

Court File No. CV-10-8883-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE**

(COMMERCIAL LIST)

**IN THE MATTER OF THE *SECURITIES ACT*
R.S.O. 1990. c.S.5, AS AMENDED**

B E T W E E N:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

**PETER SBARALGIA, MANDY SBARALGIA
CO CAPITAL GROWTH INC. and 91 DAYS HYGIENE SERVICES INC.**

Respondents

**APPLICATION UNDER
Section 129 of the Securities Act**

RESPONDING RECORD OF PERO ASSETS INC.

(Motions Returnable on August 25, 2011)

August 23, 2011

STEPHEN M. TURK
Barrister and Solicitor
Suite 340, 1100 Sheppard Avenue West,
Toronto, Ontario,
M3K 2B4

Stephen M. Turk
L.S.U.C. Registration No. 31329A 1B
(416) 630-5511
Fax: (416) 630-7724
sturk@stephenturklaw.com
Solicitor for Pero

**To :
Service List via email**

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Respondents

**APPLICATION UNDER
Section 129 of the Securities Act**

AFFIDAVIT OF THOMAS OBRADOVICH

I, THOMAS OBRADOVICH, of the City of Barrie, in the Province of Ontario,

MAKE OATH AND SAY:

Introduction

1. I am one of the principals of Pero Assets Inc. ("Pero") and as such I have

personal knowledge of the matters to which I hereinafter depose.

2. This affidavit is sworn in response to the Motion Records of the Receiver returnable on the 25th of August, 2011 which have been served in both this proceeding and the matter of the Mander Estate proceeding which is Ontario Superior Court of Justice File No. 10-8619-00CL. I have reviewed the Notices of Motion and the Receiver's Twelfth Report and the attachments thereto.

Pero's Claims

3. I can advise the Court that Pero submitted claims in both the CO Capital Receivership and in the Mander Receivership. It was never Pero's intention to obtain a double payout; however, it was Pero's intention to get paid something out of the Receivership proceedings in light of the reality that it lost millions to this Ponzi Scheme. Attached hereto and marked as **Exhibit "A"** to this affidavit is a true copy of the Pero claim (redacted) in the CO Capital receivership. Attached hereto and marked as **Exhibit "B"** to this affidavit is a true copy of the Pero Claim (redacted) in the Mander Receivership.

4. As one can see from **Exhibit "A"**, Pero's documentation with respect to its loans/investments was with CO Capital and I have always maintained that CO Capital remained liable for the funds advanced by Pero. However, on August 14th of 2009 discussions did take place about Robert Mander taking "possession" of the funds that were advanced. In an earlier affidavit in these proceedings I did indicate the following:

"August 14, 2009

11. On August 14, 2009 (which is well after the OSC Undertaking) Robert Mander met with both my wife and I at our home to discuss the transfer of the **investment** from CO to a new company; neither of the Sbaraglias were in attendance. He, Mander, had called a few days before to set up this meeting. Before this point in time there was talk (in June of 2009) of getting to Pero quarterly interest payments, however, there was no talk of a change in arrangements, nor of responsibility with respect to the indebtedness of CO to Pero and there was certainly no agreement to release CO of its responsibility to Pero. The transfer amount talked about on August 14, 2009 was to consist of the \$6 million March 2009 investment/loan with CO plus the \$1 million April 2009 investment/loan with CO plus all interest accrued to that point which was owed to Pero from CO to a total \$8 million. Other than a one line "Agreement" Robert Mander had no paper work available at the meeting and explained that he would return to the office to discuss this matter with Peter and have everything papered. At that point we thought it best to have something in writing, while Peter and Mandy were long time friends, Robert Mander was not, and in addition, we were dealing with \$8 Million. Also our loans were documented with the Sbaraglias. The prior \$6 Million loan had been papered with both a loan agreement and a promissory note. This new investment was to be paid ten percent (10%) interest quarterly with the first payment supposedly scheduled for November 15, 2009. As we understood matters on August 14, 2009 the transfer was simply a matter as to how CO was investing our money, there was no transfer of the loan to a Robert Mander entity in the sense that Robert Mander was now responsible for Pero's funds and CO was not. Attached hereto and marked as **Exhibit "C"** to this my affidavit is a true copy of the "Agreement" such as it was which was signed on August 14, 2009. (The numbered company referenced in the "agreement" was not even incorporated until the 12th of August, 2009, a copy of the Ontario Corporate Profile with respect to the said company is attached hereto and marked as **Exhibit "D"** to this my affidavit). Certainly my wife and I were not waving or assigning CO's responsibility without full documentation

being entered into and that documentation was never produced by either Robert Mander, nor Drs. Peter and Mandy Sbaraglia.

12. After August 14, 2009, and as mentioned above, we were under the impression that Robert Mander and CO were to deliver proper documentation clearly stating who was responsible for the loans and **evidence** that our money was indeed transferred to the new company. It never came. Absent any proper documentation we understood that nothing had changed and that CO, under the direction of our friends Peter and Mandy Sbaraglia, was responsible for our \$8 Million.

The Fall of 2009

13. By November 15, 2009, we, my wife and I, realized that there was something seriously wrong. We had not received any paperwork from Robert Mander and the interest was not paid to us/Pero. On many occasions we questioned both Robert Mander and Peter Sbaraglia (keeping in mind that we/Pero, never released CO from its promissory note to Pero, nor its loan agreement with us/Pero); we were put off in all our attempts to find out what was happening. Certainly Peter Sbaraglia never said to us that they/he, through CO, was no longer responsible for our money.

14. Numerous attempts to contact Robert Mander in December of 2009 were ignored or not returned. We were finally advised by him that he had had a heart attack and could not deal with business matters. At this point we would have thought that considering they worked so closely with Robert Mander, Peter and Mandy Sbaraglia should have realized there was a problem. We continued to try to get answers in early 2010 from Peter and Mandy Sbaraglia as well as Robert's staff – all without any satisfaction. On March 17, 2010 we were advised by a member of Robert's staff that he had died."

Attached hereto and marked as **Exhibit "C"** to this my affidavit is a true copy of the August 14, 2011 Agreement referenced above wherein Robert Mander through his entity 2214625 Ontario Inc. acknowledges that he was holding \$8 Million from Pero as of the 15th of August 2009.

5. In light of the Agreement which is attached hereto as **Exhibit "C"**, Pero submitted a Claim in the Mander Receivership. The said Claim was also submitted in light of the fact that Peter Sbaraglia has strongly maintained in these proceedings that the Pero loan/investment was long held by Robert Mander and/or his entities and not by him or his entities. While Pero never released CO Capital from its responsibilities to it, it has become evident to me in the circumstances, circumstances which include the "Agreement", and Peter Sbaraglia's position that Robert Mander and his entities were responsible for Pero's funds, that Robert Mander and/or his entities was indeed also responsible for Pero's funds. Further, as I understand the Reports submitted by the Receiver with respect to these matters, funds flowed freely between Peter Sbaraglia and his entities and Robert Mander and his entities.

The Present Relief Being Sought By the Receiver

6. As I understand the Notices of Motion, the Receiver is seeking the Courts' approval to wipe out the assets in the CO Capital receivership. That would in essence wipe out any recovery of Pero in the said Receiverships in that there would be nothing in CO for the creditors of CO and Pero's claim in the Mander Receivership is being disallowed in its

entirety although the Receiver has not said why in its Twelfth Report to the Court. With respect to the Receiver, the position it is advocating for is completely inequitable to Pero in the circumstances. While I am aware that the recoveries are minimal especially in light of what loans/investments Pero made, the recovery to Pero would still be significant if Pero participated in some fashion either in the CO Receivership or the Mander Receivership and as such I am objecting to the relief sought by the Receiver at this time.

In Closing

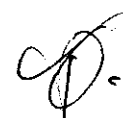
7. I swear this affidavit in response to the Receiver's Motions which are returnable on the 25th of August, 2011 and for no other or improper purpose.

SWORN before me at the City
of Toronto in the Province of
Ontario, this 23rd day of August 2011

)
)
)



STEPHEN TURK, a commissioner, etc.


THOMAS OBRADOVICH


This is **Exhibit "A"** to the affidavit of
Thomas Obradovich sworn before me this
23rd day of August, 2011.

A handwritten signature in black ink, appearing to read "Stephen Turk", written over a horizontal line.

STEPHEN TURK, a commissioner, etc.

PROOF OF CLAIM
IN RESPECT OF CLAIMS AGAINST
PETER SBARAGLIA, MANDY SBARAGLIA,
C.O. CAPITAL GROWTH CORP. AND 91 DAYS HYGIENE SERVICES INC.
(collectively, the "DEBTORS")

Please indicate if this Proof of Claim is an (check one):

- ☒ Original Proof of Claim, OR
☐ Amended Proof of Claim

A. PARTICULARS OF CREDITOR

1. Full Legal Name of Creditor: Pero Assets Inc. (the "Creditor").
 (Full legal or Corporate name should be the name of the original Creditor.)

2. Full Mailing Address of the Creditor:

[REDACTED]
[REDACTED]
[REDACTED]

3. Telephone Number of Creditor:

[REDACTED]

4. Facsimile Number of Creditor:

[REDACTED]

5. E-mail Address of Creditor:

tobradovich@sympatico.ca

6. Attention (Contact Person):

Tom Obiadovich / Kathy Reid.

7. Has the Claim been sold or assigned by Creditor to another party?

Yes

No X (If yes please complete Section D)

B. PROOF OF CLAIM:

I, Tom Obradovich [Name of Creditor or Representative of the Creditor], do hereby certify:

A) that I am (please check one):

 the Creditor; or
☒ hold the following position of Director / Officer of the Creditor

and have personal knowledge of all the circumstances connected with the Claim described herein;

B) The Creditor is owed as follows: \$ 11,954,519⁰⁶ Cdn

(If the Claim is in a foreign currency, it should be converted to Canadian dollars at the exchange rate of the Bank of Canada as at December 23, 2010 – US exchange rate on such date was Cdn \$1.01)

C. PARTICULARS OF CLAIM:

Name of the entity and the amount for each entity which owes the amount claimed:

<input checked="" type="checkbox"/>	C.O. Capital Growth Corp.	<u>\$ 11,954,519⁰⁶</u>
<input type="checkbox"/>	91 Days Hygiene Services Inc.	<u>\$ _____</u>
<input type="checkbox"/>	Peter Sbaraglia	<u>\$ _____</u>
<input type="checkbox"/>	Mandy Sbaraglia	<u>\$ _____</u>

If you invested with any of the above referenced Debtors, please complete the form attached as Schedule A-1, otherwise please provide a description of the transaction, agreement or event giving rise or relating to the Claim:

See schedule A-1, A-2 and all attached references.

If the Claim is contingent or unliquidated, state the basis and provide evidence upon which the Claim has been valued:

Description of security, if any, granted to the Creditor or assigned by Creditor in respect of the Claim:

Estimated value of security outlined above as at the date of the Claim:

IF CLAIMANTS REQUIRE MORE SPACE THAN PROVIDED HEREIN, PLEASE ATTACH A SCHEDULE HERETO. CLAIMANTS IN THIS REGARD SHOULD ALSO PROVIDE COPIES OF ALL RELEVANT AGREEMENTS OR DOCUMENTATION TO SUPPORT THEIR CLAIM.

A DETAILED, COMPLETE STATEMENT MUST BE ATTACHED TO THE PROOF OF CLAIM WHICH MUST SHOW THE AMOUNT CLAIMED BY EACH CREDITOR (INCLUDING INTEREST AND PRINCIPAL) AND/OR THE DATE, THE NUMBER AND THE AMOUNT OF EACH INVOICE OR CHARGE, TOGETHER WITH THE DATE, THE NUMBER AND THE AMOUNT OF ALL CREDITS, COUNTER CLAIMS, DISCOUNTS, PAYMENTS (INCLUDING INTEREST AND PRINCIPAL), ETC., TO WHICH THE DEBTORS OR THE RECEIVER ARE ENTITLED.

D. PARTICULARS OF ASSIGNEE(S) (IF ANY):

1. Full Legal Name of Assignee(s) of Claim (if all or a portion of the Claim has been sold). If there is more than one assignee, please attach separate sheets with the following information:

(the "Assignee(s)")

Amount of Total Claim Assigned: \$ _____

Amount of Total Claim Not Assigned: \$ _____

Total Amount of Claim: \$ _____
(should equal "Total Claim" as entered on Section B)

2. Full Mailing Address of Assignee(s):

3. Telephone Number of Assignee(s): _____
4. Facsimile Number of Assignee(s): _____
5. E-mail Address of Assignee(s): _____
6. Attention (Contact Person): _____

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The duly completed Proof of Claim together with supporting documentation must be returned and received by the Receiver, no later than 5:00 p.m. (Toronto time) on April 20, 2011, to the following address, facsimile or e-mail address.

Failure to file your Proof of Claim by such date will result in your claim being forever extinguished and barred.

Mailing Address

RSM Richter Inc. in its capacity as Court-appointed Receiver of
Peter Sbaraglia, Mandy Sbaraglia, C.O. Capital Growth Corp. and 91 Days Hygiene Services Inc.
200 King Street West, Suite 1100
Toronto, ON M5H 3T4
Attention: Lana Bezner
Telephone: (416) 932-6009
Facsimile: (416) 932-6200
Email: lbezner@rsmrichter.com

DATED at Shanty Bay this 13 day of April, 2011.

Kara Plummer
(Signature of Witness)

Kara Plummer
(Please print name)

Tom Obradovich
(Signature of individual completing
this form)

Tom Obradovich
(Please print name)

Proof of Claim

**In Respect of Claims Against Peter Sbaraglia, Mandy Sbaraglia, C.O. Capital Growth Corp. and 91 Days Hygiene Services Inc.
Schedule A-1**

Debtor	Date	Principal Invested (A)	Interest Owing (B)	Principal Payments Received (C)	Interest Payments Received (D)	Total Claimed (A+B-C-D)	Reference
C.O. Capital Growth Corp.	March 1/08	6,000,000.00	2,100,000.00	0	2,100,000.00	6,000,000.00	Schedule A-2 & 1, 2 & 3
			2,100,000.00	0	262,500.00	7,837,500.00	4, 5 & 6
			2,100,000.00	0	0	9,937,500.00	7
			287,671.23	0	0	10,225,171.23	8
C.O. Capital Growth Corp.	April 9/09	1,000,000.00	100,000.00	0	100,000.00	11,225,171.23	9 & 10
			100,000.00	0	0	11,325,171.23	11
			100,000.00	0	0	11,425,171.23	11
			100,000.00	0	0	11,525,171.23	11
			100,000.00	0	0	11,625,171.23	11
			100,000.00	0	0	11,725,171.23	11
			100,000.00	0	0	11,825,171.23	11
			100,000.00	0	0	11,925,171.23	11
			29,347.83	0	0	11,954,519.06	11
Total Claim						11,954,519.06	

Schedule A-1

No. 096-B

LOAN AGREEMENT

This Agreement made in duplicate the March 1, 2008, between Thomas J. Obradovich (the "Lender") and Pero Assets Inc. (the "Borrower") (collectively the "Parties").

The Parties agree as follows:

1. The Lender agrees to lend to the Borrower and the Borrower agrees to borrow from the Lender the sum of Six Million Dollars (\$6,000,000.00) of the lawful money of Canada (the "Principal Sum") commencing on the date on which good funds are received by the Borrower in accordance with the terms of this Agreement (the "Advance Date").
2. The Borrower agrees to pay the Lender interest on the Principal Sum at the simple rate of fifty (50%) of the profit generated from the Six Millions Dollars (\$6,000,000.00) per annum commencing on the Advance Date.
3. The Borrower agrees to repay the Lender at the Borrower's address as noted below or at any other place in Canada that the Borrower may give notice of in writing in accordance with the terms of this Agreement.
4. Where the Lender provides written notice in the form of Schedule "A" hereto to the Borrower, not less than 45 days prior to the Anniversary Date, the Principal Sum and accrued interest thereon (referred to as the "Total Amount") will be payable to the Lender on the Anniversary Date. Interest will not accrue after the Anniversary Date in such circumstance. If the Lender fails to provide such written notice, the Borrower, at its sole and unfettered discretion, may without prior notice deem that the Lender has agreed to continue this Loan Agreement. Both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10 hereof.
5. Where the Lender provides written notice in the form of Schedule "B" hereto to the Borrower, not less than 45 days prior to the Anniversary Date, the portion of the Principal Sum and accrued interest thereon as noted on Schedule "B" (referred to as the "Partial Amount") will be payable to the Lender on the Anniversary Date. Interest will not accrue on the Partial Amount after the Anniversary Date in such circumstance. Should the Lender fail to comply with the requirements as set out in Schedule "B", the Borrower may, without notice, at its sole and unfettered discretion determine that the Total Amount to the Lender on the Anniversary Date is payable and interest will not accrue after the Anniversary Date in such circumstance, or may without prior notice deem that the Lender has agreed to continue this Loan Agreement, and such Total Amount shall be deemed to be the Principal Sum for such purpose and both Parties shall be subject to the terms of


 initials

this Loan Agreement, *mutatis mutandis*, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10 hereof.

