



November 22, 2019

Dear Valued Partner,

GPB Capital Holdings, LLC (“GPB Capital” or “we”) would like to provide you with information on GPB Holdings II, LP (the “Partnership”). This includes an update on the timing of the issuance of audits, as well as the delivery of both Partnership and Investor Fair Market Value (“FMV”) statements as of June 30, 2019 (“2Q 2019”).

### **Audit Update**

We have been discussing with our auditor how the events surrounding the indictment of GPB Capital’s former Chief Compliance Officer related to his duties as a prior federal government employee may impact the timing of completing the Partnership level audits. In light of his indictment, we have engaged a third party law firm to perform an independent investigation of the allegations related to Michael Cohn’s hiring and employment at GPB Capital. Given this new investigation and other matters, the Partnership’s auditor has decided to suspend work on outstanding financial statement audits. In addition, the Audit Committee has elected to resign effective upon the earlier date of the completion of the Rosenberg investigation or by November 27, 2019. Pending the results of the Cohn and Rosenberg investigations, as well as the reconstitution of the Audit Committee, the Partnership’s auditor will provide further guidance.

As a result of these recent developments, we will not be able to meet our previously communicated target completion date of year-end 2019. We will provide further information when it becomes available.

### **Partnership and Investor Fair Market Value (“FMV”) Statements**

Included herein, please find the Partnership FMV statement as of 2Q 2019.

Additionally, we have issued Investor FMVs for each individual investor, which can be retrieved in the “Statements” section of the GPB Capital Investor Portal. Investor FMVs are calculated on a “Capital Account” basis, as described in Section 7.1 – “Allocations of Net Profits and Net Losses” of the Partnership’s Limited Partnership Agreement (“LPA”). Further explanation is included in footnote (4) of the Investor FMV statement. Investor FMVs vary from the Partnership FMV and from other Investor FMVs as a result of several factors, including date of initial investment, amount of distributions received to-date, share class, and specific fee structure. Please note that the capital account balances received on the Schedule K-1 tax form as of December 31, 2018 are not comparable to the FMVs as of June 30, 2019 due to the two balances being presented on a different basis of accounting.<sup>1</sup>

### **1H 2019 Performance**

As reflected in the Partnership FMV statement, the 2Q 2019 FMV estimate for the Partnership is \$497.8 million or 73.2% of Net Capital Contributions – Gross of Fees, a modest decline from the 4Q 2018 Partnership FMV estimate of \$507.3 million or 74.6% of Net Capital Contributions – Gross of Fees.

Financial performance across the Partnership varied by segment in the first half of 2019 (“1H 2019”). Despite the relatively unchanged Partnership FMV, overall EBITDA in 1H 2019 at the aggregate Portfolio Company level was up year-over-year.

### *Automotive Retail*

The aggregated GPB Capital automotive operating group (“Automotive Retail”) continued to show improved performance in the first half of the year. Across the entire Automotive Retail group, same store Pre-Tax Income increased from \$9.6 million in 1H 2018 to \$21.1 million in 1H 2019. This increase was broad based, with each geographic platform (Prime Central, Prime North, Prime Cape, Prime South, Prime Collision, Ron Carter, NY Metro, Kenny Ross, and FX Caprara) showing financial improvement. The positive performance can generally be attributed to gross margin expansion in our finance & insurance, used vehicle, and service & parts departments. Additionally, we saw improved operating expense management, including lower gross floorplan interest expense and a reduction in the advertising budget, which provided a boost to financial performance.

With the recent appointment of Kevin Westfall as interim CEO of Prime Automotive Group, overseeing the management of all our Automotive Retail dealerships, Mr. Westfall and the team have identified further revenue growth and expense reduction opportunities, primarily through process standardization across our dealerships, which will be implemented over the coming months. We believe these efforts will likely lead to continued positive performance in future quarters.

