



GPB Holdings II, LP Acquisition Update



Deal Overview

Acquisition Date	February 28, 2018
Total Acquisition Cost (<i>dollars in thousands</i>)	\$47,376 ¹

¹ Total Acquisition Cost represents the value of the Portfolio Company net of closing costs and acquisition fees, and therefore may differ from valuations reported in the Companies' financial statements. Total Acquisition Cost includes \$2.4 million of rollover equity in Alliance issued to certain minority shareholders of Agility Health.

Overview

Alliance Physical Therapy Partners, LLC ("Alliance"), a majority-owned GPB Holdings II, LP ("Holdings II") holding company, has purchased 100% of Agility Health, LLC ("Agility Health"), the U.S. operations of Agility Health, Inc. (TSX-V: AHI). Agility Health was founded in 1968 and is headquartered in Grand Rapids, MI. Agility Health is one of the leading providers of physical rehabilitation services in North America, providing preventative care, occupational rehabilitation and treatment for patients suffering from orthopedic related disorders, delivering care to over one million patients annually. Agility Health generated revenue of approximately \$65.9 million across its various service lines in 2017.²

Holdings II acquired a controlling stake in Agility Health through Alliance. The total acquisition cost of \$47.4 million includes \$2.4 million of rollover equity in Alliance that was issued to certain minority shareholders of Agility Health. The proceeds from the Holdings II acquisition will primarily be used to retire long-term debt and other liabilities on the balance sheet. We believe that this de-leveraging will free up a significantly greater amount of cash flow going forward and help the company fund future expansion efforts.

Agility Health currently operates 56 outpatient clinics located across eight states (AZ, KS, MI, MO, NC, NM, PA, TX), which consist of 49 outpatient physical therapy clinics and seven work site rehabilitation clinics. Agility Health also operates a contracted therapy business which provides rehabilitation services to over 90 hospitals, long-term care facilities, and industrial worksite locations.

Agility Health has a fully built-out corporate infrastructure and provides its clinics with a wide range of direct support services aimed at helping optimize operating performance. Agility Health currently provides its clinics with HR, revenue cycle, accounting, payroll, compliance, marketing, and IT support. Agility Health maintains an



For illustrative purposes only

in-house team of recruiting specialists to assist their clinics in filling open roles as they arise, due to business expansion or natural turnover. Additionally, Agility Health has developed proprietary clinical management software called AgileRPM, which allows the management of clinical scheduling, case management and documentation, referral, outcome, and statistics reporting, medical billing, and work queues all in one software package.

We believe that Agility Health's diverse geographical footprint, large workforce of approximately 1,150 employees, and fully built-out back office makes it an ideal platform company for Alliance, the holding company for GPB Capital Holdings, LLC-managed physical therapy assets. In addition, Agility Health has an operating legacy of greater than 45 years and has demonstrated a strong track record of clinic acquisitions and integration.

The back-office capabilities of Agility Health will be used to provide support to all Alliance clinics going forward and will be leveraged to help the continued expansion of Alliance's presence across the U.S. With the acquisition of Agility Health, Alliance now operates 74 outpatient clinic locations across 14 states and provides rehabilitation services at over 165 locations across 25 states.

² Agility Health's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and not US GAAP.

This document is for informational purposes only and is not an offer or solicitation with respect to the purchase or sale of any security. An offer may only be made via a written offering document by the Company. Investors should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that price or value of such securities or investments may rise or fall. An investment in the Company involves a high degree of risk, and is not suitable for all investors. Investors could lose some or all of their original investment. Any investment decision should be made based upon the information contained in the PPM. The information contained herein is not intended to be complete or final and is qualified in its entirety by the PPM. This document is not intended to constitute legal, tax, or accounting advice, or investment recommendations. Prospective investors should consult their own advisors about such matters. GPB Capital Holdings, LLC is an investment adviser registered with the SEC and an affiliate of Ascendant Alternative Strategies, LLC, a broker-dealer registered with the SEC and member, FINRA/SIPC.

RISK FACTORS

An investment in Limited Partnership Units (“Units”) issued by GPB Holdings II, LP (the “Company”) involves risks and uncertainties. You should carefully consider the following risk factors in conjunction with the other information contained in the Company’s Confidential Private Placement Memorandum (“PPM”), as it may be amended by the Company before purchasing Units. The risks discussed in the PPM can adversely affect the Company’s operations, operating results, financial condition and prospects. This could cause the value of the Units to decline and could cause a loss of part or all of an investment. The risks and uncertainties described below are not the only ones the Company face. Additional risks and uncertainties not presently known to the Company or that the Company currently believe are immaterial may also harm their operations. In addition to the risk factors listed below, prospective investors should also consider the risks described under “Certain Tax, ERISA and Regulatory Matters” and elsewhere in the PPM. Prospective investors should review the risks of an investment in Units with their legal and financial advisors.

Please refer to Risk Factor section of the PPM for details on Investment Risk

General Investment Risks. The Company’s success depends on the General Partner’s ability to implement its acquisition strategy.

