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3:04-CV-00521 SEC V. GLOBAL MONEY MGT

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CHARLES G. LA BELLA,
COURT-APPOINTED RECEIVER FOR
GLOBAL MONEY MANAGEMENT, L.P.
AND L.F. GLOBAL INVESTMENTS, LLC
401 West "A" Street, Suite 1150
San Diego, California 92101
Telephone: (619) 696-9200
Facsimile: (619) 696-9269

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CLERK U.S. DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

BY:

DEPUTY

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

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

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

Defendants.

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

NOTICE OF FILING FIRST
PRELIMINARY REPORT OF RECEIVER

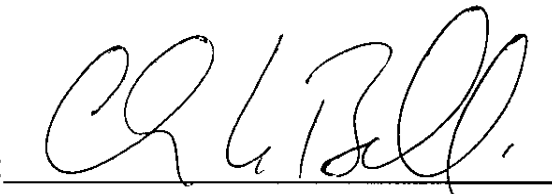
Hon. Barry Ted Moskowitz

TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

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

Dated: April 29, 2004

By:



Charles G. La Bella, Court-Appointed
Receiver for Global Money Management,
L.P. and LF Global Investments, LLC

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1 **FIRST PRELIMINARY REPORT OF RECEIVER**

2 **I.**

3 **Introduction**

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

9 I respectfully submit this initial report in order to advise the Court of my
10 preliminary observations. I must stress that these are preliminary observations and
11 may change as more documents are located and reviewed, and more witnesses are
12 interviewed. In the short time since my appointment I, together with my attorneys
13 and accountants, have struggled to locate and review documents, to trace financial
14 transactions, as well as to identify and interview those who have helpful information.
15 We do not have a complete financial or factual picture of what went wrong with GMM,
16 LF Global, and their related entities. However, I can provide the following snapshot
17 of the operation and the flow of monies. I have attempted to include information that
18 the Court and investors would find useful at this early stage of the proceeding. I do
19 expect to have a more developed picture in the next 45 - 60 days and will report as
20 information is available.

21 **II.**

22 **Related Entities**

23 Although our inquiry has just begun, I believe that the following companies are
24 related to this matter and to the principals who operated GMM and LF Global. The
25 offices for all related entities were located in the Carmel Valley Oracle Building at
26 12230 El Camino Real, San Diego, California.

1 **A. LF Global Investments, LLC**

2 LF Global initiated business in May 1995 and was the administrative arm of
3 GMM. It appears that virtually all operating expenses come from this entity and its
4 accounts. The original principals of LF Global were Marvin Friedman, Paul Levy and
5 Milton Lohr. Kenneth Widder joined as a principal in 2003.

6 **B. Global Money Management, LP**

7 GMM, organized in 1993, was a hedge fund operated by LF Global. The
8 managing member of GMM was Marvin Friedman. As of March 31, 2002, we believe
9 GMM had 210 limited partners (investors). The investor base as of this time included
10 114 individuals and trusts, 18 pension plans, and 78 IRA and SEP IRAs. At that time,
11 the Fair Market Value of these accounts – according to Mark Albrecht – was
12 \$126,224,434. Mark Albrecht is a partner in the accounting firm of Allen, Hewitt &
13 Albrecht located in Danville, California. Mark Albrecht appears to have personally
14 handled this account.

15 **C. GMM Individual Qualified Investor Fund, LP**

16 The GMM Individual Qualified Investor Fund, LP was organized by Marvin
17 Friedman in September 2003, with LF Global Investments, LLC as the General
18 Partner.

19 **D. GMM IF, LP**

20 The GMM IF (Institutional Fund) was organized by Marvin Friedman in August
21 2003, with LF Global Investments, LLC as the General Partner. Investors in this fund
22 included: Oxbridge Associates, LP, Sandalwood Debit Fund A, LP, Sandalwood
23 Debit Fund B, LP, and Hudson Investment Partners. The funds for all GMM IF
24 investors appear to have been commingled with the general GMM accounts.
25 However, the balances and gains (to the extent there were any true gains) appear to
26 have been calculated and tracked separately. At this point, I cannot determine if
27 these gains as tracked were real or illusory. As with GMM, I will have to wait until the
28 trading records are all available and can be reviewed. The balance for GMM IF,

1 according to Albrecht documents, appears to have been \$10,243,794.64 as of the
2 end of May 2003.

3 **E. LF Global Holdings, LLC**

4 LF Global Holdings ("LF Holdings") was organized in 1997 primarily as a
5 vehicle to make investments. The manager is Paul Levy. Levy is also a Class B
6 Investor in LF Holdings, together with LF Global.

