

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	
	:	
-against-	:	21-cv-00583-MKB-VMS
	:	
GPB CAPITAL HOLDINGS,	:	
LLC ASCENDANT CAPITAL,	:	
LLC; ASCENDANT	:	
ALTERNATIVE STRATEGIES,	:	
LLC;	:	
DAVID GENTILE;	:	
JEFFRY SCHNEIDER; and	:	
JEFFREY LASH,	:	
	:	
Defendants.	:	

**DECLARATION OF JOSEPH T. GARDEMAL III, MONITOR,
IN SUPPORT OF THE U.S. SECURITIES AND EXCHANGE
COMMISSION’S MOTION FOR APPOINTMENT OF A RECEIVER
OVER GPB CAPITAL HOLDINGS LLC AND ITS AFFILIATES**

I, Joseph T. Gardemal III, declare under penalty of perjury as follows:

1. My name is Joseph T. Gardemal III and I am a Managing Director with Alvarez and Marsal (“A&M”), an international management consulting firm with headquarters in New York. I am based in A&M’s Washington, DC office. I am the independent Monitor appointed by this Court over GPB Capital Holdings LLC, (“GPB CH”).

2. Beginning in 1988, and before assuming my present position in 2006 with A&M, I served as a Managing Principal with The CapAnalysis Group, LLC, a financial and economic consulting firm affiliated with the law firm Howrey, LLP, and also held positions with other financial consulting and certified public accounting firms where my work involved auditing, accounting investigations, and service as an expert witness in connection with business disputes.

From 1990 through 1992, I served as the Chief Fiscal Officer of the New Orleans District Attorney's Office, where my work included the investigation of economic crimes. I am a Certified Public Accountant (licensed in Louisiana; Virginia; Maryland; and Washington, D.C.), a Certified Valuation Analyst, a Certified Fraud Examiner, and hold a Certification in Distressed Business Valuation. I am also Accredited in Business Valuation by the American Institute of Certified Public Accountants. I hold a B.B.A. in Accounting from Loyola University. I also served in the United States Army from 1985 until 2005.

3. I make this declaration based on my own personal knowledge, which is informed by review of applicable documents and discussions with colleagues at A&M, and others, directly involved in this matter. I make this declaration, pursuant to 28 U.S.C. § 1746, in support of the motion by the U.S. Securities and Exchange Commission (the "SEC") for the appointment of a receiver (a "Receiver") over GPB CH and its affiliates (the "Receivership Motion").

4. On February 11, 2021, I was appointed as the independent Monitor over GPB CH pursuant to an order entered by the Honorable Margo K. Brodie, United States District Judge for the Eastern District of New York (the "Initial Order"). The Initial Order was entered by the Court one week following the SEC filing of a civil complaint against Mr. Gentile and other parties, and the unsealing of a federal indictment against Mr. Gentile and other parties. Mr. Gentile, who was represented by experienced counsel, consented to the Initial Order. The Initial Order was amended on April 14, 2021 (the "Amended Order," and together with the Initial Order, the "Order"). The Order states that the Monitor shall remain in place until terminated by further order of the Court. The Order also expressly contemplated that the monitorship could be converted to a Receivership on request of the SEC. The Order provides no prohibition on my serving as Receiver in such instance, and such expanded role appears to be contemplated by the Order.

5. GPB CH's principal business function is to serve as the general partner over several limited partnership funds that have previously sold membership units to members of the public: Armada Waste Management, LP (formerly GPB Waste Management, LP); GPB Automotive Income Fund, Ltd.; GPB Automotive Portfolio, LP; GPB Cold Storage, LP; GPB Holdings, LP; GPB Holdings II, LP; GPB Holdings III, LP; GPB Holdings Qualified, LP; and GPB NYC Development, LP (each individually, a "GPB Fund," and collectively, the "GPB Funds"). Each of the GPB Funds are limited partnerships organized under the laws of the State of Delaware, except

for GPB Automotive Income Fund, Ltd., which is organized under the laws of the Cayman Islands. Each of GPB Automotive Portfolio, LP and GPB Holdings II, LP have registered partnership units under Section 12(g) of the Securities Exchange Act of 1934, as amended. The GPB Funds were formed on various dates between March 20, 2013 (in the case of GPB Holdings, LP, the oldest fund) and July 24, 2017 (in the case of GPB Holdings III, LP, the newest fund).