6. Where the Lender provides written notice in the form of Schedule "C" hereto to the Borrower of his or her desire to lend the Principal Sum and accrued interest (the Total Amount) plus an additional amount (the "Additional Amount") as noted on Schedule "C" and complies with the requirements set out in such schedule, the Total Amount shall not be paid to the Lender on the Anniversary Date, but shall be treated as an advance of a portion of the amount to be lent to the Borrower on the Anniversary Date. Should the Lender fail to comply with the requirements as set out in Schedule "C", the Borrower shall have the right at its sole and unfettered discretion to pay the Total Amount to the Lender on the Anniversary Date and interest will not accrue after the Anniversary Date in such circumstance, or may without prior notice deem that the Lender has agreed to continue the Loan Agreement (the "Renewal"), and such Total Amount shall be deemed to be the Principal Sum for such purpose and both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, in the event of a Renewal, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10.

7. The Borrower may prepay any portion or all of the Principal Sum outstanding together with interest accrued thereon at anytime without notice and without penalty of any kind.

8. The advance of the Principal Sum shall be evidenced by a promissory note in the form of Schedule "E" hereto.

9. Prior to any advance, the Borrower shall provide the Lender with a duly executed certificate in the form of Schedule "F" hereto attesting to the fact that the Lender is an Accredited Investor as defined therein, unless the Principal Sum is equal to or exceeds \$150,000.00. If the Principal Sum is equal to or exceeds \$150,000.00, the Lender certifies that he, she or it is lending the Principal Sum as principal and that the Lender has not been created or is used solely to lend funds to the Borrower or otherwise acquire or purchase securities sold or distributed in reliance on the exemptions from registration and prospectus requirements available under Section 2.10 of National Instrument 45-106.

10. All advances and payments by parties hereunder shall be made by certified cheque or bank draft or wire transfer drawn on a Canadian chartered bank

11. All notices to be given under this Agreement shall, save as otherwise specifically provided, be in writing to the party to who it is intended at the addresses noted below or such other address that the party may provide notice of in writing and shall not be deemed received until actually received except if sent by regular mail provided that there is no threat of disruption or actual disruption of mail service, in which case it shall be deemed received on the fifth day after being mailed.

12. Time is of the essence in all respects.

13. This Agreement constitutes the entire agreement between the Parties and cancels and supersedes any prior agreements, undertakings, declarations or representations, written or verbal

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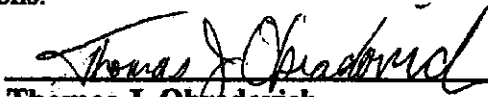

initials

in respect of it. No amendment, supplement or waiver of any provision of this Agreement shall in any event be effective unless it shall be in writing and signed by the Parties. The Lender may not assign, pledge or otherwise transfer this Agreement or the Promissory Note without the written consent of the Borrower.

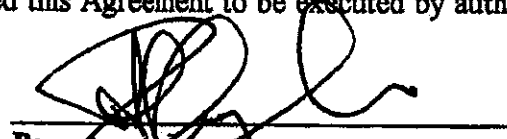
14. This Agreement and any dispute arising from or in relation to this Agreement shall be governed by, and interpreted and enforced in accordance with, the laws of the province of Ontario and the laws of Canada applicable in the province, excluding the choice of law rules of that province.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by authorized persons.

By:



Thomas J. Obradovich

By:


Pero Asset Inc
Authorized Officer:
Name: Peter G. Sharaglia
Title: President

Address:

Address:
239 Church Street, Suite 300
Oakville, ON L6J 1N4
(905) 339-1826

Referencel
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assets


pero
ASSETS
INC.

SCHEDULE "E"

PROMISSORY NOTE

\$6,000,000.00


Oakville, Ontario

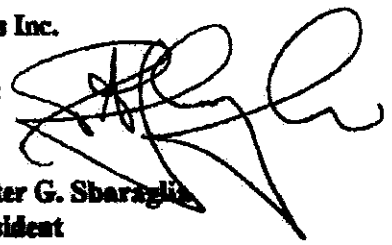
March 1st, 2008

FOR VALUE RECEIVED, [C.O. Capital Growth Corp.], hereby promises to pay to **Thomas J. Obradovich** the sum of **Six Million Dollars, (\$6,000,000.00)** plus half of the profits ^{351.} earned on the Lender's Principal on any unpaid balance owing as of the Anniversary Date in accordance with and subject to the terms of **Loan Agreement, No. 096-B** between the Lender, **Thomas J. Obradovich and Pero Assets Inc.** ~~dated as of Error Reference source not found.~~ ^{PK}

This Promissory Note is not assignable, negotiable or transferable without the express written consent of Pero Assets Inc. All capitalized terms have the meanings ascribed to them in the Loan Agreement, unless the context otherwise provides.

Pero Assets Inc. hereby waives presentment for payment, notice of dishonour, protest and notice of protest.

Signature: 

Pero Assets Inc.
Signature: 
Name: **Peter G. Sbaraglia**
Title: **President**

Lender: **Thomas J. Obradovich**
EXHIBIT No. 3
EXAMINATION OF KATHY REID
VS
DATE OCTOBER 27, 2010
NETWORK COURT REPORTING

I have the authority to bind the Corporation



Canada Trust

BARRIE BAYFIELD
534 BAYFIELD ST
BARRIE, ON L4M 5A2

17

Tel: 1-866-222-3456
TTY: 1-800-361-1180

PERO ASSETS INC.

Statement of Account		Account Type	Statement From - To	
Branch No.	Account No.	BUSINESS CHEQUING ACCOUNT - CAD SERVICE PLAN 1	MAR 05/09 - MAR 31/09	
			Page 1 of 2	
DESCRIPTION	CHEQUE/DEBIT	DEPOSIT/CREDIT	DATE	BALANCE
BALANCE FORWARD			MAR05	0.00
OPEN ACCOUNT			MAR05	0.00
DEPOSIT		2,100,000.00	MAR06	2,100,000.00
CHQ#00001-0300649255	465.99		MAR16	2,099,534.01
SVC PLAN 1 FEE	11.95		MAR31	2,099,522.06
			Interest on \$6,000,000 @ 3.5% for one year = \$2,100,000	
1 CHQ ENCLOSED NEXT STATEMENT DATE IS APR 30/09			No.	Amount
MONTHLY AVER. CR. BAL. \$2,021,945.63			Credits	2 2100,000.00
MONTHLY MIN. BAL. \$0.00			Debits	2 477.94
DEP CONTENT- CASH 0 ITEMS 1 UNC BATCH 0				

YOU ARE INVITED TO JOIN US FOR A FREE WEBINAR APRIL 16, 2009. GAIN PRACTICAL TIPS & TOOLS TO MANAGING YOUR CASH FLOW MORE EFFECTIVELY. VISIT WWW.TDCANADATRUST.COM/SBBCASHFLOW2 TO REGISTER.

Please ensure that you report in writing any errors or irregularities found within this statement within 30 days of the statement date. If you do not, the statement of account shall be conclusively deemed correct except for any amount credited to the account in error.

Accounts issued by: THE TORONTO-DOMINION BANK

Reference 2



Canada Trust

Branch: 2078 BARRIE BAYFIELD
534 BAYFIELD ST
BARRIE, ON

Date: Mar 6, 2009, 03:40 PM
Ref #: ~~XXXXXXXXXX~~

From: Cheque Total 2,100,000.00

To: ~~XXXXXXXXXX~~
Deposit
Cash: 0.00
Number of Items: 1
PERC

00.00

Bank receipt
for interest
on \$6,000,000⁰⁰
loan @ 35%.
received
March 6/09.

Customer Signature

x Thomas Brodsky

Banking can be this comfortable

Reference 3

No. 157-C

LOAN AGREEMENT

This Loan Agreement made in duplicate this day of March 1, 2009, between Pero Assets Inc. (the "Lender") and C.O. Capital Growth Corp. (the "Borrower") (collectively the "Parties").

The Parties agree as follows:

1. **The Loan:** The Lender agrees to loan to the Borrower and the Borrower agrees to borrow from the Lender the sum of Six Million Dollars (\$6,000,000.00) of lawful money of Canada (the "Principal Sum") for a term of not less than one year, subject to the terms of this Agreement, commencing on the date on which good funds are received by and are satisfactory to the Borrower in accordance with the terms of this Agreement (the "Advance Date"). For the purposes of this Agreement, the first anniversary of the Advance Date shall be the expiry date of the term (the "Maturity Date"), subject to any Renewal as hereinafter provided.
2. **Promissory Note:** The advance of the Principal Sum shall be evidenced by a promissory note, (the "Promissory Note") in the form of Schedule "E" hereto.
3. **Interest:** The Borrower agrees to pay to the Lender interest on the Principal Sum at the simple rate of Thirty-Five Percent (35%) per annum calculated from the Advance Date and accrued from the Advance Date to the Maturity Date which interest shall become due and payable upon the date the Principal Sum is repaid in full.
4. **Repayment:** The Borrower agrees to repay the Lender at the Borrower's address as noted below or at any other place in Canada that the Borrower may give notice of in writing in accordance with the Notice provisions of this Agreement.
5. **Renewal:** In the event the Lender provides written notice in the form of Schedule "A" hereto to the Borrower, not less than 45 days prior to the Maturity Date, the Principal Sum and accrued interest thereon (referred to as the "Total Amount") will be payable to the Lender on the Maturity Date. Interest will not accrue after the Maturity Date in such circumstance. If the Lender fails to provide such written notice, the Borrower, in its sole and unfettered discretion, may without prior notice deem that the Lender has agreed to loan the Total Amount to the Borrower for an additional one year term (the "Renewal"), and the Total Amount shall be deemed to be the Principal Sum for such purpose with interest thereon at the aforesaid rate again calculated and accruing and becoming due and payable in the same manner as set out above to the Renewal Maturity Date. In the event of such Renewal, both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10 hereof.
6. **Partial Repayment:** In the event the Lender provides written notice in the form of Schedule "B" hereto to the Borrower, not less than 45 days prior to the Maturity Date, the portion of the Principal Sum and accrued interest thereon as noted on Schedule "B" (referred to as the "Partial Amount") will be payable to the Lender on the Maturity Date. Interest will not accrue on the Partial Amount after the Maturity Date in such circumstance. Should the Lender fail to comply with the requirements as set out in Schedule "B", the Borrower may, without notice, in its sole and unfettered discretion either (i) determine that the Total Amount is due and payable to the Lender on the Maturity Date and interest will not accrue after the

initials

- 2 -

Maturity Date upon either the original Principal Sum or such Total Amount in such circumstance, or (ii) may without prior notice deem that the Lender has agreed to loan the Total Amount to the Borrower for an additional one year term (the "Renewal"), and such Total Amount shall be deemed to be the Principal Sum for such purpose with interest thereon at the aforesaid rate again calculated and accruing and becoming due and payable in the same manner as set out above to the Renewal Maturity Date. In the event of such Renewal, both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10 hereof.

7. Additional Loan: In the event the Lender provides written notice in the form of Schedule "C" hereto to the Borrower of his or her desire to loan the Total Amount (as defined in Paragraph 5) plus an additional amount (the "Additional Amount") as noted on Schedule "C" and complies with the requirements set out in such schedule, the Total Amount shall not be paid to the Lender on the Maturity Date, but shall be treated as an advance of a portion of the amount to be loaned to the Borrower on the Maturity Date. Should the Lender fail to comply with the requirements as set out in Schedule "C", the Borrower shall have the right in its sole and unfettered discretion either (i) to pay the Total Amount to the Lender on the Maturity Date and interest will not accrue after the Maturity Date upon either the original Principal Sum or the Total Amount in such circumstance, or (ii) may without prior notice deem that the Lender has agreed to loan the Total Amount to the Borrower for an additional one year term (the "Renewal"), and such Total Amount shall be deemed to be the Principal Sum for such purpose with interest thereon at the aforesaid rate again calculated and accruing and becoming due and payable in the same manner as set out above to the Renewal Maturity Date. In the event of such Renewal, both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10 hereof.

8. Renewal Notice: The Borrower shall send written notice to the Lender of any Renewal in the form of Schedule "D" hereto. In the event of a Renewal, the Maturity Date for such Renewal and for the purposes of this Agreement shall be the new Maturity Date as stated on such written notice. The Lender may obtain a Promissory Note reflecting a Renewal from the Borrower, provided that the Lender surrenders any Promissory Note(s) previously provided by the Borrower. For greater certainty, there shall be no limit as to the number of Renewals under this Agreement.

9. Prepayment: The Borrower may prepay all or any portion of the Principal Sum outstanding together with interest accrued thereon at anytime without notice, penalty or bonus of any kind.

10. Accredited Investor: Prior to any advance, the Lender shall provide to the Borrower a duly executed certificate in the form of Schedule "F" hereto attesting to the fact that the Lender is an Accredited Investor as defined therein, unless the Principal Sum is equal to or exceeds \$150,000.00. If the Principal Sum is equal to or exceeds \$150,000.00, the Lender certifies that he, she or it is lending the Principal Sum as principal and that the Lender has not been created or is used solely to loan funds to the Borrower or otherwise acquire or purchase securities sold or distributed in reliance on the exemptions from registration and prospectus requirements available under Section 2.10 of National Instrument 45-106.

11. Bank Drafts/Certified Cheques: All advances and payments by Parties hereunder shall be made by certified cheque or bank draft drawn on a Canadian chartered bank



Initials



- 3 -

12. **Notices:** All communications between the Parties shall be in writing, personally delivered or sent by registered mail, charges prepaid, or by facsimile or other means of electronic communication, charges prepaid, to the address set forth below in this Agreement or to such other address as a Party hereto may from time to time designate to the other in such manner, provided that no communication shall be sent by mail pending any threatened or actual postal strike or other disruption of postal service in Canada. Any communication so personally delivered shall be deemed to have been validly and effectively given and received on the date of such delivery. Communications so sent by any means of electronic transmission mentioned above shall be deemed to have been validly and effectively given and received on the business day next following the day on which it is sent. Communications so sent by mail shall be deemed to have been validly and effectively given and received on the fifth business day next following the day on which it is sent.

13. **Time:** Time shall be of the essence in all respects.

14. This Agreement constitutes the entire agreement between the Parties and cancels and supersedes any prior agreements, undertakings, declarations or representations, written or oral in respect to the relationship of the Parties. No amendment, supplement or waiver of any provision of this Agreement shall in any event be effective unless it shall be in writing and signed by the Parties. The Lender may not assign, pledge or otherwise transfer this Agreement or the Promissory Note without the written consent of the Borrower.

15. This Agreement and any dispute arising from or in relation to this Agreement shall be governed by, and interpreted and enforced in accordance with, the laws of the Province of Ontario to which jurisdiction the Parties attorn and the laws of Canada applicable therein, excluding the choice of law rules of that Province.

IN WITNESS WHEREOF the Parties have caused this Agreement to be executed by authorized persons.

By:

Thomas Ohadonid
Pero Assets Inc.

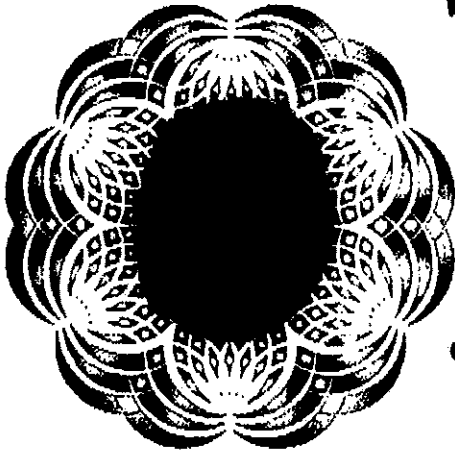
By:

Peter G. Sbaraglia
C.G. Capital Growth Corp.
Authorized Officer
Name: Peter G. Sbaraglia
Title: President

Address:

Address:
239 Church Street, Suite 100E
Oakville, ON L6J 1N4
(905) 339-0650





Promissory Note

Onkville, Ontario this date: March 1, 2009

FOR VALUE RECEIVED, C.O. Capital Growth Corp. hereby promises to pay to

Pero Assets Inc.

the sum of

Six Millions Dollars

plus simple interest at the rate of 35 % per annum

\$ 6,000,000.00

on any unpaid balance owing as of the Maturity Date in accordance with and subject to the terms of Loan Agreement, No. 157-C.

between the lender Pero Assets Inc.

and the C.O. Capital Growth Corporation dated as of March 1, 2009

This Promissory Note is not assignable, negotiable or transferable without the express written consent of C.O. Capital Growth Corporation. All capitalised terms have the meanings ascribed to them in the Loan Agreement, unless the context otherwise provides. C.O. Capital Growth Corporation hereby waives presentment for payment, notice of dishonour, protest and notice of protest.

[Signature]
C.O. Capital Growth Corporation President I have the authority to bind the Corporation.

