

**ROBB EVANS & ASSOCIATES, LLC**

**Receiver of**

**Forex Liquidity LLC**

11450 Sheldon Street

Sun Valley, California 91352-1121

Telephone No.: (818) 768-8100

Facsimile No.: (818) 768-8802

**U.S. Commodity Futures Trading Commission v. Forex Liquidity LLC  
CASE No. SACV-07-01437 CJC (RNBx)**

**Notice of Motion and Motion for Order Approving and Authorizing  
Payment of Receiver's and Professional's Fees and Expenses  
for the Period March 1, 2008 Through August 31, 2008;  
Memorandum of Points and Authorities;  
Declarations of Brick Kane and Craig A. Welin in Support Thereof**

**Dated November 26, 2008**

1 Craig A. Welin (SBN 138418)  
cwelin@frandzel.com  
2 Bruce D. Poltrock (SBN 162448)  
bpoltrock@frandzel.com  
3 FRANDZEL ROBINS BLOOM & CSATO, L.C.  
6500 Wilshire Boulevard, 17th Floor  
4 Los Angeles, California 90048-4920  
Telephone: (323) 852-1000  
5 Facsimile: (323) 651-2577

6 Attorneys for Receiver ROBB  
EVANS & ASSOCIATES LLC  
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8 **UNITED STATES DISTRICT COURT**  
9 **CENTRAL DISTRICT OF CALIFORNIA - SOUTHERN DIVISION**

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11 U.S. COMMODITY FUTURES  
TRADING COMMISSION,

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Plaintiff,

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v.

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FOREX LIQUIDITY LLC,

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Defendant.

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CASE NO. SACV07-1437 CJC (RNBx)

**NOTICE OF MOTION AND  
MOTION FOR ORDER  
APPROVING AND AUTHORIZING  
PAYMENT OF RECEIVER'S AND  
PROFESSIONAL'S FEES AND  
EXPENSES FOR THE PERIOD  
MARCH 1, 2008 THROUGH  
AUGUST 31, 2008;  
MEMORANDUM OF POINTS AND  
AUTHORITIES; DECLARATIONS  
OF BRICK KANE AND CRAIG A.  
WELIN IN SUPPORT THEREOF**

[Honorable District Court Judge  
Cormac J. Carney]

DATE: December 22, 2008

TIME: 1:30 p.m.

PLACE: Courtroom 9B

1 TO: THE HONORABLE CORMAC J. CARNEY, UNITED STATES  
2 DISTRICT JUDGE, AND ALL PARTIES OF INTEREST:

3 PLEASE TAKE NOTICE that on December 22, 2008, commencing at  
4 1:30 p.m., or as soon thereafter as the parties may be heard in Courtroom 9B of the  
5 above-entitled court located at 411 West Fourth Street, Santa Ana, California 92701,  
6 Robb Evans & Associates LLC (the "Receiver"), as Receiver for Forex Liquidity  
7 LLC ("FXLQ"), will and hereby does move the Court for an order approving and  
8 authorizing payment from receivership assets of the fees and expenses of the  
9 Receiver for the period from March 1, 2008 through August 31, 2008, comprised of  
10 administrative fees and costs of the Receiver and its staff of \$254,148.71, and fees  
11 and costs of \$339,776.85 incurred by the Receiver's lead outside counsel and other  
12 counsel, for a total of \$593,925.56.

13 PLEASE TAKE FURTHER NOTICE that this Motion is made pursuant to  
14 Local Rule 66-6 and in accordance with the Court's Orders dated December 14,  
15 2007, and January 25, 2008, appointing the Receiver, which require the Receiver to  
16 submit periodic requests for payment of reasonable compensation and actual out-of-  
17 pocket expenses incurred by the Receiver and all personnel hired by the Receiver,  
18 including counsel to the Receiver, and is based upon this Notice of Motion and  
19 Motion, the accompanying memorandum of points and authorities and declarations  
20 of Brick Kane and Craig A. Welin, upon the pleadings, records and files of this case  
21 of which the Receiver requests the Court take judicial notice, the separate Notice of  
22 Hearing served concurrently herewith, and upon all other further pleadings, oral and  
23 documentary evidence and argument of counsel as may be presented by the  
24 Receiver at or before the time of the hearing on the Motion.

