

UNITED STATES DISTRICT COURT
FOR THE
DISTRICT OF VERMONT

MICHAEL S. PIECIAK, in his official,)
capacity as COMMISSIONER OF THE)
VERMONT DEPARTMENT OF FINANCIAL)
REGULATION, solely as LIQUIDATOR OF)
GLOBAL HAWK INSURANCE COMPANY)
RISK RETENTION GROUP,)
Plaintiff)
v.)
CROWE LLP,)
Defendant)

Case No. 5:21-cv-273

ORAL ARGUMENT REQUESTED

CROWE LLP’S MOTION TO DISMISS
PLAINTIFF’S COMPLAINT AND INCORPORATED MEMORANDUM OF LAW

Defendant Crowe LLP (“Crowe”) respectfully moves to dismiss with prejudice the Complaint of Plaintiff Michael S. Pieciak, in his official capacity as Commissioner of the Vermont Department of Financial Regulation (the “Department”), solely as Liquidator of Global Hawk Insurance Company Risk Retention Group (“Plaintiff”) pursuant to Fed. R. Civ. P. 12(b)(6). Crowe also incorporates its Memorandum of Law in Support of this Motion to Dismiss.

Introduction

All of the parties to this litigation agree that former officers and directors of Global Hawk Insurance Company Risk Retention Group (“Global Hawk”) perpetrated a fraud, and that both the Department and Crowe fell victim to it. There is no dispute that Jasbir Thandi (“Thandi”), the former controlling officer of Global Hawk, forged documents and deliberately misrepresented Global Hawk’s financial condition to Crowe and to the Department for the specific purpose of concealing Global Hawk’s insolvency. Indeed, Thandi’s fraud and misconduct, and the serious

extent to which the Department relied on Thandi and Global Hawk's (mis)representations, are front and center in another complaint that Plaintiff has filed in this District. (*See Michael S. Pieciak, in his official capacity as Commissioner of the Vermont Department of Financial Regulation, solely as Liquidator of Global Hawk Insurance Company Risk Retention Group v. Thandi, et al.*, No. 2:20-cv-00173, dkt. 1 (Complaint), attached hereto as Exhibit A.)¹

Plaintiff's complaint against Crowe, however, attempts to rewrite history in an effort to hold Crowe responsible for Global Hawk's collapse. As part of this effort, Plaintiff seeks to hold Crowe to obligations far beyond the scope of its agreed-upon services, to charge Crowe with responsibility for harms indisputably caused by the fraudulent conduct of former Global Hawk insiders, to manufacture damages that are not legally cognizable, and to wholly ignore the terms of Crowe's contract with Global Hawk. Plaintiff's claims fail.

As a liquidator, Plaintiff steps into the shoes of Global Hawk. As such, he is also subject to any defenses to Global Hawk's claims. One such defense is *in pari delicto*. Plaintiff alleged that Thandi controlled Global Hawk and turned Global Hawk into an instrument of his fraud. Having made those claims, Plaintiff—standing in Global Hawk's shoes—cannot simultaneously recover from Crowe for its failure to uncover the same fraud.

Specifically, Plaintiff's claims should be dismissed with prejudice for the following reasons.

First, Plaintiff fails to adequately allege that Crowe breached any audit standard.

Second, the doctrine of *in pari delicto*, which precludes a plaintiff from recovering against others for a wrong in which the plaintiff participated, or is deemed through imputation to have

¹ When considering a motion to dismiss, the Court can take judicial notice of a complaint and other court filings filed in related litigation. *See Grega v. Pettengill*, 123 F. Supp. 3d 517, 543 n.6 (D. Vt. 2015) (collecting cases).

participated, bars Plaintiff's claims. A court will not hear an audit client or its successor complain that its auditor negligently prepared its audit report where the audit client – through fraud and other intentional misconduct – deliberately impeded the auditor's preparation of the report.

Third, Plaintiff fails to adequately allege causation because, as a matter of law, Thandi's fraud and misconduct constitute an intervening cause that breaks the alleged chain of causation between Crowe's audit reports and any of the harm claimed by Plaintiff.

Fourth, Plaintiff fails to adequately allege damages because his "deepening insolvency" theory of damages is not legally cognizable.

Fifth, Plaintiff's breach of contract claims (Counts VII–IX) in connection with Crowe's contracts with Global Hawk are barred as a matter of law by Global Hawk's prior material breaches of the same contracts.

Finally, Counts I, IV, VII, and VIII are barred by provisions in Crowe's contracts with Global Hawk, which limit the time within which claims may be brought and preclude claims for consequential damages.

Summary of Allegations

I. GLOBAL HAWK AND ITS AFFILIATES AND AGENTS.

Global Hawk was a nonstock mutual insurance company. (Compl. at ¶ 3.) Jasbir Thandi was Global Hawk's President, Director, and Treasurer. (Ex. A at ¶ 5.) In addition to his leadership positions at Global Hawk, Thandi owned and controlled American Freight Forwarders & Transportation, Inc. ("AFFT"), Global Hawk's founding member. (*Id.* at ¶ 29.)

Global Century Insurance Brokers, Inc ("GCIB") managed Global Hawk's business, including the issuance of policies, the collection of premiums, and the management of Global Hawk's bank and investment accounts. (*Id.* at ¶¶ 6, 15, 17.) GCIB also maintained Global Hawk's

books and records, including its general ledger, booked all of Global Hawk’s bank transactions, and provided the information with which Global Hawk’s captive manager prepared Global Hawk’s financial statements. (*Id.*) Thandi owned and controlled GCIB. (*Id.* at ¶ 6.)

II. CROWE’S ENGAGEMENT AGREEMENTS WITH GLOBAL HAWK.

In July 2015, Crowe began to provide audit services to Global Hawk pursuant to written Engagement Agreements, which provide:

- Crowe will “plan and perform the audit in accordance with auditing standards generally accepted in the United States of America (GAAS).”
- Crowe’s audit will have “inherent limitations” and will come with “an unavoidable risk that some material misstatements may not be detected . . . even though the audit is properly planned and performed in accordance with GAAS.”
- Global Hawk is “responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.”
- Global Hawk is “responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.”
- Global Hawk is “responsible for providing to [Crowe], on a timely basis, all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.”
- Global Hawk is “responsible for informing [Crowe] of . . . their knowledge of any fraud or suspected fraud affecting the Company.”

(Crowe’s 2016, 2017, and 2018 Engagement Agreements with Global Hawk at 1–2, attached as Group Exhibit B.)

III. GLOBAL HAWK’S FRAUD.

Plaintiff admits that Thandi and his co-conspirators defrauded the Department. Specifically, Plaintiff contends that Thandi and his co-conspirators participated in a years-long

scheme in which they fraudulently concealed Global Hawk transactions, falsely documented purported capital contributions and other deposits, prepared and provided false bank statements for recording on Global Hawk’s general ledger, prepared and provided false annual statements to the Department, and generally overstated Global Hawk’s assets to conceal its insolvency. (*See* Ex. A at ¶¶ 1, 23, 28, 30–71.) The Department relied on these representations made directly by Global Hawk to the Department in allowing Global Hawk to continue doing business. (*Id.* at ¶ 74.)

In June 2020, shortly after becoming aware that Global Hawk had materially overstated its assets, the Department sought and obtained an Order of Liquidation for Global Hawk in Vermont state court. (*Id.* at ¶ 75.) In October 2020, Plaintiff filed a complaint against Thandi—Global Hawk’s controlling President, Treasurer and Director—and others for violation of the Racketeer Influenced and Corrupt Organizations Act, fraud, and other misconduct. (*See generally id.*)

IV. PLAINTIFF’S CLAIMS AGAINST CROWE.

Plaintiff alleges that Crowe negligently prepared Global Hawk’s audit reports and negligently misrepresented Global Hawk’s financial condition in 2016, 2017, and 2018. (Compl. at Counts I–VI.) Plaintiff alleges that, but for Crowe’s audit reports, the Department would have acted sooner to stop Global Hawk from continuing in business. (*Id.* at ¶¶ 81, 86, 91, 98, 105, 112.) Finally, Plaintiff alleges that Crowe breached the Engagement Letters with Global Hawk by issuing its audit reports “without due professional care.” (*Id.* at Counts VII–IX.)

Argument

I. LEGAL STANDARD AND APPLICABLE LAW.

A complaint must set forth “a short and plain statement of the claim showing that the pleader is entitled to relief” Fed. R. Civ. P. 8. In order to survive a Rule 12(b)(6) motion to dismiss, a complaint must describe the claim in sufficient detail to “give the defendant fair notice

of what the claim is and the grounds upon which it rests.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007). “Threadbare recitals of the elements of a cause of action, supported by mere conclusory statements, do not suffice” to state a claim, and conclusory allegations “are not entitled to the assumption of truth.” *Ashcroft v. Iqbal*, 556 U.S. 662, 679-80 (2009); *CFGAdvance, LLC v. AgileCap, LLC*, No. 2:20-cv-43, 2021 WL 2336908, at *3 (D. Vt. June 8, 2021).

On a motion to dismiss, courts will “consider the allegations in the complaint and documents whose contents are alleged in the complaint and whose authenticity no party questions but which are not physically attached to the pleading.” *Mansfield Heliflight, Inc. v. Freestream Aircraft USA, Ltd.*, No. 2:16-cv-28, 2017 WL 3393819, at *3 (D. Vt. Aug. 4, 2017) (citing 35B C.J.S. Federal Civil Procedure § 856 (internal quotations and ellipsis omitted)). “Courts may also properly consider matters of which judicial notice may be taken, or documents either in plaintiffs’ possession or of which plaintiffs had knowledge and relied on in bringing suit.” *Halebian v. Berv*, 644 F.3d 122, 130 n. 7 (2d Cir. 2011) (citing *Chambers v. Time Warner, Inc.*, 282 F.3d 147, 153 (2d Cir. 2002) (internal quotations omitted)). Finally, courts are not “required to credit as true factual allegations that are contradicted by the documents on which they are based.” *CFGAdvance*, 2021 WL 2336908, at *3.

The Engagement Agreements between Crowe and Global Hawk contain the following choice of law provision: “This Agreement must be construed, governed, and interpreted under the laws of the State of Illinois, without regard for choice of law principles.” (Group Ex. B at 4.) Therefore, Plaintiff’s breach of contract claims and issues requiring construction of the Engagement Letters are governed by Illinois law. *Costle v. Fremont Indem. Co.*, 839 F. Supp. 265, 272 (D. Vt. 1993) (a liquidator is bound to the terms of the insolvent company’s pre-insolvency contracts). Other issues in this case are governed by Vermont law because Vermont

has the most significant relationship to the facts alleged. *See Miller-Jenkins v. Miller-Jenkins*, 912 A.2d 951, 971 (Vt. 2006) (“We have adopted the ‘most significant relationship’ test of the Restatement (Second) of Conflict of Laws § 287 (1971) in determining choice-of-law questions.”). On issues governed by Vermont law where Vermont courts have not expressly decided the issues, Crowe cites to persuasive authority from other nearby jurisdictions.

II. PLAINTIFF FAILS TO ALLEGE THAT CROWE BREACHED ANY AUDIT STANDARD.

Crowe’s obligations were limited to auditing and reporting on Global Hawk’s financial statements in accordance with auditing standards generally accepted in the United States of America (“GAAS”). (*See* Compl. at ¶¶ 115, 120, 125; Group Ex. B at 1.) GAAS “are the accepted standards of practice for auditors.” *In re Sharp Int’l Corp.*, 278 B.R. 28, 33 (Bankr. E.D.N.Y. 2002) (citing *United States v. Arthur Young & Co.*, 465 U.S. 805, 811 (1984)). Plaintiff does not and cannot adequately allege that Crowe violated GAAS.

Plaintiff alleges that it was negligent for Crowe to confirm Global Hawk assets and capital contributions with statements provided to Crowe by Global Hawk and Quantbridge Capital LLC, Global Hawk’s investment advisor. (Compl. at ¶¶ 33, 37–38, 46, 50–51, 56, 60–61, 66.) These allegations ignore the requirements of GAAS. GAAS requires an auditor to obtain confirmation from a party whom the auditor believes was knowledgeable about the assets. Even crediting Plaintiff’s allegations, Crowe did exactly this when it received confirmation from its audit client’s investment advisor, Quanbridge. GAAS does not require an auditor to confirm assets with the assets’ custodian. AU-C § 505.A3.

It is true that many of the documents provided to Crowe turned out to have been fraudulent. Plaintiff and the Department both fell victim to the same fraud. Under GAAS, Crowe was entitled to use Global Hawk’s written representations as audit evidence. *See* AU-C § 333.02-04; AU-C

§ 240.13. GAAS recognizes that proper audit procedures “may be ineffective for detecting an intentional misstatement that involves, for example, collusion to falsify documentation that may cause the auditor to believe that audit evidence is valid when it is not.” *See* AU-C § 200.A51. This is because, GAAS recognizes, “[t]he auditor is neither trained as, nor expected to be, an expert in the authentication of documents.” *Id.*

Plaintiff has made clear that Global Hawk, through “management fraud,” *see* AU-C § 240.07, disrupted any effort to accurately assess its financial condition. Crowe performed its audits amidst the very sort of “intentional misstatement” and “collusion to falsify documentation” that GAAS recognizes can render ineffective even a properly performed audit. (*See* Compl. at ¶¶ 57, 63, 67; Ex. A at ¶¶ 1, 23, 28, 30–71.) Global Hawk’s fraud involved “carefully organized schemes designed to conceal it, such as forgery, deliberate failure to record transactions, [and] intentional misrepresentations being made to the auditor.” AU-C § 240.06. (*See* Ex. A at ¶¶ 23, 28, 30–71.) And the fraud was perpetrated through collusion involving Global Hawk’s President, Treasurer and director (Thandi) and Global Hawk’s manager (GCIB), who “manipulate[d] accounting records” and “present[ed] fraudulent financial information.” *See* AU-C §§ 240.06, 240.07. (*See* Compl. at ¶¶ 57, 63, 67; Ex. A at ¶¶ 23, 28, 30–71.) Thus, Plaintiff does not and cannot adequately allege Crowe’s breach of any audit standard, so Counts I–IX should be dismissed with prejudice.

III. THE DOCTRINE OF *IN PARI DELICTO* BARS PLAINTIFF’S CLAIMS.

A fundamental tenet of the law is that a party cannot benefit from its own wrongdoing. *See Shattuck v. Peck*, 70 A.3d 922, 927 (Vt. 2013). Here, Global Hawk should not benefit from the fraud that its controlling officer committed. This fundamental tenet of the law applies to Plaintiff’s claims. Plaintiff choose to assert Global Hawk’s claims against its auditor when it

stepped into Global Hawk’s shoes, so he is subject to the defenses that indisputably bar Global Hawk’s claims.

A. Courts Routinely Find That The *In Pari Delicto* Doctrine Bars Auditor Negligence Claims Under The Circumstances Of This Case.

Because Global Hawk committed the fraud, Plaintiff cannot pursue Global Hawk’s claims against Crowe. “The *in pari delicto* doctrine prevents a party from seeking to recover against others for a wrong in which the party participated or is deemed through ‘imputation’ to have participated.” *In re ICP Strategic Income Fund, Ltd.*, 730 Fed. Appx. 78, 81 (2d Cir. 2018) (affirming dismissal on ground that the *in pari delicto* doctrine barred the plaintiff/liquidator’s claims); *Shattuck*, 70 A.3d at 927 (“[U]nder *in pari delicto* doctrine, a party may not obtain equitable relief by proving inequitable conduct in which he participated.”) (quoting *Est. of Bruner v. Bruner*, 338 F.3d 1172, 1178 (10th Cir. 2003)); *In re First Connecticut Consulting Grp., Inc.*, No. MISC. 04-101, 2004 WL 1676211, at *13 (Bankr. D. Vt. July 27, 2004) (“The equitable defense of *in pari delicto*, which literally means ‘in equal fault,’ is rooted in the common-law notion that a plaintiff’s recovery may be barred by his own wrongful conduct.”) (quoting *Pinter v. Dahl*, 486 U.S. 622, 632 (1988)).

Where, as here, the audit client attempting to sue its auditor (whether directly or through a successor) deliberately lied to the auditor for the specific and fraudulent purpose of thwarting the very end for which the auditor was hired, application of the *in pari delicto* doctrine makes particularly good sense. An audit client cannot complain that its auditor negligently prepared its audit report where the audit client—through fraud and other intentional misconduct—deliberately impeded the auditor’s preparation of the report. *See Kirschner v. KPMG LLP*, 938 N.E.2d 941, 950-54, 958-59 (N.Y. 2010) (applying *in pari delicto* to bar accountant malpractice claim); *Off. Comm. of Unsecured Creditors v. R.F. Lafferty & Co.*, 267 F.3d 340, 360 (3d Cir. 2001) (same); *CRC Litig. Tr. v. Marcum, LLP*, 19 N.Y.S.3d 291, 293 (N.Y. App. Div. 2015) (same); *Chaikovska*

v. Ernst & Young, LLP, 913 N.Y.S.2d 449 (N.Y. App. Div. 2010) (same); *In re Nat'l Century Fin. Enterprises, Inc.*, 783 F. Supp. 2d 1003, 1025 (S.D. Ohio 2011) (following *Kirschner* and finding that “[t]o allow the exception on these facts would swallow the *in pari delicto* rule by protecting primary wrongdoers at the expense of an alleged coconspirator who is plainly less at fault.”).

The Court should impute Thandi’s fraud and misconduct to Global Hawk. “Traditional agency principles play an important role in an *in pari delicto* analysis.” *Kirschner*, 938 N.E.2d at 950. Of “particular importance” is the principle that “the acts of agents, and the knowledge they acquire while acting within the scope of their authority are presumptively imputed to their principals.” *Id.*; see also *Mann v. Adventure Quest, Inc.*, 974 A.2d 607, 611 (Vt. 2009) (any notice or knowledge by an officer or agent of a corporation is imputed to the corporation itself).

“When corporate officers carry out the everyday activities central to any company’s operation and well-being—such as issuing financial statements, accessing capital markets, handling customer accounts, moving assets between corporate entities, and entering into contracts—their conduct falls within the scope of their corporate authority.” *Id.* at 951; see also *Baena v. KPMG LLP*, 453 F. 3d 1, 7 (1st Cir. 2006) (“The approval and oversight of [financial] statements is an ordinary function of management that is done on the company’s behalf, which is typically enough to attribute management’s actions to the company itself.”). “[W]here conduct falls within the scope of the agents’ authority, everything they know or do is imputed to their principals.” *Kirschner*, 938 N.E.2d at 951 (presumption that agents communicate information to their principals is “a legal presumption that governs in every case, except where the corporation is actually the agent’s intended victim”); see also *Mann*, 974 A.2d at 611.

Here, Plaintiff admits that, at all relevant times:

- Thandi was the President, Treasurer and a director of Global Hawk (Ex. A at ¶ 5);

- Thandi was the President and sole stockholder of, and controlled, AFFT, which was Global Hawk’s founding member (*id.* at ¶ 29);
- GCIB “managed the business of Global Hawk,” and, among other things, GCIB “handled the issuance of policies and collection of premiums and managed all of Global Hawk’s bank and investment accounts,” “booked all bank transactions and had principal responsibility for maintaining Global Hawk’s general ledger,” and provided the information with which Global Hawk’s captive manager prepared Global Hawk’s financial statements (*id.* at ¶¶ 6, 15, 17); and
- Thandi owned 100% of, and controlled, GCIB (*id.* at ¶ 6).

Plaintiff also alleges that Thandi (through GCIB) provided Global Hawk’s captive manager with fraudulent, forged bank statements, and that Thandi signed false annual statements for submission to the Department. (*Id.* at ¶¶ 18, 23.) Plaintiff alleges that Thandi fraudulently and repeatedly overstated assets held by Global Hawk to conceal its insolvency. (*See id.* at ¶¶ 33, 36, 41, 71, 88.) And Plaintiff claims that these fraudulent misrepresentations caused the Department to allow Global Hawk to continue doing business. (*Id.* at ¶ 74.)

As a matter of law, these misrepresentations, and the knowledge of their falsity, are imputed to Global Hawk. *See Mann*, 974 A.2d at 611 (any notice or knowledge by an officer or agent of a corporation is imputed to the corporation itself); *Kirschner*, 938 N.E.2d at 950 (same). And the law will not permit Global Hawk, having forged documents for the specific purpose of fraudulently misrepresenting its financial condition, to sue Crowe for negligently misstating Global Hawk’s financial condition as a result. Any such claim is barred by the *in pari delicto* doctrine. *See Kirschner*, 938 N.E.2d at 950 (“The justice of the *in pari delicto* rule is most obvious where a willful wrongdoer is suing someone who is alleged to be merely negligent.”).

B. The Adverse Interest Exception Does Not Apply Here.

Plaintiff may contend that Thandi’s knowledge and misconduct should not be imputed to Global Hawk under the adverse interest exception to the imputation doctrine, which provides that an agent’s knowledge generally is not imputed to the corporation when the agent’s interests are

adverse to the corporation. *See Mann*, 974 A.2d at 612. But Plaintiff’s own allegations establish that the adverse interest exception is inapplicable here. “[F]or the adverse interest exception to apply, the agent must have *totally abandoned* his principal’s interests and be acting *entirely* for his own or another’s purposes, not the corporation’s.” *Kirschner*, 938 N.E.2d at 953 (internal quotations omitted) (emphasis in original). Indeed, “[s]o long as the corporate wrongdoer’s fraudulent conduct enables the business to survive—to attract investors and customers and raise funds for corporate purposes—this test is not met.” *Id.*

In this case, the very aim of Thandi’s fraudulent concealment of Global Hawk’s financial condition was to allow Global Hawk to “continue in business.” (*See Ex. A* at ¶¶ 1, 23, 74, 76.) *See Seidman & Seidman v. Gee*, 625 So.2d 1, 3 (Fla. Dist. Ct. App. 1992) (management’s fraudulent misrepresentation benefited corporation so as to preclude application of the adverse interest exception where the misrepresentation “was the prerequisite to the corporation’s approval to continue in business,” even if the misrepresentations caused “the ultimate financial demise” of the corporation).

