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8 COURT-APPOINTED RECEIVER FOR
9 GLOBAL MONEY MANAGEMENT, L.P.
10 AND L.F. GLOBAL INVESTMENTS, LLC

11
12 **UNITED STATES DISTRICT COURT**
13 **SOUTHERN DISTRICT OF CALIFORNIA**

14 SECURITIES AND EXCHANGE
15 COMMISSION,

16 Plaintiff,

17 v.

18 GLOBAL MONEY MANAGEMENT, L.P.;
19 LF GLOBAL INVESTMENTS, LLC; and
20 MARVIN I. FRIEDMAN,

21 Defendants.

Case No.: 04-CV-00521 BTM (WMC)

**NOTICE OF FILING INTERIM REPORT
OF RECEIVER**

Hon. Barry Ted Moskowitz

22 TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

23 Please take notice that Charles G. La Bella as Receiver for Global Money
24 Management, L.P. and LF Global Investments, LLC hereby files this Interim Report
25 of the Receiver.

26 Dated: January 24, 2005

27 By: 

28 CHARLES G. LA BELLA,
COURT-APPOINTED RECEIVER FOR
GLOBAL MONEY MANAGEMENT, L.P.
AND L.F. GLOBAL INVESTMENTS, LLC

1 **INTERIM REPORT OF RECEIVER**

2 I.

3 **Introduction**

4 On March 11, 2004, this Court entered a Temporary Restraining Order
5 appointing me Temporary Receiver of Global Money Management, LP ("GMM") and
6 LF Global Investments, LLC ("LF Global"). On April 9, 2004, a Preliminary Injunction
7 was entered which, among other things, appointed me Permanent Receiver over
8 these entities.

9 I submitted a First Preliminary Report on April 29, 2004, and a Second
10 Preliminary Report on June 30, 2004. I now submit this First Interim Report to
11 provide the court a more comprehensive summary of what transpired within GMM
12 and LF Global, to report on the examination of the relevant books and records, and to
13 provide an indication of the prospects for any recovery of assets for the benefit of
14 investors and creditors.

15 This report does not constitute an audit of the financial condition of the
16 receivership – it is intended only for the information of the Court and should not be
17 relied upon for other purposes.

18 II.

19 **Executive Summary**

20 GMM began as a modest investment hedge fund for family and friends. It
21 evolved, however, into a fraudulent enterprise engineered by its General Partner – LF
22 Global – whose managing members were Marvin Friedman and Paul Levy.

23 LF Global solicited investors for GMM based upon fictional financial
24 performance presented in marketing materials, quarterly reports, and Schedules K-1
25 from GMM's annual tax filings. Over time, the majority of investor capital placed with
26 GMM was disbursed to LF Global and withdrawing investors. Disbursements to
27 investors included fictional gains. In truth, only about 30% of investor funds were
28 ever placed in investment accounts of GMM. The investment accounts performed

1 miserably averaging annual results of negative 50%. All of this took place in an
2 environment with minimal systems, internal controls, or accountability. The operation
3 was bolstered by accountants and brokers whose involvement provided a patina of
4 legitimacy to the venture and the pretense of security to the investors.

5 There remain some unanswered questions, but our investigation has yielded a
6 rough reconstruction of GMM's finances based on bank records for the years 1998
7 through 2004. During this period, investors contributed approximately \$109.8 million
8 in cash. The bulk of that cash evaporated quickly - \$53.9 million to investor
9 withdrawals; \$17 million in cash losses from trading accounts; \$17.4 million net
10 transferred to LF Global as General Partner; and \$15.9 million in net withdrawals to
11 one of LF Global's principals, Paul Levy. In the end, GMM had only \$8,524 in cash
12 and its investment in Santarus, Inc. with an estimated value of approximately \$3
13 million.

14 With the \$17.4 million it misappropriated from GMM, plus capital contributed
15 from its principals (primarily Levy with \$1.6 million) and return on investments, LF
16 Global covered its own inflated operating expenses, orchestrated investments for its
17 own benefit, and channeled nearly \$8 million in draws and expenses to its principals
18 (\$5.7 million to Marvin Friedman, \$1.2 million to Paul Levy, and \$855,000 to Milt
19 Lohr). In the end, LF Global had only \$854 in cash and two viable investment assets,
20 both of which are currently illiquid - Highcrest Partners (estimated current value \$2
21 million) and Windamere Capital Ventures (estimated current value \$2 million).

22 GMM failed when LF Global could not raise new investor money fast enough
23 to cover the combined cash drain of withdrawing investors, investment losses, and its
24 own mismanagement and perfidy. Our current estimate of investor capital losses is
25 between \$60 and \$70 million.

26 There will ultimately be assets available for distribution to investors, derived
27 from the following: investment assets held by GMM and LF Global; disgorgement of
28 fees and reimbursement of personal expenses by the principals of LF Global; return

1 by Mr. Levy of excessive withdrawals from GMM accounts; payments returned by
2 investors who received distributions that are avoidable under the Bankruptcy Code;
3 and potential civil claims against professional third parties. I cannot now calculate a
4 specific percentage, but it appears likely that investors will recover some reasonable
5 percentage of their losses. Mindful that every dollar I spend in the context of our
6 investigation is a dollar that will not be available for investors/creditors in the end, I
7 have attempted to focus on real assets and claims which will yield recoveries for
8 investors/creditors and to keep administrative fees to a minimum.

9 **III.**

10 **GMM and LF Global Principals**

11 The relative responsibility of the GMM and LF Global principals will ultimately
12 be resolved in other forums. The SEC has a continuing investigation action and I
13 suspect that federal law enforcement officials are reviewing the conduct of several
14 individuals involved with GMM and LF Global. Our investigation has, however,
15 enabled us to clarify, to some extent, the roles played by the various principals and to
16 document the specific financial benefits they derived from LF Global and/or GMM.
17 Since the two primary principals – Friedman and Levy – have essentially blamed
18 each other for GMM's collapse, our descriptions here are impressions based on an
19 incomplete record and not absolute conclusions.

20 My staff and I have been in regular communication with counsel for the
21 principals throughout our investigation. Messrs. Levy, Lohr and Widder have
22 voluntarily submitted to interviews and have responded to our inquiries. As reported
23 below, we have now reached a settlement with Mr. Friedman which includes his
24 agreement to cooperate with the Receiver.

25 **Marvin I. Friedman**

26 Marvin Friedman was one of the two managing members and the initial driving
27 force of LF Global. By most accounts, he was the mastermind and daily hands-on
28 manager of its affairs and maintained personal control over most activities,

1 particularly trading accounts, results, and records. He was the master salesman,
2 ready at any time to sell LF Global's product, complete with on-site trading
3 performances at LF Global's trading desk. He appears to have been the only LF
4 Global principal directly involved in the options trading programs and the losses from
5 those programs. Friedman also appears to have been primarily responsible for
6 calculating fictional trading results for transmission to the accountants, although Paul
7 Levy was also in regular communication with the accountants. Mr. Friedman, in turn,
8 has taken the position that at least until January 2003, Paul Levy was the de facto
9 administrator and hands-on manager.