Proof of Claim
In Respect of Claims Against Peter Sbaraglia, Mandy Sbaraglia, C.O. Capital Growth Corp. and 91 Days Hygiene Services Inc.
Schedule A-1

Calculation of Accrued Interest on \$6,000,000 Loan from March 1/09 to March 1/10

Loan Date	Amount	Interest		Accrual		Accrued	
		Rate	Period	Period	Period	Interest	Interest
March 1/09 (Reference 4)	6,000,000.00 (Reference 4)	35% (Reference 4)	Mar 1/09 (Reference 4)	Mar 1/09 to Mar 1/10		2,100,000.00	

References



Canada Trust

BARRIE BAYFIELD
534 BAYFIELD ST
BARRIE, ON L4M 5A2

24

Tel: 1-866-222-3456
TTY: 1-800-361-1180

PERO ASSETS INC.

Statement of Account		Account Type	Statement From - To	
Branch No.	Account No.	BUSINESS CHEQUING ACCOUNT - CAD SERVICE PLAN 1	AUG 31/09 - SEP 30/09	
			Page 1 of 1	
DESCRIPTION	CHEQUE/DEBIT	DEPOSIT/CREDIT	DATE	BALANCE
BALANCE FORWARD			AUG31	283,438.31
GC 3138-DEPOSIT		262,500.00	SEP04	545,938.31
WH435 TFR-TO	375,000.00		SEP15	170,938.31
800WIRE	107,650.00		SEP30	
SVC PLAN 1 FEE	11.95		SEP30	
ACCT BAL REBATE		11.95	SEP30	63,288.31
0 CHQS ENCLOSED NEXT STATEMENT DATE IS OCT 30/09		No.	Amount	
MONTHLY AVER. CR. BAL.	\$316,099.97	Credits 2	262,511.95	
MONTHLY MIN. BAL.	\$63,288.31	Debits 3	482,661.95	
DEP CONTENT- CASH 0	ITEMS 1 UNC BATCH 0			

YOU ARE INVITED TO JOIN US FOR A FREE ONLINE SEMINAR OCTOBER 17, 2009
TO LEARN HOW TO BOOST YOUR SALES WITH A UNIQUE SELLING PROPOSITION.
VISIT WWW.TDCANADATRUST.COM/CREATE_USP TO REGISTER.

Please ensure that you report in writing any errors or irregularities found within this statement within 30 days of the statement date. If you do not, the statement of account shall be conclusively deemed correct except for any amount credited to the account in error.

Accounts issued by: THE TORONTO-DOMINION BANK

Reference 6

Proof of Claim
In Respect of Claims Against Peter Sbaraglia, Mandy Sbaraglia, C.O. Capital Growth Corp. and 91 Days Hygiene Services Inc.
Schedule A-1

Calculation of Accrued Interest on \$6,000,000 Loan from March 1/10 to March 1/11

Loan Date	Amount	Interest Rate	Accrual Period	Accrued Interest
March 1/09 (Reference 4)	6,000,000.00 (Reference 4)	35.00% (Reference 4)	1 year	2,100,000.00

Reference 7

Proof of Claim
In Respect of Claims Against Peter Sbaraglia, Mandy Sbaraglia, C.O. Capital Growth Corp. and 91 Days Hygiene Services Inc.
Schedule A-1

Calculation of Accrued Interest on \$6,000,000 Loan from March 1/11 to April 20/11

Loan Date	Amount	Interest Rate	Accrual Period	Accrued Interest
March 1/09 (Reference 4)	6,000,000.00 (Reference 4)	35.00% (Reference 4)	50/365	287,671.23

Reference 8

48217812

The Toronto-Dominion Bank

3300 Monarch Drive
Orillia, ON L3V 8A2

DATE

2009-04-09
YYYYMMDD

Transit-Serial No

Pay to the
Order of

C.D. Capital Growth

\$**1,000,000.00

1000000000

Canadian Dollars

Authorized signature required for amounts over CAD \$5,000.00

Re

The Toronto-Dominion Bank
Toronto, Ontario
Canada M5K 1A2

Authorized Officer

Number

Countersigned

Receipt Only - Non Negotiable

Please retain for presentation in event Original lost

1,000,000 "Option" Investment @ 10% per
quarter.

Reference 9

Canada Trust

BARRIE BAYFIELD
534 BAYFIELD ST
BARRIE, ON L4M 5A2

Tel: 1-866-222-3456
TTY: 1-800-361-1180

PERO ASSETS INC.

Statement of Account		Account Type	Statement From To	
Branch No.	Account No.	BUSINESS CHEQUING ACCOUNT - CAD SERVICE PLAN 1	MAY 29/09 - JUN 30/09	
			Page 1 of 2	
DESCRIPTION	CHEQUE/DEBIT	DEPOSIT/CREDIT	DATE	BALANCE
BALANCE FORWARD			MAY 29	185,505.20
GC 1253-TSF FROM GLI		700,000.00	JUN 04	885,505.20
TXINS 8916933 BUS	460,583.00	Corporate bank withdrawal	JUN 05	424,922.20
LP563 TFR-TO 5232985	200,000.00		JUN 08	224,922.20
CHQ#00003-010040445	25,000.00	Lumiere lighting loan	JUN 12	199,922.20
CHQ#00001-0100592079	5,249.99	Wynne Giesky cheque	JUN 15	194,672.21
DEPOSIT		100,000.00	JUN 24	294,672.21
CHQ#00004-0200612351	260.00	Chris Bailey misc.	JUN 29	294,412.21
SVC PLAN 1 FEE	11.98		JUN 30	
ACCT BAL REBATE			11/05 JUN 30	294,412.21
3 CHQS ENCLOSED NEXT STATEMENT DATE IS JUL 31/09		No.	Amount	
MONTHLY AVER. CR. BAL.	\$267,682.60	Credits 3	800,011.95	
MONTHLY MIN. BAL.	\$185,505.20	Debits 6	691,104.94	
DEP CONTENT- CASH 0	ITEMS 1		UNC BATCH 0	

Please ensure that you report in writing any errors or irregularities found within this statement within 30 days of the statement date. If you do not, the statement of account shall be conclusively deemed correct except for any amount credited to the account in error.

Accounts issued by: THE TORONTO-DOMINION BANK

Reference 10

Proof of Claim

**In Respect of Claims Against Peter Sbaraglia, Mandy Sbaraglia, C.O. Capital Growth Corp. and 91 Days Hygiene Services Inc.
Schedule A-1**

Calculation of Accrued Interest on \$1,000,000 Loan from June 24/09 to April 20/11 interest payable at 10% quarterly

Loan Date	Amount	Interest Rate	Accrual Period	Accrued Interest
April 9/09 (Reference 10)	1,000,000.00 (Reference 10)	10.00% (Reference 10)	92/92	100,000.00 June 24/09 to September 24/09
	1,000,000.00	10.00%	91/91	100,000.00 September 24/09 to December 24/09
	1,000,000.00	10.00%	90/90	100,000.00 December 24/09 to March 24/10
	1,000,000.00	10.00%	92/92	100,000.00 March 24/10 to June 24/10
	1,000,000.00	10.00%	92/92	100,000.00 June 24/10 to September 24/10
	1,000,000.00	10.00%	91/91	100,000.00 September 24/10 to December 24/10
	1,000,000.00	10.00%	90/90	100,000.00 December 24/10 to March 24/11
	1,000,000.00	10.00%	27/92	29,347.83 March 24/11 to April 20/11

Total **729,347.83**

Referencell

Proof of Claim
In Respect of Claims Against Peter Sbaraglia, Mandy Sbaraglia, C.O. Capital Growth Corp. and 91 Days Hygiene Services Inc.
Schedule A-2
Supporting Documentation For Original \$6,000,000.00 Loan Advanced to C.O. Capital Growth Corp. March 1, 2008

Date	Amount	Reference
February 29/08	2,000,000.00	1
March 3/08	2,700,000.00	2
February 24/08	<u>1,300,000.00</u>	3
	<u>6,000,000.00</u>	

Schedule A-i

CURRENT ACCOUNT DEPOSIT SLIP

DATE: 29 FEB 2008
 MONTH: FEB
 YEAR: 2008
 CASH COUNT (include coupons): X5, X10, X20, X50, X100, X, X, COIN

LIST OF CHEQUES PLEASE LIST FOREIGN CHEQUES ON SEPARATE DEPOSIT SLIP

CHEQUE IDENTIFICATION	1 NAME	CHEQUE	REF	AMOUNT
2	68857-003			
3	ROYAL-BANK OF CANADA			
4	WEBSTRIDGE BRANCH			
5	FEB 29 2008			
6	ORILLIA, ONTARIO			
7	09857-003			
8				
9				
10				

DEPOSIT SUMMARY

ENTER VISA VOUCHER TOTAL: \$20000.00

CASH SUBTOTAL: \$20000.00

CHEQUE SUBTOTAL: \$20000.00

U.S. CASH RATE: []

U.S. CHEQUES RATE: []

DEPOSIT TOTAL: \$20000.00

COMPARED TO ORIGINAL DEPOSIT SLIP AS TO TOTAL ONLY

DEPOSIT TOTAL: \$20000.00

CHEQUE SUBTOTAL: \$20000.00

TOTAL # OF CHEQUES: 10

CREDIT ACCOUNT OF: PERU ASSETS INC.

Feb 29 / 08
 Bank Deposit
 Peru Assets Inc
 From Tom Obradovich &
 Kathy Reid.

C.O. Capital / Petrus Mandy
 Sbaraglia operated
 Peru Bank A/c at this
 time
 Funds were then
 transferred out of Peru

Reference 1

COMPARED TO SLIP AS

1	CASH SUBTOTAL \$	2	CHEQUE SUBTOTAL \$	3	DEPOSIT TOTAL \$
4	COIN	5	CHEQUE	6	CHEQUE
7		8		9	
10		11		12	

10358 (0207)

Customer's record of Draft purchased

43550826

The Toronto-Dominion Bank

141 Adelaide St. West
Toronto, ON M5H 3L5

DATE 2008-03-03
YYYYMMDD

Transit-Serial No.

Pay to the Order of Petro Assets Inc. \$ 2,700,000.00

Authorized signature required for amounts over CAD \$5,000.00

Re The Toronto-Dominion Bank
Toronto, Ontario
Canada M5K 1A2

Authorized Officer _____ Number _____
Counter-signed _____

Receipt Only - Non Negotiable

Please retain for presentation in event Original lost

March 3/08
Bank Draft Purchased
Payable to Petro Assets
Inc.
Funds were then
transferred out of
Petro.

Reference 2

C.O. Capital Growth Corporation**Final Statement of Account****Loan Agreement No.: 026-022507-A****Lender: Thomas Obradovich / Kathy Reid****Date of Loan Agreement: February 25, 2007****Maturity Date: February 24, 2008****Applicable Interest Rate: 30% simple interest, payable to Maturity Date****Principal Sum of Loan: \$1,000,000.00****Accrued Interest to Maturity Date: \$300,000.00****Total Amount owing on Maturity Date: \$1,300,000.00****Amount of the Total Amount used to invest in Pero Assets Inc. on Maturity Date pursuant to Loan Agreement No. 026-022507-A: \$1,300,000.00****Net Amount of Repayment of Loan Agreement No. 026-022507-A: NIL(\$0.00)****All capitalized terms have the meanings ascribed to them in the Loan Agreement referred to above, unless the context otherwise provides.****The Lender acknowledges receipt of a bank draft or certified cheque payable to the Lender in the amount of NIL(\$0.00), being the Net Amount of Repayment of Loan Agreement No. 026-022507-A as noted above in full and final satisfaction of all and any amounts owing with respect of the Loan Agreement. The Lender also acknowledges that the total amount will be invested in Pero Assets Inc.****Signature:** Thomas Obradovich**EXHIBIT No.** 1**EXAMINATION OF** Kathy Reid **Name: Thomas Obradovich****E. & O.E.****DATE** OCTOBER 27, 2010**NETWORK COURT REPORTING**

Reference 3 Pg 1

No. 026-022507-A

LOAN AGREEMENT

This Agreement made in duplicate the 25th day of February, 2007, between Thomas J. Obradovich, (the "Lender") and C.O. Capital Growth (the "Borrower") (collectively the "Parties").

The Parties agree as follows:

1. The Lender agrees to lend to the Borrower and the Borrower agrees to borrow from the Lender the sum of one million dollars (\$1,000,000.00) of the lawful money of Canada (the "Principal Sum") for a period of not less than one year, subject to the terms of this Agreement, commencing on the date on which good funds are received by the Borrower in accordance with the terms of this Agreement (the "Advance Date"). The Maturity Date for purposes of this Agreement shall be the first anniversary of the Advance Date, subject to any Renewal.
2. The Borrower agrees to pay the Lender interest on the Principal Sum at the simple rate of thirty (30%) per annum commencing on the Advance Date.
3. The Borrower agrees to repay the Lender at the Borrower's address as noted below or at any other place in Canada that the Borrower may give notice of in writing in accordance with the terms of this Agreement.
4. Where the Lender provides written notice in the form of Schedule "A" hereto to the Borrower, not less than 45 days prior to the Maturity Date, the Principal Sum and accrued interest thereon (referred to as the "Total Amount") will be payable to the Lender on the Maturity Date. Interest will not accrue after the Maturity Date in such circumstance. If the Lender fails to provide such written notice, the Borrower, at its sole and unfettered discretion, may without prior notice deem that the Lender has agreed to lend the Total Amount to the Borrower for an additional one year term (the "Renewal"), and the Total Amount shall be deemed to be the Principal Sum for such purpose and both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, in the event of a Renewal, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10 hereof.
5. Where the Lender provides written notice in the form of Schedule "B" hereto to the Borrower, not less than 45 days prior to the Maturity Date, the portion of the Principal Sum and accrued interest thereon as noted on Schedule "B" (referred to as the "Partial Amount") will be payable to the Lender on the Maturity Date. Interest will not accrue on the Partial Amount after the Maturity Date in such circumstance. Should the Lender fail to comply with the requirements as set out in Schedule "B", the Borrower may, without notice, at its sole and unfettered discretion determine that the Total Amount to the Lender on the Maturity Date is payable and interest will not accrue after the Maturity Date in such circumstance, or may without prior notice deem that the Lender has agreed to lend the Total Amount to the Borrower for an additional one year term

Reference 3 Pg 2

(the "Renewal"), and such Total Amount shall be deemed to be the Principal Sum for such purpose and both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, in the event of a Renewal, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10 hereof.

6. Where the Lender provides written notice in the form of Schedule "C" hereto to the Borrower of his or her desire to lend the Principal Sum and accrued interest (the Total Amount) plus an additional amount (the "Additional Amount") as noted on Schedule "C" and complies with the requirements set out in such schedule, the Total Amount shall not be paid to the Lender on the Maturity Date, but shall be treated as an advance of a portion of the amount to be lent to the Borrower on the Maturity Date. Should the Lender fail to comply with the requirements as set out in Schedule "C", the Borrower shall have the right at its sole and unfettered discretion to pay the Total Amount to the Lender on the Maturity Date and interest will not accrue after the Maturity Date in such circumstance, or may without prior notice deem that the Lender has agreed to lend the Total Amount to the Borrower for an additional one year term (the "Renewal"), and such Total Amount shall be deemed to be the Principal Sum for such purpose and both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, in the event of a Renewal, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10.

7. The Borrower shall send written notice to the Lender of a Renewal in the form of Schedule "D" hereto. In the event of a Renewal, the Maturity Date for purposes of this Agreement shall be the new Maturity Date as stated on such written notice. The Lender may obtain a Promissory Note reflecting a Renewal from the Borrower, provided that the Lender surrenders any Promissory Note(s) previously provided by the Borrower. For greater certainty there shall be no limit as to the number of Renewals under this Agreement.

8. The Borrower may prepay any portion or all of the Principal Sum outstanding together with interest accrued thereon at anytime without notice and without penalty of any kind.

9. The advance of the Principal Sum shall be evidenced by a promissory note in the form of Schedule "E" hereto.

10. Prior to any advance, the Borrower shall provide the Lender with a duly executed certificate in the form of Schedule "F" hereto attesting to the fact that the Lender is an Accredited Investor as defined therein, unless the Principal Sum is equal to or exceeds \$150,000.00. If the Principal Sum is equal to or exceeds \$150,000.00, the Lender certifies that he, she or it is lending the Principal Sum as principal and that the Lender has not been created or is used solely to lend funds to the Borrower or otherwise acquire or purchase securities sold or distributed in reliance on the exemptions from registration and prospectus requirements available under Section 2.10 of National Instrument 45-106.


11. All advances and payments by parties hereunder shall be made by certified cheque or bank draft drawn on a Canadian chartered bank
12. All notices to be given under this Agreement shall, save as otherwise specifically provided, be in writing to the party to who it is intended at the addresses noted below or

Reference 3 Pg:

such other address that the party may provide notice of in writing and shall not be deemed received until actually received except if sent by regular mail provided that there is no threat of disruption or actual disruption of mail service, in which case it shall be deemed received on the fifth day after being mailed.

