



**Beach Point Capital Management LP**

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**Form ADV Part 2A – the Brochure**

**Updated: March 27, 2024**

**This brochure provides information about the qualifications and business practices of Beach Point Capital Management LP. If you have any questions about the contents of this brochure, please contact us at (310) 996-9700 and/or [info@beachpointcapital.com](mailto:info@beachpointcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about Beach Point Capital Management LP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration with the SEC does not imply that Beach Point Capital Management LP has a certain level of skill or training.**



## FORM ADV PART 2A

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### Item 2: Material Changes

Material changes since the last update to Form ADV Part 2A of Beach Point Capital Management LP (“Beach Point”) on March 30, 2023, include additional disclosures regarding the risk of loss set forth in Item 8. In addition, Beach Point routinely makes changes throughout its brochure in an effort to improve and clarify the descriptions of its and its affiliates’ business practices and compliance policies and procedures or in response to evolving industry and firm practices. Prospective and current investors should review the entire brochure carefully.



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### Item 4: Advisory Business

Beach Point Capital Management LP ("Beach Point") commenced operations on January 1, 2009. Beach Point was founded by, and remains under the control of, its Co-Chief Executive Officers ("CEOs") / Co-Chairmen, Carl Goldsmith and Scott Klein, through a management buyback of the alternative investment business of Post Advisory Group, LLC ("Post"). Beach Point manages assets within the following strategies: Multi-Asset Credit, High Yield & Senior Loans, Structured Credit, Opportunistic Credit & Distressed, Tactical Investments, Real Estate Credit and Direct Lending which are described more fully in Item 8 below.

Beach Point offers investment advisory services to privately-offered limited partnerships, limited liability companies and other investment vehicles (including collateralized loan obligation vehicles ("CLOs") and private REITs) (the "Funds") and clients with separately managed accounts (the "Managed Accounts"). Beach Point (or a Beach Point affiliate) serves as the general partner, managing member and/or investment manager of the Funds and as the investment manager of the Managed Accounts. Additionally, Beach Point (or a Beach Point affiliate) acts as collateral manager to securitized asset Funds that are structured as CLOs (each a "Beach Point-Managed CLO"). Beach Point also serves as the investment adviser to Funds with one, or only a limited number of, investors and which are not offered to new investors ("Single Client Funds"). Typically, Single Client Funds are structured as a limited partnership or limited liability company managed by Beach Point as the general partner, managing member and/or investment manager.

At times, Funds and Managed Accounts are referred to in this brochure collectively as "Clients" or "accounts." Beach Point generally has discretionary authority to manage the Funds and Managed Accounts, including the authority to determine which investments are bought and sold and the amounts of such investments that are appropriate for each Client. Any limitation on Beach Point's authority is described in a Client's governing documents (e.g., investment management agreement, private placement memorandum, articles of association, or partnership agreement).

In connection with Managed Accounts, Clients establish such accounts with Beach Point by depositing funds or securities into accounts maintained by qualified independent custodians and granting Beach Point discretionary investment authority to invest such funds pursuant to each Client's investment objectives and guidelines, as set forth in each Client's investment management agreement and other account documentation, including any written instructions provided by the Client to Beach Point. Funds are managed in accordance with investment objectives and guidelines set forth in the governing documents for each Fund.

As of December 31, 2023, Beach Point manages \$15.8 billion in assets on a discretionary basis and \$0 in assets on a non-discretionary basis. The amount of assets under management reported in this brochure differs from the amount of regulatory assets under management reported in Part 1 of our Form ADV. Part 1 of Form ADV requires an adviser to report assets under management without deducting any outstanding indebtedness or other accrued but unpaid liabilities. Beach Point believes that reporting firm assets under management in our brochure without taking into account any outstanding indebtedness or liabilities may appear to overstate our assets under management. Therefore, in this brochure, Beach Point has decided to take into account certain indebtedness and unpaid liabilities in calculating and reporting our firm assets under management. The result is that the amount of assets under management reported in this brochure is lower than the amount of regulatory assets under management reported in Part 1 of our Form ADV.



### Item 5: Fees and Compensation

#### Compensation for Advisory Services

The following description of Beach Point's fees and compensation is intended to provide a summary of the more typical fee structures shared by certain Clients and is not intended to describe every fee arrangement to which Beach Point is a party. Beach Point believes that its fees are competitive with those fees charged by other investment advisers for comparable services; however, comparable services may be available from other sources for lower fees. Please refer to the account's governing documents for specific details regarding all fees and expenses for specific accounts.

From time to time Beach Point has afforded, and may in the future in its sole discretion afford, certain investors in Funds or certain Clients in the same or similar strategy more favorable economic terms than other investors in the same Fund or other Clients within the same or similar investment strategy, including with respect to both management and performance-based fees, generally based on the timing and aggregate size of commitments of such investor or Client, as applicable, to one or more accounts managed by Beach Point or its affiliates. Any fees may be reduced or waived entirely by Beach Point or its affiliates in their sole discretion.

Beach Point and/or its personnel (including certain family members of such personnel or their respective family trusts or other estate planning vehicles that they control) invest in one or more of the Funds. Beach Point and/or its personnel are not subject to management fees or performance-based compensation with respect to their investments in the Funds. All investors, including Beach Point and/or its personnel, pay expenses incurred by the Funds.

#### A. Management Fees

As consideration for investment advisory services provided to its Clients, Beach Point (or an affiliate) generally receives management fees on a monthly or quarterly basis based on annual fee rates, the amount of which varies depending upon the applicable account, and which is set forth within the terms of the governing documents, offering documents, investment management agreement or sub-advisory agreement of such account.

For Beach Point's open-end Funds, the management fee is generally based on investment strategy of the relevant Fund. Open-end Funds typically pay management fees ranging from 0.50% to 1.50% of the net asset value of the relevant Fund per year, paid monthly or quarterly.

In the case of Beach Point's closed-end Funds, management fees during the investment period of such Funds are calculated quarterly as a fixed percentage, ranging from 1.50% to 1.75% per year, based on either (i) contributed capital or (ii) the cost basis of the Fund's investments. During the liquidation period of the closed-end Funds, the management fee generally remains the same fixed percentage, applied against the cost basis of the Fund's investments.

Beach Point's fees for Managed Accounts and Single Client Funds are determined on a negotiated basis based on various parameters including the scope of management involved, the size of the account, and the particular investment objectives and needs of each Client. Management fees are typically billed on a quarterly basis and paid in arrears; however, other arrangements may be negotiated with individual Managed Account and Single Client Fund Clients.



Additionally, collateral management fees for Beach Point-Managed CLOs are payable in arrears only to the extent that funds are available in accordance with the priority of payments described in the governing documents of such CLOs and may include a performance fee in the event that certain subordinated note return thresholds are exceeded.

### **B. Performance-Based Fees**

Beach Point (or a related person) has the potential to earn performance-based compensation in the form of performance fees, profit/incentive allocations, or carried interest from Clients. The amount of such performance-based compensation and the calculation and timing of payment of such compensation are set forth in the terms of the governing documents of such account.

With respect to certain open-end Funds, Beach Point (or a related person) generally receives annual performance-based compensation of up to 20% of the year's net profit (which includes net changes in unrealized appreciation of investments and realized gains and income) in excess of any previously unrecovered losses (proportionately reduced by withdrawals). In other words, Beach Point (or a related person) is entitled to annual performance-based compensation on a "high water mark" basis.

Generally for closed-end Funds, Beach Point (or a related person) is entitled to receive up to 20% of the realized profits of a Fund's aggregate investments after such Fund first distributes all contributed capital from the inception of the Fund plus an annual preferred return, typically 8%, to its investors. As a result, Beach Point (or a related person) generally receives a profit or incentive allocation from a closed-end Fund, if any, in the latter part of a Fund's term, although earlier in such Fund's term Beach Point (or a related person) may receive tax distributions to cover its allocable share of income taxes.

With respect to Managed Accounts and Single Client Funds in certain strategies, Beach Point will enter into arrangements to receive performance-based compensation (typically subject to a priority return or hurdle rate). The amount of such performance-based compensation and the calculation and timing of payment of such compensation are set forth in the governing documents of such account.

Any performance-based compensation will be charged in accordance with Section 205 of the Advisers Act and Rule 205-3 thereunder. Section 205 and Rule 205-3 permit an investment adviser to charge a performance-based fee only in certain circumstances. Beach Point will not accept clients who do not satisfy the eligibility criteria of applicable law.

Clients should be aware that the existence of performance-based compensation (including, in the case of the closed-end Funds, carried interest) may create an incentive for Beach Point to make investments that are riskier or more speculative than would otherwise be made in the absence of such performance-based compensation or, in the case of the closed-end Funds, to make determinations regarding the timing and structure of realization transactions that may not be consistent (or that are adverse) with the interests of closed-end Fund investors. Beach Point addresses this conflict by focusing on long-term relationships with its Clients and Fund investors and managing accounts in accordance with its governing documents.

In addition, performance-based compensation creates a potential conflict of interest for Beach Point in valuing investments that are not readily marketable or difficult to value. Beach Point receives performance-based compensation on unrealized appreciation as well as realized gains with respect to certain Clients. Beach Point addresses this conflict by adhering to its valuation policies and using third-party pricing sources for investments above a de minimis threshold, subject to limited exceptions.



### C. Transaction-Based Fees

Generally, for Funds and certain Managed Accounts, any transaction fees, monitoring fees, directors' fees, investment banking fees, break-up fees, advisory fees, success fees or other similar fees or compensation received by Beach Point or its affiliates from a portfolio company or prospective portfolio company in connection with investments, net of any related unreimbursed expenses paid by Beach Point or its affiliates (collectively, "Deal Fees"), will reduce the applicable management fee. However, the applicable management fee will not be reduced by amounts of Deal Fees that are attributable to interests in a Fund held by Beach Point or its affiliates and any Deal Fees attributable to Beach Point or its affiliates' interests in such Fund is permitted to be retained by Beach Point or any of its affiliates, as applicable.

The reduction of the management fee with respect to Deal Fees received relating to an investment held by more than one account, will be allocated pro rata between the accounts on the basis of their respective invested capital in the investments giving rise to such Deal Fees. Funds and Managed Accounts that pay a lower fee will receive a proportionately lower offset.

Deal Fees can create conflicts of interest. For example, an arrangement may be established in which portfolio companies pay transaction fees or monitoring fees to Beach Point, including monitoring arrangements that include acceleration of such fees or early termination payments equal to the monitoring fees that would have been earned had the monitoring arrangement continued on such terms as Beach Point deems appropriate in its sole discretion. In many cases with respect to the implementation of such arrangements, there is not an independent third party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest may exist in the determination of any such fees and other terms in the applicable agreement with the portfolio company, which may be more favorable to Beach Point or its affiliates than terms that would otherwise be available on an arm's length market basis. There is also a risk that such fees could exceed available management fee offsets, resulting in an economic benefit to Beach Point or its affiliates at the expense of investors or Clients, or that Beach Point or its affiliates will benefit from the accelerated timing of monitoring fees relative to the timing on which management fees would otherwise be paid.

In addition, former Beach Point employees have and may in the future become employees, officers or directors of, or otherwise engaged by, portfolio companies. Also, Beach Point employees have and may in the future be temporarily seconded to, or otherwise engaged by, certain portfolio companies on either a full-time or a part-time basis to provide services to such portfolio companies. Those companies may pay such persons' directors' fees, salaries, consultant fees, other cash compensation, stock options or other compensation and incentives and may reimburse such persons for any travel costs or other out-of-pocket expenses incurred in connection with the provision of their services. Beach Point may also advance compensation to seconded employees and be subsequently reimbursed by the applicable portfolio companies. Any compensation customarily paid directly by Beach Point to such persons will typically be reduced to reflect amounts paid directly or indirectly by the portfolio company even though the management fee paid or carried interest distributed by the Fund to Beach Point will not be reduced. Any amounts paid to such persons by a portfolio company (or paid by Beach Point and reimbursed by a portfolio company) will not be treated as Deal Fees and will not be offset against the management fees or any carried interest distributions otherwise payable to Beach Point or its affiliates. All or a portion of any such compensation and incentives will be borne by the Fund, directly or indirectly, via its ownership interest in such portfolio company.



Beach Point receives a fee for providing a private REIT with certain services including securitization structuring, pricing analytics, and capital guidance (based on the book value of the private REIT). With respect to Clients, the fee will be offset against each Client's management fee (on the basis of their private REIT ownership percentage giving rise to such fee).

### **Payment of Fees**

#### **A. Management Fees**

For Managed Accounts, Clients are generally billed directly for management fees. For Funds, the management fees are typically paid to Beach Point from the assets of the Fund.

#### **B. Performance-Based Compensation**

For Managed Accounts, performance-based compensation, if any, is generally billed directly to the Client. For Funds, performance-based compensation is allocated or paid to Beach Point (or a related person) from the assets of the Fund.

#### **C. Timing**

Generally, management fees for Managed Accounts are billed quarterly. To the extent that a Managed Account is in existence less than a full calendar quarter, the management fee will be pro-rated. For Funds, management fees are charged either quarterly or monthly.

Performance-based compensation is charged or allocated annually and following a withdrawal or redemption from a Fund or Managed Account.

### **Other Types of Fees and Expenses**

The governing documents for each Fund and Managed Account enumerate expenses which will be borne by such Fund and Managed Account which may include, but are not limited to:

- investment-related expenses (e.g., brokerage commissions, interest and borrowing costs, initial and variation margin, transaction-related costs, administration costs, restructuring costs, refinancing costs, origination costs, deal sourcing costs, underwriting commissions and discounts, loan administration and servicing costs, securitization costs, hedging costs, underwriting costs, advisory costs, research and consulting service costs and other professionals (including legal and accounting), related travel expenses and other fees relating to investments or contemplated investments);
- tax structuring (including tax structuring during the organizational process), including any subsidiary or alternative investment vehicle, through or in which a permitted investment may be made
- legal, tax, compliance and regulatory expenses;
- accounting expenses, audit and tax preparation costs and expenses;
- regulatory and filing fees;
- fees and expenses relating to independent director services;
- organizational expenses;
- rating agency fees and expenses;
- fees and expenses for valuation services, independent appraisal or third-party vendor price quotations;





- fees to the administrator (including third parties who perform anti-money laundering diligence in connection with the ongoing participation of investors in the account);
- fees to a third-party provider of middle- or back-office services;
- custodial and bank service fees, including depositary fees;
- fees and expenses related to indemnification obligations;
- insurance costs;
- expenses incurred in connection with winding up or liquidation;
- expenses incurred to comply with any law or regulation;
- costs associated with investor meetings and other governance activities; and,
- extraordinary expenses and other similar expenses related to such accounts.

### Expense Allocation Methodologies

Beach Point expects that several resources will be shared among its accounts to, among other things, enhance efficiency and reduce the cost for each account. Beach Point takes into account a variety of considerations when allocating such expenses among Clients, including whether such expenses are permitted by a Client's governing documents. Beach Point uses methods that it believes, at the time such determinations are made, are fair and equitable in making such expense allocations. These methods vary depending on the type of expense, including allocations based on the amount of an investment owned, assets under management or relative benefit. Despite Beach Point's good faith judgment to arrive at a fair and equitable expense allocation methodology, the use of any particular methodology may lead a Client to bear relatively more expense in certain instances and relatively less in other instances compared to what such Client would have borne if a different methodology had been used. However, Beach Point seeks to make expense allocations that are equitable on an overall basis in its good faith judgment. From time to time, Beach Point in its good faith judgment may revise or change allocation methodologies in an effort to ensure that such expenses remain fairly and reasonably allocated among accounts without notifying its Clients or fund investors.

### Item 6: Performance-Based Compensation and Side-by-Side Management

As more fully described above in Item 5, Beach Point Clients pay an asset-based management fee and certain Beach Point Clients also pay performance-based compensation.