10 Friedman did apparently invest some cash into GMM, although the source of
11 the cash could have originated from GMM investors and the purpose of the deposit
12 may have been to fund investor withdrawals. The bank records indicate that he
13 invested \$225,000 in 2003.

14 From 1998-2004, Friedman received direct payments from LF Global of
15 \$5,473,250, plus \$632,374 in payments on his corporate American Express card,
16 and \$66,000 on multiple car leases.

17 As of the date of this report, all of Friedman's personal assets are frozen by
18 Court Order. We have entered into a preliminary settlement agreement whereby all
19 his assets will be delivered to the Receiver. We estimate that those assets have a
20 value of between \$1 and \$2 million. This settlement is subject to approval of the
21 court.

22 **Paul Levy**

23 Paul Levy was also a managing member of LF Global until January 1, 2003.
24 He had no apparent direct involvement in any trading activities, but was loosely
25 tasked, along with Milt Lohr, to pursue venture deals. He was also involved at some
26 level in recruiting and managing investors and communicating with the accountants.
27 By all accounts, Levy was an irregular visitor to the office, particularly after severe
28

1 medical problems in late 1999 and semi-retirement effective January 1, 2003. Mr.
2 Levy has taken the position that Mr. Friedman was in complete control of
3 administrative and financial operations within GMM and LF Global.

4 Levy appears to have been some form of an investor in GMM, although the
5 source of the cash could have originated from GMM investors and the purpose of the
6 deposit may have been to fund investor withdrawals. The absence of complete
7 records (from Levy or GMM/LF Global) also makes confirmation of all transactions
8 difficult, particularly for the period 1993-1997. For the years 1998-2004, bank
9 records indicate that he and related entities placed approximately \$2 million into
10 GMM accounts. During the same time period, however, he and/or his entities
11 withdrew more than \$18 million from GMM. (In a Declaration submitted to the SEC,
12 Mr. Levy has asserted total capital contributions to GMM of \$4.6 million from 1993 to
13 2004, but we have only been able to confirm \$2 million of these contributions.)

14 Of the \$18 million disbursed to Levy by GMM, more than \$10 million was paid
15 from GMM checking accounts at California Bank & Trust and First National Bank.
16 The investor funds deposited in these accounts were never invested. Rather, these
17 funds – investor deposits - were simply disbursed by Levy to himself as quickly as
18 they were deposited. It is not clear whether, and to what extent, the other LF Global
19 principals were involved or aware of these withdrawals. It would seem, however, that
20 only minimal diligence would have been required to put management on alert that
21 \$10 million of investor deposits were placed in separate accounts and then disbursed
22 to Levy, or that Levy had withdrawn a total of \$18 million from GMM during the period
23 1998-2004. Levy has contended to us that these withdrawals were legitimate based
24 on his GMM capital account balances as reported in the K-1s and that such
25 withdrawals were made with Mr. Friedman's approval. There does not appear,
26 however, to be any real support for this claim.

27 Based on the bank records, Levy also received distributions from LF Global
28 during 1998-2004 totaling \$1.3 million and LF Global paid total American Express

1 charges on his behalf of \$512,925. The bank records for 1998-2004 also indicate
2 that Levy deposited \$1.6 million into LF Global. (In a Declaration submitted to the
3 SEC, Levy has asserted total capital contributions to LF Global of \$1.9 million and
4 loans to LF Global of \$1.3 million, but we have only been able to confirm \$1.2 million
5 into LF Global).

6 On April 29, 2004, Levy voluntarily executed a Stipulation in conjunction with
7 the SEC in which he agreed to (i) provide an accounting of funds transferred between
8 himself or related entities and GMM and/or LF Global and (ii) place in escrow any
9 amount by which his withdrawals exceeded contributions. Pursuant to that
10 Stipulation, he provided a Declaration to the SEC which includes such an accounting.
11 The accounting concludes that his combined withdrawals to GMM, LF Global and
12 related entities exceeded his combined contributions by \$1.9 million. After adding in
13 \$414,627 as his calculation of personal American Express charges paid by LF
14 Global, he voluntarily placed \$2.3 million into an escrow subject to the Court's asset
15 freeze.

16 Levy's counsel has been cooperating with my staff in an effort to confirm the
17 accuracy of the accounting and to move toward a reconciliation of the Receiver's
18 claims. Based on our review of the bank records, however, this escrow account
19 appears to be substantially underfunded by at least \$9 million as it does not include
20 \$9 million in Levy withdrawals from GMM. The Declaration recites GMM withdrawals
21 of \$9.1 million, 1993-2004, versus our bank records for the years 1998-2004 which
22 show total withdrawals by Levy of \$18,127,391. Even accepting *arguendo* all other
23 numbers in the Declaration, the escrow is thus short by at least \$9 million. Along with
24 the SEC, we have advised Levy and his counsel that the escrow must be increased
25 accordingly. Levy's counsel have also been in regular communication with my staff
26 regarding a resolution of the Receiver's claims against Levy, but no acceptable
27 settlement has been reached.

28

1 **Milton Lohr**

2 Mr. Lohr was a minority member of LF Global and was named a managing
3 member on January 1, 2003 when Paul Levy "retired". His mission within LF Global
4 was loosely defined as private equity investments. He had no apparent involvement
5 in trading activities, and appears to have been the least involved of the three primary
6 principals in administrative matters. He did, however, recruit and communicate with
7 some investors. Best case, it appears that Mr. Lohr exercised an extreme form of
8 benign neglect as to the misadventures within LF Global.

9 On April 29, 2004, Lohr also voluntarily executed a Stipulation in conjunction
10 with the SEC in which he agreed to provide an accounting of funds transferred
11 between himself or related entities and GMM and/or LF Global. Pursuant to that
12 Stipulation, Lohr provided an accounting in which he asserted contributions of
13 \$298,865 into GMM and \$164,850 into LF Global, withdrawals of \$30,000 from GMM,
14 and distributions from LF Global of \$870,000 for a cumulative net negative of
15 \$436,285. After adding \$30,312 for American Express charges paid by LF Global, he
16 placed \$466,591 in an escrow account subject to the court's asset freeze. Lohr's
17 counsel has been cooperating with my staff in an effort to confirm the accuracy of
18 these calculations and to work toward a resolution of the Receiver's claims.

