

**INVESTMENT ADVISER BROCHURE**

**GALLANT CAPITAL PARTNERS, LLC**

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**September 24, 2020**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Gallant Capital Partners, LLC (the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (310) 362-3301. 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 authority.**

The Adviser is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

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

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## MATERIAL CHANGES

This Brochure of Gallant Capital Partners, LLC (the “**Adviser**”) has been amended since the last annual update on March 30, 2020 to reflect the change with the Adviser’s Chief Compliance Officer.

## ADVISORY BUSINESS

The Adviser, a Delaware limited liability company and a registered investment adviser, and its affiliated investment advisers provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. The Adviser commenced operations in December 2017. The Adviser is controlled by Jon Gimbel and Anthony Guagliano, who are its principal owners.

The Adviser’s clients include the following (each, a “**Fund**,” and together with any future private investment fund to which the Adviser or its affiliates provide investment advisory services, the “**Funds**”):

- Gallant Capital Partners I, L.P.
- Gallant Capital Partners I-A, L.P.

The following general partner entity is affiliated with the Adviser:

- Gallant Capital Partners GP I, L.P. (the “**General Partner**” and, together with the Adviser and their affiliated entities, “**Gallant**”)

The General Partner is subject to the Advisers Act pursuant to the Adviser’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partner, which operates as a single advisory business together with the Adviser.

The Funds are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as “portfolio companies.” Gallant’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted. From time to time, where such investments consist of portfolio companies, the senior principals (the “**Partners**”) or other principals or personnel of Gallant or its affiliates generally serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

Gallant’s advisory services to the Funds are detailed in the applicable private placement memoranda or other offering documents (each, a “**Memorandum**”), limited partnership or other operating agreements or governing documents (each, a “**Partnership Agreement**”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances

pursuant to the relevant Partnership Agreement. The Funds or the General Partner generally enter into side letters or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Partnership Agreement with respect to such investors.

Additionally, from time to time and as permitted by the relevant Partnership Agreement, Gallant expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, Gallant’s personnel and/or certain other persons associated with Gallant and/or its affiliates (*e.g.*, a vehicle formed by Gallant’s principals to co-invest alongside a Fund’s transactions). Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in Gallant’s sole discretion, Gallant is authorized to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

As of December 31, 2019, Gallant manages \$186,014,665 of client assets on a discretionary basis.

## **FEES AND COMPENSATION**

In general, Gallant receives a management fee (“**Management Fee**”) and a carried interest in connection with advisory services. Gallant or other Adviser entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to Gallant. In addition, in certain circumstances Gallant receives compensation for management and other services performed in connection with co-investments made in portfolio companies of the Funds. Investors in a Fund also bear certain expenses.

### **Management Fees**

Each Fund will pay Gallant a Management Fee equal to 2% on an annual basis of aggregate investor capital commitments with respect to the respective Fund. Upon the occurrence of certain events as set forth in the respective Fund’s Partnership Agreement, each Fund’s Management Fee will be reduced and will equal 2% of (i) the aggregate investment contributions with respect to portfolio investment contributions of the Fund investors, less (ii) the aggregate amount of investment contributions with respect to the portion of each investment that has been disposed of or completely written-off. Certain investors that are affiliated with Gallant and designated by the

General Partner as “affiliated partners” (“**Affiliated Partners**”) will not be subject to the Management Fee.

Each Fund’s Management Fee will be reduced based on a percentage of portfolio company fees (“**Portfolio Company Fees**”) attributable to the Fund partners not designated as Affiliated Partners, as described in each Fund’s Partnership Agreement. Portfolio Company Fees include (i) directors’ fees, financial consulting fees or advisory fees paid to the General Partner with respect to any Fund investment; (ii) transaction fees paid to the General Partner with respect to any Fund investment; and (iii) break-up fees with respect to Fund transactions not completed that are paid to the General Partner, in each case net of certain expenses as set forth in the Partnership Agreement.

In addition, the General Partner has an operations group (the “**Operations Group**”) that comprises or may in the future comprise (i) certain employees of the Adviser, (ii) persons that are employees of an affiliate of the General Partner, and/or (iii) independent contractors that are retained by the General Partner or an affiliate thereof. The Operations Group may regularly provide services to, or in connection with, a Fund in relation to its activities or one or more portfolio companies in relation to consulting services, diligence and other investment-related services and to serve on boards of directors or other similar governing boards (“**Operations Group Services**”).

If retained, members of the Operations Group are expected to obtain seats on the boards of directors of portfolio companies of the Funds. As such, such members are expected to be compensated by applicable portfolio companies in amounts commensurate with assigned roles. However, pursuant to the Partnership Agreement, fees and expenses associated with the Operations Group Services (collectively “**Consulting Fees and Expenses**”), may be paid and/or reimbursed by applicable portfolio companies, the Funds, the General Partner and/or their respective affiliates. Consulting Fees and Expenses may, based on the particular Services, include cash fees, profits or equity interests in a portfolio company, a share of proceeds upon sale of a portfolio company and/or other incentive-based compensation to such members of the Operations Group, which may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such members of the Operations Group, a percentage of the value of the portfolio company, the amount of capital invested in such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. Consulting Fees and Expenses will not offset the Management Fee. The use of the Operations Group subjects Gallant to conflicts of interest, as discussed under “Conflicts of Interest,” below.