Managing Client accounts that pay both an asset-based management fee and performance-based compensation alongside Client accounts that pay only an asset-based management fee creates certain conflicts of interest for Beach Point. Beach Point and its supervised persons have an incentive to allocate the best investment ideas to those accounts that pay performance-based compensation and thus favor them over those accounts that pay only an asset-based management fee. In order to address this conflict, and in accordance with Beach Point's fiduciary duty owed to our Clients, Beach Point has implemented an allocation policy to help ensure investment opportunities are allocated among accounts in a fair and equitable manner over time. The allocation policy provides the acceptable criteria upon which trades may be allocated and does not permit Beach Point to give preference to accounts based on the type of fee structure, the amount of fees, or the receipt of any other benefit by Beach Point or its personnel.

In general, Beach Point's practice is to allocate trades pro rata (based on the current or anticipated asset value of each account or the target position size or the size of the existing position, etc.) among accounts within the same strategy. Notwithstanding the foregoing, but subject to Beach Point's fiduciary duty to treat



all Clients fairly and equitably over time, certain allocations will deviate from a pro rata allocation among accounts due to certain circumstances and factors described below in Item 12 Brokerage Practices under the heading Order Aggregation and Allocation.

### Item 7: Types of Clients

As described above in Items 4 and 5, Beach Point Clients and Fund investors may include, but are not limited to, state and local government pension plans, foreign funds, foreign governmental entities, foreign pension schemes, individuals, companies, insurance companies, private pension plans, corporate plans, endowments, trusts, foundations, charitable organizations and other investment funds. Fund investors must meet the investor qualifications associated with each Fund (which generally require Fund investors to be “accredited investors” and “qualified purchasers”, as such terms are defined in the federal securities laws).

#### Managed Accounts and Single Client Funds

Beach Point generally requires a minimum investment of \$100 million to open a Managed Account or Single Client Fund. This minimum may be reduced or waived by Beach Point in its sole discretion.

#### Open-End Funds

With respect to open-end Funds, minimum investments are generally set forth in each Fund's governing documents; however, the general partner or the Board of Directors of a Fund, as the case may be, may reduce or waive the minimum investment amount in its sole discretion (subject to certain minimum subscription requirements under Cayman Islands law in the case of certain offshore funds).

#### Closed-End Funds

The minimum capital commitment for an investor in the closed-end Funds is \$10 million; however, the general partner may reduce or waive the minimum investment amount in its sole discretion.

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

Fund investors should refer to a Fund's offering documents and/or other governing documents for a more detailed description of the methods of analysis employed by Beach Point, a Fund's investment strategy and the risk of loss associated with an investment in a Fund.

Each Managed Account's investment strategy and the risk of loss associated with such account are described in the investment management agreement and/or governing documents for such account.

#### Methods of Analysis – Research Process

Beach Point seeks to employ both fundamental and technical analysis in its research process. Key elements of Beach Point's investment process include: (i) value identification of companies, utilizing both internal research and proprietary tools, as well as external sources, to provide deal flow; (ii) a detailed analysis and due diligence process that includes structural review of an issuer's capital structure, review of the applicable indenture covenants, asset coverage and liquidation valuation and bankruptcy analysis; (iii) a relative-value decision-making process that evaluates how each particular investment relates to comparable investments available or currently in a Client's portfolio; and (iv) ongoing monitoring that continues the due diligence process after an investment is entered into the Client's portfolio. In addition,



Beach Point believes that incorporating the consideration of material environmental, social and governance (“ESG”) factors into its investment research process can contribute to long-term investment returns, particularly from a risk-mitigation perspective. As a result, the Firm has adopted an ESG policy that provides a broad framework for its approach to integrating the consideration of material ESG factors into its above-described investment process.

### **Investment Strategies**

Beach Point typically provides two options through which investors can gain access to the investment strategies described below – Funds or Managed Accounts.

#### **A. High Yield & Senior Loans**

The High Yield and Senior Loan strategy invests primarily in corporate loans and/or high yield bonds. The strategy seeks upside opportunity from a combination of current income and capital appreciation and seeks protection from inflation by virtue of the floating rate nature of most corporate loans. The strategy also seeks to generate attractive levels of current income by investing in high-yield bonds. The strategy is generally expected to favor investments in instruments that are collateralized, or relatively senior in the capital structure to attempt to protect against downside risks.

#### **B. Multi-Asset Credit**

The Multi-Asset Credit strategy typically has broad flexibility to capture investment opportunities across the universe of below investment grade credit. The strategy employs a flexible, value-oriented approach with investments up and down the capital structure. Investment ideas are sought among both long and short positions in various investments including high yield bonds, corporate loans, stressed and distressed debt, special situation investments, credit-related opportunities, structured credit, undervalued and event-driven equities, and a variety of other securities and instruments. The strategy also makes selective investments in convertible notes and capital structure arbitrage opportunities.

#### **C. Structured Credit**

The Structured Credit strategy invests primarily in a variety of securitized products, mortgage loans, commercial mortgages, Property Assessed Clean Energy (PACE), asset-backed securities, collateralized loan obligations, mortgage-backed securities, derivatives, undervalued and event-driven equities, and credit instruments, complemented by other investments. The strategy attempts to generate risk-adjusted returns by seeking out structural inefficiencies in mortgage and related credit market opportunities where a discernible competitive advantage can be identified through fundamental research.

#### **D. Opportunistic Credit & Distressed**

The Opportunistic Credit & Distressed strategy invests primarily in middle-market credit opportunities, special situations investments, private debt, and distressed debt, focusing on: (i) companies that lack access to traditional funding; (ii) companies in dislocation or under stress; and (iii) companies close to or experiencing financial distress, bankruptcy or restructuring. The strategy’s objective is to invest in opportunities that we believe provide attractive return potential along with downside protection from underlying asset value, collateral protection and/or structural seniority.



### **E. Tactical Investments**

The Tactical Investments strategy aims to invest primarily in: (i) credit-informed private equity, (ii) special situations and (iii) investments in companies experiencing dislocation or financial distress, or in the midst of a bankruptcy or restructuring. The strategy seeks to invest in structures that we believe provide rationally calibrated risk-adjusted pricing which may offer an attractive blend of downside protection and equity upside potential. The strategy will pursue investment opportunities in complex situations, such as: (i) corporate carve-outs, (ii) undermanaged private or family owned businesses, (iii) companies with complicated capital structures and elevated leverage profiles, (iv) companies trading at depressed valuations due to identified and correctable challenges, (v) companies facing unusual circumstances resulting in outcomes that exhibit low correlation to broader markets, and (vi) companies at an inflection point. To achieve its goals, Beach Point expects to take an active role in the strategy's portfolio companies.

### **F. Real Estate Credit**

The Real Estate Credit strategy aims to invest primarily in (i) opportunities across private and public real estate credit sectors and market cycles and (ii) overlooked or underserved segments of commercial real estate ("CRE") debt markets where we believe there is less reliance on leverage to generate attractive returns. The strategy seeks to utilize structural, or internal leverage with the goal of reducing unwanted financing risks (including borrower recourse, mark-to-market / margin calls, term mismatch, increased haircuts and pulled facilities). The strategy's objective is to invest in a mix of lending (direct origination or primary syndication), secondary debt strategies and special situations with the goal of capturing high-yield returns across performing real estate credit sectors.

### **G. Direct Lending**

The Direct Lending strategy targets predominantly sponsor-backed middle-market loans as well as high yield and upper middle market loans. Investments are sourced through bank partnerships coupled with a direct origination effort for higher yielding loans.

### **Risk of Loss**

Beach Point does not guarantee the future performance of any account, the success of any investment decision or strategy that Beach Point employs or the success of Beach Point's overall management of any account. Any investment in a Fund or Managed Account involves significant risk, including the risk of loss of all or substantially all capital invested. Clients and Fund investors should be prepared to bear the loss of the entire amount of their investment.

As described above in Item 4 and this Item 8, Beach Point manages several investment strategies and invests in a wide range of investments on behalf of its Clients. The risks associated with accounts managed by Beach Point are more fully described in the offering documents and/or other governing documents for such accounts. Clients and Fund investors must carefully review such offering documents and governing documents prior to making an investment. In addition, Managed Accounts and Single Client Funds are offered only to large, sophisticated institutional clients. Managed Account Clients and Single Client Fund investors generally have their own investment staff and/or investment consultants that understand the risks involved in an investment strategy and are in a position to customize their investment guidelines accordingly.



What follows below is a brief discussion of some, but not all, of the risk factors that should be carefully evaluated before investing in a Fund or Managed Account.

### **A. General Risks Associated with Debt Instruments and Fixed-Income Securities**

Client accounts typically include debt instruments and fixed-income securities. The value of such instruments and securities changes in response to fluctuations in interest rates and in the perceived credit risk associated with a particular instrument/security and its issuer. When interest rates decline, the value of fixed-rate debt instruments generally can be expected to rise. Conversely, when interest rates rise, the value of fixed-rate debt instruments generally can be expected to decline. In addition, to the extent that the receivables or loans underlying specific securities are prepayable without penalty or premium, the value of such securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline. In addition, fixed-income and debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligation.

### **B. Prepayment Risk**

The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans and other underlying debt investments will be affected by a variety of factors including, but not limited to, the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. In general, "premium" financial instruments (i.e., financial instruments whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" financial instruments (i.e., financial instruments whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since Client accounts may include discount financial instruments when interest rates are high, and may include premium financial instruments when interest rates are low, such investments will be adversely affected by prepayments in any interest rate environment.

### **C. High Yield Investments**

Client accounts typically include high-yield or non-investment grade securities and instruments. Such investments generally trade in the over-the-counter marketplace, which is less transparent and less liquid than the exchange-traded marketplace. In addition, Client portfolios often invest in the debt of companies that do not have publicly traded equity securities, making it more difficult to determine or to hedge the risks associated with such investments. Client accounts generally have no minimum credit standard for investments in any asset, and as a result, a significant portion of a Client account is frequently invested in below investment grade obligations. Non-investment grade securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities (often referred to as junk bonds) tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates and tend to be more sensitive to economic conditions. Companies that issue such securities are often highly leveraged and may not have available to them more traditional sources of financing. It is possible that an economic downturn could adversely affect the ability of the issuers of such securities to pay interest or repay principal on such securities, which would likely have an adverse impact on their value.



### **D. Corporate Loans**

A Client's investment program will generally (or primarily in the case of the certain loan-focused investment products) include investments in corporate loans and commitments to purchase loans. These obligations are subject to unique risks, including, but not limited to: (i) limitations on the ability of a Client to directly enforce its rights with respect to loan investments entered into through participations; (ii) counterparty risk due to extended settlement periods or in connection with participations; (iii) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (iv) so-called lender-liability claims by the issuer of the obligations; and (v) environmental liabilities that may arise with respect to collateral securing the obligations. Any claims brought by third parties arising from these and other risks will be borne by a Client.

Most corporate loans are floating rate loans. Floating-rate loans generally are less sensitive to interest rate changes than fixed-rate debt instruments. However, the market value of floating-rate loans may decline when prevailing interest rates rise if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, floating-rate loans will not generally increase in market value if interest rates decline. However, when interest rates fall, there will be a reduction in the payments of interest received by a Client.

### **E. Second-Lien and Unsecured Loans**

In addition to the special risks generally associated with investments in corporate loans described above, investments in second-lien and unsecured loans entail additional risks, including, but not limited to (i) the subordination of the Client's claims to a senior lien in terms of the coverage and recovery from the collateral; and (ii) with respect to second-lien loans, the prohibition of or limitation on the right to foreclose on a second-lien or exercise other rights as a second-lien holder, and with respect to unsecured loans, the absence of any collateral on which a Client may foreclose to satisfy its claim in whole or in part. In certain cases, therefore, no recovery may be available from a defaulted second-lien loan held by a Client.

### **F. Loan Origination**

From time to time, a Client may originate loans to borrowers (directly or via participation). In addition to risks associated with investing in loans described above and below, active lending/origination by a Client subjects it to additional regulation, as well as possible adverse tax consequences to such Client and its underlying investors. There may also be a monetary, as well as a time cost involved in collecting on defaulted loans and, if applicable, taking possession of various types of collateral.

### **G. Purchases of Securities and other Obligations of Financially Distressed Companies**

A Client may invest in obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These obligations may be risky investments although they also may offer the potential for correspondingly higher returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, re-characterize debt as equity or disenfranchise particular claims. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the value of the assets collateralizing





such investments will be sufficient or that prospects for a successful reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which a Client invests, the Client may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the investments may not compensate an investor adequately for the risks assumed.

### **H. Non-Performing Investments**

A Client may purchase debt instruments that are non-performing and in default. These types of investments may be speculative and there can be no assurance as to the amount and timing of payments, if any, with respect to such investments.

### **I. Illiquid Instruments**

Certain Clients invest in instruments (including, without limitation, in equity or debt of private issuers, "hard" assets or illiquid financial instruments) that do not freely trade or that trade infrequently with no broker-dealer making a market in such instruments. A Client may not be able to readily dispose of illiquid instruments and, in some cases, may be legally prohibited from disposition for a specified period of time. In addition, investments that Beach Point reasonably expected to be relatively liquid at the time of acquisition may subsequently become thinly traded or otherwise illiquid. Redemptions funded out of the liquid portion of a Client's portfolio may result in the illiquid portion becoming an increasingly greater percentage of such portfolio. A Client may not be able to liquidate illiquid investments if the need should arise, and its ability to realize gains, or avoid losses in periods of rapid market activity, may be impaired. The value assigned to such securities for purposes of determining profits and losses may differ from the value a Client is ultimately able to realize.

### **J. Equity Securities**

Certain Clients invest in equity and equity-related securities of U.S. and non-U.S. companies. Equity securities fluctuate in value in response to many factors, including the activities, results of operations and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments. As a result, equity securities may be risky investments.

### **K. Exchange Traded Funds ("ETFs")**

ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks, bonds or other instruments, which are designed to generally correspond to the price and yield performance of an underlying index. A primary risk factor relating to ETFs is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income ETF, respectively. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Moreover, although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of various sources of tracking error, including their expenses and a number of other factors. Accounts investing in an ETF will bear their pro rata share of the ETF's operating expenses, which are in addition to any fees or other compensation paid to Beach Point.

**L. Structured Credit Products**

Certain Clients invest in structured credit products (e.g., residential mortgage-backed securities, commercial mortgage-backed securities, mortgage-backed securities, asset-backed securities, and collateralized debt and loan obligations). Investing in structured credit securities may entail a variety of unique risks. The performance of a structured credit security will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. Additionally, such securities may be subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions.

**M. Collateralized Loan Obligations**

Certain Clients invest in collateralized loan obligations ("CLOs"), which may include investments in CLO equity and CLO mezzanine debt. In addition, certain Clients may invest in Beach Point-Managed CLOs in which a related person of Beach Point serves as the collateral manager. CLO securities are subject to credit, liquidity and interest rate risks. The CLO equity purchased by Client accounts will most likely be unrated or non-investment grade, which means that a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Such investments are speculative. In addition, as a holder of CLO equity, Clients will have limited remedies available upon the default of the CLO.

**N. Real Estate-Related Investments**

Certain Clients hold certain real estate-related investments. The securities of issuers that own, construct, manage or sell residential, commercial or industrial real estate are subject to all of the risks associated with the direct ownership of real estate. These risks include: declines in the value of real estate, adverse changes in the climate for real estate, risks related to general and local economic conditions, over-building and increased competition, increases in property taxes and operating expenses, changes in zoning laws, casualty or condemnation losses, limitations on rents, changes in neighborhood values, the appeal of properties to tenants, leveraging of interests in real estate, increases in prevailing interest rates, lack of availability of financing, costs resulting from clean-up of environmental problems or liability to third parties for damages arising from environmental problems, and natural disasters, acts of war and terrorist attacks.

