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July 30, 2021

BY ECF

The Honorable Margo K. Brodie
United States District Judge
Eastern District of New York
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**

Dear Chief Judge Brodie:

We represent the Court-appointed monitor, Joseph T. Gardemal III (the “Monitor”), in the above-referenced matter. Pursuant to paragraph 23 of the Court’s Amended Order appointing the Monitor, dated April 14, 2021 (the “Amended Order”), we respectfully submit the attached presentation as the Monitor’s second quarterly report. Paragraph 23 of the Amended Order directs the Monitor to file with the Court “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” of the Amended Order. As required by the Amended Order, this quarterly report is also being served on the SEC and GPB Capital Holdings, LLC. Accordingly, pursuant to paragraph 23 of the Amended Order, we respectfully submit the second quarterly report of the Monitor for the Court’s review.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "R. Buehler".

Robert B. Buehler
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GPB CAPITAL HOLDINGS LLC

July 30, 2021

ALVAREZ & MARSAL
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Q2 2021 – Quarterly Report of Joseph T. Gardemal III,
Court-appointed Monitor over GPB Capital Holdings LLC.



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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 stated that the Monitor shall remain in place until terminated by Order of the Court.

On April 14, 2021, Chief Judge Brodie approved amendments to the order as proposed by the SEC and GPB.

The 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 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 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 review 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 its 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 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 June 30, 2021, GPB has made significant progress in obtaining data and performing the reviews contemplated in the order.

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

- Complete: the review process as contemplated in the order has been finalized.
- Ongoing: the review process has commenced; additional procedures are needed.
- Pending: the review process has not yet begun; awaiting additional data or documents.

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 June 30, 2021, GPB has taken reasonable efforts to fulfill the Monitor's requests for documents. While there are documents and data that were outstanding, the Monitor has not experienced any unreasonable delays and most outstanding requests are related to follow up questions from the Monitor's review of the initial information provided.

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/or 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: Ongoing – Audited financial statements of GPB, Highline, and the GPB funds have been reviewed to the extent they are final and have been published. Additional audits for certain of the relevant entities are 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: Complete

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 – The initial review has been completed. However, the Monitor continues to be updated by GPB / Highline as several litigations involving the relevant entities are still active/ 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 – The Monitor continues to be notified and reviews new developments. To date, the review of any commencement or settlement of any litigation involving the relevant entities has been completed.

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: Complete

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: Complete

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

- Status: Complete – The Monitor team has evaluated the valuation reports (in particular for auto assets and Holdings II LP assets) and made certain recommendations to GPB/ Highline, including the replacement of the former valuation service provider, which GPB/ Highline is implementing.

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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