

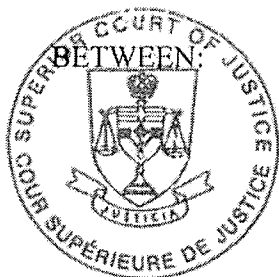
APPENDIX A

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MADAM) THURSDAY, THE 6th DAY
)
JUSTICE MESBUR) OF AUGUST, 2009

IN THE MATTER OF AN APPLICATION PURSUANT
RULE 14.05(2) OF THE ONTARIO *RULES OF CIVIL PROCEDURE*, R.R.O. 1990, Reg. 194
AND SECTION 35 OF THE *PARTNERSHIPS ACT*, R.S.O. 1990, c. P.5

IN THE MATTER OF AN APPLICATION PURSUANT
TO SECTION 101 OF THE *COURTS OF JUSTICE ACT*,
R.S.O. 1990, c. C. 43



JAMES HAGGERTY HARRIS

Applicant/Moving Party

- and -

BELMONT DYNAMIC GROWTH FUND,
an Ontario limited partnership

Respondent

ORDER

THIS MOTION, made by the Applicant for an Order pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. C.43, as amended (the "**CJA**") appointing KPMG Inc. as receiver and manager (the "**Receiver**"), without security, of all of the assets, undertakings and properties of Belmont Dynamic Growth Fund, an Ontario limited partnership (the "**Debtor**") was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING (i) the Notice of Application, (ii) the Notice of Motion, (iii) the affidavit of Robert Craig McDonald sworn July 30, 2009 and the Exhibits thereto (the "**McDonald Affidavit**"), and (iv) the consent of KPMG Inc. to act as the Receiver; and on hearing the submissions of counsel for the Applicant, counsel for Harcourt Investment Consulting AG ("**Harcourt**") and Peter Fanconi ("**Fanconi**"), counsel for Omniscope Advisors Inc. and Daniel Nead, counsel for National Bank of Canada (Global) Limited and National Bank of Canada, and counsel for the proposed Receiver, with no one else appearing although duly served,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application, Notice of Motion and the Motion Record is hereby abridged so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 101 of the CJA, KPMG Inc. is hereby appointed Receiver, without security, of all of the Debtor's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"), including, without limitation, all such assets, undertakings and properties which are owned, held or controlled by Belmont Dynamic GP Inc. on behalf of the Debtor in trust or otherwise in its capacity as general partner of the Debtor ("**Debtor GP**") or which are held by any Person (as defined herein) in trust for, or otherwise for, for the benefit of the Debtor.

RECEIVER'S POWERS

3. THIS COURT ORDERS that, subject to paragraph 4, the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to exercise all rights with respect to the Property as if the Receiver was the absolute owner thereof and, for greater certainty, such rights and the powers and authority set out below in this paragraph 3 will extend to all amounts owing to, all

agreements entered into with, all licences issued to, and all other Property owned, held or controlled by, the Debtor GP in its capacity as general partner of the Debtor;

- (b) to take possession and control of the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (c) to receive, preserve, protect and maintain control of the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property and backing up or copying of electronic records to safeguard them, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (d) to manage, operate and carry on the business of the Debtor with a view to winding down its operation, realizing on the Property and distributing the proceeds to the Persons (as defined in paragraph 5 below) entitled thereto (the “**Wind Down**”), including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, and cease to perform any contracts of the Debtor;
- (e) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other Persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the powers and duties conferred by this Order;
- (f) to purchase goods and services in connection with the Wind Down;
- (g) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce the rights of the Debtor in respect of any forward contracts (“**Forward Contracts**”) and other investments;

- (h) to settle, extend or compromise any indebtedness owing to the Debtor and to negotiate the settlement or termination of any agreements to which the Debtor is a party, including, without limitation, any Forward Contracts;
- (i) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (k) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$50,000, provided that the aggregate consideration for all such transactions does not exceed \$150,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply;

- (m) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (n) to report to, meet with and discuss with RBC Phillips, Hager & North Investment Counsel Inc. (“**RBC PH&N IC**”), RBC Dominion Securities Inc. (“**RBCDS**” and collectively with RBC PH&N IC, “**RBC**”), the limited partners of the Debtor (the “**Limited Partners**”), the Debtor GP, Harcourt and Fanconi, Omniscope and Nead and such other affected Persons as the Receiver deems appropriate on all matters relating to the Property and the receivership, including the Wind Down, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (r) to take any steps reasonably incidental to the exercise of these powers,

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons, including the Debtor and the Debtor GP, and without interference from any other Person.

