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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

SOUTHERN DIVISION

U.S. COMMODITY FUTURES TRADING COMMISSION,

Plaintiff,

vs.

FOREX LIQUIDITY LLC,

Defendant.

Civil Action No. SACV 07-1437 CJC (RNBx)

Assigned for All Purposes to Hon. Cormac J. Carney

REPLY OF INTERESTED PARTY AND CREDITOR FOREX ASIA INTERNATIONAL CORPORATION IN SUPPORT OF MOTION OF RECEIVER FOR ORDER APPROVING COMPROMISE OF CLAIMS, SALE OF ACCOUNTS AND PROPOSED DISTRIBUTIONS

Date: July 14, 2008
Time: 1:30 p.m.
Place: Courtroom 9B

[Filed Concurrently with Declaration of Naser Taher]

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Interested Party, Creditor and Settlement Counterparty Forex Asia International Corporation ("FXA") is a creditor of this receivership estate and the counterparty to the settlement proposed in the Motion of Receiver for Order Approving Compromise of Claims, Sale of Accounts and Proposed Distributions (the "Motion"). With the approval of the Receiver to file a separate Reply, FXA presents this Memorandum of Points and Authorities and concurrently filed Declaration of Naser Taher in reply to the "Objections" filed by proposed intervenor Robert Gray ("Gray") and in support of the Motion.

I. INTRODUCTION AND SUMMARY OF ARGUMENT.

Gray delayed six months after the lawsuit by the U.S. Commodity Futures Trading Commission ("CFTC") and the imposition of the Receiver on December 14, 2007 to attempt, without proper legal grounds, to intervene in this action. Gray then delayed until after business hours on July 3, 2008 to file belated and meritless objections to the Receiver's Motion. Since FXA's continued existence as a company and the livelihood of its employees depend on the Court approval of the Motion with regard to the FXA settlement and the assignment of the Asian customer accounts to Ikon Global Markets ("Ikon"), FXA presents this Reply and the accompanying Declaration of Naser Taher, its Chief Executive Officer.

Gray's "objections" are presented as if Gray were merely a shareholder of Forex Liquidity LLC ("FXLQ") and not the individual who as its president dominated and controlled FXLQ, who committed numerous fraudulent acts against the consuming public, and who violated federal law and the regulations of United States agencies.

In a remarkable display of hubris, Gray's objections make a conditional "proposal" to return into an escrow only $3 million out of the tens of millions of dollars Gray has stolen from FXLQ and transferred furtively to his various

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alter ego companies, in foreign jurisdictions, in exchange for what amounts to regaining effectively full control of FXLQ. Gray's wrongful conduct is addressed further below.

FXA is not itself a Futures Commission Merchant ("FCM") and instead operates solely as a marketing company and a Master Introducing Broker. (Declaration of Naser Taher ("NT"), ¶ 6.) FXA entered an exclusive agreement with FLXQ with regard to forex trading in Asia. The Asian customers whose accounts are at issue in the proposed sale to Ikon are all clients of FXA and FXA's approximately 300 sub-Introducing Brokers (the "IBs") located throughout China. (NT ¶ 8.) Ikon has provided critical bridge financing to FXA during the past several months because Ikon recognizes that FXA and its network of IBs are essential connections to the individual Asian customers, without which any acquisition of the Asian customers' accounts would be of uncertain value. (NT ¶ 8.)

As a result of FXLQ's and Gray's unlawful conduct and breaches that triggered the disciplinary action of the National Futures Association ("NFA") and thereafter the lawsuit by the CFTC, the entire business of FXA has been imperiled. (NT ¶ 6.) To try to avoid the loss of its business and the resulting $45 million damages, FXA sought to mitigate its damages by entering a new agreement with Ikon as its exclusive FCM. (NT ¶ 7.)