The Partnership Agreement permits Gallant to waive or agree to reduce the Management Fee.

**It should be noted that any Fund launched by Gallant after the date of this brochure may have materially different terms than those summarized above and any terms of any existing Fund may be amended from time to time.**

## **Carried Interest**

Gallant will receive a carried interest with respect to the Funds equal to 20% of all realized profits subject to a 8% compound preferred return, as more fully described in the Partnership Agreement. The carried interest distributed to Gallant is subject to a potential giveback at the end of life of the Funds if Gallant has received excess cumulative distributions and at certain interim intervals as provided in the Partnership Agreement.

## **Other Information**

Gallant is permitted to exempt certain investors in the Funds (including Affiliated Partners) from payment of all or a portion of Management Fees and/or carried interest, including Gallant and any other person designated by Gallant. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by Gallant and/or its affiliates, or through other Funds which co-invest with a Fund. For example, in instances where a Gallant professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Partnership Agreement, Gallant has the right to permit investors, affiliated with Gallant or otherwise, to invest through the General Partner or other vehicles that do not bear Management Fees or carried interest.

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Partnership Agreement, over the term of the relevant Fund, and investors generally are not permitted to withdraw or redeem interests in the Funds.

The partners, principals or other current or former employees of Gallant generally receive a portion of the Management Fee, carried interest or other compensation received by Gallant.

In addition to the Management Fee and carried interest payable to Gallant, each Fund bears certain expenses. As set forth more fully in the applicable Memorandum and/or Partnership Agreement of each Fund, a Fund generally bears all expenses relating to the Fund's activities, investments and business to the extent not reimbursed by a portfolio company or applied to reduce transaction fees, including all fees, costs, expenses, liabilities and obligations relating or attributable to: (i) activities with respect to origination and sourcing of investment opportunities for the Fund, including meeting with broker-dealers, investment banks and other sources of investments and developing an investment pipeline; (ii) activities with respect to the structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to periodicals or databases), acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, dissolving or otherwise disposing of, as applicable, the Fund's portfolio companies and its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, third-party diligence software and service providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated

and whether or not such activities are successful; (iii) indebtedness of, or guarantees made by, the Fund, the Adviser, the General Partner or any Affiliated Partner on behalf of the Fund (including any credit facility, letter of credit or similar credit support), including repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iv) financing, commitment, origination and similar fees and expenses; (v) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (vi) brokerage, sale, custodial, depository (including a depository appointed pursuant to the AIFMD or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction), Swiss representative and paying agent (pursuant to the Swiss Collective Investment Schemes Act (as amended) including any law, rule or regulation relating to the implementation thereof), trustee, record keeping, account and similar services; (vii) legal, accounting, research, auditing, administration (including fees and expenses associated with the Fund's third-party administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting and retainer fees, expenses and other compensation paid to the Operations Group or any of its members, consultants performing investment initiatives and other similar consultants), tax and other professional services; (viii) reverse breakup, termination and other similar fees; (ix) directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses, including any costs and expenses related to any retention or deductibles; (x) filing, title, transfer, registration and other similar fees and expenses; (xi) printing, communications, marketing and publicity; (xii) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s, other communications with partners, or any other administrative, compliance or Fund-related or investment-related regulatory filings or reports (including Form PF), including fees and costs of any third-party service providers and professionals related to the foregoing; (xiii) the Adviser's, the General Partner's and the Fund's compliance with the requirements of the AIFMD (excluding, for clarity, the initial and/or preliminary registrations, filings and compliance related thereto), as implemented in any relevant jurisdiction and including any secondary legislation, regulations, rules and/or associated guidance, and any related requirements; (xiv) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Fund or the limited partners; (xv) any activities with respect to protecting the confidential or non-public nature of any information or data; (xvi) to the extent provided in the Partnership Agreement, or otherwise approved by the General Partner in its sole discretion, activities or proceedings of the advisory board (including any costs and expenses incurred by representatives of the General Partner, the advisory board members, permitted observers and other persons in attending or otherwise participating in meetings of the advisory board); (xvii) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any partner or other person pursuant to the Partnership Agreement and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Partnership Agreement), except as otherwise set forth in the Partnership Agreement; (xviii) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs and expenses of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith; (xix) any annual limited partner meeting