That the scheme benefited the individual fraudsters is immaterial. *See Kirschner*, 938 N.E.2d at 952 (“To allow a corporation to avoid the consequences of corporate acts simply because an employee performed them with his personal profit in mind would enable the corporation to disclaim, at its convenience, virtually every act its officers undertake.”); *Baena*, 453 F.3d at 7 (“A fraud by top management to overstate earnings, and so facilitate stock sales or acquisitions, is not in the long-term interest of the company; but, like price-fixing, it profits the company in the first instance, [and it does not] matter that the implicated managers *also* may have seen benefits to themselves – that alone does not make their interests adverse.”); *F.D.I.C. v. Shrader & York*, 991 F.2d 216, 223 (5th Cir. 1993) (“knowledge is imputed in a case of ‘joint’ interests even though the

agent’s primary interest is inimical to that of the principal”) (citing 3 Fletcher Cyclopedia Corporations § 822 at 126 (perm. ed.)) (Texas law); *Seidman*, 625 So.2d at 3 (reversing denial of motion to dismiss and finding that adverse interest exception does not apply where misconduct of management causes even “short-term” benefit to corporation, such as the short-term benefit created where “directors of the corporation fraudulently gave an inflated account of the company’s assets”) (Florida law).

Indeed, as *Seidman* persuasively put it:

Where it is shown, without dispute, that a corporate officer’s fraud intended to and did benefit the corporation, to the detriment of outsiders, the fraud is imputed to the corporation and is an absolute defense to the corporation’s action against its accounting firm for negligent failure to discover the fraud. This holding follows the equitable principle that where a prejudicial situation results from a wrongful act of a third person, the decision must be against the party whose conduct made possible the wrongful act, unless the act of the third person is fraudulent.

Seidman, 635 So.2d at 3 (citing *Gables Racing Ass’n, Inc. v. Persky*, 6 So.2d 257, 263–64 (1941)); accord *Beck v. Deloitte & Touche*, 144 F.3d 732, 736 (11th Cir.1998); *Shrader & York*, 991 F.2d at 223; *Baena*, 453 F.3d at 7; *Kirschner*, 938 N.E.2d at 952.

C. Even If The Adverse Interest Exception Were Otherwise Applicable, Thandi’s Fraud And Misconduct Are Still Imputed To Global Hawk Under The Sole Actor Rule.

Under the sole actor rule, where “management exercises . . . total control over the type of transactions involved in the particular fraudulent activity at issue,” management’s knowledge will be imputed to the corporation *even if* its interests are adverse to the corporation. *Breeden v. Kirkpatrick & Lochart, LLP*, 268 B.R. 704, 710 (S.D.N.Y. 2001), *aff’d*, *In re Bennett Funding Grp., Inc.*, 336 F.3d 94 (2d Cir. 2003); *see also Mann*, 974 A.2d at 612. Here, Thandi owned and controlled AFFT, Global Hawk’s founding and controlling member, Thandi owned and controlled GCIB, Global Hawk’s manager, and Thandi was Global Hawk’s President, Treasurer and director. (See Ex. A at ¶¶ 5–6, 15, 17, 29.) Importantly, Global Hawk delegated to GCIB (owned and

controlled by Thandi) the responsibilities to “manage all of Global Hawk’s bank and investment accounts,” “book all bank transactions,” “maintain Global Hawk’s general ledger,” and provide the information to prepare “Global Hawk’s financial statements.” (*See id.* at ¶¶ 6, 15, 17.)

Having so delegated to management authority over the particular “portion of its business” involved in the fraudulent activity at issue, the adverse interest exception—even if otherwise applicable—does not prevent imputation of management’s misconduct to Global Hawk. *See Breeden*, 268 B.R. at 710 (imputing management’s misconduct to debtor corporation, and in turn the bankruptcy trustee, under sole actor exception because corporation delegated relevant authority to management); *Baena*, 453 F.3d at 7 (“The approval and oversight of [financial] statements is an ordinary function of management that is done on the company’s behalf, which is typically enough to attribute management’s actions to the company itself.”).

Plaintiff’s bare “independent director” allegations do nothing to prevent the imputation of management’s misconduct to Global Hawk. The allegations, which refer only to unnamed “independent directors,” do not establish that any independent director possessed any authority at all over the portions of Global Hawk’s business implicated by its fraud. (*See Compl.* at ¶¶ 69, 71 (referring to independent directors, but alleging only action that could have been taken by the Department).) That is insufficient to avoid imputation of management’s wrongdoing to Global Hawk. *See Breeden*, 268 B.R. at 710 (the mere “presence of *any* innocent officer, director or shareholder [does not] avoid the imputation of fraudulent acts by management to the corporation”) (emphasis in original). Indeed, according to Plaintiff, it was Thandi, not the independent directors, that possessed the relevant control. (*See Ex. A* at ¶ 62 (Thandi, not the independent directors, controlled the accounts and statements that were part of the fraudulent scheme and was Global Hawk’s “authorized signatory on the accounts”).) In short, even if the adverse interest exception

were otherwise found to apply here (and it does not), Thandi's fraud and misconduct still are imputed to Global Hawk under the sole actor rule.

D. *In Pari Delicto Applies To Plaintiff As Global Hawk's Successor.*

Moreover, the fact that, given Global Hawk's demise, its successor (the Liquidator) is bringing these claims does nothing to change this analysis. To the contrary, the *in pari delicto* doctrine "applies to successors in interest of wrongdoers, including bankruptcy trustees and foreign liquidators." *ICP Strategic Income*, 730 Fed. Appx. at 82; *see also F.D.I.C. v. Ernst & Young*, 967 F.2d 166, 170 (5th Cir. 1992) (imputing to FDIC receiver knowledge and fraudulent conduct of defunct bank's agent, which had been imputed to the bank); *cf. Costle*, 839 F. Supp. at 272 (liquidator "stands in the shoes" of the insolvent company).

Plaintiff is not suing on his own behalf, but "solely" in his capacity as Global Hawk's liquidator. (Compl. at ¶ 1.) He makes no claim that Crowe breached any obligation to him (whether professional or contractual), nor could he. To the contrary, the entire basis for Plaintiff's complaint is Crowe's obligation to *Global Hawk*—an undertaking wherein there is no dispute that Crowe's good faith efforts to assess and accurately report on Global Hawk's financial condition were met at every turn with Global Hawk's deliberate falsehoods, fraud and other misconduct, all for the specific purpose of thwarting Crowe's efforts to do its work. The circumstances under which Crowe endeavored to perform its services, and the manifest inequities inherent in permitting a recovery for purported claims against Crowe in the face of its client's egregious and deliberate misconduct, do not change in any respect simply because a successor entity is now trying to leverage the same claims on Global Hawk's behalf.

At bottom, the mere transfer of ownership of Global Hawk's purported claims from Global Hawk to Plaintiff, its liquidator/successor, does not remove the taint of Global Hawk's fraud. *See Costle*, 839 F. Supp. at 272 (liquidator "stands in the shoes" of the insolvent company); *ICP*

Strategic Income, 730 Fed. Appx. at 81 (affirming dismissal of liquidator’s claims based on the *in pari delicto* doctrine, where the wrongdoing of a fund’s manager and director was imputed to the fund, and the liquidators were successors to the fund’s interests); *see also Lafferty*, 267 F.3d at 360 (affirming dismissal of complaint of Committee of Creditors suing on behalf of debtor corporations based on the *in pari delicto* doctrine, where wrongdoing of certain shareholders was imputed to debtor corporations, and Committee stood in the shoes of the corporations); *Picard v. HSBC Bank PLC*, 454 B.R. 25, 37 (S.D.N.Y. 2011) (affirming dismissal of complaint of trustee suing on behalf of firm based on the *in pari delicto* doctrine, where the wrongdoing of the firm’s principal was imputed the firm, and the trustee was successor to the firm’s interests), *aff’d*, *In re Bernard L. Madoff Inv. Sec. LLC*, 721 F.3d 54 (2d Cir. 2013); *Nisselson v. Lernout*, 469 F.3d 143, 153 (1st Cir. 2006) (“[T]here is no ‘innocent successor’ exception available to a bankruptcy trustee in a case in which the defendant successfully could have mounted an *in pari delicto* defense against the debtor.”). For all these reasons, Plaintiff’s claims against Crowe are barred as a matter of law.

IV. COUNTS I-IX FAIL TO ADEQUATELY ALLEGE CAUSATION.

Plaintiff’s claims also fail because, as a matter of law, Thandi’s egregious misconduct constitutes an “efficient, intervening cause” that broke the chain of causation between Crowe’s audits and the harm claimed here. *See Est. of Sumner v. Dep’t of Soc. & Rehab. Servs.*, 649 A.2d 1034, 1036 (Vt. 1994).

Thandi forged documents and deliberately misrepresented Global Hawk’s financial condition as part of a fraudulent scheme. (*See generally* Ex. A (alleging, among other things, violations of the Racketeer Influenced and Corrupt Organizations Act against Thandi and others).) There is no dispute that this misconduct caused the harm about which Plaintiff complains. (*Id.* at ¶ 74, 85–104.) This misconduct constitutes an intervening cause that breaks the alleged chain of

causation between Crowe’s audit reports and the harm claimed by Plaintiff because Crowe had no “duty to anticipate” the misconduct. *See Paton v. Sawyer*, 370 A.2d 215, 217 (Vt. 1976); *see also Sutter v. Hilton Garden Inns Management LLC*, No. 17-11831-G, 2017 WL 9249662, at *1 (11th Cir. Dec. 29, 2017) (affirming dismissal because plaintiff’s criminality was an intervening cause that eliminated the causal connection between the defendant’s conduct and the alleged harm). An auditor is *not* required to anticipate that management is engaging in fraud and forging documents. *See* AU-C 240.13 (“Unless the auditor has reason to believe the contrary, the auditor may accept records and documents as genuine.”).

Moreover, Crowe’s audit engagement terms expressly provided that Crowe was entitled to rely, and would rely, on representations by Global Hawk, and they required Global Hawk’s management to warrant the accuracy of all material information it provided to Crowe. (*See* Group Ex. B at 2.) And not only did Thandi engage in a fraudulent scheme generally, but he specifically and deliberately forged documents for the purpose of misrepresenting Global Hawk’s financial condition. (*See* Ex. A. at ¶¶ 33, 36, 41, 71, 88.) Plaintiff does not and cannot allege any obligation on Crowe’s part to anticipate Thandi’s egregious misconduct, nor can Plaintiff dispute that the harm he now seeks to vindicate was caused by Thandi’s fraud. As a matter of law, Thandi’s actions therefore constitute an intervening cause that breaks the purported chain of causation between Crowe’s audit reports and the harm claimed in Counts I–IX. Indeed, to hold Crowe liable in this case “would make it an insurer against conditions that are outside of its control.” *Maxwell v. KPMG, LLP*, No. 03 C 3524, 2007 WL 2091184, at *6 (N.D. Ill. July 19, 2007).

V. COUNTS I–IX FAIL TO ALLEGE COGNIZABLE DAMAGES.

Next, Plaintiff alleges that Crowe’s audit reports harmed Global Hawk because they delayed the Department’s intervention to prevent Global Hawk from continuing to do business,

which “deepened” Global Hawk’s insolvency. (*See* Compl. at ¶¶ 82, 87, 92, 99, 106, 113.) These allegations fail to plead legally cognizable damages.

Nothing about prolonging a corporation’s life, even past the point of insolvency, and forestalling liquidation is inherently harmful to the corporation. Indeed, “Chapter 11 is based on the accepted notion that a business is worth more to everyone alive than dead,” and delaying bankruptcy is generally preferable from the point of view of the debtor. *In re Global Service Group, LLC*, 316 B.R. 451, 460-61 (Bankr. S.D.N.Y. 2004) (trustee/plaintiff “wrongly assumes that prolonging the life of an insolvent corporation that continues to incur debt, without more, states a claim for relief”). Specifically, the mere “deepening of a firm’s insolvency is not an independent form of corporate damage,” *In re CitX Corp., Inc.*, 448 F. 3d 672, 678 (3rd Cir. 2006), and, as set forth in Part IV above, to the extent Global Hawk was otherwise harmed by “operating losses” and “misappropriations,” (Compl. at ¶¶ 82, 87, 92, 99, 106, 113), those harms were not proximately caused by Crowe’s audits.

Plaintiff essentially contends that forestalling the Department’s intervention allowed Global Hawk to continue to “exist long enough” to suffer harm in the form of its management’s misappropriation of funds and incurrence of operating losses, both of which deepened its insolvency. *See CitX*, 448 F. 3d at 677–78. “But that looks at the issue through hindsight bias.” *Id.* at 678. Delaying the Department’s intervention, without more, was “hardly harmful to [Global Hawk].” *Id.* “Its management surely misused the opportunity, [which] was unfortunate.” *Id.* But Global Hawk “could have instead used the opportunity to turn the company around and transform it into a profitable business.” *Id.* It “did not, and *therein* lies the harm to [Global Hawk].” *Id.* (emphasis added).

Plaintiff identifies cognizable harm to Global Hawk caused by *Thandi*'s misconduct (*see* Ex. A at ¶¶ 18, 23, 33, 36, 41, 71, 74, 88), but there is no contention that Crowe *caused* Thandi to perpetrate his fraud. Critically, there is no legally cognizable claim of damage to Global Hawk caused by Crowe. Because deepening insolvency is not a cognizable theory of damages, Plaintiff's claims should be dismissed at the pleading stage. *See In re Troll Communications, LLC*, 385 B.R. 110, 122 (Bankr. D. Del. 2008) (granting dismissal because, among other reasons, deepening insolvency is not a valid theory of damages); *Global Service Group*, 316 B.R. 451, 460–61 (granting dismissal of a claim based on deepening insolvency against an auditor because it “wrongly assumes that prolonging the life of an insolvent corporation that continues to incur debt, without more, states a claim for relief”); *Coroles v. Sabey*, 79 P.3d 974, 983 (Utah Ct. App. 2003) (granting dismissal of claims because, among other reasons, deepening insolvency is not a valid theory of damages and reasoning that “[a]lthough deepening insolvency might harm a corporation's shareholders, it does not, without more, harm the corporation itself”).

VI. COUNTS VII–IX ARE BARRED BY GLOBAL HAWK'S PRIOR MATERIAL BREACH.

In Counts VII–IX, Plaintiff alleges that Crowe breached its Engagement Agreements with Global Hawk. Plaintiff's rights under the Engagement Agreements extend no further than Global Hawk's, however, and any claim to enforce the Engagement Agreements by Plaintiff is therefore barred by Global Hawk's prior material breach.

Someone “seeking to enforce [a] contract has the burden of proving that he has substantially complied with all the material terms of the agreement.” *Goldstein v. Lustig*, 154 Ill.

App. 3d 595, 599 (Ill. App. Ct. 1987).² Specifically, “[a] party who materially breaches a contract cannot take advantage of the terms of the contract which benefit him, nor can he recover damages from the other party to the contract.” *Id.*; *see also James v. Lifeline Mobile Medics*, 341 Ill. App. 3d 451, 455 (Ill. App. Ct. 2003).

Whether a party committed a prior material breach may be decided as a matter of law “where the inferences are certain.” *Merrill Lynch & Co. Inc. v. Allegheny Energy, Inc.*, 500 F.3d 171, 186 (2d Cir. 2007). Plaintiff does not attempt to allege that Global Hawk complied with the material terms of the Engagement Letters. Nor can he. To the contrary, Plaintiff admits—and Crowe agrees—that Global Hawk deliberately breached virtually every obligation it had under the Engagement Agreements, including its responsibility for:

- “the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;”
- “the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud;”
- “providing to [Crowe], on a timely basis, all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;” and
- “informing [Crowe] of...their knowledge of any fraud or suspected fraud affecting the Company.”

(Group Ex. B at 1–2; Ex. A at ¶¶ 33, 36, 41, 71, 88.)

These admissions make clear that Global Hawk committed numerous material breaches. Consequently, neither Global Hawk nor Plaintiff (as Global Hawk’s successor) can bring any

² As set forth below, Illinois law governs Plaintiff’s breach of contract claims. (*Infra* at Part VII.)

claim to enforce the contracts with Crowe. Plaintiff's breach of contract claims (Counts VII–IX) must be dismissed.

VII. COUNT VII IS TIME-BARRED.

Count VII is time-barred pursuant to the 2016 Engagement Agreement. Because Plaintiff seeks to enforce Global Hawk's rights under the Engagement Agreements, he is bound by the terms of the Engagement Agreements. *See Costle*, 839 F. Supp. at 272 (“[I]f a liquidator seeks to enforce an insolvent company's rights under a contract, she must also suffer that company's contractual liabilities.”). One such term provides that “[i]n no event will any action against Crowe, arising from or relating to this engagement letter or the Services provided by Crowe relating to this engagement, be brought after the *earlier* of 1) two (2) years after the date on which occurred the act or omission alleged to have been the cause of the injury alleged; or 2) the expiration of the applicable statute of limitations.” (Group Ex. B at 8 (emphasis added).) The Engagement Agreements must be “construed, governed, and interpreted under the laws of the State of Illinois, without regard for choice of law principles.” (*Id.* at 4.) Vermont courts enforce contractual choice-of-law provisions. *See Stamp Tech, Inc. ex rel. Blair v. Ludall/Thermal Acoustical, Inc.*, 987 A.2d 292, 298 (Vt. 2009) (“[I]t is well-settled that it would be contrary to the justified expectations of the parties for a court to interpret their agreement by the laws of any jurisdiction other than that specified in the contract.”).

Under Illinois law, the contractual limitations period provided for in the Engagement Agreement is fully enforceable, *see, e.g., Country Preferred Ins. Co. v. Whitehead*, 979 N.E.2d 35, 43 (Ill. 2012), and the applicable limitations period is therefore two years after the date of “the act or omission alleged to have been the cause of the injury alleged.” (Group Ex. B at 8.) While Plaintiff filed the original complaint on October 26, 2021, the parties signed a Confidentiality and

Tolling Agreement that tolled the running of statute of limitations effective December 1, 2020. Thus, the critical date is two years before December 1, 2020, which is December 1, 2018.

Here, Plaintiff brings claims based on Crowe’s audit of Global Hawk for the years 2016, 2017, and 2018. Those audit reports were issued on June 30, 2017, June 29, 2018, and June 28, 2019 respectively. (Compl. at ¶¶ 10, 11, 12.) Because Crowe’s 2016 audit report was issued before the critical date of December 2, 2018, Plaintiff’s breach of contract claim in connection with the 2016 audit (Count VII) is time-barred and should be dismissed.³

VIII. COUNTS I, IV, AND VII ARE BARRED AS SEEKING SOLELY CONSEQUENTIAL DAMAGES.

Finally, the 2016 Engagement Agreement precludes the recovery of consequential damages (as opposed to direct damages) sought by Plaintiff. (Group Ex. B (2016 Engagement Letter – Crowe Engagement Terms) at 3.) It states that “[a]ny liability of Crowe will not include any special, consequential, incidental, punitive, or exemplary damages or loss nor any lost profits, goodwill, savings, or business opportunity, even if Crowe had reason to know of the possibility of such damages.” (*Id.*) While direct damages “refer to those which the party lost from the contract itself—in other words, the benefit of the bargain[.]” *Penncro Assocs., Inc. v. Sprint Spectrum, L.P.*, 499 F.3d 1151, 1156 (10th Cir. 2007), consequential damages are “losses or injuries that do not flow directly and immediately from a party’s wrongful act but rather result indirectly from the act.” *Westlake Fin. Grp., Inc. v. CDH-Delnor Health Sys.*, 25 N.E.3d 1166, 1174 (Ill. App. Ct. 2015); *DP Serv., Inc. v. AM Int’l*, 508 F. Supp. 162, 167 (N.D. Ill. 1981) (consequential damages

³ Although Plaintiff’s breach of contract claim in connection with the 2017 audit (Count VIII) also falls outside the contractual limitations period, it appears that the tolling provided for in Global Hawk’s Order of Liquidation preserves that claim. *See* 8 V.S.A. § 7063.

are damages that result from “the concurrence of some other event attributable to some origin or cause”).

Here, Plaintiff seeks *solely* consequential damages. Plaintiff is not suing to recover the value of Crowe’s services. Plaintiff’s damages theory posits that: (1) as a consequence of Crowe’s alleged negligence and breach of contract, the Department’s intervention to cause Global Hawk to cease doing business was delayed; (2) as a consequence of this delay, Global Hawk continued in business past the point of insolvency; and finally, (3) as a consequence of Global Hawk continuing in business, Thandi and his co-conspirators caused damage to Global Hawk and its policyholders. It is self-evident that these are not direct damages allegedly attributable to Plaintiff’s purported claims against Crowe. To the contrary, Plaintiff’s damages are (startlingly attenuated) purported consequential damages. Plaintiff’s recovery of such purported damages is barred by the plain and unambiguous terms of the 2016 Engagement Agreement. *See Lefebvre Intergraphics, Inc. v. Sanden Mach. Ltd.*, 946 F. Supp. 1358, 1370–73 (N.D. Ill. 1996) (granting motion to dismiss consequential damages with respect to all claims based on the contract’s waiver of consequential damages). For this additional reason, Counts I, IV, and VII should be dismissed.

Conclusion

For all the foregoing reasons, Crowe respectfully requests that the Court dismiss Plaintiff's complaint in its entirety and with prejudice pursuant to Fed. R. Civ. P. 12(b)(6).

Dated: Burlington, Vermont
January 7, 2022

/s/ Matthew B. Byrne

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For Defendant

EXHIBIT A

UNITED STATES DISTRICT COURT
DISTRICT OF VERMONT

RECEIVED

OCT 30 2020

U.S. DISTRICT COURT
BURLINGTON, VT

MICHAEL S. PIECIAK, in his official
capacity as COMMISSIONER OF THE
VERMONT DEPARTMENT OF
FINANCIAL REGULATION, as
LIQUIDATOR of GLOBAL HAWK
INSURANCE COMPANY RISK
RETENTION GROUP,

Plaintiff,

v.

JASBIR S. THANDI,
GLOBAL CENTURY INSURANCE
BROKERS, INC., JASPREET SINGH
PADDA and QUANTBRIDGE
CAPITAL LLC,

Defendants.

