

## Item 1. Cover Page

# **Longshore Capital Management, LLC**

## **Part 2A of Form ADV**

### **Disclosure Brochure**

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September 24, 2021

This brochure provides information about the qualifications and business practices of Longshore Capital Management, LLC (the “Firm” or “Longshore”). The Firm also conducts business under the name “Longshore Capital Partners.” If you have any questions about the contents of this brochure, please contact Dustin Bishop, the Firm’s Chief Compliance Officer (“CCO”), at (312) 237-3399 or [dbishop@longshorecp.com](mailto:dbishop@longshorecp.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about the Firm is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Any reference to the Firm as a registered investment adviser does not imply a certain level of skill or training.

## **Item 2. Material Changes**

This is the other-than-annual amendment to Form ADV Part 2A for the year ended December 31, 2020. The following material changes were made since the last brochure that was filed in March 2021:

- Item 1: Updated Longshore's principal office and place of business.
- Item 1: Updated the Firm's Chief Compliance Officer and corresponding information.

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## Item 4. Advisory Business

*This brochure contains information regarding how the Firm currently conducts its business, but also provides information regarding certain activities in which the Firm is authorized to engage or conduct in which the Firm may engage in the future. Accordingly, certain activities are identified as those in which the Firm “may” engage. To the extent the Adviser later engages in such conduct, this brochure will be updated as required, either annually or promptly, to indicate that the Adviser does in fact engage in such activities.*

### Item 4.A.

The Firm, a Delaware limited liability company, was formed in November 2019. As indicated on the Firm’s Form ADV Part 1A, Nicholas Christopher and Ryan Anthony are the Firm’s principal owners. The Firm became a registered investment adviser with the United States Securities and Exchange Commission (“SEC”) in July 2020.

### Item 4.B.

The Firm is an investment management firm that provides advisory services on a discretionary basis to privately offered pooled investment vehicles. Currently, the Firm advises Longshore Capital Fund I, L.P. (“Fund I”), a Delaware limited partnership. To facilitate investment by certain investors, the Firm may in the future create one or more feeder funds, parallel funds, or alternative vehicles (any such vehicle, a “Fund,” and together with Fund I and any other pooled investment vehicles advised in the future, the “Advisory Clients”).

The Firm is affiliated with Longshore Capital GP, LLC (“Longshore GP”), a Delaware limited liability company. Messrs. Christopher and Anthony are its principal owners. Longshore GP serves as the general partner of Fund I. Longshore GP is a relying adviser and, along with the Firm, is part of a single advisory business controlled by Messrs. Christopher and Anthony.

Longshore makes private equity investments (“Portfolio Investments”) in services companies primarily based in North America. Longshore generally expects Portfolio Investments for Fund I to be in the range of \$20 to \$40 million for any given portfolio company, although Portfolio Investments may also be outside this range.

Longshore may, in its sole discretion, provide co-investment opportunities to some (but not necessarily all) Advisory Client investors and/or third parties. In circumstances where an entire investment could be made by an Advisory Client, Longshore may still allocate a portion of such investment to one or more co-investment vehicles or other co-investors in accordance with the applicable offering documents. The allocation of any co-investment opportunities may or may not be in proportion to the commitments (if any) of the co-investors to the applicable Advisory Client and may involve different terms, fee structures and economics than the applicable Advisory Client. As such, an Advisory Client may receive a smaller allocation in a particular investment than it otherwise might have received if Longshore had not provided the co-investment opportunity to Advisory Client investors and/or third parties. With respect to Fund I, Longshore intends to give priority co-investment rights to certain investors.

Longshore does not limit its investment advice to only certain types of investments.

Item 4.C.

Longshore's investment management and advisory services to Advisory Clients are provided pursuant to the terms of certain disclosures, offering documents and/or advisory agreements. Advisory Client investors cannot obtain services tailored to their individual specific needs.

Item 4.D.

Longshore does not participate in a wrap fee program.

Item 4.E.

As of March 31, 2021, Longshore managed approximately \$291,328,195 in assets under management on a discretionary basis.

## **Item 5. Fees and Compensation**

Item 5.A.

The investors in Fund I will be assessed an annual management fee, which is payable quarterly in advance to the Firm or its designated affiliate, in an amount of (i) \$4.5 million per annum until the first day of the first quarter commencing after the earlier of (a) the third anniversary of the initial closing date or (b) the date on which management fees are first payable in respect of a successor fund, and (ii) \$2.5 million per annum thereafter until the seventh anniversary of the initial closing date. The total management fee paid to the Firm during the term of the partnership shall not exceed \$23.5 million.

Subject to the terms and limitations set forth in the applicable governing documents of Fund I (including periodic clawback obligations), Longshore GP generally is entitled to receive the following carried interest distributions with respect to each Fund I investor according to a European waterfall:

- (1) Tier 1 - 10% carried interest after the return of aggregate capital contributions plus an 8% compounded preferred return, with full catch-up; then,
- (2) Tier 2 - 13% carried interest after aggregate distributions equal the greater of (a) 1.65 times (1.65x) aggregate capital contributions and (b) the sum of (1) aggregate capital contributions and (2) a 12.5% compounded preferred return, with full catch-up; then,
- (3) Tier 3 - 20% carried interest after aggregate distributions equal the greater of (a) 1.95 times (1.95x) aggregate capital contributions and (b) the sum of (1) aggregate capital contributions and (2) a 16% compounded preferred return, with full catch-up; then,

- (4) Tier 4 - 25% carried interest after aggregate distributions equal the greater of (a) 2.25 times (2.25x) aggregate capital contributions and (b) the sum of (1) aggregate capital contributions and (2) a 20% compounded preferred return, with full catch-up.

The management fees and carried interest are generally not negotiable; however, Longshore, in its sole discretion, may waive or modify the management fees or carried interest distributions for certain investors as set forth in the applicable offering and governing documents.

Longshore and its affiliates (subject to certain limitations set forth in the governing documents) will be entitled to receive commitment, breakup, directors, monitoring, consulting, closing, investment banking, consulting, placement and other similar fees in connection with Portfolio Investments or from unconsummated transactions, including, warrants, options, derivatives and other rights with respect to Advisory Clients ("Other Fees"). Certain Advisory Client's share of Other Fees is offset against management fees based on a percentage as disclosed in the Advisory Client's governing documents.

Longshore may enter into arrangements pursuant to which the management fees paid to Longshore by an Advisory Client are offset by certain expenses, including but not limited to, organizational expenses that exceed a particular threshold, placement agent fees, breakup fees, directors' fees, transaction fees and monitoring fees. The management fees paid by Fund I are subject to such an offset, as set forth in the governing documents of Fund I.

It should be noted that an Advisory Client launched by Longshore or its affiliates after the date of this brochure may have materially different terms than those summarized above and any terms for any existing Advisory Client may be amended from time to time.

