

## **Item 1: Cover Page**

### **Rialto Capital Management, LLC**

**200 South Biscayne Boulevard, Suite 3550**

**Miami, FL 33131**

**March 30, 2023**

Form ADV, Part 2A (the “Brochure”) brochure provides information about the qualifications and business practices of Rialto Capital Management, LLC (“Rialto” or “Adviser”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“CCO”) at (786) 745-3494 or email at [amanda.vega@rialtocapital.com](mailto:amanda.vega@rialtocapital.com). Additional information about Rialto is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://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 any state securities authority.



**Item 2: Material Changes**

This “Item 2 – Material Changes” summarizes material changes, of which there were none, made to the Brochure since the previous annual updating amendment dated March 31, 2022. This Brochure replaces Rialto’s prior Brochure as of the effective date noted on the cover page.

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#### **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, RPCF GP, LLC, Rialto Partners GP III - Debt, LLC, Rialto Partners GP III - Property, LLC, Rialto Partners GP IV – Debt, LP, Rialto Partners GP IV – Property, LP, Rialto Credit Partnership GP, LLC, Rialto Partners GP RVCF, LLC, Rialto Partners GP Yamato, LP, Rialto Credit Opportunities GP, LP, Rialto Partners GP RREF I SPV, LP, Rialto Partners GP RREF II SPV, LP, Rialto Partners RCP II, GP, LLC and Rialto Partners GP V – Property, LP (“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 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 or, as applicable, general partner, 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, and Stone Point holds a material economic interest in the General Partners formed after December 1, 2018.

Clients invest primarily in commercial real estate properties, commercial real estate loans and real estate related securities located in the U.S. The Funds rely primarily on exemptions from registration under Section 3(c)(7) 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 Client organized as a pooled investment vehicle (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, 2022, Rialto managed approximately \$6,540 million on a discretionary basis and approximately \$8,097 million on a non-discretionary basis.

## **Item 5: Fees and Compensation**

Rialto's revenue is derived primarily from investment management fees, carried interest allocations and investment-level fees. Rialto and its affiliates also earn additional fees for the provision of other services to the Clients as agreed to by each Client. 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.

If and when the Adviser identifies errors in or enhancements to the calculation, allocation or reporting of certain fees or expenses, upon identification, the Adviser promptly remedies such error or makes such enhancement.

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

### Investment Management Fee

Rialto's investment management fees vary by Client and are payable quarterly in advance and, in most cases, as provided for in the Governing Documents agreed upon with the Clients, such investment management fees are not refundable. Investment management fees vary across Clients and amongst Clients' investors and are generally based on (i) capital contributions/commitments less contributions that have been invested in investments that have been liquidated, sold, or written off, (ii) invested capital, or, in the case of one client, (iii) a formula based on the principal amount outstanding of investments, in each case as variously defined within the applicable Governing Documents. With respect to some Funds, commitments in excess of certain thresholds or dependent on the timing of the commitment are subject to a discounted fee pursuant to negotiated side letter provisions and/or the Client's Governing Documents.

Rialto reserves the right to waive or reduce these fees for certain Client's investors, including employees, affiliates (such as employees of the parent company and its portfolio companies) and others as determined at Rialto's sole discretion. Investment management fees will not be paid by investors who are employees of Rialto ("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 fees and expenses incurred by the applicable Client. For more information on the allocation of Client expenses, please see "Other Expenses" in Item 5 below.

Investment management and other fees are generally withheld from the applicable Client's current income distributions. The investment management fee paid to the Adviser is generally offset by some or all the placement agent fees paid (if applicable) for an investor subscription. Additionally, with few exceptions, 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, origination fees, asset management fees, in-house professional services fees, administrative services fees ("Investment-Level Fees"). Investment-level services include asset-level field due diligence, loan file due diligence, loan origination, loan and real estate owned asset management services, asset-level accounting, loan servicing, tax and other similar services that outside professionals or outside consultants 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 primarily at fixed or market rates and, with respect to some of Rialto's earliest Clients, at cost, in all cases per the Client's Governing Documents. In cases in which such fees are not fixed in the Governing Documents, such fees are required to be approved by the relevant Client or on behalf of the Client (which can include approval for the Funds by investors or by the relevant Fund Limited Partnership Advisory Committee ("LPAC") on behalf of investors) in accordance with the Client's Governing Documents or to be consistent with those generally available in arm's length transactions and disclosed to the Fund LPAC on an annual basis. These fees do not offset any other fees payable to Rialto or its affiliates.

### *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 on a cost-plus methodology or on the unpaid principal balance of the loan, while liquidation fees are charged based on the amounts recovered. In cases in which such fees are not predetermined in the Governing Documents, they are required to be approved by the relevant Client or on behalf of the Client (which can include approval for the Funds by investors or by the relevant Fund LPAC on behalf of investors) in accordance with the Client's Governing Documents. These fees do not offset any other fees payable to Rialto or its affiliates. For more information on Servicing Fees, please see "Special Servicer" in Item 10 below.

### *Special Servicing Fees*

Rialto's affiliate, Rialto Capital Advisors, LLC ("RCA"), 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") or collateralized loan obligations 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.

### *Property-Level Fees*

In certain instances, Rialto or Rialto's affiliates 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 the Client's Governing Documents. Such fees are required to be approved by the relevant Client or on behalf of the Client (which can include approval for the Funds by investors or by the relevant Fund LPAC on behalf of investors) in accordance with the Client's Governing Documents or to be consistent with those generally available in arm's length transactions and disclosed to the Fund LPAC on an annual basis. If earned, these fees do not offset any other fees payable to Rialto or its affiliates.

### Expenses

Clients, including the Funds (and therefore, investors in the Funds) and any feeder funds, bear certain other expenses in addition to the fees noted above (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 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 Client or 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 Client or Fund entity; (vii) governmental fees, taxes and other charges levied against a Client or 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 Client or Fund entity; (viii) custodial, accounting, audit, administrative and similar fees, costs and expenses of a Client or 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 certain 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 activities undertaken in the course of managing the Fund or investments for the Funds or Clients; (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 Client or 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 Client or 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 a Client, a pro rata portion of such costs relating to the Client), 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 Client or Fund entity.

Clients, including the 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 the 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 with provision in investor side letter agreements related to the Clients, including “Most Favored Nations” provisions.

Investors in a Fund 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, number of investments, number of underlying assets within investments, users, number of investors 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 the Client, including the Funds, 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 expenses are suitable for only a particular Client and borne only by such Client, or as is more often the case, expenses are 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, number of investments, number of underlying assets within investments, users, number of investors 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 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.

#### Intangible and Other Benefits

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, the Funds or Fund 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 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.

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

Rialto and/or the General Partners are generally entitled to receive performance-based fees pursuant to the Governing Documents of their 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, affiliates, a limited number of strategic partners, advisers and consultants and others, as determined by Rialto or at the relevant General Partner's sole discretion.

Rialto also receives certain incentive fees in connection with 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 creates 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 is incentivized to allocate the most lucrative investment opportunities to Clients that are charged the highest performance fee or the highest or most attainable hurdle rates, rather than to Clients for which the opportunity is most suitable. However, Rialto recognizes its fiduciary duty to each Client and endeavors 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 pooled investment vehicles and separately managed accounts. With respect to the Funds and Clients organized as pooled investment vehicles, Rialto provides the advisory services to the Funds and the Clients, and not individually to the investors in the Funds or Clients. 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 is an integrated real estate investment management, asset management and special servicing platform operating from multiple locations throughout the United States. Rialto's professional team includes specialists in commercial real estate credit and equity acquisitions, due diligence, underwriting, real estate asset management, leasing, development services, special servicing, loan asset management, workouts, loan origination, finance, reporting and legal. Utilizing information obtained through its integrated operating platform and established relationships with market parties, the Manager is able to source, close and manage real estate debt, equity and securities investments. Rialto performs in-depth asset level due diligence which is complemented by market-based research to confirm 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 real estate industry data providers and receives information from a variety of industry organizations and publications.

### Investment Strategies

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

### 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 its ability to obtain relevant information and in 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. Investments made in Client portfolios are speculative investments and are not intended as a complete investment program. The Adviser's strategy is designed for sophisticated investors who fully understand and are capable of bearing the risk of such investments. 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 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. Competitors 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 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 their investment objectives. 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 analyses and decisions by the Adviser frequently are required to be undertaken on an expedited basis to take advantage of investment opportunities. In certain cases, even where an investment is not required to be made on an expedited basis, the seller of assets does 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 is 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. In certain instances, the Adviser's due diligence efforts will 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. In addition, Rialto's information barrier and material non-public information control policies limit or restrict the Adviser's ability to utilize information in its investment process to make or dispose of investments from time to time which may negatively impact Client investments.

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, civil unrest or the fear of or the precautions taken in anticipation of such attacks or unrest, 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. 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.

In certain instances, the expenses of the Clients will exceed their income, and an investor in a Fund would lose the entire amount of its contributed capital. Therefore, an investor should only invest in a Fund 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.

In addition to the above, set forth below is a non-exhaustive list of certain market and instrument specific risks of the investments made by Rialto for Clients (some of which may not apply to a particular Client). Prospective investors in the Funds are advised to review the applicable Fund's Governing Documents for a more extensive description of the applicable investment strategies and how the risks described below impact its investments.

*Risks related to real estate investments:* Real estate, like many other long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions result in occasional or permanent reductions in the value of the collateral underlying investments (and thereby affect the value of investments). The cash flow and value of the investments will depend on many factors beyond the control of the Adviser, including, but not limited to: changes in general economic or local conditions; changes in supply of or demand for competing properties in an area; changes in interest rates, which affects, among other things, the Adviser's ability to enter into a favorable transaction or the Adviser's ability to sell all or part of an Investment; fluctuations in foreign currency in foreign currency exchange rates vis a vis the U.S. Dollar, which affect a Client's net returns expressed in U.S. Dollars; the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and tenant safety; unavailability or cost of mortgage funds which render the construction, leasing, sale or refinancing of a property difficult; the financial condition of borrowers and of tenants, buyers and sellers of property; changes in tax rates and other operating expenses (including the cost and availability of insurance of all types (particularly windstorm and flood insurance)); the imposition of rent controls; energy, materials and/or labor shortages or the cost thereof; various uninsured or uninsurable risks; natural disasters; environmental disasters; pandemics; government shutdowns; political instability; war; and terrorism.

*Deterioration in the mortgage, real estate or financial markets or the economy in general cause Clients to experience losses:* Clients' investments will be materially affected by conditions in the mortgage market, the residential and commercial real estate markets and the financial markets and the economy generally. Delinquencies and losses with respect to residential and commercial real estate loans increase in an economic downturn. Although investments could be acquired at favorable prices that already reflect these circumstances, a deterioration of the mortgage or real estate markets or the financial markets or the economy in general could nonetheless cause Clients to experience losses related to investments in real estate loans, CMBS investments and other real estate related assets.

*Concentration of investments in real estate; lack of diversification:* The concentration of the investments only in the real estate industry increases the volatility of the Clients' returns and will increase Clients' exposure to the risk of downturns in this industry to a greater extent than if Clients' portfolios also included other sectors of the economy. As a result, distress or further distress in the real estate industry (or the CMBS market more specifically) affect returns and result in the loss of

all or a part of Clients' and Fund investors' investments. Client portfolios are subject to more rapid changes in value than would be the case if Client portfolios were required to maintain wide diversification among industries, areas and issuers.

*Portfolio concentrations of property types subject Clients to increased risk of decline in particular industries and businesses:* A concentration of real estate loans held by Clients that are secured by a concentration of property types can increase the risk that a decline in a particular industry or business would have a disproportionately large impact on the performance of the Client's portfolio as a whole.

*Increased risks due to geographic concentrations of investments:* The concentration of investments in a specific region will make the performance of a Client's portfolio as a whole more sensitive to the following conditions or events in the region where real properties are located: economic conditions, conditions in the real estate market, changes in governmental rules and fiscal policies, natural disasters, environmental disasters or acts of terrorism (any of which may result in uninsured losses), and other factors. Any adverse condition or event in a region where a Client has a high concentration of investments may have a material adverse effect on the Client's return on its investments and could cause losses.

*The lack of liquidity in investments affects the performance of investments:* The Adviser plans to invest Client assets in securities (e.g., CMBS), loans or other assets for which no (or only a limited) liquid market exists or may exist in the future or that are subject to legal or other restrictions on transfer, including prohibitions on transferring, financing, pledging and hedging certificates held for risk retention purposes over extended periods, which may be in place for 5 years or for in excess of 10 years based upon the structure of the transaction. There is no active secondary market for certain types of securities or loans that the Adviser intends to make or acquire for Clients or for certain equity or debt participation rights of the kind that the Adviser acquires for Clients and no such markets are expected to develop. The determination of whether and when a Client's investment should be sold or otherwise disposed of will be made after consideration of relevant factors, including prevailing economic conditions, asset performance, real estate and capital market conditions, and tax consequences. However, the market prices, if any, for such assets tend to be volatile, and fluctuations occur due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors on the Client's assets.

*Use of "Manager Marks":* Certain of the securities or assets the Adviser will purchase for or will originate with Clients will not be actively traded. The Adviser is generally permitted to establish "fair value" of non-exchange listed investments. In the absence of market comparisons, the Adviser will use other pricing methodologies, including, for example, models based on assumptions regarding expected trends, historical trends following market conditions believed to be comparable to the then current market conditions and other factors believed at the time to be likely to influence the potential resale price of an investment. There can be no assurance that the fair value of such investments will be fully realizable upon their ultimate disposition. Because of the inherent



uncertainty of the estimated values of unrealized gains and losses, the net asset value as determined by the Adviser may differ significantly from the actual net asset value upon liquidation of such investments, and the differences could be material. Any such manager marks are not subject to independent review, except as done in connection with the audit at year-end or as may be initiated by the Adviser.