**O. Subordination**

Subordinated investments are generally characterized by greater credit risks than those associated with the senior obligations of the same issuer. Such risks include but are not limited to (i) the subordination of the Client's claims to a senior security holders in terms of the coverage and recovery from the collateral; and (ii) the prohibition of or limitation on the right to foreclose on a subordinated security or exercise other rights as a subordinated security holder. In certain cases, therefore, no recovery may be available from a defaulted subordinated security held by a Client.



**P. Real Estate Investment Trusts (“REITs”)**

Certain Clients invest in REITs, including REITs that are sponsored by Beach Point, and are subject to certain risks associated with direct investments in REITs. REITs may be affected by changes in the value of their underlying assets and by defaults by borrowers or tenants. Furthermore, REITs are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in financing a limited number of projects. Complying with the REIT requirements under the Internal Revenue Code can be difficult and may cause a REIT to forego otherwise attractive opportunities or liquidate otherwise attractive investments. REIT requirements also may limit the ability of the REIT to hedge effectively. No assurance can be given that a REIT will qualify or remain qualified as a REIT. Failure of a REIT in any taxable year to qualify as a REIT would render such REIT subject to tax on its taxable income at regular corporate rates, and thus reduce the amount of cash available for distribution to a Fund or Managed Account. Under these circumstances, unless the REIT was entitled to relief under certain Internal Revenue Code provisions, the REIT would be disqualified from taxation as a REIT for the four taxable years following the year during which it ceased to qualify as a REIT. The requirements for qualification as a REIT are extremely complex. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT. Any such change could adversely affect a REIT’s ability to qualify as a REIT or the US federal income tax consequences of such qualification.

**Q. Mortgage Loans and Mortgage-Backed Securities**

Certain Clients invests in residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”), and pools of residential and commercial mortgage loans that may be purchased directly or indirectly through the acquisition of securitization interests. These investments may include mortgage loans of various types (including Alt-A, subprime and pay-option adjustable rate mortgage loans, in addition to traditional first-lien mortgage loans) and may be performing or non-performing. Mortgage loans are subject to certain specific risks, and the pools of mortgage loans underlying RMBS and CMBS are subject to all of the special risks associated with such mortgage loans. Further, investing in certain mortgage loans, RMBS and CMBS involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk), and certain additional risks and special considerations, including the risks of principal prepayment and defaults, as well as the risk of investing in real estate.

Mortgage-backed securities (other than the residential agency mortgage-backed securities) are generally not guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on mortgage-backed securities depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans. Mortgage-backed securities generally provide for the payment of interest and principal on a regular basis, with the possibility, particularly with respect to residential mortgage-backed securities, that principal may be prepaid at any time. Different types of mortgage-backed securities are subject to varying degrees of prepayment risk. The rate of principal payments on mortgage loans is influenced by a wide variety of economic, geographic, social and other factors, including general economic conditions, the level of prevailing interest rates, the availability of alternative financing and homeowner mobility. As a result of prepayments, Clients may reinvest assets at an inopportune time, which may expose the Client to a lower rate of return. Further, the rate of prepayments on underlying mortgage loans affects the price and volatility of a mortgage-backed security, and may have the effect of shortening or extending the effective average life beyond what was anticipated.



The risks of investing in mortgage loans reflect the risks of investing in real estate securing the mortgage loans (as the risks of investing in RMBS and CMBS reflect the risks of investing in real estate securing the loans included in the applicable securitization). Such risks include the effect of local and other economic conditions, the possibility of changes in the structure or effectiveness of the government sponsored enterprises, Fannie Mae, Freddie Mac and Ginnie Mae, the ability of tenants/home owners to make payments, and the ability to attract and retain buyers or tenants. Increasing rates of delinquencies, foreclosures and other losses on mortgage loans could, in turn, adversely affect certain other securities in which the Clients may invest.

### **R. Mortgage Market Disruptions in General**

Widespread defaults on mortgage loans and mortgage-backed securities have in the past led to market turmoil and resulted in price volatility and ratings downgrades. In addition to risks associated with attempting to predict default and recovery rates on mortgage loans, including those underlying mortgage-backed securities acquired by the Client, the creditworthiness and viability of the servicers of such mortgage loans are also significant risks. Illiquidity and unpredictability in these markets can make it difficult to determine whether such servicers have sufficient capital and adequate staffing levels to fulfill their servicing obligations and the extent to which such servicers are subject to regulatory risks and risk of error. A credit or regulatory event at, or other failure by, a servicer could result in losses to the Client.

### **S. Use of Models and Computer Applications**

Beach Point uses proprietary and external models and computer applications to analyze mortgage-backed, mortgage-related, and asset-backed securities, related loans and instruments, futures, other derivatives, and equity securities. In addition, Beach Point, through use of such models or applications, customarily seeks to identify and opportunistically mitigate certain risks related to such securities, at times through the use of derivative instruments, including swaps, options, forwards, and futures.

Reliance on models like those used by Beach Point entails significant risks, particularly in the event that the models or the data on which they rely prove to be incorrect, misleading, or incomplete. In such cases, reliance on models may lead Beach Point to purchase assets at prices that are too high, to sell assets at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging activities that are based on faulty models or data may prove to be unsuccessful. In addition, Beach Point stores the majority of the data upon which these models rely in computer databases. The failure of such computer systems could adversely affect Client accounts for whom such models are used.

### **T. Use of Artificial Intelligence (“AI”)**

Beach Point is in the process of developing and implementing a proprietary generative AI platform for use by its employees. The Firm intends to utilize generative AI technology as part of its investment research and analysis process, initially for synthesizing large volumes of investment research and debt instrument documentation into more easily digestible summaries of such information, which we believe will increase efficiency in this aspect of our investment research process. The Firm also intends to explore using our generative AI module for other purposes such as, among other potential uses, summarizing and creating reports for non-investment teams. Reliance upon outputs from generative AI entails significant risks, including but not limited to potential data pool limitations, unreliable or inaccurate data input resulting in inaccurate or unintended outputs, and biases present in the training data, potentially leading to skewed outcomes or unintended consequences, conflicts of interest, and data privacy. Beach Point has



implemented a generative AI use policy and internal controls that are reasonably designed to mitigate such risks.

Beach Point's generative AI platform is maintained on Beach Point's private infrastructure (i.e. not on third party, public platforms or servers) and is subject to the information security and cybersecurity protocols adopted by Beach Point, including a prohibition of external AI model access (subject to limited exceptions which require approval as detailed in the Firm's generative AI use policy) or training with proprietary or private Beach Point information. Please refer below for the risks associated with Cybersecurity and Identity Theft and Privacy, Data Protection and Information Security Compliance.

### **U. ESG Investing Risk**

Beach Point has adopted an ESG policy that provides a broad framework for its approach to incorporating the consideration of material ESG factors into its investment process. When formulating ESG perspectives and making investment decisions, Beach Point will endeavor to utilize a variety of third-party information sources, incorporate standards set forth by recognized global organizations and leverage its own internal research and ESG scoring system. While ESG factors may not be determinative in deciding to include or exclude any particular investment, investments made with identified material ESG concerns will generally undergo ongoing monitoring to assess and update the nature and status of these issues. ESG is one of many considerations that Beach Point takes into account when making investment decisions. Other considerations may outweigh ESG considerations in certain circumstances. Material ESG factors and concerns will not be treated as more significant or determinative than such other investment risks, unless required under the terms of a Client's governing documents. The incorporation of the consideration of material ESG factors may impact decisions regarding a Client's exposure to, among other things, certain sectors, regions, and issuers, which could negatively impact a Client's relative performance depending on whether such sectors, regions or issuers are in or out of favor in the market. There are no uniformly accepted ESG standards, and the analysis of material ESG factors in connection with investments involves judgment, which is inherently qualitative and subjective. In evaluating an investment, Beach Point is dependent upon information and data that may be incomplete, inaccurate or unavailable, which could adversely affect the analysis of the material ESG factors relevant to a particular investment. In addition, a company's business practices, products or services may change over time. As a result of these possibilities, among others, a Client may temporarily hold securities that are inconsistent with ESG criteria included as part of its investment mandate. Furthermore, even when identified, there can be no guarantee that Beach Point will accurately assess the impact of material ESG risks on investments held by Clients. To the extent that a material ESG-related event occurs, or occurs in a manner that is not anticipated by Beach Point, there may be a sudden, material negative impact on the value of an investment, and hence on Client returns. Such negative impact may result in an entire loss of value of the relevant investment(s) and which may have a materially adverse impact on a Client's returns.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and Beach Point's adoption and adherence to any such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of material ESG factors. Beach Point's ESG policies could become subject to additional regulation in the future, and Beach Point cannot guarantee that its current approach will meet future regulatory requirements. Beach Point's ESG policy is available to Clients upon request.

**V. Relying on Beach Point's Legal Experience**

While the Firm believes that the legal background of certain members of its investment team provides valuable insight into the review and negotiation of investment-related documents (e.g., bond indentures, credit agreements, purchase agreements, offering documents, plans of reorganization, etc.), there is no assurance that such legal experience will enable the Firm to identify opportunities with a higher likelihood of success or to avoid investments that result in substantial losses.

**W. Participation on Equity Holders' or Creditors' Committees**

From time to time, certain Beach Point employees, representing our accounts, serve on creditors' committees, equity holders' committees or other groups in an effort to preserve or enhance a Client's position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents and may be subject to various trading or confidentiality restrictions. If Beach Point concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to a Client, it may resign from that committee or group, and a Client may not realize the benefits, if any, of participation on the committee or group. In addition, if a Client is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of or increasing its investments in such company while it continues to be represented on such committee or group, which may mean that a Client will not be able to dispose of, or hedge, investments in such issuer. Because Clients will indemnify Beach Point and its affiliates or any other person serving on a committee on behalf of a Client for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on such vehicle's investment in a reorganization property, asset or company.

**X. Non-controlling Investments**

Certain Clients will hold debt obligations and other non-controlling interests in a borrower or issuer and, therefore, could have a limited ability to protect the Client's position in such investment. However, Beach Point will seek appropriate creditor and shareholder rights to help protect the Client's interests. There is no guaranty that Beach Point will be successful in seeking such rights or that the rights will be successful in protecting Clients' invested capital.

**Y. Bankruptcy Claims**

Certain Clients invest in bankruptcy claims that are amounts owed to creditors of companies in financial difficulty. Bankruptcy claims are illiquid and generally do not pay interest and there can be no guarantee that the debtor will ever satisfy the obligation on the bankruptcy claim. Bankruptcy claim markets are not generally regulated by U.S. federal securities laws, the SEC, or any non-U.S. securities regulator. Because bankruptcy claims are frequently unsecured, holders of such claims generally have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, under certain circumstances, payments and distributions may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

**Z. Bankruptcy Cases**

Certain Clients will likely have an investment in a company undergoing a bankruptcy proceeding. Many of the events within a bankruptcy case are adversarial and may be beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance



that a bankruptcy court would not approve actions that may be contrary to the interests of a Client. Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and a Client; it is subject to unpredictable and lengthy delays and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. The debt of companies in financial reorganization, in most cases, will not pay current interest, may not accrue interest during the reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

Certain Clients invest in companies based outside of the United States. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

### **AA.Litigation Financing**

Certain Clients may invest in litigation-related financing. Litigation outcomes are risky and difficult to predict and a loss in a litigation matter may result in the total loss of a Client's investment associated with such matter. It is difficult to predict the outcome of litigation, particularly complex commercial litigation of the type in which a Client account may be invested. Litigation finance investments typically provide for the advance of capital to counterparties on a non-recourse basis, and are therefore entirely dependent on a positive, cash-generative outcome in the underlying litigation matter in order to recover principal and earn a return. If a counterparty is unsuccessful in the underlying litigation matter, if the damages awarded in favor of the counterparty are less than expected or if it is not possible to successfully enforce a favorable judgment, the investment could suffer a variety of adverse consequences, including the total loss of the Client's deployed capital and, in some jurisdictions, liability for the adverse costs of the successful party to the litigation.

Beach Point uses models to assist in evaluating the expected return of potential legal finance investments. However, at the time a Client enters into such investment, Beach Point is likely to have imperfect information about the litigation matter in question and the likely future outcome. In addition, Beach Point relies on third parties for historical information about cases or portfolios of cases which may not be indicative of the characteristics of subsequent cases or portfolios of cases within the same industry or with comparable other characteristics. If the statistical models Beach Point uses fail to accurately evaluate and predict returns, there could be a material adverse effect on the investment.

### **BB.Derivative Investments**

Certain Clients invest in derivative instruments. The prices of derivative instruments, including futures and options, are highly volatile. The use of derivative instruments involves a variety of material risks, including the potentially high degree of leverage often embedded in such instruments. Payments made pursuant to swap agreements may also be highly volatile. Price movements of futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of



governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the assets underlying them. In addition, an account's assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties. Certain options and other custom instruments are subject to the risk of non-performance by a counterparty, including risks relating to the creditworthiness of the counterparty, market risk, liquidity risk and operations risk. If a counterparty's creditworthiness declines, the value of any agreements with such counterparty can be expected to decline, potentially resulting in losses.

### **CC.Options Trading**

Certain Clients invest in options. When purchasing or selling an option, the risks associated with the transaction will vary depending on the type of option (i.e., put or call). When purchasing an option, it is necessary to calculate the extent to which the value of the underlying security must increase (in the case of a call) or decrease (in the case of a put) in order for a Client's position to become profitable, taking into account the premium and all transaction costs. The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin. If the purchased option expires worthless, the Client will suffer a total loss of the amount invested in the option that will consist of the option premium plus transaction costs.

Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option, and, upon such exercise, the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest, depending on the terms of the option. If the option is on a future, upon exercise by the purchaser of the option, the seller will acquire a position in a future with associated liabilities for margin. If the option is "covered" by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited. In the case of an option on a future, certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

### **DD.Credit Default Swaps**

Certain Client's enter into credit derivative contracts such as CDS, LCDS, CDX and LCDX, CDSIT contracts. The typical CDS and LCDS contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities or loans issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic and/or upfront payments equal to a fixed percentage of the notional amount of the contract. A Client may also purchase or sell CDS on a basket of reference entities or an index that is CDX and LCDX contracts. In circumstances in which a Client does not own the debt or loans that are deliverable under a CDS, the Client will be exposed to the risk that deliverable





securities or loans will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze."

### **EE. Private Equity and Private Debt Investments; Investments in Private Companies**

Certain Clients invest in private equity or private debt. Private equity and private debt investments involve a high degree of business and financial risk and can result in substantial or complete losses. Private equity and private debt investments are typically very illiquid and may be difficult to value. It may take a number of years for an account to sell or otherwise dispose of any of its private equity and private debt investments and the price ultimately realized upon such sale may be significantly less than the value attributed to such investment.

In addition, investments in private companies involve a number of particular risks, including that: (i) private companies may have limited financial resources and limited access to additional financing, which may increase the risk of their defaulting on their obligations, leaving creditors such as a Client dependent on any guarantees or collateral they may have obtained, (ii) private companies frequently have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns, (iii) there may not be as much information publicly available about these companies as would be available for public companies and such information may not be of the same quality, and (iv) private companies are more likely to depend on the management talents and efforts of a small group of persons, as a result, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on these companies' ability to meet their obligations.

### **FF. Short-Selling**

Certain accounts engage in short-selling securities. Short-selling involves selling securities which may or may not be owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short-selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Client of buying those securities to cover the short position. There can be no assurance that a Client will be able to maintain the ability to borrow securities sold short. In such cases, the Client can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. In addition, short-selling activities are subject to restrictions imposed by U.S. and foreign governmental / regulatory authorities and various securities exchanges. Such restrictions may inhibit or prevent Beach Point from entering into a short position on behalf of a Client.