Civil Action No.:

2:20-cv-173

COMPLAINT

1. This is an action by plaintiff, the Commissioner of the Vermont Department of Financial Regulation, in his capacity as Liquidator of Global Hawk Insurance Company Risk Retention Group, to recover damages for violation of the Racketeer Influenced and Corrupt Organizations Act, breaches of fiduciary duty, conversion, fraud, breaches of contract and an accounting. The defendants participated in a scheme to defraud Global Hawk through misappropriation of its assets and misrepresentation of its financial condition so it could continue in business for their benefit. The scheme concealed Global Hawk's insolvency from the Vermont Department and damaged the insurer and the policyholders and claimants who look to it for insurance protection.

Parties

2. Plaintiff Michael S. Pieciak is the duly appointed Commissioner (“Commissioner”) of the Vermont Department of Financial Regulation (“Vermont Department”), and in that capacity is the Liquidator (“Liquidator”) of Global Hawk Insurance Company Risk Retention Group (“Global Hawk”) pursuant to the Order of Liquidation entered June 8, 2020 by the Vermont Superior Court, Washington Unit (“Vermont Court”) in Docket No. 196-5-20 Wncv. He brings this action solely in his capacity as Liquidator of Global Hawk. The Liquidator is a resident of Vermont with a business address of Vermont Department of Financial Regulation, 89 Main Street, Montpelier, Vermont 05620.

3. Pursuant to Paragraph 2 of the Order of Liquidation and 8 V.S.A. § 7057(a), the Liquidator is authorized to take possession of the assets of Global Hawk wherever located. Pursuant to Paragraph 3 of the Order of Liquidation and 8 V.S.A. § 7057(a), the Liquidator is vested by operation of law with the title to all the property, contracts and rights of action of Global Hawk. Pursuant to Paragraph 5(a)(vii) and (xiii) of the Order of Liquidation and 8 V.S.A. § 7060, the Liquidator is authorized to institute actions to collect moneys due and claims belonging to Global Hawk and to pursue creditor’s remedies to enforce his claims. Pursuant to Paragraph 5(a)(xiv) of the Liquidation Order and 8 V.S.A. § 7060, the Liquidator is authorized to prosecute any action on behalf of the creditors, members, policyholders or shareholders of Global Hawk against any officer of Global Hawk or any other person.

4. Global Hawk is a nonstock mutual insurance company organized and existing under the laws of the State of Vermont with its statutory office and main administrative office at 26 Cornerstone Road, P.O. Box 137, Fairfax, Vermont 05454. Global Hawk was originally formed as a risk retention group in South Carolina in 2003. Global Hawk re-domesticated to

Vermont in 2009. As a Vermont-domiciled insurance company and risk retention group, Global Hawk is subject to regulation by the Vermont Department. Global Hawk was declared to be insolvent and placed in liquidation by the Order of Liquidation entered by the Vermont Court on June 8, 2020 in Docket No. 196-5-20 Wncv.

5. Defendant Jasbir S. Thandi (“Thandi”) is a resident of California with an address at 892 Ridgedale Court, El Sobrante, California 94803. Thandi is and has been since at least 2014 the President and Treasurer of Global Hawk, as well as a director of Global Hawk. Thandi is licensed in California as a property casualty broker agent and surplus lines broker.

6. Defendant Global Century Insurance Brokers, Inc. (“GCIB”) is a corporation organized and existing under the laws of California. At all relevant times, GCIB was an insurance broker licensed in California as a property casualty broker agent and surplus lines broker, although its license expired on August 31, 2020. It has its principal place of business at 2575 Collier Canyon Road, Livermore, California 94551. Since 2005, GCIB has managed the business of Global Hawk pursuant to a managing general agent agreement between GCIB and Global Hawk. Thandi is and has been since at least 2014 the President of GCIB. Since at least 2016, Thandi has owned 100% of and controlled GCIB.

7. Defendant QuantBridge Capital LLC (“QuantBridge”) is a limited liability corporation organized and existing under the laws of the State of New York. QuantBridge is an investment advisor registered with the United States Securities and Exchange Commission and the Investor Protection Bureau of the New York Attorney General. QuantBridge has its principal place of business at 900 Jefferson Road, Suite 121, Henrietta, New York 14623. Since 2016, QuantBridge has managed certain assets for Global Hawk pursuant to an investment

“management authority with right to withdraw management fees only” contract with Global Hawk dated August 9, 2016 and an investment advisory contract dated March 23, 2020.

8. Defendant Jaspreet Singh Padda (“Padda”) is presently a resident of California with an address at 10349 Hite Circle, Elk Grove, California 95757. Padda previously resided in New York. Padda is and has been since at least 2016 the managing member and chief compliance officer of QuantBridge, as well as portfolio manager. Padda controlled QuantBridge. Padda is QuantBridge’s only employee (other than potential clerical staff).

Jurisdiction and Venue

9. This Court has original jurisdiction of this action pursuant to 28 U.S.C. § 1331 because it arises under the laws of the United States, including 18 U.S.C. § 1962, and also pursuant to 18 U.S.C. § 1964(c) because it is a suit by a person injured in its business or property by reason of a violation of 18 U.S.C. § 1962. The Court has supplemental jurisdiction over the state law claims under 28 U.S.C. § 1367(a).

10. This Court also has original jurisdiction of this action pursuant to 28 U.S.C. § 1332 because the amount in controversy exceeds \$75,000 and it is between citizens of different States.

11. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b)(2) because a substantial part of the events or omissions giving rise to the claim occurred in Vermont.

12. Venue in this district is also proper pursuant to 18 U.S.C. § 1965. Venue is proper as to Thandi pursuant to 18 U.S.C. § 1965(a) because he transacts a substantial part of his affairs, as officer and director of Global Hawk and as officer and director and owner of GCIB, managing general agency for Global Hawk, in Vermont by attending meetings of the Global Hawk board of directors and regularly transacting business with the Captive Manager and the

Vermont Department in Vermont. Venue is proper as to GCIB pursuant to 18 U.S.C. § 1965(a) because it transacts a substantial part of its affairs as managing general agent of Global Hawk in Vermont by sending representatives to attend meetings of the Global Hawk board of directors and regularly transacting business with the Captive Manager and the Vermont Department in Vermont. Venue is proper as to Padda and Quantbridge pursuant to 18 U.S.C. § 1965(b) because as persons who served as investment advisers to Global Hawk the ends of justice require that they be brought before the Court in this district in this action resulting from that relationship.

13. The Court has jurisdiction over the defendants pursuant to 18 U.S.C. § 1965 as set forth in paragraph 12. The Court also has jurisdiction over the defendants pursuant to 8 V.S.A. § 7032. The Court has jurisdiction over Thandi pursuant to 8 V.S.A. § 7032(c) because he served as an officer and director of Global Hawk and managed its business and this action results from those relationships. The Court has jurisdiction over GCIB pursuant to 8 V.S.A. § 7032(c) because it served as managing general agent of Global Hawk and this action results from that relationship. The Court has jurisdiction over Padda and Quantbridge pursuant to 8 V.S.A. § 7032(c) because they served as investment advisers to Global Hawk and this action results from those relationships.

Facts

14. Global Hawk was required by 8 V.S.A. § 6002(b)(3) to maintain its principal place of business in Vermont. Global Hawk retained a captive manager in Vermont in 2009, and it retained Global Insurance Management & Consulting LLC (the “Captive Manager”) as its captive manager in 2014. The Captive Manager has maintained Global Hawk’s books and records in Vermont since that time. The Captive Manager’s offices are located in Fairfax, Vermont.

15. Since at least 2016, GCIB, the managing general agent for Global Hawk, has managed Global Hawk's business. Among other things, GCIB handled the issuance of policies and collection of premium and managed all of Global Hawk's bank and investment accounts. GCIB booked all bank transactions and had principal responsibility for maintaining Global Hawk's general ledger.

16. Since at least 2016, GCIB regularly provided the Captive Manager with various monthly reports by email, including reports concerning policies issued and premiums collected. GCIB also regularly provided the Captive Manager with copies of certain monthly bank statements and copies of certain monthly investment statements by e-mail as more fully described below. GCIB also provided the Captive Manager with electronic access to the general ledger.

17. Since at least 2016, the Captive Manager prepared Global Hawk's quarterly and annual financial statements based on information provided by GCIB. The Captive Manager provided draft financial statements to Thandi and another officer of Global Hawk and GCIB at GCIB by e-mail, received comments at GCIB by e-mail, provided the final statements and jurat pages to Thandi and the other officer at GCIB by e-mail, and received the executed jurat page from Thandi and the other officer at GCIB by e-mail.

18. Global Hawk maintained bank accounts at Bridge Bank, a division of Western Alliance Bank ("Bridge Bank") in Oakland, California and at Mechanics Bank ("Mechanics Bank") in Richmond, California. The accounts included Bridge Bank account ***0831 and Mechanics Bank account ***8399. Thandi was the sole authorized signatory on Bridge Bank account ***0831 and he was an authorized signatory on Mechanics Bank account ***8399. GCIB provided the Captive Manager with copies of the monthly bank statements for Bridge

Bank and Mechanics Bank by e-mail. (As described below, certain statements provided to the Captive Manager in 2017 and 2018 were forged.)

19. Beginning in 2016, Global Hawk maintained investment accounts at Stifel Nicolaus & Company (“Stifel”) which has offices in Fairport, New York and St. Louis, Missouri. The accounts were Stifel accounts ***0101 and ***2396. QuantBridge was the investment advisor for these Stifel investment accounts. Thandi and Padda both had signature authority on Stifel account ***0101. Thandi had sole signature authority on account ***2396. Monthly statements for the Stifel accounts were sent to GCIB. Monthly statements from QuantBridge were generated by Padda and sent to GCIB.

20. Beginning in 2016, Global Hawk also had a line of credit with Stifel. On August 17, 2016, Thandi, purporting to act for Global Hawk and Global Hawk Property and Casualty Insurance Company (“Global Hawk P&C”) applied for a Stifel Pledged Asset (SPA) Loan Account from Stifel. The application included a Corporate Resolution to Borrow/Grant Collateral in which Thandi certified that Global Hawk’s Board of Directors had authorized the use of Global Hawk assets as collateral at a meeting on August 17, 2016. This certification was false. Global Hawk’s Board of Directors did not approve the use of Global Hawk assets as collateral and did not approve applying for the Stifel loan. Stifel approved the SPA loan (SPA loan account ***1745) with an initial credit line in the amount of \$6,400,000, obtaining as collateral a pledge of assets including Global Hawk’s account ***0101 at Stifel. On December 21, 2016, the line of credit was increased to \$14,000,000.

21. On March 7, 2017, Thandi, purporting to act for GCIB, Global Hawk P&C, and Global Hawk, applied for a new Stifel Pledged Asset Loan Account from Stifel. The application included a Corporate Resolution to Borrow/Grant Collateral certifying that Global Hawk’s Board

of Directors had authorized the use of Global Hawk assets as collateral at a meeting on August 12, 2016. This was false. Global Hawk's Board of Directors did not approve the use of Global Hawk assets as collateral and did not approve applying for the Stifel loan. Stifel approved the SPA loan (SPA loan account ***7833) with a credit line of \$14,750,000, obtaining as collateral a pledge of assets including Global Hawk's account ***0101 at Stifel.

22. GCIB did not provide the Captive Manager with account statements from Stifel. Instead, GCIB provided the Captive Manager by e-mail with copies of monthly QuantBridge statements that claimed to report amounts held in Stifel accounts ***0101 and ***2396. The Captive Manager prepared annual statements reporting Global Hawk's assets on the basis of assets that QuantBridge reported were held at Stifel rather than the assets that Stifel had actually reported to Thandi and GCIB.

23. The defendants engaged in a scheme to defraud and obtain money from Global Hawk. Pursuant to the scheme, Thandi transferred Global Hawk assets out of its accounts, Thandi and GCIB created monthly bank statements falsely reporting deposits or omitting transfers and overstating Global Hawk assets, Padda created QuantBridge statements falsely representing assets held at Stifel to conceal transactions and overstate Global Hawk's assets, the monthly bank statements and QuantBridge statements were provided to the Captive Manager to be reflected in Global Hawk's accounts, and Thandi signed false annual statements for submission to the Vermont Department. The purpose of the scheme was to conceal the transfers of Global Hawk assets out of Global Hawk and to overstate Global Hawk's assets so that it appeared solvent and could continue to do business to the defendants' benefit.

Paying Off Loans Benefitting Others with Global Hawk Assets

24. Thandi borrowed more than \$14 million from Stifel in Global Hawk's name, used all but \$175,000 of the borrowed funds for purposes unrelated to Global Hawk, and repaid the loan with Global Hawk funds.

25. Thandi drew a total of \$13,875,000 from Stifel under the SPA loan account ***1745 line of credit. There was no legitimate business purpose to borrow these funds, and the loan proceeds were not used to benefit Global Hawk. All of the loan proceeds were deposited to a GCIB account at Bank of the West (account ***6186). Global Hawk's general ledger does not reflect the receipt of any of these SPA loan proceeds. Global Hawk's 2016 Annual Statement does not report the existence of any borrowed money.

26. In 2017, Thandi drew \$13,943,035.63 from Stifel SPA loan account ***7833. These funds were used to pay off the earlier loan (SPA loan account ***1745). Thandi also drew \$175,000 from SPA loan account ***7833 which was deposited in a Global Hawk account at Bridge Bank (account ***0831). Global Hawk's general ledger recorded receipt of the \$175,000 as a transfer from "Quantbridge Capital LLC". Global Hawk's 2017 Annual Statement and its 2018 Annual Statement do not report the existence of any borrowed money.

27. Thandi paid off the second Stifel SPA loan (SPA loan account ***7833) in February and March 2019. Of the total of \$14,548,564.88 paid to pay off the second SPA loan, at least \$10,767,157.08 came from Global Hawk. On January 31, 2019, Thandi directed Stifel to transfer \$10,719,614.91 from Stifel account ***0101 (belonging to Global Hawk) to Stifel loan account ***7833. The transfer was made on February 4, 2019. On February 4, 2019, Thandi directed Stifel to transfer \$47,542.17 from Stifel account ***0101 to Stifel loan account

***7833. The transfer was made on February 5, 2019. There was no legitimate business purpose for making these transfers.

False Capital Contributions to Global Hawk

28. Thandi and GCIB falsely documented purported capital contributions to Global Hawk by preparing false bank deposit receipts and bank statements and providing those statements to the Captive Manager.

29. During 2017 and 2018, the Vermont Department requested that Global Hawk improve its capital position. On September 22, 2017 and January 5, 2018, Global Hawk submitted updates to Global Hawk's Company Action Plan signed by Thandi to the Vermont Department. In those updates, Thandi reported Global Hawk's "sponsor" or "founding member", American Freight Forwarders & Transportation, Inc. ("AFF"), had made and agreed to make additional capital contributions to Global Hawk in exchange for increases in the amount of the Subordinated Surplus Note Global Hawk had previously issued to AFF. (A "surplus note" is a note repayment of which is subject to certain restrictions, including approval by the Vermont Department, so that amounts paid to the insurer for the note are treated as capital, not debt, for statutory accounting purposes.) AFF is the founding member of Global Hawk. Thandi is and has been the President and sole stockholder of AFF, and he controls AFF.

30. The January 5, 2018 update to Global Hawk's Company Action Plan signed by Thandi reported that AFF made contributions to Global Hawk increasing the amount of the surplus note by \$13.6 million in 2017. Thandi signed Addenda Nos. 6-10 to the Subordinated Surplus Note increasing the amount of the Surplus Note to reflect these contributions. In fact, no more than \$3,000,000 in capital contributions were made to Global Hawk in 2017. Thandi knew that the reported total of \$13.6 million in 2017 capital contributions was false.

31. GCIB provided the Captive Manager with purported deposit records and bank statements showing capital contributions totaling \$13,600,000 to Global Hawk in 2017 by deposits into Mechanic's Bank account ***8399. GCIB sent an email to the Captive Manager attaching a scanned copy of a \$3,000,000 check from AFF signed by Thandi and a deposit slip purporting to show a deposit of \$3,000,000 to Global Hawk's Mechanics Bank account ***8410 on March 3, 2017. The Liquidator has been unable to confirm whether Thandi and AFF made this deposit. However, a transfer of \$3,000,000 was made from account ***8410 to Global Hawk's Mechanics Bank account ***8399 on March 16, 2017. This may represent a true contribution to Global Hawk, or it may be only a transfer of previously held amounts from one Global Hawk account to another.

32. GCIB also sent emails to the Captive Manager attaching a scanned copy of a \$3,000,000 check signed by Thandi from Thandi's personal account at Wells Fargo Bank and a deposit receipt showing a \$3,000,000 deposit in Mechanics Bank account ***8399 on May 26, 2017; a scanned copy of a \$3,600,000 check signed by Thandi from Thandi's personal account and a deposit receipt showing a \$3,600,000 deposit in account ***8399 on June 22, 2017; a scanned copy of a deposit receipt showing a \$1,000,000 deposit in account ***8399 on August 14, 2017; and a scanned copy of a deposit receipt showing a \$3,000,000 deposit in account ***8399 on November 30, 2017. The deposit receipts provided to the Captive Manager for these capital contributions totaling \$10,600,000 were false.

33. GCIB provided the Captive Manager with monthly Mechanics Bank statements for account ***8399. The statements provided to the Captive Manager for the relevant months in 2017 show (among other transactions) deposits of \$3,000,000 on May 26, 2017, \$3,600,000 on June 22, 2017, \$1,000,000 on August 14, 2017, and \$3,000,000 on November 30, 2017. The

Liquidator has compared the monthly statements provided to the Captive Manager with statements obtained from Mechanic's Bank for the period January through December 2017. The statements provided to the Captive Manager showing those deposits were false. The actual deposits shown on the genuine monthly statements obtained from Mechanics Bank were \$300 on May 26, 2017, \$360 on June 22, 2017, \$100 on August 14, 2017, and \$300 on November 30, 2017. The statements provided to the Captive Manager overstated the assets held in the account as follows:

Month	Statement provided to Captive Manager	Actual Statement	Difference
Dec-16	\$ 510,448	\$ 510,448	\$ -
Jan-17	510,448	510,448	-
Feb-17	510,448	510,448	-
Mar-17	2,010,448	2,010,448	-
Apr-17	2,010,448	2,010,448	-
May-17	4,653,369	2,064,277	(2,589,092)
Jun-17	10,263,817	2,064,637	(8,199,180)
Jul-17	8,776,856	4,577,676	(4,199,180)
Aug-17	5,276,856	77,766	(5,199,090)
Sep-17	77,766	77,766	-
Oct-17	77,766	77,766	-
Nov-17	3,077,766	78,066	(2,999,700)
Dec-17	78,066	78,066	-

34. The March 2017 Mechanics Bank monthly statement provided to the Captive Manager falsely reported that \$1,500,000 had been transferred to Stifel during the month. The March 2017 statement provided to the Liquidator by Mechanics Bank shows a check for \$1,000,000 to GCIB and a second check to "cash" for \$500,000. The July 2017 Mechanics Bank statement provided to the Captive Manager falsely reported that \$4,000,000 had been transferred to Stifel during the month. The July 2017 statement provided to the Liquidator by Mechanics Bank shows no outflows during the month. The August 2017 Mechanics Bank monthly

statement provided to the Captive Manager falsely reported that \$4,500,000 had been transferred to Stifel during the month. The August 2017 statement provided to the Liquidator by Mechanics Bank shows a \$4,500,000 check to “Houston Management Consulting, Inc.” The September 2017 Mechanics Bank monthly statement provided to the Captive Manager falsely reported that \$5,200,000 had been transferred to Stifel during the month. The September 2017 statement provided to the Liquidator by Mechanics Bank shows no account activity. The December 2017 Mechanics Bank monthly statement provided to the Captive Manager falsely reported that \$3,000,000 had been transferred to Stifel during the month. The December 2017 statement provided to the Liquidator by Mechanics Bank shows no account activity.

35. GCIB provided the Captive Manager with purported deposit records and bank statements showing capital contributions totaling \$9,500,000 to Global Hawk in 2018 made by deposits into Mechanic’s Bank account ***8399. Thandi signed Addenda Nos. 11-15 to the Subordinated Surplus Note increasing the amount of the Surplus Note to reflect these contributions. GCIB sent emails to the Captive Manager attaching scanned copies of deposit receipts purporting to show deposits of \$2,000,000 on January 1, 2018, \$2,500,000 on February 28, 2028, \$2,500,000 on May 15, 2018, and \$2,000,000 on June 1, 2018, and a photograph of a deposit receipt for a deposit of \$500,000 on June 12, 2018. Of these asserted deposits, only the \$500,000 deposit on June 12, 2018 was real. The deposit receipts for the other \$9,000,000 in capital contributions were false.

36. GCIB provided the Captive Manager with monthly Mechanics Bank statements for account ***8399. The statements provided to the Captive Manager for the relevant months in 2018 show (among other transactions) deposits of \$2,000,000 on January 1, 2018, \$2,500,000 on February 28, 2028, \$2,500,000 on May 15, 2018, and \$2,000,000 on June 1, 2018. The

Liquidator has compared the monthly statements provided to the Captive Manager with statements obtained from Mechanic's Bank for the period January through December 2018. The statements provided to the Captive Manager showing those deposits were false. The actual deposits shown on the genuine monthly statements obtained from Mechanics Bank were \$200 on January 3, 2018, \$250 on February 28, 2018, \$250 on May 15, 2018, and \$200 on June 1, 2018. The statements provided to the Captive Manager overstated the assets held in the account as follows:

Month	Statement provided to Captive Manager	Actual Statement	Difference
Dec-17	\$ 78,066	\$ 78,066	\$ --
Jan-18	2,078,066	78,266	(1,999,800)
Feb-18	4,578,066	78,516	(4,499,550)
Mar-18	4,578,066	78,516	(4,499,550)
Apr-18	4,578,066	78,516	(4,499,550)
May-18	7,078,066	78,766	(6,999,300)
Jun-18	9,078,066	78,966	(8,999,100)
Jul-18	9,078,066	78,966	(8,999,100)
Aug-18	9,078,066	8,966	(9,069,100)
Sep-18	9,008,066	8,966	(8,999,100)
Oct-18	9,008,066	8,966	(8,999,100)
Nov-18	9,008,066	8,966	(8,999,100)
Dec-18	8,966	8,966	--

37. The December 2018 Mechanics Bank monthly statement provided to the Captive Manager falsely reported that on December 3, 2018 \$9,000,000 (the amount of the false capital contributions) was wired from account ***8399 to Stifel. The actual Mechanics Bank statement shows no such transfer.

