

STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. BOX 47029
Newark, New Jersey 07101
(973) 504-3600

IN THE MATTER OF:

JEFFRY SCHNEIDER (CRD No. 2089051),
individually, and as indirect part-
owner of Ascendant Alternative
Strategies, LLC; and
ASCENDANT ALTERNATIVE STRATEGIES, LLC
(CRD No. 283881),

Respondents.

SUMMARY REVOCATION
ORDER

Pursuant to the authority granted to Christopher W. Gerold, Chief of the New Jersey Bureau of Securities ("Bureau Chief"), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89 ("Securities Law") and certain regulations thereunder, and based upon documents and information obtained during the investigation by the New Jersey Bureau of Securities ("Bureau"), the Bureau Chief hereby finds that there is good cause and it is in the public interest to enter this Summary Revocation Order ("Order") against Jeffry Schneider ("Schneider") and Ascendant Alternative Strategies, LLC ("AAS") and makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

INTRODUCTION

1. Jeffry Schneider, individually and through various

companies he controlled, and AAS (collectively, "Respondents") participated in a massive securities fraud that has affected tens of thousands of investors in New Jersey and across the United States. Respondents, along with another company controlled by Schneider, the fund manager and their individual principals and employees - raised more than \$1.8 billion between 2013 and 2018 through sales of unregistered, high-commission limited partnership interests in a series of eight alternative-asset investment funds managed by GPB Capital Holdings, LLC ("GPB Capital") and GPB's sole member and CEO David Gentile ("Gentile").

2. Respondents carried out this scheme principally through four of the eight funds managed by GPB Capital and Gentile, consisting of: GPB Automotive Portfolio, LP; GPB Holdings, LP; GPB Holdings II, LP; and GPB Waste Management, LP (collectively, "the GPB Funds"). Nearly \$1.7 billion was invested in these four GPB Funds.

3. Respondents and others lured investors 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.

4. Respondents along with GPB Capital, Gentile, and others further harmed investors by repeatedly diverting and misappropriating fund assets for their own benefit, including by

engaging in undisclosed related-party transactions. Respondents and others earned tens of millions of dollars in fees and commissions on continuing sales of the GPB Funds even as they destroyed long-term value for investors. As of June 2019, GPB Capital estimated the fair market value of the funds' portfolio assets at approximately \$1 billion - representing more than a 40% loss on investors' initial capital contributions. The current portfolio asset values are unknown, as the GPB Funds have not issued audited financials since 2016, in violation of Securities and Exchange Commission ("SEC") regulations.

5. The scheme began when Schneider's then accountant Gentile, a partner at a mid-sized Long Island accounting firm founded by Gentile's father, joined forces with Schneider and another Gentile accounting client, Jeffrey Lash ("Lash"), to organize the GPB Funds and the associated entities needed to manage and market them.

6. While Gentile described himself as being a "novice" with respect to private placements and having no prior experience as a fund manager or investment adviser, he had primary responsibility for all the funds.

7. Schneider is a securities broker with a long regulatory and disciplinary record and a history of association with questionable or demonstrably fraudulent activity, who marketed, offered, and sold the GPB Funds through his company, Ascendant

Capital, LLC ("Ascendant"). Ascendant acted as wholesaler and placement agent, distributing limited partnership interests through the broker-dealers Axiom Capital Management, LLC ("Axiom") and, later, AAS, the latter of which is majority-owned by Gentile and Schneider.

8. Lash, who had spent most of his career in automotive retail, pursued auto dealerships for acquisition by the GPB Funds, and for a time oversaw the operation of the portfolio dealerships. Among the earliest portfolio companies acquired by the GPB Funds were several auto dealerships operated by Lash and owned by Gentile, Lash and others. As the GPB Funds grew, Lash brought in another dealership owner-operator, A ("owner-operator A"),¹ who sold several dealerships to the GPB Funds and helped manage the funds' automotive portfolio.

9. Respondents, Gentile, and others aggressively promoted the GPB Funds as an attractive alternative to traditional private equity funds. Whereas typical private equity funds may deploy investor capital for long periods before paying a return, the GPB Funds, they promised, would seek to provide monthly income almost immediately. But the supposedly safe and reliable distributions, paid at an 8% annualized rate, month-in and month-out, were a fraud. As the GPB Funds grew, the promised distributions quickly

¹ Owner-operator A is also referred to as "Partner 1" in the charts below.

exceeded the cash flows from the portfolio companies. Rather than reduce distributions to a sustainable level, Respondents and others falsely continued to claim that the distributions were fully covered and initially attempted to paper over the shortfalls through further frauds. They falsified financial statements and manufactured back-dated "performance guarantees" to manufacture fictitious income.

10. At times, without disclosure to the investors, the monthly distributions were paid entirely out of investors' own capital contributions. Every dollar of investor capital that was returned in a monthly distribution was a dollar that could not be deployed in income-producing investments. To maintain the charade of profitable operations - a fundamental component of Respondents' marketing strategy - investors' long-term returns were sacrificed.

11. Investors were also harmed by Respondents and others' misrepresentations and misappropriation of funds.

12. In one notable scheme, Schneider, Gentile, and others diverted lucrative finance and insurance revenue from several auto dealerships to a special-purpose entity and then into shell companies one of which was controlled by Schneider. At least \$1.5 million was diverted in this way.

13. Gentile, Lash and Schneider also used the shell companies to collect roughly \$1.7 million in "board stipends" and finance management fees that were not adequately disclosed to

investors.

14. GPB Capital also caused the GPB Funds to pay tens of millions of dollars in acquisition fees to Ascendant, Axiom and, later, AAS, thereby further enriching Gentile and Schneider. Although the fund offering documents disclosed the existence of the acquisition fees, they described them as being paid to "qualified third parties or affiliates" and omitted material information that Gentile received additional compensation for tasks that he was already obligated to perform as the managing member of GPB Capital.

RESPONDENTS

15. Schneider (CRD No. 2089051) residing in Austin, Texas has been registered with the Bureau as an agent of several broker-dealers since March 22, 1991. Most recently he was registered with the Bureau as an agent of Axiom from May 30, 2013 until June 2, 2017 and AAS from June 2, 2017 to the present. Schneider is also an indirect part-owner of AAS. Schneider was at all relevant times deeply involved in the control, management and direction of GPB Capital.

16. AAS (CRD No. 283881) is a Delaware limited liability corporation with its principal place of business at 777 Westchester Avenue, White Plains, New York. AAS has been registered with the Bureau as a broker-dealer since May 24, 2017. AAS is indirectly majority-owned by David Gentile and Jeffry Schneider. AAS served

as the managing broker-dealer for the GPB Funds beginning in 2017.

NON-RESPONDENT PARTIES

17. Ascendant is a Texas limited liability company with its principal place of business in Austin, Texas. It is wholly owned by Schneider. Schneider was the CEO and sole member of Ascendant until May 2020. Between 2012 and May 2020, Ascendant operated as a wholesaler and placement agent for the GPB Funds. Ascendant provided a wide range of marketing services and back-office operations. As the CEO, owner, and sole member of Ascendant, Schneider controlled, oversaw, and directed Ascendant's activities as the wholesaler and placement agent for the GPB Funds. Ascendant is not registered with the Bureau in any capacity. Ascendant forfeited its Texas corporate status in May 2020 for failure to pay taxes.