6. GPB CH was formed on March 19, 2013, as a limited liability company under the laws of the State of Delaware. GPB CH is the general partner of each of the GPB Funds, and in such capacity, possesses management control over each of the GPB Funds in accordance with the applicable limited partnership agreement for each respective GPB Fund. GPB CH is registered as an investment adviser with the SEC.

7. At the time of GPB CH's formation on March 19, 2013, David Gentile was appointed as the sole manager under the terms of GPB CH's original limited liability company agreement, which was also dated March 19, 2013 (the "Existing GPB CH Operating Agreement"). Mr. Gentile also was the sole member of GPB CH as of such time. At a later time, a one percent (1%) membership interest in GPB CH was transferred by Mr. Gentile to GPB Capital Member, Inc., an entity controlled by Mr. Gentile.

8. On December 18, 2019, GPB CH formed Highline Management, Inc. as a corporation under the laws of the State of Delaware ("Highline"). Highline is a wholly owned subsidiary of GPB CH. Under Section 2.1.1 of Highline's bylaws, the board of directors of Highline (the "Highline Board") shall consist of three to five members, at least three of whom shall be "independent" in accordance with federal securities laws and applicable rules and regulations. Initially, the Highline Board consisted of Mr. Gentile (who also served as Chair), Thomas Hawkins, Walter Bishop, Jane Kanter, and Joseph LaPorta. In February 2021, both Messrs. Gentile and Hawkins resigned their positions as members of the Highline Board. Mr. Gentile's position as Chair was assumed by Michael Frost following Mr. Gentile's resignation, until February 2022, and Thomas Lemke replaced Mr. Hawkins. In February 2022, Mr. Frost resigned from the Board, and Jane Kanter replaced Mr. Frost as the Board's Chair. As such, the Highline Board is currently comprised of Ms. Kanter (who serves as Chair) and Messrs. Bishop, LaPorta, and Lemke, all of whom are independent directors, except for Mr. LaPorta.

9. On January 1, 2020, GPB CH entered into a management services agreement with Highline, which was further amended in May 2020 and August 2021 (as amended, the “Highline MSA”). The Highline MSA has a current initial term through December 31, 2024. Under the Highline MSA, Highline has agreed to provide certain management and operational services to GPB CH with respect to each of the GPB Funds. The issue of conversion of the monitorship to a Receivership is outside the scope of the services that Highline and the Highline Board provide.

10. Mr. Gentile continued to serve as the sole manager of GPB CH until February 5, 2021, when he resigned and appointed Rob Chmiel as his successor sole manager. At such time, Mr. Gentile also resigned as GPB CH’s Chief Executive Officer, and Mr. Chmiel, who had already been serving as GPB CH’s Chief Financial Officer, was appointed as Interim Chief Executive Officer. Mr. Chmiel subsequently was appointed as Chief Executive Officer of GPB CH on July 1, 2021.

11. Over the last approximately fifteen months in my role as Monitor, I have gained first-hand knowledge of the operations of GPB CH, Highline, the GPB Funds, and the related portfolio companies and other investments of the GPB Funds, through the analysis of applicable documents, records, and financial information, and through direct interactions with GPB CH and Highline executives, staff, and portfolio company leadership. I have personally reviewed documents and records that are relevant to the Receivership, including, but not limited to, financial statements and projections, bank statements and other banking documents, corporate filings, corporate governance documents, and publicly available information relating to the defendants.