or other periodic, if any, meetings of the limited partners, any other conference or meeting with any limited partner(s) and any periodic executive forum of portfolio company management and other persons; (xx) except as otherwise determined by the General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund expense or organizational expense if it were incurred in connection with the Fund, and any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Fund to the extent not paid by the investors investing in such entities and any other costs and expenses related to any structuring or restructuring of the Fund and/or its affiliated entities; (xxi) the termination, liquidation, winding up or dissolution of the Fund; (xxii) defaults by partners in the payment of any capital contributions; (xxiii) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the General Partner and related entities and any alternative investment vehicle of the Fund, including the preparation, distribution and implementation thereof; (xxiv) complying with any law, regulation or policy related to the activities of the Fund (including any legal fees and expenses related thereto and any regulatory expenses of the General Partner incurred in connection with the operation of the Fund); (xxv) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including any costs and expenses of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the Partnership Agreement; (xxvi) any third-party experts, including independent appraisers, engaged by the General Partner in connection with the Fund considering, making or holding an investment in the same entity as one or more investment vehicles (other than the Fund) managed or controlled by the General Partner or any of its affiliates; (xxvii) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a limited partner; (xxviii) any taxes, fees and other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation settlement or review of the Fund (except to the extent that the Fund is reimbursed therefor by a partner or such tax, fee or charge is treated as having been distributed to the partners pursuant to the Partnership Agreement); (xxix) distributions to the partners and other expenses associated with the acquisition, holding and disposition of the Fund's investments, including extraordinary expenses; (xxx) unreimbursed expenses and unpaid fees of the Operations Group or its members, employees or other persons engaged by the Operations Group; (xxxi) compliance or regulatory matters related to the Fund, except as otherwise set forth in the Partnership Agreement; (xxxii) any travel, lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxiii) any organizational expenses; (xxxiv) any placement fees payable to any placement agent; and (xxxv) any other fees, costs, expenses, liabilities or obligations approved by the advisory board.

The Funds also bear expenses indirectly to the extent a portfolio company pays expenses, including expenses of Gallant. Excluded from Fund expenses are ordinary administrative and overhead expenses incurred in connection with maintaining and operating Gallant's office(s), including employees' salaries (except for compensation paid to members of the Operations Group, as described above and each Fund's Memorandum and/or Partnership Agreement), rent and equipment expenses, except as otherwise provided in the applicable Partnership Agreement.



As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in “Brokerage Practices.”

In certain circumstances, one Fund is expected to pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense, without interest. While Gallant believes such circumstances to be highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. In certain circumstances, Gallant is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

As described above, in certain circumstances, the General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to Gallant’s related policies and the relevant Partnership Agreement(s) and/or Side Letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, all Broken Deal Expenses relating to such unconsummated transaction will be borne by the Fund(s), and not by any prospective co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken Deal Expenses.

Gallant and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and Gallant and/or its affiliates on the other hand.

**The foregoing list of expenses is not intended to be exhaustive and is qualified in its entirety by the applicable Partnership Agreement of each Fund.**

#### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described under “Fees and Compensation,” Gallant receives a carried interest allocation on certain realized profits in the Funds. The existence of performance-based compensation has the potential to create an incentive for the General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although Gallant generally considers performance-based compensation to better align its interests with those of its investors.

## TYPES OF CLIENTS

Gallant provides investment advice to the Funds. The Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, the partners, principals or other employees of Gallant and its affiliates and members of their families or other service providers retained by Gallant.

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 or “qualified clients” within the meaning of Rule 205-3 under the Advisers Act. Each Fund generally has a minimum investment amount of \$10 million for third-party investors. Such minimum investment amount may be waived by Gallant.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### General

Gallant is a private investment firm focused on complex situations in the North American lower middle market across three core sectors: technology, industrials and business services. Gallant will make control investments on behalf of the Funds of up to \$50 million in fundamentally sound companies where Gallant is able to utilize its operationally focused approach to enhance value. Gallant pursues investments in companies with EBITDA ranging from approximately \$5 to \$25 million and enterprise values up to \$200 million. Gallant believes this end of the market tends to be the least efficient, with a significant number of opportunities that are well-suited for Gallant’s hands-on approach and can be acquired at attractive valuations.

There can be no assurance that Gallant will achieve the investment objectives of any Fund and a loss of investment is possible.

### Investment and Operating Strategy

*Deal Origination.* Gallant maintains relationships with a vast network of brokers, investment bankers and corporate sellers with whom they have had positive experiences. Gallant believes that these relationships are key to their success as it is important to originate a large volume of potential transactions to identify opportunities that fit the characteristics and strict criteria of a Gallant investment. Advisors in the lower middle market do not generally have robust sponsor coverage teams and typically present investment opportunities to their smaller network of potential buyers making it imperative that Gallant be in constant contact with these parties. Gallant also maintains relationships directly with business owners and corporate development professionals, and have built a reputation as trustworthy counterparties and partners with these sellers where qualitative factors such as cultural fit, clear plans to improve the company, and

straightforward communication often matter as much as valuation. In addition to their internal resources, Gallant works with members of the Operations Group to source compelling investment opportunities. These seasoned executives have spent significant time operating businesses in their respective industries and are very knowledgeable of potential opportunities and are incentivized to bring them to Gallant.