### *Technology Enables Services*

Deep Blue Communications (“Deep Blue”), a New York-based company focused on commercial Wi-Fi networks, was sold in May 2019 to Comcast Business. Deep Blue’s revenue approximately doubled since acquisition in November 2016 and was sold to Comcast Business at a premium to the market. The Partnership received approximately \$32.9 million in proceeds from the transaction, which represents a significant increase over the Cost Basis of \$15.9 million as of December 31, 2018.

EBITDA in the Technology Enabled Services Strategy was down year-over-year in 1H 2019. Hotel Internet Services saw EBITDA decline from approximately \$0.9 million in the first six months of 2018 to \$0.1 million in 1H 2019, due to a general slowdown in their market segment. Halo Holdings, which is the combined entity of Meta Healthcare and Cantata Health, generated \$17.5 million of revenue for 1H 2019, which was down materially from the \$21.7 million of revenue generated in 1H 2018. Halo Holdings is investing in a new sales and marketing strategy in an effort to focus on customer retention. Health Prime International (“HPI”), which initially underperformed after acquisition in 1H 2018 due to management changes, has seen performance improve in 1H 2019. Revenue for 2Q 2019 was \$3.1 million, which was an increase from the \$2.6 million of revenue generated in 2Q 2018.

### *Debt Strategies*

The majority of positions in the Debt Strategies segment continue to perform as expected. However, there are two positions which are currently underperforming. Medite (debt investment made in September 2017), defaulted on their \$5.3 million senior secured convertible note in April 2019. Medite’s wholly owned German subsidiary is currently going through bankruptcy proceedings in Germany, while the foreclosure process of Medite, Inc. is complete in the US. Guided Therapeutics (debt investment made in February 2016), is in default on their \$1.5 million senior secured convertible notes. We are actively working with the Guided Therapeutics management team and the equity owners and expect the senior secured convertible notes to be paid in 4Q 2019/1Q 2020.

### *Energy Strategy (Special Situations)*

The Energy Strategy saw a slight increase in EBITDA in 1H 2019, as compared to 1H 2018, though still remained negative overall. Erus Energy saw a material decrease in EBITDA, declining from approximately \$1.5 million in the first six months of 2018 to \$0.4 million during the same period in 2019, as the result of the loss of a main sales channel. The Erus Energy and GPB Capital investment teams worked swiftly and successfully to partially backfill this loss, as well as to right-size the cost structure.

### *Healthcare – Physical Therapy (Special Situations)*

Alliance Physical Therapy Partners (“Alliance”) approximately doubled EBITDA year-over-year, with EBITDA increasing from \$1.7 million in 1H 2018 to \$3.4 million in 1H 2019. However, due to the early investments to launch the Alliance platform, and continued operational improvement initiatives to improve performance at low performing clinics, earnings and market valuation multiples relative to invested capital have resulted in a decrease in valuation below cost basis. However, the Alliance infrastructure is primed for future growth through tuck-in acquisitions and the opening of new clinics.

### *Business Services – PEO (Special Situations)*

The Business Services – Professional Employer Organization Strategy of the Partnership continued to thrive, with EBITDA materially increasing in 1H 2019. This increase contributed to an increase of \$7.3 million to the estimated Fair Market Value for PEO Holdings, the holding company for GPB Capital’s PEO Portfolio Companies, from year-end 2018.

### **Fair Market Value Attribution**

Included herein is Appendix A, listing the Partnership’s Portfolio Company valuations and cost basis as of June 30, 2019. Appendix A is included to provide additional insight into how Portfolio Company valuations impacted Partnership FMV. Please note that the total value listed in Appendix A will not equal the Partnership FMV estimate, as it does not include Partnership level economics, such as cash, securities, and other assets adjusted for liabilities (such as payables and debt) where applicable, which is incorporated as part of the Partnership FMV estimate calculation. Also included herein is Appendix B, which lists out each automotive dealership owned by the Partnership.