7 **F. MCM Systems, LLC**

8 MCM Systems, LLC ("MCM") was organized in 2000, and equally owned by
9 Levy, Lohr and Friedman. This appears to be another investment vehicle within the
10 LF Global organization.

11 **III.**

12 **The LF Global Operation**

13 **A. LF Global: The Center of the LF Global Operation**

14 LF Global leased three suites within the Oracle Building in Carmel Valley—
15 Suite 220 (3,410 square feet), Suite 200 (7,580 square feet) and Suite 300 (7,580
16 square feet) – but only used Suite 220 for its operations. The bulk of the rented
17 space was subleased at various times by: Dorado Capital Management, Alessandro
18 Burke & Co., Continental Residential, Santarus, Decision Capital Management, Cove
19 Partners, Western Pacific Capital Management, Financial Resource Network,
20 Novacardia, Inc., L. Scott Shields, Berges Property Company, Spectrum Consultants,
21 and Summit Global Management. At one time, LF Global also shared its space with
22 Granite Financial, until Granite moved its offices in late 2003. The business
23 connections, if any, between these sub-tenants and LF Global and GMM is an area
24 yet to be explored in detail.

25 After appointment, I took control of the Company's office suite in Carmel
26 Valley and arranged for the external locks to be changed. Since then, only my
27 agents and the Landlord (Prentiss Properties) have had unsupervised access to the
28 offices.

1 Upon our arrival at the offices, it was clear that the business had been
2 effectively shut down. No employees were present. No business was being
3 conducted. It also appeared that some files had been cleared out and that furniture
4 had been removed. I have since discovered evidence that suggests that Mr.
5 Friedman may also have removed valuable computer equipment and valuable pieces
6 of art.

7 I was successful in reaching an immediate agreement with the Landlord to
8 terminate LF Global's Master Lease which covered nearly 20,000 square feet and ran
9 to June 2008 at a monthly rental of \$53,000. Prior to my appointment, the Landlord
10 had served eviction notices on LF Global and all sub-tenants because LF Global had
11 failed to pay the rent for February or March 2004, even though LF Global had
12 collected the rent from the sub-tenants.

13 By the terms of a Stipulation dated March 23, 2004, the Landlord waived any
14 past rent claim against LF Global and LF Global agreed to immediately return
15 possession of the premises to the Landlord. The Landlord thereafter made separate
16 arrangements with each sub-tenant.

17 I retained McCormack Auction, one of San Diego's most experienced office
18 auction shops, to conduct an auction of all furniture and equipment at the LF Global
19 offices. That auction was conducted on April 20, 2004 with net cash to the estate of
20 \$29,448.90. Full possession of the premises has now been returned to the Landlord.

21 **B. Documents / Information / Electronic Data**

22 As you know, the heart of any business - especially an investment business -
23 is the quality of its books and records. In this case, the records - to the extent they
24 existed - were in terrible shape.

25 It was evident that LF Global had ceased its operations and effectively vacated
26 the premises prior to the issuance of the TRO and my appointment. There were no
27 employees and the majority of information sources - hard drives, fax machines,
28

1 paper files – had already been erased, destroyed or apparently removed from the
2 offices.

3 In particular, with respect to electronic data, I learned that all the hard drives at
4 LF Global – which included account information for GMM and related companies –
5 were “replaced” in early 2004. The timing of this is curious since it came at a time
6 when – according to those we have interviewed – there was some suspicion among
7 the principals about the integrity of the operation of the fund. The removed hard
8 drives were not recycled, stored or backed up. Rather they were discarded in the
9 trash at a local San Diego coffee shop. This too is suspicious since hard drives are
10 generally not simply discarded in the trash. Indeed, these hard drives contain
11 electronic data which, if recovered from the trash, could be restored and used. In any
12 event, there were no readily available electronic files to track investments and/or
13 funds when I was appointed. Nor were the email files of the principals and
14 employees of GMM and LF Global readily available.

15 I also learned that Marvin I. Friedman – one of the principals – arranged to
16 have twelve boxes of documents taken from the premises in early March 2004 to be
17 copied. This copying was in process when the TRO was issued. I took custody and
18 control of these documents and have turned them over to my forensic accountants.

19 Additional information was recovered through a variety of electronic sources. I
20 believe that I now have all available electronic data relating to LF Global’s operations,
21 and my team is reviewing this information in order to reconstruct the financial picture
22 of LF Global and its related entities.

23 **C Bills/Liabilities**

24 Since taking over, I have attempted to identify and cancel all active accounts
25 of LF Global, including basic service accounts – water, electricity, phone - and
26 operating accounts – payroll, health care, internet and email accounts, credit card
27 accounts for the managing members, car leases and cell phones.

