STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF: GPB CAPITAL HOLDINGS, LLC; ASCENDANT CAPITAL, LLC; ASCENDANT ALTERNATIVE STRATEGIES, LLC; DAVID GENTILE; JEFFRY SCHNEIDER; and JEFFREY LASH, *Respondents.*	)	Case No.: AP-21-01
Serve: GPB Capital Holdings, LLC C/O David Gentile 331 Cleveland Street, Apt. 2503 Clearwater, Florida 33755	)	
Ascendant Capital, LLC C/O Jeffry Schneider 2505 Bettis Boulevard Austin, Texas 78746	)	
Ascendant Alternative Strategies, LLC 331 Cleveland Street, Apt. 2503 Clearwater, Florida 33755	)	
David Gentile 331 Cleveland Street, Apt. 2503 Clearwater, Florida 33755	)	
Jeffry Schneider 2505 Bettis Boulevard Austin, Texas 78746	)	
Jeffrey Lash 6620 Glen Arbor Way Naples, Florida 34119	)	

ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY CIVIL PENALTIES, RESTITUTION, DISGORGEMENT OF PROFITS, COSTS, AND OTHER ADMINISTRATIVE RELIEF SHOULD NOT BE IMPOSED

On February 4, 2021, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State ("the Enforcement Section"), through Enforcement Counsel Steven M. Kretzer, submitted a Petition for an Order to Cease and Desist and Order to Show Cause Why Civil Penalties, Restitution, Costs, and Other Administrative Relief Should Not Be Imposed ("the Petition"). After reviewing the Petition, the Missouri Commissioner of Securities ("the Commissioner") issues the following order:

I. ALLEGATIONS OF FACT

The Petition alleges the following facts:

A. Introduction

This action involves a massive securities fraud that originated in New York State and has affected tens of thousands of investors across the United States and the State of Missouri, in particular. Respondents – a fund manager, two broker-dealers, a placement agent, and their individual principals and employees – raised more than $1.7 billion between 2013 and 2018 through sales of unregistered, high-commission limited partnership interests in a series of alternative-asset investment funds that they described as "income-producing private equity." Led by David Gentile ("Gentile") and Jeffry Schneider ("Schneider"), Respondents lured investors in with false and misleading promises of reliable monthly returns "fully covered" by operating profits, even as they increasingly relied on Ponzi financing, using new investors' capital contributions to pay prior investors the monthly distributions. By engaging in these activities and conduct, Respondents violated Sections 409.4-412 and 409.5-502 of the Missouri Securities Act.[1]

B. Respondents and Related Parties

1. GPB Capital Holdings, LLC ("GPB"), is a Delaware limited liability company GPB is registered with the SEC as an investment adviser, with the Investment Adviser Registration Depository ("IARD") number 169825. GPB serves as the general partner of a series of limited partnership investment vehicles that Respondents managed, marketed and sold within the State of Missouri from the State of New York.

2. Ascendant Alternative Strategies, LLC ("AAS"), is a Delaware limited liability company with its principal place of business in White Plains, New York. AAS is a broker-dealer registered with the SEC, FINRA, and 53 U.S. states and territories including Missouri. Its Central Registration Depository ("CRD") number is 283881. AAS is indirectly majority-owned by Gentile and Schneider. AAS served as GPB's managing broker-dealer beginning in 2017.

[1] Unless otherwise noted, all statutory references are to the 2020 Supplement to the 2013 Revised Statutes of Missouri.

3. Ascendant Capital, LLC ("Ascendant") is a Texas limited liability company with its principal place of business in Austin, Texas. It is wholly owned by Schneider. Between 2012 and May, 2020, Ascendant operated as a wholesaler and placement agent, a non-registered entity providing a wide range of marketing services and back-office operations, and serving as a third-party liaison to AAS, issuers, retail broker-dealers and investment advisers. Ascendant forfeited its Texas corporate status in May 2020 for failure to pay taxes.

4. Gentile is the sole managing member of GPB. He is also indirectly a part-owner of AAS, as defined below. Based on his association with AAS, he was assigned CRD number 6763402. He is a current resident of the State of Florida.

5. Schneider was, until May 2020, the Chief Executive Officer ("CEO") and sole member of Ascendant. He is currently a registered broker-dealer agent and indirect part-owner of AAS. He was a previous broker-dealer agent of Axiom Capital Management, LLC ("Axiom"). Schneider's CRD number is 2089051. At all relevant times, Schneider was deeply involved in the management and direction of GPB. As a result he has transacted substantial business within Missouri on behalf of AAS and GPB.

6. Jeffrey Lash ("Lash") is a resident of the State of Florida. Between 2013 and February 2018, he was GPB's Director of Automotive Retail. Lash is not registered with any regulatory authority in the securities industry.

7. GPB carried out its fraudulent activities as further described below primarily through four of eight funding groups under the GPB umbrella: GPB Automotive Portfolio, LP, GPB Holdings, LP; GPB Holdings II, LP; and GPB Waste Management, LP (collectively, "the GPB Funds").

C. Enforcement Section's Investigation

Origin of the Investigation

8. On November 20, 2020, the Enforcement Section received a complaint and documents pertaining to a multi-state investigation into GPB.

9. During its investigation, the Enforcement Section coordinated in gathering intelligence and documentation from other states, firms working within the State of Missouri that offered GPB products previously and Missouri investors that purchased GPB products or had positions in GPB products.

10. Beginning in 2013, Respondents defrauded investors in Missouri and around the nation through a series of investment funds managed by GPB. Respondents made repeated false representations that the funds would pay generous monthly distributions funded entirely from the funds' operating profits. This was a lie. In reality, Respondents used more than $100 million from new investors to pay the monthly distributions to existing investors, sacrificing long-term returns in order to cover up how poorly the funds were doing.

Respondents also defrauded investors by causing the funds to assume personal liabilities, diverting fund income to themselves through shell companies, and paying themselves undisclosed and excessive compensation.

11. The two leaders of the scheme were Gentile and Schneider. Gentile, a former accountant, started GPB Capital in 2013 and has been its sole managing member. Schneider, a friend and former accounting client of Gentile's, is a registered securities broker with a long and troubled history in the securities industry.

12. Gentile, Schneider, and the other Respondents marketed their funds to investors as an attractive "income-producing" alternative to traditional private equity funds. They highlighted the funds' monthly cash distributions, which amounted to an 8% annual return. These distributions, said Defendants, would be "fully covered" by the profits of the companies in the funds' portfolios – which included auto dealerships and waste management companies.

13. These representations were simply false. The funds routinely failed to generate enough operating income to pay the advertised monthly distributions. Yet to keep investors in the funds and entice new ones, Respondents kept making the monthly distributions (and sometimes "special" distributions on top of those), filling in any shortfalls by using new investors' capital contributions. At times, when the funds were losing money, they made distributions that consisted entirely of investor capital. Respondents also tried to conceal the true state of the funds' finances by creating false documents and by making undisclosed, and sometimes entirely undocumented, inter-fund loans.

14. By the time the funds closed to new investments in mid–2018, Respondents had used more than $100 million of investor capital to pay the supposedly "fully covered" distributions. These fraudulent distributions were used to maintain the charade of profitable operations, which was central to Respondents' marketing strategy. But every dollar of investor capital that was paid out in monthly distributions was a dollar that could not be deployed in productive investments, thereby reducing the funds' long-term returns.

15. Respondents raised roughly $1.8 billion from investors in eight separate limited partnership offerings. Nearly $1.7 billion of that total was invested in GPB's four flagship funds, which drew investors in large part because of their fraudulent monthly distributions. As of June 2019, GPB estimated the fair market value of its funds' portfolio assets at approximately $1 billion – representing more than 40% loss on investors' initial capital contributions. The exact portfolio asset values are unknown, as the funds have not issued audited financials since 2016.

16. The individual Respondents also depleted fund assets by diverting monies from portfolio companies to themselves through shell companies. Gentile and Schneider collected nearly $2 million in undisclosed "stipends" and fees for work for which they were already otherwise being paid. Investors paid for private planes and payments to Gentile's wife. Gentile even had a portfolio company purchase a Ferrari for his personal use.

17. In addition, Gentile shifted nearly $5 million of personal liabilities to investors, which – because of how he structured it – ended up costing them at least $14 million. The funds also paid tens of millions of dollars in undisclosed acquisition fees that further enriched Schneider and Gentile.

GPB's Business and Structure

18. Gentile and Schneider created corporate structures in 2012 and 2013 that they used for the better part of a decade to defraud investors and enrich themselves along with the other respondents. Using a series of interconnected entities, Respondents marketed and sold limited partnership interests in a series of alternative-asset investment funds.

19. GPB, as manager was at the center of the fraudulent scheme, but it relied heavily on the individual and corporate respondents described further below. GPB worked especially close with Schneider's company, Ascendant, the placement agent for GPB Funds. Indeed, one 2017 marketing document described the companies as essentially one organization.

i. The Individuals

20. The leaders of the fraudulent scheme were Gentile and Schneider, who respectively founded GPB and Ascendant. They repeatedly misled investors about the fact that significant portions of the monthly distributions to investors were secretly being paid from investors' own capital contributions rather from operating profits, as promised. Both of them also misappropriated monies from the investment funds and their portfolio companies, received undisclosed payments, and caused GPB Funds to pay for their luxurious personal expenses—such as a Ferrari for Gentile.

21. Lash, as a manager at GPB, also participated in creating false and misleading documents, and participated in and profited from diverting assets from the portfolio companies owned by GPB Funds.

a. Gentile

22. Before founding GPB, Gentile who is an accountant, was a partner in a New York-based accounting firm, Gentile, Pismeny & Brengel, LLC ("GP&B"). His clients included local small businesses to whom Gentile offered strategic advice on growth and business development. It was through this work at GP&B that he met Lash and Schneider as clients of GP&B.