*Due Diligence.* Once an opportunity is identified, the Gallant team will utilize all of its resources (including Operating Group members) to conduct thorough due diligence. The Gallant team is particularly experienced in analyzing issues found in investment opportunities where they will be the first institutional capital – primarily corporate divestitures and family-owned businesses. These investments have unique attributes that require specific experience to manage. The team will analyze potential investments from a macro and company-specific perspective, including: evaluating industry dynamics; performing detailed qualitative and quantitative analysis of the current business, operations and management; and analyzing the company’s capital structure, financial results and projections. In addition, Gallant focuses its due diligence on identifying operating initiatives and ensuring strong alignment with management. As needed, Gallant will enlist third parties to augment its due diligence. These groups can include accounting and tax advisors, market and regulatory experts, insurance advisors, and management background checks. Gallant’s due diligence process includes in-depth and in person meetings with company management, discussions with key customers, suppliers, competitors and other participants in the industry or supply chain. This rigorous due diligence process allows Gallant to be proactive in identifying potential risk areas early in the process.

## **Risks of Investment**

Each Fund and its investors bear the risk of loss that Gallant’s investment strategy entails. The risks involved with Gallant’s investment strategy and an investment in a Fund include, but are not limited to:

*Business and Market Risks.* The Funds’ investment portfolios are expected to consist primarily of securities and/or other interests issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses. In particular, these risks could arise from changes in the financial condition or prospects of the companies in which the investment is made, changes in national or international economic and market conditions and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made, including the risks of war, revolutions and the effects of terrorist attacks. The possibility of partial or total loss of capital will exist and investors should not invest unless they can readily bear the consequences of such loss.

*Investment in Junior Securities.* The securities in which the Funds will invest may be among the most junior in a portfolio company’s capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect the Funds’ investment once made.

*Concentration of Investments.* To the extent that the capital raised is less than the targeted amount, the Funds may invest in fewer portfolio companies than expected and thus be less diversified. If the Funds makes a co-investment with regards to any portfolio company, an investor

(hereinafter referred to as a “**Limited Partner**”) participating outside the Funds in such co-investment may have increased exposure to such single portfolio company, potentially multiplying such Limited Partner’s losses. The Funds may seek to make investments in a single industry segment, in a limited geographic area, in a single asset type and/or within a short period of time, which could create the conditions for a portfolio of investments that exhibit, amongst themselves, a very high degree of correlated returns. As a result of the foregoing, the Funds’ investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry, or the timing of the Funds’ investments, may substantially affect the Funds’ aggregate return. In addition to the foregoing, because the Funds 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 investment could severely affect total returns. If certain investments perform unfavorably, then in order for the Funds to achieve above-average returns, one or a few of their investments must perform very well, and there can be no assurances that this will be the case.

*Lack of Sufficient Investment Opportunities.* The business of identifying, structuring, completing, buying and selling private equity transactions is highly competitive and involves a high degree of uncertainty. The Funds will encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, strategic industry acquirers, companies, governments, private equity market participants, individuals, financial institutions and other investors, investing directly or through affiliates. Over the past several years, an ever-increasing number of private equity funds have been or are being formed, and many existing funds have grown in size. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources, a greater willingness to take on risk, and/or more personnel than the General Partner, the Funds and their affiliates.

In a highly competitive environment, valuations of potential target companies may increase. The General Partner expects that competition for appropriate investment opportunities may require the Funds to participate in auctions, the outcome of which cannot be guaranteed, thus reducing the number of investment opportunities available to the Funds and/or adversely affecting the terms upon which portfolio investments can be made.

To the extent that the Funds encounter competition for investments, the acquisition cost of such investments may increase, and returns to Limited Partners may decrease. In addition, it is possible that the Funds will never be fully invested if enough sufficiently attractive investments are not identified. Moreover, Limited Partners will be required to bear Management Fees through the Funds during the investment period (as defined in the Partnership Agreements) based on the entire amount of the Limited Partners’ commitments and other expenses as set forth in the Partnership Agreement.

*Dynamic Investment Strategy.* While the General Partner generally intends to seek attractive returns for each Fund primarily through making control-oriented, private equity investments as described herein, the General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. The General Partner may pursue investments outside of

the industries and sectors in which the Gallant's principals have previously made investments or have internal operational experience.

*Illiquidity; Lack of Current Distributions.* An investment in the Funds should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Funds (including the Management Fee payable to the General Partner) may exceed their income, thereby requiring that the difference be paid from the Funds' capital, including unfunded commitments.

*Leveraged Investments.* The Funds may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of their investment in a given portfolio company. Leverage generally magnifies both the Funds' opportunities for gain and their risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage by the Funds will also result in interest expense and other costs to the Funds that may not be covered by distributions made to the Funds or appreciation of their investments. 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 Funds' 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 Funds' 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 Funds may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Funds. Additionally, lenders would typically have a claim that has priority over any claim by the Funds to the assets of such portfolio company in an insolvency event or proceeding. Furthermore, should the credit markets be limited or costly at the time the Funds determines that it is desirable to sell all or a part of a portfolio company, the Funds may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Funds will invest generally will not be rated by a credit rating agency. 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 Funds 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 Funds' ability to generate attractive investment returns for the Funds as a whole. The Funds may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt) or otherwise be liable therefor, and in such situations, it is not expected that the Funds would be compensated for providing such guarantee or exposure to such liability. The use of leverage by the Funds also will result in interest expense and other costs to the Funds that may not be covered by distributions made to the Funds or appreciation of their investments. The Funds may incur leverage on a joint

and several basis with one or more other investment funds and entities managed by the General Partner or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent the Funds incur leverage (or provides such guaranties), such amounts may be secured by capital commitments made by the Funds' investors and such investors' contributions may be required to be made directly to the lenders instead of the Funds.