No Participation in Management. At the time of an investor’s investment in a Company, such investor will not be provided with an opportunity to evaluate the specific merits or risks of one or more target businesses.

Expenses will be Significant. The Company is obligated to pay fees and substantial administrative, travel, accounting, tax and legal expenses regardless of whether they realize revenues.

Determination of Purchase Price; Immediate and Substantial Dilution. The General Partner has arbitrarily determined the selling price of Units and such price bears no relationship to any established criteria for valuation such as revenues, earnings ratios, book value or return on equity.

Illiquidity of Units. The Units are highly illiquid, have no public market and are generally not transferable except with the prior consent of the General Partner.

Competition. The Company expects to encounter intense competition from other entities having similar business objectives, including venture capital funds, leveraged buyout funds and operating businesses competing for acquisitions.

No Assurance of Confidentiality. As part of the subscription process and otherwise in their capacity as Limited Partners of a Company (“Limited Partners” or “LPs”), investors will provide significant amounts of information about themselves to the General Partner and the Company in which they invest.

Litigation Risks. The Company and its subsidiaries will be subject to a variety of litigation risks. Under most circumstances, the Company will indemnify the General Partner, its principals and representatives for any costs they may incur in connection with such disputes, and under some circumstances, Limited Partners may have to repay distributions received from a Company to cover such indemnity obligations.

Limited Access to Information. Although the General Partner generally provides access to material and substantive information concerning the Company, the rights of Limited Partners to information regarding the Company and their subsidiaries will be limited. In particular, the General Partner will obtain certain types of material information that will not be disclosed to Limited Partners.

Exculpation and Indemnification. The Limited Partnership Agreement of the Company (“LPA”) contains provisions that relieve the General Partner and its principals and representatives of liability for certain improper acts or omissions.

Risks Associated with Acquisitions. Identifying and participating in attractive acquisition opportunities and assisting in the building of successful enterprises are difficult tasks. There is no assurance that the Company’s acquisitions will be profitable and there is a substantial risk that the Company’s losses and expenses will exceed their income and gains.

Nature of an Investment in the Units. By investing in the Units, an investor’s returns, if any, depend upon the performance of the entities ultimately making acquisition decisions, as well as the Company’s fee structure and management.

Unidentified Subsidiary Companies. The Company has not identified potential portfolio companies to acquire, and investors will not be able to evaluate any specific subsidiary company prior to purchasing Units.

Failure of a Subsidiary. The Company expects to focus its acquisition program in auto retail, managed IT services and debt strategies with a focus on life science companies, and it is possible that those segments could suffer more so than other segments. There are no requirements as to concentration or diversification imposed on the General Partner or the Company with respect to the allocation of assets. No assurance can be given that the failure of one or more subsidiaries will not have a material adverse effect on the Company.

Withdrawal of Company Capital from Acquisitions. The Company will be subject to withdrawal restrictions of the companies in which they acquire interest in. Such restrictions could have a material adverse effect on the Company.

Lack of Publicly Available Information Regarding Acquisitions. The interests in the companies in which the Company acquires interest in will not be offered pursuant to registration statements effective under the Securities Act of 1933 (“1933 Act”).

Risks Related to Acquisitions. The Company expects to acquire companies with smaller market capitalizations. Acquisitions of small and medium-capitalization companies involve significantly greater risks than investments in larger, better-known companies.

Illiquid Investments. The Company intends to acquire interests in securities or other assets for which no (or only a limited) liquid market exists or that are subject to legal or other restrictions on transfer.

Risk Inherent In Private Company Acquisitions. Acquisitions of private companies involve a high degree of risk, including that private companies may have limited financial resources and may require substantial amounts of financing which may not be available; private companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors’ actions and market conditions, as well as general economic downturns; private companies are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on a subsidiary company and, in turn, on the Company; private companies generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; private companies may be particularly susceptible to economic slowdowns or recessions and may be unable to repay their loans or meet other obligations during these periods; and private companies often experience unexpected problems in the areas of product development, manufacturing, marketing, financing, and general management, which, in some cases, cannot be adequately solved.

Follow on Funding Requirements. Following their initial acquisition of a subsidiary, the Company may be required to make additional investments in or capital contributions to such acquired company.

Financing for Acquisitions. Because the Company has not yet identified any prospective target business they cannot ascertain the capital requirements for any particular acquisition. Holdings II is beneficially owned by more than 2,000 persons and is in the midst of filing a Form 10 for 2017.

Regulation Under the Investment Company Act. The Investment Company Act of 1940 (“1940 Act”) and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the 1940 Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. The General Partner intends to conduct the operations of the Companies so that they will not be required to register as an investment company under the 1940 Act.