*Leverage (including with respect to subscription credit facilities):* The Funds acquire property subject to existing financing or obtain new financing and incur secured or unsecured indebtedness at the asset level and/or the Fund level, if the General Partner believes it is appropriate, subject to limited restrictions set forth in the Fund's Governing Documents. In addition, the Funds are permitted to obtain a subscription facility to finance investments, which can be secured by a pledge of the Partners' unfunded commitments in the Fund. Should the Fund obtain substantial leverage, such leverage will increase the Fund's exposure to adverse economic factors, such as significantly rising interest rates, severe economic downturns, further real estate downturns or deteriorations in the condition of its investments or one or more geographic markets in which investments are located. In the event the investments are unable to generate sufficient cash flow to meet principal and interest payments on the Fund's indebtedness, as well as pay other operating expenses of the Fund (most of which will be fixed in nature), the Fund's return on its investments would likely be significantly reduced or even eliminated.

*Banking System Volatility:* The U.S. financial services industry has recently entered into a new period of uncertainty following a number of regional bank closures and receiverships. The actual and potential consequences of these closures and receiverships includes limited liquidity, defaults, non-performance and other adverse developments amongst these financial institutions, giving rise to similar liquidity constraints and adverse developments among their transactional counterparties and customers. Concerns generally about these institutions, counterparties and customers – actual or perceived – has and may continue in the future lead to market-wide liquidity problems.

Specifically, on March 10, 2023, Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation, which appointed the U.S. Federal Deposit Insurance Corporation ("FDIC") as receiver. On March 12, 2023, Signature Bank and Silvergate Capital Corp. were also put into receivership. On March 16, 2023, a syndicate of 11 of the largest U.S. banks deposited approximately \$30 billion into First Republic Bank, which had also been experiencing liquidity constraints, due in part to a "run" on deposits. With respect to SVB, although a statement by the U.S. Department of the Treasury, the U.S. Federal Reserve and the FDIC indicated that all depositors of SVB would have access to all of their deposits after only one business day of closure, including funds held in uninsured deposit accounts, borrowers under credit agreements, letters of credit and certain other financial instruments with SVB, Signature Bank and any other financial institution that is placed into receivership by the FDIC may be unable to access undrawn amounts thereunder.

Accordingly, an investment into a Client is subject to the risk that one or more investment banks, brokers, hedging counterparties, lenders or other custodians of cash and other assets with whom the Client does business (each, a "Financial Institution") fail to perform obligations or experience closure, receivership or any other form financial distress or difficulty, including insolvency (each,

a “Distress Event”). Distress Events can be caused by a variety of factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, the Clients and/or its counterparties, including borrowers at properties underlying investments of the Clients, may not be able to access deposits, draw upon borrowing facilities or have access to other services for an extended period of time or ever. For example, if any of the Adviser’s or Clients’ lenders were to be placed into receivership, the Adviser and/or Clients could be unable to access funds. In addition, if any of the Clients’ investors or other parties with whom the Clients conduct business are unable to access funds with a Financial Institution, such parties’ ability to meet their obligations to the Clients or to enter into new arrangements requiring additional capital or payments to the Client could be adversely affected. In this regard, counterparties to SVB credit agreements and arrangements, and third parties such as beneficiaries of letters of credit (among others), could experience direct impacts from the closure of SVB and uncertainty remains over liquidity concerns in the broader financial services industry. Similar impacts have occurred in the past, such as during the 2008-2010 financial crisis.

Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the FDIC, in the case of banks, or the Securities Investor Protection Corporation (“SIPC”), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets. It is also possible that there will be further involvement of governmental and other regulatory authorities in financial markets in the United States and/or around the world. The economic circumstances described above could continue or worsen in the future, and changes in general economic conditions are likely to affect a Client’s activities. For example, a Distress Event could have a potentially adverse effect on the ability of the Advisor to manage the Fund and its investments, and on the ability of the Advisor, the Fund and/or its investments or properties underlying investments to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to include the Clients bearing additional fees and expenses in the event the relevant Client is not able to close a transaction (whether due to the inability to draw capital on a subscription facility provided by a Financial Institution experiencing a Distress Event, the inability or unwillingness of investors to make capital contributions or otherwise), as well the inability of the Clients to acquire or dispose of investments at prices that the Adviser believes reflect the fair value of such investments and/or the inability of portfolio companies to fund working capital needs (e.g., payroll), fulfill obligations or maintain operations.

The Adviser on behalf of its Clients expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, however, there can be no assurance that such remedies will be successful or avoid losses or delays. In addition, many Financial Institutions require, as a condition to using their services or otherwise, that its customers maintain all or a set amount or percentage of their respective accounts or assets with the Financial Institution, which

heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although the Adviser and its Clients seek to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their respective obligations to the Clients, the Adviser and its Clients are under no obligation to use a minimum number of Financial Institutions, or to maintain account balances at or below the relevant insured amounts.

*Competition for investments:* The success of Clients' investments will depend, in part, on the ability of each Client or its affiliates to originate or acquire investments on advantageous terms. Each Client will encounter competition from numerous private investment funds, real estate investment partnerships and trusts, as well as from individuals, corporations, insurance companies, financial institutions (both diversified and specialized funds) and other institutions and entities engaged in real estate investment activities, some of which have greater resources than such Client. Further, the amount of capital committed to "alternative investment strategies" has increased dramatically during the past decade. At the same time, market conditions have, in certain respects, become more adverse to many such strategies than they were in previous years. Competition for investments may have the effect of increasing costs, reducing yield or making it substantially more difficult to locate investments that meet the Client's investment objective, or which the Adviser's investment committee otherwise believes are suitable for a Client, thereby reducing the diversity and/or attractiveness of Clients' investments and the returns.

*Risks related to debt investment in general:* The Adviser is expected to acquire performing, sub-performing and/or non-performing debt investments for Clients and debt investments that become sub-performing or non-performing in the future. There is always a risk that a borrower defaults. The collateral securing a loan may be mismanaged or otherwise may decline in value, leaving the lender under-secured. Investments in debt are subject to the risk that, upon maturity, replacement "takeout" financing will not be available, leaving the borrower unable to repay the loan, in which case the lender would need to resort to any available remedies. In addition, Clients' investments in loans may involve workout negotiations, restructuring, the possibility of foreclosure and/or a discounted payoff. However, even if a restructuring were successfully accomplished, there are risks of a substantial reduction in the interest rate and/or a substantial write-down of the principal of such loans, each of which may also have adverse tax consequences. As part of its investment program, the Adviser is able to invest in fixed-rate and floating-rate loans for Clients, which investments may be in the form of loan participations and assignments of portions of such loans. Participations and assignments involve special types of risk, including credit risk, interest-rate risk, liquidity risk, and the general risks related to being a lender. Purchases of participations in real estate loans raise many of the same risks as investments in real estate loans and also carry risks of illiquidity and lack of control. Further, in certain instances there is no active secondary market for certain types of loans that the Adviser intends to make or acquire or for certain equity participation rights of the kind that the Adviser might acquire for Clients.

*Commercial mortgage loans, CMBS and other pools of commercial mortgage loans:* Commercial lending is generally viewed as exposing a lender to a greater risk of loss than lending which is secured by single-family residences, in part because it typically involves making larger loans to a single borrower or groups of related borrowers. In addition, unlike loans secured by single-family residences, the repayment of loans secured by commercial properties often depends upon the ability

of the related real estate project to (i) generate income sufficient to pay debt service, operating expenses and leasing commissions and to make necessary repairs, tenant improvements and capital improvements, and (ii) in the case of commercial loans that do not fully amortize over their terms, retain sufficient value to permit the borrower to pay off the loan at maturity through a sale or refinancing of the mortgaged property. The ability of borrowers to repay commercial mortgage loans typically depends upon the successful operation and/or, if applicable, the construction or rehabilitation, of the related real estate project and the availability of financing. Many factors affect the ability of the project to generate sufficient cash flow could have a material adverse effect on the value of such loans. These factors include, but are not limited to: (i) the uncertainty of cash flow to meet fixed obligations; (ii) adverse changes in general and local economic conditions, including interest rates and other local market conditions; (iii) tenant credit risks; (iv) the unavailability of financing, which makes the operation, sale or refinancing of a property difficult or unattractive; (v) vacancy and occupancy rates; (vi) fluctuation of construction and operating costs; (vii) regulatory requirements, including zoning and rent control; (viii) environmental concerns; (ix) project and borrower diversification; (x) vandalism (with attendant security costs); (xi) uninsured losses; (xii) restrictions and compliance costs imposed by the Americans with Disabilities Act, the Fair Housing Act, as amended, and similar laws, rules and regulations; (xiii) general non-recourse status; and (xiv) real and personal property tax laws, rates and assessments. In addition, commercial properties often involve either a single user or tenant or relatively few tenants. If commercial property specifications are tailored to the requirements of particular users or tenants and, accordingly, it could be difficult, costly and time consuming to liquidate such properties or to attract new tenants.

*Investments related to residential properties or assets:* The Adviser may invest Client assets directly or indirectly in residential properties and/or residential mortgage loans. Residential mortgage loans are typically secured by single-family residential property and are subject to risks of delinquency and foreclosure and risks of loss. The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors, including a general economic downturn, natural disasters, environmental disasters, acts of terrorism, government shutdowns, social unrest and civil disturbances, which ultimately impairs borrowers' abilities to repay their loans.

*Subordinated securities:* The Adviser expects to make significant investments for Clients in below-investment-grade (or unrated) CMBS, which are subordinated to other more "senior" securities of the same issue or series. The default-related risks of the underlying mortgages or assets are severely magnified in subordinated securities. For example, certain subordinated securities ("first loss securities") absorb all losses from default before any other class of securities is at risk. Such securities therefore possess some of the attributes and risks typically associated with equity investments. Default risks may also be further pronounced in the case of CMBS secured by, or evidencing an interest in, a relatively small or less diverse pool of underlying mortgage loans. Accordingly, these securities may experience significant price and performance volatility with respect to a variety of market and non-market factors.

*Investments in junior or subordinate loans and mezzanine debt:* Certain loans are junior or subordinate position to senior financing, either because the loans are a second lien on the real estate or are secured by a direct or indirect lien on the equity of the owner of the underlying real estate

(i.e., mezzanine debt). In certain circumstances, in order to protect its investment, the Adviser will decide to repay all or a portion of the senior indebtedness relating to the particular loan or to cure defaults with respect to such senior indebtedness. In a bankruptcy of a borrower, those loans that are not secured by a lien on the underlying real estate would have the same priority as other general creditors of the borrower. In addition to repayment risks, these subordinate positions may be “soft,” meaning they are subject to restrictions on enforcement rights prior to maturity or foreclosure of the senior position. These types of investments involve a higher degree of risk than a senior mortgage loan if the investment becomes unsecured as a result of foreclosure by the senior lender and the ability of the Adviser to influence an entity’s affairs on behalf of the Client, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors.

*B-notes and A/B structures:* The Adviser could invest in B-notes for Clients, which are subordinate to the A-note portion of the same loan (which the Adviser would not expect to hold for Clients). In addition to the risks described above under “Risks Related to Investments in Junior or Subordinate Loans and Mezzanine Debt,” certain additional risks apply to B-note investments. For example, the B-note portion of a loan is typically small relative to the overall loan and is in the first loss position. As a result, if a borrower defaults on a loan, in certain instances there will not be sufficient funds remaining for B-note holders after payment to the A-Note holders. Since each transaction is privately negotiated, however, B-notes can vary in their structural characteristics and risks. For example, the rights of holders of B-notes to control the process following a borrower default may be more limited in certain investments than others. B-notes are also less liquid than CMBS, and, as a result, a Client may be unable to dispose of performing, underperforming or non-performing B-notes. The higher risks associated with a Client’s subordinate position in a B-note investment could subject such Client to increased risk of losses. As a means to protect against the holder of the A-note taking certain actions or receiving certain benefits to the detriment of the holder of the B-note, the holder of the B-note often (but not always) has the right to purchase the A-note from its holder. If available, this right may not be meaningful to the Client. For example, if the Client does not have the capital available to protect its B-note interest or purchasing the A-note will detrimentally alter the Client’s overall portfolio and risk/return profile.

*Risks related to reliance on relationships with repeat sellers and CMBS sponsors:* In order to achieve certain Client’s investment objectives, the Adviser will seek to focus on off-market opportunities by transacting through direct relationships with repeat sellers and CMBS sponsors, such as investment, money center, regional, community, local and foreign banks, master servicers, special servicers, government agencies, other financial institutions and loan originators. No assurance can be given that the Adviser will be able to maintain such relationships or that such relationships will provide a significant number of privately negotiated or off-market investment opportunities for its Clients. For example, a Client’s opportunity to enter into off-market transactions is affected if a repeat seller or CMBS sponsor enters into a merger, acquisition, consolidation or similar transaction, and such repeat seller or CMBS sponsor is not the surviving or controlling entity. Failure to continue the Adviser’s relationships with repeat sellers and CMBS sponsors may negatively impact the number of investment opportunities available to Clients, which could in turn adversely affect Clients’ returns and result in losses to investors.

*Risks relating to increases in prepayment rates of debt underlying CMBS:* Certain Clients invest in CMBS and/or acquire interests in other pools of commercial mortgage loans. CMBS are indirectly subject to the risks associated with prepayments (including both voluntary prepayments by the borrowers and liquidations due to defaults and foreclosures) on mortgage loans. In general, “premium” securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and “discount” securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many CMBS will be discount securities when interest rates are high and will be premium securities when interest rates are low, these CMBS are affected by changes in prepayments in any interest rate environment. The effects of prepayments could impact Client investments. First, particular investments experience outright losses, as in the case of interest-only securities in an environment of faster actual or anticipated prepayments. In addition, particular investments could under-perform relative to hedges that the Manager constructed for these investments, resulting in a loss to the Client’s investment. In particular, prepayments (at par) limit the potential upside of CMBS to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss. In addition, in the case of “premium” securities, prepayments at par could result in losses.