4. THIS COURT ORDERS that, until further order of this Court at the return of this Application or otherwise, the Receiver shall not terminate or consent to the termination of any Forward Contract or sell or otherwise dispose of any material portion of the Property.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

5. THIS COURT ORDERS that (i) the Debtor and all of its current and former partners, including without limitation the Debtor GP, (ii) all of the Debtor's and Debtor GP's current and former shareholders, officers, employees, agents, accountants, legal counsel and all other persons acting on its instructions or behalf, (iii) Accilent Capital Management Inc., Harcourt, Omnisciope Advisors Inc. and their respective officers, directors and affiliates, and (iv) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

6. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 6 or in paragraph 7 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure. All Persons shall cooperate with and assist the Receiver in respect of information relating to the Property.

7. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the

information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

8. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

10. THIS COURT ORDERS that all rights and remedies against the Debtor or the Receiver or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

11. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement,

licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all investment advisory, administration and other partnership services, computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained without the written consent of the Receiver or until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

ELIGIBLE FINANCIAL CONTRACTS

13. THIS COURT ORDERS that, notwithstanding anything else contained herein:
- (a) for the purposes of this paragraph, the terms “eligible financial contract” and “financial collateral” will have the meanings given to them by the *Bankruptcy and Insolvency Act* (Canada);
 - (b) a Person (the “**Counterparty**”) that has entered into an eligible financial contract with the Debtor prior to the date hereof may exercise any right of termination, netting or set-off and may deal with any financial collateral held in respect of the eligible financial contract, in each case in accordance with the provisions of the eligible financial contract, provided that any net claim or net termination value owing by the Debtor after any dealing with financial collateral permitted hereby will be subject to paragraph 9 and the other provisions of this Order; and

- (c) the Receiver's Charge and the Receiver's Borrowings Charge (as defined in paragraphs 19 and 22, respectively) will rank subsequent in priority to any security interest of a Counterparty in financial collateral held in respect of an eligible financial contract with the Debtor.

RECEIVER TO HOLD FUNDS

14. THIS COURT ORDERS that all funds, monies, cheques, instruments and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

15. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including wages, severance pay, termination pay, vacation pay, and pension or benefit amounts, other than such amounts as the Receiver may specifically agree in writing to pay, or such amounts as may be determined in a Proceeding before a court or tribunal of competent jurisdiction.

16. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not

complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

17. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

18. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the *Bankruptcy and Insolvency Act* (Canada) or by any other applicable legislation.

RECEIVER'S ACCOUNTS

19. THIS COURT ORDERS that any expenditure or liability which shall properly be made or incurred by the Receiver, including the fees of the Receiver and the fees and disbursements of its legal counsel (including fees and disbursements incurred up to and including the date of this Order), incurred at the standard rates and charges of the Receiver and its counsel, shall be allowed to it in passing its accounts and shall form a first charge, subject to paragraph 13, on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person (the "**Receiver's Charge**").

20. THIS COURT ORDERS the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

21. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

22. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow from Royal Bank of Canada or an affiliate thereof by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$250,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and subject to paragraph 13.

23. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

24. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

25. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

NOTICE OF THIS ORDER AND DISSOLUTION HEARING

26. THIS COURT ORDERS and directs that the return date for the hearing of the Application in respect of the dissolution of the Debtor and certain related relief (the "**Dissolution Hearing**") shall be August 27, 2009, or such other date as is set by the Court upon motion by the Applicant.

27. THIS COURT ORDERS that, unless otherwise provided herein or ordered by this Court, no document, order or other material need be served on any Person in respect of these proceedings (other than the Applicant and the Receiver) unless such Person has served a Notice of Appearance on the solicitors for the Applicant and the Receiver and has filed such notice with this Court (such Persons, together with the Applicant and the Receiver, the "**Service List**").

28. THIS COURT ORDERS that the Receiver shall send a copy of this Order to the Debtor and the Debtor GP by prepaid ordinary mail or courier within 3 days after the date hereof.

29. THIS COURT ORDERS that the form of notice to Limited Partners of the making of this Order and the Dissolution Hearing attached as Exhibit "F" to the McDonald Affidavit (the "**Notice to LPs**") is approved and RBC is authorized and directed to send such notice to each Limited Partner.