23. In marketing GPB Funds, Respondents underscored Gentile's accounting background, representing that "during [Gentile's] career at GP&B, David has advised, oversaw[sic], structured or financed over $1 billion worth of transactions in the private and public markets." Gentile, however had never previously *managed* an investment fund. In fact, Gentile has since admitted under oath that he was a "novice" in private placements and private equity funds: "I'd never been in this business. I've been a CPA for 25 years in an accounting firm….So, I'm learning. I'm a novice…"

24. Gentile was personally involved in key decisions of the GPB Funds including decisions on how investor capital should be deployed and whether distributions should be made. Yet, the decisions that Gentile made were often clouded by his own self-interest. Through his involvement with GPB and GPB funds, Gentile directed movement of money from the GPB Funds and their investors to entities in which he had a direct or indirect interest. Gentile also ensured that several of the early fund acquisitions were companies in which he had an ownership interest. Gentile used GPB Funds to benefit himself and his family through, among other things, expense payments for luxury items and family salaries, and offloading financial obligations onto the GPB Funds. All told, through those transactions and his general involvement with GPB and GPB Funds, Gentile reaped the benefits of more than $27 million.

b. Schneider

25. Schneider assisted Gentile in setting up and running the GPB Funds. Schneider once told an investigator:

> I reached out to a friend of mine, David Gentile, who had been buying and expanding companies for over 25 years. Throughout my relationship with Dave, I had witnessed the tremendous growth of companies he purchased and partnered with. It was fascinating. **I approached him with the idea of partnering on an income-producing private equity fund**. Ultimately, investors need income, and I knew that if we could buy companies and generate income, there would be huge demand. (Emphasis added.)

26. Employees within GPB described Schneider as the "co-creator" with Gentile of the overall business plan and they have been further described as "essentially partners". Both Schneider and Gentile stated previously in sworn testimony to the SEC that they developed GPB and its fund structures.

27. Schneider first registered as a broker-dealer agent in 1991 and has since worked for twelve different broker-dealers. He was terminated or permitted to resign by an employer; once by Merrill, Lynch, Pierce, Fenner & Smith, Inc. and once by CIBC World Markets Corp. ("CIBC"). He was permitted to resign by CIBC after they discovered his involvement in a fraudulent scheme in which he transferred accounts to another broker to help that broker secure a loan, the proceeds of which Schneider shared.

28. Schneider was sanctioned by two securities regulators in connection with his misconduct at CIBC. In 2004, the National Association of Securities Dealers (a predecessor to FINRA) suspended him for ninety days and fined him $15,000.

29. In 2006, the Illinois Secretary of State initiated an action denying Schneider's salesperson registration application. The action resulted in a consent order wherein Schneider agreed to withdraw his application and not re-apply for registration for a period of two years.

30. Schneider has been the subject of more than a dozen customer complaints with allegations

that include unauthorized trading, unsuitable investments, excessive trading, and misrepresentation. Immediately prior to this action, six complaints remain outstanding and relate to activities by Schneider in this matter.

31. Schneider also has a history of involvement with firms and individuals that regulators or prosecutions have resulted in findings that they violated the law.[2]

32. Immediately before the creation of GPB, Schneider was a registered representative of Axiom, a New York broker-dealer, primarily selling real estate investment trusts ("REITs").

33. Schneider is the founder and sole member of Ascendant, an unregistered entity of which he is the sole member, which acted as a placement agent for the GPB Funds. And although Schneider is a *de facto* senior manager at GPB he holds no formal title there, and the company has not disclosed his checkered regulatory history to investors. Finally, Schneider is, together with Gentile, an indirect majority owner of AAS.

34. Based on a review of bank records, Schneider received approximately $13 million stemming from his association with GPB, GPB Funds and Gentile from 2016 through 2019 alone.

c. Lash

35. Since 1990, Lash has been a business associate and friend of Gentile as a client of GP&B. Lash owned a series of automobile dealerships, for which GP&B performed auditing and accounting services. Before the creation of GPB, Gentile invested in several of Lash's Volkswagen dealerships. These dealerships represented some of the first assets purchased by GPB.

36. Lash served as GPB's Director for Automotive Retail, overseeing various operating, companies, until February 2018, when he resigned albeit with a generous severance package.

37. Lash participated in the misappropriation of fund assets for respondents' personal benefit. Additionally, he was involved in the creation of back-dated and misleading "performance guaranties" that inflated the reported income of some of GPB Funds and actually signed these guaranties.

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[2] Two of his former employers – J.P.R. Capital Corp. and IMS Securities, Inc. – were expelled from the securities industry by FINRA. While working at another firm, Paradigm Global Advisors LLC, as a marketer, Schneider helped create a co-branded fund with R. Allen Stanford. Although Schneider's fund was not accused of specific wrongdoing, Stanford was later convicted and sentenced to 110 years in prison in connection with a $7 billion Ponzi scheme – the second-largest in history. Schneider also marketed Ponte Negra Fund I LLC, a private investment fund that was revealed to be an accounting fraud. Francesco Rusciano, the fund manager of Ponta Negra, later pleaded guilty to wire fraud in connection with misrepresentations made in that fund's marketing materials.

ii. The Entities

a. GPB and GPB Funds

38. GPB is an SEC-registered investment adviser that bills itself as "a New York-based middle-market acquisition and operations firm with a management team of experienced financial, management and accounting professionals with private investment and acquisitions experience."

39. GPB serves as the general partner or manager of a series of investment funds. GPB's four flagship funds, the GPB Funds, include GPB Cold Storage, LP; GPB Holdings III, LP; and GPB NYC Development, LP.

40. GPB Funds are structured as limited partnerships that act as holding companies, "acquir[ing] controlling majority (and in many cases, wholly owned) interests…in income-producing, middle-market private companies in North America". The portfolio companies acquired by the GPB Funds are in the "automotive retail, waste management, technology enabled services, energy, healthcare, and real estate" sectors.[3] GPB promotes its "hands-on managerial and operations assistance" to the portfolio companies owned by the funds.

41. Between 2013 and mid-2018, GPB Funds sold unregistered limited partnership interests in what are known as "private placement" transactions.

42. The limited partnership interests were marketed to "accredited investors" as defined by SEC's Regulation D.[4] When a securities offering qualifies for a Regulation D exemption from registration, its regulatory burden is significantly reduced. That is to say, there are fewer rules and less oversight.[5]

43. Gentile, was and is the sole member and CEO of GPB, and thus had total legal control over GPB and therefore over each of the GPB Funds.

44. Schneider, despite having no formal role at GPB, in practice, exercised significant control over the GPB Funds and their portfolio companies. Among other things, he was regularly involved in acquisition discussions, analysis of fund and portfolio company performance, negotiation of payments that would flow from the portfolio companies to the GPB Funds, meetings with portfolio company operators, and establishing the structure of the funds. He also reviewed and approved the language used in the funds' private placement memoranda ("PPMs").

45. Employees and management at GPB viewed Schneider's approval as necessary for major operational decisions. Emails and text messages reiterated his important, yet informal, role in GPB.

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[3] *See* GPB's Part 2 Brochure, August 2020 SEC Form ADV at 4.

[4] *See* 17 CFR 230.501(a).

[5] Missouri employs the accredited investor exemption using the definitions contained in 17 CFR 230.501(a). *See* 15 CSR 30-54.215 titled "Missouri Accredited Investor Exemption."

46. Schneider was also involved in the negotiation of Lash's performance guaranties and severance agreements, discussions of the release of dealership financials, and whether the Waste Management fund should acquire a portfolio company.

47. Despite Schneider's *de facto* management of GPB and GPB Funds, he was not listed as a control person in any PPMs or in any marketing materials. His extensive securities industry regulatory history was similarly undisclosed.

48. Approximately 255 Missouri investors purchased limited partnerships in various GPB Funds, with a total investment of more than $37,344,104.

49. Of the 255 Missouri transactions, at least 175 involved individuals that were 60 years or older at the time of their investment, nearly 69% of the Missouri investors.

b. <u>Ascendant and AAS</u>

50. Schneider founded Ascendant and was its sole owner. Ascendant, based in Texas, acted as a branch office of two different New York broker-dealers. Initially, Ascendant was a branch office of Axiom, where Schneider was a registered representative. Later, beginning in 2017, Ascendant began acting as a branch office of AAS, a new broker-dealer majority-owned by Schneider and Gentile jointly through a company named DJ Partners, LLC.

51. Ascendant was the exclusive marketer and wholesaler for GPB Funds from their inception until they closed to new investments in 2018. Ascendant typically did not sell directly to investors. Rather, Ascendant focused on marketing the GPB Funds to independent broker-dealers and investment advisers who would in turn sell GPB Funds to their retail investors.

52. Ascendant would reach out to those firms' compliance and due diligence personnel with the goal of getting the firms to approve one or more GPB Funds for sale on their platforms. Ascendant and GPB together prepared due diligence presentations that were often hosted at GPB's office in New York. GPB and Ascendant often paid for the target firms' personnel to attend these events.

53. Ascendant was responsible for GPB in drafting investor updates and preparing offering documents, limited partnership agreements, and marketing materials. Similarly, they also jointly prepared responses to due diligence questionnaires ("DDQs") from the broker-dealers and investment advisers. These DDQs often contained detailed information about the performance and strategies of GPB Funds.

54. The fees and commissions that GPB Fund investors were charged flowed, at least in part, to Axiom, and later, to AAS, and were then distributed to Schneider and Gentile, among others. Based on a review of bank and other financial records, from 2013 through 2018, GPB and the GPB Funds paid Axiom and AAS more than $77 million in fees and commissions, with approximately $37 million paid to Axiom and over $40 million paid to AAS. As indirect owners of 33.3% interests in AAS, Gentile and Schneider individually obtained more than $13 million each for marketing the GPB Funds.

55. In Missouri, fourteen (14) firms collectively offered and sold limited partnerships in GPB Funds to the 255 Missouri investors. Those firms earned $1,535,352.68 in commissions for the sale of GPB Funds.

Material Misstatements and/or Omissions

56. The core misrepresentations to investors were repeated representations that the monthly distributions being made were fully from the profits of the portfolio companies. In fact, they were not. Instead, GPB used money from new investors' capital contributions to pay promised distributions to existing investors, thus covering up how poorly the investments were in truth doing.

