

ACTION NO. 0901- 18773

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

BETWEEN:

Beth Fredeen

Plaintiff

- and -

Artevo Corporation , Irene Besse and Christopher Talbot

Defendants

AMENDED STATEMENT OF CLAIM

1. The Plaintiff is a resident in the City of Calgary, in the Province of Alberta.
2. The Defendant **Artevo Corporation ("ARTEVO")** is a body corporate, incorporated under the laws of Alberta, with offices in the City of Calgary, in the Province of Alberta. **The Defendants Irene Besse and Christopher Talbot are residents of the City of Calgary, in the Province of Alberta.**
3. On March 2nd, 2009, and July 7th, 2009 the Defendant **ARTEVO** granted to the Plaintiff a General Security Agreement (the "Security") to secure the amount of \$200,000.00 which was registered at the Personal Property Registry of Alberta.
4. Pursuant to the Security, the Plaintiff obtained a security interest in all of **ARTEVO's** property, assets and undertaking.
5. The Defendant **ARTEVO** acknowledged that it was indebted to the Plaintiff in the amount of \$200,000.00, with interest accruing thereafter at the agreed rate per annum plus costs (including legal costs) (the "Outstanding Indebtedness"), by executing Promissory Notes dated March 2nd, 2009 and July 7th, 2009 for \$100,000.00 each.
6. The Defendant **ARTEVO** has committed Events of Default under the Promissory Notes and Security.

7. On December 2nd, 2009, the Plaintiff demanded repayment of the current balance at the time of the Outstanding Indebtedness and served on the Defendant **ARTEVO** a Notice of Intention to Enforce the Security pursuant to s. 244 of the *Bankruptcy and Insolvency Act*.
8. At the time of that demand, the Defendant **ARTEVO** was unable to pay the current balance of the Outstanding Indebtedness in the amount of \$202,465.75 and continues to be unable to pay the Outstanding Indebtedness.
9. The Defendant **ARTEVO** has refused or neglected to repay the Outstanding Indebtedness.
10. The Plaintiff states that it is a term of the Security that the Plaintiff can appoint a Receiver of the Defendant **ARTEVO**
11. The Plaintiff states that it also advanced the sum of \$600,000.00 to Power Play Art Ltd. who became the Defendant **ARTEVO**, and was granted a Convertible Debenture dated July 18th,2007.
12. The Plaintiff states that the amount of \$600,000.00 was due on demand after Newco acquired Power Play Art Ltd. as defined and that the Convertible Debenture matured in July of 2009.
13. The Plaintiff states that despite repeated demands for repayment of the \$600,000.00 the Defendant **ARTEVO** has refused or been unable to repay the amount outstanding.
14. **The Plaintiff states that the individual Defendants advanced funds to ARTEVO in 2009 on an unsecured basis.**
15. **The individual Defendants requested that their loans be converted to a secured status at a time when ARTEVO was insolvent or on the eve of insolvency with the intent to hinder ,delay or prejudice the creditors of ARTEVO and in contravention to the provisions of the *Fraudulent Preferences Act, RSA 2000 C. F-24, as amended.***
16. **The Plaintiff states that ARTEVO granted security to the individual Defendants after they had advanced funds lent to ARTEVO without proper consideration the particulars of which shall be proven at trial .**

17. **The Plaintiff states that ARTEVO granted to the Defendant Christopher Talbot a \$100,000.00 secured debenture in exchange for his \$100,000.00 unsecured convertible debenture in August 2009 in preference to the Plaintiff and other creditors of ARTEVO contrary to the provisions of the *Fraudulent Preferences Act, RSA 2000 C. F-24, as amended.***
18. **The Plaintiff states that the acts of ARTEVO , and the acts of Christopher Talbot as an officer and director of ARTEVO have oppressed ,unfairly prejudiced or unfairly disregarded the interests of the Plaintiff as a creditor, contrary to section 242 of the Alberta *Business Corporations Act, RSA 2000 Ch B-9 as amended.***
19. **The Plaintiff pleads and expressly intends to rely on the provisions of the *Fraudulent Preferences Act RSA 2000 C. F-24, as amended, the Statute of Elizabeth 13 Eliz 1c5 (UK) and the Business Corporations Act RSA 2000 C. B-9 as amended.***
20. The Plaintiff proposes that the trial of this action be held at the Court House, in the City of Calgary, in the Province of Alberta and does not estimate that the trial of this action will take in excess of 25 days.

WHEREFORE THE PLAINTIFF CLAIMS as against the Defendant ARTEVO

- (a) A declaration that the Security held by the Plaintiff is valid and enforceable as against the Defendant;
- (b) The appointment of a Receiver and Manager over all of the assets of the Defendant;
- (c) A declaration that the Defendant owes the Plaintiff \$202,465.75 as at November 30th, 2009, plus interest accrued thereafter and costs, and judgment in that amount;
- (d) Interest up to and after the date of judgment in accordance with the terms of the Security;
- (e) Judgment in the amount of \$612,032.88 as at November 30th,2009 and interest to the date of judgment at the rate of 12% pursuant to the terms of the convertible debenture;

- (f) **As against the individual Defendants an order or declaration voiding the security and setting aside the security granted to the individual Defendants which is found to have given a preference over the creditors of the corporate Defendant and the Plaintiff.**
- (g) **An order remedying the oppressive conduct of granting security without proper consideration and having the effect of preferring the individual Defendants over the Plaintiff.**
- (h) Costs on a solicitor-and-client basis or, alternatively, costs;
- (i) Such further and other relief as this Honourable Court may deem appropriate.

DATED at the City of Calgary, in the Province of Alberta, this 14 day of December, 2009, AND DELIVERED BY Miles Davison LLP, Barristers and Solicitors, Solicitors for the Plaintiff herein whose address for service is in care of the said Solicitors, Miles Davison LLP, Suite 1600, 205 5th Ave., S.W., Calgary, Alberta, T2P 2V7.

ISSUED out of the office of the Clerk of the Court of Queen's Bench of Alberta, Judicial District of Calgary, this ____ day of _____, 2009.

Clerk of the Court

ACTION NO.: 0901-18773

NOTICE

TO: Artevo Corporation

You have been sued. You are a Defendant. You have only 15 days to file and serve a Statement of Defence or Demand of Notice. You or your lawyer must file your Statement of Defence or Demand of Notice in the office of the Clerk of the Court of Queen's Bench, Court House, 611 - 4th Street S.W., Calgary, Alberta. You or your lawyer must also leave a copy of your Statement of Defence or Demand of Notice at the address for service for the Plaintiff named in this Statement of Claim.

WARNING: If you do not do both things within 15 days, you may automatically lose the lawsuit. The Plaintiff may get a Court Judgment against you if you do not file, or do not give a copy to the Plaintiff, or do either thing late.

This Statement of Claim is issued by

Miles Davison LLP
Terry Czechowskyj
File No. 26969
Telephone No. (403) 298-0326
Fax No. (403) 263 6840

Solicitors for the Plaintiff whose address for service is in care of the said solicitors.

The Defendant (so far as is known to the Plaintiff) resides in Calgary, Alberta.

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OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

BETWEEN:

Beth Fredeen

Plaintiff

- and -

Artevo Corporation

Defendant

STATEMENT OF CLAIM

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