#### Item 5.B.

Management Fees are typically funded with capital contributions drawn for such purpose but may also be funded with or withheld from proceeds from Portfolio Investments or reserves or other assets of the Advisory Clients as set forth in the applicable governing documents. Management fees due from Fund I may also be paid by drawdowns under the Fund's subscription loan facility (if available) which draws are subsequently repaid out of capital contributions, proceeds or reserves. Carried interest distributions generally will be distributed to the applicable Longshore entity from time to time upon the disposition or receipt of proceeds in respect of Portfolio Investments by an Advisory Client and are distributed to such Longshore entity in accordance with the terms of the applicable governing documents.

#### Item 5.C.

##### *Organizational Expenses*

Each Advisory Client generally pays or reimburses Longshore and its affiliates for all costs and expenses incurred in the organization of such Advisory Client. Organizational expenses means all expenses (including, without limitation, travel, meals, entertainment, lodging, tax, consulting, printing, legal, capital raising, filing, accounting, regulatory compliance (such as initial compliance contemplated by the Alternative Investment Fund Managers Directive or any similar

law, rule or regulation) and any other administrative or other filings and other organizational expenses) incurred in connection with the organization and funding of an Advisory Client and its general partner, if applicable, including the preparation of, and negotiations with respect to, the applicable governing documents and any side letters or similar agreements (*but not including* any placement fees).

### *Fund Expenses*

Advisory Clients will pay all applicable expenses incurred in the operation of such Advisory Client or reimburse the Firm, the Longshore GP, and/or any other person who advanced payment for such expenses. Fund expenses means all fees, costs, expenses, liabilities and obligations relating to the Advisory Client and its activities, actual or potential investments and business (including with respect to any person formed to effect the acquisition and/or holding of a portfolio company), in each case to the extent not borne or reimbursed by a portfolio company, including, without limitation, all fees, costs, expenses, liabilities and obligations relating or attributable to (i) sourcing, diligencing, structuring, organizing, negotiating, bidding on, acquiring, owning, holding, managing, operating, monitoring, financing, restructuring, valuing, winding up, liquidating, dissolving and disposing of the Advisory Client's actual or potential investments, (ii) indebtedness of, or guarantees made by, the Advisory Client, the Longshore GP, the Firm or any affiliate thereof on behalf of the Advisory Client (including any credit facility, letter of credit or similar credit support), and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee, (iii) legal, accounting, research, auditing, administration (including third-party administration, any related reporting software and services related to "know-your-customer" and anti-money laundering compliance), information, valuation, consulting (including consulting and retainer fees and expenses and other compensation paid to consultants (including deal sourcers)), financing, appraisal (including third-party appraisal and pricing services), custodian, brokerage, dealer, finders', depository, trustee, record-keeping, account, title, transfer, commitment, underwriting (including commissions and discounts), private placement, investment banker, registered office and registered agent services, printing, communications, publicity, tax and other professional services, (iv) the preparation, distribution or filing of any Advisory Client-related or investment-related financial statements, tax returns, tax estimates, Schedule K-1s and any other reports or information to be delivered to the Advisory Client's investors (including, without limitation, costs of developing, implementing, maintaining and upgrading investor information portals or secure websites and electronic reporting) and any administrative, regulatory or other reporting or filing directly attributable to the Advisory Client, such as those contemplated by FATCA, the Common Reporting Standard, the Alternative Investment Fund Managers Directive or any similar laws, rules or regulations, to the extent attributable to the Advisory Client, and Form PF) in each case including the cost of third-party service providers or professionals related to the foregoing, (v) premiums and expenses for insurance protecting the Advisory Client, the Longshore GP, the Firm, any of their respective affiliates, members of the Advisory Committee of the Advisory Client and any of their respective officers, directors, members, partners, employees and agents from liabilities to third parties in connection with the Advisory Client's affairs (including the full cost of directors and officers, errors and omissions, cybersecurity, crime coverage and general partnership liability insurance), (vi) activities, meetings and proceedings of the Advisory Committee and any meetings or proceedings of the portfolio company executives organized by a Longshore person, (vii) indemnification and any actual, threatened or otherwise

anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith, (viii) investment and disposition opportunities for the Advisory Client which are not consummated by the Advisory Client (including, without limitation, reverse breakup, termination and other similar fees, unreimbursed out-of-pocket fees and expenses incurred by the Advisory Client or any Longshore person, legal, accounting, auditing, consulting, and other third party fees and expenses, financing commitment fees, real estate title and appraisal costs, and other due diligence expenses), including any fees and expenses related to transactions that may have been offered to co-investors and, for the avoidance of doubt, including the co-investors' respective portion of such expenses, (ix) all unreimbursed out-of-pocket fees and expenses incurred by the Advisory Client or any Longshore person in connection with any conference or meeting of the investors or senior executives of the portfolio companies, (x) any activities with respect to protecting the confidential or non-public nature of any information or data, including confidential information, (xi) any travel, lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities, (xii) the management fee, as described above, (xiii) any placement fees, and (xiv) any taxes, fees and other governmental charges levied against the Advisory Client and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Partnership, *but not including* (A) organizational expenses, as described above, (B) ordinary overhead and administrative expenses that are payable by the Longshore GP pursuant to the applicable governing documents, and (C) any other expenses included in the applicable governing documents.

With respect to Fund I, a portfolio company and/or a potential portfolio company may be charged for any expenses to the extent the Longshore GP reasonably determines such expenses are attributable to such portfolio company and/or potential portfolio company or the Fund's investment or prospective investment therein or liquidation thereof.

### *Longshore Operating Expenses*

Each of the Longshore GP and the Firm shall pay (i) all ordinary overhead and administrative expenses relating to an Advisory Client incurred by the Longshore GP or the Firm in connection with maintaining and operating their respective offices (including salaries, rent, utilities and equipment expenses) to the extent not borne or reimbursed by a portfolio company, and (ii) organizational expenses to the extent not borne or reimbursed by the Advisory Client as described above.

### *Consultants*

Longshore may in the future engage third-party consultants in connection with an Advisory Client's investment processes. This may include individuals who are not employees or affiliates of Longshore but consultants who may work with Longshore on an exclusive or partly-exclusive basis. Such individuals or other consultants may also provide services directly to a portfolio company. Fees paid and expenses reimbursed with respect to such persons may be allocated to or borne by Longshore, an Advisory Client and/or one or more portfolio companies depending on the particular services provided by the consultant and the terms of any agreement that may exist between the consultant and a portfolio company. Neither Longshore nor its Advisory Clients



would be entitled to all or any portion of the compensation or other amount payable to such persons (including, without limitation, any fees of any payments in respect of expense reimbursements), and such amounts will not offset or otherwise reduce the management fees received by Longshore.

#### *Other Benefits*

Longshore and its personnel can be expected to receive certain intangible and/or other benefits arising or resulting from their activities on behalf of the Advisory Clients that will not be subject to a management fee offset or otherwise shared with the Advisory Clients or the investors therein and/or portfolio companies. For example, airline travel or hotel stays incurred in connection with the business of the Advisory Clients may result in “miles” or “points” or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to Longshore and/or such personnel even though the cost of the underlying service is borne by the Advisory Clients or portfolio companies.