1 **D. Employees**

2 As of March 11, 2004, LF Global did not have any employees. Prior to the
3 issuance of the TRO and my appointment as Receiver, LF Global's payroll account
4 and Blue Cross Health Plan had been cancelled.

5 **E. The SEC Investigation and the TRO**

6 How this investigation began is - based upon statements of the principals -
7 unclear. Depending on whom you speak to, each of the principals claims to be the
8 one who brought his suspicions to the authorities and started the inquiry that led to
9 the SEC action before this Court. Messrs. Levy and Lohr claim that they had
10 suspicions relating to Mr. Friedman's operation of the fund and they contacted
11 authorities. Mr. Widder likewise claims to have had suspicions and related these to
12 the authorities. Finally, Mr. Friedman also claims to have been the one to contact the
13 authorities relating to his suspicion that others had stolen money from the fund.

14 How the action began is largely beside the point at this juncture. Certainly, the
15 authorities know who contacted them and when and what information was provided.
16 What is important to note is that at least by the fourth quarter of 2003, there appears
17 to have been trouble in paradise, and those close to the eye of the storm realized it.
18 The authorities were contacted and began to investigate and the current action was
19 commenced.

20 While the principals are quick to point the finger at one another, what is lacking
21 is an accurate accounting of this operation. The documents, as noted above, were in
22 complete disarray. For a business that presumably was trading millions and millions
23 of dollars each month, and was managing millions of dollars of non-market
24 investments, there is a complete lack of process, procedures and information. While
25 there were bank statements and brokerage account statements provided to GMM /
26 LF Global, they were not maintained in an organized manner. While there may
27 indeed have been real market trades yielding real market gains and losses, the
28 tracking of that information appears to have been haphazard, at best.

1 Concerning the venture capital investments of LF Global, these too were never
2 papered in the traditional manner. The paperwork relating to these investments was
3 often a work in progress. Monies would often be invested by LF Global without a
4 written document reflecting either GMM's or LF Global's interest in the venture. It
5 seems that much of the paperwork never caught up with the investment of funds.

6 At some point, the facts will be fully developed and we will be able to paint an
7 accurate picture of what went wrong here. At this juncture, it is clear that money has
8 been lost. Some investors have received their investments and "profits" while others
9 have received nothing. Those who received investments and "profits" include some
10 of the institutional investors. The circumstances of these repayments will certainly be
11 scrutinized.

12 In order to unravel this financial bowl of spaghetti, we must retrace many of
13 the financial transactions. This will take some time, especially when the person who
14 was at the heart of the trading desk - Marvin Friedman - has refused to provide the
15 estate with any meaningful information. With or without his assistance, we will put
16 this picture together and follow the money trail with the hope of recovering funds for
17 investors.

18 III.

19 Receivership Activities

20 A. Website

21 I set up a website – <http://www.gmmreceiver.com> - to efficiently and
22 economically communicate my activities to the investors of GMM and have been
23 updating the site as frequently as possible. An email address was also set up and
24 posted on the website to facilitate answering investor questions and to receive
25 information about potential assets. I intend to continue to use this method to keep
26 the investors and the public informed of important events and developments.

1 **B. GMM Bankruptcy**

2 On March 14, 2004, Alan Vanderhoff, the estate's bankruptcy attorney, filed a
3 Chapter 11 Bankruptcy for GMM. This action will enable the Court to capture certain
4 preferential and or fraudulent transfers from GMM. These payments may be as
5 much as \$8 million, but it will be up to the Bankruptcy Court to determine if any of
6 these funds are to be returned to the estate. As noted above, some investors,
7 including institutional investors, received not only their investments but huge "profits"
8 as well. To the extent we believe these "profits" were nothing more than new investor
9 monies, we will seek the return of these "profits" to the estate.

10 GMM also filed Schedules with the Bankruptcy Court on April 6, 2004, and I
11 have appeared at two Creditor's Meetings – one on April 6, 2004, and another on
12 April 20, 2004 – to answer questions relating to this matter. Transcripts of those
13 proceedings can be obtained through the U.S. Trustee's office.

14 **C. Forensic Accountants**

15 The estate has retained the firm of Mack Barclay to reconstruct the financial
16 and trading activity of GMM and LF Global. To date, Mack Barclay has reviewed all
17 available records of GMM and LF Global, including but not limited to: bank
18 statements, cancelled checks, check stubs, cash disbursement and cash receipt
19 registers, bank debit and credit advice memoranda, wire transfer advices, trading
20 account statements, investor files, accounts payable files, tax returns, electronic files,
21 corporate records, correspondence, etc. I, too, have personally reviewed many of
22 the financial records and am directing the accountants and attorneys to the
23 transactions reflected.