Ikon has lent FXA over $750,000 to cover operating expenses, which FXA is repaying in part by assignment of the proceeds of its settlement with the Receiver. (NT ¶ 8.) If FXA's $600,000 settlement with the Receiver is not approved by the Court on July 14, 2008, along with the approval of the assignment of the Asian customers' accounts to Ikon, then FXA's business immediately will fail, and in that event, its $45 million damages claim would ripen and become a claim against FXLQ receivership estate. (NT ¶ 9.)

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Moreover, as set forth in more detail below, FXA is entitled under the law to the same priority as the retail customers of FXLQ. A substantial component of the Receiver's settlement with FXA is its acquiescence in the priority distribution to all FXLQ retail customers, which FXA can accept only if FXA also can thereby prevent the destruction of its business. (NT ¶ 10.)

II. GRAY HAS COMMITTED MULTIPLE FRAUDULENT OFFENSES, INCLUDING THE THEFT OF MILLIONS FROM FXLQ.

Gray's objections are part of his overall attempt to regain control of FXLQ. He has dangled a false carrot of the "repatriation" of $3 million and its illusory pledge to the Receiver. But that offer is conditioned upon Gray's right to "intervene" and to take control of FXLQ's claims and defenses so that those very funds are, according to Gray's intentions toward various creditors, not to be paid to creditors but rather to be returned to Gray or used to force settlements unrelated to the merits. Gray thereby seeks to block both the sale of the accounts that will bring significant benefits to the estate and the Receiver's proposed settlement with FXA. Thus, Gray's objections are a blatant effort, through meritless and unsupported conclusions, to interfere with the Receiver's administration of this estate and to prevent payment of claims the Receiver has determined to be just and proper.

In plain words, Gray has been exposed as a fraud and a thief, and the arguments now being made on his behalf (with any declaration from Gray himself glaringly absent) should be viewed with the highest suspicion. Significantly, Gray's initial civil counsel has been dismissed, and Gray is now represented by criminal defense lawyer David Kenner, as befits the enormity of the charges he should be facing, including fraud, racketeering, money laundering and income tax evasion.

As revealed by the NFA's Member Responsibility Action issued on December 4, 2007 and the Reports filed by the Receiver in this action, Gray

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was involved in a fraudulent conspiracy with convicted felon Stephen Strauss to deceive the government regulators and the trading public with a sham $50 million bond, used to falsify the capital of FXLQ. (See, NT ¶ 11.)

The Receiver's June 14, 2008 report also reveals that Gray has stolen well over $13 million dollars from FXLQ and diverted it through various alter ego companies, including off-shore entities. Tab 7 to the Receiver's June 14, 2008 report depicts the tip of the iceberg in unexplained transfers among Gray's alter ego companies – including ProFi and Malory Investments – transfers that appear to have no conceivable legitimate purpose, leaving as the only plausible inference that the transfers were part of an illegal scheme, whether to defraud FXLQ's creditors, launder money or evade income taxes, or some combination of all three. Gray's fraudulent representations to the NFA were outrageous, as he presented sham documents from "Malory Investments" and "ProFi" while concealing that Gray owns and controls both those companies and that the documents were created under those companies' letterheads at Gray's specific direction.

Cynically, after these many months, and only now that the Receiver seeks approval of asset sales and distributions to creditors on claims the Receiver has determined to be valid, Gray offers to "repatriate" $3 million of FXLQ's money – meaning that the money has been moved off shore and made difficult to reach – but only in exchange for unreasonable conditions. Gray is not actually proposing to repay the $3 million to the receivership for use in payment of claims at the direction of the Receiver. Rather, Gray is proposing an escrow of sorts, and demanding the right to litigate the matters in his own name on behalf of FXLQ upon Gray's being allowed to intervene. This approach is wholly contrary to the stipulation to the receivership made by Gray at the outset of the case, and contrary to the very principles of the receivership. Gray's proposal assumes that his intervention will be allowed,

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even though Gray's belated intervention motion does not appear to have any proper legal basis. Upon a denial of Gray's motion to intervene, then Gray's conditional proposal for the "repatriation" of the $3 million is removed, and accordingly the proposal is exposed as illusory.