25 PLEASE TAKE FURTHER NOTICE that a copy of this Motion, exclusive of  
26 voluminous exhibits, is posted on the Receiver's website at  
27 <http://www.robbevans.com/html/forexlq.html> where it may be reviewed in its  
28 entirety. Copies of this Motion will be provided to any interested party upon receipt

1 of a written request which may be sent to: Robb Evans & Associates LLC, 11450  
2 Sheldon Street, Sun Valley, CA 91352-1121; Telephone (818) 768-8100; Facsimile:  
3 (818) 768-8802.

4  
5 Dated: November 26, 2008                      FRANDZEL ROBINS BLOOM & CSATO, L.C.

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7  
8 By:           /s/ CRAIG A. WELIN            
9                      CRAIG A. WELIN  
10                      Attorneys for Receiver, ROBB  
11                      EVANS & ASSOCIATES LLC

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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I**

3 **INTRODUCTION**

4 This action was commenced by the U.S. Commodity Futures Trading  
5 Commission (the "CFTC") in December 2007 against Forex Liquidity LLC  
6 ("FXLQ"), which is alleged by the CFTC (1) to have failed to meet the minimum  
7 adjusted net capital requirements for a Futures Commission Merchant registered  
8 with the CFTC and a member of the National Futures Association, and (2) to have  
9 failed to adequately maintain records that currently reflect its assets, liabilities and  
10 capital. On December 14, 2007, Robb Evans & Associates LLC (the "Receiver")  
11 was originally appointed as the temporary receiver for FXLQ pursuant to this  
12 Court's ex parte statutory restraining order and order to show cause regarding  
13 preliminary injunction. The appointment of the Receiver was subsequently  
14 confirmed pursuant to this Court's consent order of preliminary injunction dated  
15 January 25, 2008, and subsequent orders issued by the Court (the "Receivership  
16 Orders"). The Receivership Orders provide that the Receiver is to take over  
17 possession and control of the assets of FXLQ, with the full power of an equity  
18 receiver.

19 The Receiver has filed two reports of the Receiver's activities in this case.  
20 Each of the reports describe the Receiver's efforts, in compliance with the  
21 Receivership Orders, to locate, preserve, protect and safeguard FXLQ's assets. As  
22 noted in the Receiver's second report filed with the Court on June 10, 2008, the  
23 Receiver is not currently holding sufficient funds to pay all non-customer creditors'  
24 claims in full, which by previous order of the court necessitated a pro-rata interim  
25 distribution.

26 However, the Receiver does believe that if the principal of FXLQ, Robert  
27 Gray, would immediately return to the estate all FXLQ funds which have been  
28 diverted to FXLQ affiliates, there would be sufficient funds to pay all claims in full.

1 The Receiver continues its best efforts to recover these funds, with the ultimate goal  
2 of repaying all claims in full.

3 This motion seeks approval of payment of the Receiver's administrative  
4 expenses for the period March 1, 2008, through August 31, 2008 ("Second  
5 Reporting Period"), including payment of the fees and expenses of the Receiver, the  
6 Receiver's deputies, agents, staff and professionals, and reimbursement of costs  
7 incurred during the Second Reporting Period. The Receiver has collected funds  
8 through the Second Reporting Period totaling \$27,836,887.71 and has distributed  
9 approximately \$26,000,000 to customers and creditors of FXLQ through the Second  
10 Reporting Period in accordance with this Court's orders. The Receiver's  
11 administrative fees and costs for the Second Reporting Period totaled \$593,925.56,  
12 which is comprised of administrative fees and costs of the Receiver and its staff of  
13 \$254,148.71, and the fees and costs incurred by the Receiver's lead outside counsel  
14 and other counsel of \$339,776.85.