24 Mack Barclay's efforts thus far have been focused on analyzing available bank
25 account and trading account records for purposes of investigating allegations of fraud
26 and mismanagement. The firm has provided Mr. Vanderhoff and myself with
27 preliminary schedules and reports of bank transactions to assist in our investigation
28 and bankruptcy court obligations. The accountants are in the process of developing

1 a comprehensive cash transaction database that includes the incorporation of data
2 obtained from bank account records and the QuickBooks electronic records of LF
3 Global, GMM and other related entities. This bank account tracing database will
4 become the foundation for accumulating investor information including calculation of
5 net investments. I intend to make this information available to all regulatory and
6 investigative authorities.

7 Mack Barclay is also providing tax services to LF Global and GMM and is
8 assisting the estate to manage the various tax filing requirements. In connection with
9 those services, Mack Barclay is in the process of evaluating various tax
10 consequences and issues relating to LF Global, GMM and the investors as a result of
11 the alleged misconduct and apparent loss of funds.

12 **D. Interviews / Depositions**

13 I, and my attorneys, have conducted several interviews. These include
14 interviews of LF Global and GMM employees and agents, Paul Levy, representatives
15 of Zenith Capital Management and representatives of Kenneth Widder. I have also
16 made contact with members of other parties relating to potential investments made
17 by GMM and LF Global. Finally, I conducted a Court-ordered deposition of Marvin I.
18 Friedman on April 9, 2004.

19 The interviews have been very helpful in identifying investments, accounts and
20 documents that relate to the operation of GMM, LF Global and related entities. We
21 will continue to interview those identified with relevant information.

22 The deposition of Marvin Friedman, however, was neither helpful nor
23 informative. In fact, Mr. Friedman refused to answer most questions relating to
24 assets as well as other relevant areas, either because he contended that the
25 question was beyond the scope permitted by the Court or based upon his privilege
26 against self-incrimination. In any event, Mr. Friedman offered little assistance in
27 identifying or locating documents and no assistance in determining what went wrong
28 here. Indeed, he refused to even suggest if money was lost in the market or stolen

1 from the LF Global entities. His concern and focus was and remains to protect
2 himself and the wealth he has accumulated as a result of these activities.

3 **IV.**

4 **Investments**

5 We have been able to identify the following assets:

6 **A. Investments**

7 We have identified the following investments of GMM and LF Global:

8 **1. Zenith Capital**

9 Both LF Global and GMM maintained relationships with Zenith Capital LLC, an
10 investment advisory firm based in Santa Rosa, California. In June 2000, LF Global
11 invested \$350,000 for a 10% stake in Zenith Capital's predecessor - Tasker Cooper
12 Smith/Zenith Group. In December 2001, Tasker Cooper Smith/Zenith Group merged
13 with Wealth Management Consultants LLC to form Zenith Capital LLC. Following the
14 merger, LF Global holds approximately a 10% interest in the new company. It is
15 unclear what – if anything – that investment is worth today.

16 Apart from the stake LF Global holds in Zenith, Zenith placed approximately
17 117 of its clients in the GMM fund with approximately \$39 million. In connection with
18 these investments, GMM paid Zenith a total of approximately \$2.2 million in
19 "incentive fees" calculated as a percentage of the "gains" reported by GMM in each
20 investor's position in the fund.

21 We are continuing to review records relating to Zenith and are in
22 communication with its counsel. To date, Zenith has provided us information relating
23 to Zenith clients who invested in GMM, incentive fees paid to Zenith by GMM, the
24 Zenith investment in LF, and information regarding possible additional assets of LF
25 and GMM and its principals.

26 **2. Santarus**

27 Both LF Global and GMM made substantial pre-IPO investments in a San
28 Diego pharmaceutical company - Santarus, Inc. – which successfully completed an

1 IPO on April 6, 2004. GMM invested \$1.2 million in February 2001 for 1,018,956
2 shares of Series D preferred shares. Those shares converted to 291,115 common
3 shares through the IPO. As of the market close on April 22, 2004, those shares have
4 a market value of \$3.2 million. The shares are, however, subject to a 180-day lock
5 up provision, which precludes their public sale until October 6, 2004.