30. THIS COURT ORDERS that:

- (a) the manner of service of the Application Record on the Debtor and the Debtor GP as described in the McDonald Affidavit constitutes good and sufficient service of notice of this Application and the Dissolution Hearing on the Debtor and the Debtor GP, and except as provided in paragraph 28 no other form of notice or service need be made to the Debtor or the Debtor GP and no other materials need be served upon the Debtor or the Debtor GP in respect of these proceedings, including the Dissolution Hearing, unless the Debtor or the Debtor GP serves a Notice of Appearance as set out in paragraph 27 hereof.
- (b) delivery of the Notice to LPs in accordance with paragraph 29 hereof shall constitute good and sufficient service of notice of the Dissolution Hearing on all Limited Partners, and no other form of notice or service need be made and no other materials need be served in respect of the Dissolution Hearing,

except that the Applicants shall also serve the Service List with any additional materials to be used in support of the Dissolution Hearing.

31. THIS COURT ORDERS that in the event the Dissolution Hearing is adjourned, only those Persons on the Service List are required to be served with notice of the adjourned date.

32. THIS COURT ORDERS that any Person who wishes to oppose the relief sought at the Dissolution Hearing shall serve on the Service List a notice setting out the basis for such opposition and a copy of the materials to be used to oppose such relief at least three days before the date set for the Dissolution Hearing, or such shorter time as the Court, by order, may allow.

33. THIS COURT ORDERS that the Applicant, the Receiver, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Receiver may post a copy of any or all such materials on its website at <http://www.kpmg.ca/en/services/advisory/ta/creditorlink.html> (the "Website").

REPORTING TO LIMITED PARTNERS

34. THIS COURT ORDERS that the Receiver may report from time to time to the Limited Partners on the progress of the Wind Down and other matters relating to the receivership in such manner as the Receiver, in consultation with RBC, consider appropriate (including, without limitation, through correspondence provided by RBC to its clients who are Limited Partners that enclose such reports or that is otherwise in form and content satisfactory to the Receiver).

GENERAL

35. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

36. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

37. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or elsewhere, including, without limitation, the Cayman Islands, to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

38. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

39. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

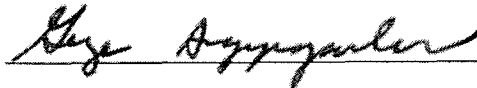
40. THIS ORDER is without prejudice to the right of any interested person to return to court on August 21, 2009 to seek to vary any provision of this order including the appointment of the

Receiver. To that end, a 3-hour appointment on the Commercial List has been booked for August 21, 2009. If anyone intends to come back for this purpose, they will:

- (1) provide notice to the Applicant and the Receiver by August 14, 2009; and
- (2) deliver their motion materials in support of any requested change by the close of business on August 18, 2009.

41. The provisions of paragraph 40 of this order will be mentioned in the notice letter referred to in paragraph 29 of this order.

42. Nothing in this order will operate as a stay to the relief sought in paragraphs 1(c), (e), (f), (h) and (i) of the Harcourt Application in Court File #CV-09-8227. The Receiver is to be added to the Service List in that application. As far as the Nead/Omniscop cross-application in CV-09-8227 is concerned, (a) the claim for fees will be dealt with in this receivership if a final order is made; and (b) the claim to commence a derivative action will be considered by the court on the return of this application on August 27, 2009



G. Argyropoulos, Registrar
Superior Court of Justice

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

AUG 13 2009

PER / PAR: *IT*

Schedule "A"
RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that KPMG Inc., the receiver and manager (the "**Receiver**") of all of the assets, undertakings and properties of Belmont Dynamic Growth Fund appointed by Order of the Ontario Superior Court of Justice (the "**Court**") dated the 6th day of August, 2009 (the "**Order**") made in an action having Court file number 09-8308-00CL, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Royal Bank of Canada from time to time.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order) having the priority set out in the Order, but subject to the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property (as defined in the Order) as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

KPMG Inc., solely in its capacity
as Receiver of the Property (as defined in the
Order), and not in its personal capacity

Per: _____
Name:
Title:

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding Commenced at Toronto



ORDER

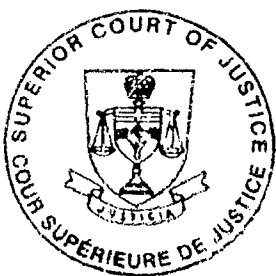
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Solicitors for the Debtors
DOCS# 459794v.9

APPENDIX B



Court File No. 09-8302-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MADAM)
)
JUSTICE HOY) WEDNESDAY, THE 21st DAY
)
) OF OCTOBER, 2009

IN THE MATTER OF AN APPLICATION PURSUANT
RULE 14.05(2) OF THE *ONTARIO RULES OF CIVIL PROCEDURE*, R.R.O. 1990, Reg.
194 AND SECTION 35 OF THE *PARTNERSHIPS ACT*, R.S.O. 1990, c. P.5