Misappropriation of Global Hawk Assets

38. Thandi and GCIB hid transfers of Global Hawk assets by providing the Captive Manager with false bank and investment statements.

39. The March 2017 monthly Mechanics Bank statement for account ***8399 provided to the Captive Manager falsely stated that \$1,500,000 was transferred from Global Hawk's bank account to Stifel and the general ledger falsely shows these funds as deposited with "Quantbridge Capital, LLC". The genuine March 2017 monthly statement for account ***8399 provided to the Liquidator by Mechanics Bank shows, instead, that Thandi signed check number 1091 on February 28, 2017 (paid on March 1, 2017) that was made out in the amount of \$500,000 to the order of "Cash for Cashier's Check" and that Thandi signed check number 1092 on March 16, 2017 (paid on March 17, 2017) that was made out in the amount of \$1,000,000 to the order of GCIB. There were no legitimate business purposes for these checks.

40. The August 2017 monthly Mechanics Bank statement for account ***8399 provided to the Captive Manager falsely stated that \$4,500,000 was transferred from Global Hawk's bank account to Stifel and the general ledger falsely shows these funds as deposited with "Quantbridge Capital, LLC". The genuine August 2017 monthly statement for account ***8399 provided to the Liquidator by Mechanics Bank shows, instead, a cashier's check made out in the amount of \$4,500,000 to "Houston Management Consulting Inc." There was no legitimate business purpose for this check.

41. The monthly Bridge Bank statements for account ***0831 provided to the Captive Manager for the months March through December 2018 were false. The Liquidator has compared the monthly statements provided to the Captive Manager with statements obtained

from Bridge Bank. The statements provided to the Captive Manager falsely omitted withdrawals from the Global Hawk account and overstated assets held in the account as follows:

Month	Statement Provided to Captive Manager	Actual Statement	Difference
Dec-17	\$ 3,541	\$ 3,541	\$ -
Jan-18	59,815	59,815	-
Feb-18	841,658	841,658	-
Mar-18	2,779,241	399,241	(2,380,000)
Apr-18	5,600,199	120,199	(5,480,000)
May-18	9,409,110	1,629,109	(7,780,000)
Jun-18	8,259,242	479,241	(7,780,000)
Jul-18	8,870,689	40,688	(8,830,000)
Aug-18	8,981,357	151,356	(8,830,000)
Sep-18	8,895,957.00	65,956	(8,830,000)
Oct-18	8,155,816.00	38,815	(8,117,000)
Nov-18	8,117,080.00	80	(8,117,000)
Dec-18	50,100.00	50,100	0

42. The transactions omitted from the Bridge Bank statements provided to the Captive Manager were principally wire transfers to Stifel account ***7240. That account is not a Global Hawk account. The account is in the name of Grey's Investment Inc. For example, the May 2018 statement for Bridge Bank account ***0831 that was provided to the Captive Manager shows deposits of \$7,032,660.29 and debits of \$3,223,750.00. The genuine May 2018 statement for Bridge Bank account **0831 that was provided by the bank shows the same deposits of \$7,032,660.29 but debits of \$5,523,750.00. The debits omitted from the statement provided to the Captive Manager were a \$300,000 transfer to a non-Global Hawk account at Bridge Bank (ending ***7363) on May 3, 2018, a \$1,000,000 transfers to the Grey's Investment account at Stifel on May 25, 2018, and a second \$1,000,000 transfer to the Grey's Investment account at Stifel on May 29, 2018.

43. Thandi incorporated Grey's Investment Inc., a California corporation, on April 5, 2016. Thandi is the Chief Executive Officer, Secretary, Chief Financial Officer and sole director of Grey's Investment Inc.

44. While there were some small transfers from the Grey's Investment account at Stifel to the Global Hawk account at Bridge Bank in late 2018 and early 2019, the net effect of the transfers was to transfer \$3,525,497 from Global Hawk's account at Bridge Bank (account ***0831) to the Grey's Investment account at Stifel (account ***7240). There was no legitimate business purpose for this net transfer.

45. The December 2018 Bridge Bank monthly statement provided to the Captive Manager falsely reported that on December 1, 2018 \$8,117,000 was wired from account ***0831 to Stifel. The actual Bridge Bank statement shows no such transfer.

46. On February 5, 2019, Thandi directed Stifel to transfer \$1,189,524.21 from Stifel account ***0101 (belonging to Global Hawk) to Bridge Bank account ***4464 for Advent Fund Ltd. Bridge Bank account ***4464 is not a Global Hawk account. There was no legitimate business reason for Global Hawk to make this transfer. Thandi confirmed the wire instruction by telephone on February 6, 2020, describing it to Stifel as an "outside investment".

QuantBridge Account Statements Falsely Reporting or Omitting Transfers

47. Padda prepared a QuantBridge statement for Global Hawk "Account Number QN*****0101" for December 2018. The QuantBridge statement reported that the \$8,117,000.00 in funds purportedly transferred from Global Hawk's Bridge Bank account on December 1, 2018 were received in Stifel account no. ***2396 owned by Global Hawk. The statement was false. The Stifel statement for December 2018 obtained by the Liquidator reveals that no such funds were received in Stifel account no. ***2396.

48. The QuantBridge statement for Global Hawk for “Account Number QN*****0101” for December 2018 prepared by Padda also reported that the \$9,000,000.00 in funds purportedly transferred from Global Hawk’s Mechanics Bank account on December 3, 2018 were received in Stifel account no. ***2396 owned by Global Hawk. The statement was false. The Stifel statement for December 2018 obtained by the Liquidator reveals that no such funds were received in Stifel account no. ***2396.

49. The December 2018 QuantBridge statement falsely stated that \$17,117,000 had been contributed to Stifel account ***2396 in December 2018 and that the value of assets in the account on December 31, 2018 was \$30,352,677.23. Stifel’s December 2018 statement for account ***2396 reveals that there had been no deposits in the month of December and that the value of the account on December 31, 2018 was \$88,663.78.

50. Thandi and GCIB received the Stifel statement (reflecting no receipt of funds and assets of \$88,663.78) and the QuantBridge statement (falsely claiming that the funds had been received by Stifel and reporting assets of \$30,352,677.23) at GCIB. GCIB entered the false cash transactions from the QuantBridge statement in Global Hawk’s general ledger. GCIB forwarded the QuantBridge statement to the Captive Manager who entered the false asset information that they contained in Global Hawk’s balance sheet.

51. Padda prepared QuantBridge statements for Global Hawk “Account Number QN***** 0101” for February 2019. The statement reported that \$425,000 was withdrawn from Stifel account ***0101 in February. Stifel’s February 2019 statement obtained by the Liquidator reveals that \$11,956,699.29 was actually withdrawn in February 2019. The QuantBridge statement omitted the \$10,719,614.91 transfer on February 4, 2019, the \$47,542.17 transfer on

February 5, 2019, and the \$1,189,542.21 transfer on February 6, 2019. The QuantBridge statement overstated the Global Hawk assets held in the Stifel account.

52. Thandi and GCIB received the Stifel statement (reflecting \$11,956,669.29 in withdrawals and assets of \$101,400) and the QuantBridge statement (reflecting \$425,000 of withdrawals and assets of \$43,570,484) at GCIB. GCIB entered the false withdrawal figures from the QuantBridge statement in Global Hawk's general ledger. GCIB forwarded the QuantBridge statement to the Captive Manager who entered the false asset information that they contained in Global Hawk's balance sheet.

53. Padda prepared the December 2018 and February 2019 QuantBridge statements knowing the statements were false.

54. Thandi and GCIB received the December 2018 and February 2019 statements from Stifel, knew that they were accurate, and failed to ensure that their information was entered in Global Hawk's general ledger and reported to the Captive Manager. Thandi and GCIB received the December 2018 and February 2019 statements from QuantBridge, knew that they were false, and provided them for use in generating Global Hawk's general ledger and for circulation to the Captive Manager.

QuantBridge Statements Falsely Reporting Global Hawk Assets

55. Padda created QuantBridge statements for Global Hawk that misrepresented the assets held by Stifel for Global Hawk. These statements were transmitted to GCIB by mail or electronic mail, transmitted by GCIB to the Captive Manager by electronic mail, and used by the Captive Manager to prepare Global Hawk's accounts and financial statements. The Captive Manager did not receive statements from Stifel.

56. The QuantBridge statement for December 2017 stated that Stifel held \$39,831,937 in Global Hawk assets, including \$28,009,782 in cash and cash equivalents on December 31, 2017. These statements were false. The Stifel statements for December 2017 obtained by the Liquidator reveal that Stifel held \$21,898,152 for Global Hawk, including \$9,785,336 in cash or cash equivalents, on December 31, 2017.

57. The QuantBridge statement for December 2018 stated that Stifel held \$45,942,805 in Global Hawk assets, including \$44,920,066 in cash and cash equivalents on December 31, 2018. These statements were false. The Stifel statements for December 2018 obtained by the Liquidator reveal that Stifel held \$12,120,108 for Global Hawk, including \$11,097,369 in cash or cash equivalents, on December 31, 2018.

58. The QuantBridge statement for December 2019 stated that Stifel held \$38,319,855 in Global Hawk assets, including \$17,856,128 in cash and cash equivalents, on December 31, 2019. These statements were false. Stifel held no Global Hawk assets on December 31, 2019 because the Stifel accounts were closed earlier in 2019.

59. Padda created QuantBridge statements for the months April 2019 to December 2019 reporting Global Hawk assets purportedly held by Stifel as custodian. The statements reported that Global Hawk had cash and invested assets of at least \$38 million at Stifel throughout the period as follows:

Date	Long-Term Bonds	Common Stocks	Cash & Cash Equivalents	Total
4/30/19	\$15,716,500	-	\$27,028,369	\$42,744,869
5/31/19	\$18,724,000	\$1,295,475	\$22,580,121	\$42,599,596
6/30/19	\$18,786,000	\$1,383,198	\$22,185,132	\$42,354,330
7/31/19	\$18,823,800	\$1,408,260	\$21,926,156	\$42,158,216
8/31/19	\$18,864,900	\$1,383,519	\$21,919,879	\$42,168,298
9/30/19	\$18,895,800	\$1,400,100	\$20,545,800	\$40,841,700
10/31/19	\$18,000,200	\$1,442,106	\$19,948,633	\$39,390,939
11/30/19	\$18,895,300	\$1,496,700	\$19,417,026	\$39,809,026
12/31/19	\$18,924,100	\$1,539,627	\$17,856,128	\$38,319,855

The statements were false. Global Hawk account ***2396 at Stifel was closed in January 2019, and Global Hawk account ***0101 at Stifel was closed in March 2019. Global Hawk had no accounts at Stifel during the April 2019 to December 2019 period. Thandi gave the instructions that closed the Stifel accounts.

60. Padda prepared these QuantBridge statements knowing they were false.

61. Thandi and GCIB received the QuantBridge statements, knew that they were false, and provided them to the Captive Manager for entry in Global Hawk's books and records.

62. In late April and early May 2020, the Captive Manager (who also served as an independent director of Global Hawk) asked Thandi for the Stifel account statements showing assets held at Stifel. Thandi ignored those requests. On May 1, 2020, the Captive Manager spoke with personnel at Stifel to request copies of Stifel account records and was informed that Mr. Thandi, the authorized signatory on the accounts, had denied that request.

False Annual Statements filed with the Vermont Department

63. As a Vermont-domiciled captive insurance company and risk retention group, Global Hawk is required by 8 V.S.A. § 6007 to file with the Vermont Department annual

statements verified by oath of two of its executive officers. Global Hawk submitted annual statements to the Vermont Department for the years ending December 31, 2017 (“2017 Annual Statement”), December 31, 2018 (“2018 Annual Statement”) and December 31, 2019 (“2019 Annual Statement”).

64. The 2017 Annual Statement, the 2018 Annual Statement, and the 2019 Annual Statement were all signed under oath by Thandi, the President and Treasurer of Global Hawk. Thandi signed the 2017 Annual Statement for submission to the Vermont Department before a California notary on February 22, 2018. He signed the 2018 Annual Statement for submission to the Vermont Department before a California notary on February 25, 2019. He signed the 2019 Annual Statement for submission to the Department before a California notary on February 20, 2020. In each annual statement, Thandi stated under oath as follows:

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended

65. The 2017 Annual Statement, the 2018 Annual Statement, and the 2019 Annual Statement, all signed in California, were transmitted to Captive Manager in Vermont by mail and wire for the purpose of filing with the Vermont Department in Vermont.

66. Each Annual Statement represented that Global Hawk was solvent. The 2017 Annual Statement stated that Global Hawk had total assets of \$59,611,642, total liabilities of \$52,501,639 and a surplus as regards policyholders (net worth) of \$7,110,272 at December 31, 2017. The 2018 Annual Statement stated that Global Hawk had total assets of \$49,340,660, total liabilities of \$43,114,748 and a surplus as regards policyholders of \$6,225,912 at December 31,

2018. The 2019 Annual Statement stated that Global Hawk had total assets of \$42,667,804, total liabilities of \$34,926,995 and a surplus as regards policyholders of \$7,740,809 at December 31, 2019. The statements representing total assets and surplus as regards policyholders in each Annual Statement were false.

67. The Global Hawk 2017 Annual Statement stated that Global Hawk's cash and invested assets totaled \$47,631,010, including as stated in Schedule E Part 1 \$28,009,782 in cash held by Stifel at December 31, 2017. The stated cash amount held by Stifel was based on the December 2017 QuantBridge statement and, as described above, was false. The Stifel statement for December 2017 reported holding \$9,785,336 in cash. Reports from depository and custodial institutions available to the Liquidator indicate Global Hawk's cash and invested assets totaled \$27,810,027 at December 31, 2017. Using this confirmed cash and invested assets amount instead of the inflated assets based on the QuantBridge statement, Global Hawk was insolvent on December 31, 2017 with a negative surplus as regards policyholders of (\$12,710,711).

68. The Global Hawk 2018 Annual Statement stated that Global Hawk's cash and invested assets totaled \$44,723,221, including as stated in Schedule E Part 1 \$44,920,066 in cash held by Stifel at December 31, 2018. The stated cash amount held by Stifel was based on the QuantBridge December 2018 statement and, as described above, was false. The Stifel statement for December 2018 reported holding \$11,097,369 in cash. Reports from depository and custodial institutions available to the Liquidator indicate Global Hawk's cash and invested assets totaled \$12,798,108 at December 31, 2018. Using this confirmed cash and invested assets amount instead of the inflated assets based on the QuantBridge statement, Global Hawk was insolvent on December 31, 2018 with a negative surplus as regards policyholders of (\$25,699,200).

69. The Global Hawk 2017 Annual Statement and the 2018 Annual Statement both state that Global Hawk's liability for borrowed money was \$0. This was false in light of the SPA loans from Stifel that were omitted from Global Hawk's books but paid off with Global Hawk assets in February 2019.

70. The Global Hawk 2019 Annual Statement stated that Global Hawk's cash and invested assets totaled \$37,563,922, including as stated in Schedule E Part 1 \$17,856,128 in cash held by Stifel at December 31, 2019. The stated cash amount held by Stifel was based on the QuantBridge December 2019 statement and, as described above, was false. The accounts at Stifel had been closed earlier in 2019. Reports from depository and custodial institutions available to the Liquidator indicate that Global Hawk's cash and invested assets totaled \$609,481 at December 31, 2019. Using this confirmed cash and invested assets amount instead of the inflated assets based on the QuantBridge statement, Global Hawk was insolvent on December 31, 2019 with a negative surplus as regards policyholders of (\$29,213,632).

71. Thandi signed the 2017 Annual Statement, the 2018 Annual Statement, and the 2019 Annual Statement for submission to the Vermont Department knowing the annual statements falsely represented Global Hawk's assets and its surplus as regards policyholders.

Benefit to GCIB, Thandi, QuantBridge and Padda

72. The managing general agent relationship between GCIB and Global Hawk allowed GCIB to collect fees while Global Hawk remained solvent and in business, to the benefit of GCIB and Thandi, the President and 100% owner of GCIB. GCIB was paid significant sums each year by Global Hawk to manage Global Hawk's business pursuant to the managing general agent agreement. In 2017, Global Hawk paid GCIB \$5,226,239; in 2018, \$2,663,547; and in

2019, \$2,687,121. GCIB and Thandi, as GCIB's President and owner, had an incentive to inflate Global Hawk's assets and represent that Global Hawk was solvent even if it was not.

73. The investment advisor contract between QuantBridge and Global Hawk provided for QuantBridge to collect fees. The information available to the Liquidator does not indicate that QuantBridge was paid any fees for its services by Global Hawk. Padda at QuantBridge prepared monthly statements during at least 2018 and 2019. On information and belief, Padda and QuantBridge received some benefit for preparing the statements and had an incentive to inflate Global Hawk's assets to permit GCIB and Thandi to represent, even falsely, that Global Hawk was solvent.

Insolvency of Global Hawk

74. The Vermont Department relied upon the representations as to Global Hawk's assets and surplus as regards policyholders in the 2017, 2018 and 2019 Annual Statements (as well as Thandi's commitments to infuse additional capital through AFF) in allowing Global Hawk to continue doing business. If the Vermont Department had been aware in 2018 or 2019 that Global Hawk was insolvent or that the capital contributions had not actually been made, the Department would have acted to stop Global Hawk from continuing in business.

75. On May 15, 2020, shortly after the Vermont Department became aware that Global Hawk's assets were materially overstated, such that the company was insolvent, the Commissioner filed an *ex parte* Petition for Seizure Order with the Vermont Court. The Vermont Court entered an order (the "Seizure Order") on May 20, 2020. The Seizure Order enjoined the further transaction of business by Global Hawk without the prior written consent of the Commissioner or his designee. The Commissioner subsequently filed an Assented-to

Petition for Order of Liquidation for Global Hawk with the Vermont Court on June 5, 2020. The Vermont Court issued the Order of Liquidation for Global Hawk on June 8, 2020.

76. Using the cash and invested assets reported on reports from depository and custodial institutions available to the Liquidator and otherwise accepting the assets and liabilities as set forth in the Annual Statements, Global Hawk was insolvent by \$12,710,711 on December 31, 2017, by \$25,699,200 on December 31, 2018, and by \$29,213,632 on December 31, 2019. By allowing Global Hawk to continue in business, the false Annual Statements harmed Global Hawk by allowing it to incur operating losses and allowing its insolvency to increase. The deepened insolvency harmed Global Hawk. It also harmed Global Hawk's policyholders and other creditors, who will receive smaller distributions on their claims.

“Ghost” Policies

77. Since 2005, GCIB has managed the business of Global Hawk pursuant to a managing general agent agreement. Under the managing general agent agreement, GCIB has been obligated to handle the issuance of policies, the invoicing and collection of premium from insureds, and the payment of premium to Global Hawk, among other things.

78. Pursuant to the managing general agent agreement, GCIB provided the Captive Manager with a premium report each month providing information concerning new and renewal policies for the period and the premium for those policies. The Captive Manager used the information in the reports in preparing Global Hawk's accounts and financial statements.

79. The premium reports did not include all the policies GCIB issued in Global Hawk's name. The Liquidator has received inquiries from a number of insurance producers regarding coverage that they had placed with Global Hawk through GCIB but which the Liquidator has been unable to locate in Global Hawk's records. The producers provided copies

of quotes, binders, policies, and other materials referencing Global Hawk policies with prefix codes (such as CALQ##### and NVLQ#####) that do not appear in the policy databases produced by GCIB. GCIB had not reported policies with such “Q” prefix codes to the Captive Manager. Policies issued by GCIB, a managing general agent with authority to bind Global Hawk, that do not appear in Global Hawk’s records are referred to as “ghost policies”.

80. The Liquidator obtained a database from the Federal Motor Carrier Safety Administration showing all Global Hawk commercial auto policies reported to the United States Department of Transportation from January 1, 2017 to August 12, 2020. Comparison of that database with the databases provided by GCIB reveals 512 “ghost policies”, the first of which was effective in June of 2019. More than half of the new policies issued by GCIB during the last eleven months of Global Hawk’s operations were not reflected in Global Hawk’s records. Global Hawk’s exposure on those policies is unknown.

81. On August 18, 2020, the Liquidator requested that Thandi and GCIB comment on the “ghost policies” situation. They have not responded.

82. GCIB did not report these policies to the Captive Manager on the premium reports. Global Hawk was not paid the premium or capital contributions due for these policies. On information and belief, GCIB collected and retained the premium and capital contributions due on these policies.

Member Capital Contributions

83. As a risk retention group, Global Hawk could only issue policies to persons who were members. See 8 V.S.A. § 6002(a)(5). Under Global Hawk’s Second Amended and Restated Articles of Incorporation and Second Amended and Restated Bylaws (effective June 24, 2014), new members of Global Hawk were required to make a capital contribution (denominated

a supplemental premium contribution) to become members. The Board of Directors set the capital contribution at \$200.

84. GCIB included the \$200 capital contribution as a separate “broker fee” on premium invoices to insureds. The Liquidator has learned that GCIB included the \$200 capital contribution as a charge on invoices to policyholders who were not new members. On information and belief, GCIB collected the capital charge on all policies, including renewal policies, not just on policies issued to new members. The Captive Manager identified new members from the new policies listed on the premium reports provided by GCIB. The Captive Manager requested payment of the capital contribution to Global Hawk from GCIB based on the number of new policies and members identified from those reports. On information and belief, GCIB retained the capital contributions on renewal policies.

COUNT I

VIOLATION OF THE RACKETEER INFLUENCED AND CORRUPT ORGANIZATIONS ACT AGAINST THANDI, PADDA, GCIB AND QUANTBRIDGE

85. The Liquidator incorporates the allegations of paragraphs 1 - 84 above.

86. Defendants Thandi, Padda, GCIB and QuantBridge violated the Racketeer Influenced and Corrupt Organizations Act (“RICO”) by conducting or participating, directly or indirectly, in the conduct of an enterprise’s affairs through a pattern of racketeering activity in violation of 18 U.S.C. § 1962(c).

87. Thandi, acting as officer of Global Hawk and GCIB, and Padda, acting as portfolio manager of QuantBridge, associated for the common purpose of defrauding Global Hawk through the misappropriation of its assets and misrepresentation of its financial condition to cover up the theft and enable it to continue in business for their benefit. Each defendant conducted or participated in this enterprise.