57. The central marketing concept for GPB Funds was that they were "unique" products without any real competition in the alternative investment space – "income-producing private equity" as Respondents often described them. GPB and Ascendant consistently told investors, broker-dealers and investment advisers that GPB Funds would pay investors regular mothing distributions, at an 8% annualized rate, that were "fully earned" or "fully covered" by cash flow from the portfolio companies.

58. Investors were additionally misled when told that the funds *might* pay special additional distributions where GPB determined it as appropriate based on the funds' ability to pay them. Variations on these fundamental misrepresentations appeared in offering and marketing documents, responses to DDQs and correspondence with potential investors and salespeople.

59. Given the interest-rate environment that prevailed during the time GPB Funds were offered, the robust 8% annual distribution from operating profits was a powerful marketing tool that enabled GPB to raise nearly $2 billion in investor capital in just five years.

60. For example, an August 2014 GPB Capital response to a DDQ described a fund as "[u]nlike any other private equity investment program" because "it pays a substantial current dividend that is fully covered from operations." In differentiating the fund from other investments, GPB identified as "of utmost importance" that the fund "is the only income producing private equity offering in the space" paying distributions "fully covered with funds from operations."

61. The emphasis by GPB and Ascendant on GPB's "unique offering with virtually no competition in the marketplace" demonstrates that they knew the source of monthly distributions was material to investors. Indeed, Ascendant repeatedly responded to broker-dealers and investment advisers who sought to clarify and confirm that the distributions paid by GPB Funds would not include invested capital.

62. Respondents also lured investors by having GPB Funds pay additional "special" distributions on top of the regular monthly distributions. The special distributions were effective fundraising tools for at least two reasons:

a. first, they served as proof of concept, demonstrating the GPB Funds' ability to generate excess income from their portfolio companies. GPB and Ascendant routinely represented that these special distributions were also "fully covered from operations"; and

b. second, they created a sense of urgency. The special distributions were announced in advance, and payable only to those who invested by a stated deadline. Ascendant then sent out "blast" emails promoting the special distributions and investment deadlines to whip up investor interest.

63. GPB and Ascendant used special distributions as a critical part of their plan to raise money for GPB Funds.

64. But these representations were false and misleading. It simply was not true that the portfolio companies steadily produced income that fully funded the monthly distributions to investors. In fact, the Respondents routinely returned investor capital as distributions, falsely claiming the money was from portfolio company operations.

65. Respondents' own internal records show the falsity. Internally, GPB and Ascendant tracked whether distributions to investors were "fully covered by cash flow" from operations. This measurement was expressed as a percentage figure – sometimes referred to as the "coverage ratio" – that was based on a fund's net investment income, plus any realized gains or losses, divided by the distributions paid to investors.

66. A coverage ratio of 100% or higher meant the fund's net investment income plus realized gains were equal to or greater than the distributions to investors; in other words, the distributions were "fully covered". A coverage ratio below 100% meant that a fund was paying distributions in excess of operating income. In that event, the shortfall would have to be made up from another source – mostly commonly, investors' capital contributions. If a fund had negative operating income – i.e. was losing money – but continued to pay distributions, the coverage would also be negative, or less than 0%. A negative coverage ratio effectively meant that every dollar distributed to investors was coming from investors' own capital contributions.

67. Any use of investor capital to pay distributions necessarily reduced the amount of capital a GPB Fund could deploy in productive investment. Because GPB assumed significant positive returns on deployed capital, each dollar of investor capital paid out in distributions would reduce long-term value by an even greater amount.

68. Beginning in 2014, four GPB Funds repeatedly used investor capital to make distributions to investors, while repeatedly falsely stating that the distributions were fully funded from operations. The four funds were:

a. GPB Holdings, LP ("Holdings");

b. GPB Automotive Portfolio, LP ("Automotive Portfolio");

c. GPB Holdings II, LP ("Holdings II"); and

d. GPB Waste Management, LP ("Waste Management").

69. Between 2014 and 2018, more than $100 million was distributed to investors under the false pretenses that the monies were profits from the GPB Funds' profitable investments in income-producing portfolio companies.

Holdings

70. Holdings, launched in March 2013, was the first GPB Fund. The initial offering was in the amount of $150 million, and the PPM described the purpose of the fund as investing in "early-stage and middle-market private companies" in the sectors of automotive retail, information technology and healthcare.

71. A 2014 due diligence presentation stated that the targeted monthly distributions at an annualized rate of 8% were "paid 100% [with] funds from operations" – in other words, the "cash flow from portfolio companies." A 2015 version of the presentation repeated these representations and added a "highlights" slide stating that the GBP Funds provided investors with "meaningful income… 100% fully covered distributions – funds from operations."

72. But in truth, for the full year of 2014, Holding's income fell far short of the roughly $2.5 million distributions it made to investors. In other words, a large chunk of the distributions Holdings paid out in 2014 were simply returns of investors' own capital.

73. Respondents covered up this shortfall by manufacturing fictitious back-dated "performance guaranties" and falsifying financial statements.

74. Specifically, on May 8, 2015, Holdings released its audited financial statements for 2014 which reported $2,498,858 in net income. This was false: the net investment income figure relied on fictitious earnings from portfolio companies – in particular, two auto dealerships that Lash operated.

75. The falsehood in the financial statements had roots in February 2015, when GPB and Ascendant personnel began working on the financial statements for 2014. As they looked at the numbers, they saw significant shortfalls in Holdings' income "when you compare it to what we distributed," according to an email from one of the employees.

76. To help cover up for the shortfall, GPB created back-dated "performance guaranties" from Lash to the two auto dealerships that Lash operated. The performance guaranties purported to require Lash to pay the portfolio companies for any shortfalls in dealership net income below the stated thresholds. Dated "as of February 20, 2014," the documents did not exist until after GPB and Ascendant had discovered the shortfall in February 2015.

77. As an Ascendant Managing Director wrote in an October 2015 email, the guaranties were

"issued for 2014 audit purposes." They were reverse engineered to generate the amount of fictitious dealership income that Holdings needed to get its coverage ratio back to 100%. For that reason, Respondents had to wait to finalize the guaranty agreements for "all of the accounting to be resolved as the first step so the agreements would reflect that," as GPB Capital's Director of Asset Management described it in a March 2015 email.

78. Gentile, Schneider, and Lash were actively involved in this deception. In early March 2015, one GPB employee emailed another about getting Gentile and Schneider to agree to the precise amount of the income manipulations (referred to as a "true up"): "to make sure that you and I are totally in agreement regarding the remaining true up for 2014 from the dealerships…I know that Dave [Gentile] and Schneider are together in Texas, can we please get them to agree, along with Lash and [non-party manager], to the amount of the true up this week[?]"

79. On March 18, Gentile texted Schneider and Lash asking them to "please get on a call now with [a partner at the accounting for GP&B]…[he] feels based on his convo with Schneider that the guarantee that keeps neutral income and no losses on the tax returns and therefore no negative effect to the capital amounts is 1.1mm… I told [him] it was prudent to follow Schneider's instructions." Later that day, GPB's Chief Operating Officer sent Lash two "deficiency notices" for the portfolio companies operating the dealerships, stating that Lash owed a combined total of $1,136,201 pursuant to the performance guaranties.

80. The amounts supposedly due under the performance guaranties were never collected in full. In October 2015, a GPB finance manager noted in an email that no payments had been made, commenting, "Let's be real. This is not going to be collected…[W]ouldn't the investor want to know there is a shaky, non-performing receivable on the books?"

81. The fictional guaranties were also part of a false marketing scheme. GPB was offering a new fund in April 2015, called Holdings II. The marketing pitch relied heavily on the supposed 100% coverage ratio for the original Holdings fund. Disclosing the large shortfall in Holdings' 2014 income would have undermined the central premise of GPB's business model.

82. Indeed, despite the 2014 shortfall, Holdings made yet another special distribution in order to maintain the false image of the GPB Funds as producing dependable returns from portfolio companies' operations. Thus, in April 2015, Holdings made a special distribution of 1.5%, which totaled roughly $500,000. Even Lash, whose fake performance guaranty was being crafted at the time, texted Gentile and Schneider that he had met with GPB's CFO, who told Lash that making another special distribution under the circumstances was "basically suicide".

83. Holdings, nonetheless, went ahead and made the April 2015 distribution, using investor capital again. For the second quarter of 2015, Holdings booked net investment income of only $3,219,501 but paid total distributions of $3,851,958 – a quarterly coverage ratio of 84%. By this point, Holdings' quarterly coverage ratio had been below 100% for three of the first seven quarters in which it had paid distributions.

84. Yet GPB and Ascendant continued to falsely state that Holdings' distributions were fully covered by operating income. For example, on May 8, 2015 (the very same day that Holdings released its false 2014 financial statements) an Ascendant representative emailed a prospective investor attaching a copy of the financial statements and highlighting Holdings' "full FFO coverage (funds from operations)." Similarly, a June 2015 GPB DDQ response again falsely stated that all Holdings' "distributions are fully covered with funds from operations."

85. In the summer of 2015, Holdings continued to use investors' money to pay distributions. On August 10, 2015, the third-party fund administrator, transferred $8.7 million of new investor capital into Holdings' investment account. The following month, GPB caused Holdings to transfer nearly $700,000 of that new investor capital from its investment account to its distribution account for distributions to existing investors.

86. Gentile was fully aware of and approved these transactions. In October 2015, a GPB employee emailed Gentile and the CFO at that time to get approval to move cash from Holdings' investment account to the distribution account (used to make monthly payments to investors).

87. In the next calendar year, May 2016, Holdings issued a second amended PPM. For the first time, this new PPM stated that "we could include LPs' invested capital in amounts we distribute to LPs," but also stated, "we have no present plans to do so." This new statement was false and misleading. As Gentile and Schneider well knew, Holdings already *had* used investor capital to pay distributions, and falsified financial statements to cover it up.