*Risks related to loans acquired from banks and other financial institutions directly or through the FDIC or other governmental agencies:* Investment in bank loans through a direct purchase or assignment of a financial institution’s or governmental agency’s interests with respect to a loan involve additional risks to Clients. For example, if a loan is foreclosed and the Client becomes part owner of any collateral associated with such loan, the Client would bear the costs and liabilities (including tax liabilities), if applicable, associated with owning and disposing of the collateral. In addition, it is possible that, under emerging legal theories of lender liability, the Client could be held liable as a co-lender. Clients will rely on Rialto’s research and due diligence in an attempt to avoid situations where fraud or misrepresentation on the part of a seller or assignor could adversely affect the Client. The Client may not be able to securitize or otherwise remove from its books loans that were the subject of fraud or misrepresentation or that are otherwise impaired, which could have a material adverse impact on the Client.

*Certain legal aspects of mortgage loans; lender liability:* Loans originated or acquired by a Client will be subject to certain risks relating to the legal aspects of mortgage loans. Depending upon the applicable state, or relevant non-U.S. jurisdiction law governing mortgage loans (which laws may differ substantially across jurisdictions), a Client is affected by the operation of state or non-U.S. law with respect to its ability to foreclose upon mortgage loans, the borrower’s right of redemption, the enforceability of assignments of rents, due-on-sale and acceleration clauses in loan instruments, as well as other creditor’s rights provided in such documents and the enforceability of personal guarantees. In addition, a Client may be subject to liability as a lender with respect to its negotiation, administration, collection and/or foreclosure upon mortgages. Moreover, if a Client attempts to obtain contractual rights to participate in, or substantially influence, the management of properties by borrowers which will increase the likelihood that a borrower claims that a Client interfered with the borrower’s business, acted in bad faith in exercising its management rights or otherwise acted in a manner giving rise to a claim for lender liability. As a lender, a Client may also be subject to penalties for violation of state usury limitations, which penalties may be triggered by contracting

for, charging or receiving usurious interest. Bankruptcy laws may: (i) delay the ability of a Client to realize on its collateral for one or more loans; (ii) adversely affect the priority thereof through doctrines such as equitable subordination; and/or (iii) result in a restructure of the debt through principles such as the “cramdown” provisions of the bankruptcy laws.

*Effect of changes in interest rates on investments in mortgage loans:* Most mortgage loans, especially fixed rate mortgage loans, decline in value when long-term interest rates increase. Declines in market value, if not offset by any corresponding gains on hedging instruments (if any), ultimately reduce earnings or result in losses to the Client, which negatively affect cash available for distribution to the Client or Fund investors.

*Hedging transactions:* The Adviser will from time to time purchase or sell various financial instruments designed to mitigate risk associated with certain investments, including forwards, swaps or options on currencies or interest rates, securities and indices. The success of any hedging transactions will be subject to the Adviser’s ability to predict correlations between the value of the Client’s assets, the value, composition and timing of income generated by the Client’s assets and the direction of currency exchange rates, interest rates and securities prices and similar matters. Therefore, while the Adviser enters into such transactions for Clients to seek to reduce actual and/or perceived risks, unanticipated changes in values, compositions and/or timing may result in a worse overall performance for the Client than if it had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged varies, potentially leaving the Client with exposure to all or a portion of the risks being hedged.

*“Widening” risk:* For reasons not necessarily attributable to any of the risks enumerated herein, the prices of the assets in which certain Clients invest decline substantially, and in certain instances, the value of other assets used for hedging purposes do not offset such decreases as anticipated. In particular, purchasing assets at what may appear to be “undervalued” levels is no guarantee that these assets will not be trading at even more “undervalued” levels at a time of valuation or sale. It is not possible to predict, or in certain cases, to adequately hedge against, such “spread widening” risk.

*Lower quality collateral:* There are no restrictions on the credit quality of the properties and/or on other collateral securing Client’s loan investments. While the Adviser seeks to over-collateralize investments in loans secured by properties that it deems to be of lesser quality, loans acquired or arranged by the Adviser for Clients will have exposures to default in payments of interest and/or principal due to risks relating to such properties, and the market values of such properties also tend to be more sensitive to changes in economic conditions than better quality properties.

*Loans of portfolio securities:* The Adviser could lend Clients’ portfolio securities on terms customary in the securities industry, enter into securitization transactions constituting a loan of a Client’s assets, enter into reverse repurchase agreements or enter into other transactions constituting a loan of a Client’s assets. By doing so, the Adviser would attempt to increase income for the Client through the receipt of interest on the loan, and/or a lending premium. In the event of the bankruptcy of the other party to a securities loan, the Client could experience delays in recovering the securities

it lent, and/or executing the collateral held by the Client in relation to the securities loan concerned. To the extent that the value of the securities the Client lent has increased, the Client could experience a loss if such securities are not recovered. In addition, to the extent the Client invests collateral it receives, it could suffer losses on the investments of such collateral.

*Institutional and counterparty risk:* Institutions, such as brokerage firms, banks and broker-dealers, have custody of certain Clients' portfolio assets and hold such assets in "street name". Clients are subject to the risk that these firms and other brokers, counterparties or clearinghouses with which Clients deals default on their obligations to Clients. Any default by any of such parties could result in material losses to Clients. Bankruptcy or fraud at one of these institutions could also impair the operational capabilities or the capital position of Clients. In addition, securities and other assets deposited with custodians or brokers may not be clearly identified as being assets of Clients, causing Clients to be exposed to a credit risk with regard to such parties. Clients generally will only be unsecured creditors of its trading counterparties in the event of bankruptcy or administration of such counterparties. In some jurisdictions, Clients are also only an unsecured creditor of its brokers in the event of bankruptcy or administration of such brokers. Clients attempt to limit brokerage and custody transactions to well capitalized and established banks and brokerage firms in an effort to mitigate such risks, but the collapse in 2008 of the seemingly well capitalized and established Bear Stearns and Lehman Brothers demonstrates the limits on the effectiveness of this approach in avoiding counterparty losses.

Certain Clients effect transactions in OTC or "interdealer" markets. The participants in such markets are typically not subject to the same level of credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing Clients to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events intervene to prevent settlement, or where Adviser has concentrated its transactions with a single or small group of counterparties.

In addition to the risk of a counterparty or broker defaulting, there also is the risk that major institutional investors in certain Clients are compelled to withdraw or redeem or that the Clients' counterparties or brokers will be required to restrict the amount of credit previously granted to Clients due to their own financial difficulties, resulting in forced liquidation of substantial portions of Clients' portfolio.

The banks or brokerage firms selected to act as the Clients' custodians may become insolvent, causing Clients to lose all or a portion of the funds or securities held by those custodians.

The Adviser is not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of the Adviser to transact business with any one or number of counterparties, the lack of any meaningful or independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by Clients.



*Risks associated with investments in REITs:* The Adviser will invest certain Client assets in interests in (and/or structure certain of its investments as interests in) real estate investment trusts for federal income tax purposes (“REITs”), interests in real estate investment vehicles with a preferential tax regime established in non-U.S. jurisdictions, or other similar securities. Such investments involve risks relating to the particular issuer of the securities or such REITs, including the financial condition and business prospects of such issuer. REITs and similar vehicles are generally required to invest a substantial portion of their assets in operating real estate or real estate-related assets, and therefore are subject to the risks associated with real estate-related investments described above. REIT and similar securities are generally unsecured and could also be subordinated to other obligations of the issuer of such REIT, and the Adviser could also invest Client assets in REIT or similar securities that are rated below investment grade. The performance of a REIT or similar vehicles could be affected by its failure to qualify as a REIT or non-U.S. real estate investment vehicle under applicable law, in which case such REIT or similar vehicle could become subject to additional taxation or other penalties, which could substantially reduce earnings available for distribution.

*Environmental liabilities:* Various environmental laws may make a current or previous owner or operator of real property liable for the costs of removal or remediation of hazardous or toxic substances on, under or adjacent to such property. Those laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of the hazardous or toxic substances. For example, certain laws impose liability for release of asbestos-containing materials into the air or require the removal or containment of asbestos-containing materials. In some states, contamination of a property may give rise to a lien on the property to assure payment of the costs of cleanup. Additionally, third parties may seek recovery from owners or operators of real properties for cleanup costs, property damage or personal injury associated with releases of, or other exposure to, hazardous substances related to the properties. The owner’s liability for any required remediation generally is not limited by law and could, accordingly, exceed the value of the property and/or the aggregate assets of the owner. The presence of hazardous or toxic substances also affects the owner’s ability to refinance the property or to sell the property to a third party. The presence of, or strong potential for contamination by, hazardous substances consequently can have a materially adverse effect on the value of investments held by a Client and may cause the Client to incur losses.

*Risks associated with non-U.S. investments:* Non-U.S. real estate-related investments involve certain factors not typically associated with investing in real estate-related investments in the United States, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which non-U.S. investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between U.S. and non-U.S. real estate markets, including potential price volatility in and relative illiquidity of some non-U.S. markets; (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and differences in government supervision and regulation; (iv) certain economic and political risks, including potential exchange-control regulations, potential restrictions on non-U.S. investment and repatriation of capital, the risks associated with political, economic or social instability, and the possibility of expropriation or confiscatory taxation and adverse economic and political developments; (v) the possible imposition of non-U.S. taxes on income and gains

recognized with respect to such investments and a potential corresponding lack of deductions or related tax credits for any non-U.S. taxes paid on such income or gains; (vi) less developed corporate laws regarding fiduciary duties and the protection of investors; (vii) differences in the legal and regulatory environment or enhanced legal and regulatory compliance; (viii) political hostility to investments by foreign or private fund investors; and (ix) less publicly available information on borrowers, property owners and others.

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

*Long-term nature of investment with no certainty of return:* An investment in a Client requires a long-term commitment with no certainty of return. There will be little or no near-term cash flow available, and there can be no assurance that a Client will make any distribution to the investors. Partial or complete sales, transfers, or other disposition of investments which result in a return of capital or the realization of gains, if any, are generally not expected to occur for a number of years after an investment is made or acquired by a Client (and disposition of CMBS certificates may be restricted for extended periods of time under the Risk Retention Rules). In addition, if a Client leverages its acquisition of certain investments by obtaining loans from third parties (which may include seller financing), the loans may be required to be repaid in full before a Client receives distributions of cash flow from such investments. As a result, there could be little or no near-term cash flow available to investors. In addition, certain investments experience financial difficulties, some of which will never be overcome. Since Clients only make a limited number of investments and since many of the investments will involve a high degree of risk, poor performance by a few of the investments could materially adversely affect the total returns to investors in a particular Client. In addition, if Clients make an investment with the intent of refinancing a portion of such investment, there is a risk that the Client will be unable to complete successfully such a refinancing. This could lead to increased risk as a result of the Client having a larger and longer-term investment than expected and reduced diversification.

*Investments longer than term:* A Client may make or acquire investments that are not able to be advantageously disposed of (or disposed of at all) prior to the date that the Client will be dissolved, either by expiration of the term of the Client or otherwise. As a result, a Client may have to sell, distribute or otherwise dispose of Investments at a disadvantageous time.

*Risks related to development, redevelopment, renovation and construction:* The existence of construction or renovation at properties in which Clients are invested and at properties underlying the Clients investments may make space unavailable to rent or may make the properties less attractive to tenants or their customers, and accordingly could have a negative effect on net operating income with respect to such properties. Failure to complete planned improvements may have a material adverse effect on the cash flow at the property and the related borrower's ability to meet its payment obligations under its loan documents. In addition, in the event the related borrower fails to pay the costs for work completed or material delivered in connection with such ongoing redevelopment or renovation, the portion of the property on which there are renovations may be subject to liens that could be senior to a Client's lien, if any. Additionally, failure of any planned redevelopment, renovation or expansion to be completed, to be completed in the time frame contemplated, or to improve the operations at, or increase the value of, the subject property could affect the ability of the related borrower or the Client to repay amounts due under its loan. In that regard, the impact of COVID-19 has adversely affected the time frame for projects to be completed.

*Risks associated with originating loans to entities in distressed situations:* As part of its lending activities, Clients originate loans to entities that are experiencing significant financial or business difficulties, including entities involved in bankruptcy or other reorganization and liquidation proceedings. Such financing involves a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful financing to entities experiencing significant business and financial difficulties is unusually high. There is no assurance that the Adviser will correctly evaluate the value of the assets collateralizing the Clients' loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to an entity that a Client funds, there is a risk that the Client loses all or part of the amounts advanced to the borrower or be required to accept collateral with a value less than the amount of the loan advanced by the Client to the borrower.

*Risks related to loans on properties in transition:* Certain Clients invest in or originate transitional loans to borrowers who are typically seeking relatively short-term funds to be used in an acquisition or rehabilitation of a property or during the period before the property is fully occupied. The typical borrower in a transitional loan often has identified an undervalued asset that has been under-managed or is located in a recovering market. If the market in which the asset is located fails to improve according to the borrower's projections, or if the borrower fails to improve the quality of the asset's management or the value of the asset, the borrower might not receive a sufficient return on the asset to satisfy the transitional loan, and consequently, the Client will bear the risk that it could not recover some or all of its investment. In addition, borrowers typically use the proceeds of a conventional mortgage to repay a transitional loan. Transitional loans therefore are subject to the risk of a borrower's inability to obtain permanent financing to repay the transitional loan. In the event of any default under transitional loans that may be held by the Client, the Client bears the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount and unpaid interest of the transitional loan. To the extent that the Client suffers such losses with respect to these transitional loans, it could adversely affect the results of the Client's operations and financial condition.

