

Schedules K-1 for Tax Year 2003

The Receiver's accountants have now completed their work on the 2003 tax return for GMM, LF Global Investments, and LF Global Holdings. Investors K-1s will be put in the mail by Monday, October 11, 2004. In order to assist investors in getting their own individual returns in by October 15, 2004, we are providing this advance notice as to what information the K-s will contain.

After exhaustive efforts, our accountants have concluded that the information developed to date is still inadequate to reliably calculate **for tax purposes** the gains or losses of individual investors for tax year 2003. As such, the K-1s will not report any gains or losses for 2003. Two primary factors have contributed to this conclusion:

Individual capital accounts are so corrupted by prior year inaccuracies that it is just not possible to determine 2003 results for individual investors because the accurate capital account and basis information for each is just not available.

The overall financial records of GMM and related entities remain too unreliable to determine **for tax purposes** overall operating results back to inception in 1993. Hence, the accountants are not yet able to amend prior returns and correct the errors in previous K-1s such that reliable K-1s could be prepared for the current year.

The net effect of these "blank" K-1s is that investors and their own tax advisors may report their own transactions for 2003 in the manner they deem appropriate based on their own records and tax situation. The K-1 filed with the IRS as to each investor will not declare any gains or losses for 2003.

We recognize that tax issues caused by the previous reporting of phantom gains are problematic to all investors, but the Receiver can not provide individual tax advice to investors. You must rely on your individual tax advisor. We can, however, suggest that you direct your tax advisor to IRS Form 8020 which permits taxpayers to make an Administrative Adjustment Request related to partnership items. If you invested hard capital into GMM and have received none or only a portion back to date, you *may* have a basis for declaring a loss, but you must confirm that with your individual advisor regarding timing, type and deductibility issues that are specific to your individual situation.

While we are unable to properly identify and classify transactions **for tax purposes**, we are providing the IRS and Franchise Tax Board with supplemental information about GMM's financial affairs that reflects the Receiver's investigative findings to-date that the hedge fund's historical values and capital gains were significantly overstated in previously filed income tax returns.

If the records are ultimately reconstructed with sufficient detail as to permit specific amendments to prior year K-1s, we will so amend, but we can not now assure as to whether or when that will be possible.

We caution that these problems prevent these calculations **for tax purposes only**, but that we have made significant progress in reconstructing the finances for investigative purposes. We now have assembled 95% of all available bank and brokerage records and have been able to develop a rough reconstruction of the finances. Because of the myriad of undocumented inter and intra company transfers, all the details may never be known, but our next report to the Court in November will provide a detailed reconstruction as best as it can be done.