Indeed, the existing injunction already covers Gray as the agent and alter ego of FXLQ, and Gray therefore is obligated unconditionally to "repatriate" all of FXLQ's many millions of dollars that he has diverted. Gray admits in his objections that at least $3 million is available "immediately" to be restored to FXLQ. By not identifying and restoring all of this purloined FXLQ money as required by the injunction, Gray stands in willful contempt of Court.

Since the Receiver already has traced over $13 million of FXLQ funds misappropriated by Gray, there is no doubt but that these funds should be restored to the FXLQ receivership estate, before Gray disappears with the funds and flees the country to avoid prosecution. Indeed, Mr. Taher has provided substantial evidence to the Receiver, both in declaration and deposition testimony supported by extensive documentation, which supports the conclusion that Gray is currently engaging in foreign currency exchange trading in the international markets through various alter ego off-shore companies, including ProFi, using funds Gray misappropriated from FXLQ. (NT ¶ 11.)

Instead of putting Gray back in control of FXLQ, as he demands by his motion to intervene, the exact opposition action would be far more appropriate: the current injunction in effect in this case should be clarified or, if necessary, expanded to assure that it binds Gray and all of his affiliates and agents, and that all assets properly belonging to FXLQ are indeed immediately repatriated to assure their availability to repay all valid claims against FXLQ, including the balance of FXA's claims. Those claims, as set forth below, now

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exceed $8 million not including punitive damages (and potentially exceed $45 million damages if the Motion is not promptly approved and FXA's business is thereby destroyed) and can be litigated pursuant to the terms of the settlement once the Receivership wraps up. (NT ¶¶ 17-18.)

It is grossly unjust for Gray to be continuing forex trading internationally through unregulated companies such as ProFi, using money diverted from FXLQ, while FXA is struggling for its existence. For Gray to make a conditional "offer" to "repatriate" only $3 million of the FXLQ funds he has misappropriated violates the injunction and demonstrates his contempt for this Court and these proceedings. Until such time as justice is done, FXA's viability remains at risk, while Gray acts as if he is free to dissipate the diverted FLXQ funds to his own advantage.

III. GRAY HAS UNREASONABLY DELAYED THE FILING OF HIS OBJECTIONS AND MOTION TO INTERVENE, ALL OF WHICH SHOULD BE REJECTED ON PROCEDURAL GROUNDS.

For no justifiable reason, Gray has delayed six months in making any of his arguments, and then further delayed until after business hours on July 3, 2008 on a holiday weekend to file his objections to the Motion, thereby maximizing the potentially disruptive effect of his gambits and attempting to gain as much unfair advantage as possible. Both Gray's motion to intervene and his objections to the Receiver's Motion should be denied as untimely, and under no circumstances should a continuance be granted, which would be ruinous to FXA and reward Gray for his dilatory and bad faith tactics.

Moreover, Gray lacks standing to make the arguments he now asserts. Upon the CFTC's application, on December 14, 2007, this Court entered its order including a Restraining Order, OSC re Preliminary Injunction, and appointment of the Receiver. Thereafter, on December 28, 2007, Gray stipulated to the injunction and the receivership. Gray thus consciously and

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deliberately chose not to contest the complaint or the relief it sought, and thereby gave up the right to do so on behalf of FXLQ by stipulating that the Receiver would exercise all authority with respect to FXLQ's claims, defenses and affairs. Not until six months later, after the Receiver issued his detailed and well-documented reports based upon many months of investigation – reports that expose Gray's egregious and fraudulent conduct – did Gray hire a criminal defense attorney and begin making his belated and meritless assertions.

Gray's claimed need to intervene to take "discovery" is especially absurd, since Gray himself was personally involved in and has personal knowledge of all of the fraudulent activity. Gray's intervention motion should be denied for the reasons presented by the CFTC.