*Risks related to construction loans:* Clients invest in or originate construction loans. If a Client fails

to fund its entire commitment on a construction loan or if a borrower otherwise fails to complete the construction of a project, there could be adverse consequences associated with the loan, including, but not limited to: a loss of the value of the property securing the loan, especially if the borrower is unable to raise funds to complete it from other sources; a borrower claim against the Client for failure to perform under the applicable loan documents; increased costs to the borrower that the borrower is unable to pay; a bankruptcy filing by the borrower; and abandonment by the borrower of the collateral for the loan. Construction loans are funded in tranches, usually based on completion by the borrower of certain construction milestones. Clients will need to maintain a certain amount of funds available for future disbursements that could otherwise be used to acquire assets, invest in future business opportunities or make distributions to stockholders or the Client could be forced to sell assets at depressed prices or borrow funds to fund its loan commitment. This could have an adverse effect on results of the Client's operations and its ability to make distributions to Limited Partners.

*Utilization of non-recourse securitizations to finance investments:* Clients utilize non-recourse securitizations of certain investments to generate cash for funding new investments and for other purposes. Such financing generally involves creating a special purpose vehicle, contributing a pool of Investments to the entity, and selling interests in the entity on a non-recourse basis to purchasers (whom would be expected to be willing to accept a lower interest rate to invest in investment-grade loan pools). The Client expects to retain all or a portion of the equity and potentially other tranches in the securitized pool of portfolio investments. Prior to any such financings, the Client could use other financing facilities to finance the acquisition of investments until a sufficient quantity of investments had been accumulated, at which time the Client would refinance these facilities through a securitization, such as a CLO. The inability to consummate securitizations to finance Investments could require the Client to seek other forms of less attractive financing, which could adversely affect performance. Moreover, conditions in the capital markets, including volatility and disruption in the capital and credit markets, may not permit a securitization at any particular time or may make the issuance of any such securitization less attractive even when the Client does have sufficient eligible assets. The Client could also suffer losses if the value of the mortgage loans it acquires decline prior to securitization. In addition, the Client could suffer a loss due to the incurrence of transaction costs related to executing these transactions. To the extent that the Client incurs a loss executing or participating in future securitizations for the reasons described above or for other reasons, it could materially and adversely impact the Client's business and financial condition. The inability to securitize the Client's portfolio has the potential to negatively impact the Client's performance.

*Risks related to the use of repurchase agreements to finance investments:* Certain Clients use repurchase agreements as a form of leverage to finance its purchase of commercial and multifamily real estate loans and commercial mortgage-backed securities. Although each transaction under a repurchase agreement will have its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate, the Client's financing subsidiaries will remain exposed to the credit risk of each asset because they must purchase the asset from the applicable counterparty on a specified date. In addition, repurchase agreements involve the risk that the counterparty could liquidate the assets underlying the repurchase agreements following the occurrence of an event of default under the applicable repurchase agreement by the Client.

Furthermore, the counterparty could require the Client to provide additional margin in the form of cash or other forms of collateral under the terms of the applicable repurchase agreement. In addition, the interest costs and other fees associated with repurchase agreement transactions could adversely affect results of the Client's operations and financial condition, and, in some cases, the Client could be more adversely affected than if it had not used such instruments.

*Risks related to certain types of commercial properties:* Particular types of commercial properties are exposed to special risks. Commercial properties could be collateral for mortgage loans or CMBS in which the Adviser invests Client assets or could be owned by entities pledged as collateral for mezzanine loans held by Clients, or such properties could be acquired by Clients upon foreclosure of its loans or otherwise. Property types that have special risks associated with them include, among others, office properties, multifamily projects, manufactured housing community properties, condominium properties, shopping centers and other retail properties, hospitality properties, self-storage facilities, and industrial and mixed-use facilities. These special risks are further described below.

*Special risks associated with office properties:* Office properties may require their owners (such as the Clients) to expend significant amounts of cash to pay for general capital improvements, tenant improvements and costs of re-leasing space. Office properties that are not equipped to accommodate the needs of modern businesses may become functionally obsolete and thus non-competitive. In addition, a large number of factors may adversely affect the value of office properties, including: the quality of an office building's tenants; the physical attributes of the building in relation to competing buildings (for example, age, condition, design, access to transportation and ability to offer certain amenities, such as sophisticated building systems); the physical attributes of the building with respect to the technological needs of the tenants, including the adaptability of the building to changes in the technological needs of the tenants; the desirability of the area as a business location; the presence of competing properties; and the strength and nature of the local economy (including labor costs and quality of labor, the tax environment and the quality of life for employees). Moreover, the cost of refitting office space for a new tenant is often higher than the cost of refitting other types of properties for new tenants. Office properties may also be impacted by COVID-19, which may reduce the demand for certain types of office properties.

*Special risks associated with multifamily projects:* Multifamily projects are part of a market that, in general, is characterized by low barriers to entry. Thus, a particular apartment or condominium (including townhome) market with historically low vacancies could experience substantial new construction and a resultant oversupply of units in a relatively short period of time. Since multifamily apartment units (as well as condominium unit rentals) are typically leased on a short-term basis, the tenants who reside in a particular project within such a market may easily move to alternative projects with more desirable amenities or locations. A large number of factors may adversely affect the value and successful operation of a multifamily property, including: the physical attributes of the apartment or condominium building (for example, its age, appearance and construction quality); the location of the property (for example, a change in the neighborhood over time); the ability of property management to provide adequate maintenance and insurance; the types of services and amenities that the property provides; the property's reputation; the level of mortgage interest rates (which, if relatively low, may encourage tenants to purchase rather than lease housing);

the tenant mix, such as the tenant population being predominantly students or being heavily dependent on workers from a particular business or personnel from a local military base; dependence upon governmental programs that provide rent subsidies to tenants pursuant to tenant voucher programs or tax credits to developers to provide certain types of development; the presence of competing properties; adverse local or national economic conditions; and state and local regulations.

Furthermore, multifamily projects may be subject to various tax credit, city, state and federal housing subsidies, rent stabilization, use restrictions or similar programs. The limitations and restrictions imposed by these programs could result in losses to the Clients. In addition, in the event that the program is cancelled, it could result in less income for the project. These programs may include: rent limitations that could adversely affect the ability of the Clients to increase rents to maintain the condition of properties and satisfy operating expenses; and tenant income restrictions that may reduce the number of eligible tenants in those properties and result in a reduction in occupancy rates. The differences in rents between subsidized or supported properties and other multifamily rental properties in the same area may not be a sufficient economic incentive for some eligible tenants to reside at a subsidized or supported property that may have fewer amenities or be less attractive as a residence. As a result, occupancy levels at a subsidized or supported property may decline, which may adversely affect the value and successful operation of such property.

*Special risks associated with manufactured housing community properties:* Manufactured housing properties pose risks not associated other types of commercial properties. The successful operation of a manufactured housing property may depend upon the number of other competing residential developments in the local market, such as other manufactured housing properties, apartment buildings and site-built single-family homes. Other factors affecting the successful operation of a manufactured housing property may also include: the physical attributes of the community, including its age and appearance; the location of the manufactured housing property; the ability of management to provide adequate maintenance and insurance; the types of services or amenities it provides (if any); the property's reputation; and state and local regulations, including rent control and rent stabilization. Manufactured housing properties are "special purpose" properties that generally cannot be readily converted to general residential, retail or office use. Thus, if the operation of a manufactured housing property becomes unprofitable due to competition, age of the improvements or other factors, the value of that manufactured housing property may be substantially less than would be the case if the manufactured housing property were readily adaptable to other uses. Additionally, certain manufactured housing properties may be age restricted to individuals who satisfy a minimum age requirement (generally 55 years old), whether by recorded covenants or for self-imposed marketing purposes, which limit potential residents and may affect property performance. Some manufactured housing communities have a material number of recreational vehicle pads for which tenants tend to be more transient, which may have rental income that is more seasonal in nature, causing cash flows for the related property to be subject to greater fluctuations. The location of certain manufactured housing communities may also cause rental income to be seasonal in nature (for example, a manufactured housing community in the southern portion of the United States might earn most of its income from late fall to early spring). Because tenants at manufactured housing communities tend to be of modest income and means and sometimes unstable employment, they can be frequently late or delinquent on rent, even in cases

where the tenant may ultimately pay all its rent due over time. Accordingly, a higher percentage of rental payments may be delinquent than in the case of other commercial properties.

*Special risks associated with condominium properties:* The management and operation of a condominium is generally controlled by a condominium board representing the owners of the individual condominium units, subject to the terms of the related condominium rules or bylaws. Generally, the consent of a majority of the board members is required for any actions of the condominium board and a unit owner's ability to control decisions of the board are generally related to the number of units owned by such owner as a percentage of the total number of units in the condominium, although the condominium rules or bylaws may otherwise allocate the right to select board members. In certain cases, the Clients may not have a majority of votes on the condominium board. The condominium board is generally responsible for administration of the affairs of the condominium, including providing for maintenance and repair of common areas, adopting rules and regulations regarding common areas, and obtaining insurance and repairing and restoring the common areas of the property after a casualty. The condominium board may have the right to control the use of casualty proceeds. In addition, the condominium board generally has the right to assess individual unit owners for their share of expenses related to the operation and maintenance of the common elements. In the event that an owner of another unit fails to pay its allocated assessments, Clients may be required to pay such assessments in order to properly maintain and operate the common elements of the property. The condominium board generally may obtain a lien against any unit owner for common expenses that are not paid. Each unit owner is responsible for maintenance of its respective unit and retains essential operational control over its unit. The rights of any other unit owners, the governing documents of the owners' association and state and local laws – potentially in non-U.S. jurisdictions – applicable to condominiums must be considered and respected.

*Special risks associated with shopping centers and other retail properties:* Shopping centers are affected by the health of the retail industry, which is experiencing changes due to the growing market share of "off-price" retailing, including the popularity of home shopping networks, shopping through Internet web sites and telemarketing, and which has been materially adversely affected by the last economic downturn (and has been impaired even through the recovery). A particular shopping center may be adversely affected by the bankruptcy or decline in drawing power of an anchor, shadow anchor or major tenant, a shift in consumer demand due to demographic changes (for example, population decreases or changes in average age or income) and/or changes in consumer preference (for example, to discount retailers). In the case of retail properties, the failure of an anchor, shadow anchor or major tenant to renew its lease, the termination of an anchor, shadow anchor or major tenant's lease, the bankruptcy or economic decline of an anchor, shadow anchor or major tenant, or the cessation of the business of an anchor, shadow anchor or major tenant at a particular location or all locations, notwithstanding that such tenant may continue payment of rent after "going dark," may have a particularly negative effect on the economic performance of a shopping center property given the importance of anchor tenants, shadow anchor tenants and major tenants in attracting traffic to other stores within the same shopping center. In addition, the failure of one or more major tenants, such as an anchor or shadow anchor tenant, to operate from its premises may entitle other tenants to rent reductions or the right to terminate their leases. Retail

properties may also be impacted by COVID-19, which may reduce the demand for certain types of retail properties.

*Special risks associated with hospitality properties:* Hospitality properties are affected by various factors, including: location; quality; management ability; amenities; franchise affiliation (or lack thereof); continuing expenditures for modernizing, refurbishing and maintaining existing facilities prior to the expiration of their anticipated useful lives; a deterioration in the financial strength or managerial capabilities of the owner and operator of a hotel; changes in travel patterns caused by changes in access, energy prices, strikes, relocation of highways, the construction of additional highways or other factors; adverse economic conditions, either local, regional or national, which may limit the amount that may be charged for a room and may result in a reduction in occupancy levels; and construction of competing hotels or motels, which may also limit the amount that may be charged for a room and may result in a reduction in occupancy levels.

Because hotel rooms generally are rented for very short periods of time, hospitality properties tend to be affected more quickly by adverse economic conditions and competition than other commercial properties. The performance of a hotel property affiliated with a franchise or hotel management company depends in part on: the continued existence and financial strength of the franchisor or hotel management company; the public perception of the franchise or hotel chain service mark; and the duration of the franchise licensing or management agreements. Furthermore, the ability of a hotel to attract customers, and some of such hotel's revenues, may depend in large part on its having a liquor license. Liquor licenses may not be transferable (for example, in connection with a foreclosure). Moreover, the hotel and lodging industry is generally seasonal in nature; different seasons affect different hotels depending on type and location. This seasonality can be expected to cause periodic fluctuations in a hospitality property's room and restaurant revenues, occupancy levels, room rates and operating expenses. In addition, acts of war, terrorist activities, natural disasters (such as earthquakes or hurricanes) and environmental disasters, as well as adverse economic conditions, can have a material adverse impact on the tourism and convention industries, which directly affects the revenues generated by hospitality properties. The hotel industry is also being affected by short term rentals by homeowners (or lessors), often transacting peer-to-peer over the internet, and this may continue to grow in connection with the emerging "sharing economy". Hospitality properties may also be impacted by COVID-19, which may reduce the demand for certain types of hospitality properties.

*Special risks associated with self storage facilities:* The self storage facilities market generally has low barriers to entry. In addition, due to the short-term nature of self storage leases, self storage properties also may be subject to more volatility in terms of supply and demand than other types of properties. Because of the construction utilized in connection with certain self storage facilities, it might be difficult or costly to convert such a facility to an alternative use. Thus, resale value of self storage properties may be substantially less than would be the case if the same were readily adaptable to other uses. In addition, it is difficult to assess the environmental risks posed by such facilities due to tenant privacy, anonymity and unsupervised access to such facilities. Therefore, such facilities may pose additional environmental risks.



