

1 LA BELLA & MCNAMARA, LLP
Thomas W. McNamara (SBN 127280)
2 Andrew W. Robertson (SBN 062541)
401 West "A" Street, Suite 1150
3 San Diego, California 92101
Telephone: (619) 696-9200
4 Facsimile: (619) 696-9269

5 Attorneys for Charles G. La Bella as court-appointed
Receiver for Global Money Management, L.P. and
6 LF Global Investments, LLC

7
8 **UNITED STATES DISTRICT COURT**
9 **FOR THE SOUTHERN DISTRICT OF CALIFORNIA**

10 SECURITIES AND EXCHANGE)
11 COMMISSION,)

12 Plaintiff,)

13 v.)

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

16 Defendants.)
17)
18)
19)
20)

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

**NOTICE OF FILING THIRD INTERIM
REPORT OF RECEIVER**

Hon. Barry T. Moskowitz

21 TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

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

25 LA BELLA & MCNAMARA, LLP

26 Dated: August 23, 2007

s/Andrew W. Robertson

Attorneys for Charles G. La Bella,
Court-Appointed Receiver

Email: arobertson@labellamcnamara.com

1 **THIRD INTERIM REPORT OF RECEIVER**

2 **I.**

3 **Introduction**

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

8 I submitted a First Preliminary Report on April 29, 2004, a Second Preliminary
9 Report on June 30, 2004, a detailed First Interim Report on January 24, 2005, and a Second
10 Interim Report on March 16, 2007. We have also filed regular updates on the Receiver’s
11 website at www.gmmreceiver.com and have filed monthly Operating Reports in the
12 Bankruptcy Court.

13 This receivership is nearing the finish line. We have accumulated available assets
14 and initiated procedures for an interim distribution through GMM’s Bankruptcy. It now
15 appears that we will ultimately have a fund of more than \$30 million for distribution on
16 claims of \$68-70 million for a recovery of approximately 40% of net investor losses.

17 **II.**

18 **Current Assets and Prospects for Recovery**

19 When we began this receivership, the combined cash assets of GMM and LF Global
20 totaled \$15,000. Currently, the combined cash assets under my control is \$25 million, all
21 invested in institutional money market accounts generating approximately 5% returns,
22 compounded daily, which equates to approximately \$100,000 per month. We anticipate
23 collection of another \$880,000 by October 31, 2007 and another \$6 million by mid 2008.

24 These cash funds derive from the liquidation of assets and the settlement of our
25 claims against the GMM/LFGI principals, avoidance claims filed in Bankruptcy Court, and
26 our claims against third parties.

1 All settlements have now been funded except \$600,000 due from avoidance
2 settlements on October 29, 2007 and \$280,000 due from the former Mrs. Levy on October
3 31, 2007.

4 Other remaining assets include: eight remaining avoidance actions in Bankruptcy
5 Court with gross claims of more than \$2 million, but with uncertain collectible value; non-
6 Bankruptcy claim against Granite Financial with an uncertain collectible value; various
7 illiquid interests in private companies owned by GMM or LF Global or assigned to the estate
8 by Paul Levy, all with uncertain value. We continue our efforts to locate any additional Levy
9 assets.

10 LF Global Investments now owns 100% of LF Global Holdings which in turn holds a
11 30% interest in the Highcrest Partnership. Highcrest has now sold off its remaining two
12 assets. By mid 2008, we are projected to receive another \$6 million as final liquidation of
13 that interest.

14 III.

15 GMM Bankruptcy

16 GMM filed a voluntary Chapter 11 bankruptcy petition on March 12, 2004.

17 Claims

18 The formal process of claims resolution in the GMM Bankruptcy case is now nearly
19 complete. The SEC has withdrawn its claim for \$118 million and our recent settlement with
20 Zenith Capital includes their agreement to withdraw their claims totaling \$132 million.

21 Through Bankruptcy counsel, we have invoked the claims objections procedures to
22 deal with a variety of issues posed by investor claims, including duplicate claims, incorrect
23 categorization of claims, and incorrect calculation of the investors' true net capital losses.
24 We have now filed formal objections to 177 claims, 151 of which have now been resolved by
25 final Bankruptcy Court orders. 26 of those objections were filed August 20, 2007 and should
26 be resolved within the next 30 days. A final series of objections as to 10 remaining claims
27 will be filed by our counsel by August 31, 2007. Absent any unexpected responses from
28

1 investors to outstanding objections, we expect the claims process to be completed by early
2 October, 2007.