19
20 The only other principal of LF Global was Kenneth Widder who was a non-
21 managing member of LF Global from January 1, 2003 to February 2004. He was
22 also a very substantial investor in GMM. From April 2002 through June 2003, Widder
23 was paid consulting fees by LF Global for his efforts to launch a venture capital fund.
24 He played a key role in directing GMM and LF Global to invest in Santarus, a
25 company Widder helped form and was once the CEO. This has turned out to be one
26 of GMM's only legitimate and profitable investments. Mr. Widder and his counsel
27 have been cooperative and helpful. There is nothing to suggest that Mr. Widder was
28 aware or involved in any manner in the misadventures of the other principals.

1 IV.

2 **GMM: Hedge Fund or Ponzi Scheme**

3 It is not clear if GMM began as a ponzi scheme, but it surely developed into a
4 form of one at some point. The only winners were the LF Global principals and
5 investors who withdrew from the fund before the end.

6 GMM started modestly in 1993, but capital contributions escalated beginning
7 in 1998. Withdrawals began to grow faster than deposits in 1999. Regardless of
8 how much money was raised, the true capital of GMM remained modest:

9

	Investor Deposits	Investor Withdrawals	Net Investor Transactions	Cumulative Net Investor Transactions from 1/1/98	Estimated Total Assets at Year End (Cash & Marketable Securities)
10 1998	\$4,130,985	(\$243,040)	\$3,887,945	\$3,887,945	\$568,956
11 1999	\$14,936,937	(\$1,379,510)	\$13,557,427	\$17,445,372	\$3,302,269
12 2000	\$19,218,329	(\$2,770,633)	\$16,447,696	\$33,893,068	\$9,289,502
13 2001	\$9,601,984	(\$3,286,363)	\$6,315,621	\$40,208,689	\$3,030,232
14 2002	\$29,540,911	(\$11,417,626)	\$18,123,285	\$58,331,974	\$5,667,868
15 2003	\$27,873,898	(\$31,134,515)	(\$3,260,617)	\$55,071,357	\$607,363
16 2004	<u>\$4,550,214</u>	<u>(\$3,607,870)</u>	<u>\$942,344</u>	<u>\$56,013,701</u>	<u>\$8,524¹</u>
	\$109,853,298	(\$53,839,557)	\$56,013,701		

17

18 The marketing strategy was simple: promote Marvin Friedman's trading
19 wizardry through a one-page graph attesting to stunning, albeit fictional, 30% annual
20 gains. Many investors were told it was a "family and friends" fund with a high
21 minimum investment requirement, but that a special exception would be made for
22 them. Many prospective investors traveled to San Diego and were impressed by Mr.
23 Friedman's presentation and the trappings of a successful trading operation. As with
24 all ponzi schemes, there was also strong word-of-mouth support from investors who
25 had taken their gains.

26

27

28 ¹ At the time the Receiver was appointed, GMM also had some non-cash assets, principally its holdings in Santarus.

1 The reality, however, was something else. The fund became nothing more
2 than an illusion designed to lure new investors. In hindsight, some of the warning
3 signs included:

- 4 • No audited financials - instead quarterly reports and annual Schedules
5 K-1 prepared by accountants based on fictional performance numbers
6 provided by LF Global.
- 7 • Beginning in 1999, actual assets were dramatically less than the
8 cumulative aggregate of invested capital - only 3-5% of total capital was
9 in the trading accounts at any given time.
- 10 • Less than 30% of the capital raised between 1998 and 2004 was
11 actually invested.
- 12 • Even some cash deposited into trading accounts was never actually
13 invested. For example, in January 2003, \$7 million was deposited into
14 a Spear Leeds trading account where it sat for seven months until
15 transferred out. As it turns out, it was perhaps a blessing that the
16 money was not invested and, like the rest of the fund, then lost to fees
17 and market losses.
- 18 • When investors withdrew from the fund, they received payment of their
19 fictional gains, generally funded by cash from new investors.
- 20 • By August 2003, GMM had virtually no assets, but managed to pay out
21 nearly \$26 million to withdrawing investors over the next six months
22 with contributions from new investors.
- 23 • LF Global maintained no consistent or credible record-keeping or
24 accounting system for GMM.
- 25 • As General Partner, LF Global was entitled to reimbursement of its
26 reasonable expenses and a sliding percentage of GMM's annual net
27 profits. While there were no legitimate profits, LF Global – based upon
28 fictional gains - made net disbursements to itself of \$17.4 million.

- 1 a. In October 1989, Mr. Friedman and other respondents were censured
2 and fined \$3,000 jointly and severally for failing to maintain sufficient
3 net capital in contravention of SEC Rule 15c3-1;
- 4 b. In June 1991, Mr. Friedman and other respondents were censured and
5 fined \$8,000 jointly and severally for failing to maintain the minimum
6 required net capital;
- 7 c. In March 1993, Mr. Friedman was censured, fined \$20,000 and barred
8 from association with any NASD member in any proprietary or principal
9 capacity for failing to maintain minimum required net capital and
10 continuing to conduct business when he knew or should have known
11 that the firm did not have sufficient net capital;
- 12 d. In July 1996, Mr. Friedman was censured, fined \$120,000 and barred
13 from association with any NASD member in any capacity and ordered
14 to reimburse his member firm for \$815,634.94 for forming a limited
15 partnership with a public customer so that the customer could avoid
16 paying commissions on transaction executed through his member firm.
17 Further, Friedman misused the funds and failed to respond to NASD
18 requests for information made pursuant to Article IV, Section 5 of the
19 Rules of Fair Practice. The decision became final on September 9,
20 1996.

21 None of this information was disclosed to investors.

22 Friedman's Options Trading "Program"

23 As directed by Mr. Friedman, GMM was essentially a day trader of equity
24 options. Friedman's strategy was "option conversion arbitrage." This involved the
25 high-volume, high-cost, daily purchase of multiple positions in the options of certain
26 stocks, sometimes combined with positions in the stocks themselves. The options
27 included long and short positions in puts (the right to sell a stock at a specified price
28 within a specified time) and calls (the right to buy a stock at a specified price within a

1 specified time). The nuances of the actual trading were complex, but the end results
2 were simple – catastrophic losses.

3 Friedman controlled every aspect of the trading operations. He did not
4 maintain a traditional office at LF Global - instead he manned a desk in the trading
5 room and kept important documents (checkbooks and account statements) locked in
6 a file cabinet next to him. Brokerage statements were apparently delivered directly to
7 him, kept in his locked cabinet and generally shredded. For the most part, traders
8 had no access to information as to overall results, just to the specific trades they
9 were instructed to implement.

10 Under the best of market conditions, options trading is a complex art involving
11 multiple layers of risk and market volatility. The market makers have all the leverage
12 and extract high premiums on option positions. Professional options traders
13 generally rely on sophisticated software programs and/or sophisticated staff traders,
14 but there is little evidence that LF Global consistently employed either. It appears
15 that Friedman was trying to win this complex and stacked game with pure intuition
16 and innate trading acumen.

17 Despite reality to the contrary, Friedman was by all accounts relentlessly
18 upbeat to investors and his own traders about the fund's performance. He was
19 known in the business as the guy "who never had a bad day in the market". Perhaps
20 that was the result of shredding most of the evidence of his trading performance.