88. Notwithstanding its assertion of no "present plans," the fund continued to pay distributions using investor capital. Between July and September 2016, Holdings lost more than $1.2 million. Despite that, Gentile continued to direct and approve monthly distributions. Holdings paid nearly $4 million in distributions during the third quarter. Holdings' quarterly coverage ratio came in at negative 38%, meaning that every single dollar distributed to investors during those three months came from investor capital rather than operations.

89. The fourth quarter of 2016 was even worse. Holdings recorded positive net investment income of nearly $1.4 million, but also realized a loss of more than $3.6 million in connection with an asset sale. Holdings continued to use investor funds to make monthly distributions, which totaled more than $3.9 million and led to a coverage ratio of negative 57%.

90. For all of 2016, Holdings booked net investment income of $8.4 million, realized a loss of $3.6 million, and paid distributions of nearly $15.8 million, resulting in an annual coverage ratio of 30%. In other words, more than two of every three dollars Holdings distributed to limited partners in 2016 came directly from investor funds.

91. In December 2016, Holdings issued a third amended PPM, which repeated the phrase that had first appeared in May: "While we have no present plans to do so, we could include

LP's invested capital in amounts we distribute to LPs." This statement was false and misleading. Holdings had been paying distributions mostly out of invested capital for the preceding six months, and would continue to do so for at least the next three quarters.

92. By the end of 2017, the cumulative amounts of distributions funded by investors own capital exceeded $20 million. The repeated statements that Holdings' distributions were fully funded by operational income were false and misleading. The repeated statements that there were no "present plans" to use investor capital to make distributions were false and misleading.

Automotive Portfolio

93. Respondents repeated the scheme in Automotive Portfolio, GPB's second fund, which was launched in May 2013 – only two months after Holdings. Automotive Portfolio was focused on the acquisition, operation, and resale of retail car dealerships, relying heavily, at least initially, on Lash's existing dealership portfolio.

94. As it had for Holdings, the Respondents marketed the Automotive Portfolio to investors as a reliable, income-generating instrument. Thus, in February 2014, GPB issued an amended PPM for Automotive Portfolio that stated, "At the core of the GPB strategy is the provision that all distributions paid to limited partners ***will be fully covered*** by funds from the portfolio's company's operations." (Emphasis added.) In early 2015, GPB and Ascendant continued to represent in marketing and due diligence materials that Automotive Portfolio distributions was fully covered with funds from operations. For instance, in March 2015 GPB represented in a DDQ response that "the initial distribution rate of 8% is paid monthly ***only from funds from operations***." (Emphasis added.)

95. As the year went on, however, GPB and Ascendant personnel repeatedly wrote internally that Automotive Portfolio's distributions were exceeding income from the portfolio companies. In July 2015, GPB's CFO at the time reviewed the monthly management report and wrote, "we are not covering our distributions with profits from operations at June YTD." In September 2015, GPB's Director of Fund Accounting, confirmed to the CFO that Automotive Portfolio was "not able to cover its monthly distributions from the assets/investments it currently holds." The CFO forwarded the email to Ascendant's COO, saying, "Let's you and I both be sure [Schneider] and [Gentile] understand this is the case." In October 2015, the Director of Fund Accounting emailed Gentile directly, making clear that Automotive Portfolio has used more than $500,000 from its investment account to pay investor distributions for the preceding two months. The Director of Fund Accounting also sought Gentile's approval to repeat the transfer to cover the October distribution.

96. Regardless, the false statements continued. In January 2016, an Ascendant sales representative emailed an investment adviser firm and insisted that Automotive Portfolio's distributions were solely from operating profits: "It is important to note, the distributions received by investors are fully covered (100% derived from FFO) at all times. There is zero return of capital."

97. This claim was untrue. Automotive Portfolio recorded a fourth quarter 2015 coverage ratio of only 34%. Measured from the inception of the fund ("inception to date"), Automotive Portfolio's coverage ratio had fallen to 80% as of year-end 2015, meaning that one of every five dollars distributed to limited partners had come from investor capital rather than profits from operations.

98. Even the 80% coverage rate was inflated. As Respondents had done for Holdings in 2014, Automotive Portfolio's 2015 numbers were inflated by a manufactured performance guaranty from Lash. Like the earlier "guaranty," this was a document created after-the-fact to generate artificial earnings to "cover up for the income [Automotive Portfolio] did not make" as one GPB employee described it in a June 1, 2016 email.

99. In March 2016, GPB's Director of Automotive Strategy, emailed a large group, including Gentile and Schneider, summarizing "the final income numbers for 2015 per my phone call today with Dave Gentile." The email proposed increasing Automotive Portfolio's 2015 net investment income by $1,050,000 in order to "get us… 70.4% coverage" for the year.

100. Initially, Respondents intended to inflate the fund's net investment income figure by reducing fund expenses. An early draft of the fund's 2015 financial statements said that GPB, by Gentile, had "agreed to refund $1,050,000" in management fees to Automotive Portfolio. By late April 2016, Respondents scrapped the plan and decided to increase net investment income by padding Automotive Portfolio's top-line earnings. As the CFO at that time noted in an email dated April 9, 2016, the management fee refund "will no longer be there and it will become a performance guaranty from Lash. So revenue will increase 1,050,000…." Although the Automotive Portfolio performance guarantee was first conceived of in April 2016 and was not signed by Lash until early May, it is falsely dated January 1, 2015.

101. Automotive Portfolio's final 2015 financial statements in May 2016 provided:

> In some cases the Partnership has agreements in place with the operating partners to guarantee a certain amount of income at the dealership level for a specified amount of time. For the year ended December 31, 2015, $1,050,000 was earned by the Partnership and is included in income receivable from investments on the balance sheet. The $1,050,000 was collected in April 2016.

102. This was materially misleading. The performance guaranty was not in place during 2015 (it was manufactured after the fact) and it was never paid in full. In December 2016, Automotive Portfolio wrote off a related receivable of $515,808 from Country Motors II, the Lash dealership whose performance purportedly was being guaranteed.

103. Even had the performance guaranty been paid in full, Automotive Portfolio's coverage ratio would have been no better than 71% for full-year 2015, and only 80% inception-to-date. Without the artificial boost provided by the performance guaranty, the fund's inception-to-date coverage ratio at the end of 2015 would have been 61%.

104. Nevertheless, Respondents continued to falsely assure investors that the distributions were funded from operations. For instance, an Ascendant representative emailed a broker-dealer firm in April 2016, falsely stating that Automotive Portfolio's distributions were "fully earned."

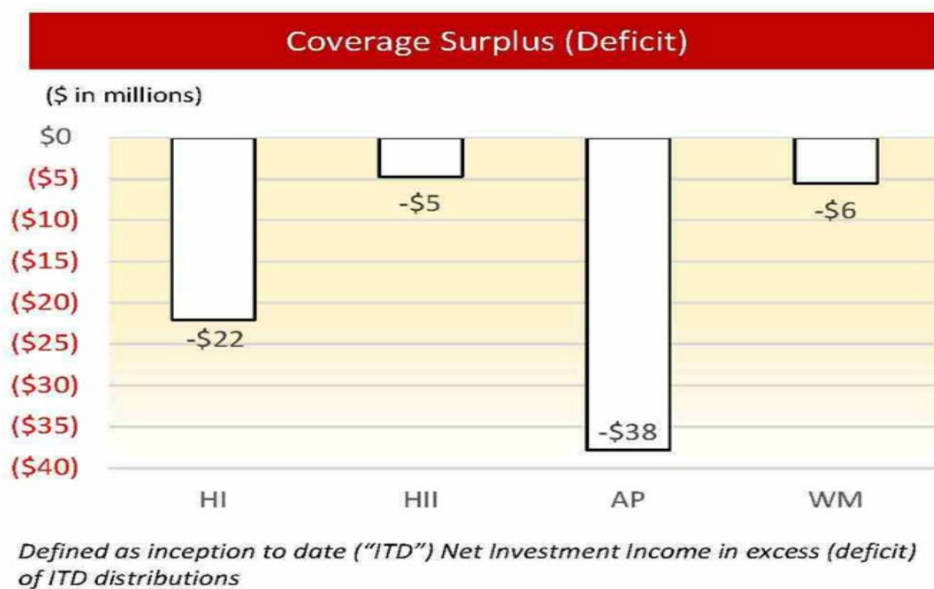
105. In June 2016, Automotive Portfolio amended its PPM, providing for the first time that the fund reserved the "right to return Capital Contributions to LPs as part of our distributions," but adding that it had "no present plans to do so." This was false and misleading. At the time the PPM was issued, Automotive Portfolio had used over $2.5 million of investor capital to pay distributions.

106. In December 2016, Automotive Portfolio issued yet another amended PPM, and repeated the representation that the fund had "no present plans" to use investor capital to fund investor distributions. This was still false and misleading. Automotive Portfolio's own 2016 financial reports show that for the full year the fund made $14.3 million in distributions to investors while recording only $5.4 million of income from operations. Its coverage ratio for the full year thus was only 35%. In other words, at the moment that Automotive Portfolio was assuring investors it had "no present plans" to include investor capital in its monthly distributions, two of every three dollars distributed to limited partners over the previous twelve months had come from investors' capital. A Former GPB CFO stated in sworn testimony that the December 2016 PPM language was not accurate.

107. The scheme continued into 2017. In March 2017, the former GPB CFO emailed Gentile and Schneider, stating that the inception-to-date coverage ratio for Automotive Portfolio had fallen below 50%. That month, GPB directed Automotive Portfolio to use more than $500,000 of brand-new investor capital to pay that month's regular distribution to existing investors.

108. Similarly, on July 11, 2017, Automotive Portfolio received approximately $11.5 million of new investor capital from the fund administrator. Within two days, GPB caused Automotive Portfolio to transfer more than $2.3 million of that new investor capital from the fund's investment account to its distribution account, and then back to the fund administrator, in order to make the monthly distribution to existing investors, which was paid on July 15th.