13. Time is of the essence in all respects.
14. This Agreement constitutes the entire agreement between the Parties and cancels and supersedes any prior agreements, undertakings, declarations or representations, written or verbal in respect of it. No amendment, supplement or waiver of any provision of this Agreement shall in any event be effective unless it shall be in writing and signed by the Parties. The Lender may not assign, pledge or otherwise transfer this Agreement or the Promissory Note without the written consent of the Borrower.
15. This Agreement and any dispute arising from or in relation to this Agreement shall be governed by, and interpreted and enforced in accordance with, the laws of the province of Ontario and the laws of Canada applicable in the province, excluding the choice of law rules of that province.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by authorized persons.

By: 

Thomas J. Obradovich

By: 

C.O. Capital Growth
Authorized Officer:
Name: Peter G. Sbaraglia
Title: President



Address: 63 Second St.,
Oakville, ON
L6J 3T1

Canada Revenue Agency / Agence du revenu du Canada

Year / Année: **2008**

T5 STATEMENT OF INVESTMENT INCOME / ÉTAT DES REVENUS DE PLACEMENTS

24 Actual amount of eligible dividends / Montant réel des dividendes éligibles: 160,000.00	25 Taxable amount of eligible dividends / Montant imposable des dividendes éligibles	26 Dividend tax credit for eligible dividends / Crédit d'impôt pour dividendes éligibles	13 Interest from Canadian sources / Intérêts de sources canadiennes: 160,000.00	18 Capital gains dividends / Dividendes sur gains en capital
10 Actual amount of dividends other than eligible dividends / Montant réel des dividendes autres que des dividendes éligibles	11 Taxable amount of dividends other than eligible dividends / Montant imposable des dividendes autres que des dividendes éligibles	12 Dividend tax credit for dividends other than eligible dividends / Crédit d'impôt pour dividendes autres que des dividendes éligibles	21 Report Code / Code du feuillet: 0	22 Recipient identification number / Numéro d'identification du bénéficiaire
Other information / Autres renseignements			23 Recipient type / Type du bénéficiaire: 1	

Recipient's name (last name first) and address - Nom, prénom et adresse du bénéficiaire: **REID, KATHARINE JEAN**

Payer's name and address - Nom et adresse du payeur: **C.O. Capital Growth Corp.
239 Church Street
Oakville, ON L6J 1N4**

ON L0L 2L0

Currency and identification codes / Codes de devise et d'identification

T5 (08)

Foreign currency / Devise étrangère

Transit - Succursale

Recipient account / Numéro de compte du bénéficiaire

RC-08-444

Canada Revenue Agency / Agence du revenu du Canada

Year / Année: **2008**

T5 STATEMENT OF INVESTMENT INCOME / ÉTAT DES REVENUS DE PLACEMENTS

24 Actual amount of eligible dividends / Montant réel des dividendes éligibles	25 Taxable amount of eligible dividends / Montant imposable des dividendes éligibles	26 Dividend tax credit for eligible dividends / Crédit d'impôt pour dividendes éligibles	13 Interest from Canadian sources / Intérêts de sources canadiennes: 160,000.00	18 Capital gains dividends / Dividendes sur gains en capital
10 Actual amount of dividends other than eligible dividends / Montant réel des dividendes autres que des dividendes éligibles	11 Taxable amount of dividends other than eligible dividends / Montant imposable des dividendes autres que des dividendes éligibles	12 Dividend tax credit for dividends other than eligible dividends / Crédit d'impôt pour dividendes autres que des dividendes éligibles	21 Report Code / Code du feuillet: 0	22 Recipient identification number / Numéro d'identification du bénéficiaire
Other information / Autres renseignements			23 Recipient type / Type du bénéficiaire: 1	

Recipient's name (last name first) and address - Nom, prénom et adresse du bénéficiaire: **OBRADOVICH, TOM**

Payer's name and address - Nom et adresse du payeur: **C.O. Capital Growth Corp.
239 Church Street
Oakville, ON L6J 1N4**

ON L0L 2L0

Currency and identification codes / Codes de devise et d'identification

T5 (08)

Foreign currency / Devise étrangère

Transit - Succursale

Recipient account / Numéro de compte du bénéficiaire

RC-08-444

Report these amounts on your tax return

10 Dividends from Canadian corporations other than eligible dividends - The amount an individual has to report as income is the amount shown in box 11.

12 The dividend tax credit to which an individual is entitled is shown in box 12. For more information, see lines 120 and 425 in your tax guide.

13 Interest from Canadian sources - For information on how to report this amount on your return, see line 121 in your tax guide.

Box 14 - Other income from Canadian sources

Box 15 - Foreign income

Box 16 - Foreign tax paid

Box 17 - Royalties from Canadian sources

Box 18 Capital gains dividends - Enter this amount on line 174 of Schedule 3, "Capital Gains (or Losses)."

Box 19 - Accrued income: Annuities

Box 20 - Amount eligible for resource allowance deduction

For information on how to report your income, see your tax guide.

21 Report code - The code in this box indicates that this slip is the original ("O"), an amended ("A"), or a cancelled slip ("C").

22 Recipient identification number - If you are an individual (other than a trust), the number in this box is your SIN. In all other cases, the number is your Business Number.

23 Recipient type - The code in this box indicates if the amount was paid to an individual ("1"); a joint account ("2"); a corporation ("3"); an association, trust, club, or other ("4"); or a government ("5").

24 Eligible dividends from Canadian corporations - The amount an individual has to report as income is the amount shown in box 25. The dividend tax credit to which an individual is entitled is shown in box 26. For more information, see lines 120 and 425 in your tax guide.

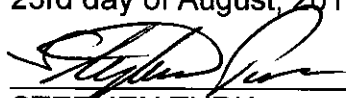
You may have to pay your taxes by instalments. For more information, visit www.cra.gc.ca/instalments or call us at 1-800-959-8281.

Under the Income Tax Act, you have to give your social insurance number (SIN) on request to any person who prepares an information slip for you. If your SIN is not shown on this slip, please contact the payer and provide it. If you do not have a SIN, you should apply for one at any Service Canada Centre.

Interest Earned on \$1,000,000 @ 30% = \$300,000

Reference 3R4

This is **Exhibit "B"** to the affidavit of
Thomas Obradovich sworn before me this
23rd day of August, 2011.

A handwritten signature in black ink, appearing to read "Stephen Turk", written over a horizontal line.

STEPHEN TURK, a commissioner, etc.

PROOF OF CLAIM
IN RESPECT OF CLAIMS AGAINST
ROBERT MANDER, E.M.B. ASSET GROUP INC. AND THE RELATED ENTITIES
(collectively, the "DEBTORS")

Please indicate if this Proof of Claim is an (check one):

- ☒ Original Proof of Claim, OR
☐ Amended Proof of Claim

A. PARTICULARS OF CREDITOR

1. Full Legal Name of Creditor: Pero Assets Inc (the "Creditor").
(Full legal or Corporate name should be the name of the original Creditor.)

2. Full Mailing Address of the Creditor:

[REDACTED]
[REDACTED]
[REDACTED]

3. Telephone Number of Creditor:

[REDACTED]

4. Facsimile Number of Creditor:

[REDACTED]

5. E-mail Address of Creditor:

tobradovich@sympatico.ca

6. Attention (Contact Person):

Tom Obradovich / Kathy Reich

7. Has the Claim been sold or assigned by Creditor to another party?
Yes _____ No X (If yes, please complete Section D)

B. PROOF OF CLAIM:

I, Tom Obradovich [Name of Creditor or Representative of the Creditor], do hereby certify:

A) that I am (please check one):

 the Creditor; or
☒ hold the following position of Director/Officer of the Creditor

and have personal knowledge of all the circumstances connected with the Claim described herein;

B) The Creditor is owed as follows: \$11,954,519⁰⁶ Cdn

(If the Claim is in a foreign currency, it should be converted to Canadian dollars at the exchange rate of the Bank of Canada as at March 17, 2010 - US exchange rate on such date was Cdn \$1.01)

C. PARTICULARS OF CLAIM:

Name of the entity and the amount for each entity which owes the amount claimed:

<input checked="" type="checkbox"/>	Robert Mander	<u>\$11,954,519⁰⁶</u> *
<input checked="" type="checkbox"/>	E.M.B. Asset Group Inc.	<u>\$11,954,519⁰⁶</u> *
<input checked="" type="checkbox"/>	Mand Assets Inc.	<u>\$11,954,519⁰⁶</u> *
<input checked="" type="checkbox"/>	Trafalgar Capital Growth Corp.	<u>\$11,954,519⁰⁶</u> *
<input checked="" type="checkbox"/>	Stonebury Inc.	<u>\$11,954,519⁰⁶</u> *
<input checked="" type="checkbox"/>	Mander Group Inc.	<u>\$11,954,519⁰⁶</u> *
<input checked="" type="checkbox"/>	Dunn Street Gallery Inc.	<u>\$11,954,519⁰⁶</u> *
<input checked="" type="checkbox"/>	FM Market Capital Inc.	<u>\$11,954,519⁰⁶</u> *
<input checked="" type="checkbox"/>	Mander-Walton Market Capital Inc.	<u>\$11,954,519⁰⁶</u> *

If you invested with any of the above referenced Debtors, please complete the form attached as Schedule A-1, otherwise please provide a description of the transaction, agreement or event giving rise or relating to the Claim:

*

See attached
See schedule A-1, A-2 and all attached references.

H/

We are advised by Peter Sbaraglia, in his Affidavit sworn September 15, 2010 (Reference C-1), paragraph 66, that "The original capital from Pero was invested with Mander and remained with him". We are uncertain as to which entity held the invested amounts (*in whole or in part) and when the funds were transferred from C.O. Capital to Robert Mander. The attached document (Reference C-2) executed by Robert Mander indicates that 2214625 Ontario Inc. was "holding" \$8 Million from Pero as of the 15th of August, 2009 (we understand that Robert Mander was said company's sole director – that is what the corporate search indicates – no officers are listed). The transfer of funds, if it took place, was done without Pero's knowledge, nor approval, in that proper documentation was not put in place.

Court File No. 10-8619-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

BETWEEN:

SA CAPITAL GROWTH CORP.

Applicant

- and -

CHRISTINE BROOKS AS EXECUTOR OF THE ESTATE OF ROBERT MANDER, DECEASED AND E.M.B.
ASSET GROUP INC.

Respondents

APPLICATION UNDER Rule 14.05(3)(g) of the *Rules of Civil
Procedure* and Section 101 of the *Courts of Justice Act*, R.S.O.
1990. c. C. 43, as amended

AFFIDAVIT OF PETER SBARAGLIA
Sworn September 15, 2010

I, Peter Sbaraglia, of the Town of Oakville, in the Regional Municipality of Halton, MAKE
OATH AND SAY:

1. I make this affidavit in response to the affidavit of Mahran Shahviri ("Shahviri") sworn September 8, 2010. I also make this affidavit in response to the 7th Report of the Receiver. I start by observing that both the OSC and Richter wish to put my wife, myself and CO Capital into receivership. For reasons set out below, we opposed the applications. As well, most, if not

Reference C-1

all of the investors in C.O. Capital Growth Inc. ("CO Capital") oppose the appointment of a Receiver.

2. On August 10, 2010 I swore affidavits in the application commenced by SA Capital Growth Corp. against Christine Brooks as executor of the Estate of Robert Mander ("Mander"), deceased and EMB Asset Group Inc. (EMB), Court file no. 10-8619-00CL. I adopt my affidavit of August 10, 2010 in response to both applications to have Richter appointed as Receiver.

3. As will be set out below, I believe that the Richter and the Ontario Securities Commission ("OSC") have wrongly targeted me and my family. We, like the CO Capital investors are victims of Mander's Ponzi scheme. We did not benefit from that scheme. Rather we, together with the family and friends that invested in Mander through CO Capital have lost our investment. In our case, we have lost virtually everything.

4. At this time, we have moved from our home into rented premises. We seek to sell our partially renovated home to recoup some money for our own living expenses as well as for the CO Capital Investors.

OSC INVESTIGATION

5. While I have no knowledge of Staff of the OSC receiving information regarding a concern about certain activity of CO Capital, I did receive a copy of an Order of the OSC that I attend for a hearing pursuant to Section 13 of the *Ontario Securities Act*.

6. Mander had been served with a similar order.

7. As well, I have no knowledge of what records of CO Capital were reviewed by the OSC or how such records were obtained by the OSC.

8. While it is the case that funds from the CO Capital accounts were transferred to Mander and Mander's companies, it was understood that those monies were being invested with Mander or his companies on behalf of the investors.

9. As for monies withdrawn from the CO Capital account for use by me and my wife, Mandy Sbaraglia ("Mandy"), the only monies ever withdrawn from CO Capital for our use was withdrawn on the instruction of Mander. We honestly believed that monies being paid to us were legitimate profits and that we were entitled to these monies, just as other investors did.

10. I have no information with respect to the telephone interviews conducted by Mr. Shahviri and cannot comment on the details or the veracity of such conversations. However, as I have attested previously it was on the basis of legal advice received from Mr. Richard Austin and Ms. Lynne McGrade of Borden Ladner LLP that the investments were structured using the form of loan agreements.

11. At no time had I advised Shahviri or the OSC that I was buying and selling real estate with my primary focus being on undervalued properties or at all. During my section 13 examination I advised the OSC that I purchased my home prior to my involvement with any investments with Mander and with CO Capital.

12. In the transcript of my OSC examination, I said the following:

So with the notion in mind all the time -- and I will say that the house and the building, I bought well before any of this ever started.¹

13. At the time of my examination before the OSC there were no investor promissory notes that had come due and were outstanding. At that time all of the notes were paid out to the CO investors as they came due. At that point I was not aware that Mander was in financial difficulty. I was not aware of the Ponzi scheme orchestrated by Mander. I was certainly not aware that Mander had been sued by Tascha Fluke some two years earlier that Aylsworth LLP had defended Mander, and that Mander had settled with Fluke by paying her.²

14. By the time of my examination before the OSC I had decided that I was no longer interested in making these investments. I had decided that I would not take in any new money from investors. The plan was to pay off the investors as their loans came due until such time as all of the investors were paid. By that time, Mander was no longer an officer and director of CO Capital.

15. When I met with Julia Dublin ("Dublin") of the Aylesworth law firm, in her office in June 2009, after I had been served with the Order requiring me to attend for examination, Dublin invited her partner Michael Miller ("Miller") to join the meeting. Upon Miller walking into the meeting room his first words to me were to the effect that I could be going to jail and I could receive a fine from the OSC. This made me very anxious.

¹ Page 00038-line 17,18, 19 and 20

² The Statement of Claim in the Fluke case is annexed as Exhibit "1".

16. In retrospect, had I been properly advised by Miller and Dublin, I would have advised the OSC that we were operating CO's business based on legal advice. If the OSC determined that our business practice was inappropriate, we would have simply agreed to desist. We were planning to do so anyhow.

17. At an early meeting with Miller and Dublin, my wife Mandy, in my presence, inquired of Miller whether we should simply advise the OSC that we understood, based on our legal representation, that everything we were doing was legal and in compliance with the OSC. If the OSC found we were not in compliance, we would have agreed to stop. Miller's response was that it did not matter whether or not we knew what we were doing was wrong, I would still be fined.

18. As will be discussed in greater detail below, concurrent with the signing of the Undertaking, we were given a Loan Agreement, the details of which were discussed below. Based on the legal advice given to us by Aylesworth, we believed that :

- a. CO Capital was fully secured;
- b. the Statutory Declaration provided to us in July 2009 created a security interest in EMB/Mander's assets in favour of CO Capital;
- c. CO Capital's investors would be paid in priority to anyone else.

19. In our first meeting, Miller went on to offer me some "friendly" advice, which was to invest in real estate instead of the type of investment that CO was involved in.

20. Miller also mentioned in the meeting in preparation for the examination before the OSC that it would be helpful to show that Mandy and I were people of substance by showing the

OSC that we had real estate investments. I was advised that this would assist in alleviating the OSC's concerns for the investors of CO Capital.

21. At the very outset of the meeting it was clear that Dublin and Miller already knew the story in terms of the investments with CO Capital and the investments with Mander. I presumed they had already met with Mander as he too was to be examined by the OSC. At the time of my meeting with Dublin and Miller, they already had a copy of the loan agreement form prepared by Borden Ladner. Miller presented the loan agreement to me at the meeting.

22. Miller advised me that in his opinion, the loan agreement form prepared by Mr. Austin at Borden Ladner was terrible and I would have received better legal advice had I gone to a law firm above a Becker's store.

23. Both Dublin and Miller indicated to me that in their opinion Austin was not a good lawyer. They asked whether I wished that they take care of this matter on my behalf. I agreed.

24. At no time during this meeting with Dublin and Miller was it ever discussed that we would be advising the OSC that the investments of CO Capital's investors were secured by our own real estate investments.

25. At my examination by the OSC, I was surprised when my counsel was advising the OSC that most of the monies received from investors went to purchase our personal real estate.. I was shocked and did not know what to do. 20.

26. My statement in the OSC transcript where I said "and venture" was my weak attempt to include what I knew was correct for CO.