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

*Limited Transferability of Fund Interests.* There will be no public market for the Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Partnership Agreement and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable. Limited Partners may not be able to liquidate their investments prior to the end of a Fund's term and must be prepared to bear the risks of an investment in a Fund for an extended period of time.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for Fund investments, and hence most of the Funds' investments will be difficult to value. Although, prior to the termination of the Funds, the Funds generally intend to make distributions in cash or marketable securities, it is possible that under certain circumstances, distributions of investments for which there is no readily available public market and/or which may be subject to substantial restrictions on sale or transfer may be made in-kind. It may be difficult for Limited Partners to liquidate the investments received at a price or within a time period that is determined thereby to be ideal, and significant administrative burden may be involved. After a distribution of investments is made, the recipients may decide to liquidate such investments within a short period of time, which could have an adverse impact on the price of such investments. Limited Partners in receipt of a distributed investment will have no guidance from the Funds or the General Partner with respect to disposition of such investment (including timing of such disposition). The price at which such investments may be sold by such Limited Partners may be lower than the value of such investments determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest accruing to the General Partner with respect to such investment. In addition, the direct holding of certain investments may subject the holder to suit or taxes in jurisdictions in which such investments are located.

*Reliance on the General Partner and Portfolio Company Management.* The Funds have no operating history and will be dependent on the General Partner. Control over the operation of the Funds will be vested with the General Partner, and the Funds' future profitability will depend largely upon the business and investment acumen of the General Partner's principals. The loss or

reduction of service of one or more of the principals could have an adverse effect on the Fund's ability to realize its investment objectives. In addition, the principals currently, and may in the future, manage other investment funds besides the Fund and the principals may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose conflicts of interest in the allocation of the time of the principals. Limited partners generally have no right or power to take part in the management of the Funds, and as a result, the investment performance of the Funds will depend on the actions of the General Partner. In addition, certain changes in the General Partner or circumstances relating to the General Partner may have an adverse effect on the Funds or one or more of their portfolio companies including potential acceleration of debt facilities.

Although the General Partner will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although the Funds generally intend to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Funds' objectives.

*Projections.* Projected operating results of a company in which the Funds invest normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by the General Partner 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. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values. 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.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that the Funds will make follow-on investments or that the Funds will have sufficient funds to make all or any of such investments. Any decision by the Funds not to make follow-on investments or a Fund's inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for the Funds to increase its participation in a successful portfolio company or the dilution of the Funds' ownership in a portfolio company if a third party invests in such portfolio company.

*Non-U.S. Investments.* The Funds may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risks due to, among other

things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Funds), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Funds and/or the Limited Partners with respect to the Funds' income, and possible non-U.S. tax return filing requirements for the Fund and/or the partners.

Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

*Hedging Arrangements; Related Regulations.* The General Partner may (but is not obligated to) endeavor to manage the Funds' or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Funds may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("**OTC**") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject the Funds to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Funds to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements may create for the General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission ("**CFTC**") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of the Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

*Public Company Holdings.* A Fund's investment portfolio may contain securities and debt issued by publicly held companies. Such investments may subject the 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 Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the principals and increased costs associated with each of the aforementioned risks.



*Non-Controlling Investments.* The Funds may 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 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 Funds may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where the Funds holds a minority stake, it may be more difficult for the Funds to liquidate its interests than it would be had the Funds owned a controlling interest in such company. Even if the Funds have contractual rights to seek liquidity of the Funds' 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 Funds, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

*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 the Funds and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Funds and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Funds' portfolio companies.

*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 the Funds and may affect the Funds' 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 the Funds' investments and could have a negative impact on the performance and/or valuation of the portfolio companies. The Funds' 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 or the downgrading of the credit rating of the United States in 2011, 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 the Funds' performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Funds to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of the Funds to pay break-up, termination or other fees and expenses in the event the Funds are 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 Funds to dispose of investments at prices that the General Partner believes reflect the fair value of such investments. The impact of market and other economic events may also affect the Funds' ability to raise funding to support its investment objective.

*Unfunded Pension Liabilities of Portfolio Companies.* Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. The Funds may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where the Funds may own an 80% or greater interest in such a portfolio company. If the Funds (or other 80%-owned portfolio companies of the Funds) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Funds and the companies in which the Funds invest.

*Valuation of Assets.* There is not expected to be an actively traded market for most of the securities owned by the Funds. When estimating fair value, the General Partner 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 values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by the General Partner 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.

*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 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 Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Gallant, the General Partner, the Funds, one of their affiliates or one of their service providers holding their financial or investor data, the Gallant, the General Partner, the Funds, and their affiliates may also be at risk of loss.