***The foregoing list of expenses is not intended to be exhaustive and is qualified in its entirety by the applicable governing documents of each Advisory Client.***

The investment strategies employed with respect to the Advisory Clients generally do not involve the purchase or sale of publicly offered securities, and as such, do not typically entail expenses related to brokerage commissions. To the extent applicable, each Advisory Client generally is responsible for and pays any of its custodial fees and expenses. See Item 12 below.

#### Item 5.D.

Advisory Clients will pay a management fee in advance as set forth in Item 5.A. above.

#### Item 5.E.

Not Applicable. Longshore or its supervised persons are not compensated for the sale of securities or other investment products.

***It is important that investors refer to the relevant governing documents for a complete understanding of expenses and fees they may pay in connection with an investment in the Advisory Clients. The information contained in this Item 5 is a summary only and is qualified in its entirety by such documents.***

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

As noted under Item 5 above, certain Longshore entities are entitled to receive carried interest distributions with respect to applicable Advisory Clients. Longshore recognizes that existing and future Advisory Clients may have different terms in respect of fees and performance allocations and that, accordingly, actual or perceived conflicts of interest may arise in allocating opportunities to, between or among such Advisory Clients. Longshore recognizes its fiduciary duty to act in the best interests of the Advisory Clients and exercises due care to ensure that investment opportunities are allocated fairly and in accordance with the terms of the applicable governing agreements, including a consideration of the investment objectives and parameters of such Advisory Clients.

The governing agreements address such matters, including to what extent opportunities must be allocated to a particular Advisory Client, whether co-investment is permissible and whether and on what terms Longshore, any of its affiliates, other investment vehicles they manage and the principals of Longshore must or may participate in those opportunities. For Fund I, the Longshore GP and its members, employees, affiliates, and related persons will be required to make a commitment to the Fund and will otherwise generally not be permitted to invest in any securities in which the Fund is either actively considering making an investment or has a material investment, subject to certain limitations set forth in the governing documents for Fund I. Subject to compliance with those terms and the terms of the governing agreements dealing with potential conflicts that must be reported to the relevant advisory committee of an Advisory Client or that require its consent or those of the Advisory Client investors, all investment decisions, including allocations, are made in the discretion of Longshore.

Without limiting the foregoing, Longshore recognizes it is not permissible to allocate, or to fail to allocate, an investment opportunity to, between or among Advisory Clients on the basis of the amount of compensation or profit that is likely to be realized by Longshore. Carried interest distributions could motivate Longshore to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. For example, a carried interest distribution generally entitles Longshore to a percentage of the net profits of an Advisory Client; however, such affiliate is not required to bear the same proportion of the net losses, if any, suffered by the Advisory Client as a whole. Longshore generally attempts to mitigate conflicts of interest associated with carried interest distributions through one or more of the following: (i) the requirement that capital contributions and a preferred return be returned and/or paid to investors before Longshore is entitled to receive its carried interest distributions; (ii) making a capital commitment to the applicable Advisory Client; and/or (iii) the periodic clawback obligations of Longshore or its applicable affiliate.

## **Item 7. Types of Clients**

Longshore provides discretionary investment advice solely to Advisory Clients, as described in Item 4.B. above.

Investors are generally “accredited investors” within the meaning of Rule 501(a) under the Securities Act of 1933, as amended, and are generally either “qualified purchasers” within the meaning of Section 2(a)(51) under the Investment Company Act of 1940, as amended, or “qualified clients” within the meaning of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

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

### **Item 8.A.**

Longshore targets lower middle-market services companies in North America. Longshore seeks to invest behind founders in businesses with unique value propositions in growing end-markets. Subsectors of focus within the broader services landscape include revenue cycle management,

technology-enabled business process outsourcing, payments and human capital management, among others.

Longshore's investment strategy can be summarized by the following key principles:

- *Thematic Construction and Sourcing* – Longshore seeks to identify and invest in businesses able to withstand any economic cycle as durability of earnings is especially important to the lower-middle market. These businesses are supported by secular growth trends and improving margin profiles and use technology as a competitive differentiator and a way to increase the stickiness of revenues. Longshore's thematic approach to investing across the services economy at the intersection of technology and human capital leads to a differentiated perspective and ability to acquire businesses directly from founders. This approach has provided proven access to proprietary and limited auction deal flow.
- *Prudent Capitalization* – Longshore will utilize leverage conservatively in the capital structure of its investments. Longshore's investment philosophy focused on accelerating growth in businesses does not drive returns from financial engineering and the prudent use of leverage decreases distractions across economic cycles and tends to maximize returns without excessively increasing risk. This approach resonates well with founders who often remain minority owners in their respective businesses once partnering with Longshore.
- *Value Creation* – Longshore develops value creation plans in partnership with management teams that work across its niche segments and economic cycles. The four core tenets of these plans include:
  1. Revenue – refine the company's go-to-market strategy to clarify its offering to the marketplace, build and optimize the efficacy of its salesforce and add ancillary services to sell to existing customers;
  2. Acquisitions – develop a view on those services that should be built versus those that should be acquired, focus on cross-selling services, identify opportunities for geographic expansion and scale enhancement, and inject process discipline at the company to enable management to source, screen and integrate acquisitions over time with a lessening reliance upon Longshore and third-party resources;
  3. Management – add talent and resources to executive teams through key strategic hires; and
  4. Productivity – implement and utilize enterprise resource planning systems and other technology tools to develop pricing discipline, improve cash conversion cycles and manage customer churn while also tracking utilization, improving margins and increasing customer stickiness.

Longshore intends that Fund I will pursue the Longshore investment strategy by (i) acquiring three (3) platform companies (identified as of the initial closing of Fund I) from investment vehicles established by LaSalle Capital or its principals, and (ii) making follow-on investments in two (2) platform companies (identified as of the initial closing of Fund I) that are owned by investment

vehicles established by LaSalle Capital or its principals but that will be managed by Fund I. The Longshore GP will also have the authority to cause Fund I to make certain other investments in its discretion.

Item 8.B. through Item 8.C.

Prospective investors should be aware that investing in an Advisory Client (in this Item 8.B. through Item 8.C., a “Private Fund”) involves a high degree of risk. There can be no assurance that such Private Fund’s investment objectives will be achieved or that investors will receive a return on their capital. The possibility of partial or total loss of capital will exist and investors must be prepared to bear capital losses that may result from investments. In addition, there will be occasions upon which Longshore may encounter potential conflicts of interest in connection with the activities of a Private Fund. The following considerations and risk factors should be carefully evaluated before making an investment in a Private Fund.

