



July 21, 2022

Dear Valued Partner,

As we previously communicated to you via a June 24 letter posted to the GPB Capital website, on June 13, 2022, the Securities and Exchange Commission (the “SEC”) filed a motion in its pending action in the U.S. District Court for the Eastern District of New York against GPB Capital Holdings, LLC (“GPB Capital”) and others (21-cv-00583, E.D.N.Y.), seeking to convert the previously-appointed independent monitor over GPB Capital, Joseph T. Gardemal III of Alvarez & Marsal (the “Monitor”), into a receiver. As I told you in the June 24 letter, in my role as its Chief Executive Officer, I consented on behalf of GPB Capital to the transition from a monitorship to a receivership.

Included in the SEC’s June 13 filings was a proposed Order that, if approved by the Court, would govern the receiver’s powers and duties. That proposed Order, which is available on the GPB Capital website (at the link provided below), provides that the receiver will, no later than forty-five (45) days after entry of the Order, propose to the Court a plan for distribution of assets to limited partners in the GPB Capital funds. Accordingly, we are awaiting a ruling from the Court on how anticipated distributions will be governed; that is, until the Court rules on the SEC’s motion, we do not know whether distributions will proceed under a monitorship or a receivership.

On July 8, 2022, the SEC filed additional materials to support its application to convert the current monitorship to a receivership, including a supplemental declaration of the Monitor, which provides the Court with additional information supporting the SEC’s request. The SEC’s July 8 filings are available here: <https://gpb-cap.com/secfilings/>.

The Monitor’s supplemental declaration provides the Court with additional detail behind the work he has done on behalf of GPB Capital and the limited partners, specifically around several key asset sales, and, significantly, highlights what the Monitor refers to as his successful work with GPB Capital’s management. Several excerpts from the supplemental declaration are included below.

For example, the Monitor describes how he “worked closely” with the management team at GPB Capital and Highline Management, Inc. on the sales of both Prime Automotive and Alliance Physical Therapy:

*“In both cases, it is my belief that the extensive and deliberate efforts undertaken by GPB CH and Highline management, in consultation with outside professionals, successfully achieved our collective objective of preserving these assets so that they could be divested on favorable terms,*

*thereby resulting in receipt by the GPB Funds of substantial cash proceeds for ultimate distribution to the funds' investors.” (Supp. Decl. ¶ 5.)*

The Monitor goes on to describe the process by which he, alongside the GPB Capital and Highline management teams, are continuing work to analyze the optimal path forward for the assets that remain in the GPB Funds:

*“In the same thoughtful, deliberate and thorough manner that we collectively approached the [Prime Automotive and Alliance Physical Therapy] transactions, I am working with management of GPB CH and Highline to similarly consider the optimal approach with respect to the remaining portfolio companies of the GPB Funds. This consideration does not include any contemplation of a “fire sale” or other quick divestiture of any remaining portfolio companies or assets. . .*

*In connection with all of these matters, I am drawing upon my own professional experience and judgment, as well as the expertise, institutional knowledge and judgment of management of GPB CH and Highline, and the experience and expertise of other outside professionals engaged by GPB CH, Highline or me (including my own colleagues at A&M).” (Supp. Decl. ¶¶ 6-7.)*

Finally, the Monitor states:

*“. . . Mr. Chmiel and other members of current GPB CH and Highline management have been good stewards of investor capital, and instituted remedial measures to correct various material compliance and other issues that had contributed to a prior loss of value for investors. Based on my observations, current GPB CH and Highline management possess strong industry and institutional knowledge that has benefited investors, including by overseeing and operating remaining investments in a value-enhancing manner. My experiences with them to date have been constructive and collaborative.” (Supp. Decl. ¶ 9.)*

We encourage all limited partners to read the filings, in their entirety, in an effort to keep best apprised on all that is happening with GPB Capital and the Funds. As ever, we remain committed to maximizing limited partner value, and returning money to investors as soon as possible.

With thanks,  
Rob Chmiel  
Chief Executive Officer & Chief Financial Officer  
GPB Capital Holdings, LLC

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*GPB Capital is an independent investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended. Registration does not imply a certain level of skill or training. More information about GPB Capital, including our investment strategies, fees and objectives, can be found in our ADV Part 2 form, which is available upon request.*