6 LF Global also invested indirectly in Santarus by way of a \$2 million
7 investment in Windamere Capital Ventures, LP ("Windamere Capital"). The General
8 Partner of Windamere Capital is Windamere Capital Management, LLC ("Windamere
9 Management"). The only investment made by Windamere Capital was \$2.35 million
10 invested in Santarus in June 2003 for 617,284 shares of Series C preferred shares.
11 Those shares converted to 248,395 common shares through the IPO. As of the
12 market close on April 22, 2004, those shares have a market value of \$2.7 million. LF
13 Global's 79% interest in Windamere Capital, therefore, has an approximate value of
14 \$2.1 million. The Santarus shares owned by Windamere Capital are also subject to
15 the 180-day lock up. LF Global's interest in Windamere is potentially subject to a
16 complex profit sharing provision whereby Windamere Management as General
17 Partner may claim a percentage of a portion of LF Global's profits upon distributions
18 from, or the dissolution of, Windamere Capital.

19 Along with LF Global, the other Limited Partners in Windamere Capital are Milt
20 Lohr, Ken Widder, and Bernie Simkin. The members of Windamere Management are
21 Ken Widder (the sole Managing Member) and MCM Systems, LLC (the members of
22 which are Messrs Levy, Lohr and Friedman). As you can see, this tangled financial
23 web includes all of the principals of LF Global. The documentation for these
24 investments is anything but clear. What is clear is that LF Global and GMM have a
25 significant stake in Santarus and that this investment has value which will be returned
26 to the estate.

1 **3. Highcrest Partners, LP**

2 The following information was provided to me by Jeffrey Lovell of Lovell
3 Minnick Partners LLC regarding an investment made by LF Global Holdings in
4 Highcrest Partners LP:

5 Highcrest Partners LP ("Highcrest") was formed in early 1999. Highcrest is a
6 limited partnership that was formed to make direct investments in privately-held
7 financial services-related companies, primarily asset management firms. There are
8 approximately 25 limited partners of Highcrest. LF Holdings made a \$5 million
9 investment and holds a 35% limited partnership interest. Highcrest made four
10 investments in 1999 and was fully invested at that time. To date, two of the Highcrest
11 investments have been fully realized. The remaining investments are not likely to be
12 realized before 2006 when Highcrest can put its interests back to the respective
13 companies. There will be modest income generated from Highcrest, distributed
14 annually, until the realizations occur.

15 Highcrest is audited annually by Deloitte & Touche. The year-end audit of
16 Highcrest is nearly complete and a copy will be forwarded to me shortly. The draft
17 financials indicate a current value of approximately \$2.8 million for LF Holdings's
18 continuing interest in Highcrest. LF Holdings has already received distributions of
19 approximately \$6.5 million since inception of the partnership. We are tracing this
20 distribution to determine the flow of funds.

21 Lovell Minnick Partners LLC ("LMP") is the sole managing member of the
22 general partner of Highcrest. LMP is a private equity firm owned by its principals and
23 the National Bank of Canada. LMP is the spin-off of the private equity group of
24 Putnam Lovell NBF Securities, itself a subsidiary of the National Bank of Canada.

25 **4. Global Financial Group**

26 LF Global Investments invested \$300,000 in Global Financial Group and
27 Global Financial Management, which merged in 2003. However, our investment is
28

illiquid and will not mature for 5-10 years. They have offered to buy our interest for pennies on the dollar.

5. Alexis Communications (formerly Com2001.com)

LF Global invested at least \$1,545,435.00 in Com 2001 Technologies, Inc., which is currently Alexis Communications. We are waiting for further information on this investment.

B. Bank and Brokerage Accounts

Immediately after receiving the TRO, the SEC served many entities in order to freeze assets. The following chart outlines the current balance of frozen bank and brokerage accounts:

BANK ACCOUNTS	CURRENT BALANCE
Union Bank Global Money Management LP Account #: 0050013928	\$687
Union Bank Marvin Friedman Account # 6441014310	\$8491
Union Bank LF Global Account # 0050014614	\$320
Union Bank LF Global Holdings LLC Account # 6440010065	\$1428
Spear Leeds & Kellogg Global Money Management Account # 4J81	\$662.69
Spear Leeds & Kellogg Global Money Management Account #7W5F	\$3810.24
Spear Leeds & Kellogg LF Global Account # 763V	\$534.07
UBOC Investment Services Global Money Management Account # A4T-143278	\$.01
UBOC Investment Services LF Global Account # A4T-179663	\$.01
TOTAL:	\$15,933.02

The bank accounts listed above for GMM and LF Global were closed as of April 20, 2004. The money was transferred into two new accounts at City National

1 Bank – a Debtor-in-Possession account for GMM and a Receivership account for LF
2 Global. Other than the money in these two accounts, there do not appear to be liquid
3 assets.