109. An agenda for a GPB leadership meeting that same month contained a talking point under Schneider's name noting that coverage for Automotive Portfolio had declined to "20% fund to date." In November 2017, the then GPB CFO emailed Schneider and Gentile with an update that Automotive Portfolio's cumulative coverage deficit – *i.e.* the amount of investor capital used to pay distributions – had reached at least $38 million.



110. In April 2018, Automotive Portfolio issued its fourth amended PPM, which again falsely stated that "we do not presently have plans" to return investor capital as part of fund distributions.

111. By August 2018, Automotive Portfolio's coverage deficit had grown to more than $60 million. Every investor dollar fraudulently returned as distribution damaged the funds. As the new Director of Fund Accounting told Gentile in an email that month that using investor capital to pay distributions "reduces upfront capital available to invest… compounded this is $75mm to $100mm of value lost!"

Holdings II

112. In April 2015, GPB and Ascendant began to fraudulently market Holdings II, a new, larger fund, which shared the name and multi-sector strategy of its predecessor. Part of the marketing effort was to falsely tell potential investors that the first Holdings fund had paid all distributions out of operating income.

113. These false and misleading statements began at the very time Respondents were aware of, and concealing, that Holdings had been using investor capital to pay distributions (leading to the May 2015 falsified financial statement for Holdings). For instance, a May 2015 due diligence response for Holdings II untruthfully said: "[s]trategies managed by GPB pay a substantial current dividend that is fully covered with funds from operations." A July 2015 due diligence questionnaire response for Holdings II falsely claimed that "[t]he prior Fund with the same strategy… paid a 10.5% distribution in 2014, fully covered with funds from operations."

114. The April 2015 PPM for Holdings II – foreshadowing similar language that would later appear in amended PPMs for Holdings and Automotive Portfolio – said that the fund had no plans to make distributions using investor capital:

We will make cash distributions when determined by GPB in its discretion…. GPB intends for us to make distributions of cash, if any, to the LPs… at annual return rates targeted to be 8% of LPs' gross Capital Contributions (though distributions could be more, less or none at all, depending on our cash flow…. We reserve the right to return Capital Contributions to LPs as part of our distributions, ***though we do not presently have plans to do so***." (Emphasis added).

115. This statement about "plans" was false and misleading, as Holdings II's predecessor fund – on which it was closely modeled – was already repeatedly making distributions with investor capital.

116. In other investor documents and marketing communications, GPB promised unequivocally that all Holdings II's distributions would be "fully" funded by operations income. For example, an April 2015 response to a due diligence questionnaire asserted that Holdings II would seek to pay 8% annualized monthly distributions, plus special distributions, and that "[a]ll distributions will be fully covered with funds from operations." Likewise, an April 2016 Ascendant email to a broker-dealer firm described Holdings II's distributions as "8%, fully earned."

117. But as had been true for its sister funds, the new Holdings II fund used investor capital to pay dividends. An April 2016 special distribution of 1.5% caused Holdings II's second quarter 2016 coverage ratio to fall to less than 50%, and the fund's inception-to-date coverage to dip below 100%, only a year after accepting its first investors. Still, the April 2016 amended PPM falsely repeated that Holdings II "did not presently have plans" to use investor capital to pay distributions.

118. By the fourth quarter of 2016, Holdings II was below 100% coverage whether measured by quarter, year, or inception to date. Once again, however, an amended PPM released in December 2016 falsely and misleadingly asserted there were no "plans" to pay distributions out of investor capital.

119. In 2017, as Holdings II's performance steadily declined, GPB and Ascendant continued to misrepresent the source of fund distributions. At the end of April 2017, GPB's current CFO warned Gentile and Schneider that Holdings II's coverage ratio for first quarter 2017 was only 27%. That same month, GPB directed Holdings II to take more than $1.6 million in new investor capital to pay distributions to existing investors.

120. Yet, in a May 2017 due diligence presentation, GPB and Ascendant falsely claimed that distributions were "based off cash flows from portfolio companies." From May through at least July 2017, Ascendant representatives continued to falsely state that distributions to Holdings II investors were "fully covered from funds from operations."

121. In November 2017, GPB's then CFO sent Gentile and Schneider a chart illustrating the continued decline in Holdings II's monthly coverage ratio. Whether measured on the basis of the trailing twelve months ("TTM," represented by vertical bars) or from the fund's

inception to date ("ITD," represented by the solid line), Holdings II's coverage ratio had been well below 100% throughout the first three quarters 2017.

122. By the end of 2017, Holdings II's coverage ratio was 72% for the year, and 78% for the life of the fund. At this point, GPB had caused Holdings II to use more than $7.7 million of investor capital to pay distributions.

123. In April and May 2018, as Holdings II continued to hemorrhage money, GPB and Ascendant produced and distributed investor presentations disclosing that that the fund's distributions could include invested capital, and that doing so "may negatively impact the value of the portfolio's investments."

124. Even this disclosure was materially misleading, because it failed to disclose that by the end of first quarter 2018, Holdings II had already used more than $21 million of investor capital to pay distributions. In addition, although the marketing deck disclosed that the fund's coverage ratio from inception through year-end 2016 was 94.48%, it misleadingly omitted the material information that the funds' coverage ratio had worsened significantly thereafter. Holdings II's coverage ratio stood at only 53% by the end of first quarter 2018.

125. Holdings II issued a fourth amended PPM in July 2018, acknowledging to all investors for the first time that: "amounts that we distribute to LPs have been and may in future include LPs' invested capital, and have been and may in the future not be entirely comprised of income generated by the Portfolio Companies."

Waste Management

126. In August 2016, just as Holdings, Holdings II, and Automotive Portfolio were using large amounts of investor capital to pay distributions, GPB rolled out yet another new fund. The

Waste Management fund focused on acquiring and operating private carting companies and recycling and waste processing plants.

127. Once again, Respondents advertised monthly distributions of 8% "based off cash flow from portfolio companies." They scheduled a large 1.5% special distribution for those who invested early, acknowledging internally via emails in January 2017 that "obviously the special distributions are key to the raise efforts."

128. Waste Management's initial PPM recited the then-standard language that the fund "reserve[d] the right to return Capital Contributions to LPs as part of our distributions, though we do not presently have plans to do so." This statement was false and misleading. The Respondents knew full well that Waste Management's sister funds were already repeatedly making distributions that included investor capital and that they were misleading investors about the source of distributions. Waste Management employed a nearly identical business model.

129. Indeed, Waste Management fell behind on its coverage ratio right out of the gate, as Respondents were well aware. Respondents nonetheless falsely marketed Waste Management's distributions as fully covered.

130. In May 2017, Ascendant's Executive Director asked the Director of Fund Accounting at GPB for an estimate of Waste Management's coverage ratio in a series of emails. The Director of Fund Accounting replied, "I'd ballpark around 50%. Between you and I." Ascendant's Executive Director responded, "My lips are sealed."

131. By the end of second quarter 2017, Waste Management had an inception-to-date coverage ratio of only 62%. By the end of 2017, its annual coverage ratio was less than 50%.

132. Nevertheless, as late as October 2017, Ascendant continued to falsely claim in marketing emails that Waste Management's monthly distributions had been "fully covered with funds from operations since inception."

133. In first quarter 2018, Waste Management lost money, but continued to make monthly distributions, bringing its cumulative coverage deficit to more than $4.7 million. Waste Management issued an amended PPM in April 2018, in which it repeated the false and misleading assurance that it "d[id] not presently have plans" to include investor funds in its distributions.

GPB Funds Closed to New Investment

134. By August 2017, GPB's then CFO circulated a report to senior management, including both Gentile and Schneider, pointing out that each of the GPB Funds was well below full coverage. In fact, the CFO estimated that over the twelve-month period ending in June 2017, only Holdings II had reported positive net investment income. She reported that the other three flagship funds were actually ***losing*** money on their investments and the implication being that those funds were paying distributions entirely out of investor capital.

She included a chart that showed the trailing-twelve-month ("TTM") coverage ratios for Holdings, Holdings II, and Automotive Portfolio, all of which were far below 100% and steadily getting worse.

135. In November 2017, the CFO warned Gentile, Schneider and other senior management that the cumulative coverage deficit across the GPB Funds – i.e., the amount of investor capital that had already been used to pay distributions – exceeded $70 million.

136. By the end of first quarter 2018, the cumulative coverage deficit for the GPB Funds had ballooned to nearly $100 million. As GPB's Director of Fund Accounting summarized in a series of charts that he circulated to Gentile and other senior management, every one of the GPB Funds had been using significant and steadily increasing amounts of investor capital to pay distributions (as indicated by the lines tracking each fund's inception-to-date or "ITD" coverage deficit): Holdings had racked up a deficit of $25 million; Holdings II had paid out more than $21 million in investor capital; Waste Management had a nearly $5 million deficit; and Automotive Portfolio was closing in on $50 million.

ITD Coverage Surplus (Deficit)

($ in 000s)

137. GPB officially closed all the GPB Funds to new investments by July 2018, having raised roughly $1.7 billion in total. By that point, the Director of Fund Accounting calculated that the cumulative coverage deficit was well over $100 million. A few months later, in December 2018, GPB directed the GPB Funds to cease payment of the monthly distributions.

138. Only after the GPB Funds had stopped raising money did GPB admit to all investors that prior distributions had included their own invested capital. For example, letters sent to fund investors in November 2019 included a footnote in small print disclosing that "Distributions have been paid out of Company working capital and available assets, including, but not limited to, limited partner Net Capital Contributions (as defined in the LPA)."

<u>GPB Made Numerous Undisclosed Inter-fund Loans</u>

139. Between 2013 and mid-2016, GPB moved money between the GPB Funds through a series of undisclosed (and at times wholly undocumented) inter-fund loans that exaggerated the strength of the "borrowing" funds.