***The following list is not a complete list of all considerations and risks involved in connection with an investment in a Private Fund. Prospective investors should make their own investigation of the investment described in the applicable offering documents and disclosures, including the merits and risks involved and the legality and tax consequences of such an investment, and should consult their own advisors as to the Private Fund, the offering, and the legal, tax and related matters concerning an investment in the Private Fund.***

Risks Relating to the Private Funds’ Investments

*Valuation of Certain Assets.* Fund I acquired certain assets from certain investment vehicles established by LaSalle Capital or its principals. Both of Longshore’s partners had an economic interest in the existing investment vehicles from which Fund I acquired these assets. Although the purchase price had been determined based on arm’s-length negotiations among LaSalle Capital, Longshore’s partners, and certain prospective investors in Fund I, the acquisition of such secondary interests still presents certain risks such as the general difficulty of valuing a company as a whole, and inaccurate initial valuations diminishing potential returns.

*Competition for Investments.* Longshore’s Private Funds will source and acquire platform companies for investment and will also attempt to source and acquire add-on investments in connection with certain of these investments. Longshore expects to encounter competition with respect to such prospective investments from other entities having similar investment objectives. The activity of identifying, completing and realizing attractive private equity investments is highly competitive and involves a high degree of uncertainty. Potential competitors include other investment partnerships and corporations, business development companies, strategic industry acquirers and other financial investors investing directly or through affiliates. Some of these competitors may have more relevant experience, greater financial resources and more personnel than Longshore. It is possible that competition for such investment opportunities may increase, thus reducing the number of such opportunities available to the Private Funds and adversely affecting the terms upon which portfolio investments can be made. There can be no assurance that (i) a Private Fund will be able to identify or consummate such portfolio investments in accordance with its investment criteria, (ii) the Private Fund will be able to fully invest its committed capital or (iii) such investments will satisfy the Private Fund’s rate of return objective. However, Private

Funds or their investors will be required to pay annual management fees as set forth in the applicable governing documents.

*Ability to Manage Rapid Growth.* Longshore expects many of its Private Funds' portfolio companies to grow rapidly. Rapid growth often places considerable operational, managerial and financial strain on a business. To successfully manage rapid growth, the Private Funds' portfolio companies must, among other things, rapidly improve, upgrade and expand their business infrastructures, deliver services and products on a timely basis, maintain levels of service expected by clients and customers, and maintain adequate levels of liquidity. The financial returns of the Private Funds will suffer if the Private Funds' portfolio companies are unable to successfully manage their growth.

*Need for Follow-On Investments.* Given Longshore's investment strategy, Private Funds are likely to provide additional funds to certain platform companies in order to make add-on acquisitions. A Private Fund may also have the opportunity to increase its investment in a successful portfolio company. However, there is no assurance that such Private Fund will be able to make follow-on investments or that the Private Fund will have sufficient capital to make all of the follow-on investments that it desires. Any decision by the Private Fund not to make a follow-on investment or its inability to make such investments may have a substantial negative impact on a platform or portfolio company in need of such investment or may result in a lost opportunity for the Private Fund to increase its participation in a successful portfolio investment.

*Ability to Exit Investments Successfully.* The ability of the Private Fund to achieve successful and profitable exits of its portfolio investments may be impacted by a number of factors prevailing at the time, including general economic conditions, interest rates, availability of capital, interest levels of strategic and financial buyers, and cyclical trends in particular industry segments. It is difficult to predict with any certainty whether there will be a ready and willing market of buyers for any particular portfolio company at the time the Private Fund seeks a realization.

*Projections are Only Estimates.* Private Funds are likely to use financial projections to help analyze certain prospective platform companies or follow-on investments of the Private Fund. Projected operating results of a company in which the Private Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by Longshore GP in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

The projections are inherently subject to a number of important risks, qualifications, limitations, and exceptions. The projections reflect assumptions about market and economic conditions such as the availability of investments for purchase, any of which, if not true, could materially alter the hypothetical performance expressed or implied by the projections. There are numerous factors related to the markets in general or the implementation of any specific investment program that

cannot be fully accounted for in the preparation of hypothetical performance results, all of which can adversely affect actual investment results.

*Operating and Financial Risks of Portfolio Companies.* Companies in which the Private Funds invest could deteriorate as a result of, among other factors, an adverse development in their businesses, a change in the competitive environment, or an economic downturn. As a result, companies which the Private Funds expected to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress.

*Refinancing Risks.* In circumstances where Longshore intends to refinance all or a portion of the capital invested, there will be a risk that such refinancing may not be completed, which could lead to increased risk as a result of the Private Fund having an unintended long-term investment as to a portion of the amount invested and/or reduced diversification.

*Investments Longer than Term.* A Private Fund may make investments which may not be advantageously disposed of prior to the date such Private Fund will be dissolved, either by expiration of the Private Fund's term or otherwise. Although Longshore expects the investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, a Private Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the Private Fund's investors will occur.

*General Economic and Market Conditions.* The private equity industry generally and the success of a Private Fund's investment activities specifically will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political and socioeconomic circumstances. In the event that the global credit markets deteriorate and it becomes more difficult for investment funds such as Longshore's Private Funds to obtain favorable financing for investments, the Private Funds' ability to generate attractive investment returns may be adversely affected to the extent such Private Fund is unable to obtain favorable financing terms for its investments. Such factors are unpredictable and cannot be controlled by Longshore. General fluctuations in the market prices of securities and economic conditions may reduce the availability of attractive investment opportunities for a Private Fund and may affect such Private Fund's ability to make investments or obtain financing for 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 Private Fund's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. A Private Fund's performance can be affected by deterioration in the capital and credit markets and by market events, 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 in portfolio companies and a Private Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of a Private Fund to sell and/or partially dispose of its portfolio company investments.

Such adverse effects may include the requirement of a Private Fund to pay breakup, termination or other fees and expenses in the event the Private Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of the Private Fund to dispose of investments at prices that the Longshore GP believes reflect the fair value of such investments. The impact of market and other economic events may also affect the Private Fund's ability to obtain funding to support its investment objectives. Any of the foregoing events could result in substantial or total losses to the Private Fund in respect of certain portfolio investments, which losses will likely be exacerbated by the presence of leverage in a portfolio company's capital structure.

*Illiquidity of Portfolio Investments.* The Private Funds' investments in portfolio companies generally will be illiquid and not readily marketable, and the transferability of such investments generally will be restricted under the terms of the documents governing such investments. There can be no assurance that a Private Fund will be able to liquidate a particular interest in any portfolio company at the time and upon the terms it desires. Less marketable or illiquid investment positions may be more difficult to value than more marketable assets, due to the unavailability of reliable market quotations and other factors. The ability of the Private Funds to successfully exit and achieve liquidity on investments is dependent in large part on the condition of and valuations available in the public equity markets and valuations available in private negotiated transactions at the time, neither of which can be projected with any certainty. The sale of less marketable securities or other assets may require more time and result in lower prices, due to higher brokerage charges or dealer discounts and other selling expenses, than the sale of more marketable assets. The disposition of illiquid assets may involve distributions in kind to the investors. After a distribution of securities in kind, many investors may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold may be lower than the value of such securities determined pursuant to a Private Fund's governing documents, including the value used to determine the amount of Carried Interest available to the Longshore GP with respect to such Investment.

