, a Client can be expected to seek to utilize a subscription credit facility for the purpose of, among other things, financing any investment-related activities of a Client (such as for assets that a Client does not intend to hold for a long term period), covering Client expenses, fees and any other costs of a Client, making distributions to limited partners, providing permanent financing or refinancing or providing interim financing to consummate the purchase of investments. The amount of credit available to a Client under a subscription credit facility is determined by the credit quality of the Investors as determined by the lender. For this reason, investors with a higher credit quality, as determined by the lender, generate more credit for a Client than investors with a lower credit quality, which results in an indirect benefit conferred by the higher credit quality Investors to the others.

Calculations of net and gross internal rates of return ("IRR") in respect of investment and performance data as reported to investors from time to time, are based on the payment date of capital contributions received from investors. This treatment also applies in instances where a fund utilizes borrowings under a fund's subscription credit facility in lieu of, or in advance of receiving capital contributions from Investors to repay any such borrowings. As a result, use of a subscription credit facility (or other long-term leverage) will impact calculations of returns and will result in a higher or lower reported IRR than if the amounts borrowed had instead been funded through capital contributions made by the Investors to a Client. If the use increases the IRR, as it normally does, Rialto will have various incentives to use the subscription credit facility, including marketing efforts of Clients. For example, in the event the interest rate on borrowings is lower than the hurdle rate, use of leverage arrangements can be expected to accelerate or increase distributions of performance-based compensation to the Adviser, providing an economic incentive to fund investments through long-term borrowings in lieu of capital contributions.

A Client expects to utilize its subscription credit facility and enter into other similar arrangements and extensions of credit for the benefit of co-investors, joint venture partners and other Clients, which invest alongside a Client in one or more investments. For example, a Client can be expected to draw from a borrowing to fund a joint venture partner's or co-investor's pro rata share of an investment or expense related to an Investment. In such circumstances, the Adviser generally intends to disclose such arrangements as part of the periodic reporting or other appropriate communications relating to a Client and to cause any such co-investors, joint venture partners and other Clients to bear (or reimburse a Client for) their pro rata share of any interest expenses (but not necessarily origination and other costs) allocable to such extensions of credit. The Adviser will, in certain circumstances, receive direct and indirect benefits from such uses as well, including as a result of the facilitation of co-investors, joint venture partners and other Clients. A Client will pay interest expenses and other expenses incurred in relation to the line of credit.

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

Code of Ethics

Pursuant to Rule 204A-1 of the Advisers Act, Rialto has adopted a written Code of Ethics (the “Code”) which sets forth standards of conduct for Access Persons. The Code requires all Rialto employees deemed Access Persons to recognize their obligations to act in the best interests of Clients, avoid any situations that may present or appear to present an actual or potential conflict, comply with federal securities laws and promptly report any violations of these laws or provisions of the Code.

Rialto’s Code also reflects provisions addressing conflicts of interests that arise from its employees’ personal trading. Employees deemed Access Persons must request the CCO’s approval prior to making an investment in an initial public offering or a private limited offering. Employees deemed Access Persons are also required to periodically submit reports of their personal securities transactions and holdings, a requirement that extends to the immediate family members of employees deemed Access Persons who live in the same household.

For more information about Rialto’s Code, Clients and Fund investors and prospective Clients and Fund investors may request a copy by contacting the CCO at (305) 229-6633.

In some instances, principals and employees of Rialto, as well as the General Partners, their affiliates, and related persons invest in the Funds. Although they bear their proportionate share of the relevant Fund’s expenses, such Rialto employees, affiliates, or related persons are generally not subject to investment management fees or carried interest.

As set forth in the Governing Documents, co-investment opportunities may be presented to certain Fund investors or other third parties, including Rialto’s affiliates or related persons. Rialto will determine the allocation of investment opportunities in accordance with the relevant Client’s Governing Documents and its investment allocation policy, considering factors such as the Client’s investment restrictions and objectives, investment and operating guidelines, diversification limitations, tax and regulatory considerations, minimum dollar limits and other relevant factors, including risk.

As discussed previously herein, since Rialto and the Funds’ General Partners engage in a broad spectrum of real estate related activities, they may have direct or indirect interests in real properties that are in the same markets as, and compete with, certain of the real properties underlying the investments held by Clients. Please see Item 10 for additional information.

Participation or Interest in Client Transactions

Principal Transactions

When permitted by applicable law and subject to and in accordance with the terms of the Governing Documents of the applicable Client, Rialto may effect principal transactions where a Client may have the opportunity to purchase investments from or sell investments to Rialto or its

affiliates or any fund or account deemed to be controlled by Rialto or its affiliates. There may be potential conflicts of interest or regulatory issues relating to these transactions which could affect Rialto's decision to engage in these transactions for the Funds. In connection with a principal transaction, Rialto and its affiliates may have a potentially conflicting division of loyalties and responsibilities regarding a Client and the Rialto parties. Rialto has developed policies and procedures in relation to such transactions and to address such conflicts. Under these policies and procedures, Rialto discloses the material terms of the transaction (including pricing information) and the conflict to its Client and obtains consent (either directly from the Client's investors or indirectly from the LPAC or an agent on behalf of such investors).