140. The existence of inter-fund loans was material to investors. Indeed, due diligence firms repeatedly asked about them. When challenged, Respondents falsely stated that they would discontinue the practice, then made even larger inter-fund loans. GPB investors were not told about the inter-fund loans until 2016.

i. The PPMs for the GPB Funds Initially Omitted Inter-Fund Loan Practice

141. Before 2016, none of the PPMs for the GPB Funds disclosed that Respondents would make inter-fund loans. For example, in Automotive Portfolio's February 2014 PPM, GPB told investors that the investment objective of the fund was to "identify assets ("Assets") of auto dealerships ("Dealerships") to acquire, profitably operate and then resell for gains." GPB also told investors that any distributions paid to investors would come from "cash flow we have received from Dealerships." Nothing in that PPM told investors that their money would be used to make loans to other GPB funds to acquire companies in unrelated sectors.

142. Several PPMs affirmatively stated that the funds would not engage in related-party transactions without the approval of an independent Advisory Committee. With respect to inter-fund loans, this was false. Between September 2013 and November 2015, GPB caused the GPB Funds to make at least 20 inter-fund loans (some of which were undocumented) in amounts ranging from $12,000 to $25 million, for periods from one day to several months. Upon information and belief, none of these transactions were approved by the Advisory Committee.

143. The harm of undisclosed loans to investors is illustrated by a fraudulent set of transactions in March and an April 2015. The story begins on March 30, 2015, when Automotive Portfolio had only $7,927,605.59 in its investment account. The next day, March 31, 2015, Holdings sent $1,456,040 to Automotive Portfolio, bringing Automotive Portfolio's balance to just over $9 million. There was no loan agreement related to this transaction. Then, the very next day, April 1, 2015 Automotive Portfolio loaned $9 million to Holdings – a loan that included the money that Holdings had secretly sent to Automotive Portfolio just the day before. As Holdings then paid interest to Automotive Portfolio on that $9 million loan, Holdings' investors essentially paid interest on their own money.

ii. When Challenged About Inter-Fund Loans, Respondents Disregarded Them

144. Beginning in mid-2015, GPB and Ascendant got questions about inter-fund loans from broker-dealers and due diligence firms. For example, on June 1, 2015, responding to apparent concerns raised by a broker-dealer about inter-fund loans, GPB's Chief Operating Officer sent a letter to the broker-dealer stating: "This letter serves as notice that GPB Capital Holdings, LLC will not make any intra-fund [sic] loans between affiliated entities as of the date of this memo." Ascendant gave similar oral assurances to a third-party due diligence firm that was copied on the June 1, 2015 letter.

145. A few months later, in October 2015, Ascendant's newly hired Director of Capital Markets sent Schneider an email expressing concerns about the use of inter-fund loans at GPB. He wrote that such loans could be "a very big issue for many BDs," and might "become deal-breakers." He stated that in his personal experience, many prominent BDs would not agree to market investment products that "loaned money from one fund to another."

146. Schneider and Gentile, however, dismissed the warning. Schneider waited three days to

send the email to Gentile, adding a quick note: "Just an FYI. We should discuss." Gentile wrote back: "Interesting. We will have to find a solution." Schneider replied: "Or not."

147. Despite the representations that it had made and despite the internal warnings, on October 22, 2015, GPB executed an additional series of inter-fund loans. First, GPB transferred $25 million from Automotive Portfolio to Holdings. Upon information and belief, this transfer was made without any loan documentation between Automotive Portfolio and Holdings.

148. Also on October 22, 2015, the same day, Holdings transferred $25 million to Holdings II in another undocumented transaction.

149. Shortly thereafter, GPB caused Holdings II to invest in three portfolio holding companies using roughly $24.2 million of the $25 million it had borrowed from sister funds in undocumented transactions.

150. All told, between 2013 and early 2016, GPB moved more than $65 million around the various GPB Funds without disclosing the practice to investors, and, at times, without any written agreements.

151. In March 2016, Holdings II first disclosed inter-fund loans in its First Amended PPM. In June 2016, Automotive Portfolio disclosed the practice to its investors. It was not until December 2016 that Holdings disclosed the practice to its investors.

Gentile, Schneider, and Lash Misappropriated Money

152. Schneider, Gentile, and Lash unlawfully misappropriated portfolio company earnings beginning in 2014.

153. The instrumentality of this diversion was a shell company named LSG Auto Wholesale, LLC ("LSG") – named for Lash, Schneider and Gentile, its primary beneficiaries. LSG was formed on April 9, 2014 as a Delaware limited liability holding company. It had only three corporate members: (1) Jachirijo, LLC ("Jachirijo"), controlled by Gentile; (2) GPB Lender, LLC ("Lender"), also controlled by Gentile, and (3) EMDYKYCOL, Inc., a now-dissolved Florida corporation owned by Lash. The existence of LSG and the payments through it were a secret even to GPB's own former CFO, its current Chief Operations Officer and its former auditors. All of them testified that they had been unaware of LSG's existence after it was disclosed in a counterclaim filed against GPB in 2018.

154. Retail automobile dealerships make money not only from the sale of automobiles, but also from the sale of extended warranties, service contracts, credit insurance and guaranteed asset protection insurance – collectively known in the industry as financial and insurance products or "F&I." F&I income can represent a significant portion of a dealer profit. In a due diligence presentation in March 2017, GPB stated that F&I sales represented 27% of the gross profits of the automotive assets of the GPB Funds in the 3rd quarter of 2016. GPB and its valuation experts classified F&I income as an asset when valuing the dealerships within the GPB Funds.

155. The Respondents misappropriated F&I monies from two groups of car dealerships: (1) nearly $500,000 from dealerships owned by an operating partner ("Non-Party Manager") who was for a time the co-manager with Lash of GPB's Automotive Retail Unit; and (2) more than $830,000 from a dealership owned by Lash. At the Non-Party Manager's dealerships, Respondents misappropriated funds through two intermediate holding companies. These two companies, in turn, paid the F&I profits to LSG from where it went on to Lash, Schneider, and Gentile.

156. Respondents carefully tracked the cash they diverted from the Non-Party Manager dealerships. The affected dealerships prepared monthly accounting statements listing the F&I products sold and the amount of profit that would be sent to LSG. Here is a statement for April 2014 through August 2014:

Dealership	Product	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Totals	
NOD	CCP	-	-	-	-	-	-	-	-	-	-	
NOD	ETCH	-	-	-	86,644	77,980	-	-	-	-	164,624	
NOD	GAP	-	-	-	-	32,058	-	-	-	-	32,058	
NOD	TOTAL	-	-	-	86,644	110,038	-	-	-	-	196,682	
NOH	CCP	85,085	-	-	-	-	-	-	-	-	85,085	
NOH	TLP	-	80,910	64,467	82,476	82,476	-	-	-	-	310,329	
NOH	TOTAL	85,085	80,910	64,467	82,476	82,476	-	-	-	-	395,414	
VOH	CCP	67,415	-	-	-	-	-	-	-	-	67,415	
VOH	TLP	-	-	-	-	-	-	-	-	-	-	
VOH	TOTAL	67,415	-	-	-	-	-	-	-	-	67,415	
MONTHLY	TOTAL	152,500	80,910	64,467	169,120	192,514	-	-	-	-	659,511	
CUMULATIVE	TOTAL	152,500	233,410	297,877	466,997	659,511	659,511	659,511	659,511	659,511	659,511	
Partner 1		38,125	20,228	16,117	42,280	48,128						
Partner 2	Lash	38,125	20,228	16,117	42,280	48,128						
Partner 3	Schneider	38,125	20,228	16,117	42,280	48,128						
Partner 4	Gentile	38,125	20,228	16,117	42,280	48,128						
LSG (P 2 thru P 4)		114,375	60,683	48,350	126,840	144,385						
Cummulative		114,375	175,058	223,408	350,248	494,633						Balance Due
PAYMENTS TO LSG					99,673		250,611				350,284	(144,349)

157. As shown in the statement above, during this time period, Gentile, Schneider and Lash received almost $500,000 in F&I profits from the Non-Party Manager's dealerships.

158. Schneider, Gentile, and Lash used the same scheme at one of Lash's dealerships – Bob's Buick – to divert more than $830,000 from 2014 to 2017. As they had at the Non-Party Manager's dealerships, they funneled F&I profits to LSG. From LSG, the diverted monies were then transferred to Gentile, Schneider, and Lash, either directly or through companies that the individual Respondents controlled or in which they had interests.

159. Upon information and belief, there are no records that LSG provided genuine goods or services to the dealerships. The monies were simply misappropriated from the investors in GPB Funds. And the diversions were, of course, not disclosed to investors.

160. All told, through this scheme Gentile received more than $525,000, Lash received nearly $435,000, and Schneider received more than $360,000, – for a total of over $1.3 million. In sworn testimony, Gentile called the diversion a "mistake." After coming under regulatory scrutiny in 2018, Gentile made a series of payments to the GPB Funds for the ostensible purpose of refunding amounts that had been misappropriated through LSG.

Gentile and Schneider Paid Themselves "Stipends" and Fees

161. Schneider and Gentile together received roughly $1.7 million dollars of payments from portfolio companies from 2013 to 2017, some in the form of "stipends" and other styled as "finance management fees." While the PPMs contained some boilerplate language about possible related party compensation, the fact that Schneider and Gentile were actually receiving these payments was not disclosed to investors. To the contrary, the company denied receiving separate compensation for executives when GPB was directly asked in June 2015 by the SEC.

162. From 2013 through 2016, portfolio companies within the Automotive Portfolio and Holdings funds collectively paid more than $930,000 in "board stipends" to Gentile through Jachirijo. During the same time period, Gentile also received nearly $185,000 in additional "stipends" and other fees through Jachirijo Realty Holdings, another limited liability company wholly owned by Gentile.

163. Schneider was similarly paid board stipends, including through an entity he owned, JS Board Stipend, LLC. In 2015 alone, he was paid stipends of more than $540,000.

164. On top of that, Gentile and Schneider received nearly $18,000 per month – totaling more than $715,000 over several years – in "finance management fees" from D1 Holdings, LLC, a company within the Holdings corporate structure. Those fees were evenly split between two corporate entities: Jachirijo (owned by Gentile) and JS Board Stipend Account LLC (owned by Schneider).

