

Greg E. Lindberg
GBIG Holdings, Inc.
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June 24th, 2020

Via Email

Honorable Wanda M. Stokes
Ingham County 30th Judicial Circuit Court
Mason Courthouse
315 S. Jefferson Street, 3rd Floor
Mason, Michigan 48854

Re: Anita G. Fox, Director of the Michigan Department of Insurance and Financial Services v. Pavonia Life Insurance Company of Michigan, Case No. 19-504-CR

Your Honor:

I am writing on behalf of the 8,000 employees of the Global Growth group of companies, as well as the 100,000+ policyholders who these employees support.

We are requesting a delay of entry of any order in the above matter until the material differences between the parties can be resolved in a manner that is fair to everyone, including the affiliated insurance companies who have made loans to Pavonia's parent company, GBIG Holdings, Inc.

As you may know, I invested over \$500 million in the Global Bankers Insurance Group. Pavonia represents a material portion of that investment and the asset value is a material protection to the lenders to GBIG Holdings, Inc. and the policyholders those lenders support.

Shortly before the initially scheduled hearing for approval of the Rehabilitator's plan on May 26, 2020, GBIG Holdings was made aware of ballooning "Expense Overruns" that have eaten into GBIG Holdings' realized proceeds on this sale. In particular, in less than one week, we were provided with estimated closing statements from Pavonia's CFO, indicating a \$1.6 million jump in expense overruns due to bonuses paid to Pavonia's executives—the same executives writing to this Court.

In total, \$15.3 million in expense overruns have been reduced from GBIG Holdings' realized proceeds from the sale a fair amount of which represents similar bonuses paid to these executives. These material changes to the transaction has caused GBIG Holdings to rethink whether it is receiving fair consideration for Pavonia and to approach Aspida HoldCo to discuss these and other transaction items on the sale. Those discussions have been ongoing since May, and we hope they will ultimately result in an agreement to move the sale forward. But, until they are resolved, we ask the Court to delay entry of an order.

Though I have been personally attacked and defamed in filings by Aspida HoldCo, GBIG Holdings, Inc. has intentionally attempted to stay above the fray and stay focused on resolving the issues central to this transaction. Nonetheless, despite my attempts to remain focused on substance, other parties

continue to drag this Court into the mud. Thus, I feel that it necessary to respond to the the unfortunate and defamatory statements included in the letter you received from the GBIG executives.

Relevant to the Court's consideration, it is important to note that:

- (a) The signers of the GBIG letter have a combined \$7.8 million in bonuses at stake with the closing of this sale. That financial incentive materially colors their statements.
- (b) I have not been convicted of anything. Though a verdict has been entered on the case pending in the Western District of North Carolina, the Judge has not accepted the verdict. And there are very material reasons why the verdict should not be accepted, which are outlined in the attached motions now pending before that court.
- (c) The GBIG team refers to "scandals" related to me. But the GBIG team, including General Counsel Tamre Edwards and CEO Lou Hensley, were involved in those "scandals." Specifically, they were expressly copied on an email from me seeking legal advice related to the issues leading to the charges against me. No one at GBIG raised any objections, concerns, or issues. Attached are some of the slides entered into evidence during my trial which illustrate this.
- (d) The GBIG team personally prepared a valuation that was submitted to the Michigan insurance regulators in April of 2017 that valued Pavonia at \$160 million. This belies their claim now that it is in the best interest of GBIG Holdings, Inc. (and the insurance companies who have lent substantial sums to GBIG Holdings, Inc.) to sell Pavonia for net cash proceeds of \$7.5 million.
- (e) The 164 employees of the GBIG team are not necessary for the operation of Pavonia. In the past, Pavonia operated very well with just 17 employees—and the general insurance expenses were far lower than they are today. As you know, general insurance expenses eat into the capital and surplus that is available to protect policyholders. Simply put, the Pavonia policyholders are not well served by those additional expenses.
- (f) The GBIG employees claim that they are getting lots of calls from recruiters merely indicates that the job market for their talent is healthy, and they can easily find new positions elsewhere if they choose. As you may know, the GBIG employees have received millions of dollars of bonuses to encourage them to stay around until the sale to Ares can be completed according to the terms of the Stock Purchase Agreement. Every penny of those bonuses has ultimately been passed on to GBIG Holdings in the form of expense overruns that have cut into GBIG Holdings' realized sale proceeds.
- (g) Despite the "scandals" alleged by the GBIG employees, the Global Growth group of companies is performing extraordinarily well. We have recently won substantial new business from large U.S. banks and financial institutions, demonstrating the strength of our companies and our brands. Despite COVID, the group as a whole is on track to earn close to \$300 million in EBITDA this year.
- (h) The Global Growth group of companies has also had an excellent track record of attracting new talent despite the allegations of "scandals" as claimed by the GBIG employees. We have recently hired a new Chairman, a new CFO, a new Treasurer, as well as new portfolio leaders for our growth into new markets.