Because Gray's present objections hinge on the granting of his motion to intervene, once that intervention motion is denied, then the entire basis for his objections also fails. Gray simply has no right and should not be allowed to take control of claims objections and resolutions, asset sales, or other decision-making for the benefit of the creditors of FXLQ. That is the Receiver's job.

IV. THE RECEIVER'S SETTLEMENT WITH FXA SHOULD BE APPROVED BY THE COURT AT THE JULY 14 HEARING.

Gray's "objections" to the settlement agreement entered between the Receiver and FXA contain nothing but unsupported conclusions. Gray claims that his position regarding FXA has not been heard, and at the same time his objection presents not a single scrap of factual evidence to counter any of FXA's claims.

The proposed compromise with FXA would result in payment of $600,000 on a priority basis with respect to FXA's approved claim to $1,216,579.95 in earned and unpaid compensation. The compromise does not

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limit the amount of FXA's claims but rather assures immediate payment on a priority basis, based upon FXA's willingness to accept subordination of the rest of this claim and all other claims it holds against this estate. This subordination is being effected by FXA's agreement to accept the priority payment as satisfaction from the receivership estate, and to reserve its rights to payment of the balance of this claim and the prosecution of its other valid claims until after the receivership is essentially over. (NT ¶¶ 16, 20.)

A. The Basis for FXA's Compensation Claim.

FXA's $1.2 million compensation claim has been allowed by the Receiver, after conducting a thorough investigation of all the information provided by both FXA and Gray over several months, including the detailed declaration and deposition testimony provided on behalf of FXA. (NT ¶¶ 12-15.) At the outset of the receivership, and despite the obligation to turn over complete and accurate records, Gray concealed from the Receiver the existence of the written agreement between FXLQ and FXA. (NT ¶ 13.) This agreement provided for FXA's compensation as a Master Introducing Broker with regard to the Asian customers. Not only did Gray withhold this key document from the Receiver, but also he manipulated FXLQ accounting records provided to the Receiver. (NT ¶ 13.) This fraudulent accounting concealed the fact that the sum of $600,000 had been paid by FXLQ to FXA in September 2007 as a partial payment of FXLQ's obligation to FXA for earned compensation and falsely booked that $600,000 payment under the agreement as a "loan" to FXA, to create the appearance of a non-existent asset.

After the fraudulent nature of this accounting was uncovered by the Receiver, Gray then further attempted to deceive the Receiver by claiming falsely that, while the $600,000 was indeed a payment to FXA for earned compensation and not a loan, the $600,000 amount was an "accord and satisfaction" accepted by FXA as payment in full and that no other amounts

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were due FXA, supposedly as shown by an excerpt from a unsigned, draft, expressly non-binding Memorandum of Understanding about a new restructured transaction that never was executed or implemented. (NT ¶¶ 14-15.) At the same time, Gray also presented to the Receiver fabricated offsetting expenses and capital claims to attempt to reduce the amount of FXLQ's liability to FXA for earned and unpaid compensation. (NT ¶ 14.) None of these assertions by Gray had any merit, and each in turn was exposed as baseless. FXA provided the entire non-binding, unsigned, draft document and demonstrated to the satisfaction of the Receiver that the document in question never became effective and thus could not possibly constitute an accord and satisfaction. (NT ¶ 15.)

Indeed, FXA, faced with the potential destruction of its entire company, has presented exhaustive materials and information aid the Receiver in evaluating FXA's claims. In this regard, FXA has provided the Receiver with a 90-page declaration of its CEO, Naser Taher, along with approximately 650 pages of exhibits. (NT ¶ 11.) In addition, Mr. Taher traveled to Los Angeles from Beijing, China, at his own expense, to appear voluntarily for a three-day deposition by counsel for the Receiver, attended through video conferencing by counsel for the CFTC, and also attended both by Gray and by Kenner, the criminal defense counsel for Gray, who cross-examined Mr. Taher on these same matters without raising any points that countered FXA's entitlement to its $1.2 million in earned and unpaid compensation. (NT ¶ 3.) Gray, on the other hand, while attending the entire three-day deposition of Mr. Taher, failed to show up for his own rescheduled deposition and has not made himself available for examination by the Receiver, and has never provided a sworn declaration.