21 Trading Results 1999-2004

22 Trading records prior to 1999 are either not available or too incomplete to
23 allow us to reconstruct GMM investment activity for the period 1993-1998. But we do
24 have records for the years between 1999 and 2004 from the two firms where GMM
25 maintained trading accounts - Spear Leeds & Kellogg ("SLK") in New York and
26 Granite Financial in San Diego. Those records stand as a veritable "How To" guide
27 on losing money through options trading.

28

1 GMM was a heavy trader (150,000 to 200,000 trades on any given day) of
2 index options with "spreads" of at least 5%-15%. This combination of high volume
3 and high spreads translated to very high transaction costs of nearly \$1 million per
4 year. With this sort of trading, the actual investments had to be up nearly 10% just to
5 cover trading costs.

6 Spear Leeds & Kellogg (1999-2004)

7 GMM had two trading accounts at SLK, the first opened in late 1998. As a
8 large Wall Street firm, SLK operated its own clearing house and acted as a principal
9 for the processing and settlement of trades. Over five years, a total of \$25 million
10 was deposited and \$15 million was withdrawn, leaving a gap of \$10 million
11 attributable to trading losses and transaction costs².

12 Trading Activity in Excess of Capital in Accounts

13 GMM regularly moved options contracts and securities through its SLK
14 accounts with cumulative dollar values far in excess of the actual capital (as much as
15 300 times) in the account. For example, during 2002 and 2003, the capital
16 balance in the main trading account at SLK was negligible, yet GMM appears to have
17 made securities transactions in the account during this period of nearly \$1 billion.

18 GMM achieved this through a clever combination of short selling (when
19 proceeds are credited to the account as cash even though the "purchase" is to come
20 in the future) and manipulation of the nuances of day trading - principally the
21 procedure that trades did not "settle" until the end of the day which allowed intra day
22 balances to run well ahead of available capital. This practice dramatically increased
23 the risk of an already risky strategy.

24 Despite this high volume of trading, the actual cash available in the SLK
25 accounts at any given time did not generally exceed \$3 million. The one glaring
26

27 ² Losses as reported by trading houses are higher due to the high volume and frequency of
28 trading transactions, including the subsequent loss of short lived gains. See Exhibit B for information
on losses reported by the trading houses.

1 exception was a seven month period in 2003 when \$7 million transferred in from
2 Union Bank sat uninvested until it was transferred back to Union Bank.

3 Granite Financial 1999 - 2003

4 Granite maintained its headquarters in the same office suite in Del Mar,
5 California with GMM and LF Global. As an independent broker-dealer, Granite did not
6 process trades itself (as did SLK), but outsourced the clearing and settlement of
7 trades through a sub-agent which kept custody of client assets, settled trades, and
8 issued statements on behalf of Granite.

9 The same basic trading "strategy" was employed with the funds on deposit at
10 Granite and was executed by Friedman through a designated Granite trader who had
11 a seat at the GMM trading desk. Granite's compensation, however was different than
12 SLK - as with other small broker-dealers, it was compensated via commissions on
13 trading transactions and payments for "order flow" paid by subagents who cleared
14 trades. Since it did not act as a principal, Granite would not benefit from the "spread"
15 as did SLK; rather, the benefits of the spread went to the subagent or relevant market
16 maker.

17 Over the four years for which we have records, a total of \$7,075,950 was
18 deposited into GMM's Granite accounts with cumulative withdrawals of \$756,207,
19 leaving a gap of \$6,708,477 attributable to trading losses and transaction costs for a
20 negative 90% return³.

21 Granite also maintained accounts for a limited number of Friedman's family,
22 friends and associates, all managed by Friedman. We have developed some
23 evidence that Friedman would improperly "allocate" trades between the Granite
24 accounts at the end of the trading day - allocating the "better" trades to family and
25 friends accounts and the others to GMM. Since the family and friends accounts were
26

27 ³ Losses as reported by trading houses are higher due to the high volume and frequency of
28 trading transactions, including the subsequent loss of short lived gains. See Exhibit B for information
on losses reported by the trading houses.

1 relatively small (combined value of \$250,000), it is not clear if this procedure,
2 although improper, caused significant incremental harm to GMM's accounts.

3 The relationship with Granite ended in October 2003 and Granite moved its
4 operations out of the GMM/LF Global offices.

5 Outsourcing Trading

6 Despite all the hype regarding his magic touch, Friedman was regularly in
7 search of outside expertise. He arranged for GMM to invest \$1.7 million in two
8 outside hedge funds with a total loss of \$437,113 or negative 26%.

9 High Water Trading. In January, 2002, Mr. Friedman placed a total of \$3
10 million (\$950,000 from GMM; \$2 million from LF Global; and \$50,000 from LF Global
11 Holdings) with High Water Trading II LP, a hedge fund specializing in a convertible
12 arbitrage strategy. The fund was closed down at the end of 2002 with the account
13 values basically unchanged. On it's \$950,000 invested, GMM received \$960,307.50,
14 a gain of 1% over eight months.

15 Oscar Capital Management. GMM invested \$750,000 with this New York
16 based fund between February 1999 and August 1999 and pulled the money out in
17 July, 2001. The bank records indicate that total cash returned was \$302,580 for a
18 loss of \$447,420 or negative 60% over two years.

19 LF Global Trading Accounts

20 LF Global also invested cash in trading accounts managed by Friedman, with
21 similarly bad results. At Spear Leeds, LF Global invested its Deferred Contribution
22 Pension Plan - \$66,000 was promptly lost and \$304,000 was transferred back to LF
23 Global. At Granite, LF Global maintained one account and lost \$121,788 of the
24 \$139,870 deposited, or negative 90%.

25 Friedman also outsourced some LF Global investments to outside hedge
26 funds. The biggest percentage loser - down 120% in 8 months - was the one fund
27 where Friedman insisted on control of the trading decisions.

28

1 deals were not designed to benefit GMM. They were investments for LF Global and
2 other venture partners recruited by LF Global.

3 Santarus

4 In March, 2003, GMM directly invested \$1.28 million in Santarus, a San
5 Diego biomed start up, which converted to 291,115 common shares through an Initial
6 Public Offering in April 2004. Since expiration of the post-IPO lock up in October,
7 2004, we have now sold 150,000 shares at prices between \$9.20 and \$10.20 for total
8 net cash proceeds of \$1,409,000. As of the market close on January 19, 2005, the
9 market value of GMM's remaining 141,115 shares is \$1,158,554 (\$8.21 per share).
10 We will continue to monitor the market carefully and, if appropriate, proceed with the
11 orderly sale of additional shares.

12 (In January 2001, LF Global had also invested in Santarus, but indirectly, by
13 way of a \$1.9 million investment in Windamere Capital Ventures, LP whose only
14 current asset is 248,395 shares in Santarus. See Windamere below.)