27. I did not speak up against my lawyers because I was scared. I felt under duress as I had looming in the background Miller's strong statement that I could be in a lot of trouble. Even when I asked him why would that be, given that I relied on legal advice, he explained to me the difference between "mens rea" and "actus reus".

28. What I understood from Miller was that regardless of my intention, there was a problem. My recollection of the way he phrased it was more or less "not know that killing someone is wrong, doesn't make it legally okay".

29. Despite knowing the information supplied to the OSC by Dublin during the examination was inaccurate, I didn't know what to do. I thought that my counsel was properly representing me.

30. Afterwards I expressed my concern to Miller and Dublin regarding the misrepresentation made to the OSC regarding our personal real estate. Miller and Dublin assured me that all would be well and not to worry.

31. The Undertaking that we signed and provided to the OSC was also a misrepresentation. The Undertaking again represented that the Respondents' properties were purchased with funds received from CO Capital (which was not even possible as our properties had been purchased well before CO Capital was incorporated). Again relying on the advice of counsel I naively executed the Undertaking.

32. At the time the Undertaking was signed, I asked why does Mandy have to be part of the Undertaking and the response was given that Mandy owned part of the properties that were to be held in trust for CO lenders and that she was obliged to sign.

33. I received assurances from Miller that all would be well as he would provide us with the statutory declaration executed by Mander which would indicate that we would be protected. The day he handed it to me he said, words to the effect, this must make you feel good, knowing you are secured.

34. As I had received assurances from my counsel that I had nothing to worry about and that the investors would be repaid, I felt that I ought to follow the advice of my counsel. I was comforted knowing that Miller and Dublin were also counsel to Mander. I felt that they were in the best position to represent my interests as Mander was the person who in control of the investments. Given the detail they asked about CO Capital's business dealings, trading account statements, venture holdings and personal assets and obligations, I assumed they knew the same of Mander's business affairs.

35. I was also comforted by the EMB loan agreement that was prepared and executed between EMB and CO Capital on the same day as the Undertaking(Exhibit "2"). Up until this time, Mander had never once been late paying any one and had never given us reason to distrust him.

36. Miller and Dublin represented to the OSC that there was an agreement between CO Capital and Mander and EMB that Mander and EMB held assets in trust for CO Capital

Investors. While it was their intention to give comfort to the OSC that the investors were protected, it also provided me with comfort that all would be well. We were protected.

37. Miller and Dublin advised the OSC that despite the fact that the agreement was not adduced to writing it could be quite easily.

38. At that point I had no reservations whatsoever that the investors would be repaid their money. I was not aware of the financial difficulties Mander was experiencing. I was not aware of Mander's failure to repay Tascha Fluke. In fact I had been told that Mander paid her lenders' money as an act of kindness, not that he owed her money.

39. Mr. Shahviri's affidavit states that the evidence given by Mander during his examination corroborated my evidence. I understood that the law required that Mander and I were not to discuss our individual examinations. I assumed my legal counsel would tell me anything that was material to my situation. As a result, I did not know what Mander said to the OSC until after I received a copy of the transcript of Mander's evidence through the Receiver.

40. The binder that is referred to in Mr. Shahviri's affidavit that Miller and Dublin had prepared was not shown to me until we were actually in the OSC examination. Based on the fact that Miller and Dublin prepared that binder without input from my, I assume that they, with or without Mander's input, planned the strategy to mislead the OSC in advance of my attending at my examination.

41. The statutory declaration produced as Exhibit "16" to Shahviri's affidavit was apparently provided to the OSC to provide assurances to the OSC that the investors of CO Capital and EMB were adequately protected. I too had no reason to doubt the document. In fact, until after the appointment of the Receiver I understood that CO was a secured creditor of EMB, and in fact took that position at the outset of the Receivership.

THE OSC UNDERTAKING

42. The Undertaking referred to in paragraph 30 of the affidavit of Shahviri and attached as Exhibit 17 to his affidavit was provided to the OSC upon their insistence.

43. That Undertaking was given in the following circumstances:

- a. on July 15, 2009, the same day as his examination by the OSC, Mander swore the statutory declaration. Dublin was the commissioner of oaths;
- b. we were advised by Dublin and Miller that the statutory declaration gave CO a security interests in Manders real estate. As a result we took comfort in the fact that we were fully secured;
- c. on June 26, 2007 Mander, on behalf of EMB signed a "Loan Agreement" (Exhibit "3"), which was prepared by Aylesworth. That agreement firstly acknowledged that EMB was indebted to CO in the amount of \$8,499,969. It then went on to give CO priority to CO for the proceeds of the realization of the assets listed in the Loan Agreement;
- d. the Undertaking to the OSC was signed on the same day as the Loan Agreement.

44. But for the Loan Agreement and Statutory Declaration prepared by Aylesworth, we would not have signed the Undertaking. It was signed in reliance on the Loan Agreement and the monies that would flow from EMB to CO.

45. It is important to note that:

- a. the loan agreement specifically states (Article 2.1) that Mander acknowledged the debt owing to CO Capital;
- b. that CO Capital irrevocable directed EMB to pay the CO investors (Article 2.2).

46. Most important to us was Article 3.1. It provided as follows:

3.1 Assets

The Borrower acknowledges that it has used the Advances, inter alia, to acquire the Security listed in Schedule "B", which assets are registered in the names of the Security Holders as set out in Schedule "B" hereto. In order to secure the due and punctual payment of the Indebtedness, the Borrower hereby covenants and agrees that it shall apply the net proceeds of the Security and the realization thereof on account of repayment of the Indebtedness in priority to all other claims, demands, liabilities and obligations, subject only to deduction therefrom of all actual costs and expenses paid to third parties, whether as commissions, fees, reimbursement of disbursements or otherwise, incurred in the realization of the Security and each component thereof.

Without limiting the generality of the foregoing, net proceeds shall include, but not be limited to, rent, receipts, sale proceeds, expropriation proceeds, insurance proceeds, dividends, interest and all other amounts received by the Borrower or any parties related or affiliated thereto resulting from or arising from the ownership of the Security by any such persons

47. We knew at the time that the Undertaking had Mandy and I put up assets that were not obtained by lenders' monies. We knew and our lawyers knew that it would be impossible for us to follow through with the Undertaking, if it were not for Mander's promise to pay CO lenders back and the Statutory Declaration securing it. We were assured by Miller and Dublin that it was okay to sign, notwithstanding.

48. We wrongly relied on the legal advice from our lawyers. While it is true that we knew that the Undertaking to the OSC contained misrepresentations, we were scared and we thought we were in good hands.

49. Similar to the OSC's understanding we too understood that the assets of CO Capital and Mander were in excess of the liabilities to the CO Capital investors. I too understood that the

statutory declaration, the Undertaking and the Loan Agreement would account for investors' funds and that they Notes would be repayable as they came due.

50. Now, with the benefit of hindsight, I can say that our Undertaking was given based on misrepresentations made to us, and for that reason we ask to be relieved of it.

51. I believe that most, if not all of the investors will support the rescission of the Undertaking to the OSC. At the time of swearing this affidavit most of the investors have signed letters to the OSC to that effect.³

52. The ramifications of signing the Undertaking were never explained to us and in fact, we were assured that we had nothing to worry about. Despite all of this we are attempting to honour the Undertaking. We are selling our assets in part to provide us funds on which to live and as well, to repay investors.

53. Contrary to paragraph 36 e) to the affidavit of Mr. Shahviri we did not intend to pay out friends and family in priority to other investors. All of the investors of CO Capital were our friends and family. Mr. Shahviri is well aware of this fact. To insinuate we are seeking to pay out friends and family from the sale in priority to "other investors" can only be intended to portray us in a negative light. The people we had sought to pay out a portion of their principal from partial proceeds of the sale of 239 Church are people whose needs are the most desperate.

³ One of the investors is my 14 year old daughter who invested \$2,000 in CO Capital. I have not and will not discuss this matter with her. As such, her consent is not included in my statements when I say "all" of the investors.

54. Mandy's brother is one of the investors for whom we sought some of the proceeds of the sale of 239 Church Street. That money was sought, not because he was Mandy's brother, but because he is desperate and at risk of losing his business.

55. Contrary to paragraph 37 of Mr. Shahviri's affidavit I was not carrying out an investment scheme. Mander was. In fact, Mander apparently started his scheme in Vancouver and then came here and started with others before me. I, like everyone else who invested with Mander, was duped.

56. During my examination, Mr. Shaviri read from a list that I could not see, names of lenders, asking me what the relationship was with these individuals. I answered honestly, including one that I had never heard of. The name was JS Bradley. I said that I didn't know who he or she was, then Miller spoke over me saying, "he's not a lender right". Later Dublin advised me this was the name of a company that Tasha Fluke's ex boyfriend had.

57. I was not privy to and had no involvement in Mander's testimony to the OSC. I was not even aware of what he said to the OSC until a copy of Mander's transcript was received from counsel for the Receiver several weeks ago. It was Mander, Miller and Dublin who misled the OSC regarding EMB not having business with any other investor, not me.

58. In terms of the OSC not being advised of investors other than CO investors; I had been advised by Mander that he had been involved with a number of investors prior to my investment with him. Mander had advised that he previously had investments with Tasha Fluke, Grant Walton, Black Inc., and others, all of whom I understood he had discontinued

investing with for one reason or another. I had no reason to doubt his representations. Also, given the level of detail that the OSC knew of my business, it was my obvious assumption that they would know the same of Mander's.

59. I was not privy to the information provided to the OSC by Mander and Aylesworth as counsel on his behalf. I was not privy to the names or details of all of the investors of EMB. I was not aware of investors of whom the OSC had not been alerted.

PERO

60. I am at a loss as to why the OSC has failed to disclose the identity of Thomas Obradovich, the investor behind the Pero investment.

61. Thomas Obradovich had been a friend of mine. Knowing I had been doing well with my investments with Mander, or so it was thought, he too wished to make investments with Mander. Initially Obradovich invested through CO Capital. He had a loan agreement for \$6 million in the name of Pero Investments ("Pero"). Pero initially had been a corporation for which Mander and I had been the officers and directors. During the currency of that loan agreement, the shares of Pero were transferred to Obradovich.

62. Upon the maturity of the loan agreement with CO Capital, Pero was paid its interest on the loan agreement in the amount of \$2.1 million.

63. Thereafter Obradovich elected to invest with Mander directly. It was agreed between Obradovich, Mander and I that the investment would be removed as a CO Capital investment, and would become an investment directly between Pero and Mander or EMB directly.

64. The intent was that Pero was to transfer its agreement completely over to Mander's "option club", because the returns were high and the interest was accessible quarterly.
65. That is why the Pero promissory note did not appear in the Undertaking to the OSC. As far as we understood, CO owed no debt to Pero. As of Spring 2009, Pero was dealing directly with Mander, and the obligation to repay Pero was Mander's.
66. The original capital from Pero was invested with Mander and remained with him. As will be set out below, the Receiver is, or ought to be aware of this.
67. Unfortunately, we did not take care of the paper work with Pero. No document was obtained saying that the note was cancelled.
68. The reason for the oversight in not dealing with the Per paper work is simple. Obradovich was my friend. I am the godfather to his son. The fact that I did not receive the cancelled note never registered as an issue for me.
69. Obradovich (Pero) had another loan agreement with CO Capital for \$1,000,000 in April 2009.. This money was to be invested in options with Mander. Obradovich was to be paid \$100,000 quarterly and I believe Mander did pay him \$100,000 directly in July 2009. The same arrangement was made for this loan agreement as was made with Mander in respect of the \$6 million Pero loan agreement, as discussed above. If it were the case that CO Capital owed Obradovich \$6,000,000, he most certainly would be claiming that CO Capital also owed him \$1,000,000.

70. In the affidavit of Davide Amato dated March 17, 2010 , filed in support of the original Application to appoint RSM Richter as Receiver, Mr. Amato testified as follows:

45. Also on December 15, 2009, I was advised in a telephone conversation with an unrelated third party, Thomas Obradovich, that he was owed a substantial sum of money from Mander, which had been due and payable since mid-November. Mr. Obradovich was also pursuing Mander. It is my understanding that Mr. Obradovich has entered into similar loan contracts to those entered into by SA Capital and EMB.

49. In January of 2010, Mander told me that a total repayment of all obligations to SA Capital would be made by the end of March of 2010 at the latest or sooner depending upon the progress of the sale of real estate that Mander purports to own in Manhattan, which is said to be worth \$35 million. Mr. Obradovich confirmed that he heard the same story, but that he was promised total repayment of all of his obligations in February from the proceeds of the

Structure Of EMB's And Mander's Dealings With Third Parties

55. Over the course of my dealings with EMB and Mander, I have come across a number of unrelated third parties who have also invested substantial sums of money with Mander, or his corporations, such as EMB.

56. Mr. Obradovich, discussed above, is one such third party investor.

57. I understand that another third party investor is a corporation known as Trafalgar Capital Growth Corp. ("Trafalgar"). An employee of EMB, Maria Zurini, has informed me that she is aware of at least one third party, an employee of Trafalgar, who loaned money to Trafalgar for investment with Mander, which amount has not been repaid despite being due and payable.

61. By my estimation, and based upon information received from Mr. Obradovich, information received from my mutual legal counsel with EMB, and based upon the fact that there appear to be numerous other third party creditors of EMB that are similar in nature to

SA Capital, I believe that EMB owes third parties at least \$40 million. These parties include, in addition to SA Capital and myself

- (a) Thomas Obradovich, who I believe is owed at least \$8 million;
- (b) Mr. Obradovich's company, which I believe is owed a similar amount to that owed to Mr. Obradovich personally;

71. In addition the Receiver's Report states:

3.4 Other Related or Potentially Related Entities

Mander has, had or may have an ownership interest in Mander Group Inc.², Mand Asset Inc., Mander-Walton Market Capital and FM Capital. Based on information reviewed by the Receiver, it appears that these entities are no longer active and do not have material assets.

The Respondents appear to also have had a relationship with Tom Obradovich ("Obradovich"), a Toronto-based businessman who has advised the Receiver that he invested approximately \$10 million with either or both of the Respondents, including approximately \$8.5 million personally. The Receiver has also obtained information which indicates that Mander or EMB may have been co-investors with Obradovich through 119 in real estate in Barrie, Ontario. Obradovich has advised that Mander consented to the transfer of his interest in 119 and the Barrie real estate to Obradovich in November, 2009, when Mander was unable to make an interest payment on the Obradovich loans. The Receiver is reviewing this issue to determine whether the Respondents continue to have an interest in 119 and the Barrie real estate.

72. As well the Receiver's report included the following:

6. INVESTORS

The Receiver is presently aware of six primary Investors, including SA Capital, Black Ink, CO Capital, Trafalgar, J.S. Bradley Inc. and Obradovich. The Receiver has been contacted by other parties who invested lesser amounts. The Receiver is not aware of the number of investors that invested with the Respondents, directly and indirectly. The total amount owing to the Investors at this time is unclear; however, the total claims would appear to exceed \$40 million. It is also unclear whether this is in respect of principal, interest or principal and interest. Based on its review of the HSBC bank statements, it appears that several Investors received significant payments in recent months.

73. If it was in fact the case that Obradovich was owed money and considered the note outstanding by CO Capital it is most certainly that Obradovich would have requested payment of his funds when they would have come due in March 2010. He did not.

74. It is also important to note that Pero's loan agreement came due March 10, 2010. Mander committed suicide March 17, 2010. Had Obradovich truly thought that he was owed money from CO Capital, he would have made requests of CO Capital for the return of his funds before now and would not have made requests from Mander and EMB.

75. Obradovich has never made a claim to me or to CO Capital on the Pero note. When the receivership first arose, Pero's lawyer contacted mine and requested information for "tax purposes" only. Annexed hereto as Exhibit "4" is a copy of a letter dated May 27, 2010 sent to Stephen Turk, Pero's lawyer by our lawyer, Milton Davis. That letter sets out the history of our dealings with Pero and Obradovich. To my knowledge, the contents of the letter are accurate.

76. The letter to Mr. Turk concludes with the following:

You have advised me that you required documentation or information so that Mr. O'Bradovich could claim tax losses, and for no other reason. I trust that this information is of use to your client.

77. No response has been received to that letter, which I presume both the Receiver and the OSC are aware. I note that neither of them has referenced the letter, or the information contained in it. Neither the 7th Report nor the affidavit filed by the OSC before this Court mentioned the letter, although both the Receiver and the OSC have apparently been in touch with Obradovich or his counsel.

THE AYLESWORTH LITIGATION

78. After learning that CO was not a secured creditor and that Mandy and I had been victimized by Mander, we commenced an action against our former lawyers, Aylesworth, Dublin, Miller and Peter Welsh.

79. Annexed as Exhibits "5", "6" and "7" respectively are the Statement of Claim issued on May 5, 2010, and the Statements of Defence of Aylesworth and Welsh.

80. As of today's date the parties have not exchanged Affidavits of Documents. Our Affidavit of Documents is currently being prepared.

BALANCE OF CONVENIENCE

81. We are unable to fund the litigation against our former lawyers without the use of the funds that are presently frozen.