88. Thandi conducted or participated in the enterprise by directing the transfer of Global Hawk funds into accounts not owned by Global Hawk without a legitimate business purpose, directing the creation of and creating records falsely representing capital contributions to Global Hawk, directing the creation of false bank statements misrepresenting deposits and transfers and overstating Global Hawk assets, and knowingly signing false annual statements that overstated Global Hawk's assets.

89. Padda conducted or participated in the enterprise by knowingly preparing false QuantBridge account statements that misrepresented Global Hawk assets purportedly held in Stifel accounts.

90. GCIB conducted or participated in the enterprise as managing general agent of Global Hawk through the above-described actions of its officer Thandi.

91. QuantBridge conducted or participated in the enterprise as investment advisor to Global Hawk through the above-described actions of its portfolio manager Padda.

92. The defendants conducted the enterprise through a pattern of racketeering activity as defined in 18 U.S.C. § 1961 consisting of at least two acts of mail or wire fraud in violation of 18 U.S.C. §§ 1341 or 1343. The defendants' scheme to defraud Global Hawk was furthered by use of the interstate mail or wires.

93. Thandi knowingly signed in California under oath the 2017, 2018 and 2019 Annual Statements that misrepresented Global Hawk's assets for transmission to the Vermont Department in Vermont. Those Annual Statements concealed Global Hawk's insolvent financial condition and enabled it to continue in business so that GCIB and Thandi could continue to make money from Global Hawk. The Annual Statements were transmitted to the Vermont Department by interstate mail or wire.

94. Padda -- purporting to act from New York but possibly operating from California -- knowingly prepared the QuantBridge statements that misrepresented or omitted transactions and misrepresented the Global Hawk assets held by Stifel for transmission to GCIB in California and by GCIB to the Captive Manager in Vermont. He issued such QuantBridge statements during at least 2018, 2019, and 2020. The QuantBridge statements provided the basis for assets reported in the 2017, 2018 and 2019 Annual Statements that misrepresented Global Hawk's insolvent financial condition. The QuantBridge statements were transmitted to GCIB by mail or wire.

95. These predicate acts of mail or wire fraud continued from at least 2018 into 2020. These acts of mail or wire fraud enabled Global Hawk to continue to operate. The scheme would have continued into the future if Global Hawk's insolvency had not been discovered by the Vermont Department and the Order of Liquidation had not been entered.

96. Global Hawk has been injured by the violation of 18 U.S.C. § 1962(c). Global Hawk has suffered the loss of assets transferred out of its accounts without a legitimate business purpose. Global Hawk has been further injured because it would not have continued in business beyond early 2018 if its true financial condition had not been concealed. It has been injured by the operating losses and deepening insolvency it incurred after that time.

97. The Liquidator is accordingly entitled to threefold the damages sustained and the costs of this suit, including a reasonable attorney's fee, pursuant to 18 U.S.C. § 1964(c).

COUNT II

BREACH OF FIDUCIARY DUTY AGAINST THANDI AND GCIB

98. The Liquidator realleges the allegations set forth in paragraphs 1 - 97 above.

99. Thandi, as President, Treasurer and Director of Global Hawk, owed fiduciary duties to Global Hawk.

100. Thandi breached his fiduciary duties to Global Hawk by directing the transfer of Global Hawk funds into accounts not owned by Global Hawk without a legitimate business purpose, obtaining unauthorized loans pledging Global Hawk assets, directing the creation of and creating records falsely representing capital contributions to Global Hawk, directing the creation of false bank statements misrepresenting deposits and transfers and overstating Global Hawk assets, and knowingly signing false annual statements that overstated Global Hawk's assets to conceal the misappropriation and perpetuate Global Hawk's business despite its insolvency.

101. GCIB owed fiduciary duties to Global Hawk as managing general agent of Global Hawk. Under the managing agency agreement dated February 1, 2005, as amended, GCIB agreed to manage Global Hawk's business, operate an underwriting department, operate an accounting department, operate a customer service department, operate a risk management department, and have an on-site claims office and manager. These duties were extensive and created a relationship of trust that was fiduciary in nature.

102. GCIB, acting by its President Thandi and others, breached its fiduciary duties to Global Hawk by directing the transfer of Global Hawk funds into accounts not owned by Global Hawk without a legitimate business purpose, obtaining unauthorized loans pledging Global Hawk assets, creating records falsely representing capital contributions to Global Hawk, directing the creation of false bank statements misrepresenting deposits and transfers and overstating Global Hawk assets, by knowingly submitting false annual statements that overstated Global Hawk's assets to the Vermont Department to conceal the misappropriation and perpetuate

Global Hawk's business despite its insolvency, and by failing to report the "ghost policies" it had issued and to remit the associated premium and capital contributions to Global Hawk.

103. Global Hawk has been damaged by the breaches of fiduciary duties. Global Hawk has suffered the loss of assets transferred out of its accounts without a legitimate business purpose, it has been further injured by its operating losses and deepening insolvency, and it has been exposed to liability on the "ghost policies" without receipt of accompanying premium and capital contributions.

104. The conduct of Thandi and GCIB was deliberate and egregious conduct aimed at securing financial gain at Global Hawk's expense, and it warrants the award of punitive damages.

COUNT III

BREACH OF FIDUCIARY DUTY AGAINST PADDA AND QUANTBRIDGE

105. The Liquidator realleges the allegations set forth in paragraphs 1 - 104 above.

106. QuantBridge owed fiduciary duties to Global Hawk as investment advisor to Global Hawk given discretionary authority in the investment management authorization with right to withdraw investment management fees only dated August 9, 2016.

107. As the individual investment adviser to Global Hawk at QuantBridge, Padda owed fiduciary duties to Global Hawk.

108. QuantBridge and Padda breached their fiduciary duties to Global Hawk by knowingly providing Global Hawk with QuantBridge statements that misrepresented the transfers of assets from Global Hawk and overstated the Global Hawk assets held by Stifel.

109. Global Hawk was damaged by the breaches of fiduciary duties. As a result of Padda and QuantBridge's concealing the misappropriation of Global Hawk assets and providing

false QuantBridge statements used as the basis for annual statements that misrepresented Global Hawk's solvency, Global Hawk has been damaged. It has suffered the loss of assets and has been further injured by its operating losses and deepening insolvency.

110. The conduct of Padda and QuantBridge was deliberate and egregious conduct aimed at securing financial gain at Global Hawk's expense, and it warrants the award of punitive damages.

COUNT IV

AIDING AND ABETTING BREACH OF FIDUCIARY DUTY AGAINST PADDA AND QUANTBRIDGE

111. The Liquidator realleges the allegations set forth in paragraphs 1 - 110 above.

112. Thandi and GCIB owed fiduciary duties to Global Hawk as set forth in paragraphs 99 and 101 above.

113. Thandi and GCIB breached their fiduciary duties as set forth in paragraphs 100 and 102 above.

114. Padda and QuantBridge knowingly participated in Thandi and GCIB's breaches of fiduciary duty by preparing and providing QuantBridge statements that concealed the misappropriation of assets, hid the failure of Thandi and AFF to contribute capital, and provided the basis for Thandi's submission of false Annual Statements to the Vermont Department.

115. Global Hawk has been damaged by Thandi's and GCIB's breaches of fiduciary duties. Global Hawk has suffered the loss of assets transferred out of its accounts without a legitimate business purpose, and it has been further injured by its operating losses and deepening insolvency.

116. The conduct of Padda and QuantBridge was deliberate and egregious conduct aimed at securing financial gain at Global Hawk's expense, and it warrants the award of punitive damages.

COUNT V

CONVERSION AGAINST THANDI AND GCIB

117. The Liquidator realleges the allegations set forth in paragraphs 1 - 116 above.

118. Thandi and GCIB converted the assets of Global Hawk by directing the transfer of Global Hawk funds into accounts not owned by Global Hawk without a legitimate business purpose, thus depriving Global Hawk of those assets. Thandi and GCIB also converted Global Hawk assets by collecting and failing to remit premium and capital contributions received in relation to the "ghost policies" that GCIB issued in Global Hawk's name.

119. Global Hawk has been damaged by the conversion of its assets as it has suffered the loss of assets transferred out of its accounts.

COUNT VI

AIDING AND ABETTING CONVERSION AGAINST PADDA AND QUANTBRIDGE

120. The Liquidator realleges the allegations set forth in paragraphs 1 - 119 above.

121. Thandi and GCIB converted the assets of Global Hawk as set forth in paragraph 118 above.

122. Padda and QuantBridge knowingly participated in Thandi and GCIB's conversion of Global Hawk's assets by preparing and providing QuantBridge statements that concealed the misappropriation of assets.

123. Global Hawk has been damaged by the conversion of its assets as it has suffered the loss of assets transferred out of its accounts.

COUNT VII

FRAUD AGAINST THANDI, PADDA, GCIB and QUANTBRIDGE

124. The Liquidator realleges the allegations set forth in paragraphs 1 - 123 above.

125. Defendants Thandi, Padda, GCIB and QuantBridge committed fraud against Global Hawk.

126. Thandi, acting as officer of GCIB, Global Hawk's managing general agent, and Padda, acting as portfolio manager of QuantBridge, Global Hawk's investment advisor, defrauded Global Hawk by misrepresenting its financial condition to enable it to continue in business for their benefit.

127. Thandi, acting as officer of GCIB, Global Hawk's managing general agency, committed fraud by directing the transfer of Global Hawk funds into accounts not owned by Global Hawk without a legitimate business purpose, obtaining unauthorized loans pledging Global Hawk assets, directing the creation of and creating records falsely representing capital contributions to Global Hawk, directing the creation of false bank statements misrepresenting deposits and transfers and overstating Global Hawk assets, by knowingly signing the false 2017 Annual Statement, 2018 Annual Statement, and 2019 Annual Statement, which concealed the transfers, overstated Global Hawk's assets, and falsely stated the company was solvent, and by falsely reporting the policies written, premium received, and capital contributed in connection with the "ghost policies." Thandi had a duty to disclose the transfers and the Global Hawk's true assets, financial condition, and book of business.

128. Padda, acting as portfolio manager of QuantBridge, Global Hawk's investment advisor, committed fraud by knowingly preparing false QuantBridge account statements that

misrepresented Global Hawk assets purportedly held in Stifel accounts. Padda had a duty to disclose the true assets held by Stifel for Global Hawk.

129. GCIB committed fraud as managing general agent of Global Hawk through the above-described actions of its officer Thandi. GCIB had a duty to disclose the transfers, Global Hawk's true assets and financial condition, and all insurance policies that it issued in Global Hawk's name.

130. QuantBridge committed fraud as investment advisor to Global Hawk through the above-described actions of its portfolio manager Padda. QuantBridge had a duty to disclose the true assets held by Stifel for Global Hawk.

131. Because the Stifel statements and the true bank statements were not made available, Global Hawk, by its Captive Manager and at least the independent members of its Board of Directors, was not aware of the true assets of Global Hawk or its insolvency.

132. Global Hawk, acting by its Captive Manager and at least the independent members of its Board of Directors, relied on the false statements in the QuantBridge statements and the annual statements in not pursuing recovery of the transferred assets and in continuing the business of Global Hawk despite its insolvency.

133. Global Hawk, acting by its Captive Manager and at least the independent members of its Board of Directors relied on the false underwriting reports submitted by Thandi and GCIB in establishing reserves, paying taxes, evaluating capital requirements, and otherwise operating as an insurance business.

134. Global Hawk has been damaged by the fraud. Global Hawk has suffered the loss of assets transferred out of its accounts, the loss of premium and capital contributions on "ghost policies", and its operating losses and deepening insolvency.

COUNT VIII

BREACH OF CONTRACT AGAINST GCIB

135. The Liquidator incorporates the allegations of paragraphs 1 - 134 above.

136. Since 2005, GCIB has managed Global Hawk's business pursuant to the managing general agent agreement with Global Hawk dated February 1, 2005, as amended. Under the managing agent agreement, GCIB agreed to manage Global Hawk's business, operate an underwriting department, operate an accounting department, operate a customer service department, operate a risk management department, and have an on-site claims office and manager.

137. GCIB, acting by Thandi, its President, and others breached the managing general agent agreement by (a) transferring Global Hawk assets to others without a legitimate business purpose; (b) failing to accurately report transactions so that they could be properly entered in Global Hawk's general ledger and incorporated in Global Hawk's financial statements; (c) failing to report all policies issued by Global Hawk to the Captive Manager; (d) failing to report and pay over premium and capital contributions collected on Global Hawk policies to Global Hawk; (e) improperly collecting and retaining capital contributions from Global Hawk members in connection with renewal policies; and (f) providing inaccurate information for inclusion in Global Hawk's annual statements to the Vermont Department.

138. Global Hawk has been damaged by the breaches of contract. Global Hawk has suffered the loss of assets transferred out of its accounts and the loss of premium and capital contributions, and it has been further injured by its operating losses and deepening insolvency.

COUNT IX

BREACH OF CONTRACT AGAINST QUANTBRIDGE

139. The Liquidator incorporates the allegations of paragraphs 1 - 138 above.

140. QuantBridge was investment adviser to Global Hawk pursuant to an investment management authorization with right to withdraw investment management fees only dated August 9, 2016, as amended.

141. QuantBridge, acting by its portfolio manager, Padda, breached the investment advisory contract by providing statements omitting or misrepresenting transactions and overstating Global Hawk's assets.

142. Global Hawk has been damaged by the breaches of contract. Global Hawk has suffered the loss of assets transferred out of its accounts, and it has been further injured by its operating losses and deepening insolvency.

COUNT X

FOR AN ACCOUNTING AGAINST GCIB

143. The Liquidator incorporates the allegations of paragraphs 1 - 142 above.

144. Pursuant to the managing general agent agreement, GCIB owed Global Hawk a duty to accurately report and retain records of (a) Global Hawk's assets, (b) transactions involving Global Hawk's assets, (c) policies issued in Global Hawk's name, (d) premium collected in Global Hawk's name, and (e) capital contributions collected in Global Hawk's name.

145. GCIB has failed to accurately report and provide records of (a) Global Hawk's assets, (b) transactions involving Global Hawk's assets, (c) policies issued in Global Hawk's

name, (d) premium collected in Global Hawk's name, and (e) capital contributions collected in Global Hawk's name.

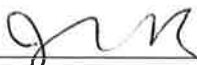
146. GCIB should be required to provide an accounting to Global Hawk for (a) all Global Hawk's assets held or managed by GCIB, (b) all transactions involving Global Hawk's assets, (c) all policies issued in Global Hawk's name, (d) all premium collected in Global Hawk's name, and (e) all capital contributions collected in Global Hawk's name.

WHEREFORE, the Liquidator respectfully requests that this Court:

- A. Enter judgment for the Liquidator and against the Defendants, and each of them, in the amount of damages proven plus pre-judgment and post-judgment interest;
- B. Award the Liquidator threefold damages under 18 U.S.C. § 1964(c);
- C. Award the Liquidator punitive damages;
- E. Award the Liquidator his costs and attorneys' fees; and
- F. Grant such other and further relief as justice may require.

MICHAEL S. PIECIAK, COMMISSIONER OF
THE VERMONT DEPARTMENT OF
FINANCIAL REGULATION, SOLELY AS
LIQUIDATOR OF GLOBAL HAWK
INSURANCE COMPANY RISK RETENTION
GROUP,

By his attorneys,

 1/30/20

Jennifer Rood, Assistant General Counsel and
Special Assistant Attorney General
Vermont Department of Financial Regulation
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Montpelier, VT 05620
(802) 828-5672
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160 Federal Street
Boston, MA 02110
(617) 951-1127
esmith@rackemann.com
(*pro hac vice* motion to be submitted)

GROUP EXHIBIT B



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40 Main Street, Suite 300
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Tel +1 802 865 9300
Fax +1 802 865 9302
www.crowehorwath.com

August 23, 2016

Jasbir Thandi
President
Global Hawk Insurance Company Risk Retention Group
2575 Collier Canyon Road
Livermore, CA 94551

Dear Mr. Thandi:

This letter confirms the arrangements for Crowe Horwath LLP ("Crowe" or "us" or "we" or "our") to provide the professional services discussed in this letter to Global Hawk Insurance Company Risk Retention Group ("the Company" or "you", "your" or "Client") for the year ending December 31, 2016. The attached Crowe Engagement Terms is an integral part of this letter, and its terms are incorporated herein.

AUDIT SERVICES

Our Responsibilities

We will audit and report on the financial statements of the Company for the above year end. The objective of the audit is the expression of an opinion on the financial statements. We will plan and perform the audit in accordance with auditing standards generally accepted in the United States of America (GAAS). This audit is performed to meet insurance company requirements for the State of Vermont and we acknowledge that you may use or disclose information from the audit to related state authorities in connection with your compliance with such requirements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks that the financial statements could be misstated by an amount we believe would influence the financial statement users. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit requires that we obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. An audit is not designed to detect error or fraud that is immaterial to the financial statements.

In making our risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. However, we will communicate in writing to those charged with governance and management concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. We will communicate to management other deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management's attention.

Jasbir Thandi
President
Global Hawk Insurance Company Risk Retention Group
August 23, 2016
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We will also communicate certain matters related to the conduct of the audit to those charged with governance, including (1) fraud involving senior management, and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (2) illegal acts that come to our attention (unless they are clearly inconsequential) (3) disagreements with management and other significant difficulties encountered in performing the audit and (4) various matters related to the Company's accounting policies and financial statements. Our engagement is not designed to address legal or regulatory matters, which matters should be discussed by you with your legal counsel.

We expect to issue a written report upon completion of our audit of the Company's financial statements. Our report will be addressed to the Board of Directors of the Company. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other matter paragraph, or withdraw from the engagement.

Our audit and work product are intended for the benefit and use of the Company only. The audit will not be planned or conducted in contemplation of reliance by any other party or with respect to any specific transaction and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party. The working papers for this engagement are the property of Crowe and constitute confidential information.

The working papers for this engagement are the property of Crowe and constitute confidential information. However, we will make our working papers available to federal and state insurance regulators upon request for their regulatory oversight purposes. Access to the requested working papers will be provided to these agencies under the supervision of our personnel and at a location mutually agreed upon with the agencies.

The Company's Responsibilities

The Company's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Management has the responsibility to adopt sound accounting policies, maintain an adequate and efficient accounting system, safeguard assets, design and implement programs and controls to prevent and detect fraud and devise policies to ensure that the Company complies with applicable laws and regulations. Management's judgments are typically based on its knowledge and experience about past and current events and its expected courses of action. Management's responsibility for financial reporting includes establishing a process to prepare the accounting estimates included in the financial statements.

Management is responsible for providing to us, on a timely basis, all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters. Management is also responsible for providing such other additional information we may request for the purpose of the audit, and unrestricted access to persons within the Company from whom we determine it necessary to obtain audit evidence. Additionally, those charged with governance are responsible for informing us of their views about the risks of fraud within the Company, and their knowledge of any fraud or suspected fraud affecting the Company. The Company agrees to maintain appropriate Directors and Officers insurance, and errors and omissions insurance coverage.

Jasbir Thandi
President
Global Hawk Insurance Company Risk Retention Group
August 23, 2016
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Management is responsible for adjusting the financial statements to correct material misstatements related to accounts or disclosures. As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit, including that the effects of any uncorrected misstatements aggregated by us during the audit are immaterial, both individually and in the aggregate, to the financial statements. Management acknowledges the importance of management's representations and responses to our inquiries, and that they will be utilized as part of the evidential matter we will rely on in forming our opinion.

FINANCIAL STATEMENT PREPARATION SERVICES

You have also asked us to assist in the preparation of the Company's financial statements from the books and records of the Company as of and for the year ending December 31, 2016. In connection with performing this service, you agree to: assume all management responsibilities including making all management decisions; oversee the service by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services.

FEES

Our fees, exclusive of out-of-pocket expenses, are outlined below. Our invoices are due and payable upon receipt. Invoices that are not paid within 30 days of receipt are subject to a monthly interest charge of one percent per month or the highest interest rate allowed by law, whichever is less, which we may elect to waive at our sole discretion, plus costs of collection including reasonable attorneys' fees. If any amounts invoiced remain unpaid 30 days after the invoice date, you agree that Crowe may, in its sole discretion, cease work until all such amounts are paid or terminate this engagement.

Audit and preparation of financial statements for the year ended December 31, 2016	\$31,000
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The fees outlined above are based on certain assumptions. Those assumptions may be incorrect due to incomplete or inaccurate information provided, or circumstances may arise under which we must perform additional work, which in either case will require additional billings for our services. Examples of such circumstances include, but are not limited to:

- Changing audit requirements
- New professional standards or regulatory requirements
- New financial statement disclosures
- Work caused due to the identification of, and management's correction of, inappropriate application of accounting pronouncements
- Erroneous or incomplete accounting records
- New or unusual transactions
- Change in your organizational structure or size due to merger and acquisition activity or other events
- Change in your controls
- Agreed-upon level of preparation and assistance from your personnel not provided
- Numerous revisions to your information
- Lack of availability of appropriate Company personnel during audit fieldwork
- Participation in annual captive board of director meeting
- Assistance with regulatory requests of the Vermont Department of Financial Regulation

Jasbir Thandi
President
Global Hawk Insurance Company Risk Retention Group
August 23, 2016
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Additionally, to accommodate requests to reschedule audit fieldwork without reasonable notice, additional billings for our services could be required, and our assigned staffing and ability to meet agreed-upon deadlines could be impacted.

Due to such potential changes in circumstance, we reserve the right to revise our fees. However, if such a change in circumstances arises or if some other significant change occurs that causes our fees to exceed our estimate, we will advise management. Further, these fees do not consider any time that might be necessary to assist management in the implementation or adoption of new or existing accounting, reporting, regulatory, or tax requirements that may apply.

Our fees are exclusive of taxes or similar charges, as well as customs, duties or tariffs, imposed in respect of the Services, any work product or any license, all of which Client agrees to pay if applicable or if they become applicable (other than taxes imposed on Crowe's income generally), without deduction from any fees or expenses invoiced to Client by Crowe.

ADDITIONAL SERVICES

The Company and Crowe agree that the Company may periodically request Crowe to provide additional services for accounting and financial reporting advice regarding completed transactions and potential or proposed transactions. The fees for such additional services will be based on Crowe's hourly billing rates plus expenses or as mutually agreed upon between the Company and Crowe.