IN THE MATTER OF AN APPLICATION PURSUANT
TO SECTION 101 OF THE *COURTS OF JUSTICE ACT*,
R.S.O. 1990, c. C. 43

BETWEEN:

JAMES HAGGERTY HARRIS

Applicant/Moving Party

- and -

BELMONT DYNAMIC GROWTH FUND,
an Ontario limited partnership

Respondent

ORDER

THIS APPLICATION, made by the Applicant for the relief set out in the Notice of Application, including dissolution of the Belmont Dynamic Growth Fund, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING (i) the Notice of Application, (ii) the Motion Record of the Applicant, including the affidavit of Robert Craig McDonald sworn July 30, 2009 and the Exhibits thereto; (iii) the Supplementary Motion Record of the Applicant, and (iv) the first report of KPMG Inc. (the “Receiver”); and on hearing the submissions of counsel for the Applicant,

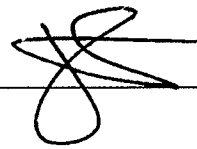
counsel for Harcourt Investment Consulting AG and Peter Fanconi, counsel for Omniscope Advisors Inc. and Daniel Nead and counsel for the Receiver, with no one else appearing,

1. THIS COURT ORDERS that capitalized terms used herein and not otherwise defined will have the meaning given to them in the Order of Justice Mesbur dated August 6, 2009 (the "Receivership Order").

2. THIS COURT ORDERS that the Receivership Order is amended by deleting paragraph 4 of the Receivership Order, so that the Receiver is hereby expressly empowered and authorized to terminate or consent to the termination of any Forward Contract and to sell or otherwise dispose of any material portion of the Property where the Receiver considers it necessary or desirable to do so.

3. THIS COURT ORDERS AND DECLARES that, upon the filing of a Receiver's certificate by the Receiver substantially in the form attached as Schedule "A" hereto, the Belmont Dynamic Growth Fund is dissolved. Prior to issuing its certificate, the Receiver shall report to the Court with respect to matters proposed to be certified.

4. THIS COURT ORDERS that the Receiver may seek the advice and direction of this Court in respect of the carrying out of this Order and any matters to be undertaken in effecting the dissolution of the Belmont Dynamic Growth Fund.



Joanne Nicoara
Registrar, Superior Court of Justice

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

OCT 22 2009

PER / PAR: 

SCHEDULE "A"

Court File No. 09-8302-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF AN APPLICATION PURSUANT
RULE 14.05(2) OF THE ONTARIO *RULES OF CIVIL PROCEDURE*, R.R.O. 1990, Reg.
194 AND SECTION 35 OF THE *PARTNERSHIPS ACT*, R.S.O. 1990, c. P.5

IN THE MATTER OF AN APPLICATION PURSUANT
TO SECTION 101 OF THE *COURTS OF JUSTICE ACT*,
R.S.O. 1990, c. C. 43

BETWEEN:

JAMES HAGGERTY HARRIS

Applicant

- and -

BELMONT DYNAMIC GROWTH FUND,
an Ontario Limited partnership

Respondent

RECEIVER'S CERTIFICATE

RECITALS

A. KPMG Inc. is the receiver and manager (the "Receiver") of all of the assets, undertakings and properties of Belmont Dynamic Growth Fund (the "Belmont Fund") appointed by order of the Ontario Superior Court of Justice (the "Court") dated the 6th day of August, 2009 and amended on October 21, 2009.

B. By order dated October 21, 2009, the Court ordered the Belmont Fund dissolved upon the filing of a Receiver's Certificate (the "Dissolution Order").

THE RECEIVER CERTIFIES the following:

1. The Receiver has completed the process of realizing upon the assets of the Belmont Fund;

2. The Receiver has applied the property realized in payment of the debts and liabilities of the Belmont Fund and has distributed the surplus assets in final settlement of the accounts of the partners of the Belmont Fund in accordance with the *Partnership Act* (Ontario);

3. Pursuant to paragraph 3 of the Dissolution Order, as a result of the filing of this Certificate with the Court, the Belmont Fund is dissolved.

DATED THE _____ day of _____, 2009.