15 Windamere Capital Ventures

16 Beginning in early 1999, the LF Global principals developed an interest in
17 launching a venture capital fund which would invest in start ups and other private
18 equity opportunities. Dr. Ken Widder was recruited in mid 1999 to assist in this
19 project, specifically to secure approval for an "SBIC" fund which would be eligible for
20 advantageous loans and matching funds from the Small Business Administration.
21 The vehicle for this fund was to be Windamere Capital Ventures LP, founded by
22 Widder in 1999. LF Global is the largest Limited Partner with a 79% interest. The
23 General Partner is Windamere Capital Management, LLC which has two members -
24 Ken Widder (2/3) and MCM Systems, LLC (1/3), whose members are Friedman,
25 Levy, and Lohr.

26 After nearly two years, the effort to establish an SBIC fund failed. Windamere
27 Capital Ventures LP was not abandoned, however, but converted to a single mission
28 - a vehicle by which LF Global, again using GMM cash, could acquire a stake in

1 Santarus. LF Global ultimately invested \$1.9 million in Windamere which purchased,
2 and still holds, 248,000 shares of Santarus.

3 As of the market close on January 19, 2005, the value of the Santarus shares
4 held by Windamere is \$2,036,080 (\$8.21 per share). LF Global's 79% share would
5 translate to a value of \$1.6 million. The General Partner of Windamere has a
6 contractual claim to a percentage of any gain realized by Windamere on the Santarus
7 shares. We have reached a tentative agreement with Windamere to secure LF
8 Global's withdrawal from the partnership, pro rata distribution of the Santarus shares,
9 and a waiver of the General Partner's profit participation.

10 Global Financial Management

11 In May, 2001, LF Global invested \$300,000 in Global Financial
12 Management Co., a Los Angeles based fund of funds seeking to assemble a group
13 of international money managers. Like many of the deals orchestrated by LF Global,
14 this investment appears to have been a teaser to attract interest and investment in
15 GMM. The value of this asset appears to be minimal, but we are continuing our
16 investigation.

17 Accera

18 Between June 2001 and January 2002, LF Global invested \$204,165 in
19 Accera (formerly U-vu.com Corporation) a provider of secure internet video
20 conferencing products. LF Global now holds 2,178,403 Series C preferred shares.
21 The Company remains in business with the CEO and founder as the only employee
22 and revenues at \$2,000 per month. While the technology may have some value, at
23 this point the value of LF Global's shares appears to be minimal.

24 Com 2000 / Alexis Communications

25 LF Global invested heavily in a now defunct small cap telcom stock in
26 which Paul Levy was personally a big shareholder - Alexis Communications
27 (previously known as Com 2000). Paul Levy owned or controlled several million
28 shares of Alexis and was actively trading during the same time period that LF Global

1 was buying shares. LF Global invested a total of \$2,849,435 in Alexis and ultimately
2 received \$7,906 from its bankruptcy estate for a loss of \$2,841,529.

3 Zenith

4 In June 2000, LF Global invested \$350,000 in Tasker Cooper Smith/Zenith
5 Group LLC ("Zenith"), a Northern California money manager, whereby it acquired a
6 10% equity interest. The current value of this investment is uncertain. During the
7 same time period, LF Global entered into an arrangement with Zenith whereby Zenith
8 referred clients to GMM and was compensated by a percentage of LF Global's
9 "Incentive Allocation". A total of 115 Zenith investors ultimately invested
10 approximately \$38.7 million in GMM. LF Global paid Zenith a total of \$2,254,282,
11 supposedly as a percentage of LF Global's Incentive Allocation relating to the Zenith
12 accounts. None of these incentive fees paid to Zenith were actually earned,
13 however, as they were calculated from fictional profits.

14 LF Global Holdings/Highcrest

15 In late 1998 and early 1999, LF Global invested in LF Global Holdings
16 which then invested in Highcrest Partners, a private investment fund which has
17 acquired interests in multiple money management firms. Highcrest financials,
18 audited by Delotte & Touche, indicate a current value of approximately \$2.8 million
19 for LF Holdings' continuing interest, approximately 80% of which is owned by LF
20 Global. We have not been able to confirm the exact sources of LF Global's
21 investment, but it appears that an initial investment of \$1.7 million was funded directly
22 from GMM followed by \$3 million from LF Global.

23 In late 2001, LF Global Holdings received a \$6.2 million distribution from
24 Highcrest. LF Global's handling of these funds was emblematic of its overall cash
25 management techniques. LF Global's then 70% share of the distribution translated
26 to \$4.4 million with the remaining \$1.8 million due to the other members of LF Global
27 Holdings. Yet, LF Global transferred the entire balance to its accounts and from
28 there transferred \$375,000 to GMM to fund investor withdrawals, \$2.8 million to

1 various LF Global expenses and investments, and \$2.9 million to its investment
2 account. The other investors in LF Global Holdings did not receive their share until
3 June 2002.

4 The remaining equity interests in Highcrest are not likely to be fully realized
5 before 2006, but will generate some income in the interim.

6 LF Global Holdings/ImageWare

7 In June 2003, LF Global Holdings raised \$2.4 million from outside
8 investors, plus \$500,000 from LF Global, and participated in a secured convertible
9 note to ImageWare. The note was paid off by ImageWare within five months
10 including a large pre-payment penalty. In the end, LF Global Holdings received
11 \$2,942,830 on the note and \$459,649 on the subsequent sale of warrants issued to
12 LF Global Holdings. This represented a \$750,000 profit to the LF Global Holdings
13 investors. When the ImageWare payments came in to LF Global Holdings, however,
14 they were immediately transferred to LF Global and then to GMM to fund investor
15 withdrawals. In early 2004, Friedman transferred new GMM investor money to
16 replenish LF Global Holdings' accounts and fund distributions to the other
17 ImageWare investors.

18 Grip, Inc.

19 In July 1999, LF Global invested \$100,000 in a convertible note in a golf
20 industry start up - Grip, Inc., dba Select Tee Times.com. This was another small cap
21 stock that Levy also owned personally. LF Global converted the note to 40,000
22 shares of Series B preferred stock. The company has since filed bankruptcy. Total
23 loss of \$100,000.

24 Global/Ramus

25 In September 2003, LF Global invested \$5,000 in Global/Ramus, a
26 provider of risk and asset management services. MCM Systems, another Friedman,
27 Levy, Lohr vehicle, had previously invested \$25,000. The current value of this
28 investment is uncertain.

1 Quarterly reports of investors results, tax returns and corresponding
 2 Schedules K-1 were pure fiction based on sparse information provided by LF Global
 3 to the accountants. For example, in 2001 and 2002, the tax returns stated asset
 4 values of \$84 million and \$114 million respectively - actual cash and marketable
 5 securities were \$3 million and \$5.6 million. Attached as Exhibit A is a summary of the
 6 historical balance sheet and income statement information contained in GMM tax
 7 returns for the years 1994-2002.