*Use of Leverage.* Longshore intends to make use of leverage by having certain portfolio companies incur debt to finance a portion of the Private Funds' investment in such portfolio company, including in respect of companies not rated by credit agencies. While investments in leveraged companies offer the opportunity to improve rates of investment return and/or reduce the overall cost of capital for such companies, leverage generally magnifies both the opportunities for gain and the risks of loss from investments, and the magnification of the risk of loss may be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which may be impacted by regulatory restrictions and guidelines and which are difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Private Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Private Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Private

Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Private Fund. Additionally, lenders would typically have a claim that has priority over any claim by the Private Fund to the assets of such portfolio company in an insolvency event or proceeding. Should the credit markets be limited or costly at the time the Private Fund determines that it is desirable to sell all or a part of a portfolio company, the Private Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. If a portfolio company is unable to obtain favorable financing terms for its investments, refinance its indebtedness or maintain a desired or optimal amount of financial leverage, the Private Fund may hold a larger than expected equity investment in such portfolio company and may realize lower than expected returns from the portfolio company that would adversely affect the Private Fund's ability to generate attractive investment returns for the Private Fund as a whole. Any failure by lenders to provide previously committed financing could also expose the Private Fund to potential claims by sellers of businesses which the Private Fund may have been contracted to purchase.

The Private Fund is likely to also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt) or otherwise be liable therefor, and it is not expected that the Private Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by the Private Fund also will result in interest expense and other costs to the Private Fund that may not be covered by distributions made to the Private Fund or appreciation of its investments. The Private Fund may incur leverage on a joint and several basis with parallel funds, co-investment vehicles and alternative investment vehicles of the Private Fund and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent the Private Fund incurs leverage (or provides such guaranties), such amounts may be secured by Capital Commitments made by the investors and such investors' contributions may be required to be made directly to the lenders instead of the Private Fund.

*Use of Credit Facility.* The Private Funds are likely to borrow funds pursuant to a revolving credit facility or other debt facility, including a facility based on the aggregate Capital Commitments available to be called. The Private Fund's use of such facilities will be determined by the Longshore GP, and the performance of the Private Fund may be impacted by how the Longshore GP causes the Private Fund to utilize such facilities. Although the use of such a facility may increase the Private Fund's ability to swiftly invest capital, it also will cause the Private Fund to incur interest expense and other costs. Conflicts of interest may arise in that the use of such facilities may, and likely would, delay the need for investors to make certain contributions to the Private Fund, which may enhance the Private Fund's performance figures and thereby benefit the Longshore GP and its affiliates.

For administrative convenience, capital calls, including those used to pay interest on credit facilities and other indebtedness, may from time to time be "batched" together into larger, less frequent capital calls or closings, with the Private Fund's interim capital needs being satisfied by the Private Fund borrowing money from such facilities. The interest expense and other costs of any such borrowings will be Private Fund expenses and, accordingly, will decrease the net returns of the Private Fund. In addition, the batching of capital calls may amplify the magnitude of potential defaults by investors as a result of there being fewer but larger capital calls. To the extent a subscription facility is due upon demand by a lender, such a demand may be issued at an inopportune time at which liquidity is generally constrained, potentially resulting in greater



defaults as a result of liquidity constraints on investors and/or investors facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. Finally, the existence of a subscription facility may impair an investor's ability to transfer its Interest in the Private Fund as a result of restrictions imposed on such transfers by the lender.

*Non-Controlling Investments.* Although Longshore intends to primarily make control-oriented private equity investments, the Private Funds may in the future hold meaningful minority stakes in privately held companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, the Private Funds at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that the Private Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a Private Fund holds a minority stake, it may be more difficult for the Private Fund to liquidate its interests than it would be had the Private Fund owned a controlling interest in such company. Even if the Private Fund has contractual rights to seek liquidity of the Private Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Private Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

*Director Liability.* The Private Funds will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes the Private Fund's representatives, and ultimately the Private Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Private Fund's investment activities.

*Non-U.S. Investments.* The Private Funds may in the future invest in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories and possessions. Such investments would likely be subject to certain additional risks due to, among other things, (i) currency exchange matters, including the risks associated with fluctuating currency exchange rates, (ii) potentially unsettled points of applicable governing law, (iii) the application of complex U.S. and non-U.S. tax rules to cross-border investments, (iv) possible imposition of non-U.S. taxes on the Private Fund and or the investors with respect to the Private Fund's income, (v) possible non-U.S. tax return filing requirements for the Private Fund and/or the investors, (vi) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative liquidity of some non-U.S. securities markets, (vii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements, and variations in government supervision and regulation, and (viii) certain economic and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation.

*Public Company Holdings.* A Private Fund's investment portfolio does not currently, but may in the future, contain securities issued by publicly held companies. Such investments would likely subject the Private Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Private Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including Longshore's partners, and increased costs associated with each of the aforementioned risks.

*Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the applicable Private Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at the Firm or one of its service providers holding its financial or investor data, the Firm, its affiliates, or the Private Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks.

*Public Health Concerns.* Outbreaks of communicable infections or diseases, or other public health pandemics, such as the recent outbreak of a novel and highly contagious form of coronavirus, could have a material adverse effect on the Private Funds. Although the recent coronavirus outbreak is still unfolding, financial markets have begun to reflect (i) the uncertainty associated with the slowdown in the economy and (ii) the impact of travel restrictions, quarantines and other limitations imposed on businesses, workers, customers and others in response to the coronavirus outbreak. The negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular portfolio companies, negatively impact market value, increase market volatility, cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on the Private Fund's returns and the Private Fund's ability to source new investments. No assurance can be given as to the effect of these events on the value of the Private Fund's investments.

#### *Risks Relating to an Investment in a Private Fund*

*Past Performance; No Assurance of Investment Return.* The past investment performance of Longshore's partners' prior investments is not necessarily indicative of a Private Fund's future results. While Longshore intends to make investments which have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted returns will be achieved. Total loss of principal is possible with respect to any investment. There is no assurance that a Private Fund will be able to generate returns for its investors or that returns will be commensurate with the risks of investing in the type of companies and transactions described

herein. An investment in a Private Fund should only be considered by persons who can afford a loss of their entire investment. An investment in a Private Fund requires a long-term commitment, with no certainty that such Private Fund will realize its rate of return objectives or that capital loss will not occur. There can be no assurance that the Private Fund's investment objective will be achieved, or that an investor will receive a return of its capital.

*Portfolio Concentration.* Although the applicable Private Fund Agreement is likely to set forth certain diversification limits regarding investments in any single portfolio company, diversification will not be a requirement of a Private Fund. Accordingly, a Private Fund's portfolio investments may include a small number of large positions. While this portfolio concentration may enhance total returns to investors, if any large position has a material loss, then returns to the investors may be lower than if they had invested in a well-diversified portfolio.