Item 12: Brokerage Practices

To the limited extent that Rialto transacts in public securities or other non-private equity investments (e.g., currency hedging) that require the use of a financial intermediary such as a broker-dealer, Rialto will select an intermediary based on its ability to provide best execution for its Clients. Rialto is generally authorized to make the following determinations, subject to each Client's investment objectives and restrictions, without obtaining prior consent from the relevant Client: (i) which securities or other instruments to buy or sell; (ii) the total amount of securities or other instruments to buy or sell; (iii) the executing broker or dealer for any transaction; and (iv) the commission rates or commission equivalents charged for transactions.

Item 13: Review of Accounts

All investments are reviewed and approved by Rialto's CEO and President and, where applicable, a Client specific investment committee. The investment committees include Rialto's CEO, President, managing directors and other senior investment professionals. The composition of any investment committee may change from time to time. Investment professionals responsible for identifying and conducting due diligence on each investment present the investment to the applicable investment committee, which will make the final decision with respect to the investment opportunity.

Following the acquisition of an investment, such investment is monitored on an ongoing basis by designated portfolio management professionals. The portfolio management group meets periodically and reviews Client portfolios. Generally, on a quarterly basis, Rialto's valuation committee meets to perform reviews of assets held in Client portfolios.

The nature and frequency of regular reports to Clients and/or Fund investors depends on the terms of the Governing Documents of each respective Client or Fund investor. Typically, Fund investors are provided with written quarterly unaudited financial reports and annual audited financial statements. Rialto also holds annual meetings with Fund investors of certain Funds.

Item 14: Client Referrals and Other Compensation

Rialto has entered into written agreements with placement agents/finders for the referral of Fund investors. These agreements generally provide that Rialto will pay the placement agent/ finders a fee for referring prospective investors to the Funds. These fees typically are based on a percentage of the aggregate commitments from Fund investors referred by the placement agent/ finder.

Any referral arrangements for Fund investors and Clients will be made in accordance with Rule 206(4)-3 of the Advisers Act, as applicable.

Item 15: Custody

In connection with its investment management and advisory services, Rialto is deemed to have custody of its Clients' assets. Rule 206(4)-2 under the Advisers Act (the "Custody Rule") defines custody as holding client securities or assets, or having any authority to obtain possession of them, including the authority to withdraw funds or securities from a client's accounts, or ownership of or access to client funds or securities (such as through fee deductions). While Client assets are held in custody of unaffiliated broker/dealers or banks (except as otherwise permitted for certain uncertificated investments), Rialto is deemed to have custody as defined under the Custody Rule.

Specifically, Rialto's affiliate processes payments on loans that underlie investments held by Clients, and therefore has direct access to these assets. Rialto also has the authority to direct the movement of funds out of accounts through which these payments are processed. Furthermore, the General Partners are Rialto affiliates and have full discretion over the Funds' assets. Investors in the Funds and any feeder or blocker funds where Rialto is deemed to have custody, if applicable, will not receive statements from custodians. Instead, the Funds and any feeder or blocker funds where Rialto is deemed to have custody, are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (a "Qualified Auditor"), and the audited financial statements are distributed to investors in each Fund and any feeders, if applicable. Separate account Clients do receive statements from their custodian and Rialto is subject to surprise examination by a Qualified Auditor with respect to certain Clients that are separately managed accounts.

Item 16: Investment Discretion

Rialto has discretionary authority with respect to most Clients' accounts to determine the securities and amounts to be bought or sold on their behalf without obtaining specific consent from its Clients. Rialto exercises its investment discretion pursuant to Management Agreements it executes with Clients and/or, as applicable, the terms and conditions of Fund Governing Documents.

Item 17: Voting Client Securities

Clients typically do not invest in public securities for which proxies are issued. However, in accordance with its fiduciary duty to Clients and Rule 206(4)-6 of the Advisers Act, Rialto has adopted and implemented written policies and procedures governing the voting of Client securities to address the rare occasion on which this may occur. Specifically, Rialto generally votes proxies in line with company management; however, Rialto reserves the right to vote against management, or abstain from voting, if, in its discretion, Rialto determines that it would be in the best interest of Clients to do so. Rialto will seek to avoid material conflicts of interest between its own interests on the one hand, and the interests of its Clients on the other.

Rialto maintains proxy voting policies and procedures, as well as a record of how it has voted, and these are available for review upon written request. Clients and Fund investors may obtain this information by contacting the CCO by telephone at (305) 229-6633.

Item 18: Financial Information

Rialto has not been subject to any bankruptcy proceeding during the past 10 years and is not aware of any financial condition that is likely to impair its ability to meet contractual commitments to Clients.