**KPMG Inc., solely in its capacity
as Receiver of the Property (as defined in the
Order), and not in its personal capacity**

Per: _____
Name:
Title:

JAMES HAGGERTY HARRIS
Applicant

and

BELMONT DYNAMIC GROWTH FUND,
an Ontario Limited partnership
Respondent

Court File No: 09-8302-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at Toronto

ORDER

McCarthy Tétrault LLP
Suite 5300, Toronto Dominion Bank Tower
Toronto ON M5K 1E6

Malcolm M. Mercer LSUC#: 23812W
Tel: (416) 601-7659

James D. Gage LSUC#: 34676I
Tel: 416-601-7539

Heather L. Meredith LSUC#: 48354R
Tel: 416-601-8342
Fax: 416-868-0673

Lawyers for the Applicant/Moving Party
#699228

APPENDIX C

**ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST**

THE HONOURABLE) WEDNESDAY, THE 21st
JUSTICE HOY) DAY OF OCTOBER, 2009

IN THE MATTER OF AN APPLICATION PURSUANT
TO RULE 14.05(2) OF THE ONTARIO RULES OF CIVIL PROCEDURE, R.R.O. 1990,
Reg. 194 AND SECTION 35 OF THE PARTNERSHIPS ACT, R.S.O. 1990, c. P.5

IN THE MATTER OF AN APPLICATION PURSUANT TO
SECTION 101 OF THE COURTS OF JUSTICE ACT, R.R.O. 1990, c. C. 43

BETWEEN:

JAMES HAGGERTY HARRIS

Applicant

- and -

BELMONT DYNAMIC GROWTH FUND,
an Ontario limited partnership

Respondent



CLAIMS PROCEDURE ORDER

THIS MOTION, made by the Receiver of Belmont Dynamic Growth Fund, for an order approving the procedures and bar dates described in the First Report of the Receiver (the "**First Report**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion and the First Report, and on hearing the submissions of counsel for the Applicants, the Receiver and others, and on being advised that the Service List was served with the Notice of Motion herein:

DEFINITIONS

1. **THIS COURT ORDERS** that for purposes of this Order the following terms shall have the following meanings:
 - a) "Belmont Fund" means the Belmont Dynamic Growth Fund;
 - b) "Business Day" means a day, other than a Saturday or a Sunday, on which banks are generally open for business in Toronto, Ontario;
 - c) "Claim" means any right or claim of any Person against the Belmont Fund in connection with any indebtedness, liability or obligation of any kind whatsoever of the Belmont Fund, whether reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including without limitation any claim arising from or caused by the repudiation by the Belmont Fund of any contract, lease or other agreement, whether written or oral, the commission of a tort (intentional or unintentional), any breach of duty (legal, statutory, equitable, fiduciary or otherwise), any right of ownership or title to property, employment, contract, a trust or deemed trust, howsoever created, any claim made or asserted against the Belmont Fund or any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any grievance, matter, action, cause or chose in action, whether existing at present or commenced in the future, based in whole or in part on facts which existed on the Receivership Filing Date, together with any other claims of any kind that, if unsecured, would constitute a debt provable in bankruptcy within the meaning of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3; provided that "Claim" shall not include any Excluded Claim. For greater certainty, a Creditor entitled to claim for interest under its applicable agreement with the Belmont Fund may claim for interest which has accrued on its Claim as of the Receivership Filing Date, but no claim for interest shall be made for interest accruing after that date;
 - d) "Claims Bar Date" means 4:00 p.m. (Eastern Daylight Time) on December 5, 2009, or such other date as may be ordered by the Court;

- e) "Claims Package" means the document package which shall include a copy of the Instruction Letter, a Proof of Claim and such other materials as the Receiver considers necessary or appropriate;
- f) "Claims Procedure" means the procedures outlined in this order in connection with the assertion of Claims against the Belmont Fund, as amended or supplemented by further order of the Court;
- g) "Court" means the Ontario Superior Court of Justice (Commercial List);
- h) "Creditor" means any Person asserting a Claim;
- i) "Excluded Claim" means (i) any Claims with respect to goods and/or services provided to the Belmont Fund after the Receivership Filing Date in accordance with the Initial Appointment Order; (ii) the .001% interest held by the Belmont Dynamic GP Inc.; (iii) the Unitholders' Claims or (iv) other Claims ordered by the Court to be treated as Excluded Claims;
- j) "Governmental Agency" means any federal, provincial, state or local government, agency or instrumentality thereof or similar entity, howsoever designated or constituted exercising executive, legislative, judicial, regulatory or administrative functions in Canada, the United States, or elsewhere;
- k) "Initial Appointment Order" means the Initial Order of the Honourable Mme. Justice Mesbur of the Ontario Superior Court of Justice (Commercial List) dated August 6, 2009, as may be amended from time to time;
- l) "Instruction Letter" means the letter regarding completion of a Proof of Claim, which letter shall be substantially in the form attached hereto as Schedule "C";
- m) "Known Creditors" means creditors which the books and records of the Belmont Fund disclose were owed money by the Belmont Fund as at the Receivership Filing Date which obligation remains unpaid in whole or in part;
- n) "Limited Partners" means the 135 limited partners of the Belmont Fund;
- o) "Notice to Creditors" means the notice substantially in the form attached hereto as Schedule "A";