*Risk of Limited Number of Investments.* Because a Private Fund may only make a limited number of investments and such investments generally will involve a high degree of risk, poor performance by even a single portfolio company could severely affect the total returns to investors. Other than as set forth in the applicable Private Fund Agreement, investors have no assurance as to the degree of diversification of a Private Fund's investments, either by geographic region, asset type or sector. To the extent the Private Fund concentrates portfolio investments in a particular issuer, security or geographic region, its portfolio investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto. As a consequence, the aggregate return of the Private Fund may be adversely affected by the unfavorable performance of one or a small number of portfolio investments. Moreover, because it is not reasonable to expect all of the Private Fund's investments to perform well or even return capital, for the Private Fund to achieve above average returns one or a few of its investments must perform very well. There are no assurances that this will be the case.

*Unspecified Investments.* An investor in a Private Fund must rely upon the ability of Longshore to identify, structure and implement investments consistent with such Private Fund's investment objectives and policies. The Private Fund, however, may be unable to find a sufficient number of attractive opportunities to meet its investment objectives. The success of the Private Fund will depend in part on the ability of Longshore to identify suitable investments, to negotiate and arrange the closing of appropriate transactions, and to arrange the timely disposition of such investments.

*Hedging Policies/Risks.* A Private Fund does not currently, but may in the future, employ hedging techniques in connection with the acquisition, holding, financing, refinancing or disposition of portfolio investments, and portfolio companies themselves may also utilize hedging techniques in order to enhance returns. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks, such as counterparty default, bankruptcy or insolvency, convergence and other risks all related with derivative instruments. Thus, while the Private Fund may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, commodity prices, currency exchange rates and/or other events relating to such hedging transactions may result in a poorer overall performance for the Private Fund than if it or its portfolio companies had not entered into such hedging transactions. Notwithstanding the foregoing, the Private Funds will not be required to hedge currency fluctuations or interest rate risks.

*Failure to Make Capital Contributions.* The applicable Private Fund Agreement provides for significant adverse consequences in the event an investor defaults on its Capital Commitment or any other payment obligation. In addition to losing its right to potential distributions from the Private Fund, a defaulting investor may be forced to transfer its Interest in the Private Fund for an amount that is less than the fair market value of such Interest and that may be paid by means of a promissory note. There may also be adverse consequences to non-defaulting investors, including a potential requirement to fund additional capital contributions to cover the defaulted amount or bear the interest expenses of the Private Fund resulting from any borrowing by the Private Fund to cover the defaulted amount.

If an investor fails to pay when due installments of its Capital Commitment to the Private Fund, and the contributions made by non-defaulting investors and borrowings by the Private Fund are inadequate to cover the defaulted capital contribution, the Private Fund may be unable to pay its obligations when due. As a result, the Private Fund may be subjected to significant penalties that could limit opportunities for investment diversification and materially adversely affect the returns to the investors (including non-defaulting investors).

*Dilution from Subsequent Closings.* Investors admitted to the Private Fund at subsequent closings (if any) generally will participate in then-existing investments of the Private Fund, thereby diluting the interest of existing investors in such investments. Although any such new investor will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of the Private Fund's existing investments at the time of such contributions.

*Liability of Investors.* The Private Funds will typically be organized as a Delaware limited partnership. Generally, an investor should not be personally liable for the debts of a Private Fund except that, in the event the Private Fund is otherwise unable to meet its obligations, the investors may, under applicable law, be obligated to repay amounts previously received by them to the extent such amounts are deemed to have been wrongfully distributed to them. Moreover, any investor's Capital Commitment is susceptible to risk of loss as a result of any liability of the Private Fund irrespective of whether such liability is attributable to a portfolio investment to which such partner did not contribute any capital. If the Private Fund is otherwise unable to meet its obligations, the investors may be obligated to return, with interest, distributions previously received by them pursuant to laws regarding fraudulent conveyances to creditors whose interests have been injured.

*Indemnification; Absence of Recourse.* The Private Funds will be required to indemnify the Longshore GP, the Firm, the members of the advisory committee, and their respective managers, members, partners, officers, directors, shareholders, employees, advisors, agents, affiliates, assigns, representatives, personnel and other Covered Persons against claims, liabilities, damages, costs and expenses (including legal fees, judgments, amounts paid in settlement, and reasonable expenses of investigating or defending against any claim or alleged claim) incurred by them by reason of their activities or omissions or alleged activities or omissions (even if negligent) on behalf of the Private Fund or the investors, subject to certain exceptions. Additionally, such parties may be entitled to exculpation by the Private Fund. Such liabilities may be material and have an adverse effect on the returns to the investors. For example, in their capacity as directors of portfolio companies, the members of the Longshore GP or any other affiliates of the Longshore GP or the

Firm may be subject to derivative or other similar claims brought by shareholders of such companies. The indemnification obligation of the Private Fund would be payable from the assets of the Private Fund, including the unfunded Capital Commitments of the investors. If the assets of the Private Fund are insufficient, the Longshore GP may recall distributions previously made to the investors (subject to certain limitations).

*Litigation.* In the ordinary course of its business, a Private Fund may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of the Private Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts Longshore's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

*Reliance on Longshore.* Decisions made with respect to the management of the Private Fund will be made by the Longshore GP. The Longshore GP will have exclusive responsibility for the Private Fund's activities and, other than as set forth in the Private Fund Agreement, investors will not be able to make investment or other decisions with respect to the management of the Private Fund. The success of the Private Fund will depend on the ability of Longshore, its partners, and the Private Fund's other investment professionals to identify and consummate suitable investments, to improve the operating performance of portfolio companies and to dispose of the investments of the Private Fund at a profit. The loss of the services of one or more of Longshore's partners or such other persons could have an adverse impact on the Private Fund's ability to realize its investment objectives. There can be no assurance that each of Longshore's partners and other investment professionals will continue to be associated with the Private Fund throughout its anticipated term.

*Absence of Operating History.* Each Private Fund will be a newly formed entity with no prior operating history upon which an investor can base a prediction of future success or failure. Investors must rely solely and exclusively on the judgment and efforts of the members Longshore.

*Valuation of Assets.* There is not expected to be an actively traded market for most of the securities owned by the Private Funds. When estimating fair value, Longshore will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from (i) values that would have been determined had an active market existed for such securities and (ii) the prices at which such securities ultimately may be sold. Accordingly, the valuation decisions made by Longshore could cause it to ineffectively manage the Private Fund's investment portfolio and risks and may also affect the diversification and management of the Private Fund's portfolio of investments. Additionally, the exercise of discretion in valuation by Longshore may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of Carried Interest and the calculation of management fees.

*Portfolio Company Management Team.* Each portfolio company's day to day operations will be the responsibility of such company's management team. Although Longshore will be responsible for monitoring the performance of each investment and intends to invest in companies operated by

strong management, there can be no assurance that the existing management team, or any successor management team, will be able to operate the portfolio company in accordance with the Private Fund's plans or expectations.

*Bridge Financings.* From time to time, a Private Fund may provide interim financing in order to facilitate a portfolio investment on a short term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities or refinancing. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in the Private Fund's control, such long-term debt securities may not be issued and such bridge loans may remain outstanding. In such an event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Private Fund.

