

MELANIE SENTER LUBIN
Securities Commissioner
for the State of Maryland

Plaintiff,

v.

LIBERTY TRADE INTERNATIONAL, INC.,

and

DAVID M. ROBINSON,

Defendants.

* IN THE
* CIRCUIT COURT FOR
* BALTIMORE COUNTY

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* Civil Action: 03-C-6-003194

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AFFIDAVIT OF RAYMOND J. PEROUTKA, JR.

I, Raymond J. Peroutka, Jr., make the following declaration under oath:

1. I am over eighteen (18) years old and am competent to testify to the facts contained within this affidavit.
2. Pursuant to this Court's March 24, 2006 Order, I was appointed Receiver of Liberty Trade International, Inc. in Receivership ("LTI").
3. In addition to my role as Receiver, I am a CPA with over thirty years of business experience and serve as a Managing Director of Invotex, Inc., a firm that specializes in providing accounting analysis.
4. My business address is 1637 Thames Street, Baltimore, MD, 21231.
5. The Order appointing me as Receiver granted me the authority to identify, gather, receive, take control of, account to the Court for, and liquidate LTI's assets and manage the day-to-day operations of LTI.
6. In my capacity as Receiver, I have inspected the books and records of LTI and

have requested that potential claimants to the assets of LTI deliver evidence of obligations owed to them by LTI.

7. Specifically, my review of LTI's financial condition consisted of an inspection and analysis of business records, including, but not limited to, ledgers and statements, banking records, tax returns, correspondence and transactional records and business computers including servers and workstations.

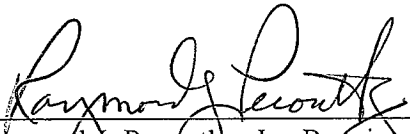
8. My analysis of LTI's business records reveals that LTI had assets totaling \$19,705 on September 30, 2004. On that same date, its liabilities were \$24,620. Thereafter, its insolvency continued to grow. This growth was attributable, in part, to the fact that LTI was accepting funds for which it promised investors an annual rate of return well in excess of 100 percent. Correspondingly, it kept those funds in a non-interest bearing checking account and paid operating expenses by liberally dipping into that account. By December 2004 the insolvency of LTI had grown to more than \$62,590. By December 2005 it had grown to more than \$4 million. Throughout this time period LTI returned some funds to investors, including monies that it characterized as interest earned on those funds, by using funds entrusted to it by other investors. This "ponzi" type transfer of funds from one investor to another was not economically viable and led directly to the mounting insolvency.

9. Under Maryland law, a person and/or entity is insolvent if the present fair market value of its assets is less than the amount required to pay its probable liability on its existing debts as they become absolute and matured. *See Storetrax.com, Inc. v. Gurland*, 397 Md. 37, 62 (2007) (stating that the Court has "defined several times in the past the

concept of corporate 'insolvency' to mean that the company is unable to pay its debts with all available assets as they become due in the ordinary course of business"); *see also Family Sav. & Loan Ass'n S'holders' Protective Comm'n v. Stewart*, 241 Md. 89(1966).

10. Thus, LTI was insolvent as of September 30, 2004 and from that point to the date of liquidation, its assets never exceeded its liabilities.

I SOLEMNLY AFFIRM UNDER THE PENALTIES OF PERJURY AND UPON PERSONAL KNOWLEDGE THAT THE CONTENTS OF THE FOREGOING PAPER ARE TRUE.


Raymond J. Percutka, Jr., Receiver
for Liberty Trade International, Inc.
and David M. Robinson