Yet, while Gray asserts that he has defenses to FXA's claims ("hotly" disputed, according to Gray's objections), the specifics of any such defenses –

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other than the "defenses" that have been wholly debunked by FXA's documentation and testimony – remain a secret. Gray's objections contain no facts whatsoever. Throughout the seven months of the Receiver's investigation, Gray has not produced a shred of credible evidence that contradicts FXA's $1.2 million compensation claim.

B. FXA's Reserved Claims Against FXLQ.

FXA's settlement with the Receiver also is based on FXA's willingness to defer resolution and collection of the rest of its claims against FXLQ and Gray until after the Receiver pays other creditors and completes administration of the estate, under the terms of the settlement agreement. (NT ¶ 20.) This deferral imposes upon FXA both the cost of the delays in payment and the risk of being able to litigate and collect from FXLQ and Gray after the receivership. FXA was willing to subordinate and defer its claims only because of its critical need for immediate cash infusion that would come from the priority treatment of $600,000 of its compensation claim. (NT ¶ 19-23.)

The following additional claims have been presented by FXA, which the Receiver has not determined but which FXA can fully substantiate (NT ¶ 17):

(1) Prejudgment interest on this liquidated amount at the statutory rate of 10 percent from November 2007, or annual interest of $121,658 and monthly interest of $10,138;

(2) Damages of $1,066,343.48 for expenses incurred through May 2008, with monthly expenses continuing to accrue;

(3) Damages of $1,572,498 for lost profits through May 2008, with monthly lost profits continuing to accrue until FXA is able to mitigate its damages due to FXLQ's breach and return to its prior level of profitability. FXA is diligently seeking to mitigate its damages and avoid going out of business. If the Receiver's motion with regard to the settlement with FXA and

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the assignment of the Asian customers' accounts to Ikon is approved by the Court on July 14, 2008, FXA reasonably estimates that it will continue to incur net losses, albeit in a decreasing amount, until October 2008. Thereafter, FXA estimates that it will start making net profits and reach its prior level of net profitability (measured as $262,000 per month based on the average of the prior six months before the Member Responsibility Action closed FXLQ's business) by October 2009;

(4) Legal fees and expenses incurred by FXA from December 2007 to date, the amount of which is not stated in the second report but which exceeds $275,000; and

(5) Damages for breach of FXA's exclusivity rights, for which FXA is entitled to an accounting and disgorgement of FXLQ's profits. From the Receiver's report, Asian customers for which FXA is entitled to damages include customers of Solid Gold, Vietnamese customers, and potential IBs of Interbank including Niapaporn Kotkom and Santhanu Nag. An accounting has been demanded but not yet obtained.

In addition, FXA has provided the Receiver with substantial materials that would support a total claim in excess of $45 million if FXA's entire business were to fail, which would be the inevitable result if the Motion is not approved promptly. (NT ¶ 18.)

C. The Elements of the Settlement Agreement.

The settlement agreement entered by the Receiver and FXA, for which Court approval is sought, would provide a $600,000 distribution to FXA now, which FXA desperately needs to repay Ikon for prior loans and to continue its business relationship with Ikon as FXA's new exclusive FCM. This settlement is not indicative of any lack of FXA's confidence in its claims, but rather it is an arrangement driven by financial duress at a time when FXA is struggling mightily to remain in business. (NT ¶ 19.) As a result of the

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NFA's action on December 4, 2007 and the CFTC action thereafter, the Asian customers' accounts were frozen and FXA had to begin a search of a new FCM to recommence trading. (NT ¶ 19.) Despite an overhead of 170 employees and three office buildings in China, FXA has been effectively prevented from conducting business since December 2007 as a result of the misconduct of FXLQ. (NT ¶ 19.) The immediate approval of FXA's settlement with the Receiver, and the transfer of the Asian customers' accounts to FXA's new FCM, Ikon, are essential for FXA's financial existence.