82. If a receiver is appointed, our efforts both for ourselves, our family members and other investors, to recover financially from the disaster that we have suffered as a result of our dealings with Mander will be further set back.
83. It is my belief that the litigation against our former lawyers is the single best opportunity for the CO investors to recover their money. I will have more to say about this below.
84. If a Receiver is appointed, the opportunity to pursue the litigation against our former lawyers will likely be lost.
85. Presently, other than the proceeds of sale of the 91 Days building, which are currently being held in trust, the only other asset that Mandy and I have is our home and the condominium that Mandy's mother lives in.
86. The Receiver has alleged (section 4.1 of the 7th Report) that the value of our home may have been "intentionally overstated". That comment is without any foundation. The Receiver well knows that our house was in a state of disrepair as a result of it being under renovation at the time of the Receivership.
87. Because we have no funds to complete the renovations, we are being forced to sell our home, which is without a kitchen, bathrooms are incomplete, parts of the outside are wrapped in Tyvek and the house is in complete disarray. That is the reason that we are forced to list the house for far less than we anticipated. It is being sold at a fire sale price on an incomplete basis. If the renovations were complete, it would be listed at \$4 million.

88. But for the proceeds of sale of our building and our home, we have nothing of any consequences.

89. Undoubtedly the fees generated by a receivership will be significant. I do not see any benefit to anyone by a receivership. On the other hand, Mandy and I will lose any chance we had to recover financially. Our investors will also lose the chance of recovery. There is no benefit to anyone by putting us into receivership.

90. Presently we have incurred over \$100,000 in legal fees. We cannot afford to pay these. Nor can we afford legal fees going forward. We need to have money to fund our litigation against our lawyers if that litigation is to continue.

91. I have never denied the money that is properly due and owing to investors of CO Capital. It is owed by CO. It is not owed by Mandy and I personally, although we do feel a strong moral obligation to these investors. They are all family and friends.

92. As is clearly and repeatedly stated herein and in my previous affidavits, it remains our intention to repay these investors through the sale of our assets and from the proceeds of litigation as best we can.

93. To appoint a Receiver will cripple our ability to live and provide for our family. There is no risk to the investors, nor is there any benefit which necessitates the appointment of a Receiver. The investors of CO Capital themselves object to the appointment of the Receiver.

94. We ask this Court to consider the fact that the very people on behalf of whom the OSC allegedly brings this application ought to be considered. The CO Capital Investors are of the opinion that they have a better chance of recovery by allowing Mandy and I to proceed with the litigation against Miller, Dublin and Aylesworth.

SWORN BEFORE ME at the City
of Toronto, in the Province of
Ontario, this 15th day of September
2010.

A commissioner, etc.

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)
)
)
)
PETER SBARAGLIA

64

Agreement

between

2214625 Ontario Ltd and Pero Assets Inc.

2214625 Ontario Inc is holding \$ 8 Million Dollars Cdn from Pero assets as of August ,15th,2009.

2215625 Ontario Inc Robert J. Wondol

Date Aug 14th 09

Pero Assets Thomas Obradovich

Date Aug 14 09

Reference C-2

If the Claim is contingent or unliquidated, state the basis and provide evidence upon which the Claim has been valued:

Description of security, if any, granted to the Creditor or assigned by Creditor in respect of the Claim:

Estimated value of security outlined above as at the date of the Claim:

IF CLAIMANTS REQUIRE MORE SPACE THAN PROVIDED HEREIN, PLEASE ATTACH A SCHEDULE HERETO. CLAIMANTS IN THIS REGARD SHOULD ALSO PROVIDE COPIES OF ALL RELEVANT AGREEMENTS OR DOCUMENTATION TO SUPPORT THEIR CLAIM.

A DETAILED, COMPLETE STATEMENT MUST BE ATTACHED TO THE PROOF OF CLAIM WHICH MUST SHOW THE AMOUNT CLAIMED BY EACH CREDITOR (INCLUDING INTEREST AND PRINCIPAL) AND/OR THE DATE, THE NUMBER AND THE AMOUNT OF EACH INVOICE OR CHARGE, TOGETHER WITH THE DATE, THE NUMBER AND THE AMOUNT OF ALL CREDITS, COUNTER CLAIMS, DISCOUNTS, PAYMENTS (INCLUDING INTEREST AND PRINCIPAL), ETC., TO WHICH THE DEBTORS OR THE RECEIVER ARE ENTITLED.

D. PARTICULARS OF ASSIGNEE(S) (IF ANY):

1. Full Legal Name of Assignee(s) of Claim (if all or a portion of the Claim has been sold). If there is more than one assignee, please attach separate sheets with the following information:

(the "Assignee(s)")

Amount of Total Claim Assigned:

\$ _____

Amount of Total Claim Not Assigned:

\$ _____

Total Amount of Claim:

\$ _____

(should equal "Total Claim" as entered on Section B)

2. Full Mailing Address of Assignee(s):

3. Telephone Number of Assignee(s): _____
4. Facsimile Number of Assignee(s): _____
5. E-mail Address of Assignee(s): _____
6. Attention (Contact Person): _____

The duly completed Proof of Claim together with supporting documentation must be returned and received by the Receiver, no later than 5:00 p.m. (Toronto time) on April 20, 2011, to the following address, facsimile or e-mail address.

Failure to file your Proof of Claim by such date will result in your claim being forever extinguished and barred.

Mailing Address

RSM Richter Inc. in its capacity as Court-appointed Receiver of
 The Estate of Robert Mander, E.M.B. Asset Group Inc. and the Related Entities
 200 King Street West, Suite 1100
 Toronto, ON M5H 3T4
 Attention: Lana Bezner
 Telephone: (416) 932-6009
 Facsimile: (416) 932-6200
 Email: lbezner@rsmrichter.com

DATED at Shanty Bay this 13 day of April, 2011.

Kara Plummer
 (Signature of Witness)

Kara Plummer
 (Please print name)

Tom Obradovich
 (Signature of individual completing
 this form)

Tom Obradovich
 (Please print name)

Proof of Claim

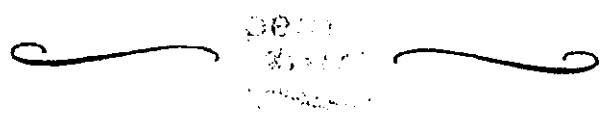
**In Respect of Claims Against Robert Mander, E.M.B. Asset Group Inc. and The Related Entities
Schedule A-1**

Debtor	Date	Principal Invested (A)	Interest Owing (B)	Principal Payments Received (C)	Interest Payments Received (D)	Total Claimed (A+B-C-D)	Reference
Robert Mander							
E.M.B Asset Group Inc.	March 1/08	6,000,000.00	2,100,000.00	0	2,100,000.00	6,000,000.00	Schedule A-2 & 1, 2 & 3
& The Related Entities			2,100,000.00	0	262,500.00	7,837,500.00	4, 5 & 6
			2,100,000.00	0	0	9,937,500.00	7
			287,671.23	0	0	10,225,171.23	8
Robert Mander							
E.M.B. Asset Group Inc.	April 9/09	1,000,000.00	100,000.00	0	100,000.00	11,225,171.23	9 & 10
& The Related Entities			100,000.00	0	0	11,325,171.23	11
			100,000.00	0	0	11,425,171.23	11
			100,000.00	0	0	11,525,171.23	11
			100,000.00	0	0	11,625,171.23	11
			100,000.00	0	0	11,725,171.23	11
			100,000.00	0	0	11,825,171.23	11
			100,000.00	0	0	11,925,171.23	11
			29,347.83	0	0	11,954,519.06	11

Total Claim

11,954,519.06

Schedule A-1



No. 096-B

LOAN AGREEMENT

This Agreement made in duplicate the March 1, 2008, between Thomas J. Obradovich (the "Lender") and Pero Assets Inc. (the "Borrower") (collectively the "Parties").

The Parties agree as follows:

1. The Lender agrees to lend to the Borrower and the Borrower agrees to borrow from the Lender the sum of Six Million Dollars (\$6,000,000.00) of the lawful money of Canada (the "Principal Sum") commencing on the date on which good funds are received by the Borrower in accordance with the terms of this Agreement (the "Advance Date").
- 2 The Borrower agrees to pay the Lender interest on the Principal Sum at the simple rate of fifty (50%) of the profit generated from the Six Millions Dollars (\$6,000,000.00) per annum commencing on the Advance Date.
3. The Borrower agrees to repay the Lender at the Borrower's address as noted below or at any other place in Canada that the Borrower may give notice of in writing in accordance with the terms of this Agreement.
4. Where the Lender provides written notice in the form of Schedule "A" hereto to the Borrower, not less than 45 days prior to the Anniversary Date, the Principal Sum and accrued interest thereon (referred to as the "Total Amount") will be payable to the Lender on the Anniversary Date. Interest will not accrue after the Anniversary Date in such circumstance. If the Lender fails to provide such written notice, the Borrower, at its sole and unfettered discretion, may without prior notice deem that the Lender has agreed to continue this Loan Agreement. Both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10 hereof.
5. Where the Lender provides written notice in the form of Schedule "B" hereto to the Borrower, not less than 45 days prior to the Anniversary Date, the portion of the Principal Sum and accrued interest thereon as noted on Schedule "B" (referred to as the "Partial Amount") will be payable to the Lender on the Anniversary Date. Interest will not accrue on the Partial Amount after the Anniversary Date in such circumstance. Should the Lender fail to comply with the requirements as set out in Schedule "B", the Borrower may, without notice, at its sole and unfettered discretion determine that the Total Amount to the Lender on the Anniversary Date is payable and interest will not accrue after the Anniversary Date in such circumstance, or may without prior notice deem that the Lender has agreed to continue this Loan Agreement, and such Total Amount shall be deemed to be the Principal Sum for such purpose and both Parties shall be subject to the terms of


initials

this Loan Agreement, *mutatis mutandis*, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10 hereof.

6. Where the Lender provides written notice in the form of Schedule "C" hereto to the Borrower of his or her desire to lend the Principal Sum and accrued interest (the Total Amount) plus an additional amount (the "Additional Amount") as noted on Schedule "C" and complies with the requirements set out in such schedule, the Total Amount shall not be paid to the Lender on the Anniversary Date, but shall be treated as an advance of a portion of the amount to be lent to the Borrower on the Anniversary Date. Should the Lender fail to comply with the requirements as set out in Schedule "C", the Borrower shall have the right at its sole and unfettered discretion to pay the Total Amount to the Lender on the Anniversary Date and interest will not accrue after the Anniversary Date in such circumstance, or may without prior notice deem that the Lender has agreed to continue the Loan Agreement (the "Renewal"), and such Total Amount shall be deemed to be the Principal Sum for such purpose and both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, in the event of a Renewal, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10.

7. The Borrower may prepay any portion or all of the Principal Sum outstanding together with interest accrued thereon at anytime without notice and without penalty of any kind.

8. The advance of the Principal Sum shall be evidenced by a promissory note in the form of Schedule "E" hereto.

9. Prior to any advance, the Borrower shall provide the Lender with a duly executed certificate in the form of Schedule "F" hereto attesting to the fact that the Lender is an Accredited Investor as defined therein, unless the Principal Sum is equal to or exceeds \$150,000.00. If the Principal Sum is equal to or exceeds \$150,000.00, the Lender certifies that he, she or it is lending the Principal Sum as principal and that the Lender has not been created or is used solely to lend funds to the Borrower or otherwise acquire or purchase securities sold or distributed in reliance on the exemptions from registration and prospectus requirements available under Section 2.10 of National Instrument 45-106.

10. All advances and payments by parties hereunder shall be made by certified cheque or bank draft or wire transfer drawn on a Canadian chartered bank

11. All notices to be given under this Agreement shall, save as otherwise specifically provided, be in writing to the party to who it is intended at the addresses noted below or such other address that the party may provide notice of in writing and shall not be deemed received until actually received except if sent by regular mail provided that there is no threat of disruption or actual disruption of mail service, in which case it shall be deemed received on the fifth day after being mailed.

12. Time is of the essence in all respects.

13. This Agreement constitutes the entire agreement between the Parties and cancels and supersedes any prior agreements, undertakings, declarations or representations, written or verbal

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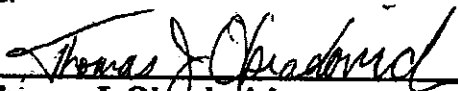
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in respect of it. No amendment, supplement or waiver of any provision of this Agreement shall in any event be effective unless it shall be in writing and signed by the Parties. The Lender may not assign, pledge or otherwise transfer this Agreement or the Promissory Note without the written consent of the Borrower.

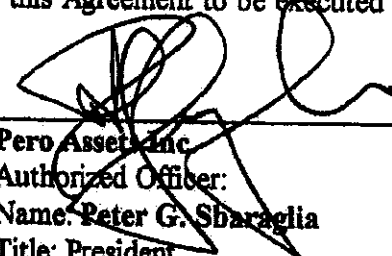
14. This Agreement and any dispute arising from or in relation to this Agreement shall be governed by, and interpreted and enforced in accordance with, the laws of the province of Ontario and the laws of Canada applicable in the province, excluding the choice of law rules of that province.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by authorized persons.

By:


Thomas J. Obradovich

By:


 Pero Asset Inc.
 Authorized Officer:
 Name: Peter G. Sbaraglia
 Title: President

Address:

Address:

239 Church Street, Suite 300
 Oakville, ON L6J 1N4
 (905) 339-1826

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 assets

SCHEDULE "E"

PROMISSORY NOTE

\$6,000,000.00

Oakville, Ontario

March 1st, 2008


FOR VALUE RECEIVED, [C.O. Capital Growth Corp.], hereby promises to pay to Thomas J. Obradovich the sum of Six Million Dollars, (\$6,000,000.00) plus half of the profits 351,
earned on the Lender's Principal on any unpaid balance owing as of the Anniversary Date in
accordance with and subject to the terms of Loan Agreement, No. 096-B between the Lender,
Thomas J. Obradovich and Pero Assets Inc. ~~dated as of Error Reference source not~~

~~found~~ 



This Promissory Note is not assignable, negotiable or transferable without the express
written consent of Pero Assets Inc. All capitalized terms have the meanings
ascribed to them in the Loan Agreement, unless the context otherwise provides.

Pero Assets Inc. hereby waives presentment for payment, notice of dishonour, protest and
notice of protest.

Signature: 

Lender: Thomas J. Obradovich

EXHIBIT No. 3

EXAMINATION OF

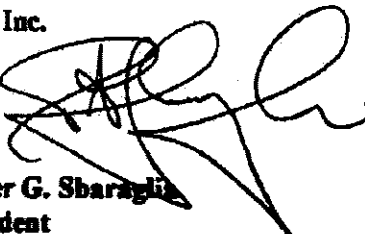
Kathy Reid

VS

DATE OCTOBER 27, 2010

NETWORK COURT REPORTING

Pero Assets Inc.

Signature: 

Name: Peter G. Sbaraglia

Title: President

I have the authority to bind the Corporation



Canada Trust

BARRIE BAYFIELD
534 BAYFIELD ST
BARRIE, ON L4M 5A2

72

Tel: 1-866-222-3456
TTY: 1-800-361-1180

PERO ASSETS INC

Statement of Account		Account Type	Statement From - To	
Branch No.	Account No.	BUSINESS CHEQUING ACCOUNT - CAD SERVICE PLAN 1	MAR 05/09 - MAR 31/09	
			Page 1 of 2	
DESCRIPTION	CHEQUE/DEBIT	DEPOSIT/CREDIT	DATE	BALANCE
BALANCE FORWARD			MAR05	0.00
OPEN ACCOUNT		0.00	MAR05	0.00
DEPOSIT		2,100,000.00	MAR06	2,100,000.00
CHQ#00001-0300649255	465.99		MAR16	2,099,534.01
SVC PLAN 1 FEE	11.95		MAR31	2,099,522.06
			Interest on \$6,000,000 @ 35% for one year = \$2,100,000	
1 CHQ ENCLOSED NEXT STATEMENT DATE IS APR 30/09			No.	Amount
MONTHLY AVER. CR. BAL. \$2,021,945.63			Credits	2 2100,000.00
MONTHLY MIN. BAL. \$0.00			Debits	2 477.94
DEP CONTENT- CASH 0 ITEMS 1 UNC BATCH 0				

YOU ARE INVITED TO JOIN US FOR A FREE WEBINAR APRIL 16, 2009. GAIN PRACTICAL TIPS & TOOLS TO MANAGING YOUR CASH FLOW MORE EFFECTIVELY. VISIT WWW.TDCANADATRUST.COM/SBBCASHFLOW2 TO REGISTER.

Please ensure that you report in writing any errors or irregularities found within this statement within 30 days of the statement date. If you do not, the statement of account shall be conclusively deemed correct except for any amount credited to the account in error.

Accounts issued by: THE TORONTO-DOMINION BANK

Reference 2



Canada Trust

Branch: 2078 BARRIE BAYFIELD
534 BAYFIELD ST
BARRIE, ON

Date: Mar 6, 2009, 03:40 PM
Ref #: [REDACTED]

From: Cheque Total

2,100,000.00

To: [REDACTED]

Deposit

Cash: 0.00

Number of Items: 1

PERC

00.00

Bank receipt
for interest
on \$6,000,000⁰⁰
loan @ 3.5%
received
March 6/09.