A. Prior Recommendation to Continue the Monitorship

12. On April 12, 2021, I recommended the continuation of the monitorship for a period of 180 days based, at the time, on the continued appropriateness of having a Monitor in place, including the results of the work that my team and I performed over the first 60 days of the monitorship, in consultation with the SEC, and with current management of GPB CH and Highline, including Mr. Chmiel, current Chief Executive Officer of GPB CH and Highline, and Michael Emanuel, General Counsel and Chief Compliance Officer of GPB CH and General Counsel of Highline. The reasons for that recommendation at the time included, among other things, the following: (a) my team, together with management, had developed an efficient protocol to effectuate the process set forth in Paragraph 6 of the Order for Monitor approval of various

proposed actions; (b) we had made significant progress in obtaining data and performing the reviews contemplated in Paragraph 11 of the Order; and (c) the individuals subject to criminal indictment (including Mr. Gentile) were no longer involved with the management of GPB CH, Highline, or the GPB Funds.

13. In addition, upon commencement of the monitorship and performance of the kinds of procedures described above, I concluded that the GPB Funds held multiple investment assets of potential value, including several portfolio companies that were operating as going concerns. Most notably, it was clear that the successful sale of the automobile dealership assets owned by certain of the GPB Funds, which then operated as the Prime Automotive Group¹ (“Prime Auto”), would be imperative to helping to achieve a maximum return for investors. At the time, conversion to a Receivership or institution of a bankruptcy case in my reasoned judgment would have impaired the value of what was by far the asset of greatest value in the portfolio. In fact, under the franchise agreements in place with various automobile manufacturers, a Receivership or bankruptcy case would almost certainly have triggered potential contract defaults that would likely have resulted in the loss of much or even all of the value of Prime Auto’s approximately 30 dealerships, as well as other significant issues between the dealerships and the manufacturers. Taken together, it simply was not prudent to pursue a Receivership at that time.

14. After considerable work by my team, company management, and supporting professionals during the balance of 2021, GPB CH announced on November 18, 2021, the successful sale by GPB Automotive Portfolio, LP of its Prime Automotive business (“Prime Automotive”) to Group 1 Automotive, Inc. for gross consideration of \$880 million. As of today, that sale transaction has been substantially completed.

15. The sale by GPB Holdings II, LP of Alliance Physical Therapy (“APT”) closed on December 22, 2021, representing the sale of another key asset that I believe also benefitted from being outside of a Receivership during the period of time when it was being marketed for sale.

¹ Prime Automotive Group comprises the portfolio companies owned by the GPB Funds that acted as selling entities in the transaction pursuant to which they sold substantially all of their automotive assets to Group 1 Automotive, Inc. (GPB Portfolio Automotive, LLC; Capstone Automotive Group, LLC; Capstone Automotive Group II, LLC; Automile Parent Holdings, LLC; and Automile TY Holdings, LLC)

16. In April 2022, GPB Cold Storage, LP completed the sale of an approximately 30-acre parcel of land in Newark, New Jersey (the “Newark Property”).

17. Following the completion of the Prime Auto, APT, and Newark Property sales, I believe that GPB CH’s remaining portfolio investments are of a nature such that conversion to a Receivership is not likely to impair their potential operating and/or sale value, and the potential conversion to a Receivership can now be considered without the same risks of value impairment that I believe existed prior to these sales.

B. Changed Circumstances and the Need for Receivership

18. On May 29, 2022, I was informed through Mayer Brown LLP, counsel to GPB CH, that Mr. Gentile had documents delivered to GPB CH reflecting that Mr. Gentile had purported to take actions, as of May 27, 2022, in his capacity as the holder of 99% of the membership interests in GPB CH, (i) expanding the number of Managers of GPB CH from one to four and appointing each of Rick Murphy, Michael Fasano, and Matt Judkin as Managers, and (ii) amending the Existing GPB CH Operating Agreement to, among other things, provide for new compensation arrangements with respect to non-employee Managers ((i) and (ii) collectively, the “May 27, 2022 Purported Actions”).

19. In a letter dated May 27, 2022, sent to Mr. Chmiel by Mr. Gentile in conjunction with the delivery of these documents, Mr. Gentile advised Mr. Chmiel of the purported appointment of these three new managers, and stated: “I expect that they will be given full and immediate access to GPB, its officers and employees, and any other resources or information requested by them to fulfill their mandate as Managers of GPB. Although you retain your role as CEO, you should immediately cease any and all actions taken or to be taken in the capacity as Manager, and you should seek consensus with Rick, Michael, and Matt regarding the course of GPB and any actions to be taken by the Managers.”

