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Joseph T. Gardemal III
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April 30, 2021

BY ECF

The Honorable Margo K. Brodie
United States District Judge
United States Courthouse
225 Cadman Plaza East
Brooklyn, NY 11201

Re: ***SEC v. GPB Capital Holdings LLC, et al.***, No. 21-cv-00583-MKB-VMS, **Monitor's Q1 2021 Quarterly Report**

Dear Chief Judge Brodie:

As provided in your Order Appointing Monitor (the Order) dated February 11, 2021, and amended on April 14, 2021, I am the Court-appointed Monitor over GPB Capital Holdings LLC ("GPB"). Paragraph 23 of the Amended Order requires that, within 30 days after the end of each calendar quarter, I file with the Court under seal or in redacted form to protect sensitive, proprietary information, and serve on the SEC and GPB, a full report reflecting (to the best of my knowledge as of the period covered by the report) the status of the reviews contemplated in paragraphs 8 through 14 (the "Quarterly Report").

The attached presentation shall serve as my Quarterly Report for the quarter ended March 31, 2021.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Joseph T. Gardemal III', with a stylized flourish at the end.

Joseph T. Gardemal III
Monitor over GPB Capital Holdings LLC
Managing Director
Alvarez & Marsal Disputes and Investigations LLC
Metropolitan Square
655 15th Street NW
Washington, D.C. 20005

cc: Douglas A. Fellman, Esq.
Mark Roberts
All counsel of record (by ECF)

SECURITIES AND EXCHANGE COMMISSION, Plaintiff

-against-

GPB CAPITAL HOLDINGS, LLC; ASCENDANT CAPITAL, LLC; ASCENDANT ALTERNATIVE STRATEGIES, LLC; DAVID GENTILE; JEFFRY SCHNEIDER; and JEFFREY LASH, Defendants

21-cv-00583-MKB-VMS

March 31, 2021

ALVAREZ & MARSAL
LEADERSHIP. ACTION. RESULTS.™

Q1 2021 – Quarterly Report of Joseph T. Gardemal III, Court-appointed Monitor over GPB Capital Holdings LLC

Submitted April 30, 2021

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I. Overview

Overview

On February 11, 2021, I, Joseph T. Gardemal III, a Managing Director of Alvarez & Marsal in Washington, DC, was appointed as the independent Monitor over GPB Capital Holdings LLC by the Honorable Chief Judge Margo K. Brodie, United States District Judge for the Eastern District of New York. The Order, which was amended on April 14, 2021, states that the Monitor shall remain in place until terminated by order of the Court.

The Amended Order outlines the Monitor's general powers and duties as follows:

1. The authority to approve or disapprove the following actions (Paragraph 6):

- a. Any proposed material corporate transactions by GPB and/or Highline Management, Inc. ("Highline"), the GPB Funds or the Portfolio Companies, or any other proposed material corporate transactions as the Monitor may, in the Monitor's sole discretion, deem appropriate;
- b. Any extension of credit by GPB, Highline, the GPB Funds, or the Portfolio Companies outside the ordinary course of business, or to a related party, as defined under the federal securities laws;
- c. Any material change in business strategy by GPB, Highline, the GPB Funds, or the Portfolio Companies;
- d. Any material change to compensation of any executive officer, affiliate, or related party of GPB, Highline, the GPB Funds, or the Portfolio Companies;
- e. Any retention by GPB, Highline, the GPB Funds, or the Portfolio Companies of any management-level professional or person (with the exception of any professional retained in connection with litigation commenced prior to this Order, over which approval shall not be required), subject to an acceptable procedure agreed to with the Monitor;
- f. Any decision to resume distributions to investors in any of the GPB Funds, consistent with the investment objectives of the GPB Funds; and
- g. Any decision to prepare for, file, or cause to be filed, any bankruptcy or receivership petition for GPB or Highline, or for the Portfolio Companies.