* * * * *

MISCELLANEOUS

Crowe will provide the services to Client under this Agreement as an independent contractor and not as Client's partner, agent, employee, or joint venturer under this Agreement. Neither Crowe nor Client will have any right, power or authority to bind the other party.

This engagement letter agreement (the "Agreement") reflects the entire agreement between us relating to the services (or any deliverables or other work product) covered by this Agreement. The engagement letter and any attachments are to be construed as a single document, with the provisions of each section applicable throughout. This Agreement may not be amended or varied except by a written document signed by both parties. It replaces and supersedes any other proposals, correspondence, agreements and understandings, whether written or oral, relating to the services covered by this letter, and each party agrees that in entering this Agreement, it has not relied on any oral or written statements or other information not contained or incorporated in this Agreement. Any non-disclosure or other confidentiality agreement is replaced and superseded by this Agreement. The agreements of you and Crowe contained in this Agreement will survive the completion or termination of this Agreement. If any phrase, sentence, provision or other term of this Agreement is found unenforceable or invalid, this will not affect the other phrases, sentences, provisions or other terms, all of which will continue in effect as if the stricken term had not been included. This Agreement may be executed in two or more actual, scanned, emailed, or electronically copied counterparts, each and all of which together are one and the same instrument. Accurate transmitted copies (transmitted copies are reproduced documents that are sent via mail, delivery, scanning, email, photocopy, facsimile or other process) will be considered and accepted by each party as documents equivalent to original documents and will be deemed valid, binding and enforceable by and against all parties. This agreement must be construed, governed, and interpreted under the laws of the State of Illinois, without regard for choice of law principles.

Jasbir Thandi
President
Global Hawk Insurance Company Risk Retention Group
August 23, 2016
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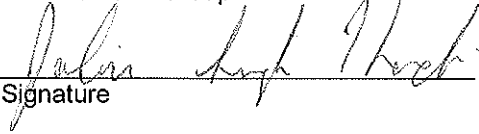
We are pleased to have this opportunity to serve you, and we look forward to a continuing relationship. If the terms of this letter and the attached Crowe Engagement Terms are acceptable to you, please sign below and return a copy of this letter at your earliest convenience. Please contact us with any questions or concerns.

ACCEPTANCE:

I have reviewed the arrangements outlined above and in the attached "Crowe Engagement Terms," and I accept on behalf of the Company the terms and conditions as stated.

IN WITNESS WHEREOF, the Company and Crowe have duly executed this engagement letter as of the date below.

Global Hawk Insurance Company
Risk Retention Group



Signature

Jasbir Singh Thandi

Printed Name

Vice President

Title

01/31/2017

Date

Crowe Horwath LLP



Signature

Arthur M. Salvadori

Printed Name

Managing Director

Title

August 23, 2016

Date

Crowe Engagement Terms

Crowe wants Client to understand the terms under which Crowe provides its services to Client and the basis under which Crowe determines its fees. These terms are part of the Agreement and apply to all services described in the Agreement as well as all other services provided to Client (collectively, the "Services"), unless and until a separate written agreement is executed by the parties for separate services. Crowe specifically notes that no advice Crowe provides should be construed to be investment advice.

CLIENT'S ASSISTANCE – For Crowe to provide its Services effectively and efficiently, Client agrees to provide Crowe timely with the information it requests and to make Client's employees available for Crowe's questions. The availability of Client's personnel and the timetable for their assistance are key elements in the successful completion of Crowe's Services and in the determination of Crowe's fees. Completion of Crowe's work depends on appropriate and timely cooperation from Client's personnel; complete, accurate, and timely responses to Crowe's inquiries; and timely communication by Client of all significant tax, accounting and financial reporting matters of which Client is aware. If for any reason this does not occur, a revised fee to reflect the additional time or resources required by Crowe will be mutually agreed upon, and Client agrees to hold Crowe harmless against all matters that arise in whole or in part from any resulting delay.

PROFESSIONAL STANDARDS – As a regulated professional services firm, Crowe must follow certain professional standards where applicable, including the Code of Professional Conduct promulgated by the American Institute of Certified Public Accountants ("AICPA"). Therefore, if circumstances arise that, in Crowe's professional judgment, prevent it from completing this engagement, Crowe retains the right to take any course of action permitted by professional standards, including declining to express an opinion or issue other work product, or terminating the engagement.

REPORTS – Any information, advice, recommendations or other content of any memoranda, reports, presentations, or other communications Crowe provides under this Agreement ("Reports"), other than Client's original information, are for Client's internal use only, consistent with the purpose of the Services. Client will not rely on any draft Report. Unless required by an audit or attestation professional standard, Crowe will not be required to update any final Report for circumstances of which we become aware or events occurring after delivery.

THIRD PARTY PROVIDER – Crowe may use a third-party service provider in providing Services to Client which may require Crowe's sharing Client's confidential information with the provider. If Crowe uses a third-party service provider, Crowe will enter into a confidentiality agreement with the provider to require them to maintain the confidentiality of Client's confidential information, and Crowe will be responsible to Client for maintaining its confidentiality. The terms of Crowe's engagement letter and these engagement terms will apply to any third party provider.

CONFIDENTIALITY – Except as otherwise permitted by this Agreement or as agreed in writing, neither Crowe nor Client may disclose to third parties the contents of this Agreement or any information provided by or on behalf of the other that ought reasonably to be treated as confidential and/or proprietary. Client use of any Crowe work product will be limited to its stated purpose and to Client business use only. However, Client and Crowe each agree that either party may disclose such information to the extent that it: (i) is or becomes public other than through a breach of this Agreement, (ii) is subsequently received by the recipient from a third party who, to the recipient's knowledge, owes no obligation of confidentiality to the disclosing party with respect to that information, (iii) was known to the recipient at the time of disclosure or is thereafter created independently, (iv) is disclosed as necessary to enforce the recipient's rights under this Agreement, or (v) must be disclosed under applicable law, regulations, legal process or professional standards.

CLIENT-REQUIRED CLOUD USAGE – If Client requests that Crowe access files, documents or other information in a cloud-based or web-accessed hosting service or other third-party system accessed via the internet, including, without limitation iCloud, Dropbox, Google Docs, Google Drive, a data room hosted by a third-party, or a similar service or website (collectively, "Cloud Storage"), Client will confirm with any third-parties assisting with or hosting the Cloud Storage that either such third-party or Client (and not Crowe) is responsible for ensuring the confidentiality of all information while utilizing the Cloud Storage, complying with all applicable laws relating to the Cloud Storage and any information contained in the Cloud Storage, providing Crowe access to the information in the Cloud Storage, and protecting the information in the Cloud Storage from any unauthorized access to the information, including without limitation unauthorized access to the information when in transit to or from the Cloud Storage. Client warrants that it has authority to provide Crowe access to information in the Cloud Storage and that providing Crowe with access to information in the Cloud Storage complies with all applicable laws, regulations, or duties owed to third-parties, and Client agrees to hold Crowe harmless from and against any matters relating to or arising from Crowe's use of the Cloud Storage.

DATA PROTECTION – If Crowe holds or uses Client information that can be linked to specific individuals who are Client's customers ("Personal Data"), Crowe will treat it as confidential as described above and comply with applicable US state and federal law and professional regulations (including without limitation the objectives of the Interagency Guidelines Establishing Information Security Standards) in disclosing or using such information to carry out the Services. Crowe has implemented and will maintain physical, electronic and procedural safeguards reasonably designed to (i) protect the security, confidentiality and integrity of the Personal Data, (ii) prevent unauthorized access to or use of the Personal Data, and (iii) provide proper disposal of the Personal Data (collectively, the "Safeguards"). Client warrants that it has the authority to provide the Personal Data to Crowe in connection with the Services and that Client has processed the Personal Data provided to Crowe in accordance with applicable law. To provide the Services, Client may also need to provide Crowe with access to Personal Data consisting of protected health information, financial account numbers, Social Security or other government-issued identification numbers, or other data that, if disclosed without authorization, would trigger notification requirements under applicable law ("Restricted Personal Data"). In the event Client provides Crowe access to Restricted Personal Data, Client will consult with Crowe on appropriate measures (consistent with professional standards applicable to Crowe) to protect the Restricted Personal Data, such as: deleting or masking unnecessary information before making it available to Crowe, encrypting it when transferring it to Crowe, or providing it to Crowe only during on-site review on Client's site. Client will provide Crowe with Restricted Personal Data only in accordance with mutually agreed protective measures. Otherwise, Client and Crowe agree each may use unencrypted electronic media to correspond or transmit information and such use will not in itself constitute a breach of any confidentiality obligations under this Agreement.

INTELLECTUAL PROPERTY – Crowe may use ideas, concepts, methodologies, data, software, designs, utilities, tools, models, techniques, data, systems, or other know-how that it develops, owns or licenses ("Materials") in performing the Services. Notwithstanding the delivery of any Reports, Crowe retains all intellectual property rights in the Materials (including any improvements or knowledge developed while performing the Services), and in any working papers compiled in connection with the Services (but not Client information reflected in them). Upon payment for particular Services and subject to the other terms of this Agreement, Client will use Reports, as well as any Materials owned by Crowe included therein, solely to the extent necessary and permitted under this Agreement.

AGGREGATED DATA – Client agrees that Crowe may from time to time use and process Client's confidential information for data aggregation and/or industry benchmarking purposes. In using Client's confidential information for data aggregation and/or industry benchmarking purposes, Crowe will maintain Client's information as confidential unless Crowe removes data that specifically identifies Client and Client's customers.

LEGAL AND REGULATORY CHANGE – Crowe may periodically communicate changes in laws, rules or regulations to Client. However, Client has not engaged Crowe, and Crowe does not undertake an obligation, to advise Client of changes in laws, rules, regulations, industry or market conditions, Client's own business practices or other circumstances, except to the extent required by professional standards. In addition, the scope of Services and the fees for Services are based on current laws and regulations. If changes in laws or regulations change Client's requirements or the scope of Crowe's work, the parties agree that Crowe's fees will be modified to a mutually agreed upon amount to reflect the changed level of Crowe's effort.

PUBLICATION – Client agrees to obtain Crowe’s specific permission before using any Report or Crowe work product or Crowe’s firm’s name in a published document, and Client agrees to submit to Crowe copies of such documents to obtain Crowe’s permission before they are filed or published.

CLIENT REFERENCE – From time to time Crowe is requested by prospective clients to provide references for Crowe’s client offerings. Client agrees that Crowe may use Client’s name and generally describe the nature of the engagement(s) provided to Client in marketing to prospective clients, and Crowe may also provide prospective clients with contact information for Client personnel familiar with Crowe’s Services for Client.

NO PUNITIVE OR CONSEQUENTIAL DAMAGES – Any liability of Crowe will not include any special, consequential, incidental, punitive, or exemplary damages or loss nor any lost profits, goodwill, savings, or business opportunity, even if Crowe had reason to know of the possibility of such damages.

NO TRANSFER OR ASSIGNMENT OF CLAIMS – No claim against Crowe, or any recovery from or against Crowe, may be sold, assigned or otherwise transferred, in whole or in part.

TIME LIMIT ON CLAIMS – In no event will any action against Crowe, arising from or relating to this engagement letter or the Services provided by Crowe relating to this engagement, be brought after the earlier of 1) two (2) years after the date on which occurred the act or omission alleged to have been the cause of the injury alleged; or 2) the expiration of the applicable statute of limitations or repose.

RESPONSE TO LEGAL PROCESS – If Crowe is requested by subpoena, request for information, or through some other legal process to produce documents or testimony pertaining to Client or Crowe’s Services, and Crowe is not named as a party in the applicable proceeding, then Client will reimburse Crowe for its professional time, plus out-of-pocket expenses, as well as reasonable attorney fees, Crowe incurs in responding to such request.

MEDIATION – If a dispute arises, in whole or in part, out of or related to this engagement, or after the date of this agreement, between Client or any of Client’s affiliates or principals and Crowe, and if the dispute cannot be settled through negotiation, Client and Crowe agree first to try, in good faith, to settle the dispute by mediation administered by the American Arbitration Association, under its mediation rules for professional accounting and related services disputes, before resorting to litigation or any other dispute-resolution procedure. The results of mediation will be binding only upon agreement of each party to be bound. Costs of any mediation will be shared equally by both parties. Any mediation will be held in Chicago, Illinois.

JURY TRIAL WAIVER – FOR ALL DISPUTES RELATING TO OR ARISING BETWEEN THE PARTIES, THE PARTIES AGREE TO WAIVE A TRIAL BY JURY TO FACILITATE JUDICIAL RESOLUTION AND TO SAVE TIME AND EXPENSE. EACH PARTY AGREES IT HAS HAD THE OPPORTUNITY TO HAVE ITS LEGAL COUNSEL REVIEW THIS WAIVER. THIS WAIVER IS IRREVOCABLE, MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND APPLIES TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, OR MODIFICATIONS TO THIS AGREEMENT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A BENCH TRIAL WITHOUT A JURY. HOWEVER, AND NOTWITHSTANDING THE FOREGOING, IF ANY COURT RULES OR FINDS THIS JURY TRIAL WAIVER TO BE UNENFORCEABLE AND INEFFECTIVE IN WAIVING A JURY, THEN ANY DISPUTE RELATING TO OR ARISING FROM THIS ENGAGEMENT OR THE PARTIES’ RELATIONSHIP GENERALLY WILL BE RESOLVED BY ARBITRATION AS SET FORTH IN THE PARAGRAPH BELOW REGARDING “ARBITRATION.”

ARBITRATION – If any court rules or finds that the JURY TRIAL WAIVER section above is not enforceable, then any dispute between the parties relating to or arising from this engagement or the parties' relationship generally will be settled by binding arbitration in Chicago, Illinois (or a location agreed in writing by the parties). Any dispute between the parties will be arbitrated by the arbitrator(s) in accordance with this section, including without limitation any dispute relating to whether a dispute is subject to arbitration or any issue concerning the applicability, interpretation or enforceability of this section or any of its procedures. The arbitration will be governed by the Federal Arbitration Act and resolved by the arbitrator(s). The parties will use the International Institute for Conflict Prevention & Resolution (the "CPR Institute") Global Rules for Accelerated Commercial Arbitration (the "Accelerated Rules") then in effect, or such other rules or procedures as the parties may agree. In the event of a conflict between those rules and this Agreement, this Agreement will control. If a party has a basis for injunctive relief, this paragraph will not preclude a party seeking and obtaining injunctive relief in a court of proper jurisdiction. The parties will agree within a reasonable period of time after notice is made of instituting the arbitration process whether to use one or three arbitrators, and if the parties cannot agree within fifteen (15) business days, the parties will use a single arbitrator. In any event the arbitrator(s) must be retired federal judges or attorneys with at least 15 years commercial law experience and no arbitrator may be appointed unless he or she has agreed to these procedures. If the parties cannot agree upon arbitrator(s) within an additional fifteen (15) business days, the arbitrator(s) will be selected by the CPR Institute. The arbitrator(s) may authorize only limited discovery upon a showing of substantial need by the party seeking discovery. The arbitrator(s) may rule on a summary basis, including without limitation on a motion to dismiss basis or on a summary judgment basis. The arbitrator(s) may enter such prehearing orders as may be appropriate to ensure a fair hearing. The hearing will be held within one year of the demand or less and must be concluded within ten business days absent written agreement by the parties to the contrary, but these time limits are not jurisdictional. The arbitrator(s) will apply substantive law and may award injunctive relief or any other remedy available from a judge. The arbitrator(s) may award attorney fees and costs to the prevailing party, and in the event of a split or partial award, the arbitrator(s) may award costs or attorney fees in an equitable manner. Any award by the arbitrator(s) will be accompanied by a reasoned opinion describing the basis of the award. The arbitration will be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq., and judgment upon the award rendered by the arbitrator(s) may be entered by any court having jurisdiction thereof. All aspects of the arbitration will be treated by the parties and the arbitrator(s) as confidential.

NON-SOLICITATION – Client and Crowe acknowledge the importance of retaining key personnel. Accordingly, both parties agree that during the period of this agreement, and for one (1) year after its expiration or termination, neither party will solicit any personnel or subcontractors (if any) of the other party for employment without the written consent of the other party. If an individual becomes an employee of the other party, the other party agrees to pay a fee equal to the individual's compensation for the prior full twelve-month period to the original employer.

AFFILIATES – Crowe Horwath LLP is an independent member of Crowe Horwath International, a Swiss verein. Each member firm of Crowe Horwath International is a separate and independent legal entity. Crowe Horwath LLP and its affiliates are not responsible or liable for any acts or omissions of Crowe Horwath International or any other member of Crowe Horwath International and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Horwath International or any other member of Crowe Horwath International. Crowe Horwath International does not render any professional services and does not have an ownership or partnership interest in Crowe Horwath LLP. Crowe Horwath International and its other member firms are not responsible or liable for any acts or omissions of Crowe Horwath LLP and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Horwath LLP.



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Tel +1 860 678 9200
Fax +1 860 678 9202
www.crowehorwath.com

January 18, 2018

Mr. Jasbir Thandi
President
Global Hawk Insurance Company Risk Retention Group
2575 Collier Canyon Road
Livermore, CA 94551

Dear Mr. Thandi:

This letter confirms the arrangements for Crowe Horwath LLP ("Crowe" or "us" or "we" or "our") to provide the professional services discussed in this letter to Global Hawk Insurance Company Risk Retention Group ("the Company" or "you", "your" or "Client") for the year ended December 31, 2017. The attached Crowe Engagement Terms is an integral part of this letter, and its terms are incorporated herein.

AUDIT SERVICES

Our Responsibilities

We will audit and report on the financial statements of the Company for the above year end. The objective of the audit is the expression of an opinion on the financial statements. We will plan and perform the audit in accordance with auditing standards generally accepted in the United States of America (GAAS).

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks that the financial statements could be misstated by an amount we believe would influence the financial statement users. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit requires that we obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. An audit is not designed to detect error or fraud that is immaterial to the financial statements.

In making our risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. However, we will communicate in writing to those charged with governance and management concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. We will communicate to management other deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient

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importance to merit management's attention. We will also communicate certain matters related to the conduct of the audit to those charged with governance, including (1) fraud involving senior management, and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (2) illegal acts that come to our attention (unless they are clearly inconsequential) (3) disagreements with management and other significant difficulties encountered in performing the audit and (4) various matters related to the Company's accounting policies and financial statements. Our engagement is not designed to address legal or regulatory matters, which matters should be discussed by you with your legal counsel.

We expect to issue a written report upon completion of our audit of the Company's financial statements. Our report will be addressed to the Board of Directors of the Company. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other matter paragraph, or withdraw from the engagement.

Our audit and work product are intended for the benefit and use of the Company only. The audit will not be planned or conducted in contemplation of reliance by any other party or with respect to any specific transaction and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party. The working papers for this engagement are the property of Crowe and constitute confidential information.

The Company's Responsibilities

The Company's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Management has the responsibility to adopt sound accounting policies, maintain an adequate and efficient accounting system, safeguard assets, design and implement programs and controls to prevent and detect fraud and devise policies to ensure that the Company complies with applicable laws and regulations. Management's judgments are typically based on its knowledge and experience about past and current events and its expected courses of action. Management's responsibility for financial reporting includes establishing a process to prepare the accounting estimates included in the financial statements.

Management is responsible for providing to us, on a timely basis, all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters. Management is also responsible for providing such other additional information we may request for the purpose of the audit, and unrestricted access to persons within the Company from whom we determine it necessary to obtain audit evidence. Additionally, those charged with governance are responsible for informing us of their views about the risks of fraud within the Company, and their knowledge of any fraud or suspected fraud affecting the Company.

Management is responsible for adjusting the financial statements to correct material misstatements related to accounts or disclosures. As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit, including that the effects of any uncorrected misstatements aggregated by us during the audit are immaterial, both individually and in the aggregate, to the financial statements. Management acknowledges the importance of management's representations and responses to our inquiries, and that they will be utilized as part of the evidential matter we will rely on in forming our opinion.

Mr. Jasbir Thandi
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FINANCIAL STATEMENT PREPARATION SERVICES

You have also asked us to assist in the preparation of the Company's financial statements from the books and records of the Company as of and for the year ended December 31, 2017. In connection with performing this service, you agree to: assume all management responsibilities including making all management decisions; oversee the service by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services.

FEES

Our fees, exclusive of out-of-pocket expenses and certain internal technology charges, are outlined below. Certain internal technology charges will be billed per hour of professional time or at a flat fee. Internal technology charges reflect our estimate of the costs for technology and related support on this engagement. Our invoices are due and payable upon receipt. Invoices that are not paid within 30 days of receipt are subject to a monthly interest charge of one percent per month or the highest interest rate allowed by law, whichever is less, which we may elect to waive at our sole discretion, plus costs of collection including reasonable attorneys' fees. If any amounts invoiced remain unpaid 30 days after the invoice date, you agree that Crowe may, in its sole discretion, cease work until all such amounts are paid or terminate this engagement.

Audit of Global Hawk Insurance Company Risk Retention Group and assistance with the financial statements for the year ended December 31, 2017	\$ 36,000
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The fees outlined above are based on certain assumptions. Those assumptions may be incorrect due to incomplete or inaccurate information provided, or circumstances may arise under which we must perform additional work, which in either case will require additional billings for our services. Examples of such circumstances include, but are not limited to:

- Changing audit requirements
- New professional standards or regulatory requirements
- New financial statement disclosures
- Work caused due to the identification of, and management's correction of, inappropriate application of accounting pronouncements
- Erroneous or incomplete accounting records
- New or unusual transactions
- Change in your organizational structure or size due to merger and acquisition activity or other events
- Change in your controls
- Agreed-upon level of preparation and assistance from your personnel not provided
- Numerous revisions to your information
- Lack of availability of appropriate Company personnel during audit fieldwork
- Participation in annual captive board of director meeting
- Assistance with regulatory requests or additional audit work necessary due to regulatory requirements of the Vermont Department of Financial Regulation

Additionally, to accommodate requests to reschedule audit fieldwork without reasonable notice, additional billings for our services could be required, and our assigned staffing and ability to meet agreed-upon deadlines could be impacted.

Mr. Jasbir Thandi
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Due to such potential changes in circumstance, we reserve the right to revise our fees. However, if such a change in circumstances arises or if some other significant change occurs that causes our fees to exceed our estimate, we will advise management. Further, these fees do not consider any time that might be necessary to assist management in the implementation or adoption of new or existing accounting, reporting, regulatory, or tax requirements that may apply.