3 **Avoidance Actions**

4 We have now settled 20 of the 28 avoidance cases and one pre-filing case for total
5 settlements of \$5,717,400.

6 There are eight actions that remain active in Bankruptcy with gross claims amounts in
7 excess of \$2 million, but with uncertain collectible value. We have made all reasonable
8 efforts to settle these cases and will continue those efforts. It does appear clear, however, that
9 at least one of these remaining claims will be the subject of on-going litigation, including a
10 motion for summary judgment and potentially a trial in the district court.

11 **V.**

12 **Claims Against Third Parties**

13 The only remaining third party claim outside the GMM Bankruptcy is the
14 Receiver's claim against brokerage firm Granite Financial which remains pending as an
15 arbitration matter before the NASD. .

16 **VI.**

17 **The Criminal Case**

18 On June 9, 2005, the federal grand jury in San Diego returned a criminal indictment
19 against GMM principals Marvin Friedman and Paul Levy and GMM administrative assistant
20 Alice Swiderski. The indictment, unsealed on June 16, 2005, asserted counts for mail fraud,
21 wire fraud, and conspiracy to commit those offenses as to all three defendants; money
22 laundering as to Friedman and Levy; tax charges against Friedman and Swiderski; and a false
23 statements to a government agency charge against Swiderski. A superseding Indictment was
24 filed January 5, 2006, adding tax claims against Paul Levy.

25 All three Defendants have now entered into plea agreements. Marvin Friedman pled
26 guilty in February 2006 to one count of conspiracy to commit mail and wire fraud and one
27 count of filing a false tax return.

28

1 Alice Swiderski pled guilty in October 2006 to two charges not directly related to the
2 GMM fraud. She pled guilty to one count of making a false statement to federal
3 investigators and to one count of filing a false tax return. The false statement at issue was
4 her statement to investigators that she received compensation of \$100 per moth from Paul
5 Levy when in fact she received substantially more.

6 Paul Levy pled guilty in July, 2007 to one count of conspiracy to commit mail and
7 wire fraud and one count of filing a false tax return.

8 All three defendants will be sentenced by Judge Roger Benitez. The sentencings are
9 now calendared for September 10 (Swiderski), October 1 (Friedman), and October 10
10 (Friedman). In the Friedman Plea Agreement, the government sates that it will recommend a
11 sentence of 8 years (5 years on the mail/wire fraud and 3 years on the tax charge to run
12 consecutively). The Levy Plea Agreement recites that under the federal sentencing
13 guidelines, Levy's offense will subject him to a sentence range of 46-57 months. Both Plea
14 Agreements include restitution provisions which compel Friedman and Levy to make full
15 restitution up to the amount of net investor losses.

16 VII.

17 Interim Distribution and Timetable for Wind Up of Receivership

18 Our most recent time-table for an interim distribution (with a target date of Fall 2007)
19 was delayed by several months to give SEC staff time needed for SEC approval of the entry
20 of a Final Judgment against GMM and LF Global Investments which included withdrawal of
21 the SEC's claim in bankruptcy for \$118 million. That process has now been completed with
22 the SEC's withdrawal of its Bankruptcy claim on June 28, 2007 and the entry of Final
23 Judgments in the receivership action on July 13, 2007.

24 The current procedural steps and time-line needed for an interim distribution are as
25 follows:

- 26
- 27 1. The Bankruptcy Court has set September 12, 2007 as the hearing date for our
28 motion for approval of the "Disclosure Statement" which describes the proposed
Liquidating Plan of Reorganization. Upon court approval, the Disclosure

1 Statement and a ballot will be distributed to all investors and creditors. The Court
2 will also set a date within 45 days (approximately October 30, 2007) for a hearing
3 to determine if the Plan should be approved.

- 4 2. Once the Plan is approved, the Receiver as “Disbursing Agent” will have the
5 power to make interim distributions based on allowed claims. If all claims issues
6 are resolved by that time, we will promptly make a *pro rata* interim distribution
7 of cash funds, subject to a reserve. The current estimate is that we would
8 distribute \$20-22 million which will represent a return to investors of
9 approximately 30% of their net losses. Subject to any unforeseen developments,
10 we project that distribution to be completed in December, 2007.
11
- 12 3. The proposed Plan contemplates the consolidation of LF Global Investments into
13 the GMM Bankruptcy. This will effectively end the need for any material
14 proceedings in the receivership court except as to the limited Bankruptcy
15 avoidance actions on which the reference to Bankruptcy court has been
16 “withdrawn”—as to those cases, further proceedings will be before the district
17 court.
18
- 19 4. We continue to project that all available assets will be converted to cash by mid-
20 2008 and that the Bankruptcy will be terminated and a final distribution could
21 occur during 2008.
22
23
24
25
26
27
28

Dated: August 23, 2007

s/Charles G. La Bella

Court-Appointed Receiver for
Global Money Management, L.P. and
LF Global Investments, LLC
Email: clabella@labellamcnamara.com