Overview – Continued

The Amended Order outlines the Monitor’s general powers and duties as follows (Continued):

2. The authorization and empowerment to: (Paragraph 11):

- a. Review the finances and operations of GPB, Highline, the GPB Funds, or the Portfolio Companies. The Monitor will negotiate a protocol with GPB for the review of this information.
- b. Review historical corporate transactions by GPB and/or Highline, the GPB Funds or the Portfolio Companies, to the extent covered by GPB’s forthcoming audited financial statements and any restatements covered therein, for the purposes of executing paragraph 6, above, and consistent with paragraph 19, below. The Monitor will not interfere with ongoing audits. The Monitor will negotiate a protocol with GPB for the review of this information.
- c. Review historical compensation of all executive officers or affiliates of GPB, Highline, the GPB Funds, or the Portfolio Companies.
- d. Review the retention of all consultants currently retained by GPB, Highline, the GPB Funds, or the Portfolio Companies.
- e. Review audited financial statements of GPB, Highline, the GPB Funds, or the Portfolio Companies, which GPB will promptly deliver to the Monitor upon completion.
- f. Review the minutes of all meetings of all boards of directors of GPB, Highline, the GPB Funds, or the Portfolio Companies.
- g. Review the status of all litigation involving GPB, Highline, the GPB Funds, or the Portfolio Companies.
- h. Review any commencement or settlement of any litigation involving GPB, Highline, or the GPB Funds, and any commencement or settlement of any litigation outside of the ordinary course of business involving any of the Portfolio Companies.
- i. Review any material changes to material leases or real estate holdings, including the signing of any new leases, the termination of leases, material changes to lease terms, or the purchase or sale of any material property by GPB, Highline, the GPB Funds, or the Portfolio Companies. If the material change involves a GPB, Highline, or Portfolio Company related party or affiliate, the Monitor shall have the power to approve or disapprove of the material change.
- j. Review insurance policies covering GPB, Highline, the GPB Funds, or the Portfolio Companies as well as affiliates, officers, and directors of such entities.
- k. Review promptly and approve any investor-wide communications intended to be sent by GPB to investors in the GPB Funds.

Overview – Continued

The Amended Order requires the Monitor to provide the following recommendations and reports :

1. **Paragraph 23 – within 30 days after the end of each calendar quarter, the Monitor shall file with the Court under seal or in redacted form to protect sensitive, proprietary information, and serve on the SEC and GPB, a full report reflecting (to the best of the Monitor’s knowledge as of the period covered by the report) the status of the reviews contemplated in paragraphs 8 through 14 (the “Quarterly Report”).**
 - This report will provide an overview of the status of each contemplated reviewed outlined in paragraphs 8 through 14.
2. **Paragraph 24 – The Monitor shall submit a report to the Court within 60 days of his initial appointment recommending either continuation of the monitorship, converting it to a receivership, and/or filing of bankruptcy petitions for one or more of the various entities. The Monitor may seek to extend the 60-day period for good cause shown.**
 - On April 12, 2021, the Monitor submitted a recommendation to continue the monitorship for a period of 180 days
3. **Paragraph 25 – the Monitor may, within 90 days of the expiration of the Monitor Order, or earlier if for good cause shown, recommend to the Court the contraction, expansion, continuation or discontinuation of the Monitorship. GPB shall be afforded the opportunity to respond to the Monitor’s recommendation to the Court regarding any proposed expansion or continuation of the Monitorship.**

II. Status of the Monitor's Review

Status of the Monitor's Review

Upon appointment by the Court, the Monitor and GPB worked diligently to establish an efficient protocol to effectuate the Monitor approval process required by Paragraph 6 of the Order.

The Monitor team provided a diligence list identifying specific data and documents needed to perform its duties as outlined in Paragraph 11.

- As of March 31, 2021, the Monitor team has made significant progress in obtaining data and performing the reviews contemplated.

As required by the Amended Order, and to the extent appropriate, the status of the contemplated reviews in Paragraphs 8 through 14 have been classified as the following:

- Ongoing: the review process has commenced; additional procedures are needed.
- Pending: the review process has not yet begun; awaiting additional data or documents.
- Complete.

Status of the Monitor's Review (Continued)

Paragraph 8: GPB will provide the Monitor with all documents reasonably requested, in accordance with paragraph 16, below.

- Through March 31, 2021, GPB has undertaken reasonable efforts to fulfill the Monitor's requests for documents. While there are documents and data that were outstanding as of that date, the Monitor has not experienced any unreasonable delays.