### **GG. Co-Investments with Third Parties**

Certain accounts co-invest with third parties through joint ventures or otherwise. Such investments may involve risks in connection with such third-party involvement, including the possibility that a co-venturer may experience financial difficulties resulting in a negative impact on such investment; may have economic or business interests or goals that are inconsistent with those of a Client or may be in a position to take (or block) action in a manner contrary to a Client's investment objectives. In those circumstances where such



third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments and create potential conflicts of interest between such parties and a Client.

### **HH. Leverage**

Certain accounts from time to time will incur leverage as a result of, or in connection with, a variety of transactions or investments (including margin loans on a Client's securities, through committed lending facilities, repurchase transactions, as well as through the use of hedging and put/call, long/short investment strategies). While leverage presents opportunities for increasing an account's total return, it has the effect of increasing potential losses as well. Accordingly, any event which adversely affects the value of an investment would be magnified to the extent a Client is leveraged. The cumulative effect of the use of leverage by a Client in a market that moves adversely to an account's investments could result in a substantial loss which would be greater than if a Client was not leveraged. To the extent that Client assets are purchased on margin and therefore not fully paid for, a bankruptcy of a prime broker may expose the Client to a loss the recovery of which would have to be pursued as an unsecured creditor of the prime broker.

The investment program of certain Clients include investing in companies whose capital structures may have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. The leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as downturns in the economy or deterioration in the condition of the portfolio company or its industry. Additionally, the securities acquired may be the most junior in what will typically be a complex capital structure, and thus subject to the greatest risk of loss.

## **II. Counterparty Risk**

The institutions, including brokerage firms and banks with which a Client directly or indirectly does business (including swap counterparties), or to which its securities are entrusted for custodial and prime brokerage purposes, may encounter financial difficulties, fail or otherwise become unable to meet their obligations. In addition, these financial institutions may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on the activities and operations of a Client.

### **JJ. Financial Institution Risk; Distress Events**

Client investments are subject to the risk that one of the banks, brokers, hedging counterparties, lenders or other custodians (each, a "Financial Institution") that hold some or all of an account's investment assets (including cash) fails to timely perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty, similar to that experienced by Silicon Valley Bank and Signature Bank in March 2023 (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. If a Financial Institution experiences a Distress Event, Beach Point, an account or one of its portfolio investments may not be able to access deposits, borrowing facilities or other services, either permanently or for an extended period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("FDIC"), in the case of banks, and 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 total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties during Distress Events, there can be no assurance that such intervention will occur in a future Distress Event or that any such intervention undertaken will be successful or avoid the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of Beach Point to manage an account and its investments, and on the ability of any portfolio investment to maintain operations, which in each case could result in significant losses and in unconsummated investment acquisitions and dispositions. Such losses could include: a loss of funds; an obligation to pay fees and expenses in the event an account is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of an account to access capital contributions or otherwise); the inability of an account to acquire or dispose of investments, or acquire or dispose of such investments at prices that Beach Point believes reflect the fair value of such investments; and the inability of portfolio companies to make payroll, fulfill obligations or maintain operations. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also possible that an account or a portfolio company will incur additional expenses or delays in putting in place alternative arrangements or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, access to capital, or otherwise). Although Beach Point expects to exercise contractual remedies under agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays. An account and its portfolio investments are subject to similar risks if a Financial Institution utilized by investors in an account or by suppliers, vendors, service providers or other counterparties of an account or a portfolio investment becomes subject to a Distress Event, which could have a material adverse effect on an account.

### **KK. Interest Rate Risk**

Investment accounts are subject to interest rate risks (directly, in the case of accounts which hold credit investments or employ leverage, or indirectly, as a result of interest rate risks to which portfolio companies are subject); changes in the prevailing market interest rates could negatively affect the value of investments held by a Client. The ability of companies or businesses in which a Client could invest to refinance debt instruments or repay debt obligations (including making payments to a Client as a creditor with respect thereto) could depend on their ability to obtain financing, including by selling new securities or instruments in the high yield debt or bank loan markets, which at certain points have been extraordinarily difficult to access at favorable rates. Volatility and instability in the securities market could also increase the risks inherent in an account's investments. Interest rate changes could affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate credit instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner, although generally to a lesser degree. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. Additional factors that could affect market interest rates include inflation, slow or stagnant economic growth or recession, unemployment, international disorders and instability in domestic and foreign financial markets. Periodic imbalances in assets and liabilities within an account as a result of changes in interest rates are not uncommon. In a changing interest rate environment, a Client could



potentially not be able to manage this risk effectively. If a Client is unable to manage interest rate risk effectively, its performance could be adversely affected.

**LL. Inflation Risk**

Inflation could potentially affect the performance of an account in a number of ways. High rates of inflation and rapid increases in the rate of inflation generally have a negative impact on financial markets and the broader economy. In an attempt to stabilize inflation, governments could impose wage and price controls or otherwise intervene in a country's economy. Governmental efforts to curb inflation, including by increasing interest rates or reducing fiscal or monetary stimuli, often have negative effects on the level of economic activity. Certain countries, including the U.S., have recently seen increased levels of inflation, and persistently high levels of inflation could have a material and adverse impact on an account's investments and its aggregated returns.

During periods when governments increase interest rates to stabilize inflation, the market value of an account's fixed rate investments will decline in value. While some of an account's investments could have income linked to inflation, whether by regulation, contractual arrangement or other means, inflation could affect both income and expenses and any increase in income from such investments could be insufficient to cover increases in expenses. In addition, any floating rate instruments issued by an account (e.g., in connection with a Fund's subscription facility) during a period of increasing interest rates, could potentially lead to additional expenses incurred by such account resulting in a reduction of returns.

Moreover, as inflation increases, the real value of the interests in an account and distributions therefrom can decline. If an account is unable to increase the revenue and profits of its investments at times of higher inflation, it could be unable to pay out higher distributions to compensate for the relative decrease in the value of money, thereby affecting the expected return of such account. An account could also be adversely affected if the market value of its investments declines during times of higher inflation. There can be no assurance that inflation will not become a serious problem in the future and have an adverse impact on Beach Point returns for Client accounts.

**MM. Changes to Benchmark Rates**

To the extent that an account's investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based on benchmark or reference rates, including the London Interbank Offered Rate ("LIBOR"), Secured Overnight Financing Rate ("SOFR") or other rates (each, a "Benchmark Rate"), an account may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or otherwise ceases to be broadly used by the market. Regulators, central banks, governments and other market participants have transitioned historical instruments and contracts away from LIBOR to new Benchmark Rates. The transition includes the potential to: increase volatility or illiquidity in markets; cause delays in or reductions to financing options for an account and their portfolio companies; increase the cost of borrowing; reduce the value of certain instruments or the effectiveness of certain hedges; cause uncertainty under applicable legal documentation; or otherwise impose costs and administrative burdens relating to factors that include document amendments and changes in systems. Future transitions to and from Benchmark Rates have the potential to have similar effects.

**NN. Participation Interests**

Certain Clients purchase participation interests in debt instruments that do not entitle the holder thereof to direct rights against the obligor. Participations held by a Client in a selling institution's portion of a debt instrument typically result in a contractual relationship only with such selling institution, not with the obligor. The Client has the right to receive payments of principal, interest and any fees to which it is entitled only from the selling institution selling the participation and only upon receipt by such selling institution of such payments from the obligor. In connection with purchasing participations, a Client generally will have no right to enforce compliance by the obligor with the terms of the related loan agreement, nor any rights of set-off against the obligor and a Client may not directly benefit from the collateral supporting the debt instrument in which it has purchased the participation. As a result, a Client will assume the credit risk of both the obligor and the selling institution selling the participation. In the event of the insolvency of such selling institution, a Client may be treated as a general creditor of such selling institution, and may not benefit from any set-off between such selling institution and the obligor. Recent, well-publicized weaknesses in certain financial institutions may be indicative of increased counter-party risk with respect to, among other things, participation interests. Additionally, the transparency of financial statements used by such financial institutions, in particular, with respect to the value of complex financial assets, has been called into question. When a Client holds a participation in a debt instrument, it may not have the right to vote to waive enforcement of any restrictive covenant breached by an obligor or, if a Client does not vote as requested by the selling institution, it may be subject to repurchase of the participation at par. Selling institutions voting in connection with a potential waiver of a restrictive covenant may have interests different from those of a Client, and such selling institutions may not consider the interests of a Client in connection with their votes.

**OO. Tax Matters**

The countries in which certain Funds and Managed Accounts invest impose taxes on certain types of income such as dividends, interest and in some instances capital gains. Although such taxes may be subject to reduction to the extent that Managed Account Clients or investors in a Fund are entitled to the benefits of an income tax treaty between their home jurisdiction and the other jurisdictions in which a Managed Account or Fund invests, there can be no assurance that treaty benefits will be available in any particular case, as this will be dependent on the terms of the treaty and the timely provision of certifications and other documentation. Furthermore, even if certain Managed Accounts or Fund investors are entitled to treaty benefits, withholding taxes may still be deducted by the payers of income, with a material time delay before refunds of such withholding taxes can be obtained from the relevant taxing authority. In addition, changes in the tax laws or tax treaties (or their interpretation) of the countries in which a Managed Account or Fund invests may severely and adversely affect their ability to efficiently realize income or capital gains and may subject a Managed Account or Fund investors to tax and return filing obligations in such countries. There may be a series of complex tax issues related to an investment in a Client.

In addition with respect to the non-U.S. Managed Accounts and Funds, there can be no assurance that such Clients or Fund investors will not be subject to U.S. income tax or that certain U.S. tax-exempt Managed Account Clients or Fund investors will not be subject to unrelated business taxable income.

**PP. Management Fees and Performance-Based Compensation**

As discussed under Item 5 above, Beach Point or its affiliates have the right to receive management fees, and have the potential to earn performance-based fees or profit/incentive allocations, from certain Funds and Managed Accounts. The existence of this compensation can present conflicts of interest. For example,



performance-based compensation can create an incentive for Beach Point or its affiliates to recommend investments which may be riskier than those which would be recommended under a different fee arrangement. Performance-based compensation can also create an incentive for Beach Point or its affiliates to dispose of investments at a time, and/or in a sequence, designed to generate the highest amount of compensation. In addition, the right to earn management fees can create an incentive for Beach Point or its affiliates to hold an investment longer than it would in the absence of the management fee. Where the management fee is calculated based on the valuation of an investment, or a determination of whether an investment has been written off or otherwise permanently impaired, Beach Point may have an incentive to make determinations that result in the continued payment of, or a higher, management fee. In situations where the management fee is calculated based on committed capital, contributed capital or the cost basis of investments, the management fee generally will not be reduced based on reductions in investment value. Moreover, for the avoidance of doubt, in accordance with the governing documents, the management fee will generally not in any event be reduced as a result of any reorganization or restructuring of, extraordinary dividend made with respect to, or similar transactions related to, an investment that does not result in the complete disposition of an account's interest therein (even in cases where the value of the account's investment or the account's ownership percentage in such investment has been reduced (including substantially reduced) as a result of such reorganization, restructuring, extraordinary dividend or similar transaction) and in such cases, investors will continue paying management fees based on committed capital, contributed capital or the cost basis of investments, as applicable, regardless of any such transaction. The lack of a requirement to reduce the management fee in connection with any reorganization or restructuring of, extraordinary dividend made with respect to, or similar transaction related to, an investment presents certain conflicts between the interests of Beach Point and the interests of the investors, including by incentivizing Beach Point to pursue such transactions that would result in the continued payment of management fees.

### **QQ. Lender Liability and Equitable Subordination**

A number of judicial decisions in the U.S. and in other countries have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders.

Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). There can be no guarantee that a Client's claims will not be subject to equitable subordination or that a Client will not incur significant costs defending against such a possibility (even if such defense is ultimately unsuccessful).

**RR. Concentration Risk**

The investment management agreements entered into with a Fund (or in certain circumstances, a Managed Account Client) impose few (or no) limits on the concentration of investments in particular countries, regions, industries, instruments, securities or sectors, and as a consequence, at times a Client may hold a relatively small number of investment positions, each representing a relatively large portion of the account's capital. Losses incurred in those positions could have a material adverse effect on the account.

**SS. Hedging Transactions**

Certain Funds and Managed Accounts utilize financial instruments, both for investment purposes and for risk management purposes in order, for example, to (i) protect against possible changes in the market value of the investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect unrealized gains in the value of the investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the account; (v) hedge the interest rate or currency exchange rate on any of the account's liabilities or assets; or (vi) protect against any increase in the price of any investments Beach Point anticipates purchasing on behalf of a Client at a later date.

The success of any hedging strategy will depend, in part, upon Beach Point's ability to assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many assets change as markets change or time passes, the success of the hedging strategy will also be subject to Beach Point's ability to recalculate, readjust and execute hedges in an efficient and timely manner. While Beach Point may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance for a Client than if Beach Point had not engaged in such hedging transactions. For a variety of reasons, Beach Point may not seek to establish a perfect correlation between the hedging instruments utilized and the account holdings being hedged. Such an imperfect correlation may prevent a Client from achieving the intended hedge or expose the account to additional risk of loss. Beach Point may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, because it does not foresee the occurrence of the risk or for a number of other reasons.

**TT. Non-U.S. Investments**

A Client account will typically include investments in financial instruments of issuers located outside of the United States (which may include emerging, developing or under-developed countries). In addition to business uncertainties, such investments may be affected by political, governmental, social and economic uncertainty affecting a country or region, especially investments in emerging market countries. Many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such non-U.S. issuers. Income received by a Client from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by a Client will reduce its net income or return from such investments.



### **UU. Anti-Corruption and Sanctions Considerations**

Economic sanction laws in the United States and other jurisdictions may prohibit Beach Point, its affiliates, its personnel, the accounts and their portfolio companies from transacting with certain individuals and companies or in certain countries. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces certain U.S. economic and trade sanctions, which prohibit, among other things, transactions with, and the provision of services to, certain non-U.S. countries and territories. These types of sanctions and prohibitions may restrict an account's investment activities. Beach Point, its accounts and its personnel may from time to time be subject to trade sanctions laws and regulations of other jurisdictions, which may be inconsistent with or even preclude the effect of the sanctions administered by OFAC. The legal uncertainties arising from those conflicts may make it more difficult or costly for Beach Point's accounts to navigate investment activities that are subject to sanctions administered by OFAC or the laws and regulations of other jurisdictions.

Beach Point, its affiliates, its personnel, the accounts and their portfolio companies are subject to the anti-corruption laws and regulations of the United States and other jurisdictions, including, among others, the U.S. Foreign Corrupt Practices Act ("FCPA"), the United Kingdom Bribery Act of 2010 ("UKBA") and the Ireland Criminal Justice (Corruption Offences) Act 2018 (all such applicable laws and regulations are referred to herein collectively as "anti-corruption laws"). As a result, the accounts may be adversely affected because of their unwillingness to participate in transactions that violate anti-corruption laws. In addition, anti-corruption laws may adversely impact the profitability of an investment as a portfolio company may be restricted from obtaining new business opportunities or retaining existing business relationships or may make it difficult for an account to exit an investment. In recent years, the U.S. Department of Justice, the SEC and regulators and government agencies in a number of other countries have devoted greater resources to enforcement of anti-corruption laws. While Beach Point has developed and implemented policies and procedures designed to comply with applicable anti-corruption laws, such policies and procedures may not be effective in all instances to prevent violations or offenses. In addition, notwithstanding Beach Point's policies and procedures, portfolio companies and their affiliates may engage in activities that could result in violations of anti-corruption laws, particularly in cases where an account does not control such portfolio company. Any determination that Beach Point has violated or committed an offense under an applicable anti-corruption law could subject Beach Point and/or its officers, employees and agents to, among other things, civil and criminal penalties, material fines, disgorgement of profits, injunctions on future conduct, securities litigation, debarment from federal or international programs and/or a general loss of investor confidence, any one of which could adversely affect Beach Point, its affiliates and/or its accounts.