*Special risks associated with industrial and mixed-use facilities:* Industrial and mixed-use facilities present risks not associated with other properties. Significant factors determining the value of industrial properties include: the quality of tenants; building design and adaptability; and the location of the property. Concerns about the quality of tenants, particularly major tenants, are similar in both office properties and industrial properties, although industrial properties are more frequently dependent on a single tenant. In addition, properties used for many industrial purposes are more prone to environmental concerns than other property types. Aspects of building site design and adaptability affect the value of an industrial property. Site characteristics which are valuable to an industrial property include clear ceiling heights, column spacing, favorable zoning restrictions, number of bays and bay depths, divisibility, truck turning radius and overall functionality and accessibility. In addition, because of the unique construction requirements of many industrial properties, any vacant industrial property may not be easily converted to other uses. Location is also important to an industrial property. An industrial property requires the availability of labor sources, proximity to supply sources and customers and accessibility to rail lines, major roadways and other distribution channels. Industrial properties may be adversely affected by reduced demand for industrial space occasioned by a decline in a particular industry segment (for example, a decline in defense spending), and a particular industrial property that suited the needs of its original tenant may be difficult to re-lease to another tenant or may become functionally obsolete relative to newer properties.

*Risks related to investments in restructurings:* The Adviser may invest Client assets in restructurings that involve companies that are experiencing or are expected to experience financial difficulties. These financial difficulties may never be overcome and cause such company to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject the Client to certain additional potential liabilities which exceed the value of the Client's original investment. In addition, investments in restructurings may be adversely affected by laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or characterize investments made in the form of debt as equity contributions.

*Risks related to balloon loans:* The Adviser could acquire mortgage loans for Clients that provide for scheduled payments of principal and/or interest based on amortization schedules significantly longer than their respective remaining terms to maturity or provide for payments of interest only until their respective maturity date and, in each case, a balloon payment on their respective maturity date. A borrower's ability to make a balloon payment typically will depend upon its ability either to refinance the loan in full or to sell the related mortgaged property at a price sufficient to permit the borrower to make such payment. The ability of a borrower to effect a refinancing or sale will be affected by a number of factors, including, but not limited to, the value of the related mortgaged property (which, due to then-prevailing market conditions, could be materially impaired), the level of available mortgage rates at the time of sale or refinancing, the borrower's equity in the mortgaged property, the financial condition and operating history of the borrower and the mortgaged property, rent roll status, rent control laws with respect to certain residential properties, tax laws, prevailing general and regional economic conditions and the availability of credit for mortgage loans. Any delay or failure to collect a balloon payment could materially adversely affect the Client's returns on its investments.

*Investments in private companies:* The Adviser may from time to time invest Client assets in private real estate companies (i.e., companies without any publicly traded securities). When investing in a private company, there is no market efficiency or testing in order to determine the correct price for interests in the company. Therefore, a Client could pay more for interests in a private company than their intrinsic value. Typically, private companies will have very limited reporting obligations, in certain instances, there is limited or no information available to investors regarding, among other things, a private company's business prospects and results of operations. Private companies frequently have less oversight from independent directors, regulatory agencies and others and less seasoned management teams.

*Distribution of illiquid securities and/or other illiquid assets:* Because the term of each Client is limited, certain investments (which may include CMBS certificates subject to the Risk Retention Rules) are or will not be ready to be sold or otherwise disposed of at the end of that period. Accordingly, there are or will be in-kind distributions by a Client of interests in these investments, which may be illiquid securities and/or other illiquid assets. There can be no assurance that any limited partner or investor would be able to dispose of such investments or that the value of such investments determined for purposes of the calculation of the amount of distributions will ultimately be realized.

*Discontinuation of LIBOR:* In July 2017, the UK Financial Conduct Authority ("FCA") announced its intention to cease compelling panel banks to submit quotes for LIBOR and to phase-out the LIBOR Benchmark Rate by December 31, 2021. That was followed by an announcement on March 5, 2021 that publication of all CHF and EUR LIBOR settings, the one-week and two-month United States Dollar ("USD") LIBOR settings, and certain British Pound and Japanese Yen settings by the ICE Benchmark Administrator ("IBA"), the FCA-regulated LIBOR administrator, would cease immediately after December 31, 2021. The IBA will continue to publish the Overnight and the one-, three-, six- and twelve-month USD-LIBOR settings using panel bank submissions until June 30, 2023.

As of the date of this Brochure, the current nominated replacement for USD-LIBOR is the Secured Overnight Financing Rate ("SOFR") and the nominated replacement for British pound sterling-LIBOR is the Sterling Overnight Interbank Average Rate ("SONIA"). In March 2020, the U.S. Federal Reserve began publishing 30-, 90- and 180-day tenor SOFR Averages and a SOFR Index and in July 2020, Bloomberg began publishing fall-backs that the International Swaps and Derivatives Association ("ISDA") intends to implement in lieu of LIBOR with respect to swaps and derivatives. In many cases, the nominated replacements, as well as other potential replacements, are not complete or ready to implement and require margin adjustments.

Any transition away from LIBOR to one or more alternative benchmark rates is complex and could have a material adverse effect on the value of Clients' investments, including as a result of changes in the (i) business, financial condition and results of operations of investments, (ii) pricing and/or availability of investments and/or (iii) negotiations and/or changes to the documentation for certain of the investments and/or prospective investments, as well as the pace of such changes, disputes and other actions regarding the interpretation of current and prospective loan documentation, basis risks

between investments and hedges, basis risks within investments (e.g., securitizations), costs of modifications to processes and systems, and/or costs of administrative services and operations, including monitoring of recommended conventions and benchmark rates, or any component of or adjustment to the foregoing.

*Uncertain economic, social and political environment:* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, trade wars, political shifts, environmental and climate change, changes to trade agreements, a slowing Chinese economy (in part caused by the COVID-19 pandemic), fear of terrorist activity and/or military conflicts, localized or global financial crises, government shutdowns, virus or disease epidemics or other sources of political, social or economic unrest, all of which currently represent risks in both the most developed markets (possibly to a greater extent than in the recent past) and emerging markets globally. Such erosion of confidence or instability may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Clients and their investments to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This could slow the rate of future investments by the Clients and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Clients' investments.

Russia launched a large-scale invasion of Ukraine on February 24, 2022 and, in response, the United States, the European Union and other governments have imposed economic sanctions on certain Russian individuals, including Russian government officials and other government-linked individuals, and Russian corporate entities and financial institutions, banned certain Russian financial institutions from global payments systems that facilitate cross-border payments and have taken other economic and political measures. It is possible that such governments could institute broader sanctions or impose other economic and political measures on Russia, which could result in the immediate freeze of Russian securities and/or funds invested in prohibited assets and/or other consequences. The extent and duration of the military action, the possibility of the conflict expanding beyond Ukraine and Russia, and resulting sanctions and other economic and political measures and future market disruptions in the region and worldwide are impossible to predict, but could be significant and have a severe adverse effect on the region and collateral effects globally, including significant negative impacts on the global economy and the markets for certain securities and commodities, such as oil and natural gas, as well as other sectors. Such effects and impacts could have a material adverse effect on the Clients and their investments.

*Political uncertainty and rise of populist political parties:* The rise of populist political parties and economic nationalism has led to increasing political uncertainty and unpredictability throughout the world. Among the attendant risks are greater regulatory uncertainty, for example, regarding the posture of governments with respect to taxation, international trade and law enforcement. Negative regulatory developments could have a material adverse effect on the Clients and their investments.

*Force majeure events:* Clients' investments could be subject to catastrophic events and other force majeure events. These events could include fires, floods, pandemics, earthquakes, adverse weather conditions, assertion of eminent domain, strikes, wars, riots, terrorist acts, "acts of God" and similar risks. These events could result in the partial or total loss of an investment or significant down time resulting in lost revenues, among other potentially detrimental effects, and investors must be prepared to bear such losses. Some force majeure risks are generally uninsurable and, in some cases, investment agreements can be terminated if the force majeure event is so catastrophic that it cannot be remedied within a reasonable time period.

*Pandemic and other public health crises, general economic and market conditions:* Pandemics and other widespread public health emergencies have resulted and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which could result in significant losses to the Clients.

An ongoing outbreak of COVID-19 has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, took severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including "stay-at-home" and similar orders), and ordering the closure of a large number of offices, businesses, schools, and other public venues. As a result, COVID-19 significantly diminished global economic production and activity of all kinds and contributed to both volatility and a severe decline in all financial markets. Among other things, these unprecedented developments resulted in material reductions in demand across most categories of consumer and business activities, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, steep increases in unemployment levels in the United States and several other countries, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment. While vaccines for COVID-19 have been developed and widely distributed, there is no guarantee that any such vaccine will be durable and effective consistent with current expectations. Moreover, while circumstances related to COVID-19 have recently improved in many parts of the world, there is no guarantee that such conditions will continue and, in other parts of the world, COVID-19 continues to spread. New strains of the coronavirus, which could be more transmissible and/or more lethal, may give rise to future surges of COVID-19.

The ultimate impact of COVID-19, and the resulting precipitous decline in economic and commercial activity across nearly all of the world's largest economies, on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects are possible, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity. The ultimate extent of COVID-19's impact will

depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and could have unpredictable results. Even as the spread of the COVID-19 virus itself is substantially contained and economies are able to “re-open,” it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior.

The ongoing COVID-19 crisis and any other public health emergency (including the current monkeypox outbreak, which the World Health Organization declared a Public Health Emergency of International Concern on July 23, 2022) could have a significant adverse impact and result in significant losses to the Clients and their investments. The extent of the impact on the Clients and their investments’ operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact could include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors could limit the ability of the Clients to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions could constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategies the Clients intends to pursue, all of which could adversely affect the Clients’ ability to fulfill their investment objectives. They could also impair the ability of borrowers or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Clients, their investments, and Rialto generally could be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity’s personnel. These measures could also hinder such entities’ ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

The success of the Clients’ activities will also be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Clients’ investments), trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity of the Clients’ investments, including, without limitation, common equity and related equity derivative instruments, high-yield securities, convertible securities and derivatives, including futures and option prices, which can be highly volatile. During periods of limited liquidity and higher price volatility, whether due to the continued spread and impact of COVID-19 or other economic causes, the Clients’ ability to acquire or dispose of investments at a

price and time that the Adviser deems advantageous may be impaired. There is no guarantee that the Clients will be able to achieve their investment objectives or provide any return on invested capital. For example, during the global financial crisis of 2007 to 2008, various sectors of the global financial markets experienced an extended period of adverse conditions featuring market uncertainty, reduced liquidity, greater volatility, general widening of credit spreads and a lack of price transparency. To the extent that marketplace conditions deteriorate, these conditions may have an adverse impact on the Clients and their investments.

*Inflation:* The Clients' investments could be sensitive to general downward swings in the global economy, including periods of sustained, elevated inflation such as the inflation in the United States and Europe, which has risen to levels not experienced in recent decades. While it is not possible to determine whether these inflationary factors are transitory or should be expected to continue over a medium or long term, inflation and rapid fluctuations in inflation rates have had and could continue to have negative effects on the economies and securities markets (both public and private) of certain countries in which the Clients may make investments. High rates of inflation could have an adverse impact on the Clients and their investments.

In addition, many world governments, as well as intergovernmental institutions and organizations, have undertaken and, in certain cases, continue to undertake various forms of fiscal stimulus, including setting interest rates that are (and have been for extended periods) at historic lows. On the other hand, the U.S. Federal Reserve has recently raised certain benchmark interest rates in an effort to combat inflation, and may continue to do so. It cannot be predicted with certainty when, or how, these policies will change, but actions by the U.S. Federal Reserve and other central bankers should be expected to have a significant effect on interest rates and on the U.S. and world economies generally, which in turn could affect the performance of the Clients' investments. Such stimuli, unless successfully managed and scaled back and wound down at the appropriate time and in the appropriate amounts, together with the passing of U.S. legislation calling for historically significant amounts of government spending, run a severe risk of being inflationary. In addition, there is significant concern in macroeconomic terms about the general levels of indebtedness carried by certain governments. While bringing with it a range of issues, one of the consequences of an extended period of a higher-than-desired level of inflation is often to erode in real terms the value of government debt in a manner that reduces the economic cost in real terms of their payment obligations on such debt. This element of debt erosion will create an incentive for governments to be less robust in seeking to deal with inflation than might otherwise have been the case had the government concerned not suffered from a high level of indebtedness. If such inflation occurs it would have the negative consequences for the Clients and the Clients' investments set out above.

Further financial crises could result in additional governmental intervention in the markets. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the financial crisis are difficult to predict or measure with certainty.

*Limited rights of the limited partners and investors:* Prospective investors in discretionary Clients will not be able to evaluate for themselves the merits of particular investments prior to their subscription for interests in the Client or prior to the making of an investment by the Client, nor will

limited partners or other investors be entitled to participate in any manner in decisions regarding refinancing or divestiture of investments unless such transaction constitutes a decision subject to LPAC or investor consent, which generally will not be the case. As a result, investors in the discretionary Clients must rely upon the Adviser to select suitable investments for the Client and to make all decisions with respect to those investments once made or obtained, including when and if to divest of an investment or foreclose on a loan held in an investment.

*Sovereign immunity:* Certain investors in Clients are and will be governments, government agencies, international treaty organizations or other sovereign persons or bodies. The ability of the Client, a general partner, the Adviser and any investor to enforce the obligations of such investors or to bring an action against such investors will be limited if such investors assert sovereign immunity or some other similar privilege or immunity. A successful assertion of immunity by an investor may prejudice the interests of other investors. Some sovereign investors also require that only their laws apply in disputes in which they are involved or only their own forum can decide such disputes; in those instances, the choice of law and forum provisions applicable to the various investors is less certain or favorable than would otherwise be the case.