*Risks in Effecting Operating Improvements.* In some cases, the success of the Funds' investment strategy will depend, in part, on the ability of the Funds or the management of a portfolio company to restructure and implement improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. In addition, executing restructuring programs and operational improvements may divert the attention of key personnel

and disrupt normal business. There can be no assurance that the Funds will be able to successfully identify and implement such improvements.

*Risks Relating to Due Diligence of and Conduct at Portfolio Companies; Expedited Transactions.* Before making investments, the General Partner will typically conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, technical, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and the General Partner may rely on the advice received from such third parties. Investment analyses and decisions by the General Partner will often be undertaken on an expedited basis in order for the Funds to take advantage of investment opportunities. In such cases, the information available to the General Partner at the time of an investment decision may be limited, and the General Partner may not have access to the detailed information necessary for a full evaluation of the investment opportunity. The due diligence investigation carried out with respect to any investment opportunity will not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return on invested capital.

*Control Person Liability.* The Funds are expected to have controlling interests in a number of its portfolio companies. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities laws) and other types of liability, for which the limited liability generally afforded to investors may be ignored. In particular, if determined to be a direct owner or operator of any of the portfolio company's facilities or operations, the Funds could face strict, joint and several liability under environmental laws for hazardous substance or contamination-related liabilities. If any such liabilities were to arise, the Funds might suffer significant losses. While the General Partner intends to manage the Funds in a manner that will minimize the exposure of these risks, the possibility of successful claims against the Funds and/or its affiliates cannot be precluded.

*Investments Longer than Term.* The Funds may make investments that may not be advantageously disposed of, or have liabilities that may not be resolved, prior to the date that the Funds is dissolved, either by expiration of the Funds' term or otherwise. Although the General Partner expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution and the General Partner has a limited ability to extend the term of the Funds, the Funds may sell, distribute or otherwise dispose of investments or resolve litigation or other contingent liabilities at a disadvantageous time as a result of dissolution. In addition, there can be no assurances with respect to the timeframe in which the winding up and the final distribution of proceeds to the Limited Partners will occur.

## **Conflicts of Interest**

Gallant and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds,

and providing transaction-related, legal, management and other services to Funds and portfolio companies. Gallant will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Partnership Agreement, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of Gallant conducting its activities, the interests of a Fund may conflict with the interests of Gallant, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, Gallant will determine all matters relating to structuring transactions and Fund operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

During the commitment period of a Fund, all appropriate investment opportunities will be pursued by Gallant principals through such Fund, subject to certain limited exceptions. Without limitation, Gallant principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those investments. Gallant's principals and Gallant's investment staff will continue to manage and monitor such investments until their realization. Such other investments that Gallant principals may control or manage may potentially compete with companies acquired by a Fund. Following the commitment period of a Fund, Gallant principals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

From time to time, Gallant will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of Gallant. In determining which investment vehicles should participate in such investment opportunities, Gallant and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of Gallant in a portfolio company may also raise the risk of using assets of a client of Gallant to support positions taken by other clients of Gallant.

Gallant must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. Gallant generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Partnership Agreement, as well as factors including but not limited to: investment restrictions and objectives (including those set forth in the relevant client's Partnership Agreements, where applicable), operating guidelines, strategy, diversification limitations, risk profile, time horizon, tolerance for turnover, asset composition, cash level, life cycle, structure, applicable tax and regulatory considerations, investment restrictions, risk and other relevant factors, including agreements with co-sponsors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund may invest together with other Funds advised by an affiliated adviser of Gallant in the manner set forth in the relevant Partnership Agreements and the Adviser's Allocation Policy. Gallant will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with Gallant's obligations and may take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, Gallant will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the Funds' Partnership Agreements, Side Letters and Gallant's procedures regarding allocation. Gallant's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: the likelihood that an investor may invest in a future fund sponsored by Gallant or its affiliates; expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; Gallant's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair the Gallant's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; ability of the co-investor to invest an amount of capital that is consistent with the needs of the investment; lender requirements; whether Gallant believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies, the Funds or Gallant; whether the co-investor has a history of consummating co-investment opportunities with Gallant; whether the co-investor has the financial and operational resources and other relevant wherewithal to evaluate and participate in a co-investment opportunity; the likelihood that the co-investor would require governance rights that would complicate or jeopardize the transaction; whether the co-investor has any interests in any competitor of the underlying investment; the size of the co-investor's interest to be held in the underlying portfolio company as a result of a Fund's investment; whether the co-investor has any known investment policies and restrictions, guideline limitations or investment objectives that are relevant to the transaction, including the need for early or recurring distributions; the extent to which the co-investor has previously been provided a greater amount of co-investment opportunities relative to other co-investors; the co-investor's current priority in any rotation-based list maintained by Gallant, to the extent that Gallant otherwise deems the co-investor to otherwise be eligible to participate pursuant to any other applicable co-investment allocation factors; and other factors that Gallant considers important in connection with the specific transaction or investment, including, without limitation, expected investment holding period, services provided by the co-investor to the issuer of the investment (or otherwise provided by the co-investor with respect to the investment). Gallant may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by Gallant or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other Gallant investors. When and to the extent that employees and related persons of Gallant and its affiliates make capital investments in or alongside certain

Funds, Gallant and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Gallant's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While Gallant will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which Gallant may be subject, discussed herein, did not exist.