8 Fictional K-1s served as promotional tools to demonstrate outsized gains. For
 9 some non-retirement plan investors who remained in the fund, these K-1s led them to
 10 pay taxes on phantom gains. For withdrawing investors, their capital was calculated
 11 to include these fictional profits. This outflow of pseudo profits would ultimately prove
 12 too big relative to the inflow of fresh money.

13 Bank and Brokerage Accounts

14 In order to reconstruct the financial history, it was necessary to subpoena
 15 the records of all known bank and brokerage accounts maintained by GMM, LF
 16 Global and LF Global Holdings, including the following:

<u>Bank</u>	<u>Account Holder</u>
Union Bank of California	Global Money Management LP
Union Bank of California	LF Global Holdings LLC
Union Bank of California	LF Global Holdings LLC
Union Bank of California	LF Global Investments, LLC
UBOC Investment Services, Inc.	Global Money Management, LP
UBOC Investment Services, Inc.	LF Global Holdings LLC
First National Bank	LF Global Investments, LLC
First National Bank	Global Money Management LP
First National Bank	LF Global Holdings LLC
California Bank & Trust	Global Money Management LP
California Bank & Trust	LF Global Holdings LLC
Brokerage	
Spear Leeds & Kellogg	Global Money Management LP
Spear Leeds & Kellogg	Global Money Management LP
Spear Leeds & Kellogg	LF Global Investments, LLC
Spear Leeds & Kellogg	LF Global Investments, LLC
Granite Financial	Global Money Management LP
Granite Financial	LF Global Investments, LLC

1 In order to identify payees, it was also necessary to secure actual copies of
2 checks and wire instructions from these institutions. After exhaustive efforts, our
3 accountants have now created a data base from which to reconstruct these accounts
4 for the years 1998-2004.

5 Tax Reporting

6 Even with this reconstruction, our accountants have concluded that the
7 information developed to date is inadequate to reliably calculate for tax purposes the
8 gains or losses of individual investors for tax year 2003. As such, the K-1s
9 distributed to investors in October, 2004 did not report any gains or losses for 2003.

10 Two primary factors contributed to this treatment:

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

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

20 The net effect of these "blank" K-1s is that investors and their own tax advisors
21 may report their own transactions for 2003 in the manner they deem appropriate
22 based on their own records and tax situations. The K-1 filed with the IRS as to each
23 investor did not declare any gains or losses for 2003. We have also advised all
24 investors that the Receiver cannot provide individual tax advice to investors. We
25 have, however, suggested that investors direct their tax advisor to IRS Form 8020
26 which permits taxpayers to make an Administrative Adjustment Request related to
27 partnership items.

28 While we are unable to properly identify and classify transactions for tax
purposes, we have provided the IRS and Franchise Tax Board with supplemental
information about GMM's financial affairs that reflects the Receiver's investigative

1 \$4.1 million back into GMM, generally only as needed to fund or cover investor
2 withdrawals. This \$17.4 million net of GMM cash was then spent by LF Global for its
3 own inflated operating expenses, its own investments, and the draws and expenses
4 of its principals. In addition to the funds from GMM, LF Global did receive some
5 capital from the principals - \$1.6 million from Levy and \$52,350 from Lohr - and cash
6 distributions from its Highcrest and ImageWare investments.

7 As with GMM, the bulk of LF Global's cash evaporated quickly - \$8 million to
8 the principals; \$3.2 million in realized losses in private equity deals; \$2.2 million to
9 Zenith; \$1.2 million to the American Express corporate card; \$725,000 in trading
10 losses; \$1.9 million to its Windamere/Santarus investment; approximately \$3 million
11 to its Highcrest and ImageWare investments; and approximately \$5 million to
12 operating expenses. In the end, LF Global's only real assets were its investments in
13 Highcrest and Windamere which have an estimated combined value of approximately
14 \$4 million.

15 The Agreement of Limited Partnership

16 Like most hedge funds or other private investment partnerships, GMM was set
17 up as a Limited Partnership with a corporate General Partner as primary manager
18 (LF Global). LF Global, in turn, is a Limited Liability Company whose original
19 members are Friedman, Levy and Lohr. Dr. Ken Widder was added as a member as
20 of January 1, 2003. The relationship between GMM and LF Global is governed by
21 the Agreement of Limited Partnership. At every level, LF Global breached the
22 contractual and fiduciary duties owed to GMM.

23 The stated purpose of the partnership was to "invest in the securities, both
24 common stock and debt obligations of public and private companies" including
25 options and futures, all with the objective of "capital appreciation of its assets through
26 such investments." Limited Partners were permitted to withdraw capital at the end of
27 each fixed year or at the end of any given month at the discretion of the General
28

1 Partner, but only if they provided 30 days written notice, plus the General Partner had
2 discretion to impose a 2% withdrawal fee.

3 The Agreement grants the General Partner broad powers to manage the fund,
4 including the right to delegate "all or any of his duties" and expressly permits the
5 General Partner to participate in other ventures whether or not they are competitive
6 with the partnership. The General Partner is expressly tasked to maintain the books
7 and records of the partnership, to have "fiduciary responsibilities for the safe keeping
8 and use of all funds and assets of the Partnership", and is also instructed that "[t]he
9 funds of the Partnership shall not be commingled with the funds of any other person
10 and the General Partner shall not employ such funds in any manner except for the
11 benefit of the Partnership".

12 As "payment" for LF Global's services, GMM was obligated only to pay an
13 "Incentive Allocation" based on profits and to reimburse LF Global's ordinary
14 expenses.

15 Incentive Allocation to the General Partner

16 The Incentive Allocation was to be calculated as a percentage of the net
17 income of the Partnership (20% on net income up to an annualized return of 20%;
18 25% on annualized return between 20% and 40%; and 30% on annualized return
19 over 40%). The General Partner was authorized to make withdrawals of the
20 Incentive Allocation at the end of each calendar quarter, at its discretion, based on
21 annualized returns, but was required to repay or adjust the capital account any
22 amount by which the allocation paid exceeded the amount due based upon the prior
23 fiscal year. By any calculation based on the actual investment results of GMM, LF
24 Global as General Partner was entitled to no Incentive Allocation at any time - there
25 were no profits, hence no Incentive Allocation. Nonetheless, LF Global paid itself
26 \$17.4 million.

27
28

1 case including the avoidance of “preferences” and the avoidance of “fraudulent
2 conveyances.”