The performance of the Companies would be materially adversely affected if the Company became subject to the registration requirements of the 1940 Act, due to the various burdens of compliance therewith. If anything were to happen to cause Holdings to be required to register as an investment company under the 1940 Act, requirements imposed by the 1940 Act, including limitations on capital structure, ability to transact business with affiliates, and ability to compensate key employees, could make it impractical or impossible for Holdings to operate as contemplated by the PPM. Additionally, if it were determined that the Company was required to be registered under the 1940 Act and it was not, such Company would be subject to significant penalties under the 1940 Act for such failure. Accordingly, the General Partner will have to limit Holdings’ activities and may refuse subscriptions for Units in order to avoid classification as an investment company under the 1940 Act. Neither the General Partner nor its counsel can assure the Limited Partners that under certain conditions, changing circumstances, or changes in the law, the Company may not become subject to such regulation.

Regulation Under the USA PATRIOT Act. Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (“USA PATRIOT Act”), referred to as the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (“IMLA”), imposes obligations on financial service entities, including investment companies under anti-money laundering (“AML”) provisions. The Treasury Department adopted rules under the USA PATRIOT Act implementing the AML provisions. Many financial service entities are required, under the Treasury rules, to implement procedures designed to detect and report suspicious activities that identify transactions that may involve illegal activity. If it is determined that the Company is required to comply with the AML provisions, they will be required to implement procedures and make reports when necessary. Penalties for not implementing and maintaining effective AML compliance programs could result in prosecution, regulatory enforcement action and adverse publicity for both the Company and the General Partner.

Other Regulatory Burdens. The Company is subject to laws and regulations enacted by national, regional and local governments, any of which could impose additional burdens on it not described in the PPM.

Systems Risks. The Company depends on the General Partner to develop and implement appropriate systems for their activities. The ability of its systems to accommodate increasing volume could also constrain their ability to manage the portfolio.

No Assurance of Profit or Distributions. The task of identifying opportunities, managing such acquisitions and realizing a significant return for investors is difficult. There is no assurance that the Company’s acquisitions will be profitable or that any distribution will be made to the Limited Partnerships.

Changes in Environment. The Company’s acquisition program is intended to extend over a period of years during which the business, economic, political, regulatory, and technology environment within which it operates may undergo substantial changes, some of which may be adverse to it.

Leverage. The Company’s acquisitions, directly or indirectly, may involve leveraged acquisitions. Utilization of leverage is a speculative acquisition technique and involves risks to investors.

Importance of General Economic Conditions. Overall market, industry or economic conditions, which the General Partner and the Company (and their respective affiliates) cannot predict or control, will have a material effect on performance.

Preference of Certain Fees Regardless of Profitability. Certain entities and persons referenced in the PPM are entitled to receive the various fees described therein regardless of whether the Company, as a whole, or Holdings’ subsidiaries, operate at a profit.

Reliance on Individual Members of the General Partner and its Affiliates. The Company will be particularly dependent upon the efforts, experience, contacts and skills of the individual members of the General Partner and certain of its affiliates and principals. The departure of any such persons could materially impact the Company’s performance and results.

Changes in Acquisition Strategies. The General Partner has broad discretion to expand, revise or contract the Company’s business without the consent of the Limited Partners.

Limited Reporting. The Company will provide quarterly and annual reports of the Company. As a result, Unit holders will not be able to evaluate a Company’s activity at shorter intervals.

Due Diligence. Even if the Company conducts extensive due diligence on a target business, the Company cannot assure investors that this diligence will surface all material issues that may be present inside a particular target business, that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of the target business and outside of our control will not later arise.

Conflicts of Interest. The General Partner will devote such time to manage the Company as it, in its sole discretion, deems necessary. Any Limited Partners or members of the General Partner and its affiliates may acquire in, have responsibilities for, render advice to or perform other services, including advisory services for personal and family accounts, managed accounts for individuals or entities, including other entities that acquire interest in companies similar to the companies the Company expects to acquire. Members of the General Partner serve as officers, directors or advisory board members to companies that Holdings may acquire interest in. They also have financial interests in said companies. See “Related Parties & Conflicts of Interest” in the PPM.

GENERAL TAX RISKS

Taxation. Certain federal tax risks relating to an investment in a Company are discussed under the section in the PPM entitled “Certain Tax, ERISA and Regulatory Matters,” which prospective investors should read carefully.

Taxation as a Partnership. Holdings intends to qualify as a partnership for U.S. federal income tax purposes, but will not seek a ruling from the IRS regarding such qualification, and there can be no assurance that Holdings will so qualify.

Unrelated Trade or Business Income. Holdings anticipates that it may incur income that would qualify as Unrelated Business Taxable Income (“UBTI”) under Section 512 of the Internal Revenue Code of 1986, as amended (“Code”).

Holdings’ Phantom Income. The General Partner in its sole discretion may, but is not required to, make distributions to Holdings’ LPs during its term. Taxable income realized in any year by Holdings will be allocated, and thus taxable, to the Holdings LPs in that year regardless of whether any distributions are made from Holdings.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in a Company. Prospective LPs should read the entire Memorandum, the LPAs, the Subscription Documents, and consult with their own advisers before deciding whether to invest in a Company. In addition, as the Companies’ acquisition program develops and changes over time, an investment in a Company may be subject to additional and different risk factors.