*Lack of management control by limited partners:* The limited partners will have no control over, or influence in the management of, certain Clients or the named general partner of Clients or the Adviser. Subject to the provisions of the relevant offering documents of Clients, the general partner, the Adviser and their respective affiliates have the full, exclusive and complete power and authority to make all decisions affecting the business of a Client. In general, the Adviser's executive management team will have the right to exercise all of such powers and authority with respect to the general partners of the Clients and the Adviser.

*Reliance on the Adviser's management:* The operations of the Clients and the Adviser are substantially dependent upon the skill, judgment and expertise of the investment team of the Adviser. No assurance can be given that Adviser's executive management team will be able to successfully acquire investments that will be profitable for the Clients. The death, disability or other unavailability of certain investment professionals could be material and adverse to the Clients and on each Client's ability to achieve its respective investment objective and/or strategies.

*Client/Fund-level indebtedness:* The Adviser is permitted to cause a Client to incur secured or unsecured indebtedness at the Client level, if the Adviser believes it is appropriate, subject to limited restrictions set forth in the relevant Governing Documents of the Client which, in certain cases, allow for use of all of the Client's assets to be available to meet such liabilities.

*No redemption for certain Clients:* In most cases, investors have no right to withdraw any amount from a Fund or to be released from their commitments to a Fund except in limited situations for certain Clients as set forth in the applicable Governing Documents. Limited partners will not have the right to require a Fund to redeem all or any portion of their interests in a Fund.

*No market for interests; restrictions on transfer of interests:* There is no public market for interests in a Client and none is expected to develop. Accordingly, it could be difficult to obtain reliable information about the value of the interests. Each potential investor will be required to represent that it is a qualified investor under applicable securities laws and that it is acquiring its interest in a

Fund for investment purposes only and not with a view to resale or distribution. A limited partner will not be permitted to transfer (which includes any sale, assignment, transfer or other disposition (including a synthetic transfer), or pledge, hypothecation or other encumbrance, of an interest or direct or indirect beneficial ownership thereof) its interest in a Fund or any part thereof (including, without limitation, to an affiliate or by operation of law) except in accordance with the terms of the Governing Documents of the Fund. Limited partners must be prepared to bear the financial risks of owning their an investment in the interests for an indefinite period of time.

*Trading errors:* The Adviser is under no obligation to reimburse the Clients for any errors or mistakes of the Adviser with respect to the Adviser's placing or executing trades for the Clients or any other administrative errors made by the Adviser, its agents and affiliates ("Trade or Administrative Errors"), subject to the applicable exculpation of liability and indemnification provisions. Trade or Administrative Errors are considered by the Adviser to be a cost of doing business. Any correction of a Trade or Administrative Error will only be made to the extent required so that the Clients do not incur a loss related to such Trade or Administrative Error. The Adviser, subject to its fiduciary obligations, will determine whether or not any Trade or Administrative Error is required to be reimbursed in accordance with such liability and exculpation provisions, and Trade or Administrative Errors that result in losses to the Clients will be netted against Trade or Administrative Errors that result in gains to the Clients before reimbursing such Trade or Administrative Errors. The Adviser, in its sole discretion, reserves the right to reimburse the Clients for any Trade or Administrative Error. The Adviser's reimbursement of the Clients for any particular Trade or Administrative Errors will not constitute a waiver of any policy to cause the Clients to bear the losses from such Trade or Administrative Errors. The Adviser has an inherent conflict of interest with respect to the discovery and treatment of Trade or Administrative Errors. Any net gain resulting from Trade or Administrative Errors will be for the benefit of the Clients and will not be retained by the Adviser.

*Reinvestment risk:* Certain Clients are permitted, in the reasonable discretion of its general partner, to retain and not distribute, or distribute and subsequently recall, some or all of the investment revenues (typically up to an amount not to exceed the cost of each investment) for certain uses, including during the commitment period for the funding of additional Investments. If such proceeds are reinvested, the capital (including capital that has already yielded potentially significant gains) will continue to be subject to the risk of loss for a longer period of time. If reinvested proceeds are lost, such loss would offset in whole or in part any gains that have been realized from prior investments of the Client and the extent of such loss could exceed any such prior gains thereby resulting in a possible loss of all or part of the investors' investments in a Client.

*Limited obligation of the general partner and its affiliates to provide funds for Clients:* Neither the Adviser nor any of its affiliates generally has any obligation to guarantee any party's obligations or, to provide the capital, loans or other funding to a Client. In such event that the cash available to a Client is inadequate to meet its future cash requirements, the investors could suffer material adverse consequences, including the possible loss of all or a part of their investments in the Client, as well as – by extension – a possible loss of all or part of the investments made by those investors who have economic exposure to (the assets, liabilities, income and performance of) the Client as a result of their being investors in a feeder vehicle of the Client.



*Risks related to assumptions used to calculate the target returns and performance are inaccurate; Risks that target returns are not be achieved:* The assumptions used to derive target returns for a Client and its investments involve a significant element of subjective judgment and in certain cases, are adversely affected by post-investment changes in market conditions. The Client's ability to achieve investment results consistent with its targeted return depends significantly on the accuracy of these assumptions as well as a number of other factors, including the Client's ability to execute each strategy successfully. Investors should also be aware that a high targeted return entails concomitantly greater risk of adverse investment results than a lower targeted return, associated with more traditional investment products. Because of the changing nature of real estate markets, there can be no assurance that the target returns will not change, that the target returns will be achieved or that there will not be loss of principal.

*Increasing the assets managed by the Adviser adversely affects performance:* There appears to be a tendency for the rates of return achieved by advisors to degrade as assets under management increase.

*Failure to make capital contributions:* If some investors fail to fund their commitments to a Client, it may be difficult for the Client to make up the shortfall from other sources in a timely manner. In addition, if contributions made by non-defaulting investors and borrowings by the Client are inadequate to cover the defaulted capital contribution, in certain instances, the Client is unable to pay its obligations when due. A default by a substantial number of investors or by one or more investors who have made significant Commitments could substantially impair the Fund's ability to make or acquire investments or otherwise continue operations, limit opportunities for investment diversification and/or materially reduce returns to the Client and, consequently, to investors.

*Recourse to the Clients' assets:* A Client's assets, including any investments made or acquired by the Client and any monies held by the Client, may be required to be available to satisfy all liabilities and other obligations of the Client in certain circumstances. Although a Client seeks to structure investments through investment entities having limited liability, there can be no assurance that such efforts will always be successful or respected. If a Client or one or more of its investments becomes subject to a liability, in certain instances, parties seeking to have the liability satisfied have recourse to the Client's assets generally and not be limited to any particular asset of the Client, such as the asset representing the investment giving rise to the liability.

*Limitation of liability of the General Partners and Adviser:* Certain Clients indemnify the general partners, the Adviser, members of the Investment Committee, members of the Allocation Committee and their respective affiliates, members, managers, agents, and personnel and certain other persons (collectively, the "Indemnified Parties") from and against claims, liabilities, damages, losses, fees, costs and expenses incurred by reason of their position, except in certain cases.

As a result, the Client and the investors have a more limited right of action in certain cases than they would in the absence of this indemnification. Even to the extent that the Indemnified Parties could be held liable for any activities that cause losses to investors, there is no assurance that they would have a sufficient net worth to satisfy such liability. The indemnification obligation of the Client would be payable from the assets of the Client, including the unfunded commitments of the

investors, if applicable. If the assets of the Client are insufficient, the relevant general partner or the Adviser has the ability to recall distributions previously made to the investors so as to enable the Client to satisfy its indemnification obligations. Notwithstanding the foregoing, the Fund does not waive any legal rights under applicable U.S. federal securities laws or any other laws whose applicability is not permitted to be contractually waived.

*Liability for return of distributions:* The capital contributed by an investor is susceptible to risk of loss as a result of any liability of a Client irrespective of whether such liability is attributable to an investment in which such investor participates. In addition, an investor may be required to return distributions previously received under certain circumstances and may be liable under applicable fraudulent conveyance, bankruptcy or other insolvency laws to return a distribution.

*Contingent liabilities:* With respect to certain Clients, the Adviser and the General Partners have the power to establish such reserves for unknown or contingent liabilities as the Adviser and General Partners deem advisable even if such reserves are not in accordance with GAAP. This could occur, for example, in the event some of Clients' positions were illiquid, if there are any assets that cannot be properly valued on the date of withdrawal, or if there is any pending transaction or claim by or against Clients involving, or that affects the book value of, the interest of a withdrawing limited partner or the obligations of a withdrawing limited partner which cannot be then ascertained.

*Regulatory risks of private investment funds:* Legal, tax and regulatory changes could occur during the term of a Client that adversely affect the Client, its investment results and/or some or all of the investors. The regulatory environment for private investment funds is evolving, and changes in regulation affect the value of investments held by the Funds, the ability of the Funds to obtain the leverage it might otherwise obtain or to pursue its business or investment strategies, or otherwise affect returns to investors. In that regard, Clients are affected as a result of new or revised legislation, or regulations imposed by the SEC, the IRS, the CFTC and/or other U.S. or non-U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. Clients or some or all investors also are affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that are proposed or enacted, or whether any proposals will become law. Compliance with any new laws, rules or regulations could be more difficult and expensive, and affect the manner in which Clients conduct business. In certain instances, new laws, rules or regulations will subject the Clients or some or all investors to increased taxes or other costs. The effect of any future regulatory change on Clients could be substantial and adverse.

*Regulatory Oversight:* The Funds of the Adviser are not registered investment companies under the Investment Company Act of 1940 (the "Investment Company Act"), or otherwise registered under the securities laws, or with the securities regulatory authority or commission, of any other jurisdiction, and the Funds have no current intention of being so registered. Accordingly, the provisions of the Investment Company Act and of similar legislation in other jurisdictions regulating the relationship between an investment fund and its asset manager and otherwise protecting the interests of investors in an investment fund are generally not expected to be applicable to an investment in the Fund. Furthermore, the Funds are not subject to comparable regulation in

any non-U.S. jurisdiction and neither the general partners nor the Adviser are registered as a commodity pool operator and the Adviser is not registered as a commodity trading advisor with the CFTC. Therefore, investors do not have the benefit of the protections afforded by, nor are the Clients subject to the restrictions contained in, such registration and regulation. In addition, Client investments are generally not traded on exchanges, nor is such trading regulated by any government agency. Accordingly, the protections accorded by such regulation will not be applicable to an investment in the fund.

The growth of the private funds industry, and the increasing size and reach of transactions, as well as the increased attention to private funds, has prompted governmental and public attention to the private funds industry and its practices over the past fifteen years. In particular, on July 21, 2010, former President Obama signed into law the Dodd-Frank Act. This comprehensive reform of the United States' financial regulatory system, among other things, requires registration with the U.S. Securities and Exchange Commission ("SEC") of advisers to private funds whose assets under management exceed \$150 million (with certain limited exceptions) and imposes reporting and record-keeping obligations with respect to the private funds they advise. The Dodd-Frank Act also imposes a number of restrictions on the relationship and activities of banking organizations with private equity and hedge funds and other provisions that affect the private funds industry, either directly or indirectly. **New regulations promulgated under the Dodd-Frank Act or otherwise may affect the Client and/or the Adviser.**

In addition, it is anticipated that, in the normal course of business, the Adviser's officers will have contact with governmental authorities, and/or be subjected to responding to information requests from or examinations by governmental authorities. Many of these regulators, including U.S. and foreign government agencies, as well as state securities commissions, are also empowered to conduct investigations and administrative proceedings that can result in fines, compensatory payments, suspensions of personnel, changes in policies, procedures or disclosure or other sanctions, including censure, the issuance of cease-and-desist orders, the suspension or expulsion of an investment adviser from registration or memberships or the commencement of a civil or criminal lawsuit against an investment adviser and its personnel. Moreover, the financial services industry generally is presently the subject of heightened scrutiny, and the SEC has specifically focused on private equity fund managers. In that regard, the SEC's list of examination priorities in each of the last few years has included, among other things, collection of fees and allocation of expenses, use of affiliated service providers, marketing and valuation practices, allocation of investment opportunities, and appropriate management of other conflicts of interest such as related party sales, loans or co-investments. Any registered investment adviser, from time to time, is subject to requests for information or informal or formal investigations by the SEC and other regulatory authorities, and, in the current environment, even historical practices that have been previously examined are being revisited.

In addition, as alternative asset managers have become influential participants in the U.S. and global financial markets and economy generally, the private funds industry has been subject to criticism by some politicians, regulators and market commentators. In Germany, for example, U.S. and U.K. private equity firms are perceived by some as having been responsible for certain high profile bankruptcies as well as high levels of domestic unemployment. There have been similar concerns

expressed in other European countries. Various federal, state and local agencies have examined the role of placement agents, finders and other similar private funds service providers in the context of investments by public pension plans and other similar entities, including investigations and requests for information. Furthermore, elements of organized labor and other representatives of labor unions have targeted private equity firms on a variety of matters of interest to organized labor. There can be no assurance that the foregoing will not have an adverse impact on the Funds, the general partners of the Funds or the Adviser, or otherwise impede the Fund's activities.

This increased political and regulatory scrutiny of the private funds industry was particularly acute during the global financial crisis. For example, in addition to the U.S. and European legislation described above, other jurisdictions proposed modernizing financial regulations that called for, among other things, increased regulation of and disclosure with respect to, and possibly registration of, hedge funds and private equity funds. There is a risk that regulatory agencies in the United States, Europe or elsewhere could continue to adopt burdensome laws (including tax laws) or regulations, or could implement changes in law or regulation, or could pursue interpretation or the enforcement thereof, which are specifically targeted at the private funds industry.