18. GPB Capital (CRD No. 169825) is a Delaware limited liability corporation with its principal place of business at 535 West 24th Street, New York, New York. GPB Capital is registered with the SEC as an investment adviser. GPB Capital serves as the general partner of a series of limited partnership investment vehicles that Respondents and others managed, marketed, offered, and sold to investors in New Jersey and elsewhere.

19. Gentile (CRD No. 6763402), residing in Florida, is the sole managing member of GPB Capital. Gentile is also indirectly a part-owner of AAS. Gentile is not registered with the Bureau in

any capacity.

20. Lash was GPB Capital's Director of Automotive Retail from 2013 through February 2018, and regularly transacted business in New York. Lash is not registered with the Bureau in any capacity.

I. GPB Capital's Business and Structure

21. Schneider, working with Gentile, created corporate structures in 2012 and 2013 that were used for the better part of a decade to defraud investors and enrich themselves. Using a series of interconnected entities, Schneider and Gentile marketed, offered and sold limited partnership interests in alternative-asset investment funds. They targeted "accredited investors," an investor population eligible to invest in private placement securities transactions that are exempt from SEC registration and to which reduced regulation applies.

22. GPB Capital - the manager of each of the GPB Funds - was at the center of the fraudulent scheme, but it relied heavily on the Respondents and other individuals described below. GPB Capital worked especially closely with Schneider and Ascendant, the placement agent for the GPB Funds. Indeed, one marketing document from 2017 described the two companies as "essentially one organization."

A. Schneider's Role with GPB

23. The leaders of the fraudulent scheme were Gentile and

Schneider, who respectively founded GPB Capital and Ascendant. Gentile and Schneider repeatedly misled investors about the fact that significant and increasing portions of the monthly distributions to investors were secretly being paid from investors' own capital contributions rather than from operating profits, as promised. Both Gentile and Schneider also misappropriated monies from the GPB Funds and their portfolio companies, received undisclosed payments, and caused the GPB Funds to pay for luxurious personal expenses - such as a Ferrari for Gentile. Lash also participated in creating false and misleading documents, and participated in and profited from the diversion of assets from portfolio companies.

24. Gentile himself had little to no experience with fund structures, and he could not have set up GPB Capital or the GPB Funds without substantial help. He got that help - and perhaps even the original inspiration for the GPB Funds - from Schneider. As Schneider once told an interviewer:

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.)]

25. Others at GPB Capital similarly described Schneider as the "co-creator" with Gentile of the overall business plan. Both Schneider and Gentile stated under oath that they jointly developed GPB Capital and its fund structures. Others have described Schneider and Gentile as "essentially partners."

26. Schneider had more than two decades of experience in the securities industry when he approached Gentile with the idea for the GPB Funds. However, his record shows a troubling history of involvement with fraudulent activity and individuals. Schneider first registered as a broker-dealer agent in 1991; since that time, he has worked for twelve different broker-dealers. Schneider has twice been 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 that firm 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 he shared.

27. Schneider was sanctioned by two securities regulators in connection with his misconduct at CIBC. In 2004, the National Association of Securities Dealers suspended him for ninety days and fined him \$15,000. In 2006, the Illinois Secretary of State denied his registration in the state for two years stemming from the same conduct.

28. Schneider has been the subject of fourteen customer

complaints, with allegations that include unauthorized trading, unsuitable investments, excessive trading, and misrepresentation. Six of the customer complaints, still pending, relate to his activities in connection with the GPB Funds.

29. Schneider also has a history of involvement with firms and individuals that regulators or prosecutors found have violated the law. Two of his former employers - J.P.R. Capital Corp. and IMS Securities, Inc. - were expelled by the Financial Industry Regulatory Authority from the securities industry. 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 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.

30. Immediately prior to the creation of GPB Capital, Schneider was an agent of Axiom, the broker-dealer, primarily selling real estate investment trusts ("REITs").

31. After he and Gentile conceived of the GPB Funds, Schneider founded Ascendant, an unregistered entity of which he is

the sole member, to act as a placement agent. As discussed below, Schneider is a *de facto* senior manager of GPB Capital. Schneider holds no formal title at GPB Capital, and the company has not disclosed Schneider's checkered regulatory history to investors. Finally, Schneider is, together with Gentile, an indirect majority owner of AAS.

32. Based on a review of bank records, Schneider received at least \$13 million from his association with GPB Capital, the GPB Funds, and Gentile from 2016 through 2019 alone.

B. The Entities

i. GPB Capital and the GPB Funds

33. GPB Capital is an SEC-registered investment adviser that describes 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."

34. GPB Capital serves as the general partner or manager of funds. These funds include: GPB Automotive Portfolio, LP; GPB Cold Storage LP; GPB Holdings, LP; GPB Holdings Qualified, LP; GPB Holdings II, LP; GPB Holdings III, LP; GPB NYC Development, LP; and GPB Waste Management, LP. GPB Capital is not merely a passive overseer; it promotes its "hands-on managerial and operational assistance" to the portfolio companies owned by the funds.

35. The 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 Portfolio 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.

36. From 2013 through mid-2018, the GPB Funds sold unregistered limited partnership interests in what are known as "private placement" transactions. Investors could purchase limited partnership units that were priced at either \$50,000 or \$100,000 per unit. The GPB Fund limited partnership units were offered only to "accredited investors."

37. The GPB Funds focused on "accredited investors" because SEC Regulation D allows for an exemption from registration with unlimited sales of the securities to accredited investors, and up to 35 non-accredited investors under Rule 506(b) of Regulation D. When a securities offering qualifies for a Regulation D exemption, its regulatory burden is significantly reduced.

38. Schneider, despite having no formal role at GPB Capital, in practice exercised significant control with Gentile over the GPB Funds and their portfolio companies. Schneider was regularly involved in, among other things, 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. Schneider also reviewed and approved the language used in the funds' private placement memoranda ("PPMs").

39. Employees and management at GPB Capital viewed Schneider's approval as necessary for major operational decisions, regularly kept Schneider apprised of management issues and sought his input. Text messages sent among Lash, Gentile and Schneider from 2014 through 2016 contained discussions of portfolio company budgets and revenues, the timing of special distributions, and the coverage ratios of the funds. Schneider was also involved in the negotiation of Lash's performance guarantees and severance agreements, discussions on the release of dealership financials, and whether the Waste Management fund should acquire a portfolio company. When employees and management at GPB Capital failed to include Schneider, he reprimanded them. For example, when Schneider learned that a GPB Capital executive had left him off an email about a potential portfolio acquisition, Schneider responded quickly: "Can you please keep me in the loop on any and all info regarding potential or existing portfolio companies. I have asked you this in the past and should not have to ask again."

40. Despite Schneider's actual management of GPB Capital and the GPB Funds, he was not listed as a control person in any PPMs or in any marketing materials. His extensive disciplinary history also was not disclosed to investors.