3 Under the preference statute, GMM may avoid any transfer of an interest of its
4 property that was made (1) to or for the benefit of a creditor, (2) for or on account of a
5 pre-existing debt owed by GMM before the transfer was made, (3) made while GMM
6 was insolvent, (4) made within 90 days before the date of the filing of GMM's
7 bankruptcy petition (or one year in the case of an insider), and (5) that enables such
8 creditor to receive more than such creditor would have received if the transfer had
9 not been made and the creditor shared with other creditors in a chapter 7 case of
10 GMM. In GMM's case, significant transfers were made to both insiders and other
11 investors in the one-year before the bankruptcy was filed. GMM intends to file
12 lawsuits in the bankruptcy court to seek the recovery of certain of these payments so
13 that the money may be redistributed pro rata to all investors.

14 Under the fraudulent conveyance statutes, GMM may seek the recovery of
15 transfers of its property that were made within one year of its bankruptcy filing to the
16 extent that the transfer was made with the intent to hinder, delay or defraud creditors,
17 or if GMM received less than reasonably equivalent value in exchange for the
18 transfer and was insolvent when the transfer was made. Under certain
19 circumstances, the reach-back for fraudulent conveyances may extend to four years
20 prior to the filing of GMM's bankruptcy case. GMM believes that all payments made
21 by GMM to investors during the four years prior to its bankruptcy filing were made
22 with the intent to hinder, delay or defraud creditors.

23 The avoidance statutes are “strict liability” statutes, which do not require or
24 imply wrongdoing on the part of the defendant. They are designed to spread the pain
25 equally among all innocent creditors. In this case, GMM, under control of the
26 Receiver, will seek to recover payments made to investors so that those funds can be
27 redistributed to all creditors.

28

1 We have identified potentially avoidable transfers totaling more than \$30
2 million and have commenced procedures to bring formal avoidance actions.
3 Recoverability of these transfers will turn on the facts of each case. The factors will
4 include when the payment was made, the circumstances surrounding the payment,
5 whether the transferee can establish a "good faith" defense under the bankruptcy
6 laws, and whether the defendant has assets to pay an avoidance judgment.

7 X.

8 **Receivership Assets**

9 **A. Bank and Brokerage Accounts**

10 I have set up two bank accounts and one brokerage account as follows:

<u>Bank Account</u>	<u>Current Balance</u>
City National Bank Global Money Management LP Debtor-in-Possession Account	\$4,188
City National Bank LF Global Investments, LLC Receivership Account	\$888,717
<u>Brokerage Account</u>	
Merrill Lynch Global Money Management	\$1,415,693.00 cash; 141,125 shares of Santarus, Inc. (estimated value of \$1.1 million)

18 The liquid assets in the LF Global account are attributable to distributions to
19 LF Global Holdings from Highcrest and the auction of LF Global's office furnishings
20 and equipment. The cash at Merrill Lynch is the result of our sale of 150,000 shares
21 of Santarus.

22 **B. Investment Assets**

23 Santarus (GMM), Highcrest (LF Global), and Windamere (LF Global) remain
24 our most promising assets and could generate as much as \$5-7 million to the
25 receivership. We have already realized cash of \$1.4 million from the sale of 150,000
26 shares of Santarus.

1 XI.

2 **The Prospects for Making Investors Whole**

3 We estimate investor losses at between \$60 and 70 million. In addition to the
4 cash and investment assets described above, we are looking at the following targets
5 to reduce these losses:

6 **Claims/Recoveries from the Principals.** As described in Section III, I
7 estimate that through voluntary settlement and/or judgments against the culpable
8 principals we may collect approximately \$5-10 million.

9 **Avoidable Payments.** As described in Section IX, I have commenced the
10 process to recover transfers to investors which are avoidable under the Bankruptcy
11 Code. At this time, we cannot realistically estimate the potential recovery on such
12 claims, but the distributions which we contend fall within the applicable avoidance
13 periods is more than \$30 million.

14 **Litigation.** Absent acceptable settlements by the end of January 2005, we
15 will proceed with formal litigation as necessary against the various parties involved in
16 the demise of GMM.

17 XII.

18 **Communication With Investors**

19 I have established a website - <http://www.gmmreceiver.com> - to efficiently and
20 economically communicate my activities to the investors of GMM. We encourage all
21 invested parties to refer to the website, which we will continue to update regularly as
22 developments merit. Investors may also e-mail questions and information to
23 info@gmmreceiver.com.

24 Dated: 1/29/05

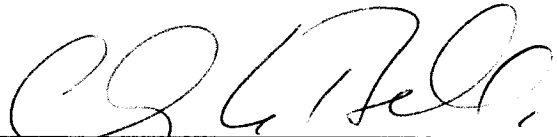
25 
26 CHARLES G. LA BELLA, RECEIVER

Exhibit A

Summary of historical balance sheet and
income statement information contained in
GMM tax returns for the years 1994-2002.

In re: Global Money Management LP and related cases

DRAFT

Summary of Global Money Management, LP's U.S. Returns of Partnership Income For the Years Ended December 31, 1994 Through 2002
Balance Sheets

	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/00</u>	<u>12/31/99</u>	<u>12/31/98</u>	<u>12/31/97</u>	<u>12/31/96</u>	<u>12/31/95</u>	<u>12/31/94</u>
ASSETS									
Cash	\$ 1,966,818	\$ 517,160	\$ 945,000	\$ 930,981	\$ 280,000	\$ 396,000	\$ 334,450	\$ 373,500	\$ 382,353
Other investments:									
Securities	<u>112,222,330</u>	<u>83,708,915</u>	<u>60,912,136</u>	<u>32,153,283</u>	<u>12,395,331</u>	<u>5,385,679</u>	<u>3,304,178</u>	<u>1,958,508</u>	<u>848,818</u>
Intangible assets	12,445	12,445	12,445	12,445	12,445	12,445	12,455	12,445	12,445
Less accumulated amortization	<u>(12,445)</u>	<u>(12,445)</u>	<u>(12,445)</u>	<u>(12,445)</u>	<u>(12,445)</u>	<u>(10,164)</u>	<u>(7,674)</u>	<u>(5,185)</u>	<u>(2,696)</u>
	-	-	-	-	-	2,281	4,781	7,260	9,749
Total assets	<u>\$114,189,148</u>	<u>\$ 84,226,075</u>	<u>\$ 61,857,136</u>	<u>\$ 33,084,264</u>	<u>\$ 12,675,331</u>	<u>\$ 5,783,960</u>	<u>\$ 3,643,409</u>	<u>\$ 2,339,268</u>	<u>\$ 1,240,920</u>
LIABILITIES AND CAPITAL									
Partners' capital accounts	<u>114,189,148</u>	<u>84,226,075</u>	<u>61,857,136</u>	<u>33,084,264</u>	<u>12,675,331</u>	<u>5,783,960</u>	<u>3,643,409</u>	<u>2,339,268</u>	<u>1,240,920</u>
Total liabilities and capital	<u>\$114,189,148</u>	<u>\$ 84,226,075</u>	<u>\$ 61,857,136</u>	<u>\$ 33,084,264</u>	<u>\$ 12,675,331</u>	<u>\$ 5,783,960</u>	<u>\$ 3,643,409</u>	<u>\$ 2,339,268</u>	<u>\$ 1,240,920</u>

Notes:

Sources: U.S. Returns of Partnership Income for the years ended December 31, 1994 through 2002 filed by Global Money Management, L.P.