20. As described above, GPB CH is the general partner of each of the GPB Funds, and thus the board of managers of GPB CH effectively exercises direct control over all decision-making with respect to the GPB Funds.

21. Upon their purported appointment by Mr. Gentile as new Managers of GPB CH on May 27, 2022, the purported new Managers apparently took purported action on the same day to

amend the Existing GPB CH Operating Agreement. The specific amendments to the Existing GPB CH Operating Agreement that the purported new Managers purported to approve included the following substantive changes:

A. Information Rights: In new Section 4 to Article V, GPB CH's Managers would now be required to provide GPB CH's Members (i.e., Mr. Gentile) with the following information for GPB CH and the GPB Funds on a monthly basis: (i) balance sheet, (ii) income statement, (iii) cash flow statement, (iv) monthly and year-to-date budgets, (v) monthly and year-to-date reports of actual incurred expense to budgeted expense for each line item in the budget, (vi) accounts receivable aging report by invoice date, (vii) accounts payable report by invoice date, (viii) loan receivables report by invoice date, and (ix) an electronic backup of all QuickBooks files for GPB CH.

B. Compensation for New Managers: In new Section 7 of Article VI (together with edits to paragraph 4(c)), GPB CH's new managers would now be entitled to be paid between \$10,000 and \$35,000 per month, depending on the amount of time spent providing services. (The \$35,000 per month threshold is met if 51+ hours of time are served in a month, so each of the three managers could be paid over \$400,000 per year.)

C. Amendments Would No Longer Require Manager Consent: Article VII, Section 2 of the Existing GPB CH Operating Agreement provides that amendments to the agreement can only occur following approval by the Managers. The purported amendments would revise this provision so that future amendments to the GPB CH operating agreement can be made by Mr. Gentile unilaterally, without the prior approval of the Managers.

D. Certain Tax Distributions to Mr. Gentile Changed from Discretionary to Mandatory: Article IX, Section 4(b) would be amended so that quarterly tax distributions to Mr. Gentile during an ongoing fiscal year would now be mandatory based on estimated income for that ongoing tax year. Under the Existing GPB CH Operating Agreement, GPB CH is authorized to make these distributions periodically, but is not required to make them during the tax year (and, instead, they are required after completion of the year, per Section 4(a) thereof).

E. Exclusive Jurisdiction in DE Chancery Court: Article XVI, Section 10, would be amended to provide that any and all legal proceedings arising out of or relating to the GPB

CH operating agreement would be subject to exclusive jurisdiction in the Delaware Chancery Court (unless the Chancery Court declines to hear a matter, in which case Delaware federal courts would instead have exclusive jurisdiction).

F. Advancement of Expenses: The heading of Article XII, Section 5, would be revised from “Expenses,” to “Advancement for Expenses,” presumably to further support Mr. Gentile (and the purported new Managers) in seeking advancement of expenses of one kind or another. I note that from January 1, 2021, through May 31, 2022, GPB CH has advanced to Mr. Gentile approximately \$2.8 million for defense costs related to his criminal case and approximately \$900,000 in defense costs related to various civil matters in which he is involved.

22. On May 31, 2022, I transmitted correspondence to GPB CH, in my capacity as Monitor, addressing certain of the above developments, and notifying GPB CH that the May 27, 2022 Purported Actions, among other things, violate Sections 6(d) and 6(e) of the Order.