41. Approximately 700 New Jersey investors purchased limited partnerships in various GPB Funds, with a total investment of approximately \$70.4 million.

ii. Ascendant, Axiom and AAS

42. Schneider founded Ascendant and was its sole owner. Ascendant was the exclusive marketer and wholesaler for the GPB Funds from their inception until they closed to new investments in 2018. Ascendant typically did not sell the GPB Funds directly to investors. Rather, Ascendant focused on marketing the GPB Funds to independent broker-dealers and investment advisers who would in turn sell the GPB Funds to their retail investors. Ascendant was also responsible for drafting investor updates and helping to prepare offering documents and limited partnership agreements.

43. 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. Beginning in 2017 and thereafter, Ascendant was the branch office of AAS, a new broker-dealer majority-owned by Schneider and Gentile jointly through a company called DJ Partners, LLC.

44. 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 Capital 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.

45. As indirect owners of 33.3% interests in AAS, Gentile and Schneider individually obtained over \$13 million each for marketing the GPB Funds. As explained below, that money should never have been paid to them, as their conduct was unlawful and fraudulent.

46. With Schneider as its sole owner, it was Ascendant's responsibility to line up independent broker-dealers and investment adviser firms that would sell the GPB Funds to their retail clients. 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 Capital together prepared due diligence presentations that were often hosted at GPB Capital's office in New York. GPB Capital and Ascendant often paid for the target firms' personnel to attend these events.

47. Ascendant was responsible for assisting GPB Capital in drafting investor updates and preparing offering documents, limited partnership agreements, and marketing materials. They also 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 the GPB Funds.

II. Schneider and AAS Misrepresented the Source of Monthly Distributions to Investors

48. The central marketing concept for the GPB Funds was that they were "unique" products without any real competitors in the alternative investment space - "income-producing private equity," as Respondents, Ascendant, and GPB Capital often described them. GPB Capital and Ascendant consistently told investors, broker-dealers and investment advisers that the GPB Funds would pay investors regular monthly distributions, at an 8% annualized rate, that were "fully earned" or "fully covered" by cash flow from the portfolio companies. Investors were also told that the funds might pay special additional distributions where GPB Capital determined it was appropriate, based on the funds' ability to pay them. Variations on these fundamental representations appeared in PPMs and other offering documents, marketing documents, responses to due diligence questionnaires ("DDQs") and correspondence with potential investors and salespeople.

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

50. For example, an August 2014 GPB Capital response to a

DDQ touted a fund as “[u]nlike any other private equity investment program” because “it pays a substantial current dividend that is fully covered with funds from operations.” Another GPB Capital DDQ response prepared in December 2014 described the fund as a “unique offering with virtually no competition in the marketplace.” In differentiating the fund from other investments, GPB Capital identified as “of utmost importance” the representation that the fund “is the only income producing private equity offering in the space” paying distributions “fully covered with funds from operations.” GPB Capital and Ascendant prepared responses together to DDQs from broker-dealers and investment advisers.

51. GPB Capital’s and Ascendant’s emphasis on this issue demonstrates that the source of the monthly distributions was material to investors. Indeed, Ascendant, directed by its CEO Schneider, repeatedly responded to broker-dealers and investment advisers who sought to clarify and confirm that the distributions paid by the GPB Funds would not include invested capital.

52. Investors were also attracted to GPB Funds because the Funds advertised the payment of additional “special” distributions on top of the regular monthly distributions. The special distributions were effective sales tools for at least two reasons. First, they served as a proof of concept, demonstrating the GPB Funds’ ability to generate excess income from their portfolio

companies. GPB Capital and Ascendant routinely represented that these special distributions were also "fully covered with funds from operations." Second, they created a sense of urgency for salespeople and investors. 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. GPB Capital and Ascendant believed that special distributions were critical to their ability to raise money for the GPB Funds.

53. For years, Respondents, Gentile, Ascendant, and GPB Capital misled investors about these core characteristics of the GPB Funds. It simply was not true that the portfolio companies steadily produced income that fully funded the monthly distributions to investors. In fact, GPB routinely returned investor capital as distributions, falsely claiming the money was from portfolio company operations.

54. Internally, GPB Capital 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.

55. 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 - most 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 zero percent. A negative coverage ratio effectively meant that every dollar distributed to investors was coming from investors' own capital contributions.

56. Any use of investor capital to pay distributions necessarily reduced the amount of capital a GPB Fund could deploy in productive investments. Because GPB Capital 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.

57. Starting in 2014, the GPB Funds repeatedly used investor capital to make distributions to investors, while Schneider and AAS repeatedly falsely stated that the distributions were fully funded from operations.

58. 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. In reality, these distributions were largely a return of investors' own capital, at the expense of long-term returns.

A. GPB Holdings, LP

59. GPB Holdings, LP ("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. A 2014 due diligence presentation prepared to educate broker-dealers about the GPB Funds stated that the targeted monthly distributions at an annualized rate of 8% were "paid 100% [with] funds from operations;" in other words, with the "cash flow from portfolio companies." A 2015 version of the presentation repeated these representations, and added a "highlights" slide stating that the GPB Funds provided investors with "meaningful income... 100% fully covered distribution - funds from operations."

60. However, for the full year 2014, Holding's income fell far short of the roughly \$2.5 million in distributions it paid to investors. In other words, a substantial portion of the distributions Holdings paid out in 2014 was simply a return of the investors' own capital. Schneider, GPB Capital, Gentile, and others covered up this shortfall by manufacturing back-dated "performance guarantees" and falsifying financial statements.

61. On May 8, 2015, Holdings released its audited financial statements for 2014, which reported that net investment income was \$2,498,858, which was just short of Holdings' distributions to Limited Partners ("LPs") of \$2,565,579. This was false: the net investment income figure, relied on fictitious earnings from portfolio companies in particular, two auto dealerships that Lash operated.

62. The falsehood had its roots in February 2015, when GPB Capital and Ascendant personnel began to prepare the 2014 financial statements. As they looked at the numbers, they saw a significant shortfall in Holdings' income "when you compare it to what we distributed."

63. To help cover up the shortfall, GPB Capital created back-dated "performance guarantees" from Lash to the two auto dealerships. The performance guarantees purported to require Lash to pay the portfolio companies for any shortfalls in dealership net income below stated thresholds. Although the documents are dated "as of February 20, 2014," they were not drafted until early 2015, after GPB Capital and Ascendant had discovered the income shortfall.

64. As an Ascendant Managing Director wrote in an October 2015 email, the guarantees 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 and others had to wait to finalize the guarantee 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.

65. Schneider, AAS, and others were actively involved in this deception. In early March 2015, one GPB Capital 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 owner-operator A, to the amount of the true up this week."

66. On March 18, 2015, Gentile texted Schneider and Lash asking them to "please get on a call now with [KB], a partner at the accounting firm GP&B].... [KB] 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 accounts is 1.1mm.... I told [KB] it was prudent to follow Schneider's instructions." Later that day, GPB Capital'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

guarantees.

67. The amounts supposedly due under the performance guarantees were never collected in full. In October 2015, a GPB Capital finance manager noted 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?"