Customer Signature

X Thomas Brodsky

Banking can be the comfortable

Reference 3

74

No. 157-C

LOAN AGREEMENT

This Loan Agreement made in duplicate this day of March 1, 2009, between Pero Assets Inc. (the "Lender") and C.O. Capital Growth Corp. (the "Borrower") (collectively the "Parties").

The Parties agree as follows:

1. **The Loan:** The Lender agrees to loan to the Borrower and the Borrower agrees to borrow from the Lender the sum of Six Million Dollars (\$6,000,000.00) of lawful money of Canada (the "Principal Sum") for a term of not less than one year, subject to the terms of this Agreement, commencing on the date on which good funds are received by and are satisfactory to the Borrower in accordance with the terms of this Agreement (the "Advance Date"). For the purposes of this Agreement, the first anniversary of the Advance Date shall be the expiry date of the term (the "Maturity Date"), subject to any Renewal as hereinafter provided.
2. **Promissory Note:** The advance of the Principal Sum shall be evidenced by a promissory note, (the "Promissory Note") in the form of Schedule "E" hereto.
3. **Interest:** The Borrower agrees to pay to the Lender interest on the Principal Sum at the simple rate of Thirty-Five Percent (35%) per annum calculated from the Advance Date and accrued from the Advance Date to the Maturity Date which interest shall become due and payable upon the date the Principal Sum is repaid in full.
4. **Repayment:** The Borrower agrees to repay the Lender at the Borrower's address as noted below or at any other place in Canada that the Borrower may give notice of in writing in accordance with the Notice provisions of this Agreement.
5. **Renewal:** In the event the Lender provides written notice in the form of Schedule "A" hereto to the Borrower, not less than 45 days prior to the Maturity Date, the Principal Sum and accrued interest thereon (referred to as the "Total Amount") will be payable to the Lender on the Maturity Date. Interest will not accrue after the Maturity Date in such circumstance. If the Lender fails to provide such written notice, the Borrower, in its sole and unfettered discretion, may without prior notice deem that the Lender has agreed to loan the Total Amount to the Borrower for an additional one year term (the "Renewal"), and the Total Amount shall be deemed to be the Principal Sum for such purpose with interest thereon at the aforesaid rate again calculated and accruing and becoming due and payable in the same manner as set out above to the Renewal Maturity Date. In the event of such Renewal, both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10 hereof.
6. **Partial Repayment:** In the event the Lender provides written notice in the form of Schedule "B" hereto to the Borrower, not less than 45 days prior to the Maturity Date, the portion of the Principal Sum and accrued interest thereon as noted on Schedule "B" (referred to as the "Partial Amount") will be payable to the Lender on the Maturity Date. Interest will not accrue on the Partial Amount after the Maturity Date in such circumstance. Should the Lender fail to comply with the requirements as set out in Schedule "B", the Borrower may, without notice, in its sole and unfettered discretion either (i) determine that the Total Amount is due and payable to the Lender on the Maturity Date and interest will not accrue after the

initials

- 2 -

Maturity Date upon either the original Principal Sum or such Total Amount in such circumstance, or (ii) may without prior notice deem that the Lender has agreed to loan the Total Amount to the Borrower for an additional one year term (the "Renewal"), and such Total Amount shall be deemed to be the Principal Sum for such purpose with interest thereon at the aforesaid rate again calculated and accruing and becoming due and payable in the same manner as set out above to the Renewal Maturity Date. In the event of such Renewal, both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10 hereof.

7. **Additional Loan:** In the event the Lender provides written notice in the form of Schedule "C" hereto to the Borrower of his or her desire to loan the Total Amount (as defined in Paragraph 5) plus an additional amount (the "Additional Amount") as noted on Schedule "C" and complies with the requirements set out in such schedule, the Total Amount shall not be paid to the Lender on the Maturity Date, but shall be treated as an advance of a portion of the amount to be loaned to the Borrower on the Maturity Date. Should the Lender fail to comply with the requirements as set out in Schedule "C", the Borrower shall have the right in its sole and unfettered discretion either (i) to pay the Total Amount to the Lender on the Maturity Date and interest will not accrue after the Maturity Date upon either the original Principal Sum or the Total Amount in such circumstance, or (ii) may without prior notice deem that the Lender has agreed to loan the Total Amount to the Borrower for an additional one year term (the "Renewal"), and such Total Amount shall be deemed to be the Principal Sum for such purpose with interest thereon at the aforesaid rate again calculated and accruing and becoming due and payable in the same manner as set out above to the Renewal Maturity Date. In the event of such Renewal, both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10 hereof.

8. **Renewal Notice:** The Borrower shall send written notice to the Lender of any Renewal in the form of Schedule "D" hereto. In the event of a Renewal, the Maturity Date for such Renewal and for the purposes of this Agreement shall be the new Maturity Date as stated on such written notice. The Lender may obtain a Promissory Note reflecting a Renewal from the Borrower, provided that the Lender surrenders any Promissory Note(s) previously provided by the Borrower. For greater certainty, there shall be no limit as to the number of Renewals under this Agreement.

9. **Prepayment:** The Borrower may prepay all or any portion of the Principal Sum outstanding together with interest accrued thereon at anytime without notice, penalty or bonus of any kind.

10. **Accredited Investor:** Prior to any advance, the Lender shall provide to the Borrower a duly executed certificate in the form of Schedule "F" hereto attesting to the fact that the Lender is an Accredited Investor as defined therein, unless the Principal Sum is equal to or exceeds \$150,000.00. If the Principal Sum is equal to or exceeds \$150,000.00, the Lender certifies that he, she or it is lending the Principal Sum as principal and that the Lender has not been created or is used solely to loan funds to the Borrower or otherwise acquire or purchase securities sold or distributed in reliance on the exemptions from registration and prospectus requirements available under Section 2.10 of National Instrument 45-106.

11. **Bank Drafts/Certified Cheques:** All advances and payments by Parties hereunder shall be made by certified cheque or bank draft drawn on a Canadian chartered bank


initiate

- 3 -

12. Notices: All communications between the Parties shall be in writing, personally delivered or sent by registered mail, charges prepaid, or by facsimile or other means of electronic communication, charges prepaid, to the address set forth below in this Agreement or to such other address as a Party hereto may from time to time designate to the other in such manner, provided that no communication shall be sent by mail pending any threatened or actual postal strike or other disruption of postal service in Canada. Any communication so personally delivered shall be deemed to have been validly and effectively given and received on the date of such delivery. Communications so sent by any means of electronic transmission mentioned above shall be deemed to have been validly and effectively given and received on the business day next following the day on which it is sent. Communications so sent by mail shall be deemed to have been validly and effectively given and received on the fifth business day next following the day on which it is sent.

13. Time: Time shall be of the essence in all respects.

14. This Agreement constitutes the entire agreement between the Parties and cancels and supersedes any prior agreements, undertakings, declarations or representations, written or oral in respect to the relationship of the Parties. No amendment, supplement or waiver of any provision of this Agreement shall in any event be effective unless it shall be in writing and signed by the Parties. The Lender may not assign, pledge or otherwise transfer this Agreement or the Promissory Note without the written consent of the Borrower.

15. This Agreement and any dispute arising from or in relation to this Agreement shall be governed by, and interpreted and enforced in accordance with, the laws of the Province of Ontario to which jurisdiction the Parties attorn and the laws of Canada applicable therein, excluding the choice of law rules of that Province.

IN WITNESS WHEREOF the Parties have caused this Agreement to be executed by authorized persons.

By:

Thomas Ohadornid
Pero Assets Inc.

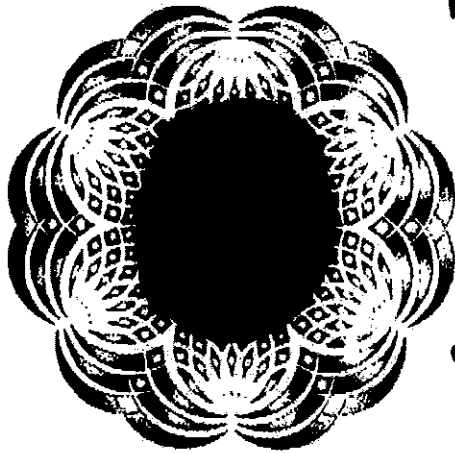
By:

Peter G. Shraglia
C.G. Capital Growth Corp.
Authorized Officer
Name: Peter G. Shraglia
Title: President

Address:

Address:
239 Church Street, Suite 100E
Oakville, ON L6J 1N4
(905) 339-0650





Promissory Note

Onkville, Ontario this date: March 1, 2009

FOR VALUE RECEIVED, C.O. Capital Growth Corp. hereby promises to pay to

Pero Assets Inc.

the sum of

Six Millions Dollars

\$ 6,000,000.00 plus simple interest at the rate of 35 % per annum
on any unpaid balance owing as of the Maturity Date in accordance with and subject to the terms of Loan Agreement No. 157-C

between the lender Pero Assets Inc.

and the C.O. Capital Growth Corporation dated as of March 1, 2009

This Promissory Note is not assignable, negotiable or transferable without the express written consent of C.O. Capital Growth Corporation. All capitalized terms have the meanings ascribed to them in the Loan Agreement, unless the context otherwise provides. C.O. Capital Growth Corporation hereby waives presentment for payment, notice of dishonour, protest and notice of protest.

C.O. Capital Growth Corporation *[Signature]* I have the authority to bind the Corporation.

Proof of Claim
In Respect of Claims Against Robert Mander, E.M.B. Asset Group Inc. and The Related Entities
Schedule A-1

Calculation of Accrued Interest on \$6,000,000 Loan from March 1/09 to March 1/10

Loan Date	Amount	Interest Rate	Accrual Period	Accrued Interest
March 1/09 (Reference 4)	6,000,000.00 (Reference 4)	35% (Reference 4)	Mar 1/09 to Mar 1/10	2,100,000.00

Reference 5

Tel: 1-866-222-3456
TTY: 1-800-361-1180

PERO ASSETS INC.

Statement of Account		Account Type		Statement From - To	
Branch No.	Account No.	BUSINESS CHEQUING ACCOUNT - CAD SERVICE PLAN 1		AUG 31/09 - SEP 30/09	
				Page 1 of 1	
DESCRIPTION	CHEQUE/DEBIT	DEPOSIT/CREDIT	DATE	BALANCE	
BALANCE FORWARD			AUG31	283,438.31	
GC 3138-DEPOSIT		262,500.00	SEP04	545,938.31	
WH435 TFR-TO-03	375,000.00		SEP15	170,938.31	
WH435 TFR-TO-03	107,650.00		SEP30		
SVC PLAN 1 FEE	11.95		SEP30		
ACCT BAL REBATE		11.95	SEP30	63,288.31	
<p>Interest received as part of "2,000,000" interest income for "6,000,000" loan agreement dated Mar/09</p>					
0 CHQS ENCLOSED NEXT STATEMENT DATE IS OCT 30/09					
MONTHLY AVER. CR. BAL.			9316,099.97		
MONTHLY MIN. BAL.			63,288.31		
DEP CONTENT- CASH 0			ITEMS 1 UNC BATCH 0		
			No.	Amount	
			Credits	2	262,511.95
			Debits	3	482,661.95

**YOU ARE INVITED TO JOIN US FOR A FREE ONLINE SEMINAR OCTOBER 17, 2009
TO LEARN HOW TO BOOST YOUR SALES WITH A UNIQUE SELLING PROPOSITION.
VISIT WWW.TDCANADATRUST.COM/CREATE_USP TO REGISTER.**

Please ensure that you report in writing any errors or irregularities found within this statement within 30 days of the statement date. If you do not, the statement of account shall be conclusively deemed correct except for any amount credited to the account in error.

Accounts issued by: THE TORONTO-DOMINION BANK

Referenzen

Proof of Claim
In Respect of Claims Against Robert Mander, E.M.B. Asset Group Inc. and The Related Entities
Schedule A-1

Calculation of Accrued Interest on \$6,000,000 Loan from March 1/10 to March 1/11

Loan Date	Amount	Interest Rate	Accrual Period	Accrued Interest
March 1/09 (Reference 4)	6,000,000.00 (Reference 4)	35.00% (Reference 4)	1 year	2,100,000.00

Reference 7

Proof of Claim
In Respect of Claims Against Robert Mander, E.M.B. Asset Group Inc. and The Related Entities
Schedule A-1

Calculation of Accrued Interest on \$6,000,000 Loan from March 1/11 to April 20/11

Loan Date	Amount	Interest Rate	Accrual Period	Accrued Interest
March 1/09 (Reference 4)	6,000,000.00 (Reference 4)	35.00% (Reference 4)	50/365	287,671.23

Reference 8

8

10358 (02/07)

Customer's record of draft purchased

48217812

The Toronto-Dominion Bank

3300 Monarch Drive
Orillia, ON L3V 8A2

DATE

2008-06-08

YYYYMMDD

Transit-Serial No

FEFO

Pay to the

Order of C.D. Capital Growth

\$*1,000,000.00

1,000,000.00

Authorized signature required for amounts over CAD \$5,000.00

Canadian Dollars

Re

The Toronto-Dominion Bank
Toronto, Ontario
Canada M5K 1A2

Authorized Officer

Number

Countersigned

Receipt Only - Non Negotiable

Please retain for presentation in event Original lost

*1,000,000 "Option" Investment @ 10% per
quarter.

Reference 9

Canada Trust

BARRIE BAYFIELD
534 BAYFIELD ST
BARRIE, ON L4M 5A2

Tel: 1-866-222-3456
TTY: 1-800-361-1180

PERO ASSETS INC.

Statement of Account		Account Type	Statement From To	
Branch No.	Account No.	BUSINESS CHEQUING ACCOUNT - CAD SERVICE PLAN 1	MAY 29/09 - JUN 30/09	
			Page 1 of 2	

DESCRIPTION	CHEQUE/DEBIT	DEPOSIT/CREDIT	DATE	BALANCE
BALANCE FORWARD			MAY 29	185,505.20
GC 1253-TSF FROM GLI		700,000.00	JUN 04	885,505.20
TXNS BUS	460,583.00	Capital Trans	JUN 05	424,922.20
CHQ#00003-0100404445	200,000.00		JUN 08	224,922.20
CHQ#00001-0100592079	25,000.00	Lumene lighting loan	JUN 12	199,922.20
DEPOSIT	5,249.99	Wynne Greystone	JUN 15	194,672.21
CHQ#00004-0200612351	260.00	Chris Bailey	JUN 24	294,672.21
SVC PLAN 1 FEE	11.95		JUN 29	294,412.21
ACCT BAL REBATE		11.95	JUN 30	294,412.21

① Transfer to 1198677011

CO Capital 101.000.00

3 CHQS ENCLOSED NEXT STATEMENT DATE IS JUL 31/09		No.	Amount
MONTHLY AVER. CR. BAL.	\$267,682.60	Credits	3
MONTHLY MIN. BAL.	\$185,505.20	Debits	6
DEP CONTENT- CASH 0	ITEMS 1		691,104.94

Please ensure that you report in writing any errors or irregularities found within this statement within 30 days of the statement date. If you do not, the statement of account shall be conclusively deemed correct except for any amount credited to the account in error.