15 This is the Receiver's second motion seeking approval of payment of fees and  
16 costs of the Receiver and its counsel in this case. The Receiver filed its first motion  
17 for approval of the Receiver's fees and costs incurred by the Receiver and its  
18 counsel for the period from inception of the receivership on December 14, 2007, to  
19 February 29, 2008 (the "Initial Reporting Period"), which was granted on June 2,  
20 2008.

21 By this motion, the Receiver seeks an order authorizing and approving  
22 payment of fees and expenses of the Receiver incurred since the Initial Reporting  
23 Period, which are specified in the summary the Receiver's office has prepared  
24 entitled "Receivership Administrative Expenses by Month and Fund Balance from  
25 Inception (December 14, 2007) to August 31, 2008" (the "Second Administrative  
26 Expenses Report"). The fees and costs of the Receiver incurred during the Second  
27 Reporting Period are further detailed in Exhibits "2" through "7" which are invoices  
28

1 for the Second Reporting Period (Exhibits "1" through "7" collectively comprise the  
2 Receiver's Second Administrative Expenses Report).

3 The Receiver submits that it has complied and continues to comply with the  
4 duties and responsibilities imposed upon it pursuant to the Receivership Order. A  
5 summary of the Receiver's outside counsel's fees, costs and description of activities  
6 is discussed in the accompanying declaration of Craig A. Welin.

7 **II**

8 **SUMMARY OF RECEIVER'S AND RECEIVER'S COUNSEL'S**  
9 **ACTIVITIES DURING THE SECOND REPORTING PERIOD**

10 The Receiver's services during the Second Reporting Period have continued  
11 to focus on performing the financial reconstruction of FXLQ's multiple brokerage  
12 accounts and financial transactions, as well as continued distributions of the assets  
13 of the receivership estate and distributions to creditors. During the Second  
14 Reporting Period, the Receiver: (1) continued to analyze and unwind the extensive  
15 dealings of FXLQ and Robert Gray with respect to multiple transactions concerning  
16 FXLQ and numerous third parties; (2) performed extensive analysis of the Interbank  
17 FX claims against the receivership estate; (3) arrived at a settlement with Solid Gold  
18 Financial Services, Inc.; (4) obtained and reached an order approving a compromise  
19 of claims between the Receiver and Forex Asia International Corporation and  
20 Multibank FX International Corporation; (5) finalized the sale and assignment of  
21 various customer accounts to Global Forex Trading; and (6) finalized the sale and  
22 assignment of various Asian customers and introducing broker accounts to IKON  
23 Global Markets, making payment in full to various FXLQ institutional customers  
24 and a pro-rata distribution to creditors, including introducing brokers and vendors,  
25 holding non-customer, pre-receivership claims against the estate, among other  
26 receivership activities and duties.

27 Lead counsel for the Receiver, Frandzel Robins Bloom & Csato, L.C.  
28 ("FRBC") assisted and analyzed all pertinent documents, reviewed all information

1 presented and analyzed multiple claims with respect to, among other issues, the  
2 areas set forth above. FRBC also prepared multiple subpoenas for records from  
3 various financial institutions and entities to assist the Receiver in obtaining the  
4 documents it needs to trace receivership assets and reconstruct the FXLQ  
5 accounting records. During this expense period, FRBC also took steps to follow up  
6 on productions of records pursuant to subpoenas issued in prior periods to obtain  
7 compliance with the subpoenas or in some cases, supplemental document  
8 productions and conducting of multiple depositions, and processing of the records  
9 received. FRBC also worked extensively with the Receiver when requested in  
10 responding to administrative and other issues that have arisen and assisted the  
11 Receiver in evaluating and analyzing the multiple and extensive potential individual  
12 and institutional claims against the estate both here and abroad; pursued assets of the  
13 estate; pursued setup of the claims administration process; and evaluated and  
14 responded to various and multiple issues concerning the financial dealings of FXLQ.

