

LIBERTY TRADE INTERNATIONAL, INC.
IN RECEIVERSHIP

Raymond J. Peroutka, Jr., Receiver
c/o Invotex Group
1637 Thames Street
Baltimore, MD 21231
January 12, 2009

To: All Claimants and Participants

Re: Receiver's Claim Adjustment – February 19, 2009 Hearing

Dear Sir or Madam:

In regard to the Liberty Trade International, Inc. ("LTI") receivership, the Circuit Court for Baltimore County has scheduled a hearing on February 19, 2009 at 9:30 a.m. to address disputed claims or claims in which investors have objected to the Receiver's claim adjustment. First, your previously objected to/disputed the Receiver's adjustment of your claim has been received and will be heard by the Court at the February 19th hearing. To present your position to the Court you may rely upon your written objection, which has been filed with the court, and/or appear in court on February 19, 2009 and address the court at that time. If you have any questions concerning the hearing, please do not hesitate to contact me.

Second, I am writing to address certain objections investors have made to the Receiver's claim adjustments. As the Receiver has received a number of objections that are very similar, the Receiver would like to inform all investors of his position on these matters in advance of the hearing. Many of these objections fall into three broad categories: (1) certain investors are not satisfied or are unhappy with the claims procedures (the procedure by which the Receiver is adjusting claims and seeking the return of monies from some investors); (2) certain investors do not fully understand why LTI's payments to investors constituted fraudulent conveyances, which in some instances, must be repaid; and (3) certain investors have complained that they believe it is inequitable to penalize investors by seeking repayment of monies when investors lost money and/or do not now have money to repay to the Receiver. I will address each of these items, as the Receiver intends to do before the court on February 19, 2009.

1. The Claims Procedures

Some investors have objected to the claims procedures that the Receiver drafted. As you may recall, the Receiver drafted proposed claims procedures specifically detailing how the Receiver would adjust claims and submit the claims to the court for adjudication (and final approval). In August 2007, the Receiver filed a Petition with the court seeking the court's approval of this proposed claims procedures. It also sent notice of the proposed claims procedures to investors and/or published notice of the proposed claims procedures on its website, so that all investors could review the claims procedures and object to the procedures if they chose to do so. On March 10, 2008, the court held a hearing on the Receiver's proposed claims procedures, and again, investors were free to attend the hearing and voice any objection to the procedures at that time. Some investors did attend the hearing, asked questions and requested clarification as to the proposed claims procedures. The court also considered the written objections that had been filed with the court. At the end of the hearing, the court approved the Receiver's claims procedures. This approval was subsequently modified by court Order on December 2, 2008 simply to clarify the Order that the court had previously entered. Because investors were notified of the proposed claims procedures, investors had ample opportunity to object to the proposed procedures and the court formally approved the claims procedures, the Receiver considers this matter closed.

2. LTI's Payments Constituted Fraudulent Conveyances

Certain investors have stated that they do not understand why payments LTI made to them constitute fraudulent conveyances, which in some instances, must be repaid. LTI's investment scheme was a fraudulent Ponzi scheme in which LTI promised investors high rates of return on their investments and LTI invested some of these monies in speculative real estate. However, a substantial amount of the investments were never invested and were improperly spent and/or utilized by David M. Robinson, LTI's founder and President, for personal, rather than LTI's business, purposes. As with any Ponzi scheme, LTI utilized monies invested by investors who invested later in the scheme to repay the investors who had initially invested in LTI. In theory, as long as investors continued to invest monies into LTI, LTI could repay its investors by utilizing the money from new investors to repay investors who were expecting returns from their investments. Shortly after LTI's beginning and when this fraud was discovered, LTI's liabilities to investors grossly exceeded its assets meaning that LTI was insolvent. Md. Code Ann., Comm. Law § 15-202(a). Additionally, under Maryland law, any conveyance made and every obligation incurred with the actual intent to defraud creditors, is a fraudulent conveyance and can be set aside. *See id.* at §§ 15-207. Accordingly, as LTI was seeking new investments from investors to repay other investors in order to continue the fraudulent scheme, LTI's payments to investors were fraudulent conveyances under Maryland

law. Thus, the proper remedy is to have certain conveyances or payments that LTI made to investors, set aside or returned for the benefit of all investors.

3. Investor Liability as Opposed to the Receiver's Post Judgment Recovery Efforts

Certain investors have objected on the basis that it is unfair or inequitable to have them repay monies when they lost money by investing in LTI and/or do not have money to repay, as it has been spent. The Receiver views these issues as twofold: first, whether an investor has liability to the receivership estate; and second, whether the investor has the ability to repay these monies for purposes of satisfying its liability to the receivership estate. The Receiver is now only addressing whether investors have liability to the receivership estate. If so, an investor must either repay the monies or the Receiver will request that the court enter a judgment against the investor. Once a judgment has been entered, the Receiver will then proceed to collect from the investor. One factor that the Receiver may take into account in its collection efforts and potentially finally settling these matters (after a judgment has been entered), is the investor's ability to repay. Nevertheless, at this first stage, the Receiver will be requesting judgments against certain investors regardless of their ability to repay monies.

With respect to investors who believe it is unfair for the Receiver to seek the repayment of funds from investors who lost money or have since spent the monies invested in LTI, the Receiver simply seeks to have all investors receive the same percentage return on their investment (and share in the loss to the same degree). Some investors who invested in LTI at its inception or when LTI first began seeking investments were repaid their entire investment(s) or a significant portion of their investment(s) while investors who later invested in LTI were only able to recover small amounts or nothing at all. It is inequitable and unfair to allow some investors to recover their entire investments or even make a profit when other investors suffered a loss or never recovered any monies at all from LTI. Unlike a legitimate business, which may have periods in which its assets increase or decrease in value, LTI was a fraudulent scheme. Accordingly, the Receiver seeks to allow all investors to recover the same percentage of their investment in LTI. This will allow all investors to recover and share in the loss on the same percentage basis, as opposed to one investor recovering 100 percent of the investor's investment while other investors recover nothing or only a small percentage. While we sympathize with investors who invested into this fraudulent scheme, it is inappropriate to allow some investors full (or substantial) recoveries of their investments while other investors recover nothing at all or only very small amounts.

These are the positions we have taken on each of the three categories and it is our understanding that this response addresses the dispute you have filed with us.

Sincerely,

Raymond J. Peroutka, Jr.

Receiver for Liberty Trade International