Our fees are exclusive of taxes or similar charges, as well as customs, duties or tariffs, imposed in respect of the Services, any work product or any license, all of which Client agrees to pay if applicable or if they become applicable (other than taxes imposed on Crowe's income generally), without deduction from any fees or expenses invoiced to Client by Crowe.

To facilitate Crowe's presence at Client's premises, Client will provide Crowe with internet access while on Client's premises. Crowe will access the internet using a secure virtual private network. Crowe will be responsible for all internet activity performed by its personnel while on Client's premises. In the event Client does not provide Crowe with internet access while on Client's premises, Client will reimburse Crowe for the cost of internet access through other means while on Client's site.

MISCELLANEOUS

For purposes of this Miscellaneous section, the Acceptance section below, and all of the Crowe Engagement Terms, "Client" will mean the entity defined in the first paragraph of this letter and will also include all related parents, subsidiaries, and affiliates of Client who may receive or claim reliance upon any Report.

Crowe will provide the services to Client under this Agreement as an independent contractor and not as Client's partner, agent, employee, or joint venturer under this Agreement. Neither Crowe nor Client will have any right, power or authority to bind the other party.

This engagement letter agreement (the "Agreement") reflects the entire agreement between the parties relating to the services (or any reports, deliverables or other work product) covered by this Agreement. The engagement letter and any attachments (including without limitation the attached Crowe Engagement Terms) are to be construed as a single document, with the provisions of each section applicable throughout. This Agreement may not be amended or varied except by a written document signed by each party. It replaces and supersedes any other proposals, correspondence, agreements and understandings, whether written or oral, relating to the services covered by this letter, and each party agrees that in entering this Agreement, it has not relied on any oral or written representations, statements or other information not contained in or incorporated into this Agreement. Any non-disclosure or other confidentiality agreement is replaced and superseded by this Agreement. The agreements of the parties contained in this Agreement will survive the completion or termination of this Agreement. If any provision (in whole or in part) of this Agreement is found unenforceable or invalid, this will not affect the remainder of the provision or any other provisions in this Agreement, all of which will continue in effect as if the stricken portion had not been included. This Agreement may be executed in two or more actual, scanned, emailed, or electronically copied counterparts, each and all of which together are one and the same instrument. Accurate transmitted copies (transmitted copies are reproduced documents that are sent via mail, delivery, scanning, email, photocopy, facsimile or other process) of the executed Agreement or signature pages only (whether handwritten or electronic signature), will be considered and accepted by each party as documents equivalent to original documents and will be deemed valid, binding and enforceable by and against all parties. This Agreement must be construed, governed, and interpreted under the laws of the State of Illinois, without regard for choice of law principles.

Mr. Jasbir Thandi
Global Hawk Insurance Company Risk Retention Group
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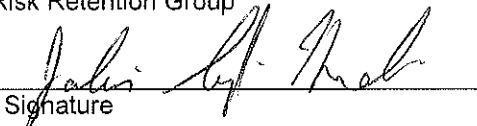
We are pleased to have this opportunity to serve you, and we look forward to a continuing relationship. If the terms of this letter and the attached Crowe Engagement Terms are acceptable to you, please sign below and return one copy of this letter at your earliest convenience. Please contact us with any questions or concerns.

ACCEPTANCE

I have reviewed the arrangements outlined above and in the attached "Crowe Engagement Terms," and I accept on behalf of the Client the terms and conditions as stated. By signing below, I represent and warrant that I am authorized by Client to accept the terms and conditions as stated.

IN WITNESS WHEREOF, Global Hawk Insurance Company Risk Retention Group and Crowe have duly executed this engagement letter effective the date first written above.

Global Hawk Insurance Company
Risk Retention Group


Signature

Jasbir Singh Thandi
Printed Name

President
Title

01/19/2018
Date

CROWE HORWATH LLP


Signature

Glenn D. Saslow
Printed Name

Partner
Title

January 18, 2018
Date

Crowe Engagement Terms

Crowe wants Client to understand the terms under which Crowe provides its services to Client and the basis under which Crowe determines its fees. These terms are part of the Agreement and apply to all services described in the Agreement as well as all other services provided to Client (collectively, the "Services"), unless and until a separate written agreement is executed by the parties for separate services. Any advice provided by Crowe is not intended to be, and is not, investment advice.

CLIENT'S ASSISTANCE – For Crowe to provide Services effectively and efficiently, Client agrees to provide Crowe timely with information requested and to make available to Crowe any personnel, systems, premises, records, or other information as reasonably requested by Crowe to perform the Services. Access to such personnel and information are key elements for Crowe's successful completion of Services and determination of fees. If for any reason this does not occur, a revised fee to reflect additional time or resources required by Crowe will be mutually agreed. Client agrees Crowe will have no responsibility for any delays related to a delay in providing such information to Crowe. Such information will be accurate and complete, and Client will inform Crowe of all significant tax, accounting and financial reporting matters of which Client is aware.

PROFESSIONAL STANDARDS – As a regulated professional services firm, Crowe must follow professional standards when applicable, including the Code of Professional Conduct of the American Institute of Certified Public Accountants ("AICPA"). Thus, if circumstances arise that, in Crowe's professional judgment, prevent it from completing the engagement, Crowe retains the right to take any course of action permitted by professional standards, including declining to express an opinion or issue other work product or terminating the engagement.

REPORTS – Any information, advice, recommendations or other content of any memoranda, reports, deliverables, work product, presentations, or other communications Crowe provides under this Agreement ("Reports"), other than Client's original information, are for Client's internal use only, consistent with the purpose of the Services. Client will not rely on any draft Report. Unless required by an audit or other attestation professional standard, Crowe will not be required to update any final Report for circumstances of which we become aware or events occurring after delivery.

CONFIDENTIALITY – Except as otherwise permitted by this Agreement or as agreed in writing, neither Crowe nor Client may disclose to third parties the contents of this Agreement or any information provided by or on behalf of the other that ought reasonably to be treated as confidential and/or proprietary. Client use of any Crowe work product will be limited to its stated purpose and to Client business use only. However, Client and Crowe each agree that either party may disclose such information to the extent that it: (i) is or becomes public other than through a breach of this Agreement, (ii) is subsequently received by the recipient from a third party who, to the recipient's knowledge, owes no obligation of confidentiality to the disclosing party with respect to that information, (iii) was known to the recipient at the time of disclosure or is thereafter created independently, (iv) is disclosed as necessary to enforce the recipient's rights under this Agreement, or (v) must be disclosed under applicable law, regulations, legal process or professional standards.

THIRD PARTY PROVIDER – Crowe may use a third-party provider in providing Services to Client, which may require Crowe to share Client confidential information with the provider. If Crowe uses a third-party provider, Crowe will enter into a confidentiality agreement with the provider to require the provider to protect the confidentiality of Client's confidential information, and Crowe will be responsible to Client for maintaining its confidentiality.

CLIENT-REQUIRED CLOUD USAGE – If Client requests that Crowe access files, documents or other information in a cloud-based or web-accessed hosting service or other third-party system accessed via the internet, including, without limitation iCloud, Dropbox, Google Docs, Google Drive, a data room hosted by a third-party, or a similar service or website (collectively, "Cloud Storage"), Client will confirm with any third-parties assisting with or hosting the Cloud Storage that either such third-party or Client (and not Crowe) is responsible for complying with all applicable laws relating to the Cloud Storage and any information contained in the Cloud Storage, providing Crowe access to the information in the Cloud Storage, and protecting the information in the Cloud Storage from any unauthorized access, including without limitation unauthorized access to the information when in transit to or from the Cloud Storage.

Client represents that it has authority to provide Crowe access to information in the Cloud Storage and that providing Crowe with such access complies with all applicable laws, regulations, and duties owed to third-parties.

DATA PROTECTION – If Crowe holds or uses Client information that can be linked to specific individuals who are Client's customers ("Personal Data"), Crowe will treat it as confidential as described above and comply with applicable US state and federal law and professional regulations in disclosing or using such information to carry out the Services. Crowe has implemented and will maintain physical, electronic and procedural safeguards reasonably designed to (i) protect the security, confidentiality and integrity of the Personal Data, (ii) prevent unauthorized access to or use of the Personal Data, and (iii) provide proper disposal of the Personal Data (collectively, the "Safeguards"). Client warrants that it has the authority to provide the Personal Data to Crowe in connection with the Services and that Client has processed the Personal Data provided to Crowe in accordance with applicable law. To provide the Services, Client may also need to provide Crowe with access to Personal Data consisting of protected health information, financial account numbers, Social Security or other government-issued identification numbers, or other data that, if disclosed without authorization, would trigger notification requirements under applicable law ("Restricted Personal Data"). In the event Client provides Crowe access to Restricted Personal Data, Client will consult with Crowe on appropriate measures (consistent with professional standards applicable to Crowe) to protect the Restricted Personal Data, such as: deleting or masking unnecessary information before making it available to Crowe, encrypting it when transferring it to Crowe, or providing it to Crowe only during on-site review on Client's site. Client will provide Crowe with Restricted Personal Data only in accordance with mutually agreed protective measures. Otherwise, Client and Crowe agree each may use unencrypted electronic media to correspond or transmit information and such use will not in itself constitute a breach of this Agreement.

INTELLECTUAL PROPERTY – Crowe may use ideas, concepts, methodologies, data, software, designs, utilities, tools, models, techniques, systems, Reports, or other know-how that it develops, owns or licenses ("Materials") in performing the Services. Crowe retains all intellectual property rights in the Materials (including any improvements or knowledge developed while performing the Services), and in any working papers compiled in providing the Services, but not in the Client information reflected in them. Upon payment for Services and subject to the other terms of this Agreement, Client will use Reports, as well as any Materials therein, only to the extent necessary and permitted under this Agreement.

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LEGAL AND REGULATORY CHANGE – Crowe may periodically communicate to Client changes in laws, rules or regulations. However, Client has not engaged Crowe, and Crowe does not undertake an obligation, to advise Client of changes in (a) laws, rules, regulations, industry or market conditions, or (b) Client's own business practices or other circumstances (except to the extent required by professional standards). The scope of Services and the fees for Services are based on current laws and regulations. If changes in laws or regulations change Client's requirements or the scope of the Services, Crowe's fees will be modified to a mutually agreed amount to reflect the changed level of Crowe's effort.

PUBLICATION – Client agrees to obtain Crowe's specific permission before using any Report or Crowe work product or Crowe's firm's name in a published document, and Client agrees to submit to Crowe copies of such documents to obtain Crowe's permission before they are filed or published.

CLIENT REFERENCE – From time to time Crowe is requested by prospective clients to provide references for Crowe service offerings. Client agrees that Crowe may use Client's name and generally describe the nature of Crowe's engagement(s) with Client in marketing to prospects, and Crowe may also provide prospects with contact information for Client personnel familiar with Crowe's Services.

NO TRANSFER OR ASSIGNMENT OF CLAIMS – No claim against Crowe, or any recovery from or against Crowe, may be sold, assigned or otherwise transferred, in whole or in part.

TIME LIMIT ON CLAIMS – In no event will any action against Crowe, arising from or relating to this engagement letter or the Services provided by Crowe relating to this engagement, be brought after the

earlier of 1) two (2) years after the date on which occurred the act or omission alleged to have been the cause of the injury alleged; or 2) the expiration of the applicable statute of limitations or repose.

RESPONSE TO LEGAL PROCESS – If Crowe is requested by subpoena, request for information, or through some other legal process to produce documents or testimony pertaining to Client or Crowe's Services, and Crowe is not named as a party in the applicable proceeding, then Client will reimburse Crowe for its professional time, plus out-of-pocket expenses, as well as reasonable attorney fees, Crowe incurs in responding to such request.

MEDIATION – If a dispute arises, in whole or in part, out of or related to this engagement, or after the date of this agreement, between Client or any of Client's affiliates or principals and Crowe, and if the dispute cannot be settled through negotiation, Client and Crowe agree first to try, in good faith, to settle the dispute by mediation administered by the American Arbitration Association, under its mediation rules for professional accounting and related services disputes, before resorting to litigation or any other dispute-resolution procedure. The results of mediation will be binding only upon agreement of each party to be bound. Costs of any mediation will be shared equally by both parties. Any mediation will be held in Chicago, Illinois.

JURY TRIAL WAIVER – FOR ALL DISPUTES RELATING TO OR ARISING BETWEEN THE PARTIES, THE PARTIES AGREE TO WAIVE A TRIAL BY JURY TO FACILITATE JUDICIAL RESOLUTION AND TO SAVE TIME AND EXPENSE. EACH PARTY AGREES IT HAS HAD THE OPPORTUNITY TO HAVE ITS LEGAL COUNSEL REVIEW THIS WAIVER. THIS WAIVER IS IRREVOCABLE, MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND APPLIES TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, OR MODIFICATIONS TO THIS AGREEMENT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A BENCH TRIAL WITHOUT A JURY. HOWEVER, AND NOTWITHSTANDING THE FOREGOING, IF ANY COURT RULES OR FINDS THIS JURY TRIAL WAIVER TO BE UNENFORCEABLE AND INEFFECTIVE IN WAIVING A JURY, THEN ANY DISPUTE RELATING TO OR ARISING FROM THIS ENGAGEMENT OR THE PARTIES' RELATIONSHIP GENERALLY WILL BE RESOLVED BY ARBITRATION AS SET FORTH IN THE PARAGRAPH BELOW REGARDING "ARBITRATION."

ARBITRATION – If any court rules or finds that the JURY TRIAL WAIVER section is not enforceable, then any dispute between the parties relating to or arising from this Agreement or the parties' relationship generally will be settled by binding arbitration in Chicago, Illinois (or a location agreed in writing by the parties). Any issues concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of any of this Section, will be governed by the Federal Arbitration Act and resolved by the arbitrator(s). The arbitration will be governed by the Federal Arbitration Act and resolved by the arbitrator(s). The parties will use the International Institute for Conflict Prevention & Resolution (the "CPR Institute") Global Rules for Accelerated Commercial Arbitration (the "Accelerated Rules") then in effect, or such other rules or procedures as the parties may agree in writing. In the event of a conflict between those rules and this Agreement, this Agreement will control. The parties may alter each of these rules by written agreement. If a party has a basis for injunctive relief, this paragraph will not preclude a party seeking and obtaining injunctive relief in a court of proper jurisdiction. The parties will agree within a reasonable period of time after notice is made of initiating the arbitration process whether to use one or three arbitrators, and if the parties cannot agree within fifteen (15) business days, the parties will use a single arbitrator. In any event the arbitrator(s) must be retired federal judges or attorneys with at least 15 years commercial law experience and no arbitrator may be appointed unless he or she has agreed to these procedures. If the parties cannot agree upon arbitrator(s) within an additional fifteen (15) business days, the arbitrator(s) will be selected by the CPR Institute. Discovery will be permitted only as authorized by the arbitrator(s), and as a rule, the arbitrator(s) will not permit discovery except upon a showing of substantial need by a party. To the extent the arbitrator(s) permit discovery as to liability, the arbitrator(s) will also permit discovery as to causation, reliance, and damages. The arbitrator(s) will not permit a party to take more than six depositions, and no depositions may exceed five hours. The arbitrator(s) will have no power to make an award inconsistent with this Agreement. The arbitrator(s) will rule on a summary basis where possible, including without limitation on a motion to dismiss basis or on a summary judgment basis. The arbitrator(s) may enter such prehearing orders as may be appropriate to ensure a fair hearing. The hearing will be held within one year of the initiation of arbitration, or less, and the hearing must be held on continuous business days until concluded. The hearing must be concluded within ten (10) business days absent written agreement by the parties to the contrary. The time limits in this section are not jurisdictional. The arbitrator(s) will apply substantive law and may award injunctive

relief or any other remedy available from a judge. The arbitrator(s) may award attorney fees and costs to the prevailing party, and in the event of a split or partial award, the arbitrator(s) may award costs or attorney fees in an equitable manner. Any award by the arbitrator(s) will be accompanied by a reasoned opinion describing the basis of the award. Any prior agreement regarding arbitration entered by the parties is replaced and superseded by this agreement. The arbitration will be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq., and judgment upon the award rendered by the arbitrator(s) may be entered by any court having jurisdiction thereof. All aspects of the arbitration will be treated by the parties and the arbitrator(s) as confidential.

NON-SOLICITATION – Client and Crowe acknowledge the importance of retaining key personnel. Accordingly, both parties agree that during the period of this agreement, and for one (1) year after its expiration or termination, neither party will solicit any personnel or subcontractors (if any) of the other party for employment without the written consent of the other party. If an individual becomes an employee of the other party, the other party agrees to pay a fee equal to the individual's compensation for the prior full twelve-month period to the original employer.

AFFILIATES – Crowe Horwath LLP is an independent member of Crowe Horwath International, a Swiss verein. Each member firm of Crowe Horwath International is a separate and independent legal entity. Crowe Horwath LLP and its affiliates are not responsible or liable for any acts or omissions of Crowe Horwath International or any other member of Crowe Horwath International and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Horwath International or any other member of Crowe Horwath International. Crowe Horwath International does not render any professional services and does not have an ownership or partnership interest in Crowe Horwath LLP. Crowe Horwath International and its other member firms are not responsible or liable for any acts or omissions of Crowe Horwath LLP and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Horwath LLP.



Crowe LLP
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Simsbury, Connecticut 06089-7902
Tel +1 860 678 9200
Fax +1 860 678 9202
www.crowe.com

December 12, 2018

Mr. Jasbir Thandi
President
Global Hawk Insurance Company Risk Retention Group
2575 Collier Canyon Road
Livermore, CA 94551

Dear Mr. Thandi:

This letter confirms the arrangements for Crowe LLP ("Crowe" or "us" or "we" or "our") to provide the professional services discussed in this letter to Global Hawk Insurance Company Risk Retention Group ("the Company" or "you", "your" or "Client") for the year ending December 31, 2018. The attached Crowe Engagement Terms is an integral part of this letter, and its terms are incorporated herein.

AUDIT SERVICES

Our Responsibilities

We will audit and report on the financial statements of the Company for the above year end. The objective of the audit is the expression of an opinion on the financial statements. We will plan and perform the audit in accordance with auditing standards generally accepted in the United States of America (GAAS).

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks that the financial statements could be misstated by an amount we believe would influence the financial statement users. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit requires that we obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. An audit is not designed to detect error or fraud that is immaterial to the financial statements.

In making our risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. However, we will communicate in writing to those charged with governance and management concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. We will communicate to management other deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient

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importance to merit management's attention. We will also communicate certain matters related to the conduct of the audit to those charged with governance, including (1) fraud involving senior management, and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (2) illegal acts that come to our attention (unless they are clearly inconsequential) (3) disagreements with management and other significant difficulties encountered in performing the audit and (4) various matters related to the Company's accounting policies and financial statements. Our engagement is not designed to address legal or regulatory matters, which matters should be discussed by you with your legal counsel.

We expect to issue a written report upon completion of our audit of the Company's financial statements. Our report will be addressed to the Board of Directors of the Company. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other matter paragraph, or withdraw from the engagement.

Our audit and work product are intended for the benefit and use of the Company only. The audit will not be planned or conducted in contemplation of reliance by any other party or with respect to any specific transaction and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party. The working papers for this engagement are the property of Crowe and constitute confidential information.

The Company's Responsibilities

The Company's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Management has the responsibility to adopt sound accounting policies, maintain an adequate and efficient accounting system, safeguard assets, design and implement programs and controls to prevent and detect fraud and devise policies to ensure that the Company complies with applicable laws and regulations. Management's judgments are typically based on its knowledge and experience about past and current events and its expected courses of action. Management's responsibility for financial reporting includes establishing a process to prepare the accounting estimates included in the financial statements.

Management is responsible for providing to us, on a timely basis, all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters. Management is also responsible for providing such other additional information we may request for the purpose of the audit, and unrestricted access to persons within the Company from whom we determine it necessary to obtain audit evidence. Additionally, those charged with governance are responsible for informing us of their views about the risks of fraud within the Company, and their knowledge of any fraud or suspected fraud affecting the Company.

Management is responsible for adjusting the financial statements to correct material misstatements related to accounts or disclosures. As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit, including that the effects of any uncorrected misstatements aggregated by us during the audit are immaterial, both individually and in the aggregate, to the financial statements. Management acknowledges the importance of management's representations and responses to our inquiries, and that they will be utilized as part of the evidential matter we will rely on in forming our opinion.

Mr. Jasbir Thandi
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FINANCIAL STATEMENT PREPARATION SERVICES

You have also asked us to assist in the preparation of the Company's financial statements from the books and records of the Company as of and for the year ending December 31, 2018. We will perform the services in accordance with applicable professional standards. We, in our sole professional judgment, reserve the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities. In connection with performing this service, you agree to: assume all management responsibilities including making all management decisions; oversee the service by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services.

FEEES

Our fees, exclusive of out-of-pocket expenses and certain internal technology charges, are outlined below. Certain internal technology charges will be billed per hour of professional time or at a flat fee. Internal technology charges reflect our estimate of the costs for technology and related support on this engagement. Our invoices are due and payable upon receipt. Invoices that are not paid within 30 days of receipt are subject to a monthly interest charge of one percent per month or the highest interest rate allowed by law, whichever is less, which we may elect to waive at our sole discretion, plus costs of collection including reasonable attorneys' fees. If any amounts invoiced remain unpaid 30 days after the invoice date, you agree that Crowe may, in its sole discretion, cease work until all such amounts are paid or terminate this engagement.

Audit of Global Hawk Insurance Company Risk Retention Group and assistance with the preparation of the financial statements for the year ending December 31, 2018	\$ 37,250
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The fees outlined above are based on certain assumptions. Those assumptions may be incorrect due to incomplete or inaccurate information provided, or circumstances may arise under which we must perform additional work, which in either case will require additional billings for our services. Examples of such circumstances include, but are not limited to:

- Changing audit requirements
- New professional standards or regulatory requirements
- New financial statement disclosures
- Work caused due to the identification of, and management's correction of, inappropriate application of accounting pronouncements
- Erroneous or incomplete accounting records
- New or unusual transactions
- Change in your organizational structure or size due to merger and acquisition activity or other events
- Change in your controls
- Agreed-upon level of preparation and assistance from your personnel not provided
- Numerous revisions to your information
- Lack of availability of appropriate Company personnel during audit fieldwork
- Participation in annual captive board of director meeting
- Assistance with regulatory requests or additional audit work necessary due to regulatory requirements of the Vermont Department of Financial Regulation

Mr. Jasbir Thandi
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Additionally, to accommodate requests to reschedule audit fieldwork without reasonable notice, additional billings for our services could be required, and our assigned staffing and ability to meet agreed-upon deadlines could be impacted.