15 The activities undertaken by the Receiver's members and staff are described  
16 in the second Report of Receiver's Activities for the period February 1, 2008  
17 through June 5, 2008 filed with the court June 10, 2008, and such activities  
18 generally have continued through the Second Reporting Period in the context of the  
19 Receiver's efforts to identify, obtain, safeguard and preserve assets of the  
20 receivership estate and otherwise to perform its duties and responsibilities under the  
21 authority granted by the Receivership Order.

### 22 III

### 23 CONCLUSION

24 Based on the foregoing, the Receiver respectfully requests that this Court  
25 grant this Motion and issue an order (1) approving and authorizing payment of the  
26 fees and costs of the Receiver and its professionals incurred from March 1, 2008  
27 through August 31, 2008; and (2) deeming that in light of the work performed  
28 during the Second Reporting Period, the fees and costs of the Receiver and its



1 professionals are reasonable and should be approved and authorized for payment in  
2 their entirety.

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Dated: November 26, 2008

FRANDZEL ROBINS BLOOM & CSATO, L.C.

By: /S/ CRAIG A. WELIN  
CRAIG A. WELIN  
Attorneys for Receiver, ROBB  
EVANS & ASSOCIATES LLC

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1 **DECLARATION OF BRICK KANE**

2 I, Brick Kane, declare as follows:

3 1. I am a deputy to the Receiver Robb Evans & Associates LLC (the  
4 "Receiver") and a principal of the firm. I have been one of the deputies to the  
5 Receiver with primary responsibility for the day-to-day supervision and  
6 management of the receivership estate over the assets of Forex Liquidity LLC  
7 ("FXLQ") since the Receiver was first appointed as receiver on December 14, 2007.  
8 I have personal knowledge of the matters set forth in this declaration and, if I were  
9 called upon to testify as to those matters, I could and would competently testify  
10 thereto based upon my personal knowledge.

11 2. The Receiver was first appointed as temporary receiver in this matter  
12 by this Court's order dated December 14, 2007. The Receiver is currently acting as  
13 receiver pursuant to this Court's Consent Order of Preliminary Injunction entered  
14 January 25, 2008 (the "Receivership Order"). Under Section IX of the Receivership  
15 Order, the Receiver, and all personnel hired by the Receiver, including counsel to  
16 the Receiver, are entitled to reasonable compensation for the performance of duties  
17 pursuant to the Receivership Order, and for the cost of actual out-of-pocket  
18 expenses incurred by them.

19 3. The administrative fees, costs and expenses for which approval is  
20 requested are specified in the summary which the Receiver's office has prepared  
21 entitled "Receivership Administrative Expenses by Month and Fund Balance From  
22 Inception (December 14, 2007) to August 31, 2008" (the "Second Administrative  
23 Expenses Report") which is attached hereto as Exhibit "1." This motion seeks  
24 approval of payment of the Receiver's administrative expenses for the period  
25 March 1, 2008, through August 31, 2008 (the "Second Reporting Period"), including  
26 payment of the fees and expenses of the Receiver, the Receiver's deputies, agents,  
27 staff and professionals, and reimbursement of costs incurred.

28

1           4.     The Receiver has collected funds through the Second Reporting Period  
2 totaling \$27,836,887.71 and has distributed approximately \$26,000,000 to  
3 customers and creditors of FXLQ through the Second Reporting Period in  
4 accordance with this court's orders. The Receiver's administrative fees and costs for  
5 the Second Reporting Period totaled \$593,925.56, which is comprised of  
6 administrative fees and costs of the Receiver and its staff of \$254,148.71, and the  
7 fees and costs incurred by the Receiver's lead outside counsel and other counsel of  
8 \$339,776.85. Specifically, the Receiver's fees, accounting staff fees, IT  
9 management staff fees, support staff fees, total receivership costs and total legal fees  
10 and costs are itemized as set forth in pages 1-2 of the Second Administrative  
11 Expenses Report. Exhibits "2" through "7," respectively, are invoices dated as of  
12 March 31, 2008, May 1, 2008, June 2, 2008, July 1, 2008, August 1, 2008 and  
13 September 1, 2008, which set forth itemized descriptions of receivership  
14 professional services provided and invoiced to the receivership estate for the Second  
15 Reporting Period. (Exhibits "1" through "7" collectively comprise the Receiver's  
16 Second Administrative Expenses Report.).