23. Separately, I understand that on May 31, 2022, Mr. Gentile filed a motion with the Court addressing matters related to the monitorship. I have reviewed the motion and its supporting materials, and I believe that they include a number of inaccurate and/or misleading assertions. For example:

A. In the Memorandum in support of the Motion (the “Memorandum”), Mr. Gentile asserts that he has been cut off from “the company he owns,” and “of which he is the sole owner.” In fact, while it is true that Mr. Gentile, through himself and another entity he controls, beneficially owns 100% of the membership interests in GPB CH, the reality is that GPB CH is merely a holding company that acts as the general partner of the GPB Funds. It is in the GPB Funds where all portfolio interests are owned, and Mr. Gentile is not the owner of the GPB Funds. Rather, limited partner interests in the GPB Funds are owned by approximately 17,000 investors, many of whom are retail investors, including mom and pop investors and seniors. Further, these investors have been unable to exit their ownership positions since the third quarter of 2018, as GPB CH has disallowed investor redemptions since that time. In my capacity as Monitor, I have been contacted on numerous occasions by investors seeking to and eager to get their money back.

B. One argument that is repeated throughout the Memorandum is that management and I have ignored paragraph 14 of the Order, and that the Order should be interpreted to require that the GPB Funds continue to follow Mr. Gentile's original investment strategy. These arguments take the paragraph in question, and the actions that have been taken pursuant to it, out of context. Paragraph 14 of the Order states: "GPB will present to the Monitor a summary report addressing the 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." This paragraph is one of several in the Order designed to, promptly following appointment of the Monitor, allow the Monitor to receive information from management to be able to assess the overall GPB Fund structure and be able to exercise informed decision-making in approving or disapproving matters subject to Monitor approval. In fact, management did present information to me consistent with this paragraph, including the investment objectives of each of the GPB Funds and each fund's forward-looking prospect. This information was critical in my subsequent decision-making. The references to "consistent with the investment objective" in paragraph 14 of the Order were clearly designed to ensure that management presented the Monitor with information relevant to an overall evaluation of optimal pathways to maximize shareholder value, not an instruction by the Court or the SEC that Mr. Gentile's original investment thesis must be continued during the Monitorship.

C. Another Order-related assertion made in the Memorandum is that the Initial Order appointed the Monitor for a 60-day period, and that the Amended Order extended this period until October 9, 2021, at which time the monitorship expired. These assertions are contradicted by paragraph 2 of both the Initial Order and the Amended Order, which each state: "The Monitor shall remain in place until terminated by Order of the Court."

D. The Memorandum states that, since the appointment of the Monitor, GPB CH and the GPB Funds have engaged in a "fire sale" strategy at the direction of the Monitor. This is untrue. Since my appointment, the most significant divestiture transactions consummated by the GPB Funds have been (i) the sale by GPB Automotive Portfolio, LP of Prime Automotive, (ii) the sale by GPB Holdings II, LP of APT, and (iii) the sale by GPB Cold Storage, LP of the Newark Property. I approved each of these sales at the request

of management, and I believe that the factual record makes abundantly clear that each of these decisions maximized shareholder value, salvaging businesses and assets that were otherwise threatened.

E. Another assertion presented in the Memorandum for the termination of the monitorship is that I have completed my review of matters authorized by the Order. This is untrue. For example, paragraph 6(f) of the Order provides that the Monitor shall approve or disapprove “any decision to resume distributions to investors in any of the GPB Funds, consistent with the investment objectives of the GPB Funds.” As described elsewhere in this declaration, one of the matters that I have spent the most time on with management as part of my appointment is planning for distributions to investors, and this work is not complete. The Memorandum also states that Mr. Gentile finds it “hard to fathom” why I continue to review historical transactions. In fact, Mr. Gentile is correct that my team and I are reviewing historical transactions. Among other reasons, this information is relevant to an analysis by GPB CH and the GPB Funds of potential claims that such entities may possess against parties that may have engaged in misconduct during the time period that Mr. Gentile directed the operations of GPB CH and the GPB Funds.