Paragraph 9: For the review of any documents reasonably requested by the Monitor, the Monitor shall request those documents from GPB's General Counsel or Chief Financial Officer.

- All Monitor requests have been made to either GPB's General Counsel or Chief Financial Officer/Interim Chief Executive Officer.

Paragraph 10: If, after review of any requested documents (or any of the matters described in paragraph 11, below), the Monitor has comments or questions thereon, those comments or questions shall be provided promptly to GPB's General Counsel or Chief Financial Officer. GPB shall consider all such comments in good faith and promptly respond to any such questions.

- GPB's General Counsel and Chief Financial Officer/Interim Chief Executive Officer have been appropriately receptive and responsive to follow-up questions and requests.

Status of the Monitor's Review (Continued)

Paragraph 11a: Review the finances and operations of GPB, Highline, the GPB Funds, or the Portfolio Companies.

- Status: Ongoing.

Paragraph 11b: Review historical corporate transactions by GPB and/or Highline, the GPB Funds or the Portfolio Companies, to the extent covered by GPB's forthcoming audited financial statements and any restatements covered therein, for the purposes of executing paragraph 6, above, and consistent with paragraph 19, below. The Monitor will not interfere with ongoing audits. The Monitor will negotiate a protocol with GPB for the review of this information.

- Status: Ongoing.

Paragraph 11c: Review historical compensation of all executive officers or affiliates of GPB, Highline, the GPB Funds, or the Portfolio Companies.

- Status: Ongoing.

Status of the Monitor's Review (Continued)

Paragraph 11d: Review the retention of all consultants currently retained by GPB, Highline, the GPB Funds, or the Portfolio Companies.

- Status: Ongoing

Paragraph 11e: Review audited financial statements of GPB, Highline, the GPB Funds, or the Portfolio Companies, which GPB will promptly deliver to the Monitor upon completion;

- Status: Pending – Audits for the relevant entities still in progress.

Paragraph 11f: Review the minutes of all meetings of all boards of directors of GPB, Highline, the GPB Funds, or the Portfolio Companies;

- Status: Ongoing

Status of the Monitor's Review (Continued)

Paragraph 11g: Review the status of all litigation involving GPB, Highline, the GPB Funds, or the Portfolio Companies.

- Status: Ongoing

Paragraph 11h: Review any commencement or settlement of any litigation involving GPB, Highline, or the GPB Funds, and any commencement or settlement of any litigation outside of the ordinary course of business involving any of the Portfolio Companies.

- Status: Ongoing

Paragraph 11i: Review any material changes to material leases or real estate holdings, including the signing of any new leases, the termination of leases, material changes to lease terms, or the purchase or sale of any material property by GPB, Highline, the GPB Funds, or the Portfolio Companies. If the material change involves a GPB, Highline, or Portfolio Company related party or affiliate, the Monitor shall have the power to approve or disapprove of the material change.

- Status: Ongoing

Status of the Monitor's Review (Continued)

Paragraph 11j: Review insurance policies covering GPB, Highline, the GPB Funds, or the Portfolio Companies as well as affiliates, officers, and directors of such entities.

- Status: Ongoing

Paragraph 11k: Review promptly and approve any investor-wide communications intended to be sent by GPB to investors in the GPB Funds.

- Status: Ongoing

Status of the Monitor's Review (Continued)

Paragraph 12: GPB will have responsibility to prepare a summary report on internal controls regarding the cash assets of the GPB Funds for the Monitor to review within ninety (90) days of this Order. The summary report shall focus primarily on the protection of cash assets and the approval procedures for the movement or transfer of cash. Once the Monitor receives the report, he is authorized, empowered, and directed to make recommendations as to GPB's internal cash controls.


- Status: Pending

Paragraph 13: GPB will provide any valuation reports of any hired valuation consultant for the GPB Funds for the Monitor's review.

- Status: Pending

Paragraph 14: GPB will present to the Monitor a summary report addressing the intended investment strategy of each of the GPB Funds moving forward, consistent with the investment objective as stated in the governing documents of the GPB Funds. Such report shall address an initial plan designed to increase total value specific to each of the GPB Funds.

- Status: Complete

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