### **VV. Currency and Exchange Rate Risk**

Certain Clients hold certain investments in financial instruments denominated in currencies other than the U.S. Dollar or in financial instruments which are determined with reference to currencies other than the U.S. Dollar. To the extent unhedged, the value of an account's assets will fluctuate with U.S. Dollar exchange rates as well as with price changes in the various local markets and currencies. Thus, an increase in the value of the U.S. Dollar compared to the other currencies in which a Client may make investments will reduce the effect of increases and magnify the U.S. Dollar equivalent of the effect of decreases in the prices of the account's financial instruments in their local markets. Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the account's non-U.S. Dollar financial instruments. Beach Point typically utilizes forward





currency contracts and options to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

### **WW. Unregistered Securities**

Certain Clients hold unregistered securities. Unregistered securities generally may be resold only (i) in a public offering registered under the Securities Act, (ii) pursuant to Rules 144 or 144A under the Securities Act or (iii) pursuant to any other exemption from registration under the Securities Act. The resulting difficulties and delays could result in a Client's inability to realize a favorable price upon disposition of unregistered securities, and in some cases might make such disposition at the time desired by Beach Point impossible.

### **XX. Impact of Government Regulation, Reimbursement and Reform**

Certain industry segments in which a Client intends to invest are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While a Client intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which a Client invests.

Additionally, the SEC has indicated that it intends to seek to enact changes to numerous areas of law and regulations that would impact the business of Beach Point. In particular, the SEC has signaled an increased emphasis on investment adviser and private fund regulation and has proposed a number of new rules that, if adopted, would impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose additional changes in the future. Any such changes are expected to materially impact Beach Point and its affiliates, its accounts and/or its investments, as well as increase their expenses. Significant time and resources may be required to comply with new regulations, which potentially will detract from the time and resources dedicated to Clients.

### **YY. Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes**

The alternative asset management industry continues to receive scrutiny from governments across the globe. As a result, Beach Point, Funds and Managed Accounts are subject to laws and regulations enacted by numerous jurisdictions some of which may be inconsistent. It is impossible to predict the implications of changes, if any, in the laws or regulations applicable to Beach Point and its Clients. As a result, Beach Point and its Clients may incur significant additional costs to comply with such regulatory requirements. In addition, there can be no assurance that any such governmental scrutiny or regulation will not have an adverse impact on the activities of Beach Point or its Clients, including the ability for Beach Point or its Clients to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives. The combination of such scrutiny of alternative asset managers and their investments by various politicians, regulators and market commentators could adversely affect Beach Point's ability to fulfill its investment objectives.

**ZZ. Uncertain Economic, Social and Political Environment**

Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence 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 a Client to execute their respective strategies. This may slow the rate of future investments by a Client, and result in longer holding periods for investments.

**AAA. Russia-Ukraine Conflict**

There is currently an ongoing military conflict between Russia and Ukraine which, in a relatively short period of time, has caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place global sanctions and other severe restrictions or prohibitions on the activities of individuals and businesses connected to Russia. However, the ultimate impact of the Russia-Ukraine conflict and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of an account or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

The Russia-Ukraine conflict may have a significant adverse impact and result in significant losses to the accounts. This impact may include reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It may also limit the ability of Beach Point to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which accounts intend to pursue, all of which could adversely affect Beach Point's ability to fulfill its investment objectives.

**BBB. Market Conditions**

The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for a Client, and may affect a Client's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in a Client's investments and could have a negative impact on the performance and/or valuation of the investments. Client performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007, the downgrading of the credit rating of the United States in 2011 or the COVID-19 pandemic in 2020, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments and a Fund's and Managed Account's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of a Client to sell and/or partially





dispose of its investments. Such adverse effect may cause the inability of a Client to dispose of investments at prices that Beach Point believes reflect the fair value of such investments.

**CCC. Market Dislocation**

A financial crisis, global recession or sustained economic downturn could adversely affect the financial resources of corporate issuers in which a Client make investments and result in the inability of such issuers to make principal and interest payments on or refinance, outstanding debt when due. In the event of such defaults, a Client may suffer a partial or total loss of capital invested in such companies, which would, in turn, have an adverse effect on Client returns. Such marketplace events also may restrict the ability of a Client to sell or liquidate investments at favorable times or for favorable prices (although such marketplace events may not foreclose a Client's ability to hold such investments until maturity). While Beach Point expects that the current environment will yield attractive investment opportunities for a Client, there can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect one or more of a Client's investments, its access to capital or leverage or its overall performance. There can be no assurance that the assumptions made or the beliefs and expectations currently held by Beach Point will prove correct. Moreover, markets begin to show a recovery from a financial crisis, global recession or sustained economic downturn, the U.S. and other governments may begin to reduce or terminate the supportive measures taken in response to such market dislocation. Such a withdrawal, if undertaken prematurely or too swiftly, could pose additional risks to recovering capital markets and the availability of credit to businesses generally.

**DDD. Public Health Emergencies**

Any public health emergency, including an outbreak of a concerning coronavirus (like COVID-19), SARS, H1N1/09 flu, avian flu, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on a Client and its portfolio investments and could adversely affect a Client's ability to fulfill its investment objectives.

The extent of the impact of any public health emergency on a Fund or Managed Account and its portfolio investments' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of the portfolio investments held by a Fund or Managed Account and the ability of a Fund or Managed Account to source, manage and divest investments and the ability of a Fund or Managed Account to achieve its investment objectives, all of which could result in significant losses to a Fund or Managed Account. In addition, the operations of a Fund or Managed Account, its portfolio investments, and Beach Point may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel.

**EEE. European Union Alternative Investment Fund Managers Directive & United Kingdom Alternative Investment Fund Managers Regulation (the “AIFMD”)**

The AIFMD regulates the activities of certain private fund managers (each, an “AIFM”) undertaking fund management activities or marketing interests in alternative investment funds (each, an “AIF”) to investors within the European Economic Area (“EEA”) and the United Kingdom (the “UK”). Because some Funds are marketed to investors domiciled or having their registered office in certain jurisdictions in the EEA or the UK: (i) such Funds and Beach Point and its affiliates are subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which has resulted in such Funds incurring additional costs and expenses; (ii) such Funds and Beach Point and its affiliates are subject to additional regulatory and compliance obligations arising under national law in certain EEA jurisdictions and the UK, which have caused such Funds to incur additional costs and expenses and otherwise affect the management and operation of such Funds; (iii) Beach Points and its affiliates are required to make detailed information relating to such Funds and their investments available to regulators and third parties; and (iv) the AIFMD restricts certain activities of such Funds in relation to EEA and UK portfolio companies (including, in some circumstances, the ability of such Funds to recapitalize, refinance or potentially restructure an EEA or UK portfolio company within the first two years of ownership), which may in turn affect operations of such Funds generally. In addition, it is possible that some EEA jurisdictions or the UK will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for such Funds to raise their targeted amount of capital commitments.

In the future, it may be possible for non-EEA AIFMs to market an AIF within the EEA pursuant to a pan-European marketing “passport” instead of under the existing national private placement regimes. The access to the passport may be subject to the non-EEA AIFM complying with various requirements under the AIFMD, which may include one or more of the following: rules relating to the remuneration of certain personnel, minimum regulatory capital requirements, restrictions on the use of leverage, additional disclosure and reporting requirements to both investors and EEA home state regulators, the independent valuation of an AIF’s assets, and the appointment of legal representatives and an independent depositary to hold assets. Certain EEA member states have indicated that they will cease to operate national private placement regimes when or shortly after the passport becomes available, which would mean that non-EEA AIFMs to whom the passport is available would be required to comply with all relevant provisions of the AIFMD in order to market to professional investors in those jurisdictions. As a result, if in the future non-EEA AIFMs may only market in certain EEA jurisdictions pursuant to a passport, Beach Point may not seek to market the interests in those jurisdictions, which may lead to a reduction in the overall amount of capital invested in the accounts. Alternatively, if Beach Point sought to comply with the requirements needed to use the passport, this could have other adverse effects including, among other things, increasing the regulatory burden and costs of operating and managing the accounts and their investments, and potentially requiring changes to compensation structures for key personnel, thereby affecting Beach Point’s ability to recruit and retain these personnel.

References to European Union laws mean such laws as implemented in each EEA Member State, where applicable, and equivalent or similar laws in the UK.

**FFF. United Kingdom (the “UK”) Exit from the European Union (the “EU”)**

On January 31, 2020, the UK formally withdrew from the EU (“Brexit”). Following such withdrawal, the UK entered into a transition period during which the majority of the existing EU rules continued to apply in the



UK. Following the end of the transition period on December 31, 2020, the EU rules ceased to apply in the UK.

Although the terms of the UK's future relationship with the EU were agreed in a trade and cooperation agreement signed on December 30, 2020, this did not include an agreement on financial services. In the absence of a formal agreement on this issue, UK firms in the financial sector have more limited access to the EU market than prior to Brexit and EU firms similarly have more limited access to the UK, owing to the loss of passporting rights under applicable EU and UK legislation. Alternative arrangements and structures may allow for the provision of cross-border marketing and services between the EU and UK, but these are subject to legal uncertainty and the risk that further legislative and regulatory restrictions could be imposed in the future.

As a result of the onshoring of EU legislation in the UK, UK firms are currently subject to substantially many of the same rules and regulations as prior to Brexit. However, the UK government has stated its intention to recast onshored EU legislation as part of UK legislation and regulation, which could result in substantive changes to regulatory requirements in the UK. It remains to be seen to what extent the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time. If the regulatory regimes for EU and UK financial services change or diverge further, this could have an adverse impact on the Firm and its investments, including the ability of Clients to achieve their investment objectives in whole or in part (for example, owing to increased costs and complexity and/or restrictions in relation to cross-border access).

The legal, political and economic uncertainty and disruption generally resulting from Brexit may adversely affect both EU- and UK-based businesses. Brexit has already led to disruptions in trade as businesses attempt to adapt cross-border procedures and rules applicable in the UK and in the EU to their activities, products, customers, and suppliers. Continuing uncertainty and the prospect of further disruption may result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States which could adversely affect the values of investments held by Clients.

### **GGG. Cybersecurity and Identity Theft**

As the use of technology, including cloud-based technology, has become more prevalent in the course of business, Beach Point, and its respective service providers, have become potentially more susceptible to operational and information security risks resulting from cyber-attacks. Cybersecurity is a generic term used to describe the technology, processes, and practices designed to protect networks, systems, computers, programs, and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. For example, information and technology systems (including cloud-based technology) are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Such damage or interruptions to information technology systems could cause losses to Beach Point, Clients and Fund investors, by affecting the ability of Beach Point (including service providers) to calculate net asset value, impeding or sabotaging trading, or interfering with the processing of transactions. A cybersecurity breach could expose both the Clients and Beach Point to substantial costs (including, without limitation, those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of



proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage), civil liability as well as regulatory inquiry and/or action. Beach Point's increased use of cloud-based service providers could heighten or change these risks. In addition, any such breach could lead to substantial Client withdrawals. Clients and Fund investors could also be exposed to losses resulting from unauthorized use of personal information. Beach Point permits personnel to work remotely. As a result of working remotely, such personnel rely more heavily on external sources for information and technology systems for their business-related communications and information sharing, which results in Beach Point being more exposed to potential cybersecurity incidents and cyberattacks. While Beach Point has established business continuity plans, incident response plans and systems reasonably designed to prevent and mitigate cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cybersecurity risks also are present for issuers of securities in which a Client invests, which could result in material adverse consequences for such issuers, and may cause a Client's investment in such securities to lose value.

### **HHH. Privacy, Data Protection and Information Security Compliance Risk**

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, destruction and safeguarding of personal data and some of a Client's current and planned business activities and as such could increase costs for a Client, and/or its portfolio companies. A failure to comply with such laws and regulations could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations of a Client, and/or its portfolio companies and overall business, as well as have an impact on reputation. As privacy, data protection and information security laws are implemented, interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

The General Data Protection Regulation (EU 2016/679) (the "EU General Data Protection Regulation" or the "EU GDPR") came into effect on May 25, 2018, replacing data protection laws in the European Union (the "EU") previously in effect. The EU GDPR sought to harmonize national data protection laws across the EU, while at the same time, modernizing the law to address new technological developments. The EU GDPR is automatically binding on data controllers and data processors in all member states of the EU, without the need for implementation in each member state. The EU GDPR notably has a greater extra-territorial reach and will have a significant impact on data controllers and data processors (i) with either an establishment in the EU, (ii) which offer goods or services to EU data subjects, or (iii) monitor EU data subjects' behavior within the EU. The EU GDPR imposes more stringent operational requirements on both data controllers and data processors, and introduces significant penalties for non-compliance including fines.

As a result of Brexit, the United Kingdom (the "UK") is no longer regulated domestically by the EU GDPR. Instead, The UK's data protection regime is set out in the UK General Data Protection Regulation (the "UK GDPR") and the UK Data Protection Act 2018. Broadly speaking, the UK GDPR closely follows the same data protection rules as the EU GDPR. Furthermore, the UK Data Protection Act 2018 essentially adapts the EU GDPR rules for the UK's legal system.

Following Brexit, the EU under the EU GDPR now categorizes the UK as a "third country." However, on June 28, 2021, the EU adopted an adequacy decision for the UK, ensuring the continued free flow of



personal data from individuals inside the EU to the UK. The UK adequacy decision by the European Commission is limited to four years and will not be automatically renewed, but will require a new adequacy process to determine whether the UK still ensures an equivalent level of data protection in June 2025.

The Cayman Islands' Data Protection Act (2021 Revision) (Law 56 of 2021) (the "Cayman Islands DPA") came into effect on September 30, 2019 and draws its foundational tenets, including processing principles and legal bases for processing, from the UK Data Protection Act 2018, the UK GDPR and the EU GDPR. As such, the UK and EU data protection compliance essentially equates to Cayman Islands DPA compliance with a few key exceptions; most notably, under the Cayman Islands DPA, data subjects do not have an explicit right of erasure or a right to data portability, and the supervisory authority to which complaints and queries are to be submitted is the Cayman Islands' Office of the Ombudsman. In further contrast to the UK and EU data protection legislation and guidance, the Cayman Islands DPA does not require Data Protection Impact Assessments and imposes relatively less severe monetary penalties for breaches of its provisions.

In addition to the EU GDPR, UK GDPR, the UK Data Protection Act 2018 and the Cayman Islands DPA, Beach Point is subject to the California Consumer Privacy Act of 2018 (the "CCPA"), which went into effect on January 1, 2020. The CCPA imposes sweeping data protection obligations on many companies doing business in California and introduces substantial fines for non-compliance and, in some cases, a private right of action for consumers who are victims of data breaches involving their unencrypted personal information. Further, in November 2020, California voters passed the California Privacy Rights and Enforcement Act of 2020 (the "CPRA"). In short, the CPRA works as an addendum to the CCPA – strengthening rights of California residents, tightening business regulations on the use of personal information, and establishing a government agency for statewide data privacy enforcement called the California Privacy Protection Agency (the "CPPA"). A majority of the CPRA's substantive provisions went into effect on January 1, 2023. Among other things, the CPRA explicitly requires certain businesses to implement reasonable security procedures and practices and requires an annual cybersecurity audit and submission of a risk assessment to the CPPA. On February 9, 2024, California's Third District Court of Appeal overruled a lower court's decision that sought to delay the CPPA's enforcement authority of its regulations until March 2024. The appellate court held that the CPPA's authority to enforce its amended regulations should have been effective on July 1, 2023. These and other data privacy laws and regulations continue to develop and may be inconsistent from jurisdiction to jurisdiction.