68. The fictional guarantee were also part of a false marketing scheme. GPB Capital was marketing and offering a new fund in April 2015, called GPB Holdings II, LP ("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 Capital's business model.

69. 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 guarantee was being crafted at the time, texted Gentile and Schneider that he had met with GPB Capital's Chief Financial Officer, who told Lash that making another special distribution under the circumstances was "basically suicide."

70. 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.

71. Yet GPB Capital 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 Capital DDQ response again falsely stated that all Holdings' "distributions are fully covered with funds from operations."

72. In the summer of 2015, Holdings continued to use investors' money to pay distributions. On August 10, 2015, the fund administrator Phoenix American transferred \$8.7 million of new investor capital into Holdings' investment account. The following month, GPB Capital caused Holdings to transfer nearly \$700,000 of that new investor capital from its investment account to its distribution account to make the monthly payments to investors.

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

74. And, 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 \$1.5 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 percent, meaning that every dollar distributed to investors during those three months came from investor capital rather than operations.

75. The fourth quarter of 2016 was even worse. Holdings recorded positive net investment income of \$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 percent.

76. For full-year 2016, Holdings booked net investment

income of \$8.4 million, realized a loss of \$3.6 million, and paid distributions of more than \$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.

77. 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 LPs' 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.

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

B. Automotive Portfolio

79. Schneider and Gentile repeated the scheme in GPB Automotive Portfolio, LP ("Automotive Portfolio") GPB's second fund, which was launched in May 2013 - only two months after Holdings. The Automotive Portfolio fund was focused on the acquisition, operation and resale of retail car dealerships,

relying heavily - at least initially - on Lash's existing dealership portfolio.

80. As it had for Holdings, Respondents and others marketed the Automotive Portfolio fund and offered it to investors as a reliable, income-generating investment. Thus, in February 2014, GPB Capital 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 company's operations." (Emphasis added.) In early 2015, GPB Capital 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 Capital represented in a DDQ response that "the initial distribution rate of 8% is paid monthly **only from funds from operations.**" (Emphasis added.)

81. But as the year went on, GPB Capital and Ascendant personnel repeatedly noted in internal emails that Automotive Portfolio's distributions exceeded income from the portfolio companies. In July 2015, GPB Capital's then-CFO ("CFO-1") reviewed the monthly management report and wrote, "we are not covering our distributions with profits from operations at June YTD." In September, GPB Capital's Director of Fund Accounting, confirmed to CFO-1 that Automotive Portfolio was "not able to cover its monthly distributions from the assets/investments it currently holds."

CFO-1 forwarded the email to Ascendant's then-Chief Operating Officer, saying, "Let's you and I both be sure [Schneider] and [Gentile] understand this is the case." In October, the Director of Fund Accounting emailed Gentile directly, making clear that Automotive Portfolio had used more than \$500,000 from its investment account to pay investor distributions for the preceding two months. He also sought Gentile's approval to repeat the transfer to cover the October distribution.

82. Nonetheless, 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."

83. This 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.

84. Even the 80% coverage rate was inflated. As was done for Holdings in 2014, Automotive Portfolio's 2015 numbers were

inflated by a manufactured performance guarantee from Lash. Like the earlier "guarantee," 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 Capital employee described it.

85. In March 2016, GPB Capital'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 to... 70.4% coverage" for the year.

86. Initially, Schneider and Gentile 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 Capital (by Gentile) had "agreed to refund \$1,050,000" in management fees to Automotive Portfolio. By late April 2016, however, Schneider and Gentile scrapped that plan and decided to increase net investment income by padding Automotive Portfolio's top-line earnings. As CFO-1 wrote in an email, the management fee refund "will no longer be there and it will become a performance guarantee 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 as of January 1, 2015.

87. Automotive Portfolio's final 2015 financial statements, released in May 2016 stated:

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.

88. This statement was misleading. The performance guarantee 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.

89. Even if the performance guarantee 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 guarantee, the fund's inception-to-date coverage ratio at the end of 2015 would have been 61%.

90. Nevertheless, Gentile and Schneider, through GPB Capital and Ascendant, 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."

91. In June 2016, Automotive Portfolio amended its PPM, stating 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 statement 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.

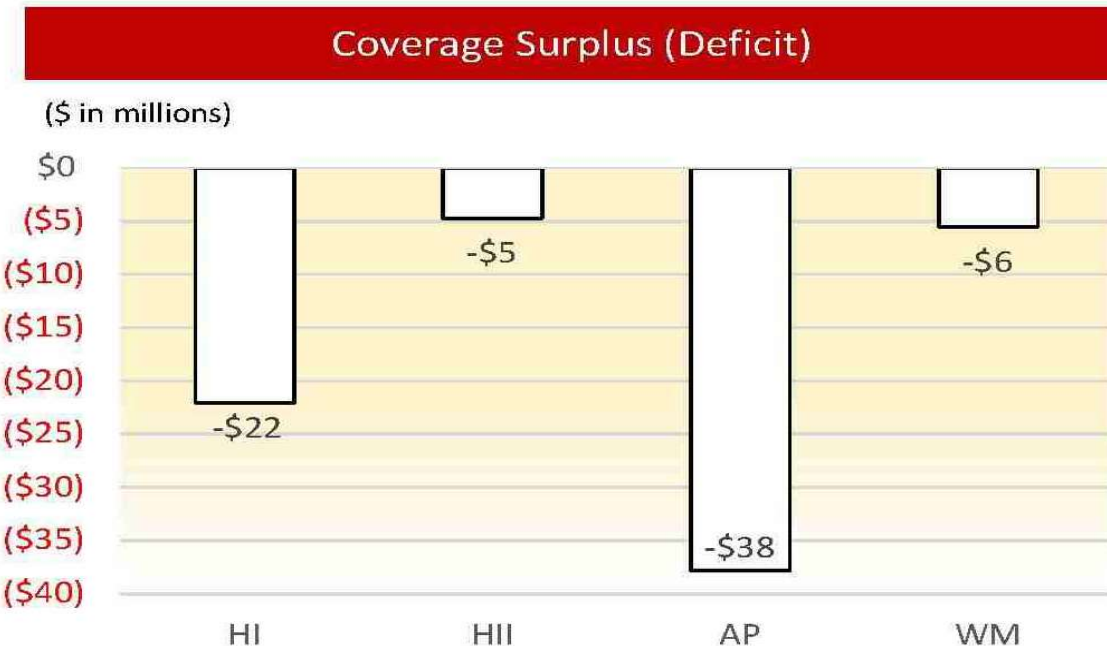
92. In December 2016, Automotive Portfolio issued yet another amended PPM, and repeated the representation that the fund had "no present plans" to use investor capital to fund investor distributions. This statement was still false and misleading. Automotive Portfolio's own 2016 financial reports show that for the full year the fund made \$14.3 million in distributions to investors while recording only \$5.4 million of net investment income. Its coverage ratio for the full year 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, more than \$9 million - nearly two of every three dollars distributed to limited partners over the previous twelve months - had come from investors' capital. The then-GPB Capital CFO ("CFO-2") stated in sworn testimony that the December 2016 PPM language was not accurate.