In the aggregate, Portfolio Company valuations were down from year-end 2018, with the largest contributors to this decline being Alliance and Erus Energy, both segments of the Partnership’s Special Situations portfolio. An increase in the FMV of GPB Prime Holdings (Automotive Retail) and PEO Holdings (Special Situations), helped to offset some of this decline.

### **Conclusion**

Our investment theses and focus are resulting in improved performance in certain strategies of the Partnership. However, underperformance in other strategies and higher Partnership level expenses related to accounting and consulting services outweighed the improved performance for this FMV period. We remain encouraged by the progress made within the Automotive Retail and Business Services – PEO Strategies and are working to improve performance within the Energy and Healthcare – Physical Therapy Strategies. We look forward to providing additional updates in the quarters to come.

If you have any questions or require additional information, please contact our Investor Relations team at 877.489.8484.

Sincerely,  
GPB Capital Holdings, LLC

<sup>1</sup> Due to the Partnership's classification as a holding company, the capital account balances on the Schedule K-1 tax form are presented on a U.S. GAAP basis. However, per the Partnership's governing documents and in accordance with the Investment Company Act of 1940, the Partnership has calculated FMVs in accordance with ASC 820. The balance received on your Fair Market Value statement is GPB Capital's best estimate of what a Limited Partner would receive if fully redeemed. The two primary differences between the accounting bases are the treatment of certain deal related expenses being expensed versus capitalized and the analysis of impairment of assets as compared to calculating a FMV for those assets.

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*GPB Capital is an independent investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended. Registration does not imply a certain level of skill or training. More information about GPB Capital, including our investment strategies, fees and objectives, can be found in our ADV Part 2 form. The Form ADV has been updated to reflect the matter of Michael Cohn. It is available upon request or via BrokerCheck.*

## Appendix A

GPB Holdings II, LP Fair Market Values - 2Q 2019			
Company	Cost Basis	Fair Market Value	Unrealized Gain (Loss)
<b>Automotive Retail</b>			
<b>Capstone Automotive II</b>	\$164,230,540	\$135,275,000	(28,955,540.00)
<i>Bill Kolb Jr. Subaru</i> <i>Tower Ford</i> <i>Prime Motor Group</i>			
<b>Automotive Retail (Other)</b>	\$2,244,323	\$2,244,323	0.00
<i>Automile Loan</i> <i>Tower Ford RE</i>			
<b>Managed IT Services</b>			
<b>GPB IT Holdings II</b>	\$104,904,657	\$74,178,924	(30,725,733.00)
<i>Hotel Internet Services</i> <i>MDS Medical</i> <i>Maintech LLC</i> <i>Deep Blue Communications</i> <i>Cantata Health</i> <i>Meta Healthcare</i> <i>Health Prime International</i>			
<b>Debt Strategies</b>			
<b>Debt Strategies (including Equity and Warrants)</b>	\$32,348,390	\$30,542,578	(1,805,812.00)
<i>Hycor Biomedical LLC</i> <i>Mobly, Inc.</i> <i>Duos Technology Group, Inc.</i> <i>Guided Therapeutics, Inc.</i> <i>Dance Bio Pharma</i> <i>Theragen</i> <i>Environmental Packaging Technologies (EPT)</i> <i>Health Right</i> <i>Medite</i> <i>Alexium</i> <i>Tactual</i> <i>Emmaus Life Sciences, Inc.</i> <i>BioQ Pharma</i>			
<b>Special Situations</b>			
<b>Special Situations (excluding Real Estate and Waste)</b>	\$142,684,278	\$132,310,500	(10,373,778.00)
<i>Alliance Physical Therapy Partners, LLC</i> <i>PEO Holdings</i> <i>Quantum</i> <i>Greenwave Energy LLC</i> <i>Erus Energy</i>			
<b>Special Situations (excluding Real Estate and Waste)</b>	\$27,140,658	\$27,140,658	0.00
<i>GPB Riverwalk LLC (Equity)</i> <i>GPB Riverwalk LLC (Debt)</i>			
<b>Waste Holdings</b>	\$4,721,316	\$1,096,094	(3,625,222.00)
<b>Total</b>	<b>\$478,274,162</b>	<b>\$402,788,077</b>	<b>(75,486,085.00)</b>