**The foregoing discussion of certain risk factors does not purport to be a complete explanation of the risks involved with investing with Beach Point. Clients and Fund investors should read all documents and agreements related to opening an account or investing in a Fund (including a Fund's Offering Memorandum and other relevant documents).**

### Item 9: Disciplinary Information

To Beach Point's knowledge, none of the firm or any of its management personnel has been involved in, or subject to, any disciplinary events or legal actions that would be material to a Client's or prospective client's evaluation of Beach Point's advisory business or the integrity of Beach Point's management.



### Item 10: Other Financial Industry Activities and Affiliations

Beach Point CLO Management LLC, a related person of Beach Point, acts as the collateral manager of Beach Point-Managed CLOs and is deemed to be relying adviser pursuant to Beach Point's SEC registration.

Beach Point Capital Europe LLP ("Beach Point Europe"), a related person of Beach Point, is an entity organized under the laws of the United Kingdom and authorized by the U.K. Financial Conduct Authority to, among other things, provide investment advisory services and perform marketing activities.

Beach Point Capital (Ireland) DAC ("Beach Point Ireland"), a related person of Beach Point, is an entity organized under the laws of the Republic of Ireland to manage special purpose lending vehicles. Thomas Boyack and Lawrence M. Goldman serve as directors of Beach Point Ireland.

In addition, Beach Point Europe and Beach Point Ireland provide research services to Beach Point and its affiliates. Beach Point Europe and Beach Point Ireland may provide research services with respect to issuers located outside of the United States.

Certain Beach Point employees serve as directors of the offshore feeder funds, Beach Point Ireland and the Corporate Members of Beach Point Europe.

BPCM Investment Trust GP LLC, a related person of Beach Point, acts as the general partner of BPCM Investment Trust LP, the entity that currently owns equity of a private REIT.

In some circumstances, Clients may invest in or through a special-purpose vehicle, or SPV, formed to hold certain assets (for example residential whole mortgage loans), or formed to address certain tax, legal, accounting, regulatory, financing, or other concerns. BPC AS LLC or BPC AS Cayman LLC, each a related person of Beach Point, typically manage or act as the general partner or managing member of such SPVs; however, with respect to an Irish SPV, the investment manager is Beach Point Ireland. Joint participation in SPVs by multiple Clients can lead to conflicts among them when, for example, one Client seeks to end its participation or seeks the resolution or disposition of an SPV's assets while other Clients seek continued participation.

BPC Lending Holdings LLC, a related person of Beach Point, acts as the managing member of lending entities through which certain loan origination activities are conducted.

Beach Point or its affiliates has and may in the future enter into additional agreements, or "side letters," with certain prospective or existing limited partners or shareholders whereby such limited partners or shareholders may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the Fund. From time to time, Beach Point has afforded, and may in the future in its sole discretion afford, certain prospective or existing investors in Funds or certain prospective or existing Clients in the same or similar strategy (i) more favorable economic terms than other investors in the same Fund or other Clients within the same or similar investment strategy, including with respect to both management and performance-based fees, (ii) rights to receive reports on a more frequent basis or that include information not otherwise provided to other investors in a Fund or other Clients in the same or similar investment strategy (including, without limitation, more detailed information regarding portfolio positions), and (iii) such other rights as may be negotiated by investors in Funds or Clients. Such terms are provided solely at the discretion of Beach Point and may, among other things, be based on the timing and





aggregate size of commitments of such investor or Client, as applicable, to one or more Managed Accounts or Funds managed by Beach Point or its affiliates. Any fees may be reduced or waived entirely by Beach Point or its affiliates in their sole discretion.

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

#### Code of Ethics

Pursuant to Rule 204A-1 under the Advisers Act, Beach Point has adopted a Code of Ethics (the “Code”) which sets forth standards of business and personal conduct for all Beach Point employees and addresses conflicts including those that may arise from personal trading by employees. Below is a summary of certain provisions contained in the Code.

The Code requires employees to pre-clear all purchases and sales of securities unless otherwise exempted by the Code. If the requested security transaction is approved, the approval is good only for the day on which it was received (i.e., employees need to execute the approved trade on the day it is approved or pre-clear and receive approval again). Employees are prohibited from transacting in options on single name stocks and purchasing a financial instrument issued by an issuer if any Client account holds a financial instrument issued by such issuer. In addition, certain blackout periods apply to the purchase and sale of certain financial instruments.

With limited exceptions, employees are prohibited from selling (or buying to cover) a Security (other than a Fully Exempt Security or a Partially Exempt Security) within 30 calendar days of the most recent purchase (or short sale), regardless of gain or loss. Employees are prohibited from acquiring securities in an initial public offering (IPO) unless prior approval is received from the Chief Compliance Officer and private placements unless prior approval is received from the Chief Compliance Officer or a designee.

Employees are also generally prohibited from serving as directors of other companies unless approval is obtained from (a) one of the CEOs, the Chief Compliance Officer or General Counsel to serve as a director, or in a similar capacity, of a portfolio company of a Client managed by Beach Point and (b) the Chief Compliance Officer or General Counsel to serve as a director, or in similar capacity, in all other circumstances. In addition, the Code includes restrictions and reporting obligations in connection with gifts and entertainment. The Code also requires employees to pre-clear all Political Activity (as defined in the Code).

Employees may make a request to the Chief Compliance Officer for an exception from certain of the above-listed restrictions. Such exceptions are granted, if at all, only under limited circumstances.

Employees must report personal securities holdings upon becoming an employee and annually thereafter. Employees must also report their personal securities transactions on a quarterly basis. In addition, employees are required to provide duplicate brokerage statements to Beach Point's Compliance Department (preferably via electronic data feed into Beach Point's code of ethics monitoring system).

Beach Point also maintains insider trading policies and procedures (the “Insider Trading Policies”) that are designed to prevent the misuse of material, non-public information. Beach Point's personnel are required to certify to their compliance with the Code and the Insider Trading Policies on a periodic basis.



Beach Point or its related persons, in the course of their investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which Beach Point or its related persons have invested or seek to invest on behalf of Clients. Beach Point is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a Client. Beach Point maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that Beach Point is meeting its obligations to its Clients and remains in compliance with applicable law. In certain circumstances, Beach Point may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but Beach Point will be prohibited from communicating such information to the Client or using such information for the Client's benefit. In such circumstances, Beach Point will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that Beach Point possesses such information), or not using such information for the Client's benefit, as a result of following the Beach Point's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

Beach Point's Compliance Committee has been formed to help ensure that a proper compliance control environment exists at the Firm. All employees are subject to oversight by the Compliance Committee and are expected to be familiar with the Firm's compliance policies and procedures and their responsibilities thereunder. Compliance Committee's oversight responsibility includes reviewing compliance policies and procedures submitted for review by the Chief Compliance Officer; reviewing reports prepared by the Chief Compliance Officer regarding compliance related issues including, but not limited to, instances of non-compliance with Beach Point's policies and procedures; and resolving significant compliance issues or conflicts of interest, as necessary.

Beach Point maintains a strong culture of compliance and a commitment to addressing compliance violations. Violations of the trading prohibitions and restrictions set forth in the Code may result in disciplinary action which may include, among other things, a warning, additional training, suspension of personal trading privileges, reversal of a transaction, disgorgement of profits and other action as determined by the CCO and other members of Beach Point's Compliance Committee as considered necessary at that time, including termination of employment.

Beach Point has a non-retaliation policy that protects employees who report violations or other improper conduct to the Chief Compliance Officer in good faith or who otherwise cooperate in any related investigation.

New employees receive initial compliance training on the Code and other compliance policies and procedures. In addition, the Compliance Department provides various compliance trainings throughout the year for employees.

Managed Account Clients and Fund investors may obtain a copy of the Code free of charge by contacting the Compliance Department at (310) 996-9700.



**Cross Trades**

Beach Point may effect transactions in account securities between two or more Funds or Managed Accounts (“cross trades”) unless prohibited or restricted by applicable law or by a Client. When effecting cross trades between Clients, Beach Point will have potentially conflicting division of loyalties and responsibilities with respect to each participating Client. Beach Point addresses this potential conflict of interest by conducting cross trades only in compliance with Beach Point’s cross trade policy. The policy permits a cross trade only under certain conditions, including that Beach Point believes the transaction is in the best interest of all of the Clients participating in the cross trade. In addition, Beach Point has developed cross trade procedures which include (i) submitting the proposed cross trade price to the Valuation Department for review, (ii) cross trade approval from the Chief Compliance Officer and the responsible portfolio manager(s), and (iii) submission of all executed cross trades to the Valuation Committee for review. In addition, Beach Point does not receive any special compensation for effecting cross trades. Commissions, if any, related to such cross trades are generally shared equally among the Clients involved in the trade.

**Related Persons and Third-Party Investment Managers**

As described previously, Beach Point Advisors LLC, a related person of Beach Point acts as the general partner of certain Funds. In addition, BPC Opportunities Fund IV GP LP, BPC Opportunities Fund V GP LP, BPC Tactical Fund GP LP, and BPC Real Estate Debt Fund GP LP each a related person of Beach Point, act as the general partner or managing member to certain closed-end Funds.

Beach Point CLO Management LLC, a related person of Beach Point, acts as the collateral manager of Beach Point-Managed CLOs.

BPCM Investment Trust GP LLC, a related person of Beach Point, acts as the general partner of BPCM Investment Trust LP, the entity that currently owns equity of a private REIT.

In some circumstances, Clients may invest in or through a special-purpose vehicle, or SPV, formed to hold certain assets (for example residential whole mortgage loans), or formed to address certain tax, legal, accounting, regulatory, financing, or other concerns. BPC AS LLC or BPC AS Cayman LLC, each a related person Beach Point, will typically manage or act as the general partner or managing member of such SPVs; however, with respect to an Irish SPV, the investment manager is Beach Point Ireland.

BPC Lending Holdings LLC, a related person of Beach Point, acts as the managing member of lending entities through which certain loan origination activities are conducted.

Mr. Goldman and Mr. Boyack serve as directors of the offshore feeder funds. For certain offshore feeder funds, Mr. Goldman and Mr. Boyack are the sole directors of such offshore fund. This has the potential to create a number of conflicts of interest, particularly in situations in which the interests of Beach Point (and/or its affiliates) may diverge from the interests of the Fund and/or the Fund investors. The Fund’s Articles of Association contain provisions which are designed to address certain of these conflicts of interests, but there is no guarantee that these provisions will adequately protect the interests of the Fund and the Fund investors. In certain instances, the Board of Directors may make decisions or take actions that are less favorable to the Fund and/or the Fund investors than the decisions or actions that would be made or taken by a board consisting of all (or a majority of) non-affiliated directors.



Beach Point Ireland, a related person of Beach Point, manages special purpose lending vehicles in Ireland. Mr. Goldman and Mr. Boyack serve as directors of Beach Point Ireland.

Related persons of Beach Point may serve as the general partner of, or act as an investment adviser to, partnerships and Funds in which Clients are solicited to invest. Soliciting Clients to invest in funds from which Beach Point or a related person of Beach Point receives fees is a potential conflict of interest. In order to address this conflict, Beach Point discloses to Clients its interest in such funds, does not charge Clients any placement fees and provides Clients with offering documents that explain the fee structure and risks associated with an investment in such funds.

Certain Clients have an equity interest in a third-party investment manager that provides investment advisory services to certain private funds in which such Clients are invested. Beach Point may allocate an investment in future private funds advised by such third-party investment manager to certain Funds and Managed Accounts (including those that do not own an interest in the third-party investment manager).

From time to time, Beach Point may cause certain Funds and Managed Accounts to invest in pooled investments or other structured vehicles or funds, including, without limitation, those managed by third-party investment managers. A Client may incur expenses (including, without limitation, asset-based management fees and performance-based compensation earned by third-party investment managers) in addition to the fees paid to Beach Point even though the Client may not achieve any gain with respect to such investments.

### Item 12: Brokerage Practices

Beach Point generally has discretionary authority to manage the Client accounts, including the authority to determine which securities are to be bought and sold and the amounts appropriate for each Client. Any limitation on Beach Point's authority is described in a Client's investment management agreement and/or other governing documents.

Beach Point's Brokerage Committee oversees all trading practices and brokerage relationships of the Firm. The responsibilities of the Brokerage Committee include, but are not limited to the following: reviewing, approving and monitoring executing brokers and other trading counterparties (i.e., ISDA counterparties); approving and monitoring the Firm's best execution practices; monitoring the brokerage volume levels for both the Firm and the accounts for which the Firm provides investment advisory services; monitoring the reasonableness of all commission rates, ticket charges and other fees imposed by or charged by broker-dealers utilized by the Firm; reviewing and approving the Firm's (i) commission sharing arrangements (if any), (ii) use of soft dollars (if any), and (iii) the implementation of policies and procedures related to soft dollars; and reviewing trading in foreign markets.

In selecting brokers or dealers to effect portfolio securities transactions, Beach Point will comply with its fiduciary duty to seek "best execution" on behalf of Clients. Beach Point will consider relevant factors, including, among other things: (a) price, (b) the nature of the market, (c) quantity, (d) the execution capabilities required by the transaction, (e) commissions, (f) the importance of speed and efficiency, (g) the reputation and perceived soundness of the broker or dealer, (h) block trading and block positioning capabilities, (i) willingness to execute related or unrelated difficult transactions in the future, and (j) brokerage and research products and services provided to Beach Point.



There are rarely brokerage commissions on fixed income transactions. Fixed income transactions are typically effected on a “net” basis. Therefore, Clients are not expected to pay significant brokerage commissions on fixed income transactions. It is noted, however, that should any transactions for Clients be effected for which brokerage commissions are charged, Beach Point will seek to obtain favorable commissions in light of its efforts to obtain “best execution” on all transactions. Beach Point is not obligated to obtain the lowest commission or best net price for a Client on any particular transaction.

### **Research and Soft Dollars**

From time to time, unless prohibited by a Client’s investment management agreement and/or other governing documents, Clients pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research products or services provided by the broker-dealer or a third party vendor (“soft dollars”). Beach Point will endeavor to effect such transactions, and receive such brokerage and research products and services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). Beach Point believes it is important to its investment decision-making processes to have access to independent research.

Beach Point’s use of soft dollars to pay for research products and services benefits Beach Point because Beach Point does not have to produce or pay for the research products or services. Beach Point may have an incentive to select a broker-dealer based on its interest in receiving the research or other products or services rather than on a Client’s interest in receiving the most favorable execution of trades. Beach Point addresses this conflict through periodic meetings of the Beach Point Brokerage Committee. Among other things, the Beach Point Brokerage Committee reviews and approves Beach Point’s (i) commission sharing arrangements (if any), (ii) use of soft dollars (if any), and (iii) the implementation of policies and procedures related to soft dollars.

At meetings of the Beach Point Brokerage Committee, members of the trading staff are asked to confirm that commissions paid during the applicable period were reasonable in relation to the value of the brokerage and research products and services provided by the brokers. Traders are also asked to confirm the broker selection process was not influenced by conflicts of interest. In addition, a portfolio manager is asked to confirm that (i) the research services provided by the brokers assisted in the performance of the investment team’s investment decision-making responsibilities, (ii) the portfolio manager believes that the commissions paid during the period were reasonable in relation to the value of the services paid with soft dollar credits, and (iii) the Beach Point trading desk sought to achieve best execution during the applicable quarter.

The research products or services furnished by brokers-dealers through which Beach Point effects transactions may be used for the benefit of Clients other than the particular Client whose transactions generated the soft dollars. Beach Point does not seek to allocate soft dollar benefits to Funds or Managed Accounts in proportion to the soft dollar credits generated by such Funds or Managed Accounts.

The research products or services furnished to Beach Point by broker-dealers may include, among other things, investment and financial market research, securities and economic analysis, company information and quotation services. The research received from a broker-dealer may be proprietary research (created or developed by the broker-dealer) and/or research created or developed by a third party. For example,



Beach Point has used soft dollars to acquire proprietary research analyzing the performance of particular companies and to pay for certain third party products and services, including financial software and data license fees, but excluding any hardware fees for the terminal, computer cables and cable lines associated with the delivery of such software or data.

Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will Beach Point make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

### **Brokerage for Client Referrals**

Certain Fund investors are vehicles organized and managed by affiliates of broker-dealers. In addition, certain broker-dealers organize events pursuant to which certain of their clients may learn more about select investment advisers, including Beach Point. There may be an incentive for Beach Point to direct Client transactions to such broker-dealers. Beach Point has policies in place, including a best execution policy, designed to prevent the selection of broker-dealers based solely on the receipt of such benefits by Beach Point or its Clients. In addition, Beach Point has a Brokerage Committee that reviews, approves and monitors executing broker-dealers and other trading counterparties.

### **Directed Brokerage**

To the extent a Client directs Beach Point to use a particular broker or dealer, Beach Point may not be authorized under those circumstances to negotiate price and may not be able to obtain volume discounts or best execution for such Client. In addition, under these circumstances a disparity in prices may exist between Clients who direct Beach Point to use a particular broker or dealer and other Clients who do not direct Beach Point to use a particular broker or dealer. As a result, the Client that directs brokerage may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions than would otherwise be the case if Beach Point used other or multiple brokers.

### **Order Aggregation and Allocation**

#### **A. Overview**

Due primarily to the nature of the market for the investments that typically comprise a significant portion of the assets held in Client accounts (e.g., below investment grade credit-related instruments, private investments, structured products, etc.), the amount of an investment that Beach Point desires to buy or sell at the price Beach Point deems appropriate often cannot be fully accommodated. As a result, Beach Point has implemented an Investment Allocation and Aggregation Policy (the "Allocation Policy") to set forth how Beach Point aggregates trade orders and allocates investments purchased and sold among accounts.

In accordance with Beach Point's fiduciary duty owed to our Clients, the overall objective of the Allocation Policy is to allocate trades to Clients fairly and equitably over time. Beach Point does not allocate trades based on a Client's fee structure, including whether the Client pays a performance-based fee, and does not otherwise allocate trades to benefit itself or its officers or employees. In general, Beach Point's practice is



to allocate trades pro rata (based on the asset value of each account or the target position size or the size of the existing position, etc.) among accounts within the same strategy. Notwithstanding the foregoing, but subject to Beach Point's fiduciary duty to treat all Clients fairly and equitably over time, certain allocations will deviate from a pro rata allocation among accounts due to certain circumstances and factors described below.

### **B. Trade Order Aggregation**

To achieve optimal execution and lower transaction costs, whenever practicable, Beach Point trades blocks of financial instruments in order to aggregate orders for groups of Clients. In such circumstances, an account participating in the aggregated order will do so at the executed price, and all transaction costs, if any, are shared on a pro rata basis or equally, depending on the type of cost. Beach Point allocates such orders among all participating accounts in a manner Beach Point believes to be fair and equitable to each Client over time. As noted below, in the event that Beach Point is not able to buy or sell a specified amount of an investment at the desired price, the amount bought or sold is allocated based upon the investment allocation considerations detailed in Beach Point's Allocation Policy as described below.

### **C. Trading Authority and Timing of Allocation**

Beach Point is authorized to determine which investments are bought and sold and the amounts appropriate for each account. Any limitation on Beach Point's authority is set forth in an account's governing documents (e.g., investment management agreement, private placement memorandum, partnership agreement, etc.). Although a portfolio manager places a trade order with an understanding of the accounts to which such trade will be allocated, Beach Point's practice is to allocate investments after a trade has been executed so that Beach Point knows the actual amount to be allocated. To the extent certain accounts in a strategy are not allocated an investment due to investment allocation considerations set forth in the Allocation Policy, the portfolio manager for such excluded accounts may seek to purchase the investment at a later date (if the investment is available at an attractive price) or may purchase other investments for the accounts. Furthermore, in the event accounts within a strategy are consistently excluded from certain investments (e.g., offshore Funds and Managed Accounts are frequently unable to participate in loan originations due to tax considerations), such accounts may receive a larger than pro rata allocation of other investments.

## **Potential Conflicts of Interest in Connection with Trade Allocation**

### **A. Overview**

Although allocating trades among Clients may create potential conflicts of interest including, without limitation, because Beach Point may receive greater fees or compensation (including performance fees or similar incentive compensation) from certain Clients, Beach Point will not make allocation decisions based on such factors. Notwithstanding the foregoing, and subject to Beach Point's fiduciary duty to treat all Clients fairly and equitably over time, any particular allocation decision among accounts may be more or less advantageous to any one Client or group of Clients and certain allocations will deviate from a pro rata allocation among Clients in order to address, for example, differences in legal, tax, regulatory, risk management, concentration, exposure, cash levels, and/or mandate considerations for the relevant Clients. Beach Point may also determine that an investment opportunity or particular purchases or sales are appropriate for one or more Clients, but not for other Clients, or are appropriate for, or available to, Clients but in different sizes or subject to different terms or timing. For example, some Clients may have a higher risk tolerance than other Clients, which may allow Beach Point to allocate a wider variety and/or greater



percentage of certain types of investments (which may or may not outperform other types of investments) to such Clients. In addition, specialized accounts focusing on certain types of investments (e.g., private equity, distressed and private credit, structured products, bank loans, or other specialized strategies) may be given priority in the allocation process with respect to the investments or asset classes that are the focus of their investment mandate. Similarly, an account designed to hold fewer more concentrated positions may also receive an increased allocation in order to reach the target weight for holdings in such account.

In addition, Beach Point may also take into account the genesis of an investment opportunity in connection with allocating a trade. For example, if Beach Point is given the opportunity to invest in a company's new bond issuance because certain Clients hold existing positions in the company's securities, Beach Point may give priority to such Clients in allocating the new investment. Beach Point also may determine not to include certain Clients in all investment transactions for which such Clients may be eligible. In addition, legal, contractual, or regulatory issues applicable to Beach Point or one or more Clients may result in certain Clients not receiving investments that may otherwise be appropriate for them or may result in Beach Point selling investments out of Client accounts even if it might otherwise be beneficial to continue to hold them. Given all of the foregoing factors, the price, amount, timing, structuring, or terms of an investment may differ among Clients and, as a result, performance of an investment may vary among Clients (including Clients that pay higher fees and/or performance-based fees or allocations to Beach Point).

### **B. Allocation Among Strategies and Investments in Different Parts of the Capital Structure**

Beach Point and its affiliates currently manage, and may in the future manage, a number of accounts in different investment strategies that are eligible to invest in the same types of securities, obligations or other investments. To the extent accounts in more than one strategy are eligible to invest in the same investment, and the portfolio managers for such accounts have indicated their interest to participate in the trade, the trade will be allocated pro rata among such accounts to the extent practicable, subject to the investment allocation considerations detailed in Beach Point's Allocation Policy. However, specialized accounts focusing on certain types of investments or asset classes (e.g., private equity, distressed and private credit, structured products, bank loans, or other specialized strategies) may be given priority in the allocation process with respect to the investments or asset classes that are the focus of their investment mandate. Similarly, an account designed to be more concentrated and hold fewer positions may also receive an increased allocation in order to reach the target weight for holdings in such account.

Beach Point may also allocate investments in different parts of the capital structure to accounts in the same or in different strategies. Or, due to changed circumstances, an investment opportunity with respect to an issuer that was initially appropriate for accounts in one investment strategy may subsequently fall within the investment focus of accounts in another investment strategy. Such changed circumstances might include, among others: a fall in the prices of the securities of the issuer; workouts or other restructurings relating to an issuer's capital structure; a decline in the issuer's business or financial condition; or consideration by the issuer of strategic alternatives or other fundamental changes. As a result, Beach Point may be required to address conflicts of interest that may arise in connection with such investments. While Beach Point will seek to manage such potential conflicts of interest in good faith, there may be situations in which the interests of one account with respect to a particular investment conflict with the interests of one or more other accounts. Subject to the provisions of the governing documents of the affected accounts, on any matter involving a conflict of interest, Beach Point will be guided by its fiduciary duties to its Clients and will manage such conflict in good faith and seek to ensure that the interests of all affected accounts are represented. However, if necessary to resolve such conflict, Beach Point reserves the right to cause an





affected account to take such steps as may be necessary to minimize or eliminate the conflict, even if (subject to applicable law) that would require such account to (1) forego an investment opportunity or divest investments that, in the absence of such conflict, it would have made or continued to hold or (2) otherwise take action that may have the effect of benefitting Beach Point or another account and therefore may not have been in the best interests of the affected accounts.

The classification of an investment opportunity as appropriate or inappropriate for an account is made by Beach Point, in good faith, at the time of purchase and will govern in this regard. This determination frequently will be subjective in nature. Consequently, an investment that Beach Point determined was appropriate (or more appropriate) for one account may ultimately prove to have been more appropriate for another account. Furthermore, the decision as to whether an account should make a particular follow-on investment, or whether the follow-on investment will be shared in the same proportion as the original investment, may differ from the decision regarding the initial purchase due to a changed determination on this issue by Beach Point, and investments made by an account towards the end of its investment period, if applicable, may be structured so that one or more other accounts can make an anticipated follow-on investment on certain prearranged terms and conditions, including price (which may be based on cost of the original investment). Where potential overlaps between or among accounts exist, such opportunities will be allocated by Beach Point, in good faith, after taking into consideration the investment focus of each affected account and the investment allocation considerations detailed in Beach Point's Allocation Policy.

### **C. Allocation Among Closed-end Funds**

In certain investment strategies, Beach Point manages Funds structured as closed-end Funds. Unlike, open-end Funds which offer interests or shares on a continuous basis and permit periodic redemptions of such interests or shares, closed-end Funds do not continuously offer interests or shares and such interests or shares are not redeemable. The ability of Beach Point to launch a new closed-end Fund pursuing the same investment strategy as an existing closed-end Fund is typically limited by the existing fund. However, some overlap is generally permitted – typically near the end of the investment period and during the liquidation period of the existing fund(s). In this situation, certain investments may be appropriate for both funds and, as a result, Beach Point has additional allocation policies to address this potential conflict of interest.

As a general matter and except as described herein, if two or more closed-end Funds within the same investment strategy (or with an overlapping investment focus) are still in their respective investment periods, an available investment opportunity will be allocated pro rata among them on the basis of available capital; provided that such investment allocation may be changed in the event that Beach Point determines a different investment allocation to be prudent or equitable based on the relative duration of the funds or any of the other investment allocation considerations described in the Allocation Policy.

Similar to investment opportunities, sales, payoffs or other dispositions of an investment held by two or more closed-end Funds generally will be allocated pro rata among them on the basis of their respective investments held, except that if Beach Point determines that opportunities to sell are limited, first priority may go to a closed-end Fund in its liquidation period (and, among closed-end Funds in their liquidation periods, to the oldest of such closed-end Funds) and provided, further, that such allocation may be changed in the event that Beach Point determines a different allocation to be prudent or equitable based on the investment allocation considerations described in the Allocation Policy.



In addition, as a general matter, investment opportunities appropriate for a closed-end Fund that is in its investment period and an open-end Fund (which typically does not have a limit on total size) with the same overall investment focus (or an overlapping investment focus), will generally be allocated between them based on Beach Point's reasonable assessment of the amounts available for investment by each account, and sales of an investment will generally be allocated pro rata between them on the basis of their respective investments held. However, each of the foregoing allocations may be modified if Beach Point in good faith deems a different allocation to be prudent or equitable in light of the investment allocation considerations in the Allocation Policy.

### **D. Beach Point-Related Securitizations**

Clients may invest in (a) securitizations or asset-backed securities, including Beach Point-Managed CLOs or (b) securitizations originated or sponsored by Beach Point and its affiliates. If, during any period in which any assets of Fund or Managed Account are held in a Beach Point-Managed CLO, such Fund or Managed Account pays or bears any fee payable to Beach Point in respect of any such Beach Point-Managed CLO (a "Beach Point -Managed CLO Fee"), then, during such period either (a) such Managed Account or Fund's share of such fee will reduce on a dollar-for-dollar basis such Managed Account or Fund's management fee (but not below zero) or (b) the basis against which the management fee is charged will be deemed to exclude the portion attributable to such Beach Point-Managed CLO; provided that the choice between (a) or (b) will be made in Beach Point's sole discretion. Beach Point will determine in its reasonable discretion whether any tranche(s) of any Beach Point-Managed CLO is held as part of the assets of a Managed Account or Fund, and therefore if a Managed Account or Fund (through such investment) bears any such Beach Point-Managed CLO Fee.

## **Allocation Guidelines**

### **A. Overview**

When practicable and permissible, trades are allocated pro rata (based on the current or anticipated asset value of each account, the target size of the position within each account, the amount of available cash, the size of the existing position in the account, etc.) among accounts within the same strategy. However, due to circumstances and factors described above and in accordance with the allocation guidelines set forth below, among others, Beach Point expects to deviate from a pro rata allocation given the nature of the investments it trades on behalf of Clients and the investment strategy and objectives pursued by such Clients.

In addition, as stated above, the allocation of follow-on investments may differ from the allocation of the initial purchase of such investments due to the existence of circumstances and/or factors described in the Allocation Policy at the time of the allocation of such follow-on investments.

### **B. Non-Pro Rata Allocation**

In certain cases as described in the Allocation Policy, a pro rata allocation among Clients in the same strategy is not appropriate or practicable. As a result, an account(s) will be excluded from a trade or receive less than a pro rata allocation of a trade.

Set forth below is a non-exhaustive list of considerations that may lead Beach Point to deviate from a pro rata allocation of a trade among accounts in the same strategy:



1. Investment Guidelines – Beach Point may allocate a trade to an account if, and only if, the account's investment guidelines permit the investment to be held in the portfolio. Investment guidelines may include, without limitation, prohibitions, restrictions or limits with respect to - type of investment, quality of the investment, industry, issuer, issue, short positions, derivatives, foreign investments, non-USD denominated investments, private investments, and plan sponsor / affiliate restrictions. In a sale, Beach Point also considers how the sale will impact the account's remaining portfolio (e.g., how it will affect the concentration limits in the account or liquidity).
2. Size of the portfolio.
3. Magnitude of the investment.
4. Diversification of assets within a portfolio.
5. Target weight. A portfolio manager may allocate to an account based on the target weight the portfolio manager deems appropriate for such portfolio in a particular issue, issuer, industry, etc.
6. Cash considerations. Available cash and/or current or future cash contribution or redemption activity.
7. Tax, regulatory (including ERISA), securities laws and / or other legal considerations.
8. Market convention considerations. A pro rata allocation of a trade may result in a position that is too large or too small for optimal resale due to market and liquidity conditions or does not meet a minimum denomination requirement or would result in a non-standard lot size.
9. Fees associated with the investment.
10. A Client's risk tolerance.
11. Liquidity of the investment and/or portfolio.
12. Applicable transfer or assignment provisions.
13. Applicable contractual or legal obligations.
14. Proximity of an account to the end of its specified term, if any.
15. Investment focus of the account.
16. Headline risk.
17. Investment horizon.
18. Sovereignty concerns.
19. Operational limitations of an account. A Managed Account may not have a prime brokerage account or ISDA counterparties limiting its ability to enter into short positions and OTC derivatives.
20. Account benchmark, if any.
21. Size of the proposed investment or sale opportunity. A proposed investment or sale opportunity may be too small to allocate a meaningful amount to all accounts in a strategy.
22. Other factors that Beach Point considers important in connection with the investment.