93. The scheme continued into 2017. In March 2017, CFO-2

emailed Gentile and Schneider, stating that the inception-to-date coverage ratio for Automotive Portfolio had fallen below 50%. That month, GPB Capital directed Automotive Portfolio to use more than \$500,000 of brand-new investor capital to pay the monthly distribution to existing investors.

94. Similarly, on July 11, Automotive Portfolio received approximately \$11.5 million of new investor capital from fund administrator Phoenix American. Within two days, GPB Capital 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 in order to make the monthly distribution to existing investors, which was paid on July 15.

95. An agenda for a GPB Capital 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, CFO-2 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.



Defined as inception to date ("ITD") Net Investment Income in excess (deficit) of ITD distributions

96. 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.

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

C. GPB Holdings II

98. In April 2015, GPB Capital and Ascendant began to

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

99. These false and misleading statements began at the very time Schneider and others 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."

100. The April 2015 PPM for Holdings II - presaging similar language that would later appear in amended PPMs for Holdings and Automotive Portfolio - said that "presently" 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).

101. 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.

102. In other investor documents and marketing communications, GPB Capital promised unequivocally that all Holdings II distributions to investors 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."

103. 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 slip 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.

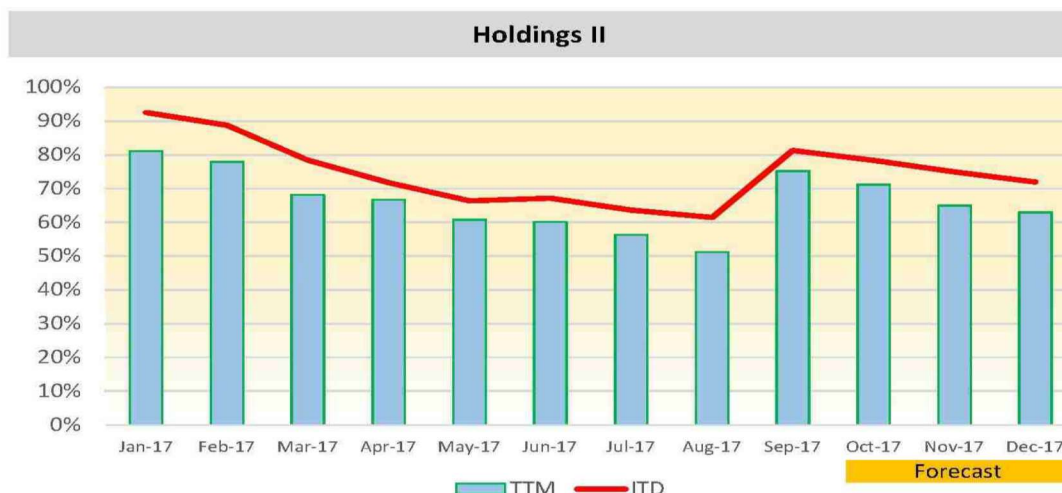
104. By the fourth quarter of 2016, Holdings II was below 100% coverage whether measured by quarter, year, or inception to date. Once again, however, an amended PPM released in December 2016 falsely and misleadingly asserted there were no "plans" to pay distributions out of investor capital.

105. In 2017, as Holdings II's performance steadily declined, GPB Capital and Ascendant continued to misrepresent the source of fund distributions. At the end of April 2017, CFO-2 warned Gentile and Schneider that the fund's coverage ratio for the first quarter of 2017 was only 27%. That same month, GPB Capital directed Holdings II to use more than \$1.6 million in new investor capital to pay distribution to existing investors.

106. Yet, in a May 2017 due diligence presentation, GPB Capital 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."

107. In November 2017, CFO-2 sent Gentile and Schneider a chart illustrating the continued decline in Holdings II's coverage ratio. Whether measured on the basis of the trailing twelve months ("TTM," represented by blue bars) or from the fund's inception to date ("ITD," represented by the red line), Holdings II's coverage

ratio had been well below 100% throughout the first three quarters of 2017.



108. 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 Capital had caused Holdings II to use more than \$7.7 million of investor capital to pay distributions.

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

110. Even this disclosure was materially misleading because if failed to disclose that by the end of the first quarter of 2018, Holdings II had already used more than \$21 million of investor capital to pay distributions. In addition, although the marketing deck accurately stated the fund’s coverage ratio from inception

through year-end 2016 as 94.48%, it misleadingly omitted the material information that the fund's coverage ratio had worsened significantly thereafter. Holdings II's inception-to-date coverage ratio stood at only 53% by the end of the first quarter of 2018.

111. 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."

D. Waste Management

112. In August 2016, just as Holdings, Holdings II, and Automotive Portfolio were using large amounts of investor capital to pay distributions, GPB Capital rolled out yet another new fund for Schneider, Ascendant, and AAS to offer and sell. The Waste Management fund focused on acquiring and operating private carting companies and recycling and waste processing plants.

113. Once again, Respondents and GPB Capital 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 that "obviously the special distributions are key to the raise efforts."

114. Waste Management's initial PPM dated August 5, 2016,

recited the by 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. Respondents and GPB Capital 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.

115. Indeed, Waste Management fell behind on its coverage ratio right out of the gate. Schneider, AAS and others nonetheless falsely marketed Waste Management's distributions as "fully covered."

116. In May 2017, Ascendant's Executive Director, asked GPB Capital's then-Director of Fund Accounting for an estimate of Waste Management's coverage ratio. The Director of Fund Accounting replied, "I'd ballpark around 50%. Between you and I." Ascendant's Executive Director responded, "My lips are sealed."

117. By the end of second quarter 2017, Waste Management had an inception-to-date coverage ratio of only 62%. By the end of 2017, the fund's coverage ratio had fallen below 50%.

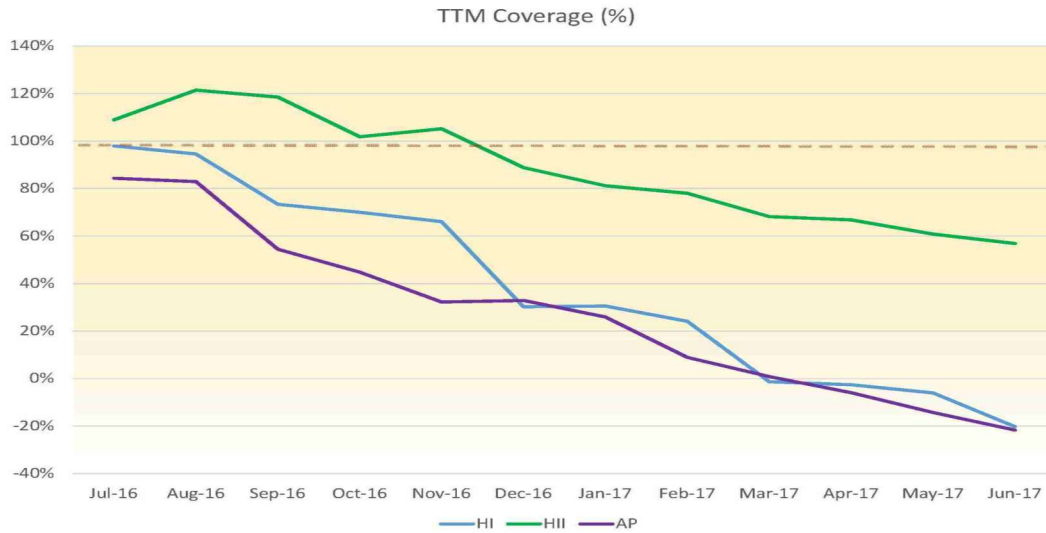
118. Nevertheless, as late as October 2017, Ascendant continued to falsely claim that Waste Management's monthly distributions had been "fully covered with funds from operations

since inception.”