At the same time, and appropriately so, FXA has waived none of the balance of its claims against FLXQ, Gray and the various alter egos, which claims shall be prosecuted as soon as the conditions set forth in the settlement agreement with the Receiver are satisfied. These claims remain subject to any defenses that FXLQ or Gray may have, and therefore Gray is not being deprived of an opportunity to be heard when these claims are eventually litigated. The settlement agreement thus allows FXA to obtain critical cash now, merely to repay to Ikon what FXA already has borrowed in an effort to mitigate its damages.

In addition, as part of its agreement with the Receiver, FXA agreed to allow the full priority distribution to all FXLQ customers, including the Asian customers, even though the law places FXA's claims on the same priority level as the forex retail customers. As part of the settlement, FXA agreed not object to the priority distribution to the retail customers as part of the Court approval of the FXA settlement. (NT ¶ 21.)

If, however, the FXA settlement – or the transfer of the Asian customer accounts to Ikon – is not approved by the Court, then FXA's business will instantaneously fail because all further funding from Ikon will be cut off and the loan will be called, and its $45 million damages claim will ripen.

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V. ONLY AS A CONDITION OF THE SETTLEMENT, FXA HAS CONSENTED TO PRIORITY DISTRIBUTION TO CUSTOMERS, DESPITE ITS LEGAL RIGHT TO EQUAL TREATMENT.

As set forth above, FXA has settled with the Receiver on terms which fully support the Receiver's motion to make a priority disbursement to all FXLQ retail customers in full. Indeed, such a disbursement is good for the customers and good for FXA's continuing business, provided of course, that it is able to stay in business.

FXA's continued existence depends on Court approval of FXA's settlement agreement with the Receiver and of the Receiver's transfer of the Asian customers' accounts to Ikon, because the settlement enables FXA to repay the funds it borrowed from Ikon. Upon that Court approval, FXA can remain in business and rebuild its business relationships with its Asian clients and the network of 300 IBs that it has developed throughout China.

Without that Court approval, however, then FXA's strenuous attempts to mitigate damages and avoid ruination will have been in vain. Since December 4, 2007, in an effort to mitigate FXA's damages, FXA has struggled to infuse capital of $900,000 and borrowed additional funds of $750,000, such that FXA has caused over $1.65 million to be paid into FXA for operating expenses, just to reach this day. (NT ¶ 22.)

One of the key terms of the settlement agreement confirms that FXA would not to object to the Receiver's proposed priority distribution to customers. FXA has provided the Receiver with detailed legal authorities showing that FXA should be entitled to equal status with the retail customers, and the Receiver, while disputing FXA's position, recognizes a substantial benefit in presenting the current Motion with FXA's support.

Notwithstanding the legal authorities showing FXA's equal status with the retail customers, FXA has agreed to support the priority distribution to all

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FXLQ customers, conditioned on and in conjunction with the approval of the settlement with FXA and the transfer of the Asian customers' accounts to Ikon. Because this case law would have potentially presented serious issues for the Receiver's effort to afford the customers priority treatment, FXA's willingness to support the priority distribution was a material benefit to the estate and a key component of the settlement. In the absence of Court approval of the Receiver's Motion, however, then FXA's business will fail instantaneously, and its damages claims for loss of its entire business will ripen, and FXA would then have no choice but to present at the hearing the legal authorities demonstrating its right to equal treatment with the retail customers to protect FXA's rights and seek to recover its $45 million in damages arising upon the failure of FXA's business, which damages claims under the law would have the same priority as the forex retail customers.