With respect to interpretation and enforcement in the United States, the SEC stated publicly in recent years that its Division of Examinations (f/k/a Office of Compliance Inspections and Examination) intensified efforts to examine private fund advisers, with a focus on issues of concern identified in the course of presence exams of newly registered advisers that occurred shortly after the enactment of the Dodd-Frank Act. Such issues included, among others, the disclosure and allocation of fees, costs and expenses; marketing practices; portfolio management; conflicts of interest; safety of client assets; and valuation. Consistent with such efforts, the SEC dramatically increased its pursuit of enforcement actions against private fund managers. Such actions alleged a variety of conduct, including undisclosed or unapproved related-party and affiliate transactions, as well as undisclosed fees, costs and expenses and other undisclosed conflicts of interests. Industry observers generally agree that the enforcement trend is likely to continue.

The SEC has also recently proposed a number of new rules and amendments to existing rules under the Advisers Act (the "Proposed Private Funds Rules") including new requirements related to quarterly statements, financial statement audits, prohibited activities and the preferential treatment of certain investors. The Proposed Private Funds Rules include a proposed requirement for detailed quarterly disclosure to investors of private fund performance, fees and expenses (including disclosure of the compensation paid to the adviser and its affiliates) and additional investment-level disclosure. Advisers would also be prohibited from charging certain types of fees and expenses to private funds or their portfolio companies, seeking reimbursement, indemnification, exculpation, or limitation of liability related to certain actions of the adviser and allocating fees or expenses related to a portfolio investment on a non-pro rata basis among multiple private funds invested in the same portfolio investment. The Proposed Private Funds Rules would also prohibit granting certain types of preferential terms regarding redemption or information about portfolio holdings or exposures to only certain investors entirely (e.g., through side letters) and prohibit granting other preferential terms to only certain investors unless disclosed in writing to current and prospective investors. The SEC has also proposed changes to Form PF (the "Proposed Form PF Amendments") which would, among other things require advisers to private equity funds to gather and report more information regarding fund strategies, use of leverage, fund investments in different levels of a single portfolio

company's capital structure, and portfolio company restructurings or recapitalizations. The Proposed Form PF Amendments would also require that advisers report certain events to the SEC within one business day of their occurrence. A separate cybersecurity rule proposal (the "Proposed Cybersecurity Rules") would require advisers to adopt and implement formal cybersecurity policies, report significant cybersecurity incidents to the SEC, and provide enhanced disclosure of cybersecurity risks and incidents to investors. More recently, the SEC made proposals to update the Custody Rule (the "Proposed Safekeeping Rules") which broadens the scope of assets requiring safekeeping and includes additional requirements for diligence and monitoring of qualified custodians. Additionally, the SEC recently proposed amendments to the Dodd-Frank Act related to conflicts of interest in securitizations (the "Proposed Conflicts of Interest in Securitizations Rule" and together with the Proposed Private Funds Rules, the Proposed Form PF Amendments, the Proposed Cybersecurity Rule, and the Proposed Safekeeping Rules, the "Proposed Rules").

The respective final rules adopted by the SEC could (but are not expected to) differ significantly from the Proposed Rules. In any event, there can be no guarantee as to the content of the final versions of the Proposed Rules. If adopted as proposed, the Proposed Rules are expected to increase the cost of operating the Funds and the time and resources that the Adviser and its affiliates will be required to devote to reporting and compliance matters. The effect of the Proposed Rules on the Funds, the Adviser or any of their respective affiliates could be substantial and adverse.

The Funds or the Adviser will be subject to regulatory examination and there is no assurance that the Funds or the Adviser will not become subject to enforcement actions or other actions by the SEC. Recent SEC enforcement actions and settlements involving U.S.-based private fund advisers have involved a number of issues, including undisclosed fee sharing arrangements with co-investors; the undisclosed disproportionate allocations of fees, costs and expenses to managed funds for services that benefited the applicable adviser but without cost to the adviser; the undisclosed allocation of transaction fees to co-investors to reduce the magnitude of management fee offsets; engagement in unregistered broker-dealer activities; the undisclosed allocation of the fees, costs and expenses related to unconsummated co-investment transactions (i.e., the allocation of broken deal expenses); undisclosed legal fee arrangements affording the applicable adviser with greater discounts than those afforded to funds advised by such adviser; and the undisclosed acceleration of monitoring fees. Although the Adviser believes the foregoing practices were or have been common historically amongst private fund advisers within the U.S. private funds industry, if the SEC or any other governmental authority, regulatory agency or similar body takes issue with the practices of the Funds or the Adviser as they pertain to any of the foregoing or any other activities, the Funds or the Adviser will be at risk for regulatory sanction. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against the Adviser was small in monetary amount, the Funds or the Adviser could be subject to adverse publicity relating to the investigation, proceeding or imposition of any such sanction.

There is also a risk that regulatory agencies in the United States and beyond will continue to adopt new laws or regulations (including tax laws or regulations), or change existing laws or regulations, or enhance the interpretation or enforcement of existing laws and regulations.

In summary, regulation generally as well as regulation more specifically addressed to the private funds industry, including tax laws and regulation, whether in the United States or abroad, could

increase the cost of acquiring, holding or divesting the Funds' investments, the profitability of such enterprises and the cost of operating the Funds. Additional regulation could also increase the risk of third-party litigation. The transactional nature of the business of the Funds exposes the Funds or the Adviser generally to the risks of third-party litigation.

*Certain tax risks and compliance with tax law (including FATCA and partnership audit rules):* An investment in a Client involves numerous tax risks, including, among others, the risks that (i) in any given year, an investor will be subject to tax without a corresponding receipt of cash, (ii) a substantial portion of the Client's investments will be taxed at the rates applicable to ordinary income, either because the income constitutes interest income, or because gains are short-term or are recharacterized as dealer income, (iii) the Client's investments will give rise to U.S. state and local taxes in state and local jurisdictions in which the Client directly or indirectly invests, or is determined to be doing business, and that an investor – absent further structuring – will be directly subject to a resulting tax return filing obligation in such state or local jurisdictions, (iv) the Client's investments will give rise to taxation in non-U.S. jurisdictions in which the Client directly or indirectly invests, or is determined to be doing business, and that an investor – absent further structuring – will be directly subject to a resulting tax filing obligation in such non-U.S. jurisdictions, (v) an investor will be subject to complex rules with respect to the deductibility of certain expenses and/or losses and/or the use of other tax attributes arising from certain of the Client's investments, and such investor's ability to use such expenses, losses and/or other tax attributes are subject to special limitations and other complex rules, and (vi) tax positions taken by the Client will be successfully challenged on audit, including positions related to distressed investing and dealer type activities. A U.S. Tax-Exempt investor should consider the risk that an investment in a Client gives rise to UBTI. A Non-U.S. investor should consider the risk that an investment in a Client gives rise to ECI, and a sovereign investor should consider the risk that an investment in the Client gives rise to CAI. Prospective investors should consult their own tax advisors regarding potential changes in any tax laws, potentially with retroactive effect.

*Certain Environmental, Social and Governance ("ESG") Considerations:* The Adviser has adopted a Responsible Investment Policy which outlines the Adviser's approach towards environmental, social and governance ("ESG") factors. However, while the Adviser recognizes the importance of ESG factors in the investment process, none of the Adviser or the discretionary Clients have an ESG focus. As it relates to investments by the Clients, the Adviser manages ESG opportunities and risks like other business opportunities or risks and as part of the existing investment process, and takes a materiality-driven approach to identifying potential ESG factors during the investment process in order to understand the relevant opportunities and risks. The Adviser will apply ESG considerations in its sole discretion if and when applicable. Finally, there is also growing regulatory interest, particularly in the United States, the United Kingdom and EEA, in improving transparency around how asset managers, amongst others, define, measure and disclose the impact of ESG factors on the performance of their clients and accounts. If new ESG regulations come into effect, the Adviser cannot guarantee that its current approach will meet future regulatory requirements.

*Cybersecurity risk:* The Adviser, its service providers, its counterparties and other market participants on whom the Adviser relies increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Clients and/or investors, despite the efforts

of the Adviser, its service providers, its counterparties and other market participants on whom the Adviser relies to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Clients and/or investors. For example, in certain instances, unauthorized third parties attempt to improperly access, modify, disrupt the operations of or prevent access to these systems of the Adviser, its service providers, its counterparties and other market participants on whom the Adviser relies or data within these systems. Also, third parties attempt to fraudulently induce employees, customers, third party service providers or other users of systems to disclose sensitive information in order to gain access to the Adviser's data or that of its Clients and/or investors. A successful penetration or circumvention of the security of the Adviser's systems or the systems of the Adviser's service providers, counterparties or other market participants on whom the Adviser relies could result in the loss or theft of a Clients' and/or investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Clients, the Adviser, their service providers, their counterparties and other market participants on whom the Adviser relies to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

*Data Privacy and Security Laws and Regulations:* Data protection, and compliance with laws and regulations related to privacy, data protection and information security, can require a significant expenditure of time and money, and a failure to comply could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations of the Clients and/or the Adviser.

The Clients and the Adviser are subject to regulations related to privacy, data protection and information security in the jurisdictions in which they do business. As privacy, data protection and information security laws are implemented, interpreted and applied, compliance costs could increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

For example, the General Data Protection Regulation (EU 2016/679) (the "GDPR") came into effect on May 25, 2018, replacing the Data Protection Directive (Directive 95/46/EC). The GDPR attempts to harmonize national data protection laws across the EU and modernize European privacy law to address new technological developments. The GDPR is binding on data controllers and data processors in all EU member states, without the need for implementation in each member state. The GDPR notably has extra-territorial reach, such that it applies to data controllers and data processors either with an establishment in the EU or which offer goods or services to EU data subjects or monitor EU data subjects' behavior within the EU. The GDPR includes stringent operational privacy and security requirements on both data controllers and data processors (including a requirement for data controllers to provide certain disclosures to EU residents about their data processing practices), provides EU residents with certain individual privacy rights, and imposes significant penalties for non-compliance with fines of up to 4% of total annual worldwide turnover or €20 million (whichever is higher), depending on the type and severity of the violation. In addition, following Brexit, the U.K. General Data Protection Regulation (*i.e.*, a version of the GDPR as

implemented into U.K. law) went into effect, which exposes the Clients and the Adviser to burdens and risks comparable to those of the GDPR.

In the United States, at the federal level, the Clients and the Adviser are subject to various rules and regulations, including those promulgated under the authority of the Federal Trade Commission, which regulates unfair or deceptive acts or practices (including with respect to data privacy and protection). Additionally, the Gramm-Leach-Bliley Act of 1999 (along with its implementing regulations) restricts certain collection, storage, use, disclosure and processing of personal information, requires notice to individuals of privacy practices and provides individuals with certain rights to prevent the use and disclosure of certain nonpublic or otherwise legally protected information. These rules also impose requirements for the safeguarding and proper destruction of personal information through the issuance of data security standards or guidelines. The United States Congress also is considering, and may in the future consider, various proposals for data privacy and protection legislation.

At the state level, the California Consumer Privacy Act (the “CCPA”) provides California residents with certain individual privacy rights and imposes privacy and security obligations on covered companies. The CCPA requires covered companies to provide certain disclosures to California residents about such companies’ data collection, use, sharing and other processing practices and to provide California residents consumers with ways to opt-out of certain sales or transfers of their personal information, and provides California residents with certain additional causes of action. As currently written, the CCPA may impact the policies of Rialto, its affiliates and the Fund with respect to the processing of personal information. Additionally, the California Privacy Rights Act (“CPRA”), which was effective in most material respects starting on January 1, 2023, will significantly modify the CCPA, including by expanding California residents’ rights with respect to certain sensitive personal information. The CPRA also creates a new state agency which will be vested with authority to implement and enforce the CCPA and the CPRA. A number of other states have enacted, or are considering enacting, their own comprehensive data privacy laws. In addition, the Clients and the Adviser are subject to data privacy and protection laws passed by many states, and by certain countries outside the U.S., that require enhanced levels of cybersecurity and notification to users and/or regulators when there is a security breach of personal information, including the New York SHIELD Act.

Compliance with current and future privacy, data protection and information security laws could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data, and some of our current and planned business activities. Any failure to comply with such laws could result in fines, sanctions or other penalties, which could materially and adversely affect results of operations and overall business, as well as cause significant reputational harm.

*Risk of litigation:* In the ordinary course of business, the Clients are subject to litigation from time to time, including by way of their investments. In addition, the origination, acquisition, ownership, and disposition of real estate and real estate loans entail litigation risk. Litigation may be commenced with respect to a property (including with respect to the leasing of such property) owned, acquired, or financed by a loan originated or acquired by a Client. The outcome of such



proceedings, which may materially adversely affect the value of the Clients' investments, are impossible to anticipate, and at times, such proceedings continue without resolution for long periods of time. In certain instances, litigation consumes substantial amounts of the Adviser's time and attention, and that time and the devotion of these resources to litigation, at times, is disproportionate to the amounts at stake in the litigation.

*Systems failure:* With respect to certain Clients, the Adviser's strategies will be dependent to a significant degree on establishment and proper functioning of relationships with third party service providers, including third party traders, and the internal and external systems established for Clients' activities. On a daily basis, Clients will rely heavily on third party service providers and third party financial, accounting and other data and information technology systems to execute trades and settle transactions across numerous and diverse markets and to evaluate certain securities, monitor its portfolio and capital, and generate risk management and other reports that are critical to oversight of Clients' activities. In certain instances, the Adviser is not in a position to verify the risks or reliability of such third parties or third party systems. Accordingly, systems failures, whether due to the failure of third parties upon which such systems are dependent or the failure of the Adviser's hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Any such failure, and consequential disruption in Clients' operations, including the inability to trade (even for a short time), could, in certain market conditions, cause significant trading losses, missed opportunities for profitable trading, financial loss, liability to third parties, regulatory intervention or reputational damage. Any such failures also could cause a temporary delay in reports to Clients' investors.