**Partnership Underlying Assets Fair Market Values:** The estimated Partnership Underlying Assets Fair Market Values ("Asset FMV") is presented on behalf of the underlying assets owned by the Partnership. The Asset FMV is an estimated value of the underlying assets owned by the Partnership at a point in time and is, among other deductions, net of historical company distributions ("Distributions"), offering costs, prior management fees, and partnership expenses. Asset FMV is estimated according to FASB ASC 820, Fair Value Measurement. In addition, Asset FMV has relied upon unaudited financial statement information, which is subject to adjustments and other applicable changes, and prospective financial information. The Asset FMVs are separate and distinct from the fair market value of the entire Partnership previously disseminated. Besides an estimate of the value of any Portfolio Company (as defined in the LPA), the Asset FMV does NOT include cash, securities, and other assets adjusted for liabilities (such as payables and debt and) where applicable. Asset FMV may include the effects of subsequent events at the discretion of GPB Capital Holdings, LLC ("GPB"), the general partner of the Partnership. The Valuation Committee of GPB is responsible for determining the fair market value of any assets held by the Partnerships and uses the services of a third-party valuation consultant to assist in this determination.

**PAST PERFORMANCE IS NOT A GUARANTEE OF, AND IS NOT PREDICTIVE OF, FUTURE RESULTS. SEE IMPORTANT DISCLOSURES.**

## Appendix B

GPB Holdings II, LP - Automotive Dealerships				
Dealership Name	Address	City	State	Zip Code
Prime Motor Group				
<i>Prime Acura Westwood</i>	395 Providence Highway	Westwood	MA	02090
<i>Prime Motor Cars - Airstream</i>	137 US Route 1	Scarborough	ME	04074
<i>Audi Westwood</i>	375 Providence Highway	Westwood	MA	02090
<i>Prime Buick GMC</i>	1845 Washington Street	Hanover	MA	02339
<i>Prime Ford - Auburn</i>	780 Washington Street	Auburn	MA	01501
<i>Prime Ford - Saco</i>	857 Portland Road	Saco	ME	04072
<i>Prime Honda Saco</i>	754 Portland Road	Saco	ME	04072
<i>Prime Honda Boston</i>	1575 VFW Parkway	West Roxbury	MA	02132
<i>Prime Hyundai South</i>	1022 Hingham Street	Rockland	MA	02370
<i>Mercedes Benz of Hanover</i>	1877 Washington Street	Hanover	MA	02339
<i>Mercedes Benz of Manchester</i>	875 Gold Street	Manchester	NH	03103
<i>Prime Motor Cars - Mercedes Benz</i>	137 US Route 1	Scarborough	ME	04074
<i>Mercedes Benz of Westwood</i>	425 Providence Highway	Westwood	MA	02090
<i>Porsche Westwood</i>	411 Providence Highway	Westwood	MA	02090
<i>Smart Center of Scarborough</i>	137 US Route 1	Scarborough	ME	04074
<i>Mercedes Benz of Hanover Sprinter</i>	1877 Washington Street	Hanover	MA	02339
<i>Prime Motor Cars - Sprinter</i>	137 US Route 1	Scarborough	ME	04074
<i>Mercedes Benz of Westwood Sprinter</i>	425 Providence Highway	Westwood	MA	02090
<i>Prime Subaru Vermont</i>	429 Sykes Mountain Ave	White River Junction	VT	05001
<i>Hyannis Toyota</i>	1020 Iyannough Road	Hyannis	MA	02601
<i>Prime Toyota - Route 2</i>	700 Old Union Turnpike	Lancaster	MA	01523
<i>Orleans Toyota</i>	16 O'Connor Road	Orleans	MA	02653
<i>Prime Toyota of Saco</i>	783 Portland Road	Saco	ME	04072
<i>Prime Toyota Boston</i>	1605 VFW Parkway	West Roxbury	MA	02132
<i>Prime Sales and Service</i>	95 Falmouth Rd	Hyannis	MA	02601
<i>Prime Volvo Cars South Shore</i>	1030 Hingham Street	Rockland	MA	02370
<i>Prime Volkswagen</i>	784 Portland Road	Saco	ME	04072
<i>Prime Volvo Cars of Westborough</i>	251 Turnpike Road	Southborough	MA	01772
<i>Prime Subaru Manchester</i>	764 Second Street	Manchester	NH	03102
<i>Prime Mazda</i>	857 Portland Road	Saco	ME	04072
<i>Prime Collision Center North</i>	751 Portland Road	Saco	ME	04072
<i>Prime Collision Center South</i>	155 Rivermoor Street	West Roxbury	MA	02132
<i>Norwell Collision Center</i>	154 Washington Street	Norwell	MA	02061
<i>Land Rover Hanover</i>	2144 Washington Street	Hanover	MA	02339
<i>Land Rover Cape Cod</i>	100 Barnstable Road	Hyannis	MA	02601
<i>Prime Chevrolet</i>	22 Ridgewood Ave	Hyannis	MA	02601
<i>Prime Subaru Hyannis</i>	24 Ridgewood Ave	Hyannis	MA	02601
<i>Prime Chrysler Dodge Jeep RAM</i>	824 Portland Rd	Saco	ME	04072
<i>BMW of Norwood</i>	918 Providence Highway	Norwood	MA	02062
<i>South Shore BMW</i>	1040 Hingham Street	Rockland	MA	02370
<i>Prime Honda 128</i>	88-98 Walkers Brook Drive	Reading	MA	01867
<i>South Shore MINI</i>	1040 Hingham Street	Rockland	MA	02370
<i>Volkswagen of Norwood</i>	1280 Providence Highway	Norwood	MA	02062
<i>Bill Kolb Jr. Subaru</i>	252 Route 303	Orangeburg	NY	10962