Accounts issued by: THE TORONTO-DOMINION BANK

Reference 10

Proof of Claim
In Respect of Claims Against Robert Mander, E.M.B. Asset Group Inc. and The Related Entities
Schedule A-1

Calculation of Accrued Interest on \$1,000,000 Loan from June 24/09 to April 20/11 interest payable at 10% quarterly

Loan Date	Amount	Interest Rate	Accrual Period	Accrued Interest
April 9/09 (Reference 10)	1,000,000.00 (Reference 10)	10.00% (Reference 10)	92/92	100,000.00
			June 24/09 to September 24/09	
	1,000,000.00	10.00%	91/91	100,000.00
			September 24/09 to December 24/09	
	1,000,000.00	10.00%	90/90	100,000.00
			December 24/09 to March 24/10	
	1,000,000.00	10.00%	92/92	100,000.00
			March 24/10 to June 24/10	
	1,000,000.00	10.00%	92/92	100,000.00
			June 24/10 to September 24/10	
	1,000,000.00	10.00%	91/91	100,000.00
			September 24/10 to December 24/10	
	1,000,000.00	10.00%	90/90	100,000.00
			December 24/10 to March 24/11	
	1,000,000.00	10.00%	27/92	29,347.83
			March 24/11 to April 20/11	
Total				<u>729,347.83</u>

Reference 11

Proof of Claim

In Respect of Claims Against Robert Mander, E.M.B. Asset Group Inc. and The Related Entities

Schedule A-2

Supporting Documentation For Original \$6,000,000.00 Loan Advanced to C.O. Capital Growth Corp. March 1, 2008

Date	Amount	Reference
February 29/08	2,000,000.00	1
March 3/08	2,700,000.00	2
February 24/08	<u>1,300,000.00</u>	3
	<u>6,000,000.00</u>	

Schedule A-2

RBC Royal Bank

DEPOSIT SUMMARY

ENTER VISA VOUCHER TOTAL

CASH SUBTOTAL **①**

CHEQUE SUBTOTAL **②**

U.S. CASH

RATE

U.S. CHEQUES

RATE

DEPOSIT TOTAL \$200,000.00

COMPARED TO ORIGINAL DEPOSIT SLIP AS TO TOTAL ONLY

LIST OF CHEQUES PLEASE LIST FOREIGN CHEQUES ON SEPARATE DEPOSIT SLIP

CHEQUE IDENTIFICATION

1. NAME	2. CHEQUE	3. REMIT (PAY TO)
2	09857-003	
3		
4		
5		
6		
7		
8		
9		
10		

09857-003
ROYAL-BANK OF CANADA
WEBSTRIDGE BRANCH
FEB 29 2008
ORILLIA, ONTARIO 09857-003

CASH COUNT (include coupons)

X5

X10

X20

X50

X100

X

X

COIN

① CASH SUBTOTAL \$

② CHEQUE SUBTOTAL \$2

TOTAL # OF CHEQUES

CREDIT ACCOUNT OF

PERO Assets

Feb 29 / 08

Bank Deposit

Peru Assets Inc

From Tom Obradovich &

Kathy Reid

Co. Capital / Petrus Mandy

Staragha operated

Peru Bank A/c at this

time

Funds were then

transferred out of Peru

Reference 1

COMPARED TO
SLIP AS

^		RATE		U.S. CHECKS		RATE		DEPOSIT TOTAL	
X		8		9		10		TOTAL \$	
CASH		SUBTOTAL \$		CREDIT ACCOUNT OF		CASH		SUBTOTAL \$	
TOTAL # OF CHECKS		CASH		SUBTOTAL \$		CREDIT ACCOUNT OF		CASH	
TOTAL # OF CHECKS		CASH		SUBTOTAL \$		CREDIT ACCOUNT OF		CASH	

Customer's record of Draft purchased

43550826

The Toronto-Dominion Bank

141 Adelaide St. West
Toronto, ON M5H 3L5

DATE 2008-03-03
YYYYMMDD

Transit-Serial No. [REDACTED]

Pay to the Order of Puro Assets Inc. \$ 2,700,000.00

Authorized signature required for amounts over CAD \$5,000.00

Canadian Dollars

Re The Toronto-Dominion Bank
Toronto, Ontario
Canada M5K 1A2

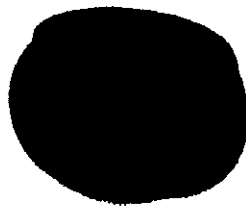
Receipt Only - Non Negotiable

Please retain for presentation in event Original lost

March 3/08
Bank Draft Purchased
Payable to PuroAss
Inc

Funds were then
transferred out of
Puro.

Reference 2



C.O. Capital Growth Corporation

Final Statement of Account

Loan Agreement No.: 026-022507-A

Lender: Thomas Obradovich / Kathy Reid

Date of Loan Agreement: February 25, 2007

Maturity Date: February 24, 2008

Applicable Interest Rate: 30% simple interest, payable to Maturity Date

Principal Sum of Loan: \$1,000,000.00

Accrued Interest to Maturity Date: \$300,000.00

Total Amount owing on Maturity Date: \$1,300,000.00

Amount of the Total Amount used to invest in Pero Assets Inc. on Maturity Date pursuant to Loan Agreement No. 026-022507-A.: \$1,300,000.00

Net Amount of Repayment of Loan Agreement No. 026-022507-A: NIL(\$0.00)

All capitalized terms have the meanings ascribed to them in the Loan Agreement referred to above, unless the context otherwise provides.

The Lender acknowledges receipt of a bank draft or certified cheque payable to the Lender in the amount of NIL(\$0.00), being the Net Amount of Repayment of Loan Agreement No. 026-022507-A as noted above in full and final satisfaction of all and any amounts owing with respect of the Loan Agreement. The Lender also acknowledges that the total amount will be invested in Pero Assets Inc.

Signature: Thomas Obradovich

EXHIBIT No. 1

EXAMINATION OF Name: Thomas Obradovich

E. & O.E.

KATHY REID

vs
DATE OCTOBER 27, 2010

NETWORK COURT REPORTING

Reference 3 Pg 1

No. 026-022507-A

LOAN AGREEMENT

This Agreement made in duplicate the 25th day of February, 2007, between Thomas J. Obradovich, (the "Lender") and C.O. Capital Growth (the "Borrower") (collectively the "Parties").

The Parties agree as follows:

1. The Lender agrees to lend to the Borrower and the Borrower agrees to borrow from the Lender the sum of one million dollars (\$1,000,000.00) of the lawful money of Canada (the "Principal Sum") for a period of not less than one year, subject to the terms of this Agreement, commencing on the date on which good funds are received by the Borrower in accordance with the terms of this Agreement (the "Advance Date"). The Maturity Date for purposes of this Agreement shall be the first anniversary of the Advance Date, subject to any Renewal.
2. The Borrower agrees to pay the Lender interest on the Principal Sum at the simple rate of thirty (30%) per annum commencing on the Advance Date.
3. The Borrower agrees to repay the Lender at the Borrower's address as noted below or at any other place in Canada that the Borrower may give notice of in writing in accordance with the terms of this Agreement.
4. Where the Lender provides written notice in the form of Schedule "A" hereto to the Borrower, not less than 45 days prior to the Maturity Date, the Principal Sum and accrued interest thereon (referred to as the "Total Amount") will be payable to the Lender on the Maturity Date. Interest will not accrue after the Maturity Date in such circumstance. If the Lender fails to provide such written notice, the Borrower, at its sole and unfettered discretion, may without prior notice deem that the Lender has agreed to lend the Total Amount to the Borrower for an additional one year term (the "Renewal"), and the Total Amount shall be deemed to be the Principal Sum for such purpose and both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, in the event of a Renewal, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10 hereof.
5. Where the Lender provides written notice in the form of Schedule "B" hereto to the Borrower, not less than 45 days prior to the Maturity Date, the portion of the Principal Sum and accrued interest thereon as noted on Schedule "B" (referred to as the "Partial Amount") will be payable to the Lender on the Maturity Date. Interest will not accrue on the Partial Amount after the Maturity Date in such circumstance. Should the Lender fail to comply with the requirements as set out in Schedule "B", the Borrower may, without notice, at its sole and unfettered discretion determine that the Total Amount to the Lender on the Maturity Date is payable and interest will not accrue after the Maturity Date in such circumstance, or may without prior notice deem that the Lender has agreed to lend the Total Amount to the Borrower for an additional one year term

Reference 3 Pg 2

(the "Renewal"), and such Total Amount shall be deemed to be the Principal Sum for such purpose and both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, in the event of a Renewal, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10 hereof.

6. Where the Lender provides written notice in the form of Schedule "C" hereto to the Borrower of his or her desire to lend the Principal Sum and accrued interest (the Total Amount) plus an additional amount (the "Additional Amount") as noted on Schedule "C" and complies with the requirements set out in such schedule, the Total Amount shall not be paid to the Lender on the Maturity Date, but shall be treated as an advance of a portion of the amount to be lent to the Borrower on the Maturity Date. Should the Lender fail to comply with the requirements as set out in Schedule "C", the Borrower shall have the right at its sole and unfettered discretion to pay the Total Amount to the Lender on the Maturity Date and interest will not accrue after the Maturity Date in such circumstance, or may without prior notice deem that the Lender has agreed to lend the Total Amount to the Borrower for an additional one year term (the "Renewal"), and such Total Amount shall be deemed to be the Principal Sum for such purpose and both Parties shall be subject to the terms of this Loan Agreement, *mutatis mutandis*, in the event of a Renewal, save that the Lender shall not be required to provide the certificate referred to in Paragraph 10.

7. The Borrower shall send written notice to the Lender of a Renewal in the form of Schedule "D" hereto. In the event of a Renewal, the Maturity Date for purposes of this Agreement shall be the new Maturity Date as stated on such written notice. The Lender may obtain a Promissory Note reflecting a Renewal from the Borrower, provided that the Lender surrenders any Promissory Note(s) previously provided by the Borrower. For greater certainty there shall be no limit as to the number of Renewals under this Agreement.

8. The Borrower may prepay any portion or all of the Principal Sum outstanding together with interest accrued thereon at anytime without notice and without penalty of any kind.

9. The advance of the Principal Sum shall be evidenced by a promissory note in the form of Schedule "E" hereto.

10. Prior to any advance, the Borrower shall provide the Lender with a duly executed certificate in the form of Schedule "F" hereto attesting to the fact that the Lender is an Accredited Investor as defined therein, unless the Principal Sum is equal to or exceeds \$150,000.00. If the Principal Sum is equal to or exceeds \$150,000.00, the Lender certifies that he, she or it is lending the Principal Sum as principal and that the Lender has not been created or is used solely to lend funds to the Borrower or otherwise acquire or purchase securities sold or distributed in reliance on the exemptions from registration and prospectus requirements available under Section 2.10 of National Instrument 45-106.

11. All advances and payments by parties hereunder shall be made by certified cheque or bank draft drawn on a Canadian chartered bank
12. All notices to be given under this Agreement shall, save as otherwise specifically provided, be in writing to the party to who it is intended at the addresses noted below or

Reference 3 Bq:

such other address that the party may provide notice of in writing and shall not be deemed received until actually received except if sent by regular mail provided that there is no threat of disruption or actual disruption of mail service, in which case it shall be deemed received on the fifth day after being mailed.

13. Time is of the essence in all respects.
14. This Agreement constitutes the entire agreement between the Parties and cancels and supersedes any prior agreements, undertakings, declarations or representations, written or verbal in respect of it. No amendment, supplement or waiver of any provision of this Agreement shall in any event be effective unless it shall be in writing and signed by the Parties. The Lender may not assign, pledge or otherwise transfer this Agreement or the Promissory Note without the written consent of the Borrower.
15. This Agreement and any dispute arising from or in relation to this Agreement shall be governed by, and interpreted and enforced in accordance with, the laws of the province of Ontario and the laws of Canada applicable in the province, excluding the choice of law rules of that province.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by authorized persons.

By: Thomas J. Obradovich
Thomas J. Obradovich

By: Peter G. Sbaraglia
C.O. Capital Growth
Authorized Officer:
Name: Peter G. Sbaraglia
Title: President

[REDACTED]

Address: 63 Second St.,
Oakville, ON
L6J 3T1

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Canada Revenue Agency / Agence du revenu du Canada

T5 2008 / 2008

STATEMENT OF INVESTMENT INCOME / ÉTAT DES REVENUS DE PLACEMENTS

24 Actual amount of eligible dividends / Montant réel des dividendes admissibles	25 Taxable amount of eligible dividends / Montant imposable des dividendes admissibles	26 Dividend tax credit for eligible dividends / Crédit d'impôt pour dividendes admissibles	13 Interest from Canadian sources / Intérêts de sources canadiennes	18 Capital gains dividends / Dividendes sur gains en capital
10 Actual amount of dividends other than eligible dividends / Montant réel des dividendes autres que des dividendes admissibles	11 Taxable amount of dividends other than eligible dividends / Montant imposable des dividendes autres que des dividendes admissibles	12 Dividend tax credit for dividends other than eligible dividends / Crédit d'impôt pour dividendes autres que des dividendes admissibles	21 Report Code / Code du bulletin	22 Recipient identification number / Numéro d'identification du bénéficiaire
Other information / Autres renseignements			23 Recipient type / Type de bénéficiaire	

Recipient's name (last name first) and address - Nom, prénom et adresse du bénéficiaire: REID, KATHARINE JEAN

Payer's name and address - Nom et adresse du payeur: C.O. Capital Growth Corp. 239 Church Street Oakville, ON L6J 1N4

TS (08) Currency and identification codes / Codes de devise et d'identification

Canada Revenue Agency / Agence du revenu du Canada

T5 2008 / 2008

STATEMENT OF INVESTMENT INCOME / ÉTAT DES REVENUS DE PLACEMENTS

24 Actual amount of eligible dividends / Montant réel des dividendes admissibles	25 Taxable amount of eligible dividends / Montant imposable des dividendes admissibles	26 Dividend tax credit for eligible dividends / Crédit d'impôt pour dividendes admissibles	13 Interest from Canadian sources / Intérêts de sources canadiennes	18 Capital gains dividends / Dividendes sur gains en capital
10 Actual amount of dividends other than eligible dividends / Montant réel des dividendes autres que des dividendes admissibles	11 Taxable amount of dividends other than eligible dividends / Montant imposable des dividendes autres que des dividendes admissibles	12 Dividend tax credit for dividends other than eligible dividends / Crédit d'impôt pour dividendes autres que des dividendes admissibles	21 Report Code / Code du bulletin	22 Recipient identification number / Numéro d'identification du bénéficiaire
Other information / Autres renseignements			23 Recipient type / Type de bénéficiaire	

Recipient's name (last name first) and address - Nom, prénom et adresse du bénéficiaire: OBRADOVICH, TOM

Payer's name and address - Nom et adresse du payeur: C.O. Capital Growth Corp. 239 Church Street Oakville, ON L6J 1N4

TS (08) Currency and identification codes / Codes de devise et d'identification

Report these amounts on your tax return

- Dividends from Canadian corporations other than eligible dividends - The amount an individual has to report as income is the amount shown in box 11.
- The dividend tax credit to which an individual is entitled is shown in box 12. For more information, see lines 120 and 425 in your tax guide.
- Interest from Canadian sources - For information on how to report this amount on your return, see line 121 in your tax guide.
- Box 14 - Other income from Canadian sources
- Box 15 - Foreign income
For information on how to report box 14 or 15 amounts on your return, see line 121 in your tax guide.
- Box 16 - Foreign tax paid
We use this amount to calculate your foreign tax credit. For more information, see line 405 of your tax guide.
- Box 17 - Royalties from Canadian sources
If royalties are from a work or invention of yours, enter the amount on line 104 of your return. Otherwise, enter the amount on line 121 of your return.
- Capital gains dividends - Enter this amount on line 174 of Schedule 3, "Capital Gains (or Losses)."
- Box 19 - Accrued income: Annuities
This amount is the earnings part of a general annuity. If you were 65 or older at the end of the year, or if you received the annuity payments because of the death of your spouse or common-law partner, report this amount on line 115 of your return. Otherwise, enter this amount on line 121 of your return.

For information on how to report your income, see your tax guide

- Report code - The code in this box indicates that this slip is the original ("O"), an amended ("A"), or a canceled slip ("C").
 - Recipient identification number - If you are an individual (other than a trust), the number in this box is your SIN. In all other cases, the number is your Business Number.
 - Recipient type - The code in this box indicates if the amount was paid to an individual ("1"); a joint account ("2"); a corporation ("3"); an association, trust, club, or other ("4"); or a government ("5").
 - Eligible dividends from Canadian corporations - The amount an individual has to report as income is the amount shown in box 25. The dividend tax credit to which an individual is entitled is shown in box 26. For more information, see lines 120 and 425 in your tax guide.
- You may have to pay your taxes by instalments. For more information, visit www.cra.gc.ca/instalments or call us at 1-800-959-3261.
- Under the Income Tax Act, you have to give your social insurance number (SIN) on request to any person who prepares an information slip for you. If your SIN is not shown on this slip, please contact the payer and provide it. If you do not have a SIN, you should apply for one at any Service Canada Centre.
- Box 20 - Amount eligible for resource allowance deduction
This amount is included in the total royalty payments in box 17. For tax years beginning in 2007, this deduction is no longer available. For tax years beginning before 2007, see the instructions for box 20 in the Guide T4013, T5 Guide - Return of Investment Income. For more details, call 1-800-959-5523.

Interest Earned on \$1,000,000 @ 30% = \$300,000

Reference 3Rt

This is **Exhibit "C"** to the affidavit of
Thomas Obradovich sworn before me this
23rd day of August, 2011.

A handwritten signature in black ink, appearing to read 'Stephen Turk', written over a horizontal line.

STEPHEN TURK, a commissioner, etc.

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Agreement

between

2214625 Ontario Ltd and Pero Assets Inc.

2214625 Ontario Inc is holding \$ 8 Million Dollars Cdn from Pero assets as of August ,15th,2009.

2215625 Ontario Inc

Robert W. Mander

Date Aug 14th 09

Pero Assets

Thomas Chadbourn

Date Aug 14 09

ONTARIO SECURITIES COMMISSION V. PETER SBARAGLIA ET AL.

ONTARIO

SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

**RESPONDING
RECORD OF
PERO ASSETS INC.**

**(Motion Returnable
On August 25, 2011)**

Stephen M .Turk
Barrister and Solicitor
1100 Sheppard Avenue West,
Suite 340
Toronto, Ontario, M3K 2B4

STEPHEN M. TURK
LSUC REGISTRATION No. 31329A 1B
TEL: (416) 630-5511
FAX: (416) 630-7724
sturk@stephenturklaw.com
SOLICITOR FOR PERO