**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**

While the Manager intends to avoid situations involving conflicts of interest, 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. Dealing with conflicts of interest is complex and it is not possible to predict every conceivable conflict. 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 actual and potential conflicts of interest that 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. The discussion below identifies certain types of conflicts that arise from time to time but does not purport to be a comprehensive discussion.

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 the Manager and its affiliate Rialto Capital Advisors, LLC (referred to as "RCA").

RCA provides due diligence, asset management, special servicing and loan servicing services to Clients. As a rated special servicer, RCA'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, RCA, 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 identifies 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 is permitted to 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 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 deemed relevant by Rialto in good faith. Rialto determines if an investment opportunity that would be suitable for a Client is allocated in whole or in part to other Clients; provided that Rialto seeks 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 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 invest in certain investments alongside the Clients or otherwise invest in opportunities that might be suitable for a Client. However, under the Governing Documents of certain Clients, Rialto cannot 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, in certain instances, Rialto invests, or permits an investor that is an affiliate of the General Partners to invest, the amount of capital that would otherwise be required from such investor (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.

In certain instances, an investment opportunity that is suitable for multiple Clients is not 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 are 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. As such, Rialto and its affiliates 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. In performing investment or other services for Client investments, Rialto personnel become aware of information that Rialto’s information barrier and material non-public information control policies limit or restrict, which could impact the Adviser’s ability to make or dispose of investments.

Clients, principals or subsidiaries 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, in certain instances, a Fund is able to 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, Clients 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 acquires 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.

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. It is impossible to predict the full range of situations in which actual or potential conflicts of interest arise in the future. Future activities of the Adviser, including the establishment of other Clients, will give rise to additional conflicts with respect to existing Clients.

#### Fees Payable and Expense Reimbursements to Rialto by Clients 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.

Any description in the Brochure of the expenses that Clients bear is not exhaustive and is intended to be illustrative of the types of expenses Clients will bear. From time to time the Adviser will need to make certain determinations regarding whether certain expenses are a Client's "own" expenses and therefore are to be borne by the Client rather than the Adviser. These determinations will necessarily be subjective and will be subject to conflicts of interest between the interests of the investors and the interests of the Adviser, who might otherwise bear such expenses.

#### 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 RCA as the special servicer of the relevant CMBS pools so acquired. RCA 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 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, RCA 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, in certain instances, the special servicer is required to take certain actions that would be adverse to the interests of the Clients. While RCA is subject to the servicing standard as set forth in the applicable Pooling and Servicing Agreement and strives to resolve specially serviced assets in accordance with the business plan approved by the Controlling Class Representative, there could be a conflict of interest between the Adviser and RCA in the event RCA believes it is beneficial to prolong the period of time it specially services an asset, as this may result in increased fees RCA collects in connection with such asset. 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 retains one or more of its affiliates to perform extraordinary due diligence, servicing, special servicing, property management, maintenance, construction and/or development, leasing, escrow, title or other types of services (collectively, “Affiliate Services”) for the Clients, provided that, subject to the immediately following sentence, any fee or other compensation paid to such affiliates 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. Rialto is also permitted to engage affiliates, including but not limited to, RCA, Quantum Servicing Corporation, Alliant Insurance Services, Inc., Sabal Capital Partners, LLC, Situs Group LLC Henderson Park Capital, Kroll, LLC, Lincoln Property Company, Ten-X Commercial and/or Consilio, with respect to affiliate services, provided that any fee or other compensation paid to such affiliates will be disclosed to the LPAC, if applicable, 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.

*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.

#### Transactions with Affiliates

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.

#### Placement Agents, Finders and Other Persons

The Funds utilize placement agents to assist in raising capital for a specific Fund. 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 Fund 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. A Client or a General Partner will 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 gives such person a strong incentive to encourage investment in the Fund and/or to act in ways that are not in the best interest of the prospective investor.

#### Consultants and Partners

Rialto and its parties engage and retain 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 have formal and informal relationships with Consultants that in certain instances 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 in certain instances their salary and related expenses is paid by a Fund or Client 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’s investment or assets 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.

#### Special Servicer

RCA, as special servicer with respect to particular pools of loans, is entitled to receive certain fees that are specified in the Pooling and Servicing Agreement for the relevant pool (including periodic fees that are a percentage of the principal amount of loans in special servicing, workout fees that are earned a percentage of future debt service payments on loans that have been returned to the master servicer as a corrected mortgage loan and liquidation fees that are earned a percentage of the proceeds derived from the disposition of a loan or other asset by the special servicer) as well as certain fees the amount of which can be negotiated by the special servicer with the borrower on a case-by-case basis (such as fees related to review and approval of material actions for performing loans). While Pooling and Servicing agreements typically permit the special servicer to negotiate fees to be paid by borrowers, Pooling and Servicing Agreements generally do not specify how such fees are to be calculated and, because they are payable by the borrower, they are payable without regard to priorities specified in such Pooling and Servicing Agreement.

Additionally, the governing Pooling and Servicing Agreements do permit the special servicing to negotiate certain fees such as a forbearance or modification fee for granting a borrower additional time to achieve a milestone specified in a loan agreement while the loan is in special servicing. More recent Pooling and Servicing Agreements do require that “work-out” or “liquidation” fees otherwise payable under the Pooling and Servicing Agreement be offset by these borrower-paid forbearance or modification fees, and some Pooling and Servicing Agreements cap the amount of borrower-paid fees permitted as well as permitted workout and liquidation fees. The Adviser faces a conflict of interest in negotiating borrower-paid fees, as greater fees will result in greater revenue to RCA but could, potentially, reduce the amount that would otherwise be paid by the borrower to the CMBS trust (and, ultimately, to the Clients). While RCA endeavors to negotiate borrower-paid fees that are consistent with prevailing market practice and within the range of prevailing market

rates, as determined by RCA in good faith, there can be no assurance the fees charged by RCA in any given workout do not exceed fees that would be charged by another special servicer as special servicers generally do not publish the amount or calculation of borrower-paid fees they charge. In addition, the comparison of fees is inherently subjective as the facts surrounding workouts and borrowers can vary significantly and, therefore, the determination of what constitutes market rates may not be possible.

In recent years, it has become common practice for special servicers to agree to share special servicing fees with unaffiliated holders of controlling classes as a condition to being appointed special servicer. This practice has given rise to a conflict of interest for the Adviser when a Client acquires the controlling class of a CMBS issuer, as the Adviser could negotiate a fee sharing arrangement on behalf of the Client with an unaffiliated special servicer or with RCA pursuant to which the special servicer would share special servicing fees with the Client. However, the Adviser does not enter into fee sharing arrangements on behalf of the Clients with unaffiliated third parties or with RCA, even though amounts received from such arrangements could be material in relation to the returns the Clients earn on the related CMBS. Instead, the Adviser is permitted to appoint RCA, and RCA will retain the full amount of special servicing fees and no such special servicing fees will be remitted to the Clients. It is not possible to accurately predict how much RCA will earn in special servicing fees from any particular CMBS transaction, as the amount of fees will depend on numerous factors related to the particular loans in the transaction (such as the terms of the loan agreements, the characteristics of the collateral underlying the loans, and characteristics of the borrowers) as well as the economic conditions that prevail locally and nationally.

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

Rialto believes 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.

Stone Point will not be actively involved in the day to day operations of Rialto, the Funds or Clients and their investments and Stone Point and its personnel are not required to dedicate any amount of time to the Rialto business or the Fund, Clients or their investments. No member of the Stone Point Group will sit on an investment committee of any Clients. 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 any Clients' term. For these reasons, as well as the possibility of foreclosure under the Corporate 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 a 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 ("RMG"), borrowed funds from a lender to finance the acquisition and to provide ongoing financing of the operations of RMG and its subsidiaries (the "Corporate Loan"). In connection with the Corporate 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, “RCGHI”). 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 Corporate Loan encumbered any Fund assets; however, the security interest under the Corporate Loan includes the fees receivable by the Manager from its Clients. If there were to be a default under the Corporate Loan that were to continue beyond any applicable notice and cure periods, the lender is 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 RCGHI and, indirectly, in the Adviser.

#### Co-Investment Opportunities

Certain Clients, 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 provides co-investment opportunities related to the Client to some, but not all, limited partners pursuant to the Client’s co-investment policies, as applicable, which provide the criteria for allocation of co-investment opportunities.

#### 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 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 reduce or offset investment management fees or performance-based compensation payable to the Adviser. Additional conflicts 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.

#### Diverse Interests of Partners

Certain Clients and their respective investors have conflicting investment, tax and other interests with respect to the investments made by the Clients. Because the investors include persons or entities organized in different jurisdictions that have conflicting investment, tax and other interests with respect to their investment, there are conflicting interests between such investors relating to the nature of the investments made by a Client and any alternative investment vehicle, the structuring of the investments, the purchase of assets, the timing of investment dispositions and similar matters. Conflicts of interest arise in connection with decisions made by the Adviser, including with respect to the nature or structuring of investments, are more beneficial for one or more of the limited partners of a Fund, on the one hand, than the Fund, on the other hand, or are

more beneficial for one type of investor in the Fund than for another type of investor in the Fund. As such, different returns may be realized by different investors. 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, produce tax results that are favorable to one or more partners of a Fund, but not to the Fund (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 Clients and in structuring those investments, the Adviser will generally consider the investment objectives of each Client as a whole, rather than the investment, tax or other objectives of the specific limited partners or interest holders in the Client's investments separately. In addition, a Client may take tax or other reporting positions that benefit or detriment one or more groups of investors, and the Adviser or its affiliates face certain tax risks based on positions taken by the Clients, including as a withholding agent. The Adviser reserves the right on behalf of itself and its affiliates to take positions adverse to Clients in these circumstances, including by withholding amounts to cover actual or potential tax liabilities.

#### Various Loan- and Property-Level Conflicts of Interest

Property managers for the properties owned by a Client or securing loans in a pool or loans held by Clients or their affiliates manage additional properties, including properties that may compete with those properties. Affiliates of the property managers, and certain of the property managers themselves, also own other properties, including competing properties. The managers of the properties owned by Clients or securing the loans in pools or loans held by Under these circumstances, Clients 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 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.

Borrowers under the loans in a pool or loans held by Clients own other properties and, in some cases, those other properties may compete with the property securing a loan in a pool or 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 loans in a pool or loans held by a Client 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, in certain instances, a landlord is 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 Client 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 shares 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 a 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 Fund's or 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.

#### 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 the Adviser's valuation policy and procedures. It will, in certain circumstances, be the case that the carrying value of an investment does 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 do or do 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. While the Adviser's valuation policy permits the Adviser, at its discretion, to seek inputs for the valuation of investments from unaffiliated third party valuation agents, it does not typically do so. 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 investors.

The valuation of investments of Funds will, in certain circumstances, affect the decision of potential investors to subscribe for interests in a Fund. 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 or a Fund, 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 or a Fund. 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.

#### Differentiated Information

In addition to the reports otherwise described herein, the Adviser, from time to time, provides certain investors with additional information about the Client in which they are invested, including, without limitation, estimates of the Client's performance and information about the Client's investment positions and activities. Neither the Client nor the Adviser is obligated to provide any additional information to investors. However, if the Adviser chooses to provide such additional information, the Adviser will endeavor to make such information available to all the applicable Client's requesting investors on equal terms, subject to such policies and conditions established by the Adviser, but there can be no assurances that all requesting investors will receive exactly the same information. The Adviser will generally be under no obligation to update any such information.

The principals and employees of Rialto invested in a Client have access to information that is not generally available to other investor in such Client and, as a result, act on such additional information (i.e., request withdrawals) that other investors do not receive.

#### 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.

**Other present and future activities of the Adviser will give rise to additional conflicts of interest.**



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

### Code of Ethics and Personal Trading

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 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. Personal account trading by Access Persons will be subject to internal compliance policies and procedures that place certain restrictions and/or limitations on personal securities trades, including pre-approval of many types of personal securities transactions and regular disclosure to the Adviser of personal securities holdings and transactions. The Adviser has established policies and procedures to monitor and resolve conflicts with respect to personal securities transactions to ensure that any such transactions are not intended to violate the Adviser’s fiduciary obligations to the Clients. The Adviser’s policies and procedures are designed to ensure that at the time of approval, any personal securities transactions, activities and interests of the Adviser’s personnel will not interfere with the ability of the Adviser to make decisions in the best interests of the Clients.

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.

### Participation or Interest in Client Transactions

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 are 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 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.

When permitted by applicable law and subject to and in accordance with the terms of the Governing Documents of the applicable Client, Rialto effectuates principal transactions where a Client has 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. Potential conflicts of interest or regulatory issues relating to these transactions could affect Rialto's decision to engage in these transactions for Clients. In connection with a principal transaction, in certain situations, Rialto and its affiliates will 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 or Fund'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**

Investment purchases are 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 is subject to 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 asset management professionals. Asset management professionals meet periodically and review Client portfolios. Additionally, senior investment professionals meet regularly to review Client portfolios.

On a quarterly or monthly basis, as determined by the relevant Governing Documents, Rialto's valuation committee, comprised of Rialto's CEO, President and other senior non-investment professionals, reviews 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 certain 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.

**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. Rialto does not have custody of the assets of its sub-advisory Client.

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 investments (including securities and amounts thereof) 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 occurs. 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. Client investors may obtain this information by contacting the CCO by telephone at (786) 745-3494.



**Item 18: Financial Information**

Rialto does not require or solicit prepayment for its advisory services from its Clients six months or more in advance. 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.