4 **C. Other Assets**

5 **1. Friedman's House**

6 Marvin Friedman owns at least two houses. One, in La Jolla, was in escrow
7 when I was appointed. I immediately served Prudential California Realty with the
8 TRO and followed up with the Realtor that marketed the property. That property is
9 now frozen in escrow. The offer for the house was \$2.55 million and I have
10 determined that the price is consistent with comparable sales in the area. The hope
11 was to proceed with the sale and place the resulting equity into an escrow account
12 pending the SEC litigation against Friedman. Unfortunately, Mr. Friedman refuses to
13 agree to the terms proposed by the SEC unless his living expenses are deducted
14 from the proceeds. Unless Mr. Friedman agrees with the SEC to hold these
15 proceeds in escrow, the sale of the house will likely fall out of escrow.

16 **V.**

17 **Draws/Returns to Principals**

18 **A. Checks**

19 Our preliminary review of a single LF Global account reveals a substantial
20 number of checks made payable to the principals. It should be noted that the records
21 for this one account are not complete and there are additional bank accounts that are
22 still being analyzed. The following is a preliminary review of the funds transferred to
23 the principals for the period we have obtained records and are in no way a complete
24 picture of all transactions involving the principals. These funds do not reflect any
25 monies that the principals may have paid into any accounts.

26 **1. Marvin Friedman**

27 Analysis of original checks made payable to Marvin Friedman, or to cash
28 which were signed and endorsed by Marvin Friedman, show that between May 1997

1 and November 2000, Marvin Friedman received \$689,829.00 from this one LF Global
2 account.

3 **2. Paul Levy**

4 Analysis of original checks made payable to Paul Levy, or to cash and
5 endorsed by Paul Levy, show that between June 1997 and October 2000, Paul Levy
6 received \$426,065.78 from this one LF Global account.

7 **3. Milton Lohr**

8 Analysis of original checks made payable to Milton Lohr, or to an account for
9 the benefit of Milton Lohr, show that between January 1999 and May 2000, Milton
10 Lohr received \$90,360.72 from this one LF Global account.

11 **B. QuickBooks**

12 We were able to capture and review QuickBooks data from LF Global's
13 computers only for the period 2002 through January 2004. We are tracking down the
14 additional QuickBooks data from other sources and believe we will find it.

15 **1. Marvin Friedman**

16 A preliminary review of the QuickBooks data by our accountants shows an
17 additional \$1.4 million in check transfers made payable to or for the benefit of Marvin
18 Friedman between early 2002 and January 2004.

19 **2. Paul Levy**

20 A preliminary review of the QuickBooks data by our accountants shows an
21 additional \$2.9 million in checks and wire transfers made payable to Paul Levy, or
22 Paul Levy controlled entities – BLM Enterprises, Inc and LML Enterprises, LLC –
23 between early 2002 and the end of 2003.

24 **3. Milton Lohr**

25 A preliminary review of the QuickBooks data by our accountants shows an
26 additional \$427,087.00 in checks made payable to Milton Lohr, or for his benefit, for
27 the year 2002.

1 **4. Kenneth Widder**

2 A preliminary review of the QuickBooks data by our accountants shows
3 \$377,589.31 in checks made payable to Kenneth Widder between April 2002 and
4 September 2003 for "consulting fees".

5 **C. American Express Charges**

6 We were able to obtain limited data relating to American Express charges
7 made by the principals on LF Global's American Express cards. This data reflects
8 only charges over the last year or so. We are in the process of obtaining complete
9 records of the account. We see a pattern of personal charges to these cards which
10 were paid for by LF Global. We see no evidence that the individuals reimbursed LF
11 Global for these charges. At this juncture, they remain questionable charges.

12 **1. Marvin Friedman**

13 Analysis of Marvin Friedman's LF Global Corporate American Express card
14 show a number of questionable charges. While we have only received very few
15 records from American Express to date, below is a sample of the types of charges
16 paid by LF Global. The "jet fuel" charges - listed below - while not the only
17 questionable charges are believed to be significant. I have received very specific
18 information that Marvin Friedman's son operates an airplane charter service based in
19 Arizona, and that Mr. Friedman not only purchased fuel for his son's business but
20 also assisted in the purchase of an airplane with funds that can be traced to LF
21 Global. We are looking into those allegations. We have obtained records that
22 confirm many San Diego jet fuel charges were made by Marvin's son, William.