24. Given the current circumstances, where GPB CH oversees the operation of a small number of portfolio companies and the principal asset of the GPB Funds is the cash resulting from the proceeds of prior asset sales, together with the limits inherent in the authority of monitors appointed in these situations, I believe a Receivership to now be the most efficient, cost-effective, and value-maximizing means of liquidating remaining assets, distributing proceeds as soon as possible to the investors in the GPB Funds, and winding down the GPB Funds and related holding company entities. I believe this to be the case for the following reasons:

i. A Receiver can propose a distribution plan to the Court

25. As of today, the GPB Funds hold in excess of \$920 million in cash (of which \$700 million is currently invested in 3-month T-bills). I would also note that this figure excludes close to \$60 million which is currently held in escrow accounts following the sale transactions of Prime Auto, APT, the real estate assets owned by GPB Cold Storage, LP, and certain operating assets formerly owned by Armada Waste Management, LP. A significant portion of this cash amount is available for distribution today, both according to my team’s analysis and management’s own

financial analysis, which was presented to me by management on February 23, 2022. That cash belongs in the hands of the investors and creditors that are entitled to receive such funds, and any further delay in distribution is inappropriate and potentially the cause of unnecessary hardship. Thus, while I recognize the complicated and uncertain nature of GPB CH and the GPB Funds' various pending legal proceedings, including various state and investor actions, and other proceedings, there remains an expeditious need for a distribution plan and execution of that plan. Management has cooperated with the monitorship and proven effective in aspects of managing the day-to-day operations of the general partner and remaining investments of the GPB Funds and agrees with me and my team on the critical importance of immediate distribution planning. However, despite a number of meetings with management that are discussed below, and the opportunity for management to propose a distribution plan at any time, to date, no actionable distribution plan or proposal has been presented to me in my role as Monitor.

26. As early as August 31, 2021, I requested that management of GPB CH and Highline evaluate distribution planning and present initial steps during a scheduled in-person meeting on September 9, 2021. During that meeting and numerous times since, my team and I have reiterated the request for a distribution plan that would allow for the return of available cash to investors as feasible. On October 26, 2021; December 17, 2021; and most recently in the form of both an all-day meeting on February 23, 2022; and subsequent interim updates on April 14, 2022, and May 26, 2022; my team and I received various presentations from management related to distribution planning. One of the explicit purposes for each of those meetings was for the presentation of a detailed, actionable distribution plan. However, during those meetings, while distribution-related goals, as well as various challenges to potential distribution plans were presented, no plan or proposal was offered by management for my approval.

27. The current framework between GPB CH and the monitorship, under which the Monitor is not authorized under the Order to propose and/or implement a distribution plan, has simply proved incapable of achieving a viable, timely plan of distribution and execution thereof.

28. Therefore, in my judgment (and as proposed by the SEC in the Receivership Motion), a Receivership is the most appropriate vehicle for achieving the return of money to investors and creditors as quickly and efficiently as possible. Among other things, and in line with precedent, a Receiver would be able to promptly propose and implement a distribution plan, with

the court's approval, including an initial distribution that could potentially be made soon after the conversion to a Receivership. The Receiver would also be able to establish and implement a claims deadline and claims process, with the Court's approval, in order to efficiently process claims and make distributions in an accelerated manner. In light of the work that management and my team and I have already done to assess the goals, mechanics, and related considerations associated with distribution planning and implementation, it would be my goal and intent to file a distribution plan within 45 days of the date that the Court enters the order of appointment.

29. The proposed Receivership order provides the legal framework necessary to establish a claims and distribution process, and the Receiver would have the protections of law and the Court if there are missed, insufficiently reserved, or improperly recognized claims, appropriately protecting the Receiver and providing an environment for making timely investor distributions. In addition, the proposed Receivership order provides for a litigation injunction to centralize the claims process in this Court. There are a number of pending litigation proceedings, including class action litigation, that will require potential reserves, and there are limited funds available for these purposes. I would also note that the proposed litigation injunction includes a carve-out for federal and state regulatory actions, and it will be my priority to resolve such proceedings for the benefit of investors. Without the conversion of the monitorship to a Receivership, the claims and distribution process is likely to drag on for an unnecessarily extended period of time that could be many years in length.

30. Therefore, to address these various issues, the Monitor supports the Receivership Motion and the proposed Receivership order, which contemplates the formulation of a prompt and thorough claims and distribution process typical of processes used in other Receiverships or court-supervised liquidations, all of which will combine to create the platform and methodology necessary to facilitate prompt distributions.

ii. Elimination of duplicative work by GPB CH and the Monitor team

31. As required by the Order, my team has already conducted various work streams which are a prerequisite to distributions. These work streams include the review and reconciliation of investor data sets, analysis of inter-fund obligations, and identification of potential third-party actions, amongst others.