## IMPORTANT DISCLOSURES

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## GPB Holdings II, LP (the "Company")

Company Inception Date: 04/17/2015

### ESTIMATED FAIR MARKET VALUE As of June 30, 2019

As of Date	Net Capital Contributions- Gross of Fees <sup>1</sup>	Net Capital Contributions- Net of Fees <sup>2</sup>	Estimated Company Fair Market Value <sup>3</sup>	Estimated Company Fair Market Value as a % of Net Capital Contributions- Gross of Fees <sup>4</sup>	Historical Company Distributions <sup>5</sup>	Estimated Company Fair Market Value Plus Historical Company Distributions as a % of Net Capital Contributions- Gross of Fees <sup>6</sup>
6/30/2019	\$679,598,575	\$622,818,524	<b>\$497,798,031</b>	<b>73.25%</b>	\$85,801,588	85.87%

If you have any questions or would like additional information, please contact our Investor Relations team at 877.489.8484.

<sup>1</sup> **Net Capital Contributions- Gross of Fees:** The total of all limited partner funds raised across all share classes of the Company less limited partner redemptions since inception of the Company. This figure does not include a deduction for Commissions, Selling Fees, Placement and Marketing Support Fees, Servicing Fees and Wholesaling Fees.

<sup>2</sup> **Net Capital Contributions- Net of Fees:** The total of all limited partner funds raised across all share classes of the Company less limited partner redemptions since inception of the Company. This figure does include a deduction for Commissions, Selling Fees, Placement and Marketing Support Fees, Servicing Fees and Wholesaling Fees.