23 **Air Travel / Jet Fuel**

Aviation Services from Jim's Air in San Diego, CA	\$22,158.40
Jet Fuel from Crown Air Inc	\$5,016.95
Jet Fuel from Gibbs Flying Services in San Diego, CA	\$8,509.48
Jet Fuel from Jet Source in Carlsbad, CA	\$580.00
Jet Fuel from Swift Aviation Services in Phoenix, AZ	\$895.50
Services from Corporate Jets Inc in Scottsdale, AZ	\$1,153.56
Usage of Prescott Municipal Airport (Incl. Jet Fuel)	\$6,376.36

27 **Computer Equipment**

Dell Computer Products	\$6,735.54
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Computer Equipment

Dell Computer Products	\$6,735.54
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Home Furnishings

Home Furnishings from Casa Hermosa in Scottsdale, AZ	\$700.05
Home Furnishings from Ethan Allen	\$2,333.84

Lodging

Lodging at Hassayampa Hotel in Prescott, AZ (Incl 1 night @ \$2,340.03)	\$3,267.55
Lodging at Hotel Haus Paradies, Switzerland	\$190.19
Lodging at the Enchantment Resort - Sedona, AZ	\$6,985.08
Lodging in Prescott, AZ	\$927.52
Lodging at Pebble Beach (1 night)	\$3,950.00

Miscellaneous Charges

Beverages from the Wine Cellar	\$219.52
Plane tickets Mexico City/Alcapulco - Marv and Judy Friedman	\$1,932.34
Rent-a-car charges in Prescott, AZ	\$1,704.78
Southwest Airlines Flights for Judith and Lisa Friedman	\$360.00
United Airlines Ticket for J Friedman to Dulles, Washington DC	\$292.50
Trip to DC with W Friedman (Incl. Airfare, dinners, lodging and car)	\$9,751.03
Men's Clothing - Nordstroms	\$943.02

Trips

Trip to Las Vegas (Incl. Chartered Jet, Lodging and Golf)	\$15,939.97
Trip to Monterey/Big Sur, CA	\$2,214.12

Other

La Costa Limousine Charter Services	\$1,841.57
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2. Paul Levy

Analysis of Levy's LF Global Corporate American Express card show a number of questionable charges by Levy himself and his wife, Christine Infante:

Personal Charges

Beverages from the Wine Connection	\$8,720.36
Hertz Rent-a-car - Renter: Christine Infante	\$478.23

Limousine Travel

La Costa Limousine Charter Services	\$9,804.89
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Trips

Tickets to Los Cabos, Mexico for Andrew Arroyo and Levy	\$5,494.34
Trip to Colorado - Christine and Aaron Infante-Levy (Incl. hotel, car, flights)	\$3,147.73
Trip to Hawaii - Paul Levy and Aaron Infante-Levy (Incl. air and Ferrari Adventures)	\$6,710.00
Trip to Mexico with Andrew Arroyo (2)	\$3,014.21
Trip to Pittsburgh, PA - Christine Infante (Incl. hotel and car)	\$1,301.27
Trip to Utah (Incl. Chartered bus and ski lift tickets)	\$425.19
Vacation Package: Earth, Sea and Sky Vacations	\$1,344.00

December 2001 stay at the St. Regis Hotel in NY	\$7,038.81
Bellagio Hotel/Casino - Las Vegas	\$561.63

3. Milton Lohr

Analysis of Lohr's LF Global Corporate American Express card shows a few questionable charges:

Personal Charges

Vacation Package - Tour Package	\$2,910.60
Princeville Hotel - Kauai	\$3,329.00

VI.

Investment Returns

A. Current Assets and Prospect of Returns to Investors

As you can see, the financial condition of GMM and LF Global is dire. There is virtually no cash available. In fact, the sole hard asset we have been able to identify is the stock in Santarus, Inc. (outlined above), which may not be available to us until October 2004 at the earliest. As a result, it is imperative to keep expenses to a minimum while we investigate possible claims against the parties who may be financially responsible to the investors. However, it is necessary to incur some expenses for forensic accountants and attorneys with the expectation that this investment will yield a greater recovery for the investors later.

It seems clear, although the analysis is not yet completed, that more money was invested than is available to repay investors. There will likely be a shortfall between money in and money that is available to repay investors. Consequently, we can expect that investors will not recover all of their investment.

Some of the prospects for recovery to bridge this shortfall include the following:

1. Claims/Recoveries from the Principals

As noted above, the principals of GMM and LF Global received approximately \$6.3 million from the estate according to records reviewed to date. This figure may

1 increase and is subject to downward adjustment to the extent any principals may
2 seek to claim credit for capital contributions.