*Taxation in Certain Jurisdictions.* A Private Fund or its investors may be subject to income or other tax in the jurisdictions in which portfolio investments are made. Additionally, withholding tax or branch tax may be imposed on earnings of the Private Fund from portfolio investments in such jurisdictions. Local tax incurred in other jurisdictions by the Private Fund or vehicles through which it invests may not be creditable to or deductible by the investors in their respective jurisdictions, including the United States.

*Delayed Schedule K-1s.* A Private Fund may not be able to provide final Schedule K-1s to investors for any given fiscal year until after April 15 of the following year. Longshore will use reasonable efforts to provide investors with estimates of the taxable income or loss allocated to their investment in the Private Fund on or before such date, but final Schedule K-1s may not be available until the Private Fund has received all financial and other information from each portfolio company necessary or desirable to prepare such reports and forms. Investors may be required to obtain extensions of the filings dates for their federal, state or local income tax returns. Each prospective investor should consult with its own advisor as to the advisability and tax consequences of an investment in the Private Fund.

*Phantom Income.* Each investor that is subject to U.S. tax will be, and each investor that is subject to tax in other jurisdictions may be, required to take into account its distributive share of all items of partnership income, gain, loss, deduction and credit, whether or not distributed. Because of the nature of the Private Fund's investment activities, the Private Fund may generate taxable income in excess of cash distributions to investors. Accordingly, each investor should ensure that it has sufficient cash flow from other sources to pay all tax liabilities resulting from such investor's ownership of Interests in the Private Fund.

*Contingent Liabilities Upon Disposition.* In connection with the disposition of an investment, a Private Fund and Longshore may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties regarding the business and financial affairs of the applicable portfolio company, the condition of its assets, and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar business, and may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are

inaccurate. These arrangements may result in contingent liabilities, which would be borne by the Private Fund and, ultimately, its investors.

*Reserve for Contingent Liabilities.* Longshore may from time to time set up a reserve for contingent liabilities which would reduce the amount payable to an investor with respect to its Interest in the applicable Private Fund as provided for in the applicable Private Fund Agreement. In addition, under certain circumstances an investor may be required to return amounts previously received from the Private Fund.

*Indeterminate Size of the Private Funds.* The Initial Closing of a Private Fund may occur following receipt of Capital Commitments for a substantially smaller amount than the expected size of the Private Fund, and there can be no assurance that the Private Fund will successfully raise Capital Commitments in the amount of its target size. If the size of a Private Fund is less than its target, fewer investments may be made by the Private Fund and the average size of investments may be reduced. This could increase the risk that the fund may not attain its investment objectives.

*Agreements with Certain Investors.* Longshore has entered, and may enter again in the future, into side letters or other similar agreements with certain investors in connection with such investors' admission to a Private Fund without the approval of any other investor. Such agreements have the effect of establishing rights under, altering or supplementing the terms of, or confirming the interpretation of an applicable Private Fund document (including the applicable Private Fund Agreement and any related subscription agreement) with respect to such investor in a manner more favorable to such investor than those applicable to other investors, and such rights may be significant. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) excuse, exclusion or withdrawal rights applicable to particular investments or investors (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, certain investments); (ii) Longshore's reporting obligations; (iii) waiver of certain confidentiality obligations; (iv) access to co-investment opportunities with the Private Fund; (v) Longshore's consent to certain transfers by such investor; or (vi) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of such investor.

*Material Non-Public Information.* As a result of the operations of the Firm and its affiliates, the Firm may come into possession of confidential or material, non-public information. Therefore, the Firm and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Private Fund. Consequently, a Private Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or the Firm's internal policies. Due to these restrictions, a Private Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

*Impacts of Excuse or Exclusion.* An investor's participation in one or more of a Private Fund's investments may be limited by virtue of Longshore's right to exclude an investor from, or an investor's right to be excused from, participating in certain of such Private Fund's investments as set forth in the applicable Private Fund Agreement, thereby increasing the participation of other investors. As a consequence of one or more investors being excused or excluded or other factors

limiting their participation in investments, the aggregate returns realized by the participating investors could be adversely affected in a material manner by the unfavorable performance of even one investment in the Private Fund. The performance of one or more substantial investments may have a significant impact on the overall performance of the Private Fund. Longshore anticipates that one or more investors for Fund I will be excused from participating in certain investments for Fund I.

*Certain Legal, Tax and Regulatory Risks.* The regulatory considerations affecting the ability of Longshore's Private Funds to achieve their investment objectives are complicated and subject to change. Such considerations can result in significant compliance costs and expenses. In addition, legal, tax and regulatory changes could occur during the term of a Private Fund that may adversely affect the Private Fund. For example, there continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on a Private Fund's activities, including the ability of the Private Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

## **Item 9. Disciplinary Information**

Longshore and its supervised persons have no reportable disciplinary events to disclose.

## **Item 10. Other Financial Industry Activities and Affiliations**

### Item 10.A.

Not Applicable. Longshore and its management persons are not registered, and have not applied to register, as broker-dealers.

### Item 10.B.

Not Applicable. Longshore and its management persons are not registered, and have not applied to register, as futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

### Item 10.C.

As noted in Item 4.B., Longshore GP serves as the general partner of Fund I.



Both of Longshore's partners serve on the boards of unaffiliated private companies. More information on these positions may be found in the summary table below.

<b>Name of unaffiliated private company</b>	<b>Longshore partner serving on board</b>	<b>Description of company</b>
US Incentive Holdings, LLC	Nicholas Christopher and Ryan Anthony	Provider of prepaid digital and physical gift card solutions for incentive and loyalty programs

Conflicts may arise in allocating time between serving as board members and responsibilities at Longshore. Longshore has internal policies and procedures to address actual and potential conflicts of interest that may arise from such activity.

Item 10.D.

Not Applicable. Longshore and its supervised persons do not recommend or receive compensation for selection of other investment advisers for its Advisory Clients.

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

Item 11.A.

The Firm has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act (the "Code"). The Code sets forth a standard of business conduct and provides a framework for compliance with federal securities laws for all of the Firm's employees. The Code contains policies and procedures that ensure that all personal securities trading by employees of the Firm is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. The Firm prohibits personal trading of certain securities or instruments; requires pre-clearance of personal trades in certain circumstances, including purchases of an IPO or a private placement; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

The Firm recognizes and acknowledges that managing Advisory Clients with substantially similar investment strategies side-by-side presents potential conflicts of interest for investment allocation between and/or among the Advisory Clients. Similarly, allocating investments between or among Advisory Clients with different investment time horizons and of different size and expense structures can also present additional conflicts throughout the life-cycle of an investment or Advisory Client.

The Firm generally will allocate investment opportunities among its various Advisory Clients (that are eligible to invest in such opportunities) on a fair and equitable basis, consistent with its fiduciary obligations and the governing documents for the relevant Advisory Clients.