119. In the first quarter of 2018, Waste Management actually lost money, but continued to make monthly distributions nonetheless, 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.

E. The GPB Funds Close to New Investment

120. By August 2017, CFO-2 circulated a report to senior management, including both Gentile and Schneider, pointing out that each of the GPB Funds were well below full coverage. In fact, CFO-2 estimated that over the twelve-month period ending in June 2017, only Holdings II had reported positive net investment income. CFO-2 reported that the other three flagship funds were **losing** money on their investments and therefore the implication being that those funds were paying distributions entirely out of investor capital. CFO-2 included a chart that showed the TTM coverage ratios for Holdings, Holdings II and Automotive Portfolio, all of which were far below 100% and steadily getting worse.

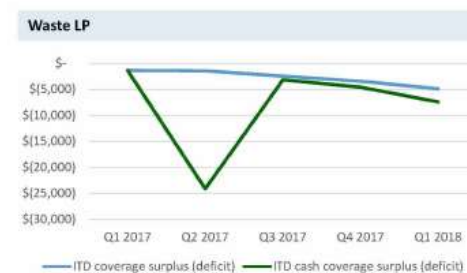
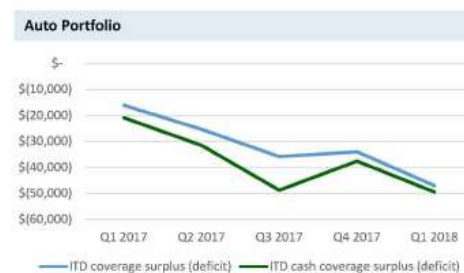
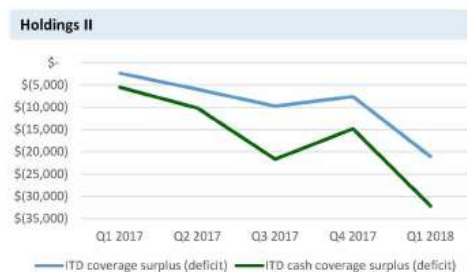
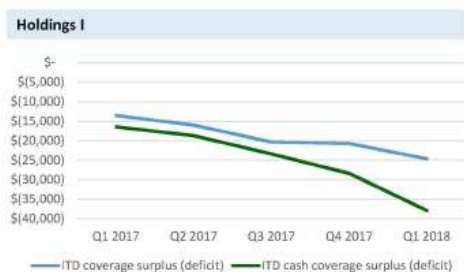


121. In November 2017, CFO-2 warned Gentile, Schneider and other senior management that the cumulative coverage deficit across those four GPB Funds - *i.e.*, the amount of investor capital that had already been used to pay distributions - exceeded \$70 million.

122. By the end of the first quarter of 2018, the cumulative coverage deficit for the GPB Funds had grown to nearly \$100 million. As GPB Capital'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 blue lines tracking each fund's ITD coverage deficit): Holdings had a deficit of \$25 million; Holdings II's deficit was more than \$21; Waste Management had a nearly \$5 million deficit; and Automotive Portfolio's deficit was closing in on \$50 million.

ITD Coverage Surplus (Deficit)

(\$ in 000s)



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

124. Only after the GPB Funds had stopped raising money did GPB Capital admit to all investors that prior distributions had included their own invested capital. For example, letters sent to fund investors 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) ."

III. Schneider and others Misappropriated Money Through a Shell Company Named LSG

125. Schneider, Gentile, Lash and owner-operator A failed to disclose that they had unlawfully misappropriated portfolio company earnings from 2014 to 2016. Schneider, Lash, and owner-operator A all aided and knowingly participated in the misappropriation.

126. The instrumentality of this diversion was a shell company called 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. ("EMDYKYCOL"), a now-dissolved Florida corporation owned by Lash. The existence of LSG and the payments through it were a secret even to GPB Capital'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 until after it was disclosed in a counterclaim filed against GPB Capital in 2018.

A. Schneider and others Failed to Disclose the Diversion of Financial & Insurance Earnings to Investors

127. 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 Capital stated that F&I sales represented 27% of the gross profits of the automotive assets of the GPB Funds in the third quarter of 2016. GPB Capital and its valuation experts classified F&I income as an asset when valuing the dealerships within the GPB Funds.'

128. Gentile, Schneider, Lash and owner-operator A misappropriated F&I monies from two groups of car dealerships: nearly \$500,000 from dealers owned by owner-operator A and more than \$830,000 from a dealership owned by Lash. At owner-operator A's dealerships, Respondents and others misappropriated funds through two intermediate holding companies. These two companies, in turn, paid the F&I profit to LSG from where it went on to Lash, Schneider, and Gentile.

129. Gentile, Schneider, Lash and owner-operator A carefully tracked the cash they diverted from the owner-operator A 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
Owner-Operator A											
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)

130. As shown in the statement above, during this period, Gentile, Schneider, and Lash received almost \$500,000 in F&I profits from owner-operator A's dealerships.

131. Schneider, Gentile, Lash and owner-operator A used the same scheme at one of Lash's dealerships - Bob's Buick - to divert an additional nearly one million dollars from 2014 to 2017. As they had at owner-operator A's dealerships, they funneled F&I profits to LSG. From LSG, the diverted monies were then transferred to Lash, Schneider, and Gentile, either directly or through companies that these individual controlled or in which they had interests.

132. There are no records that LSG provided genuine goods or services to the dealerships. The monies were simply

misappropriated from the investors in the GPB Funds. These diversions were not disclosed to.

133. 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 \$1.43 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.

B. Schneider and Gentile Paid Themselves "Stipends" and Fees from Portfolio Companies That Were Not Adequately Disclosed to Investors

134. Schneider and Gentile together received over \$1.7 million 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, when GPB Capital was directly asked in June 2015 about separate compensation for executives, they denied it.

135. 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.

136. 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.

137. 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).

138. 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 of the 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 tell 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 was false and

misleading.

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

- 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.**

140. FactRight repeated GPB Capital'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.

141. 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 claimed were intended to reimburse the funds for the board stipends and finance management fees. Gentile made these payments only after coming under regulatory scrutiny.

IV. Schneider, AAS, and Others Received Undisclosed and Unwarranted Fees and Commissions

142. As part of the scheme to divert money from the GPB Funds to the Respondents and Gentile, GPB Capital directed the GPB Funds to pay acquisition fees to Axiom, AAS, and Ascendant that, without disclosure to investors, were ultimately funneled to Schneider and Gentile.