Due to such potential changes in circumstance, we reserve the right to revise our fees. However, if such a change in circumstances arises or if some other significant change occurs that causes our fees to exceed our estimate, we will advise management. Further, these fees do not consider any time that might be necessary to assist management in the implementation or adoption of new or existing accounting, reporting, regulatory, or tax requirements that may apply.

Our fees are exclusive of taxes or similar charges, as well as customs, duties or tariffs, imposed in respect of the Services, any work product or any license, all of which Client agrees to pay if applicable or if they become applicable (other than taxes imposed on Crowe's income generally), without deduction from any fees or expenses invoiced to Client by Crowe.

To facilitate Crowe's presence at Client's premises, Client will provide Crowe with internet access while on Client's premises. Crowe will access the internet using a secure virtual private network. Crowe will be responsible for all internet activity performed by its personnel while on Client's premises. In the event Client does not provide Crowe with internet access while on Client's premises, Client will reimburse Crowe for the cost of internet access through other means while on Client's site.

MISCELLANEOUS

For purposes of this Miscellaneous section, the Acceptance section below, and all of the Crowe Engagement Terms, "Client" will mean the entity defined in the first paragraph of this letter and will also include all related parents, subsidiaries, and affiliates of Client who may receive or claim reliance upon any Report.

Crowe will provide the services to Client under this Agreement as an independent contractor and not as Client's partner, agent, employee, or joint venturer under this Agreement. Neither Crowe nor Client will have any right, power or authority to bind the other party.

This engagement letter agreement (the "Agreement") reflects the entire agreement between the parties relating to the services (or any reports, deliverables or other work product) covered by this Agreement. The engagement letter and any attachments (including without limitation the attached Crowe Engagement Terms) are to be construed as a single document, with the provisions of each section applicable throughout. This Agreement may not be amended or varied except by a written document signed by each party. It replaces and supersedes any other proposals, correspondence, agreements and understandings, whether written or oral, relating to the services covered by this letter, and each party agrees that in entering this Agreement, it has not relied on any oral or written representations, statements or other information not contained in or incorporated into this Agreement. Any non-disclosure or other confidentiality agreement is replaced and superseded by this Agreement. The agreements of the parties contained in this Agreement will survive the completion or termination of this Agreement. If any provision (in whole or in part) of this Agreement is found unenforceable or invalid, this will not affect the remainder of the provision or any other provisions in this Agreement, all of which will continue in effect as if the stricken portion had not been included. This Agreement may be executed in two or more actual, scanned, emailed, or electronically copied counterparts, each and all of which together are one and the same instrument. Accurate transmitted copies (transmitted copies are reproduced documents that are sent via mail, delivery, scanning, email, photocopy, facsimile or other process) of the executed Agreement or signature pages only (whether handwritten or electronic signature), will be considered and accepted by each party as documents equivalent to original documents and will be deemed valid, binding and enforceable by and against all parties. This Agreement must be construed, governed, and interpreted under the laws of the State of Illinois, without regard for choice of law principles.

Mr. Jasbir Thandi
Global Hawk Insurance Company Risk Retention Group
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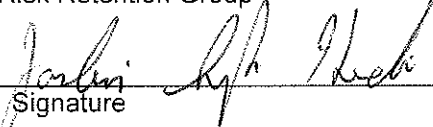
We are pleased to have this opportunity to serve you, and we look forward to a continuing relationship. If the terms of this letter and the attached Crowe Engagement Terms are acceptable to you, please sign below and return one copy of this letter at your earliest convenience. Please contact us with any questions or concerns.

ACCEPTANCE

I have reviewed the arrangements outlined above and in the attached "Crowe Engagement Terms," and I accept on behalf of the Client the terms and conditions as stated. By signing below, I represent and warrant that I am authorized by Client to accept the terms and conditions as stated.

IN WITNESS WHEREOF, Global Hawk Insurance Company Risk Retention Group and Crowe have duly executed this engagement letter effective the date first written above.

Global Hawk Insurance Company
Risk Retention Group


Signature

Jasbir Singh Thandi
Printed Name

President
Title

01/08/2019.
Date

CROWE LLP


Signature

Pamela J. Cote
Printed Name

Partner
Title

December 12, 2018
Date

Crowe Engagement Terms

Crowe wants Client to understand the terms under which Crowe provides its services to Client and the basis under which Crowe determines its fees. These terms are part of the Agreement and apply to all services described in the Agreement as well as all other services provided to Client (collectively, the "Services"), unless and until a separate written agreement is executed by the parties for separate services. Any advice provided by Crowe is not intended to be, and is not, investment advice.

CLIENT'S ASSISTANCE – For Crowe to provide Services effectively and efficiently, Client agrees to provide Crowe timely with information requested and to make available to Crowe any personnel, systems, premises, records, or other information as reasonably requested by Crowe to perform the Services. Access to such personnel and information are key elements for Crowe's successful completion of Services and determination of fees. If for any reason this does not occur, a revised fee to reflect additional time or resources required by Crowe will be mutually agreed. Client agrees Crowe will have no responsibility for any delays related to a delay in providing such information to Crowe. Such information will be accurate and complete, and Client will inform Crowe of all significant tax, accounting and financial reporting matters of which Client is aware.

PROFESSIONAL STANDARDS – As a regulated professional services firm, Crowe must follow professional standards when applicable, including the Code of Professional Conduct of the American Institute of Certified Public Accountants ("AICPA"). Thus, if circumstances arise that, in Crowe's professional judgment, prevent it from completing the engagement, Crowe retains the right to take any course of action permitted by professional standards, including declining to express an opinion or issue other work product or terminating the engagement.

REPORTS – Any information, advice, recommendations or other content of any memoranda, reports, deliverables, work product, presentations, or other communications Crowe provides under this Agreement ("Reports"), other than Client's original information, are for Client's internal use only, consistent with the purpose of the Services. Client will not rely on any draft Report. Unless required by an audit or other attestation professional standard, Crowe will not be required to update any final Report for circumstances of which we become aware or events occurring after delivery.

CONFIDENTIALITY – Except as otherwise permitted by this Agreement or as agreed in writing, neither Crowe nor Client may disclose to third parties the contents of this Agreement or any information provided by or on behalf of the other that ought reasonably to be treated as confidential and/or proprietary. Client use of any Crowe work product will be limited to its stated purpose and to Client business use only. However, Client and Crowe each agree that either party may disclose such information to the extent that it: (i) is or becomes public other than through a breach of this Agreement, (ii) is subsequently received by the recipient from a third party who, to the recipient's knowledge, owes no obligation of confidentiality to the disclosing party with respect to that information, (iii) was known to the recipient at the time of disclosure or is thereafter created independently, (iv) is disclosed as necessary to enforce the recipient's rights under this Agreement, or (v) must be disclosed under applicable law, regulations, legal process or professional standards.

THIRD PARTY PROVIDER – Crowe may use a third-party provider in providing Services to Client, which may require Crowe to share Client confidential information with the provider. If Crowe uses a third-party provider, Crowe will enter into a confidentiality agreement with the provider to require the provider to protect the confidentiality of Client's confidential information, and Crowe will be responsible to Client for maintaining its confidentiality.

CLIENT-REQUIRED CLOUD USAGE – If Client requests that Crowe access files, documents or other information in a cloud-based or web-accessed hosting service or other third-party system accessed via the internet, including, without limitation iCloud, Dropbox, Google Docs, Google Drive, a data room hosted by a third-party, or a similar service or website (collectively, "Cloud Storage"), Client will confirm with any third-parties assisting with or hosting the Cloud Storage that either such third-party or Client (and not Crowe) is responsible for complying with all applicable laws relating to the Cloud Storage and any information contained in the Cloud Storage, providing Crowe access to the information in the Cloud Storage, and protecting the information in the Cloud Storage from any unauthorized access, including without limitation unauthorized access to the information when in transit to or from the Cloud Storage. Client represents that

it has authority to provide Crowe access to information in the Cloud Storage and that providing Crowe with such access complies with all applicable laws, regulations, and duties owed to third-parties.

DATA PROTECTION – If Crowe holds or uses Client information that can be linked to specific individuals who are Client's customers ("Personal Data"), Crowe will treat it as confidential as described above and comply with applicable US state and federal law and professional regulations (including for financial institution clients the objectives of the Interagency Guidelines Establishing Information Security Standards) in disclosing or using such information to carry out the Services. Crowe has implemented and will maintain physical, electronic and procedural safeguards reasonably designed to (i) protect the security, confidentiality and integrity of the Personal Data, (ii) prevent unauthorized access to or use of the Personal Data, and (iii) provide proper disposal of the Personal Data (collectively, the "Safeguards"). Client warrants (i) that it has the authority to provide the Personal Data to Crowe in connection with the Services, (ii) that Client has processed and provided the Personal Data to Crowe in accordance with applicable law, and (iii) will limit the Personal Data provided to Crowe to Personal Data necessary to perform the Services. To provide the Services, Client may also need to provide Crowe with access to Personal Data consisting of protected health information, financial account numbers, Social Security or other government-issued identification numbers, or other data that, if disclosed without authorization, would trigger notification requirements under applicable law ("Restricted Personal Data"). In the event Client provides Crowe access to Restricted Personal Data, Client will consult with Crowe on appropriate measures (consistent with legal requirements and professional standards applicable to Crowe) to protect the Restricted Personal Data, such as: deleting or masking unnecessary information before making it available to Crowe, using encryption when transferring it to Crowe, or providing it to Crowe only during on-site review on Client's site. Client will provide Crowe with Restricted Personal Data only in accordance with mutually agreed protective measures. Otherwise, Client and Crowe agree each may use unencrypted electronic media to correspond or transmit information and such use will not in itself constitute a breach of any confidentiality obligations under this Agreement.

GENERAL DATA PROTECTION REGULATION COMPLIANCE – If and to the extent that Client provides personal data to Crowe subject to the European Union General Data Protection Regulation ("GDPR"), then in addition to the requirements of the above Data Protection section, this section will apply to such personal data ("EU Personal Data"). The parties agree that for purposes of processing the EU Personal Data, (a) Client will be the "Data Controller" as defined by the GDPR, meaning the organization that determines the purposes and means of processing the EU Personal Data; (b) Crowe will be the "Data Processor" as defined by GDPR, meaning the organization that processes the EU Personal Data on behalf of and under the instructions of the Data Controller; or (c) the parties will be classified as otherwise designated by a supervisory authority with jurisdiction. Client and Crowe each agree to comply with the GDPR requirements applicable to its respective role. Crowe has implemented and will maintain technical and organizational security safeguards reasonably designed to protect the security, confidentiality and integrity of the EU Personal Data. Client represents it has secured all required rights and authority, including consents and notices, to provide such EU Personal Data to Crowe, including without limitation authority to transfer such EU Personal Data to the U.S. or other applicable Country or otherwise make the EU Personal Data available to Crowe, for the duration of and purpose of Crowe providing the Services. The types of EU Personal Data to be processed include name, contact information, title, and other EU Personal Data that is transferred to Crowe in connection with the Services. The EU Personal Data relates to the data subject categories of individuals connected to Client, Client customers, Client vendors, and Client affiliates or subsidiaries ("Data Subjects"). Crowe will process the EU Personal Data for the following purpose: (x) to provide the Services in accordance with this Agreement, (y) to comply with other documented reasonable instructions provided by Client, and (z) to comply with applicable law. In the event of a Crowe breach incident in connection with EU Personal Data in the custody or control of Crowe, Crowe will promptly notify Client upon knowledge that a breach incident has occurred. Client has instructed Crowe not to contact any Data Subjects directly, unless required by applicable law. In the event that a supervisory authority with jurisdiction makes the determination that Crowe is a data controller, Client will reasonably cooperate with Crowe to enable Crowe to comply with its obligations under GDPR. Crowe will reasonably cooperate with Client in responding to or addressing any request from a data subject, a supervisory authority with jurisdiction, or the Client, to the extent necessary to enable Client to comply with its obligations under GDPR as the Data Controller. Client will promptly reimburse Crowe for any out-of-pocket expenses and professional time at Crowe's then-current hourly rates. Client will provide prompt written notice to Crowe (with sufficient detailed instructions) of any data subject request or other act that is required to be performed by Crowe as the Data Processor on behalf of Client as the Data Controller. Crowe shall promptly delete or procure the deletion of any EU Personal Data after the cessation of any Services involving the processing of Client's EU Personal Data.

Notwithstanding the forgoing, Crowe may retain a copy of the EU Personal Data as permitted by applicable law or professional standards, provided that such EU Personal Data remain subject to the terms of this Agreement.

INTELLECTUAL PROPERTY – Crowe may use ideas, concepts, methodologies, data, software, designs, utilities, tools, models, techniques, systems, Reports, or other know-how that it develops, owns or licenses ("Materials") in performing the Services. Crowe retains all intellectual property rights in the Materials (including any improvements or knowledge developed while performing the Services), and in any working papers compiled in providing the Services, but not in the Client information reflected in them. Upon payment for Services and subject to the other terms of this Agreement, Client will use Reports, as well as any Materials therein, only to the extent necessary and permitted under this Agreement.

AGGREGATED DATA – Client hereby acknowledges and agrees that Crowe may aggregate Client content and data with content and data from other clients ("Data Aggregations") for purposes including, without limitation, product and service development, commercialization, industry benchmarking, or quality improvement initiatives. Crowe will scrub the content and data so that Client sensitive information is not disclosed and so that all data is anonymized. All Data Aggregations will be the sole and exclusive property of Crowe.

LEGAL AND REGULATORY CHANGE – Crowe may periodically communicate to Client changes in laws, rules or regulations. However, Client has not engaged Crowe, and Crowe does not undertake an obligation, to advise Client of changes in (a) laws, rules, regulations, industry or market conditions, or (b) Client's own business practices or other circumstances (except to the extent required by professional standards). The scope of Services and the fees for Services are based on current laws and regulations. If changes in laws or regulations change Client's requirements or the scope of the Services, Crowe's fees will be modified to a mutually agreed amount to reflect the changed level of Crowe's effort.

PUBLICATION – Client agrees to obtain Crowe's specific permission before using any Report or Crowe work product or Crowe's firm's name in a published document, and Client agrees to submit to Crowe copies of such documents to obtain Crowe's permission before they are filed or published.

CLIENT REFERENCE – From time to time Crowe is requested by prospective clients to provide references for Crowe service offerings. Client agrees that Crowe may use Client's name and generally describe the nature of Crowe's engagement(s) with Client in marketing to prospects, and Crowe may also provide prospects with contact information for Client personnel familiar with Crowe's Services.

NO TRANSFER OR ASSIGNMENT OF CLAIMS – No claim against Crowe, or any recovery from or against Crowe, may be sold, assigned or otherwise transferred, in whole or in part.

TIME LIMIT ON CLAIMS – In no event will any action against Crowe, arising from or relating to this engagement letter or the Services provided by Crowe relating to this engagement, be brought after the earlier of 1) two (2) years after the date on which occurred the act or omission alleged to have been the cause of the injury alleged; or 2) the expiration of the applicable statute of limitations or repose.

RESPONSE TO LEGAL PROCESS – If Crowe is requested by subpoena, request for information, or through some other legal process to produce documents or testimony pertaining to Client or Crowe's Services, and Crowe is not named as a party in the applicable proceeding, then Client will reimburse Crowe for its professional time, plus out-of-pocket expenses, as well as reasonable attorney fees, Crowe incurs in responding to such request.

MEDIATION – If a dispute arises, in whole or in part, out of or related to this engagement, or after the date of this agreement, between Client or any of Client's affiliates or principals and Crowe, and if the dispute cannot be settled through negotiation, Client and Crowe agree first to try, in good faith, to settle the dispute by mediation administered by the American Arbitration Association, under its mediation rules for professional accounting and related services disputes, before resorting to litigation or any other dispute-resolution procedure. The results of mediation will be binding only upon agreement of each party to be bound. Costs of any mediation will be shared equally by both parties. Any mediation will be held in Chicago, Illinois.

JURY TRIAL WAIVER – FOR ALL DISPUTES RELATING TO OR ARISING BETWEEN THE PARTIES, THE PARTIES AGREE TO WAIVE A TRIAL BY JURY TO FACILITATE JUDICIAL RESOLUTION AND TO SAVE TIME AND EXPENSE. EACH PARTY AGREES IT HAS HAD THE OPPORTUNITY TO HAVE ITS LEGAL COUNSEL REVIEW THIS WAIVER. THIS WAIVER IS IRREVOCABLE, MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND APPLIES TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, OR MODIFICATIONS TO THIS AGREEMENT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A BENCH TRIAL WITHOUT A JURY. HOWEVER, AND NOTWITHSTANDING THE FOREGOING, IF ANY COURT RULES OR FINDS THIS JURY TRIAL WAIVER TO BE UNENFORCEABLE AND INEFFECTIVE IN WAIVING A JURY, THEN ANY DISPUTE RELATING TO OR ARISING FROM THIS ENGAGEMENT OR THE PARTIES' RELATIONSHIP GENERALLY WILL BE RESOLVED BY ARBITRATION AS SET FORTH IN THE PARAGRAPH BELOW REGARDING "ARBITRATION."

ARBITRATION – If any court rules or finds that the JURY TRIAL WAIVER section is not enforceable, then any dispute between the parties relating to or arising from this Agreement or the parties' relationship generally will be settled by binding arbitration in Chicago, Illinois (or a location agreed in writing by the parties). Any issues concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of any of this Section, will be governed by the Federal Arbitration Act and resolved by the arbitrator(s). The arbitration will be governed by the Federal Arbitration Act and resolved by the arbitrator(s). The parties will use the International Institute for Conflict Prevention & Resolution (the "CPR Institute") Global Rules for Accelerated Commercial Arbitration (the "Accelerated Rules") then in effect, or such other rules or procedures as the parties may agree in writing. In the event of a conflict between those rules and this Agreement, this Agreement will control. The parties may alter each of these rules by written agreement. If a party has a basis for injunctive relief, this paragraph will not preclude a party seeking and obtaining injunctive relief in a court of proper jurisdiction. The parties will agree within a reasonable period of time after notice is made of initiating the arbitration process whether to use one or three arbitrators, and if the parties cannot agree within fifteen (15) business days, the parties will use a single arbitrator. In any event the arbitrator(s) must be retired federal judges or attorneys with at least 15 years commercial law experience and no arbitrator may be appointed unless he or she has agreed to these procedures. If the parties cannot agree upon arbitrator(s) within an additional fifteen (15) business days, the arbitrator(s) will be selected by the CPR Institute. Discovery will be permitted only as authorized by the arbitrator(s), and as a rule, the arbitrator(s) will not permit discovery except upon a showing of substantial need by a party. To the extent the arbitrator(s) permit discovery as to liability, the arbitrator(s) will also permit discovery as to causation, reliance, and damages. The arbitrator(s) will not permit a party to take more than six depositions, and no depositions may exceed five hours. The arbitrator(s) will have no power to make an award inconsistent with this Agreement. The arbitrator(s) will rule on a summary basis where possible, including without limitation on a motion to dismiss basis or on a summary judgment basis. The arbitrator(s) may enter such prehearing orders as may be appropriate to ensure a fair hearing. The hearing will be held within one year of the initiation of arbitration, or less, and the hearing must be held on continuous business days until concluded. The hearing must be concluded within ten (10) business days absent written agreement by the parties to the contrary. The time limits in this section are not jurisdictional. The arbitrator(s) will apply substantive law and may award injunctive relief or any other remedy available from a judge. The arbitrator(s) may award attorney fees and costs to the prevailing party, and in the event of a split or partial award, the arbitrator(s) may award costs or attorney fees in an equitable manner. Any award by the arbitrator(s) will be accompanied by a reasoned opinion describing the basis of the award. Any prior agreement regarding arbitration entered by the parties is replaced and superseded by this agreement. The arbitration will be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq., and judgment upon the award rendered by the arbitrator(s) may be entered by any court having jurisdiction thereof. All aspects of the arbitration will be treated by the parties and the arbitrator(s) as confidential.

NON-SOLICITATION – Client and Crowe acknowledge the importance of retaining key personnel. Accordingly, both parties agree that during the period of this agreement, and for one (1) year after its expiration or termination, neither party will solicit any personnel or subcontractors (if any) of the other party for employment without the written consent of the other party. If an individual becomes an employee of the other party, the other party agrees to pay a fee equal to the individual's compensation for the prior full twelve-month period to the original employer.

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entities and do not obligate each other. Crowe LLP and its subsidiaries are not responsible or liable for any acts or omissions of Crowe Global or any other Crowe Global members, and Crowe LLP and its subsidiaries specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Global or any other Crowe Global member. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Crowe LLP or any other member. Crowe Global and its other members are not responsible or liable for any acts or omissions of Crowe LLP and its subsidiaries and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe LLP and its subsidiaries. Visit www.crowe.com/disclosure for more information about Crowe LLP, its subsidiaries, and Crowe Global.

UNITED STATES DISTRICT COURT
FOR THE
DISTRICT OF VERMONT

MICHAEL S. PIECIAK, in his official,)
capacity as COMMISSIONER OF THE)
VERMONT DEPARTMENT OF FINANCIAL)
REGULATION, solely as LIQUIDATOR OF)
GLOBAL HAWK INSURANCE COMPANY)
RISK RETENTION GROUP,)
Plaintiff)
v.)
CROWE LLP,)
Defendant)

Case No. 5:21-cv-273

CERTIFICATE OF SERVICE

I, Matthew B. Byrne, Esq., attorney for Defendant Crowe LLP, certify that, on January 7, 2022, I caused to be served Defendant’s Motion to Dismiss Plaintiff’s Complaint and Incorporated Memorandum of Law through the CM/ECF system on the following individuals:

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and Special Assistant Attorney General
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Dated: Burlington, Vermont
January 7, 2022

/s/ Matthew B. Byrne
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For Defendant