- p) "Person" means any individual, partnership, firm, joint venture, trust, entity, corporation, body corporate, unincorporated association or organization, trade union, employee or other association, Governmental Agency, or similar entity, howsoever designated or constituted and any individual or other entity owned or controlled by or which is the agent of any of the foregoing;
- q) "Proof of Claim" means the form to be completed and filed by a Creditor setting forth its purported Claim, which proof of claim shall be substantially in the form attached hereto as Schedule "B";
- r) "RBC" means, collectively, RBC Phillips, Hager & North Investment Counsel Inc. ("RBC PH&N IC") and RBC Dominion Securities Inc. ("RBCDS");
- s) "Receiver " means KPMG Inc., in its capacity as the Court-appointed Receiver of the Belmont Fund;
- t) "Receivership Filing Date" means August 6, 2009;
- u) "Unitholders' Claim" means any claim filed by or on behalf of the Limited Partners of the Belmont Fund in respect of their equity holdings in the Belmont Fund.

NOTICE OF CLAIMS

2. **THIS COURT ORDERS** that the form of notice to Limited Partners of the making of this Order attached as Schedule "F" hereto is approved and RBC is authorized and directed to send a notice, substantially in the form attached as Schedule "F" to each Limited Partner within fourteen (14) calendar days of the date of this Order.
3. **THIS COURT ORDERS** that the Receiver shall publish a Notice to Creditors and any other claimants against the Belmont Fund, substantially in the form attached hereto as Schedule "A", on the Receiver's website and on one occasion in the following publications within twenty (20) calendar days of the date of this Order - the Globe and Mail (National Edition) and La Presse.

4. **THIS COURT ORDERS** that the Receiver shall post the Notice to Creditors and the Claims Package on the Receiver's website (at www.kpmg.ca/belmontfund) within ten (10) calendar days of the date of this Order.
5. **THIS COURT ORDERS** that the Receiver shall cause a copy of the Claims Package to be sent to any Known Creditors of the Belmont Fund, and any Person requesting such material as soon as practicable.

PROOFS OF CLAIM

6. **THIS COURT ORDERS** that, subject to paragraph 7 below, every Creditor asserting a Claim against the Belmont Fund shall set out its aggregate Claim in a Proof of Claim and deliver that Proof of Claim to the Receiver so that it is actually received by no later than the Claims Bar Date.
7. **THIS COURT ORDERS** that Limited Partners shall not be required to deliver a Proof of Claim to the Receiver in respect of their Unitholders' Claim; provided that this exception shall not apply to any Claim other than a Unitholders' Claim.
8. **THIS COURT ORDERS** that the Receiver is authorized and directed for purposes of determining the Unitholders' Claim, to rely on the books and records and statements maintained by RBC. The Receiver may seek further advice and directions of this Court, if required, in respect of the Unitholders' Claim.
9. **THIS COURT ORDERS** that, subject to paragraph 7, any Creditor who does not deliver a Proof of Claim in respect of a Claim in accordance with paragraph 6 shall be forever barred from asserting such Claim against the Belmont Fund and such Claim shall be forever extinguished and any holder of such Claim shall not be entitled to participate as a Creditor in these

proceedings or receive any further notice in respect of these proceedings or the Claims Procedure and shall not be entitled to receive any distributions from the Belmont Fund, or the Receiver on behalf of the Belmont Fund, in respect of such Claim.

FORM OF PROOFS OF CLAIM

10. **THIS COURT ORDERS** that any Claim denominated in any currency other than U.S. dollars shall, for the purposes of this Order, be converted to and shall constitute obligations in U.S. dollars, such calculation to be effected using the noon spot rate as at the Receivership Filing Date (Canadian dollar claims are to be converted at the rate of $\text{CDN}\$1.0759 = \text{US}\1).

DETERMINATION OF CLAIMS

11. **THIS COURT ORDERS** that the Receiver may disallow any proof of claim in whole or in part by delivering a Notice of Revision or Disallowance substantially in the form attached hereto as Schedule "D".
12. **THIS COURT ORDERS** that any Creditor who wishes to dispute the revision or disallowance of its Claim as asserted in its Proof of Claim pursuant to a Notice of Revision or Disallowance shall do so by delivery of a Notice of Dispute substantially in the form attached hereto as Schedule "E" within 30 calendar days from the date of receipt of the Notice of Revision or Disallowance, failing which the amount of the claim as outlined in the Notice of Revision or Disallowance shall be deemed binding for distribution and all other purposes.
13. **THIS COURT ORDERS** that the applicable procedures for determining any Claims disputed pursuant to a Notice of Dispute delivered in accordance with paragraph 12, shall be established by further Order of the Court. Notice of such procedures shall be provided to the service list in this Receivership

proceeding and any Person who has filed a Proof of Claim against the Belmont Fund in accordance with the Claims Procedure.