The Firm and its affiliates may from time to time cause the Advisory Clients to enter into transactions and/or arrangements involving actual or potential conflicts of interest. The Firm and its affiliates generally review any such transactions or arrangements involving material conflicts of interest and take such actions as they deem appropriate or necessary under the circumstances in an attempt to ensure that the overall terms of such transactions or arrangements are fair and equitable under the circumstances.

A copy of the Firm's Code of Ethics is available to clients or investors and prospective clients or investors upon their individual request.

#### Item 11.B.

From time to time, individuals associated with Longshore may buy, sell, or hold in their personal accounts the same securities that are held in client accounts. As explained in Item 6 above, this will generally not be permitted for securities held by Fund I. To minimize conflicts of interest, and to maintain the fiduciary responsibility Longshore has to its clients, the Firm has established the following personal securities transaction policy to monitor the personal securities transactions and securities holdings of each of Longshore's "access persons" (as defined in Rule 204A-1 of the Advisers Act). Longshore's securities transaction policy requires that an access person must provide the Chief Compliance Officer with a written report of their current securities holdings within ten (10) days after becoming an access person. Additionally, each access person must provide the Chief Compliance Officer with a written report of the access person's current securities holdings at least once each twelve (12) month period thereafter on a date selected by Longshore. The Chief Compliance Officer is required to review these reports to verify that personal securities transactions are conducted in accordance with the Code of Ethics.

In addition, Longshore and its eligible personnel may also invest in Private Funds of its or their choosing. It is expected that, if such investments are made, the size and nature of these investments will change over time.

#### Item 11.C.

From time to time, individuals associated with Longshore may, at or about the same time, buy, sell, or hold in their personal accounts the same securities that the Firm recommends to its clients. As explained in Item 6 above, this will generally not be permitted for securities held by Fund I. This practice may create a situation where such individuals are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.A. and Item 11.B., Longshore has a personal securities transaction policy in place to mitigate any potential conflicts of interest.

#### Item 11.D.

At times, Longshore or its related persons may purchase securities that it deems appropriate only for its or their own account. Based on the experience of Longshore or its related persons holding the securities and on further research and due diligence, Longshore may at a later time purchase such securities for client accounts at prices which might be higher or lower than those originally paid.

## **Item 12. Brokerage Practices**

Longshore currently does not engage in trading transactions on behalf of its Advisory Clients or utilize the services of broker-dealers for transaction-related services. In the event it requires the services of a broker-dealer, Longshore will seek to obtain best execution for all transactions. To the extent they aggregate orders for purchase and sale, Longshore will aggregate such orders as it deems appropriate and in accordance with Advisory Clients' organizational documents and in the best interests of Advisory Clients.

Longshore may face actual or potential conflicts of interest when allocating investment opportunities among the applicable Advisory Clients in a fair and equitable manner in accordance with the terms of its policies and the applicable governing documents for such Advisory Clients.

## **Item 13. Review of Accounts**

### Item 13.A. through Item 13.B.

The Portfolio Investments of Advisory Clients are regularly reviewed by a team of investment professionals, consisting of Longshore's principals and other investment professionals of Longshore. Longshore actively monitors the portfolio companies of the Advisory Clients and generally maintains an ongoing oversight position in such portfolio companies.

### Item 13.C.

Investors in the Advisory Clients will typically receive, among other things, a copy of audited financial statements of the relevant Advisory Client no later than 120 days after the fiscal year end of such Advisory Client. In addition, investors in each Advisory Client will typically receive written reports containing unaudited summary financial information regarding such Advisory Client on a quarterly basis.

## **Item 14. Client Referrals and Other Compensation**

### Item 14.A.

Not Applicable. Longshore does not select or recommend broker-dealers for client transactions.

### Item 14.B.

Longshore has engaged Shannon Advisors LLC ("Shannon") as a placement agent with respect to the private placement of interests in Fund I. For these services, Longshore has agreed to pay Shannon a placement fee based upon the amount of capital commitments to Fund I by investors in Fund I. Any placement agent fees and expenses would be borne by Fund I, subject to a 100% offset against the amounts payable to the Firm in respect of the Firm's management fee.

## **Item 15. Custody**

In accordance with Rule 206(4)-2 under the Advisers Act (“Custody Rule”), Fund I and any other investment funds advised by Longshore in the future (each a “Private Fund”) will be subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (“PCAOB”) and audited financial statements of each Private Fund will be prepared in accordance with generally accepted accounting principles and distributed to investors no later than 120 days of the end of each Private Fund’s fiscal year. Investors should carefully review the audited financial statements of the Private Fund upon receipt and should compare these statements to any account information provided by Longshore.

As Longshore’s investment program involves investments in certain privately offered securities, Longshore generally will be exempt from the requirement that securities be maintained with a “qualified custodian.” Longshore anticipates that many of its investments will involve securities that are (i) acquired from the issuer in a transaction or chain of transactions not involving any public offering; (ii) uncertificated, and ownership thereof is recorded only on the books of the issuer or its transfer agent in the name of the client; and (iii) transferable only with prior consent of the issuer or holders of the issuer’s outstanding securities. To the extent Longshore holds any publicly traded securities or securities which are otherwise ineligible for an exemption from the qualified custodian requirement of the Custody Rule, Longshore will maintain such securities with a qualified custodian in an account in the name of the applicable Private Fund or in accounts that contain only funds and securities owned by the Private Fund, under Longshore’s name as agent or trustee for the respective Private Fund.

## **Item 16. Investment Discretion**

Longshore has discretionary authority to manage securities accounts on behalf of its Advisory Clients. Longshore is authorized to make transaction recommendations to its Advisory Clients. As explained in Item 4.B. above, each Advisory Client’s investment strategy is set forth in detail in such Advisory Client’s offering and governing documents. Investors do not have the ability to impose limitations on this discretionary authority. Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in the applicable Advisory Client.

## **Item 17. Voting Client Securities**

Longshore has adopted the proxy voting policies and procedures set forth in its Compliance Manual. Under Longshore’s proxy voting policy, Longshore will generally vote proxies in accordance with the recommendation of the issuing company’s management on routine and administrative matters unless Longshore has a particular reason to vote to the contrary. Non-routine matters will be voted on a case-by-case basis in a manner that serves the Advisory Client’s best interests. Under certain circumstances, Longshore may abstain from voting specific proxies if it believes that doing so is in the best interests of the applicable Advisory Client. Furthermore, under Longshore’s proxy voting policy, Longshore may not vote proxies issued by companies if Advisory Clients no longer have any economic exposure to the issue.

Investors generally do not have the ability to direct proxy votes. Advisory Clients may obtain additional information regarding how Longshore voted proxies and may obtain a copy of Longshore's proxy voting policies and procedures by contacting the Chief Compliance Officer.

## **Item 18. Financial Information**

### Item 18.A.

Not Applicable. Longshore does not require nor solicit pre-payment of more than \$1,200 in fees per client, six months or more in advance.

### Item 18.B.

Longshore is not aware of any financial condition that is reasonably likely to impact its ability to meet its contractual commitments to clients.

### Item 18.C.

Not Applicable. Longshore has not been the subject of a bankruptcy petition at any time during the past ten years.