In certain cases, Gallant will have opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, Gallant will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors similar to those employed in selecting co-investors, and unless required by the relevant Partnership Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Gallant and its affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions may be taken for one or more Funds that adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the Partnership Agreements of the Funds, Gallant will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, Gallant may be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by Gallant or its affiliates using their best judgment, considering such factors as they deem

relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size. The Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

As a result of the Funds' controlling interests in portfolio companies, Gallant and/or its affiliates typically have the right to appoint portfolio company board members (including current or former Gallant personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to Gallant and/or its affiliates. Unless such amounts are subject to the Partnership Agreements' offset provisions, they will be in addition to any Management Fees or carried interest paid by a Fund to Gallant.

Additionally, a portfolio company typically will reimburse Gallant or service providers retained at Gallant's discretion for expenses (including without limitation travel expenses) incurred by Gallant or such service providers in connection with its performance of services for such portfolio company. This subjects Gallant and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Gallant determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices.

Gallant generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) Gallant or a related person of Gallant (which may include a portfolio company of such Fund), (ii) an entity with which Gallant or its affiliates or current or former members of their personnel has a relationship or from which Gallant or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, Gallant may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This subjects Gallant to conflicts of interest, because although Gallant selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, Gallant may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that Gallant, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or Gallant), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not Gallant has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Gallant and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles

advised by Gallant and/or its affiliates; conversely, former personnel or executives of Gallant and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by Gallant. Similarly, Gallant, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Gallant and/or its affiliates, and/or the Funds or other investment vehicles they advise. Gallant may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide Gallant information about markets and industries in which Gallant operates (or is contemplating operations) or will provide other services that are beneficial to Gallant. Gallant may have a conflict of interest in making such recommendations, in that Gallant has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

Gallant, its affiliates, and equity holders, officers, principals and employees of Gallant and its affiliates may buy or sell securities or other instruments that Gallant has recommended to a Fund. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by a Fund. Such transactions are subject to any restrictions in the Fund's Partnership Agreement and any policies and procedures set forth in Gallant's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of Gallant have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by Gallant, are reimbursed by a Fund and/or its portfolio companies, Gallant will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

In addition, as described above, portfolio companies typically pay certain fees and/or grant equity interests to members of the Operations Group and other consultants (including consultants introduced or arranged by Gallant and/or its affiliates that regularly provide services to one or more portfolio companies), and such fees do not offset the Management Fee as described herein. Gallant and/or its affiliates may agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Members of the Operations Group generally receive investment opportunities, reimbursements and other compensation that do not offset the Management Fee of any Fund, as described herein. Although the use of the Operations Group members and the allocation of compensation paid to them by Gallant, its affiliates and/or the



portfolio companies subjects Gallant and/or its affiliates to potential conflicts of interest, Gallant believes that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the Operations Group is lower than market rates for the services provided and/or if the services of the Operations Group align with Gallant's model for the portfolio company and improve portfolio company performance. Although Gallant seeks to retain Operations Group members with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. Gallant also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Gallant believes will align such persons' interests with those of the Funds' limited partners, and seeks to retain only Operations Group members and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when Gallant may not otherwise have done so.

Gallant and/or its affiliates may enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

Any of these situations subjects Gallant and/or its affiliates to potential conflicts of interest. Gallant attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Gallant's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, Gallant will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Gallant consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund(s) and such other investment vehicles.

#### **DISCIPLINARY INFORMATION**

Gallant and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Adviser is affiliated with the General Partner, which operate as a single advisory business together with the Adviser and generally shares common owners, officers, partners, employees, consultants or persons occupying similar positions.

As noted in Items 4.B., 5.A. and 6, the General Partner is entitled to a performance-based fee. The General Partner also commits capital to its respective Fund, and as a result every

investment made by a Fund involves a purchase of securities whereby related persons of Gallant indirectly acquire an indirect interest in such securities.

#### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Adviser has adopted a Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of the Gallant principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Gallant personnel to report their personal securities transactions, prohibits or requires pre-clearance for Gallant personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Gallant personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the Adviser’s Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any investor or prospective investor upon request to McArthur Pierre, the Adviser’s Chief Compliance Officer, at (310) 362-3301. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

Gallant and its affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, Gallant and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Gallant.

Accordingly, should Gallant or any of its affiliated persons come into possession of material non-public or other confidential information with respect to public and non-public company, Gallant generally would be prohibited from communicating such information to clients, and Gallant will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Gallant personnel serving as directors of public companies and may restrict trading on behalf of clients, including a Fund.

Principals and employees of Gallant and its affiliates may directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles may invest in one or more of the same portfolio companies as a Fund. Co-invest opportunities may also be presented to certain affiliates of Gallant, as well as third party investors and other persons, and such co-investments may be effected through co-invest vehicles or directly in a particular portfolio company. Such co-investment opportunities generally will be allocated in the manner described under “Methods of Analysis, Investment Strategies and Risk of Loss.”

