

## Cerrato, Gary

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**From:** Stephen Hart [stephenhart@valhallacapitalgroup.com]  
**Sent:** Tuesday, August 31, 2010 1:29 PM  
**To:** Cerrato, Gary  
**Subject:** Re: Health and Harmony

I was a Managing Member of Capital Ventures. Capital Ventures was the General Partner of H.Y.R, Ltd.

H.Y.R., Limited complied and kept in compliance with the necessary exemptions for a fund under SEC regulations and other necessary state regulations.

Best,  
Stephen Hart

On Tue, Aug 31, 2010 at 1:15 PM, Cerrato, Gary <[gcerrato@bdo.ca](mailto:gcerrato@bdo.ca)> wrote:

Thanks for the update. I just have a couple other questions.

What was your position in Capital Ventures? Also, was Capital Ventures or HYR, Ltd ever registered or regulated by the SEC or other regulatory body?

Thanks.

**Gary Cerrato, CIRP**

Vice President

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**From:** Stephen Hart [mailto:[stephenhart@valhallacapitalgroup.com](mailto:stephenhart@valhallacapitalgroup.com)]  
**Sent:** Tuesday, August 31, 2010 9:59 AM  
**To:** Cerrato, Gary  
**Subject:** Re: Health and Harmony

Good morning Gary,

Health and Harmony invested assets in a forex fund, H.Y.R., Limited, managed by Capital Ventures, which experienced significant losses in 2008.

The H.Y.R., Limited fund had experienced a significant loss of all assets under management with one of our fund of fund investments, where funds in that fund were falsely reported and mishandled. We sought legal advice as to the direction of the fund, due to the fund losing more than 30% of the initial investment made from each of our investors. At the advice of our attorneys, we decided to liquidate the remaining funds under management and distribute the proceeds to investors on a pro rata basis. Our third party CPA's completed an analysis of the amount invested by each investor, the amount previously distributed to each investor, and the net amount that would need to be paid to investor to return all of the investor's money without including any return that might have been previously reported to the investor.

We considered various formulas for distribution of the remaining assets. In consultation with the fund's attorneys, we ultimately decided that the fairest distribution formula would be to distribute the funds pro rata based on the amount originally invested by the investor, less the amount of any distributions previously paid to the investor, without regard to any returns previously reported to any investor. In that way, each investor received the same percentage return on invested assets as each other investor. We elected to disregard reported returns in devising a distribution formula since virtually all of the reported returns were lost.

To my knowledge, Health and Harmony received approximately **65%** of the amount originally invested (including any prior distributions that were made). The distribution made was subject to the stipulation that an investor's acceptance of the funds would constitute the satisfaction or waiver of any claim that the investor has against the fund, its principals or any other investor.

I would reference you to Health and Harmony's documents for review of all funds credited and debited with Capital Ventures to confirm the above.

Beyond the above, I don't have much to say. The H.Y.R., Limited fund and Capital Ventures are now dissolved.

I hope the above satisfies your query.

Best,



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On Mon, Aug 30, 2010 at 4:40 PM, Cerrato, Gary <[gcerrato@bdo.ca](mailto:gcerrato@bdo.ca)> wrote:

Stephen, as discussed on the phone, please find enclosed a copy of the Court Order issued here in Ontario, Canada that appoints BDO Canada Limited as Receiver over the property, assets and undertaking of Health and Harmony. As Court-appointed Receiver over Health and Harmony, I need to be able to report back to the Court on what happened with the Capital Ventures LLC investments as well as other investments made by Health and Harmony.

Accordingly, I would like to speak to you to get a better understanding of what happened with the investment of approximately \$1.4 million that Health and Harmony made with Capital Ventures LLC. What Capital Ventures invested the Health and Harmony funds in etc.

Please send me an email to let me know what time we can speak tomorrow.

Your assistance would be greatly appreciated.

Regards,

**Gary Cerrato, CIRP**

Vice President

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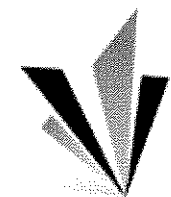
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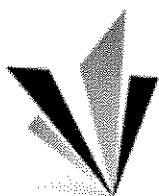
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