17           5.     Earlier this year, the Receiver retained the law firm Holland & Hart to  
18 serve as Receiver's Utah local counsel in connection with collection efforts in Utah  
19 regarding property of the receivership estate, and the Receiver retained Hunton &  
20 Williams for very limited general representation. The fees and expenses invoices of  
21 the Holland firm and the Hunton firm are collectively attached hereto as Exhibit "8."

22           6.     The fees and expenses invoices of the Receiver's lead outside counsel,  
23 Frandzel Robins Bloom & Csato, L.C., are attached as Exhibit "9" and are described  
24 in the accompanying declaration of Craig A. Welin.

25           7.     The Receiver has complied and continues to comply with the duties and  
26 responsibilities imposed upon it pursuant to the Receivership Order.

27           8.     The Receiver's services during the Second Reporting Period have  
28 continued to focus on performing the financial reconstruction of FXLQ's multiple

1 brokerage accounts and financial transactions, as well as continued distributions of  
2 the assets of the receivership estate and distributions to creditors. During the  
3 Second Reporting Period, the Receiver: (1) continued to analyze and unwind the  
4 extensive dealings of FXLQ and Robert Gray with respect to multiple transactions  
5 concerning FXLQ and numerous third parties; (2) performed extensive analysis of  
6 the Interbank FX claims against the receivership estate; (3) arrived at a settlement  
7 with Solid Gold Financial Services, Inc.; (4) obtained and reached an order  
8 approving a compromise of claims between the Receiver and Forex Asia  
9 International Corporation and Multibank FX International Corporation; (5) finalized  
10 the sale and assignment of various customer accounts to Global Forex Trading; and  
11 (6) finalized the sale and assignment of various Asian customers and introducing  
12 broker accounts to IKON Global Markets, making payment in full to various FXLQ  
13 institutional customers and a pro-rata distribution to creditors, including introducing  
14 brokers and vendors, holding non-customer, pre-receivership claims against the  
15 estate, among other receivership activities and duties.

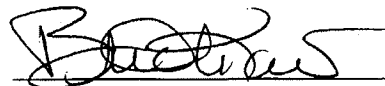
16 9. The Receiver respectfully requests that the Court approve of its total  
17 administrative expenses and costs, and submits that in light of the work performed  
18 during the Second Reporting Period as itemized in the Second Administrative  
19 Expenses Report, the total fees and costs of the Receiver and its professionals are  
20 reasonable, and should be approved and authorized for payment in their entirety.

21 10. The Receiver has complied with the notice requirements of Local Rule  
22 66-7 concerning motions for approval of a receiver's administrative expenses by  
23 serving an entire copy of this Motion, including the declarations and all exhibits  
24 thereto, on the CFTC, counsel (David Kenner) for FXLQ's principal, Robert Gray,  
25 and has provided a Notice of this Motion setting forth the nature of the relief  
26 requested along with the date, time, and place of the hearing on the Motion, on the  
27 remaining creditors of the receivership estate. As the Court may recall, the vast  
28 majority of claims of the account holders of FXLQ (i.e., creditors of the estate) were

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1 resolved through the sale and assignment of their accounts to GFT and IKON.  
2 Hence, the only remaining creditors of the estate are several institutional creditors  
3 and pre-receivership vendors, all of whom will receive the Notice of Motion filed  
4 concurrently herewith. In addition, the Receiver will provide an entire copy of the  
5 Motion to anyone who requests a copy of the Motion in writing directed to Robb  
6 Evans & Associates, LLC, 11450 Sheldon Street, Sun Valley, California 91352-  
7 1121. The Receiver has also posted a copy of this Motion, exclusive of the  
8 voluminous exhibits, on the Receiver's website for this case at  
9 <http://www.robbevans.com/html/forex1q.html>. Accordingly, the Receiver has  
10 complied with Local Rule 66-7 regarding notice to creditors of this type of motion.