32. Many of the above tasks were necessary for my team and I to perform in the context of the monitorship, and as such, they will be immediately applicable to the work of a Receiver. As such, were I to be appointed Receiver, the transition would be seamless and the work done as Monitor would carry over and not require any sort of duplication of effort, as contrasted to the work that might be required should another person be appointed as Receiver.

iii. Ability to implement claims process and settle with investors and claim holders

33. As set out above, the proposed Receivership order authorizes the Receiver to implement a process for the lodging and resolution of claims and interests (including hiring a claims agent, as may be appropriate), as well as a process for making distributions. As this Court will be aware, the running of a large-scale claims and interests allowance process is complex, and benefits tremendously from previous practical experience running large-scale claims and interest processes in other Receiverships and court-supervised liquidations. In addition to my own experiences, A&M has been involved in many of the country's largest and most complicated liquidations and distributions programs, including a number of chapter 11 bankruptcy cases where similar claims and interests processes were conducted. I would intend to draw on this experience, as well as that of our counsel, in conducting an appropriate and fair process here.

iv. Cost efficient governance

34. A Receivership would eliminate what has proven to be a cumbersome and inefficient governance structure. For example, under a Receivership, the existing Highline Board would no longer be needed and could be dissolved. The Highline Board structure was put in place under prior management of GPB CH with the purported intent of achieving certain governance objectives, including governance and oversight independent from GPB CH. However, the structure has proven inefficient and cumbersome due to, among other factors, ill-defined duties and responsibilities of the Highline Board coupled with a circuitous governance framework as pertains to the relationship between the Highline Board and management. I believe that this has contributed to the slow progress of the development and execution of a distribution and wind-down plan.

35. Under a Receivership, the work of management, Highline, and the Monitor would be consolidated under the Receiver. The work of professional advisors to management, Highline, and the Monitor could also be consolidated. And, most important, in my considered judgment a

Receivership would most efficiently provide for execution of a timely distribution plan (and wind-down process). I would seek to present a distribution plan and, with Court approval, execute that plan in short order (as I have noted above) following my appointment as Receiver.

36. Time is of the essence with respect to cost to investors. Management fees and operating service fees that are continuously charged by GPB CH and Highline to the GPB Funds are approximately \$7 million per fiscal quarter (\$28 million per year), which excludes certain third-party costs such as accounting support, audit cost, valuation fees, and similar expenses. Moreover, there have been no distributions. Mr. Gentile now seeks to further increase these costs via the appointment of new Managers of GPB CH who would purport to set their own compensation arrangements. A Receivership would allow for a streamlined and efficient approach to distributions, a reduction of bureaucracy and elimination of the inevitable resulting delay, and an orderly vehicle for the wind-down of the enterprise.

37. It is my belief that the conversion to a Receivership will not only accelerate distributions to investors but will also provide for increased recoveries to investors due to significant cost savings compared to the status quo. First, a Receivership structure will allow me to immediately finalize and propose an actual distribution plan that does not exist currently. In addition, redundancies with respect to management and governance will be eliminated. By way of example, upon dissolution of the Highline Board, a cost savings of approximately \$835,000 per year will be realized. Moreover, it would be possible to eliminate duplication, streamline and consolidate the work done by outside professionals, including legal and accounting personnel, with resulting significant savings that will benefit investors. Further, a Receivership will accelerate the overall process for a wind-down of the enterprise, and this will reduce the time period during which administrative, management, and other costs and expenses will be incurred.

C. Conclusion

38. For all of the reasons set forth herein and in the Receivership Motion, I respectfully request that the Court enter the proposed order converting the monitorship to a Receivership, appointing me as the Receiver, and approving the other relief requested in the Receivership Motion.

Dated: June 10, 2022
Washington, D.C.



JOSEPH T. GARDEMAL III