3 It is certainly my position at this juncture that I will request that each principal
4 return to the estate any monies received relating to fees, commissions, draws,
5 personal credit card purchases, etc. I hope, but cannot guarantee, that they will
6 agree and repay these sums to the estate. If this occurs, this is one potential source
7 of recovery to be applied to any shortfall. The SEC is speaking with the attorneys for
8 Messrs. Levy and Lohr and we expect that they will post funds in an escrow account
9 at least equal to monies taken out of the estate by them or for their benefit. I am less
10 optimistic about Mr. Friedman's assistance in returning monies to the estate but
11 perhaps that will change.

12 **2. Preferential Payments**

13 I also plan to pursue the recovery of payments made to insiders, or to others
14 outside of the ordinary course of business, within the statutory periods set forth in the
15 bankruptcy code. There are institutional investors who had a large stake in GMM
16 and who were fully paid principal and "profits." These repayments will be scrutinized
17 carefully.

18 **3. Litigation**

19 I am reviewing what, if any, exposure third parties may have in connection with
20 the operation of GMM and LF Global.

21 **V.**

22 **Conclusion**

23 Based upon my preliminary review and analysis, I believe that tracing the
24 funds into and out of GMM, LF Global and related entities will yield additional assets
25 to be distributed to investors. While it is too early to determine if market losses
26 played any part in this situation, I expect that within 30 to 45 days, I may have a
27 better understanding of what went wrong here. While this operation has the
28

1 earmarks of a Ponzi scheme, it is not clear if it always operated as such. The hope is
2 to identify and recover assets so that the Court may consider and approve a
3 distribution plan with respect to recovered assets.

4
5
6
7 Dated: _____

4/29/04



CHARLES G. LA BELLA, RECEIVER

LA BELLA & McNAMARA, LLP
 Thomas W. McNamara (State Bar No. 127280)
 Matthew C. Elstein (State Bar No. 174400)
 George C. Ioannides (State Bar No. 226543)
 401 West "A" Street, Suite 1150
 San Diego, California 92101
 Telephone: (619) 696-9200
 Facsimile: (619) 696-9269

Attorneys for Receiver
 Charles G. La Bella

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE)	Case No.: 04-CV-00521 BTM (WMC)
COMMISSION,)	
)	
Plaintiff,)	
)	DECLARATION OF SERVICE
v.)	
)	Hon. Barry Ted Moskowitz
GLOBAL MONEY MANAGEMENT, L.P.; LF)	
GLOBAL INVESTMENTS, LLC; and MARVIN)	
I. FRIEDMAN,)	
)	
Defendants.)	

I, the undersigned, declare under penalty of perjury that I am over eighteen years of age and not a party to this action; my business address is 401 West "A" Street, Suite 1150, San Diego, California 92101. On April 29, 2004, I served the below-named person(s) the following documents:

**NOTICE OF FILING FIRST PRELIMINARY REORT OF RECEIVER, and FIRST
 PRELIMINARY REPORT OF RECEIVER**

in the following manner (check one):

- 1) _____ By personally delivering copies to the person served.
- 2) _____ By causing copies to be delivered, during usual office hours, to the office of the person served at the address listed below and left with the person who apparently was in charge.

3) ____ By leaving copies at the dwelling house, usual place of abode, or usual place of business of the person served in the presence of a competent member of the household or a person apparently in charge of his office or place of business, at least 18 years of age, who was informed of the general nature of the papers, and thereafter mailing (by first-class mail, postage prepaid) copies to the person served at the place where the copies were left.

4) ☒ By placing a copy in a separate envelope, with postage fully prepaid, for each address named below and depositing each in the U.S. Mail at San Diego, California on March 25, 2004.

5) ____ By causing such document to be transmitted by facsimile machine to the office(s) of the parties indicated below. The facsimile machine used complied with Rule 2003 and no error was reported by the machine.

Nicolas Morgan
Janet Weissman
Securities and Exchange Commission
5670 Wilshire Boulevard, 11th Floor
Los Angeles, CA 90036
Tel: (323) 965-3880
Fax: (323) 965-3812

Attorneys for Securities and Exchange Commission

Charles L. Goldberg, Esq.
Seltzer, Caplan, McMahon & Vitek
2100 Symphony Towers
750 "B" Street
San Diego, CA 92101
Tel: (619) 685-3051
Fax: (619) 297-1150


Special Appearing Attorneys for Marvin I. Friedman

Marvin I. Friedman
2817 Moonridge Drive
La Jolla, CA 92037

Pro Se

I declare under penalty of perjury of the laws of the United States of America that the foregoing is true and correct.

Executed on April 29, 2004, at San Diego, California.


Annie S. Parrish