11 I declare under penalty of perjury under the laws of the State of California  
12 that the foregoing is true and correct and that this declaration was executed on  
13 November 26, 2008, at Sun Valley, California.

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16 BRICK KANE  
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**DECLARATION OF CRAIG A. WELIN**

I, Craig A. Welin, declare:

1. I am an attorney at law duly licensed before this Court and all Courts of the State of California and am a shareholder of the firm of Frandzel Robins Bloom & Csato, L.C. ("FRBC"), attorneys for Robb Evans & Associates LLC, the Receiver in this matter. I am one of the attorneys primarily responsible for the representation of the Receiver. I have personal knowledge of the matters specified in this declaration, and I could and would competently testify thereto if called upon to do so.

2. I attach hereto as Exhibit "9" FRBC's invoices and billing summaries reflecting the services rendered, time spent and costs incurred by FRBC pertaining to this matter for the period March 1, 2008, through August 31, 2008 (the "Second Reporting Period"), with the descriptions redacted where appropriate to preserve the attorney-client privilege and attorney work product privileges or to otherwise protect the Receiver and the estate from inappropriate disclosures. Attorneys' fees and costs incurred by FRBC during the Second Reporting Period total \$327,032.38.

3. As described in greater detail in the billing summaries (Exhibit "9" hereto) during the Second Reporting Period, our office, among other things, worked extensively with the Receiver when requested and assisted and analyzed all pertinent documents, reviewed all information presented and analyzed multiple claims with respect to, among other issues, the areas outlined and set forth in the Kane declaration above. FRBC also prepared multiple subpoenas for records from

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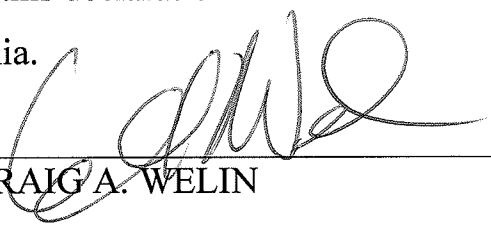
1 multiple financial institutions and entities to assist the Receiver in obtaining the  
2 documents it needs to trace receivership assets and reconstruct the FXLQ  
3 accounting records. During this expense period, FRBC also took steps to follow up  
4 on productions of records pursuant to subpoenas issued in prior periods to obtain  
5 compliance with the subpoenas or in some cases, supplemental document  
6 productions, conducting multiple depositions and processed the records received.  
7 FRBC also worked extensively with the Receiver when requested in responding to  
8 administrative and other issues that have arisen and assisted the Receiver in  
9 evaluating and analyzing the multiple and extensive potential individual and  
10 institutional claims against the estate both here and abroad; pursued assets of the  
11 estate; pursued setup of the claims administration process; and evaluated and  
12 responded to various and multiple issues concerning the financial dealings of FXLQ.

13 4. I am familiar with the methods and procedures used to create, record  
14 and maintain billing records for the FRBC's clients. The billing summaries attached  
15 hereto as Exhibit "9" are prepared from computerized time records prepared  
16 contemporaneously with the services rendered by each attorney and paralegal billing  
17 time to this matter. These computerized records are prepared in the ordinary course  
18 of business by the attorneys and paralegals employed by FRBC who have a business  
19 duty to accurately record their time spent and services rendered on the matters on

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1 which they perform work. The time records are transferred into a computerized  
2 billing program which generates monthly invoices under the supervision of FRBC's  
3 accounting department. Based upon my experience with FRBC, I believe FRBC's  
4 methods and procedures for recording and accounting for time and services for its  
5 clients is reliable and accurate.

6 I declare under penalty of perjury under the laws of the State of California  
7 that the foregoing is true and correct and that this declaration was executed on  
8 November 26, 2008, at Los Angeles, California.

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11 CRAIG A. WELIN

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