143. 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.

144. Between 2013 and 2018, the GPB Funds paid acquisition fees of more than \$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 Capital.

145. In addition, bank records show that Gentile was indirectly paid acquisition fees even before AAS was formed. Specifically, in a series of transfers beginning in February 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.

146. On March 26, 2015, GPB Capital 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.

V. Schneider and Others Engaged in Persistent Self-Dealing and Conflicted Transactions

147. Schneider and others used money from GPB Capital and the GPB Funds to enrich themselves, pay family members, and support luxurious lifestyles.

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

148. GPB Capital and its principals for years incurred expenses without a clear business purpose and for their own personal enrichment.

149. In particular, Schneider and others expensed luxury purchases to GPB Funds or the portfolio companies. Documents prepared by GPB Capital's former auditors, Margolin Winer & Evans LLP ("Margolin"), 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, Margolin noted, "includes David's 50th Bday."

150. In January 2017, in violation of company policy, Gentile created a company, Volaire Management LLC, 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, Schneider, and other GPB executives were allocated to GPB funds, at times without

any explained business purpose. GPB Capital paid Volaire \$1.4 million in 2017 and \$1.2 million in 2018.

CONCLUSIONS OF LAW

SCHNEIDER AND AAS ENGAGED IN DISHONEST OR UNETHICAL BUSINESS PRACTICES IN THE SECURITIES INDUSTRY BY EMPLOYING A DEVICE, SCHEME, OR ARTIFICE TO DEFRAUD WHICH IS PROHIBITED UNDER

N.J.S.A. 49:3-52(a)

N.J.S.A. 49:3-58(a) (1) and (a) (2) (vii)

N.J.A.C. 13:47A-6.3(a) (31) and (32)

151. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

152. Pursuant to N.J.S.A. 49:3-58(a):

The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant

. . . .

(vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

153. Pursuant to N.J.A.C. 13:47A-6.3(a):

"Dishonest or unethical practices" as used in N.J.S.A 49:3-47 et seq. . . . shall include the following:

(31) Making any misrepresentation or omission of a material fact or otherwise employing any form of concealment or deception in connection with the offer, sale, purchase or negotiation of any securities, commodity futures, banking or insurance contract, instrument or transaction.

(32) Engaging in any material misrepresentation or omission or engaging in deceitful, deceptive or fraudulent conduct involving any aspect of the securities, banking, insurance, investment advisory or

commodities futures industries or engaging in any conduct described above which, at the time, is prohibited by the statutes or rules governing the above industries in the jurisdiction where the conduct occurred.

154. Pursuant to N.J.S.A. 49:3-52:

It shall be unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly

. . . .

(a) To employ any device, scheme, or artifice to defraud

155. Schneider and AAS employed a device, scheme, or artifice to defraud investors including, by misrepresenting and omitting to state material facts in connection with the offer and sale of the securities.

156. Additionally, Schneider and AAS employed the following devices, schemes, or artifices to defraud investors:

- a. Schneider falsified financial statements by adding fictitious performance guarantee payments which created a false appearance to investors of illusory profits earned by certain fund auto dealerships;
- b. Schneider used investor funds without investor knowledge for personal benefit, including private jets;
- c. Schneider misappropriated funds and business opportunities through shell company LSG;
- d. Schneider received stipends and fees from portfolio companies that were not adequately disclosed to investors;
- e. Schneider and AAS received undisclosed and unwarranted fees and commissions;
- f. Schneider engaged in persistent and undisclosed

self-dealing and conflicted transactions; and

- g. Schneider, individually and through entities he controlled, including Ascendant, and AAS marketed, promoted, offered, and sold the GPB Funds to investors and other broker-dealers, knowing that the funds would be sold to investors, based on documents and marketing materials containing material misstatements and omissions.

157. Based on the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of Schneider's registration as an agent, AAS' registration as a broker-dealer, and denial of certain exemptions are in the public interest.

SCHNEIDER AND AAS ENGAGED IN DISHONEST OR UNETHICAL BUSINESS PRACTICES IN THE SECURITIES INDUSTRY BY MAKING UNTRUE STATEMENTS AND OMITTING MATERIAL FACTS NECESSARY TO MAKE THE STATEMENTS MADE, IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY ARE MADE, NOT MISLEADING, WHICH IS PROHIBITED BY N.J.S.A. 49:3-52(b)

N.J.S.A. 49:3-58(a)(1) and (a)(2)(vii)

N.J.A.C. 13:47A-6.3(a)(31) and (32)

158. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

159. Pursuant to N.J.S.A. 49:3-58(a):

The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant

.

(vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

160. Pursuant to N.J.A.C. 13:47A-6.3(a):

"Dishonest or unethical practices" as used in N.J.S.A 49:3-47 et seq . . . shall include the following:

(31) Making any misrepresentation or omission of a material fact or otherwise employing any form of concealment or deception in connection with the offer, sale, purchase or negotiation of any securities, commodity futures, banking or insurance contract, instrument or transaction.

(32) Engaging in any material misrepresentation or omission or engaging in deceitful, deceptive or fraudulent conduct involving any aspect of the securities, banking, insurance, investment advisory or commodities futures industries or engaging in any conduct described above which, at the time, is prohibited by the statutes or rules governing the above industries in the jurisdiction where the conduct occurred.

161. Pursuant to N.J.S.A. 49:3-52:

It shall be unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly

.

(b) To make any untrue statement of material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading

162. Schneider and AAS made materially false and misleading statements and omitted to state a material fact in the offer and sale of securities, including:

- a. That fund distributions would be fully funded from the operations of the portfolio of companies in which the funds were invested;
- b. That the funds had no present intention of making distributions from a return of investor capital, when the funds had been making significant distributions from investor capital and had every intention of continuing to do so;

- c. That the funds were not and would not be engaging in interfund transactions, where the funds were engaging in interfund transactions and continued to do so;
- d. Schneider's pivotal role in the formation, management, and marketing of GPB Capital and the GPB Funds;
- e. Schneider's long and troubled regulatory history, including termination for involvement in a fraudulent scheme, regulatory sanctions, fines, suspensions, and numerous customer complaints alleging unauthorized trading, unsuitable investments, excessive trading, and misrepresentation;
- f. Schneider misappropriated funds and business opportunities through shell company LSG;
- g. Schneider received stipends and fees from portfolio companies that were not adequately disclosed to investors;
- h. Schneider and AAS received undisclosed and unwarranted fees and commissions;
- i. Schneider engaged in persistent and undisclosed self-dealing and conflicted transactions; and
- j. Schneider and Gentile used investor funds for personal benefit, including private jets, and luxury automobiles.

163. Based on the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of Schneider's registration as an agent, the revocation of AAS' registration as a broker-dealer, and denial of certain exemptions are in the public interest.

SCHNEIDER AND AAS ENGAGED IN DISHONEST OR UNETHICAL BUSINESS PRACTICES IN THE SECURITIES INDUSTRY BY ENGAGING IN AN ACT, PRACTICE, OR COURSE OF BUSINESS WHICH OPERATES OR WOULD OPERATE AS A FRAUD OR DECEIT UPON ANY PERSON AS PROHIBITED BY N.J.S.A.