<sup>3</sup> **Company Fair Market Value:** The estimated Company Fair Market Value ("Company FMV") is presented on behalf of the entire Company as defined in the Fourth Amended and Restated Agreement of Limited Partnership of the Company (the "LPA"). The Company FMV is an estimated value of the Company at a point in time and is, among other deductions, net of historical company distributions ("Distributions"), offering costs, prior management fees, and partnership expenses. Company FMV is estimated according to FASB ASC 820, Fair Value Measurement. In addition, Company FMV has relied upon unaudited financial statement information, which is subject to adjustments and other applicable changes, and prospective financial information. The Company FMV is separate and distinct from the value of any individual assets held within the Company. Besides an estimate of the value of any Portfolio Company (as defined in the LPA), the Company FMV may include cash, securities, and other assets adjusted for liabilities (such as payables and debt and) where applicable. Company FMV may include the effects of subsequent events at the discretion of GPB Capital Holdings, LLC ("GPB"), the general partner of the Company. The Valuation Committee of GPB is responsible for determining the fair market value of any assets held by the Company and uses the services of a third-party valuation consultant to assist in this determination.

**Company FMV represents a valuation estimate as of a specific date ONLY, and it is not indicative of any annual return, future return, Company or investor liquidation values or any particular investor's Capital Account (as defined in the LPA). Differences between the Company estimates herein and the amounts related to any particular limited partner could be significant. The Company FMV is not applicable to any particular limited partner or share class. The value of any limited partner's Capital Account can only be determined in accordance with the LPA and the applicable provisions within.**

<sup>4</sup> **Company Fair Market Value as a % of Net Capital Contributions- Gross of Fees:** The percentage represents the current estimate of the current Company FMV as compared to the initial capital in the aggregate that limited partners committed to the Company, gross of fees but net of redemptions. "Fair Market Value" means the proportionate share of the fair market value of the assets of the Partnership with respect to a Partner's Unit as of the date of determination. In determining the fair market value of the assets of the Partnership under this definition, fair market value shall be based on the entire value of the assets of the Partnership and its investments, without any discount for any minority interest. The Fair Market Value of a Unit shall be determined by agreement of the holder of such Unit and the General Partner; provided, however, that if such parties do not reach agreement on the Fair Market Value thereof within 30 days after either party first proposes to the other party in writing an amount that represents its calculation of the Fair Market Value of such Unit, the Fair Market Value thereof shall be determined by an independent appraiser selected by such parties, and engaged by the Partnership. If no agreement can be reached on the selection of an appraiser, (i) each of the General Partner and such Partner shall select an appraiser and those two appraisers will select a third appraiser, each of whom will complete an appraisal and (ii) Fair Market Value will be calculated by averaging the two appraisals that are closest in value. The holder of the pertinent Unit must pay the expenses of its own appraiser and the Partnership shall pay the remainder of the expenses. (April 26, 2018)

<sup>5</sup> **Historical Company Distributions:** 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). Since inception, all Distributions have been a return of limited partner capital, which reduces each limited partner's Capital Account and unreturned Net Capital Contribution balance in accordance with the LPA. The actual tax treatment of Distributions is as stated in the Company's governing documents and each limited partner's previous Schedule K-1's (IRS Form 1065). Distributions are not an indicator of Company performance. **The Historical Company Distributions does not reflect the Distributions received by any particular limited partner or share class and is not indicative of any future Distributions that may be declared. GPB does not anticipate any Distributions in the foreseeable future.**

<sup>6</sup> **Company Fair Market Value plus Historical Company Distributions as a % of Net Capital Contributions- Gross of Fees:** This percentage represents a cumulative view of the Company from inception to the present comprised of two components - Historical Company Distributions plus the current Company FMV - as compared to the initial capital in the aggregate that limited partners committed to the Company, gross of fees but net of redemptions.

**PAST PERFORMANCE IS NOT A GUARANTEE OF, AND IS NOT PREDICTIVE OF, FUTURE RESULTS. SEE IMPORTANT DISCLOSURES.**

### IMPORTANT DISCLOSURES

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