165. Investors were not told that Gentile and Schneider received these payments. For example, in the initial PPM for Automotive Portfolio, neither the board stipends nor the "finance management fees" were included among the various fees described in the "Selling & Company Fees & Expenses" which detailed the fees investors could expect to pay. While certain PPMs contained boilerplate language that discussed the possibility that "related parties may … receive fees or other compensation in connection [with serving as a portfolio company officer or director]," the PPMs did not disclose to investors that Gentile and Schneider were in fact being paid board stipends and other fees. Failure to inform investors that these fees were actually being paid to Gentile and Schneider constituted material omissions.

166. In fact, when questioned about the practice as part of the broker-dealer due diligence process, GPB flatly denied it. Specifically, in June 2015, the third-party due diligence firm, asked whether management and executives were collecting fees and other stipends. In response, GPB falsely responded that management was not receiving any such fees (GPB's

responses in lighter text):

- Managerial Assistance - confirm that the Sponsor has not assigned this fee to Axiom/Ascendant in its previous investment programs (GPB Holdings and GPB Auto)? Confirmed
- Confirm that the General Partner's executives will not be separately compensated by the Portfolio Companies for providing managerial assistance? Confirmed. The General Partner's executives will not be separately compensated by the Portfolio Companies for providing managerial assistance.
- Can you confirm that the General Partner's executives were not separately compensated by the Portfolio Companies for providing their managerial assistance in GPB Holdings? Confirmed. The General Partner's executives were not be separately compensated by the Portfolio Companies for providing managerial assistance.

167. The third party due diligence firm repeated GPB's representations that management did not receive separate compensation for managerial assistance in its July 2015 due diligence report, which was made available to the broker-dealer firms selling the GPB Funds

168. Each of these representations was false because Gentile was in fact receiving such payments. As with the amounts misappropriated through LSG, Gentile later made payments to the GPB Funds that he told regulators were intended to reimburse the funds for the board stipends and finance management fees. Gentile made these payments only after coming under regulatory scrutiny.

<u>AAS, Gentile, and Schneider Received Undisclosed and Unwarranted Fees and Commissions</u>

169. In yet another scheme to divert money from the GPB Funds to Respondents, GPB directed the GPB Funds to pay acquisition fees to Axiom, AAS, and Ascendant that, without disclosure to investors, were ultimately funneled to Gentile and Schneider.

170. The PPMs provided no notice that the acquisition fees – which could total up to 2.75% of the cost of the acquisition – were actually being paid to Gentile and Schneider. Initially, the PPMs told investors only that the acquisition fees would be paid to "qualified third parties or affiliates" and did not disclose that those fees were being paid to Axiom or Ascendant. In later years, the disclosure language was modified to inform investors that acquisition fees would be paid to Axiom and Ascendant (as of 2016), and eventually AAS (as of 2018). But investors still were not told that the ultimate recipients of those fees included Gentile and Schneider, neither of whom were a "qualified third party" as represented to investors.

171. Between 2013 and 2018, the GPB Funds paid acquisition fees of roughly $26 million. Axiom was paid more than $10 million in acquisition or "project fees" between 2013 and 2017. Starting in 2017, the broker-dealer activity – and related cash flows – were transferred to AAS, in which Gentile and Schneider each held a 33.3% stake. In 2017 and 2018 alone, the GPB Funds paid AAS acquisition fees of more than $16.3 million, meaning that Gentile and Schneider each received roughly $5.4 million through acquisition fees in this period. Investors were never told that they were paying Gentile an additional $5.4

million in his capacity as an owner of AAS to perform the same tasks for which he was already compensated as the sole member of GPB.

172. Additionally, bank records show that Gentile was indirectly paid acquisition fees even before AAS was formed. Specifically, in a series of transfers beginning in February of 2015, Schneider sent portions of acquisition fees he had received through Axiom to a Chase bank account that was controlled by Gentile under yet a different corporate name. On March 11, 2015, Schneider transferred another $375,000 to a Crescent GP, LLC Chase account controlled by Gentile.

173. On March 26, 2015, GPB wired $701,583 to Axiom "representing a project fee that needs to be paid to Jeff." The next month, on April 14, 2015, Axiom tendered a check payable to Schneider for $500,000. Six days later, Schneider transferred $250,000, half of the "project fee," to the Crescent GP, LLC account controlled by Gentile. Those funds were then transferred to another account controlled by Gentile and his wife.

GPB Engaged in Conflicted Transactions

174. From the beginning of 2014 through the end of 2016, GPB represented in the PPMs that GPB Funds did not intend to engage in any related-party transactions but that, if they did, any such transactions would have to be approved unanimously by an Advisory Committee whose members were "independent" of GPB. These representations were false and misleading. First, many members of the Advisory Committee were not independent under the plain terms of the PPMs. Second, GPB wholly bypassed the Advisory Committee when engaging in certain conflicted, related party transactions.

i. The Advisory Committee Members Were Not Independent

175. Multiple members of GPB's Advisory Committee did not meet the definition of independence in the PPMs. To be considered independent, a committee-member could not, inter alia, have any "material relationship with [GPB] (either directly or as a partner, shareholder or officer of an organization that has a relationship with [GPB])."

176. One member of the Advisory Committee ("AC Member") from approximately 2014 to 2016, was not independent because he was employed by GPB throughout his time on the committee. GPB hired AC Member in or around August 2014, and eventually named him a Managing Director and Head of IT Strategies. Around 2015, AC Member also became a Senior Advisor to Ascendant. AC Member continued to participate in the Advisory Committee despite these employment relationships.

177. Two other members of the Advisory Committee from 2014 to 2016 were financial advisors who not only had clients who invested in GPB, but also had their own personal investments in certain GPB Funds.

178. Another Advisory Committee member in or around 2015 also had material relationships with GPB. At the time he joined the committee, he was a principal in an investment firm

that had already made sizable investments in the Automobile Portfolio and Holdings II funds, and was himself a direct investor in at least one GPB portfolio company.

179. Thus, GPB's representation about the members of the Advisory Committee being "independent of GPB" was false and misleading.

ii. Gentile and GPB Caused GPB Funds to Engage without Advisory Committee Approval

180. Prior to 2016, GPB repeatedly bypassed the Advisory Committee's mandatory approval of related-party transactions, including – as discussed above – over $50 million in inter-company loans. Under the terms of the PPMs, a "related party transaction" was defined as one in which "GPB, the Special LP and/or their respective affiliates, officers, directors, agents and equity-holders" held "a financial interest." Without the approval of the Advisory Committee, GPB directed GPB Funds to acquire companies in which Gentile, Schneider and others in GPB's management had prior financial interests.

181. One such unapproved transaction was the acquisition of a biotechnology firm called QT Ultrasound ("QTUS"). In the QTUS acquisition, the list of interested parties included Gentile, Schneider and others at GPB. Gentile initially presented QTUS to GPB in mid-2014 as an acquisition target. At the time he made that presentation, Gentile – and others at GPB – had already invested in QTUS. In addition, Gentile sat on the QTUS Board of Directors. Upon information and belief, this transaction was not reviewed or approved by the Advisory Committee. Nevertheless, Respondents caused Holdings to invest approximately $930,000 in QTUS in May 2014.

182. The following year, in October 2015, the Investment Committee, which oversaw portfolio investments, met and approved an additional investment in QTUS of more than $1 million. At that meeting, five of the six attendees charged with making an investment decision on QTUS disclosed that they were also investors in QTUS. Gentile had also invested personally in QTUS. Indeed, as an early investor in QTUS, Gentile communicated to the head of QTUS about GPB's potential role in financing QTUS and a desire "to continue supporting QT Ultrasound in any way we can."

183. In addition, because of uncertainty surrounding the QTUS's ability to create long-term shareholder value, QTUS did not even satisfy the normal investment criteria concerning stable and cash-generating assets set for GPB Funds. Approval of the Advisory Committee was consequently required, and upon information and belief, there was no Advisory Committee approval of the acquisition.

Gentile, Schneider and Others Engaged in Persistent Self-Dealing and Conflicted Transactions

184. Gentile and others used money from GPB and the GPB Funds to enrich themselves, pay family members, support luxurious lifestyles, and even purchase a Ferrari for Gentile's personal use. GPB made numerous payments to Gentile's wife, both through her law firm

and also individually.

i. GPB Funds Failed to Disclose Years of Conflicts of Interest and Related-Party Consultant Engagements

185. While GPB represented to investors that its funds would avoid related party transactions, the GPB Funds made payments to individuals and entities closely linked to Gentile, including to one of Gentile's brothers-in-law as manager of GPB Cold Storage, LP fund and to his wife's now-defunct law firm, The firm's owners were Gentile's wife and another brother-in-law. A third brother-in-law became GPB's initial CFO.

186. As to the law firm, as of March 24, 2017, GPB had paid the firm at least $194,064 in consulting fees. At the time, Gentile's wife was the 100% owner of the firm. In addition, GPB paid the firm over $12,129 in monthly fees during the course of several months in both 2016 and 2017. On top of paying Gentile's wife as the owner of the law firm, GPB also paid her $91,291 individually as a so-called "payroll expense."

187. GPB failed to disclose to investors that his wife's law firm, a related party, would perform work for GPB. GPB also failed to disclose to investors that it paid Gentile's wife substantial consulting fees and a salary.

ii. Gentile and Schneider Used Fund Monies for Their Personal Benefit

188. For years, GPB and its principals incurred unclear business purpose expenses and expenses for their own personal enrichment.

189. In particular, both Gentile and Schneider made luxury purchases for their personal use at the expense of GPB Funds or their portfolio companies. Documents prepared by GPB's former auditors show: (1) approximately $47,000 on private jets; (2) $2,500 for Gentile's wife's travel expenses; (3) approximately $58,000 in travel expenses for Jachirijo, a company 100% owned by Gentile; (4) $12,040 in charges for ATV rentals in Florida; and (5) $29,837 for an American Express bill that, GPB's former auditor noted, "includes David's 50th Bday."