VI. THE RECEIVER'S AGREEMENT WITH IKON TO TRANSFER THE ASIAN CUSTOMERS' ACCOUNTS IS ESSENTIAL FOR FXA'S CONTINUED FINANCIAL VIABILITY.

The Asian customers' accounts remain frozen pending the Court approval of the Receiver's motion. With regard to the accounts of the Asian customers, arrangements have been made with the CFTC and NFA to allow the transfer of these accounts to Ikon, a regulated FCM in good standing. With their accounts at Ikon, the Asian customers would be free to trade or to withdraw their funds, in whole or in part, at their discretion, and also an enormous burden on the Receiver to find and ensure the return of funds to thousands of individuals in China would be avoided.

It is important to note that, contrary to Gray's objections, the Asian customers are clients of FXA and the 300 IBs in China working under FXA. (NT ¶ 24.) In no sense do any of these "customers" belong to FXLQ under the terms of the written agreement with FXA (which FXLQ has breached in any

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event). Indeed, the written agreement between FXLQ and FXA expressly provides that the Asian customers are not the customers of FXLQ. In fact, they are the customers of the Multibank FX International joint venture and FXA. For example, paragraph 2.7 of the Original Agreement dated February 22, 2006 provides that "The money of the Customers of Multibank FX Asia will be lodged directly into the bank accounts of Multibank FX." (NT ¶ 25; Exhibit 1.) A further example is at paragraph 3.9 of the Original Agreement providing that "FL [i.e. FXLQ] will provide trading desk accessible to the Customers of Multibank FX Asia." (NT ¶ 25; Exhibit 1.) Moreover, Clause 1 of Schedule 1 of the Original Agreement provides that "FL [i.e. FXLQ] shall pay Multibank FX Asia . . . the following fee . . . Transactions conducted by FL with the Customers of Multibank FX Asia." (NT ¶ 25; Exhibit 1.) This same conclusion also is evidence by each of the MultiBank FX International agreements with the IBs, in which it is expressly stated that the customers introduced are the customers of Multibank FX International and not FXLQ. (NT ¶ 26.) Finally, any claims to the Asian customers that FLXQ could make even in theory were lost upon FXLQ breach of the agreement with FXA and the actions of the NFA and CFTC.

Gray's objection that the Asian customers' accounts should be kept at FXLQ also is absurd. In light of Gray's fraud and other wrongful conduct, Gray and FXLQ will never be allowed to engage in forex trading. Thus, retaining the customer accounts would have no value to FXLQ whatsoever.

Finally, Gray's assertions that FXA somehow infringed on FXLQ's rights in dealing with Ikon, made without any evidence, are utterly baseless. FXA did not even initiate first contact with Ikon until January 2008, well after FXLQ's breach, and then only as part of FXA's effort to mitigate damages. (NT ¶ 27.) Gray's claims regarding FXA's dealings with Ikon, all of which followed FXLQ's takeover by the Receiver, have no merit.

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The Receiver's proposed transfer of the Asian customers' accounts to Ikon is beneficial to the customers and essential for FXA to remain in business, as set forth above, and also benefits the receivership estate in that Ikon has purchased these Asian customers' accounts for the sum of $200,000.

VII. THE TRANSFER OF THE ESTATE'S INTEREST IN THE MULTIBANK FX AND RELATED BUSINESS NAMES TO FXA IS FULLY SUPPORTABLE.

Finally, Gray objects to the settlement agreement because it assigns to FXA the estate's interest in certain business names and domain names, including Multibank FX and others. Gray's objections have no merit, for each of the following reasons:

(a) Gray's arguments about his personal interest in the business names need not be addressed at this time. The Receiver is not taking any position regarding whether FXLQ is the owner of the business names. The assignment to FXA is simply of whatever rights FXLQ has. No interest owned by Gray is being assigned.