### Item 13: Review of Accounts

Each Client is assigned to one or more portfolio managers in the investment strategy being pursued by such account and, where practicable, to a portfolio manager who is managing similar portfolios within the strategy for other Clients (i.e., accounts with similar investment guidelines and limitations and/or restrictions). A portfolio manager assigned to a Client's portfolio is primarily responsible for daily oversight of the portfolio. Additionally, all the portfolio managers in a strategy (to the extent there is more than one portfolio manager managing accounts in the strategy) meet regularly as a team to evaluate, among other things, (1) investment ideas, (2) current positions in the portfolios, (3) appropriate sizing of positions, (4) buy / sell lists (including target sizes and prices and current market levels), (5) portfolio exposure to certain assets types, industries, issuers, etc. (6) the risk profile of the portfolio (including liquidity profile and, as



applicable, ESG scores), (7) how the portfolio compares to its benchmark, if any, and (8) if the Client's investment objectives are being achieved. With respect to specialized accounts focusing on certain types of investments or asset classes, there may be only one portfolio manager managing the account(s) in the strategy.

Beach Point portfolio managers are supported by a team of investment analysts, portfolio analysts, and risk analysts. In addition, the portfolio managers of specialized strategies have access to the other portfolio managers to discuss investment ideas. Finally, all portfolio managers are subject to oversight by one or both of the Firm's Co-CEOs. The CEOs' oversight may include regular participation in portfolio manager meetings and investment team research meetings, and membership on a Fund's investment committee, as applicable.

The combination of individual portfolio manager supervision of each account, broader investment team idea generation, and the CEOs' oversight is designed to ensure that each account receives the requisite attention required to maintain an appropriately constructed portfolio (given the particular circumstances of each account) and to provide consistency in the investment process across all accounts in the same strategy.

In addition, each Client is regularly monitored by Beach Point's automated compliance system to help ensure that account investment guidelines are followed. Each compliance alert triggered by the system is reviewed, researched and, where appropriate, cleared by Beach Point's Compliance Department. If an alert cannot be cleared, appropriate remedial action is taken (e.g., the instrument is not allocated to the Client).

Fund investors receive unaudited monthly account statements and an annual report containing audited financial statements and a statement of their capital account / share holdings as of the fiscal year-end. Managed Account Clients receive monthly statements and quarterly/annual reports from third-party custodians. Fund investors and Managed Account Clients typically receive monthly exposure reports and quarterly letters that generally include performance data and market commentary. Fund investors in domestic Funds also receive annual K-1 statements for the Fund in which they are invested.

From time to time, Beach Point receives information requests from investors concerning their investments in a Fund. In connection with such requests, Beach Point, in its discretion, may disclose certain portfolio holdings information (or other information related thereto) of a Fund to entities that evaluate portfolio risk for investors or to certain investors that have unique regulatory and/or risk reporting obligations. However, Beach Point reserves the right (i) to determine what information is appropriate to provide in response to such requests, or (ii) refuse such request. When information is disclosed, every effort is made to require the recipient of such information to keep the information confidential, including requiring the recipient to enter into a non-disclosure agreement prior to providing the information to them. However, there can be no assurance that these entities will fulfill their confidentiality obligations to Beach Point. In addition, investors, in the course of conducting due diligence, may request information pertaining to their investments in a Fund (either verbally or in writing), including information that is not generally made available to all investors of such Fund. Beach Point may respond to such requests without providing all of such information to other Fund investors.



### Item 14: Client Referrals and Other Compensation

Beach Point (or its affiliates) may receive deal fees and other similar fees in connection with services provided to certain Funds and, if received, such fees will typically reduce the management fee paid to Beach Point by such Funds. However, the applicable management fee will not be reduced by amounts of Deal Fees that are attributable to interests in a Fund held by Beach Point or its affiliates and any Deal Fees attributable to Beach Point or its affiliates' interests in such Fund is permitted to be retained by Beach Point or any of its affiliates, as applicable. Such fees are more fully described in the offering documents and/or other governing documents of such Clients. In addition, Beach Point may receive research products or services provided by broker-dealers or third-party vendors as described in Item 12 of this brochure.

From time to time, Beach Point may compensate a third party, Client or Fund investor for the solicitation or referral of a Client or Fund investor. Beach Point's arrangements with such third parties, Clients or Fund Investors may vary. Any compensation paid pursuant to such arrangements creates an incentive for the third party, Client or Fund Investor to recommend Beach Point, resulting in a material conflict of interest with the solicited or referred Client or Fund investor. In order to properly disclose and mitigate such conflict, all such arrangements are subject to Beach Point's Testimonials and Endorsements Policy which has been designed and implemented to comply with the applicable requirements contained in Rule 206(4)-1 under the Advisers Act.

### Item 15: Custody

Beach Point has an obligation to safeguard Client assets and protect them from loss or destruction. Rule 206(4)-2 under the Advisers Act (the "Custody Rule") imposes specific conditions on registered investment advisers who have actual or deemed custody of Client assets. The Custody Rule contains a definition of the term "custody" which includes "holding, directly or indirectly, Client funds or securities or having any authority to obtain possession of them." The definition also includes three non-exclusive examples of custody, including when an investment adviser acts as general partner of a limited partnership. Accordingly, Beach Point is deemed to have custody of the assets of each Fund for which Beach Point or an affiliate serves as general partner.

Beach Point adheres to the applicable requirements of the Custody Rule with respect to each Fund for which it or an affiliate serves as general partner. All Fund securities are held with at least one qualified custodian, and the offering memorandum for each such Fund identifies each qualified custodian used by the Fund. In addition, Beach Point arranges for the delivery to investors in each of the Funds of a copy of the audited financial statements for their Fund, prepared in accordance with U.S. generally accepted accounting principles, on an annual basis, and within the required periods set forth in the Custody Rule. In addition, as described above in Item 13, Fund investors also receive unaudited monthly account statements from their Fund's administrator and a statement of their capital account / share holdings as of the fiscal year-end. Fund investors should carefully review their monthly account statements, their annual statements and their Fund's audited financial statements.

Managed Account Clients select their own custodian to maintain custody of their funds and securities. Beach Point is not a party to the custodial agreements between the Managed Account Clients and their custodians. As a discretionary investment adviser, Beach Point has trading discretion over the funds and securities maintained in a Managed Account Client's custodial account, but Beach Point does not hold such funds or securities or have authority to obtain possession of them.



### Item 16: Investment Discretion

Beach Point serves as the investment adviser to Clients. Beach Point generally has discretionary authority to manage Client portfolios, including the authority to determine which investments are bought and sold and the amounts appropriate for each Client. Any limitation on Beach Point's authority is set forth in a Client's governing documents (e.g., investment management agreement, private placement memorandum, partnership agreement, etc.). Beach Point does not assume discretionary authority to manage portfolios on behalf of Clients until entering into an investment management agreement and/or other governing documents.

### Item 17: Voting Client Securities

Beach Point votes proxies on behalf of Clients when so authorized by the Client's investment management agreement or other governing documents. In addition, there may be a variety of corporate actions or other matters for which shareholder or bondholder action is required or solicited with respect to which Beach Point may take action that it deems appropriate in its best judgment except to the extent otherwise required by agreement with the relevant Client. These actions requiring shareholder or bondholder action may involve, for example and without limitation, tender offers or exchanges, bankruptcy proceedings and class actions.

When voting on proxy proposals and corporate actions for Clients, Beach Point's utmost concern is that all decisions be made solely in the interests of the Client consistent with the Advisers Act and (as applicable) the Employee Retirement Income Security Act of 1974, as amended. Beach Point has retained the services of an independent third party to help receive and evaluate proxies, effect proxy votes and maintain appropriate proxy voting records.

Beach Point will act in a manner that is intended to enhance the economic value of the assets held in its Clients' portfolios. Where a proxy proposal or corporate action raises a material conflict of interest between Beach Point and a Client, Beach Point will (i) disclose the conflict to the Client and obtain its consent to the proposed vote prior to voting the securities, (ii) vote the securities based on the recommendation of an independent third party, or (iii) take such other action as may be appropriate given the particular facts and circumstances. In addition, a Client may direct Beach Point how to vote in a particular solicitation by providing instructions to Beach Point prior to the date such vote is due.

Beach Point's proxy voting policies and procedures contain guidelines that describe what types of matters will generally be voted against, voted for or handled on a case by case basis. To request a copy of Beach Point's proxy voting policies and procedures or to obtain information on how securities were voted on behalf of a Client's account, Clients may contact Beach Point's Investor Relations Department at (310) 996-9700.

### Item 18: Financial Information

This section is not applicable to Beach Point. Beach Point does not require or solicit pre-payment of advisory fees. There are no financial conditions that are reasonably likely to impair Beach Point's ability to meet its contractual commitments to Clients.





### Item 19: Additional Information and Other Potential Conflicts of Interest

The following discussion enumerates certain potential conflicts of interest in addition to those described above that should be carefully evaluated before making an investment in any Fund, Managed Account or any future investment vehicle managed by Beach Point. Beach Point has established policies and procedures that seek to identify, manage and/or mitigate such potential conflicts of interest, although they may not be successful in doing so.

#### **Agreements with Fund Investors, Single Client Funds, and Managed Account Clients**

Beach Point, has in place, and in its sole discretion, without any act, consent or approval of any Fund investors, on its own behalf or on behalf of a Fund, may enter into, deliver, perform, modify, amend and terminate, side letters or other written agreements or instruments to or with one or more Fund investors which have the effect of altering or supplementing the terms described in a Fund's offering documents or other governing documents or of establishing rights not described in a Fund's offering documents or other governing documents with respect to such Fund investors, including, without limitation, with respect to fee arrangements, withdrawal/redemption rights, access to Fund information and certain so-called "key man" or "key person" rights.

Certain Single Client Funds and Managed Accounts in an investment strategy may have more favorable liquidity terms and/or fewer liquidity restrictions than other Funds and Managed Accounts in the same investment strategy.

#### **Beach Point Personnel Fund Investments**

Beach Point personnel may invest in eligible Funds of their choosing and are not required to invest in all Funds. It is expected that, if such investments are made, the size of these investments will change over time. A component of the bonus compensation paid to certain Beach Point personnel includes an indirect interest in only certain of the Funds. Employees must hold such indirect Fund interests for an extended period of time. Neither Beach Point nor any Beach Point personnel is required to keep any minimum investment in any of the Funds other than the closed-end Funds and certain Single Client Funds. Potential conflicts may arise because Beach Point personnel may have investments in some Funds but not in others or may have different levels of investments in various Funds. In order to address these potential conflicts, Beach Point allocates trades in accordance with its Allocation Policy which does not permit trades to be allocated to the Funds based on Beach Point employee ownership.

#### **Dependence on Key Employees**

A Client's success depends upon the ability of Beach Point's investment professionals to develop and implement investment strategies designed to achieve the Client's investment objective. If Beach Point were to lose the services of its principals, senior portfolio managers or other key employees, the consequence to a Client could be material and adverse. Competition in the financial services industry for qualified employees is intense and there is no guarantee that the talents of the Beach Point's investment professionals could be replaced.



### **Valuation of Assets**

The management fee and the incentive fee / allocation charged to or made by an account are calculated based on valuations ascribed to the account's holdings. Because Beach Point may participate in certain valuation decisions, the management fee and the incentive fee / allocation may create an incentive for Beach Point to assign biased valuations to the account's holdings, and in particular to its illiquid or hard-to-value holdings. There can be no assurance that the value assigned to an investment at a certain time will equal the value that the account is ultimately able to realize. Even if there is a difference, Beach Point is not required to return past management fees or incentive fees or to reverse past incentive allocations. Beach Point seeks to mitigate this conflict through the establishment of the Valuation Committee, adhering to its valuation policies and using third-party pricing sources for investments above a de minimis threshold.

A Client may hold or transact in fixed-income securities and debt securities in smaller-sized positions known as "odd lots." Odd lots are frequently purchased and sold at a discount to similar institutional "round lots." In addition, odd lots may have more price volatility and less liquidity than institutional round lots. As applicable, Client positions are marked in accordance with round lot prices by third party pricing sources.

Additionally, Beach Point or a Fund may change its valuation policies and procedures from time to time in its sole discretion without notice to Clients. Any such changes may impact the valuation of the account's assets, and as a result, among other things, on the management fee and incentive fee / allocation. This conflict is addressed in the governing documents for each Fund which generally require investor consent for changes that may have a material adverse impact on Fund investors.

### **Payments to Beach Point and its Affiliates**

Payments of fees, expense reimbursements and other items payable to Beach Point in connection with Beach Point's management of the Funds present conflicts of interests between Beach Point and the Funds because of Beach Point's authority with respect to the Funds.

### **Other Activities; Competing Time Pressures**

Beach Point is not restricted from forming additional investment funds or advising additional managed accounts, entering into other investment advisory relationships, exercising investment responsibility, engaging in other business (or non-business) activities or directly or indirectly purchasing, selling, holding or otherwise dealing with investments for the account of any such other business or for other Clients, even though such activities may be in competition with a Client and/or may involve substantial time and resources.

Beach Point manages and/or advises and expects to continue to manage and/or advise a variety of portfolios. Beach Point expects to continue to manage and/or advise new investment vehicles, whether alone or partnering with others, and otherwise to develop its investment, advisory and related businesses. Beach Point expects that the universe of potential investments and other activities of its business could overlap with the investments and activities of the portfolios and, as a result, may create conflicts of interest.

Beach Point's personnel will devote such time as they determine shall be necessary to conduct the business affairs of Clients in an appropriate manner.



### **Conflicting Investments**

From time to time, Beach Point may acquire securities or other financial instruments of an issuer for one Client which are senior or junior to securities or financial instruments of the same issuer that are held by, or acquired for, another Client (e.g., one Fund may acquire senior debt while another Fund may acquire subordinated debt). When Clients hold a position in different parts of the capital structure of an issuer it may lead to conflicts of interest among such Clients in certain circumstances such as the reorganization or restructuring of the issuer or its debt. In such circumstances, or other situations involving conflicting investments, Beach Point will endeavor to resolve such conflicts in a manner it deems fair and equitable to the extent possible under the prevailing facts and circumstances.

### **Certain Relationships**

Certain Beach Point personnel may have personal relationships with personnel of certain entities that conduct business with the Firm. For example, investment personnel may have siblings or other family members that are employed by a broker-dealer with which Beach Point trades on behalf of Clients or a law firm that provide services to Clients. Beach Point requires all employees to disclose such potential conflicts of interest and monitors such relationships.

### **Co-Investments**

Beach Point may, in its sole discretion, provide co-investment opportunities to one or more investors in the Funds, Clients, or third parties, in each case on terms to be determined by Beach Point (including, whether such co-investment will be subject to fees). Conflicts of interest may arise in the allocation of limited co-investment opportunities. Beach Point addresses this potential conflict of interest by allocating co-investment opportunities in accordance with its Co-Investment Policy. The Co-Investment Policy permits Beach Point to consider some or all of a wide range of factors, which may include the likelihood that an investor may invest in a future fund sponsored by Beach Point.

On occasion, a Client could acquire debt or equity interests in projects financed by other entities managed by affiliates of Beach Point. In addition, a Client could loan to or invest in entities in which other Clients of Beach Point are investors or lenders, either in similar investment positions or in different positions in the capital structure with different risk and return parameters. In such event, disputes may arise between the two entities regarding the terms of the investments and the enforcement of the entities' respective rights therein. The Adviser has policies and procedures in place to mitigate the inherent conflict of interest such transactions present.

### **Other Conflicts of Interest Relating to Beach Point Personnel**

Subject to certain restrictions in the Code of Ethics, Beach Point personnel may invest on behalf of themselves in securities and other instruments that would be appropriate for, may be held by, or may fall within the investment guidelines of Clients. Beach Point personnel may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for Clients. Although unlikely, these activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Clients.

Beach Point may give advice or take action with respect to the investments of one or more Clients that may not be given or taken with respect to other Clients with similar investment programs, objectives and



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strategies. Accordingly, Clients with similar strategies may not hold the same securities or instruments or achieve the same performance. This may raise a potential conflict of interest as Clients pay Beach Point different levels and/or types of fees. Beach Point addresses this potential conflict of interest by allocating investment opportunities in accordance with its Allocation Policy. Beach Point also may advise Clients with conflicting programs, objectives or strategies. These activities also may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Clients.