- (i) The entirety of the legal matters related to me personally come from allegations put forth by Mike Causey, the North Carolina Insurance Commissioner. The Michigan insurance regulators have never alleged any wrong doing and we have promptly complied with all mandates from the Michigan regulators, including the mandate to not make any affiliated investments.

I would also like to respond briefly to the facts surrounding the case pending against me in the Western District of North Carolina since these allegations feature so prominently in everyone's briefings before your Court.

As you may know, I supported the then-sitting North Carolina Insurance Commissioner in his race against the current Insurance Commissioner Mike Causey. To Causey my support of his opponent was a crime. Shortly after winning the election, Causey told me that it was clear I was "not on [his] team."

The next thing I knew, Causey was orchestrating a campaign against me that included such actions as empowering the North Carolina Department of Insurance to knowingly circulate materially false statements about my insurance companies and me to other state insurance regulators, credit markets, media outlets, and others, including federal law enforcement authorities. He then cited the instability caused by these materially false accusations as justification for taking even more radical steps.

When I met with Causey and asked him to address these false statements, he replied, unprompted, "What's in it for me?" I learned many months later that Causey initiated an investigation by the FBI by lying to them (and subsequently to the court). What followed was a pattern of attempts to entrap me, aided by an inadequate investigation by the FBI. When Commissioner Causey's first **few dozen attempts** failed to ensnare me, the FBI stepped up their approach and coached Commissioner Causey to "put on the pressure." As Causey oversaw all my North Carolina insurance companies, putting pressure on me was not a tall order for the Commissioner.

Commissioner Causey then isolated me from my advisors and my lawyer and pressured me for money every time I asked him to simply do his job. When I repeatedly said 'no' to his monetary requests, Commissioner Causey drug me into the arena of campaign finance (an area I know little to nothing about) so he could trick me into a technical quid pro quo. And trick me he did.

The only thing I ever asked for in our recorded conversations was fair treatment from a fair regulator. I am on FBI tapes asking repeatedly for this. My exact words: "We're not asking for easy regulation. We're asking for tough regulatory scrutiny on an unbiased basis." What kind of "criminal" asks for **tough regulatory scrutiny** when he doesn't know he is being recorded? I never once asked for a contract, a pass on regulation, or something nefarious. I even told the Commissioner to hold me to stricter regulations than anyone else in the industry. What kind of "bribe" is that?

The shock of my life was when my request for fairness (and a donation given only after repeated demands of a sworn law enforcement office who assured me such donations were legal) caused me to be charged with federal felony charges amounting up to 30 years in prison. I thought it was a mistake. I thought it could not be true. It was.

I take full responsibility for the fact that, when I was not being treated fairly, I did ask that one regulator who had personal issues with me be recused and another equally capable regulator take over. I am

responsible for 8,000 employees. I felt that was only fair. Even the prosecution admitted in trial that by requesting this move, I was “asking for something beneficial... or good... for North Carolina.”

When Causey agreed the regulator could be recused and said there is nothing wrong with the large donation he was demanding, in July 2018 I acceded to his relentless and aggressive demands to donate to his campaign. To be clear, I repeatedly demanded on the record that any donation must be “within the bounds of North Carolina election law.”

An even more complexing fact came out at my recent trial: Causey had recused the regulator in February (unbeknownst to me) before my July request. Thus, making a “bribe” impossible. What I was requesting had already happened. Causey just lied (again) and kept it from me solely to further his entrapment scheme.

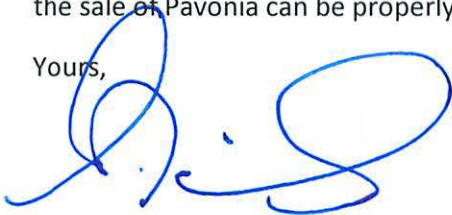
The best evidence of Causey’s mindset in targeting me comes from his own adopted words: on the last day of the FBI investigation, Causey sent a celebratory text with an article to the FBI entitled, ‘How to make [people] your bitches.’”

In March of this year, a jury found me guilty of public corruption charges based on Causey’s allegations. Their verdict was based, largely I believe, on the word of this same public official who sat on the stand and perjured himself repeatedly to eliminate someone he considered a political adversary. The government went along with it. I respect the jury’s verdict. Should the judge accept the jury’s findings, I intend to appeal the decision and I am optimistic it will be overturned on appeal.

Though I feel I have had to respond to these issues because the other side (and now the Pavonia executives) keep bringing them up, they are not material to the real issue before this Court. The issue before this Court is the same question of fairness that I sought in North Carolina: whether it is fair to GBIG Holdings, the policyholders that GBIG Holdings serves, the insurance company lenders invested in GBIG Holdings, and its 8,000 affiliated employees to receive inadequate compensation for Pavonia because the executives who have written to you have a \$7.8 million stake in “getting the deal done.” It is not.

In light of the foregoing, I respectfully request you not enter any order until the open issues relating to the sale of Pavonia can be properly resolved between the parties.

Yours,



Greg E. Lindberg
Vice Chairman
GBIG Holdings, Inc.