(b) Although actual ownership need not be determined by this Court, since the Receiver is transferring only whatever interest FXLQ holds without any warranty, in fact FXLQ is the owner of these trademarks and domain name. Ownership of trademarks and trade names depends first and foremost upon usage. Regardless of the notices of application that Gray cites, FXLQ is the owner of the Multibank FX business name and domain name because it is the entity that has been using them on its own account, not Gray. For example, the written agreement between FXLQ and FXA, which FXLQ has breached, provides expressly that (1) there can be no trading under the name Multibank FX without FXA's consent (Section 2.6 of Original Agreement), and (2) that upon the conclusion of the relationship, the Multibank FX name

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shall be returned to FXLQ (Section 13.7 of Appendix dated October 11, 2006). (NT ¶ 28; Exhibits 1 and 2.)

(c) Whatever business names Gray purports to hold in his own name are held for the benefit of FXLQ. FXLQ provided the funds that paid for the registration applications and has been using the names. In this regard, the multibankfx.com domain name is located on the FXLQ server and linked to fxlq.com.

(d) Even though Gray now claims individual ownership, only FXA and FXLQ traded under these business names and domain names. Gray individually never paid for these business names, never use them, never promoted them and never traded under them.

(e) Allowing Gray to keep any of these business names would serve no purpose other than aiding and abetting Gray's fraudulent business activities, through which he continues to abuse the unsuspecting public, including the ongoing trading in foreign currency through off-shore companies, including ProFi.

Thus, the Receiver has amply sufficient reasons to agree to the assignment of the business names to FXA, as a material part of the settlement agreement.

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VIII. CONCLUSION.

For each of these reasons and as set forth in the accompanying Taher Declaration, the Court should overrule Gray's belated and unsupported objections and approve the Receiver's motion as to the settlement agreement with FXA and the assignment of the Asian customers' accounts to Ikon.

Dated: July 7, 2008

DEWEY & LEBOEUF LLP

By: /s/ Lisa Hill Fenning
Lisa Hill Fenning

Attorneys for Interested Party, Creditor and Settlement Counterparty
FOREX ASIA INTERNATIONAL CORPORATION

250515

Dewey & LeBoeuf LLP
333 South Grand Avenue
Suite 2600
Los Angeles, CA, 90071-1530,

PROOF OF SERVICE

I declare that I am employed in the County of Los Angeles, California. I am over the age of eighteen years and not a party to the within case; my business address is 450 Newport Center Drive, Suite 500, Newport Beach, , CA 92660. On July 7, 2008, I served the

REPLY OF INTERESTED PARTY AND CREDITOR FOREX ASIA INTERNATIONAL CORPORATION IN SUPPORT OF MOTION OF RECEIVER FOR ORDER APPROVING COMPROMISE OF CLAIMS, SALE OF ACCOUNTS AND PROPOSED DISTRIBUTIONS

on the interested parties in this action as listed in the attached Service List:

[ ] (BY TELEFACSIMILE TRANSMISSION) at approximately _____ [ ] a.m. [ ] p.m., from the facsimile transmitting machine at the offices of King Parret & Droste LLP, 450 Newport Center Drive, Suite 500, Newport Beach, , CA 92660, [facsimile number (949) 644-3993], to the attention of the following interested parties in this action, at addressee's facsimile no. as set forth above. This transmission was reported as complete and without error. The attached transmission confirmation report was properly issued by the transmitting facsimile machine.

[ ] (BY FEDERAL EXPRESS DELIVERY)

[ ] (BY MAIL) I caused to be served on parties in this action the said documents by placing a true copy thereof in a sealed envelope with postage fully prepaid and then by sealing said envelope and depositing the envelope in the United States mail.

[X] (BY ELECTRONIC MAIL) I caused such documents to be served on the parties by e-mailing a copy thereof.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on July 7, 2008 at Los Angeles, California.

/s/ Alan J. Droste
Alan J. Droste

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