Gallant and its affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in a Fund, and may

give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, any Fund, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain Funds may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds or may give priority with respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds.

From time to time, Gallant may borrow funds on behalf of a Fund and contribute such borrowed amounts to the relevant Fund as a special capital contribution for investment, to be redeemed at a later date. Interest in connection with such borrowing is borne by the relevant Fund as a Fund expense, consistent with the Partnership Agreement and the expense policy described under “Fees and Compensation.” In borrowing on behalf of a Fund, Gallant is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund. Gallant will effect such borrowings in a manner it believes to be fair and equitable to the Fund, and consistent with Gallant’s obligations to the Fund and the Partnership Agreement.

### **BROKERAGE PRACTICES**

Gallant focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, Gallant may also distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although Gallant does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If Gallant sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by Gallant. In such event, Gallant will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, Gallant may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

Gallant has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although Gallant generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with Gallant seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although Gallant generally does not make use of such services at the current time and has not made use of

such services since its inception. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of Gallant's Funds. However, each and every research service may not be used for the benefit of each and every Fund managed by Gallant, and brokerage commissions paid by one Fund may apply towards payment for research services that might not be used in the service of such Fund. Research services may be shared between Gallant and its affiliates.

To the extent that Gallant allocates brokerage business on the basis of research services, it may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Funds' interest in receiving most favorable execution. To the extent Gallant uses "soft dollars" on behalf of the Funds, it will seek to do so within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

Gallant does not anticipate engaging in significant public securities transactions; however, to the extent that Gallant engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Funds are completed independently, Gallant may also purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, Gallant may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of Gallant is favored over any other Fund. When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Funds.

Each Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Funds over time.

In Gallant's private company securities transactions on behalf of the Funds, Gallant may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, Gallant may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although Gallant generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

## REVIEW OF ACCOUNTS

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, Gallant closely monitors companies in which the Funds invest, and the Adviser's Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each Fund generally will provide to its limited partners (i) audited financial statements annually, (ii) unaudited financial statements for the first three quarters of each fiscal year (iii) annual tax information necessary for each Fund's limited partner's U.S. tax returns, and (iv) descriptive investment information for each portfolio company periodically.

## CLIENT REFERRALS AND OTHER COMPENSATION

Gallant and/or its affiliates may provide certain business or consulting services to companies in a Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the Partnership Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by such Fund. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. *See* "Fees and Compensation."

From time to time, Gallant may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to any such placement agents will be borne by Gallant indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund. Gallant currently has retained Park Hill Group LLC ("**Park Hill**"), a U.S. registered broker dealer, with respect to certain investor solicitation efforts, and as compensation for its efforts Park Hill is entitled to a percentage of the total capital commitments made to a Fund by investors that Park Hill introduces to the Fund.

## CUSTODY

In accordance with Rule 206(4)-2 under the Advisers Act ("**Custody Rule**"), the Funds 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 Fund will be prepared in accordance with generally accepted accounting principles and distributed to investors within 120 days of the end of each Fund's fiscal year. Investors should carefully review the audited financial statements of the Funds upon receipt, and should compare these statements to any account information provided by Gallant.

As Gallant's investment program generally involves investments in certain privately offered securities, Gallant generally will be exempt from the requirement that securities be maintained with a "qualified custodian." Gallant 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 that Gallant holds any publicly traded securities or securities which are otherwise ineligible for an exemption from the qualified custodian requirement of the Custody Rule, Gallant will maintain such securities with a qualified custodian in an account in the name of the Fund or in accounts that contain only funds and securities owned by the Funds, under Gallant's name as agent or trustee for the Funds.

Gallant maintains custody of assets held in the name of one or more Funds with the following qualified custodians: First Republic Bank.

### **INVESTMENT DISCRETION**

Gallant has discretionary authority to manage investments on behalf of each Fund. As a general policy, Gallant does not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreement, however, Gallant and/or its affiliates may enter into Side Letters with certain Limited Partners whereby the terms applicable to such Limited Partner's investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Gallant assumes this discretionary authority pursuant to the terms of the Partnership Agreement and powers of attorney executed by the limited partners of such Fund.

### **VOTING CLIENT SECURITIES**

The Adviser has adopted the Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how it will vote proxies, as applicable, for the Funds' portfolio investments. The Proxy Policy seeks to ensure that Gallant votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Gallant generally believes its interests are aligned with those of each Fund's investors, for example, through the principals' beneficial ownership interests in such Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that Gallant may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's advisory board may approve Gallant's vote in a particular solicitation. Gallant does not consider service on portfolio company boards by Gallant personnel or Gallant's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by Gallant when voting proxies on behalf of a Fund. If you would like a copy of Gallant's complete Proxy Policy or information regarding how Gallant voted proxies for particular portfolio companies, please contact McArthur Pierre, the Adviser's Chief Compliance Officer, at (310) 362-3301, and it will be provided to you at no charge.

### **FINANCIAL INFORMATION**

Gallant does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.