In re: Global Money Management LP and related cases

DRAFT

Summary of Global Money Management, LP's U.S. Returns of Partnership Income For the Years Ended December 31, 1994 Through 2002

Income Statements

	2002	2001	2000	1999	1998	1997	1996	1995	1994
Ordinary income / (loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Portfolio income / (loss):									
Interest income	269,579	98,254	49,218	32,870	3,620	1,405	1,799	3,716	2,495
Ordinary dividends	199,405	163,379	85,750	104,200	4,281	-	-	-	-
Net short-term capital gain / (loss)	15,955,480	15,006,947	12,455,208	5,645,726	2,561,364	1,698,209	694,125	332,444	426,923
Net long-term capital gain / (loss)	66	(12,193)	-	-	-	-	-	-	-
Other income:									
Oscar Investment Fund, LP	-	(24,938)	-	-	-	-	-	-	-
Deductions related to portfolio income:	(73,080)	(1,432)	-	-	(3,081)	(3,289)	(3,289)	(3,289)	(2,489)
Interest expense on investment debts	-	(3,339)	-	-	-	-	-	-	-
Net income / (loss)	<u>\$ 16,351,450</u>	<u>\$ 15,226,678</u>	<u>\$ 12,590,176</u>	<u>\$ 5,782,796</u>	<u>\$ 2,566,184</u>	<u>\$ 1,696,325</u>	<u>\$ 692,635</u>	<u>\$ 332,871</u>	<u>\$ 426,929</u>

Notes:

Sources: U.S. Returns of Partnership Income for the years ended December 31, 1994 through 2002 filed by Global Money Management, L.P.

Exhibit B

Summary of GMM transactions broadly categorized and based on known bank and brokerage accounts for the five years ended December 31, 2003.

Summary of Transactions of Known Bank and Brokerage Accounts
Held in the Name of Global Money Management, LP
For the Years Ended December 31, 1999 Through 2003 (UNAUDITED)

	1999	2000	2001	2002	2003	Total
Receipts:						
Sales proceeds	\$ 62,793,921.54	\$ 37,015,941.72	\$ 186,143,233.10	\$ 342,406,430.90	\$ 361,585,656.43	\$ 989,945,183.69
Other capital items	137,675.46	9,354.64	52,026.39	111,466.80	269,900.82	580,424.11
Dividend income	54,824.18	71,420.55	125,289.65	50,335.85	112,880.93	414,751.16
Interest income	17,852.39	28,728.80	42,053.61	26,813.92	25,091.17	140,539.89
Miscellaneous refunds	-	-	7.02	-	-	7.02
Investor contributions	14,936,936.79	19,218,328.87	9,601,984.34	29,540,911.48	27,873,897.90	101,172,059.38
Return on investment	-	-	302,580.00	-	-	302,580.00
Intra-company transfers	-	-	234,000.00	107,000.00	2,126.82	343,126.82
Due to LFGI (return on investment)	-	-	-	-	960,307.50	960,307.50
Payments from insiders	-	50,000.00	268,580.00	747,000.00	1,197,000.00	2,262,580.00
Other transfers	-	-	-	40,750.00	-	40,750.00
Transfers from unidentified parties	-	1,323.28	-	-	-	1,323.28
Transfers from trading accounts	12,678,000.00	11,320,000.00	14,206,441.98	22,043,696.51	34,490,995.75	94,739,134.24
Transfers from Union Bank	17,847,000.00	20,506,000.00	11,795,442.00	28,662,500.00	29,568,600.00	108,379,542.00
Transfers from related parties	-	-	804,800.22	1,715,000.00	5,268,000.00	7,787,800.22
Uncategorized receipts	-	-	-	35,693.46	-	35,693.46
	<u>108,466,210.36</u>	<u>88,221,097.86</u>	<u>223,576,438.31</u>	<u>425,487,598.92</u>	<u>461,354,457.32</u>	<u>1,307,105,802.77</u>
Disbursements:						
Purchases of securities	65,111,070.98	45,444,437.59	172,920,935.76	337,710,864.24	350,230,957.02	971,418,265.59
Other options / hedging losses	436,957.79	1,896,527.69	9,597,034.80	12,341,768.35	10,588,294.00	34,860,582.63
Dividend expense	-	-	11,027.30	27,288.75	41,873.29	80,189.34
Interest expense	13,673.54	6,556.02	15,330.27	21,532.26	70,644.03	127,736.12
Investor withdrawals	1,379,510.73	2,770,633.70	3,286,363.90	11,417,625.64	31,134,514.75	49,988,648.72
Purchase of investments	750,000.00	-	-	1,280,078.00	1,280,000.00	3,310,078.00
Bank / trading fees	5,239.99	1,884.05	2,122.10	2,907.84	3,525.21	15,679.19
Legal and accounting expenses	15,206.21	4,543.50	-	-	-	19,749.71
Income taxes - Federal	-	-	750.00	-	-	750.00
Income taxes - State	800.00	800.00	800.00	800.00	800.00	4,000.00
Intra-company transfers	-	-	234,000.00	107,000.00	2,126.82	343,126.82
Other expenses	1,000.00	-	-	-	-	1,000.00
Payment to / fbo insiders	510,500.00	4,450,000.00	3,867,000.00	5,439,600.00	2,946,840.53	17,213,940.53
Transfers to unidentified parties	3,125,000.00	-	-	30,000.00	-	3,155,000.00
Transfers to trading accounts	17,847,000.00	20,506,000.00	11,795,442.00	28,662,500.00	29,568,600.00	108,379,542.00
Transfers to Union Bank	12,678,000.00	11,320,000.00	14,206,441.98	22,043,696.51	34,490,995.75	94,739,134.24
Transfers to / fbo related parties	3,195,000.00	2,701,000.00	6,275,141.83	6,026,000.00	3,921,463.28	22,118,605.11
Uncategorized disbursements	1,030,000.00	-	-	-	-	1,030,000.00
	<u>106,098,959.24</u>	<u>89,102,382.55</u>	<u>222,212,389.94</u>	<u>425,111,661.59</u>	<u>464,280,634.68</u>	<u>1,306,806,028.00</u>
	<u>\$ 2,367,251.12</u>	<u>\$ (881,284.69)</u>	<u>\$ 1,364,048.37</u>	<u>\$ 375,937.33</u>	<u>\$ (2,926,177.36)</u>	<u>\$ 299,774.77</u>

Notes:

This data was prepared from available records of the Debtor which are not complete and which may contain undetected errors or misstatements.

This summary has not been audited.