49:3-52(c)

N.J.S.A. 49:3-58(a)(1) and (a)(2)(vii)

N.J.A.C. 13:47A-6.3(a)(31) and (32)

164. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

165. Pursuant to N.J.S.A. 49:3-58(a):

The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant

. . . .
(vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

166. Pursuant to N.J.A.C. 13:47A-6.3(a):

"Dishonest or unethical practices" as used in N.J.S.A 49:3-47 et seq. . . . shall include the following:

(31) Making any misrepresentation or omission of a material fact or otherwise employing any form of concealment or deception in connection with the offer, sale, purchase or negotiation of any securities, commodity futures, banking or insurance contract, instrument or transaction.

(32) Engaging in any material misrepresentation or omission or engaging in deceitful, deceptive or fraudulent conduct involving any aspect of the securities, banking, insurance, investment advisory or commodities futures industries or engaging in any conduct described above which, at the time, is prohibited by the statutes or rules governing the above industries in the jurisdiction where the conduct occurred.

167. Pursuant to N.J.S.A. 49:3-52:

It shall be unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly

. . . .
(c) To make any untrue statement of material

fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading

168. Schneider and AAS engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit upon certain investors, including

- a. The offer and sale of securities through the use of false and misleading statements and omissions;
- b. falsification of financial statements by adding fictitious performance guarantee payments which misleadingly and falsely represented illusory profits of certain Fund auto dealerships;
- c. Schneider used investor funds without investor knowledge for personal benefit, including private jets;
- d. Schneider misappropriated funds and business opportunities through shell company LSG;
- e. Schneider received stipends and fees from portfolio companies that were not adequately disclosed to investors;
- f. Schneider and AAS received undisclosed and unwarranted fees and commissions; and
- g. Schneider engaged in persistent and undisclosed self-dealing and conflicted transactions.

169. Based on the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of Schneider's registration as an agent, AAS' registration as a broker-dealer, and denial of certain exemptions are in the public interest.

**AAS ENGAGED IN DISHONEST OR UNETHICAL BUSINESS PRACTICES IN THE
SECURITIES BUSINESS**

N.J.S.A. 49:3-58(a)(1) and (a)(2)(vii)

N.J.A.C. 13:47A-6.3(a)(18)

170. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

171. Pursuant to N.J.S.A. 49:3-58(a):

The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant

. . . .
(vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

172. Pursuant to N.J.A.C. 13:47A-6.3(a):

"Dishonest or unethical practices" as used in N.J.S.A 49:3-47 et seq. . . . shall include the following:

(18) Using any advertising or sales presentation by any person in such a fashion as to be deceptive or misleading. An example of the prohibited practice would be distribution of any nonfactual data, material or presentation based on conjecture, unfounded or unrealistic claims or assertions in any brochure, flyer, press release, or display by words, pictures, graphs or otherwise designed to supplement, detract from, supersede or defeat the purpose or effect of any prospectus or disclosure.

173. AAS engaged in dishonest or unethical practices in the securities business, including by making deceptive and misleading statements in their offering and marketing materials, and in correspondence to other broker-dealers in the selling group, such as:

- a. Falsely representing that fund distributions would be fully funded from the operations of the portfolio of companies in which the funds were invested;

- b. Falsely representing that the funds had no present intention of making distributions from a return of investor capital, when the funds had been making significant distributions from investor capital and had every intention of continuing to do so; and
- c. Falsely representing that the funds were not and would not be engaging in interfund transactions, where the funds were engaging in interfund transactions and continued to do so.

174. Based on the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of AAS's registration as a broker-dealer and denial of certain exemptions are in the public interest.

**AAS ENGAGED IN DISHONEST OR UNETHICAL BUSINESS PRACTICES IN THE
SECURITIES BUSINESS**

N.J.S.A. 49:3-58(a)(1) and (a)(2)(vii)
N.J.A.C. 13:47A-6.3(a)(19)

175. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

176. Pursuant to N.J.S.A. 49:3-58(a):

The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant

. . . .

(vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

177. Pursuant to N.J.A.C. 13:47A-6.3(a):

"Dishonest or unethical practices" as used in N.J.S.A. 49:3-47 et seq. . . . shall include the following:

(19) Failing to disclose to a customer that the broker-dealer is controlled by, controlling, affiliated with or under common

control with the issuer of any security before entering into any contract with or for a customer for the purchase or sale of the security, or failing to supplement a disclosure not made in writing by giving or sending written disclosure at or before completion of the transaction.

178. As demonstrated above, AAS engaged in dishonest or unethical practices in the securities business, including by failing to disclose Schneider's pivotal role in the formation, management, and marketing of GPB Capital and the GPB Funds.

179. Additionally, AAS failed to disclose that it was indirectly majority-owned by David Gentile and Jeffry Schneider, while serving as the managing broker dealer for the GPB Funds.

180. Based on the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of AAS's registration as a broker-dealer and denial of certain exemptions are in the public interest.

Conclusion

For the reasons stated above, it is on this 4th day of February 2021 **ORDERED** that:

181. The agent registration of Jeffry Schneider is **REVOKED**;

182. The broker-dealer registration of Ascendant Alternative Strategies, LLC is **REVOKED**;

183. Jeffry Schneider and Ascendant Alternative Strategies, LLC are **DENIED** all exemptions contained in N.J.S.A. 49:3-50 subsection (a) paragraph 9, 10, and 11 and subsection (b).

184. All exemptions contained in N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c), and N.J.S.A. 49:3-56(g) are hereby **DENIED** as to Jeffrey Schneider and Ascendant Alternative Strategies, LLC.

A handwritten signature in black ink, appearing to read 'CH Gerold', with a stylized flourish at the end.

Christopher W. Gerold
Chief, New Jersey Bureau of Securities

NOTICE OF RIGHT TO HEARING

Pursuant to the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89 ("Securities Law") specifically, N.J.S.A. 49:3-58(c), the Bureau Chief shall entertain on no less than three days' notice, a written application to lift the summary revocation on written application of the applicant or registrant and in connection therewith may, but need not, hold a hearing and hear testimony, but shall provide to the applicant or registrant a written statement of the reasons for the summary revocation.

This matter will be set down for a hearing if a written request for such a hearing is filed with the Bureau within 15 days after the respondent receives this Order. A request for a hearing must be accompanied by a written response, which addresses specifically each of the allegations set forth in the Order. A general denial is unacceptable. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney.

Orders issued pursuant to this subsection to suspend or revoke any registration shall be subject to an application to vacate upon 10 days' notice, and a preliminary hearing on the order to suspend or revoke any registration shall be held in any event within 20 days after it is requested, and the filing of a motion to vacate the order shall toll the time for filing an answer and written request for a hearing.

If no hearing is requested, the Order shall become a Final Order and will remain in effect until modified or vacated. If a hearing is held, the Bureau Chief shall affirm, vacate, or modify the order in accord with the findings made at the hearing.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89, provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of a final order does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.