NOTICE OF TRANSFEREES

14. **THIS COURT ORDERS** that if a Creditor or any subsequent holder of a Claim who has been acknowledged by the Receiver as the holder of the Claim transfers or assigns that Claim to another Person, neither the Belmont Fund nor the Receiver shall be required to give notice to or to otherwise deal with the transferee or assignee of the Claim as the holder of such Claim unless and until actual notice of transfer or assignment, together with satisfactory evidence of such transfer or assignment, has been delivered to the Receiver. Thereafter, such transferee or assignee shall, for all purposes hereof, constitute the holder of such Claim and shall be bound by notices given and steps taken in respect of such Claim.

15. **THIS COURT ORDERS** that if a Creditor who has been acknowledged by the Receiver as the holder of the Claim transfers or assigns the whole of such Claim to more than one Person or part of such Claim to another Person or Persons, such transfers or assignments shall not create separate Claims and such Claims shall continue to constitute and be dealt with as a single Claim notwithstanding such transfers or assignments. Neither the Belmont Fund nor the Receiver shall, in each such case, be required to recognize or acknowledge any such transfers or assignments and shall be entitled to give notices to and to otherwise deal with such Claim only as a whole and then only to and with the Person last holding such Claim provided such Creditor may, by notice in writing delivered to the Belmont Fund and the Receiver, direct that subsequent dealings in respect of such Claim, but only as a whole, shall be dealt with by a specified Person and in such event, such Person shall

be bound by any notices given or steps taken in respect of such Claim with such Creditor.

GENERAL PROVISIONS

16. **THIS COURT ORDERS** that the Receiver, in addition to its prescribed rights and obligations under the *BIA* and under the Initial Appointment Order, shall assist the Belmont Fund in connection with the matters described herein, and is hereby authorized and directed to take such other actions and fulfill such other roles as are contemplated by this Order.
17. **THIS COURT ORDERS** that any notice or communication (including, without limitation, Proofs of Claim) to be given under this Order by a Creditor to the Receiver shall be in writing and, where applicable, in substantially the form provided for in this Order and will be sufficiently given only if delivered by electronic mail, facsimile, courier, personal delivery or prepaid mail addressed to:

KPMG Inc., Court-appointed receiver and manager of Belmont
Dynamic Growth Fund
199 Bay Street, Suite 3300
Toronto, ON M5L 1B2
Attention: Johnny Chow
Phone: 1-866-602-6745
Fax: 416-777-3364
Email: belmontfund@kpmg.ca

Any such notice or other communication by a Creditor shall be deemed received only upon actual receipt thereof during normal business hours on a Business Day.

18. **THIS COURT ORDERS** that any notice or other communication to be given in connection with this Order by the Belmont Fund or the Receiver to a


Creditor, other than the Notice to Creditors to be published as provided in paragraph 3 herein, shall be in writing. Such notice or other communication will be sufficiently given to a Creditor if given by prepaid ordinary mail, by courier, by delivery or by facsimile transmission or electronic mail to the Creditor to such address, facsimile number or e-mail address appearing in the books and records of the Belmont Fund and Partnerships or in any Proof of Claim filed by the Creditor. Any such notice or other communication, (a) if given by prepaid ordinary mail, shall be deemed received on the third (3rd) Business Day after mailing within Ontario, the fifth (5th) Business Day after mailing elsewhere within Canada or to the United States and the tenth (10th) Business Day after mailing internationally; (b) if given by courier or delivery shall be deemed received on the next Business Day following dispatch; (c) if given by facsimile transmission or electronic mail before 5:00 p.m. on a Business Day shall be deemed received on such Business Day; and (d) if given by facsimile transmission or electronic mail after 5:00 p.m. on a Business Day shall be deemed received on the following Business Day.

19. **THIS COURT ORDERS** that in the event that the day on which any notice or communication required to be delivered pursuant to the Claims Procedure is not a Business Day then such notice or communication shall be required to be delivered on the next Business Day.
20. **THIS COURT ORDERS** that if, during any period during which notices or other communication are being given pursuant to this Order a postal strike or postal work stoppage of general application should occur, such notices or other communications then not received or deemed received shall not, absent further Order of this Court, be effective. Notices and other communications given hereunder during the course of any such postal strike or work stoppage of general application shall only be effective if given by electronic mail, courier, delivery or facsimile transmission in accordance with this Order.