190. In January 2017, in violation of company policy, Gentile created a company, Volaire Management LLC, ("Volaire") in order to purchase business aircraft and ultimately hire a flight attendant at a $90,000 annual salary beginning in the summer of 2017. Airfare expenses accrued by Volaire Management for Gentile and other GPB executives were allocated to GPB Funds, at times without any explained business purpose. GPB paid Volaire $1.4 million in 2017 and $1.2 million in 2018.

191. Gentile even used fund assets to buy himself a Ferrari at investors' expense. In November 2014, a Lash dealership that was a Holdings portfolio company purchased a new 2015 Ferrari FF for $355,000. A few weeks later, that dealership sold the Ferrari to another Lash-operated portfolio company doing business as Bob's Buick. Gentile admitted under oath that this Ferrari was his car for his own personal use.

192. Gentile's brand-new Ferrari, however, was never transferred into his name. Instead, with Gentile driving it, the Ferrari stayed on the books of Bob's Buick. Internal email traffic occasionally discussed whether Gentile would eventually pay for it. He never did.

193. Ultimately, in 2017, GPB sold the car to someone else for $172,000. Investors in the Holdings fund bore the loss. As one employee wrote to another: "We are looking at a wholesale loss of ($183,000) that will be applied to Bob's Buick GMC wholesale loss for the month of December 2017."

194. Gentile not only indulged himself at investors' expense, he also apparently permitted abuses by others. In October 2017, an executive manager in GPB's automotive business, eventually wrote to Gentile to stress the need to "clean up" GPB's culture. The manager emphasized that "[t]here can never be broker kickbacks, boats and ATV's taken in by individuals, and incentive moneys paid to individuals (i.e. VW emissions money)."

II. COMMISSIONER'S DETERMINATIONS AND FINDINGS

COUNT I – Two Hundred and Fifty-Five Violations of Section 409.4-412

195. **THE COMMISSIONER DETERMINES** that pursuant to 409.4-412(d)(13), registered investment advisers, investment adviser representatives, broker-dealers and broker-dealer agents are prohibited from engaging in dishonest or unethical practices.

196. By engaging in the conduct as set forth above, Respondents, in connection with the offer and sale of 255 securities to Missouri Resident investors engaged in dishonest and unethical practices, in violation of Section 409.4-412(d) to wit:

    a. misappropriating investor funds;

    b. omitting material facts important and relevant to the investments as set forth above; and

    c. repeatedly making misleading statements in the form of due diligence questionnaires and presentations, let alone when confronted with issues by firms marketing GPB's products.

197. At the time Respondents engaged in the conduct set forth above, one hundred seventy five (175) Missouri Resident investors were more than sixty-years-old and were elderly persons, as that term is defined under Section 409.6-604(d)(3)(B).

198. Respondents' violations of Section 409.4-412(d) constitute engagement in an illegal act, practice, or course of business subject to the Commissioner's authority under Section 409.6-604.

199. An order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. See Section 409.6-605(b)

COUNT II –Two Hundred and Fifty-Five Violations of Section 409.5-502

200. **THE COMMISSIONER FURTHER DETERMINES** that pursuant to 409.5-502, registered investment advisers, investment adviser representatives, broker-dealers and broker-dealer agents are prohibited from engaging in fraudulent securities activities.

201. By engaging in the conduct as set forth above, Respondents, in connection with the offer and sale of 255 securities to Missouri Resident investors: (i) employed a device, scheme, or artifice to defraud, and (ii) engaged in an act, practice or course of business that operates or would operate as a fraud or deceit upon another person, in violation of Section 409.5-502 to wit:

   a. misappropriation of funds personally by diverting F& I earnings, remitting stipends and fees, engaging in conflicting transactions, and permitting inter-fund lending;

   b. material omissions for failing to disclose Schneider's involvement, failing to disclose Schneider's regulatory history, failing to disclose the existence of inter-fund lending, and failing to disclose the use of capitol investor funds to repay investors;

   c. making false and misleading statements concerning the existence of inter-fund lending, investor distributions being taken from new capitol investors' money, claiming that GPB Funds were fully covered when they were not, and touting purported "performance guarantees" that would cover distributions when no so guarantees were actually made; and

   d. engaging in acts that perpetuated a Ponzi-like scheme whereby investor distributions were made with investor monies in lieu of actual operating profits.

202. At the time Respondents engaged in the conduct set forth above, one hundred seventy five (175) Missouri Resident investors were more than sixty-years-old and were elderly persons, as that term is defined under Section 409.6-604(d)(3)(B).

203. Respondents' violations of Section 409.5-502 constitute engagement in an illegal act, practice, or course of business subject to the Commissioner's authority under Section 409.6-604.

204. An order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. See Section 409.6-605(b).

III. ORDER

NOW, THEREFORE, it is hereby ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order be prohibited from violating or materially aiding in any violation of:

A. Section 409.4-412(d)(13), by engaging in dishonest or unethical practices; and

B. Section 409.5-502, by, in connection with the offer or sale of securities, employing a device, scheme or artifice to defraud or engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

IV. STATEMENT

Pursuant to Section 409.6-604, the Commissioner hereby states that he will determine whether to grant the Enforcement Section's request for:

A. $9,000,000 against Respondents, jointly and severally, for two hundred fifty five (255) violations of Section 409.4-412(d)(13), when one hundred seventy five (175) of these violations were committed against elderly persons, in a final order, unless Respondents request a hearing and show cause why the penalties should not be imposed;

B. $9,000,000 against Respondents, jointly and severally, for two hundred fifty five (255) violations of Section 409.5-502, when one hundred seventy five (175) of these violations were committed against elderly persons, in a final order, unless Respondents request a hearing and show cause why the penalties should not be imposed;

C. an order permanently barring Respondents in Missouri from acting as investment advisers, investment adviser representatives, broker-dealers and broker-dealer agents, in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

D. an order to pay restitution in the amount of $24,504,000 against Respondents, jointly and severally, plus annual interest at a rate of 8% from the dates of the violations, for any loss, including the amount of any actual damages that may have been caused by the Respondents' conduct and awarding any additional amounts to be determined after review of the evidence submitted by the Enforcement Section in a final order, unless Respondents request a hearing and show cause why restitution should not be imposed;

E. an order to disgorge profits in the form of commissions arising from any violations of Sections 409.4-412(d)(5), 409.4-412(d)(13) and 409.5-502, in a final order in an amount to be determined after review of the evidence submitted by the Enforcement Section unless Respondents request a hearing and show cause why disgorgement should not be imposed;

F. an order awarding costs of the investigation against Respondents, jointly and severally, in amounts to be determined after review of evidence submitted by the Enforcement Section, unless Respondents request a hearing and show cause why an award should not be made and

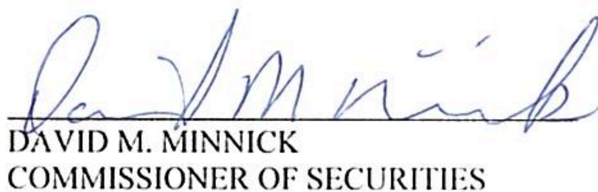
G. an order that the Commissioner provides such other relief as he deems just, unless Respondent requests a hearing and show cause what an order should not be made.

All of the preceding relief is sought on behalf of the persons injured by the acts and practices of all Respondents that constitute violations of the Missouri Securities Act.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MSSOURI THIS 4th DAY OF FEBRUARY, 2021.

JOHN R. ASHCROFT
SECRETARY OF STATE



DAVID M. MINNICK
COMMISSIONER OF SECURITIES

STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:	)	
	)	
GPB CAPITAL HOLDINGS, LLC;	)	
ASCENDANT CAPITAL, LLC; ASCENDANT	)	
ALTERNATIVE STRATEGIES, LLC;	)	
DAVID GENTILE; JEFFRY SCHNEIDER;	)	Case No.: AP-21-01
and JEFFREY LASH,	)	
	)	
Respondents.	)	
	)	
Serve: GPB Capital Holdings, LLC	)	
C/O David Gentile	)	
331 Cleveland Street, Apt. 2503	)	
Clearwater, Florida 33755	)	
	)	
Ascendant Capital, LLC	)	
C/O Jeffry Schneider	)	
2505 Bettis Boulevard	)	
Austin, Texas 78746	)	
	)	
Ascendant Alternative Strategies, LLC	)	
331 Cleveland Street, Apt. 2503	)	
Clearwater, Florida 33755	)	
	)	
David Gentile	)	
331 Cleveland Street, Apt. 2503	)	
Clearwater, Florida 33755	)	
	)	
Jeffry Schneider	)	
2505 Bettis Boulevard	)	
Austin, Texas 78746	)	
	)	
Jeffrey Lash	)	
6620 Glen Arbor Way	)	
Naples, Florida 34119	)	

NOTICE

TO: Respondents and any unnamed representatives aggrieved by this Order:

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo, and 15 CSR 30-55.020. Any request for a hearing before the Commissioner must contain:

a. a brief statement of the facts;

b. a summary of the factual and legal issues involved;

c. a request for relief;

d. suggestions in support of the relief sought, including the relevant statutes;

e. the name of the party requesting the hearing; and

f. the name of the attorney representing the party, if any.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing to:

David M. Minnick, Commissioner of Securities
Office of the Secretary of State, Missouri
600 West Main Street, Room 229
Jefferson City, Missouri 65102

CERTIFICATE OF SERVICE

I hereby certify that on this 4th day of February, 2021, a copy of the foregoing Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, Disgorgement of Profits, and Costs Should Not Be Imposed in the above styled case was **mailed via certified U.S. mail to:**

GPB Capital Holdings, LLC
C/O David Gentile
331 Cleveland Street, Apt. 2503
Clearwater, Florida 33755

Ascendant Capital, LLC
C/O Jeffry Schneider
2505 Bettis Boulevard
Austin, Texas 78746

Ascendant Alternative Strategies, LLC
331 Cleveland Street, Apt. 2503
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Jeffrey Lash
6620 Glen Arbor Way
Naples, Florida 34119

Laurie Dawson
Securities Office Manager