21. **THIS COURT ORDERS** that references to the singular shall include the plural, references to the plural shall include the singular and to any gender shall include the other gender.

22. **THIS COURT ORDERS AND REQUESTS** the aid and recognition of any court or any judicial, regulatory or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states or other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this order.

23. **THIS COURT ORDERS** that the First Report and the activities of the Receiver as described therein are accepted and approved.



Joanne Nicora
Registrar, Superior Court of Justice

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

OCT 22 2009

PER / PAR 

Schedule "A"

Notice to Creditors

In the Matter of the Receivership of the Belmont Dynamic Growth Fund

NOTICE TO THE CREDITORS AND ANY OTHER CLAIMANTS OF

BELMONT DYNAMIC GROWTH FUND

On August 6, 2009, the Ontario Superior Court of Justice (Commercial List) appointed KPMG Inc. as the receiver and manager (the "Receiver") of the assets, undertakings and properties of Belmont Dynamic Growth Fund (the "Belmont Fund"). Belmont Fund is an investment fund that was established as a limited partnership pursuant to a Limited Partnership Agreement between Belmont Dynamic GP Inc., as general partner, and the limited partners.

On October 21, 2009, the Receiver obtained an Order (the "Claims Procedure Order") authorizing a process for creditors and any other claimants of the Belmont Fund to prove a claim against the Belmont Fund. The Receiver has made all relevant Court documents, including the Claims Procedure Order, and other information available at www.kpmg.ca/belmontfund.

Proofs of claim must be filed with the Receiver by December 5, 2009 at 4:00 pm (Eastern Standard Time). **Failure to submit your claim by the prescribed date will result in your claim being forever barred and extinguished.**

For information regarding the Belmont Fund's claims procedure please refer the materials available online at www.kpmg.ca/belmontfund. Alternatively, the Receiver can be contacted at the address below, by telephone at 1-866-602-6745 or by email to belmontfund@kpmg.ca.

KPMG Inc., in its capacity as
Court-appointed receiver and manager of
Belmont Dynamic Growth Fund
199 Bay Street, Suite 3300
Toronto ON M5L 1B2
Attention: Johnny Chow

Schedule "B"

Proof of Claim
(creditors and other claimants)

PROOFS OF CLAIM MUST BE DELIVERED BY EMAIL, FACSIMILE, COURIER, PERSONAL DELIVERY OR PREPAID MAIL ADDRESSED TO THE FOLLOWING ADDRESS:

KPMG Inc., Court-appointed receiver and manager of Belmont Dynamic Growth Fund
199 Bay Street, Suite 3300
Toronto ON M5L 1B2
Attention: Johnny Chow
Telephone: 1-866-602-6745
Fax: 416-777-3364
Email: belmontfund@kpmg.ca

PROOFS OF CLAIM MUST BE RECEIVED BY THE RECEIVER NO LATER THAN 4:00 PM (EASTERN STANDARD TIME) ON DECEMBER 5, 2009. FAILURE TO SUBMIT YOUR CLAIM BY THE PRESCRIBED DATE WILL RESULT IN YOUR CLAIM BEING FOREVER BARRED AND EXTINGUISHED.

In the matter of the James Haggerty Harris v. Belmont Dynamic Growth Fund, a Limited Partnership, of the City of Toronto in the Province of Ontario and the claim of _____, creditor.

I, _____ (name of creditor or representative of creditor), of _____ (city and province), do hereby certify:

- 1. That I am a creditor of the above-named debtor (or that I am _____ (state position or title) of (name of creditor or of the representative of the creditor).
2. That I have knowledge of all the circumstances connected with the claim referred to below.
3. That the debtor was, at the date of receivership, namely the 6th day of August, 2009, and still is, indebted to the creditor in the sum of \$ _____, as specified in the statement of account (or affidavit) attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled. (The attached statement of account, or affidavit or must specify the voucher or other evidence in support of the claim.)
4. (Check and complete appropriate category.)

[] A. UNSECURED CLAIM OF \$ _____
That in respect of this debt, I do not hold any assets of the debtor as security.

[] B. SECURED CLAIM OF \$ _____
That in respect of this debt, I hold assets of the debtor valued at \$ _____ as security, particulars of which are as follows:

(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)

(Note: claims in a currency other than Canadian dollars are to be converted to Canadian dollars at the rate of Cdn\$1 = US\$1.0759.

[] C. CLAIM BY A WAGE EARNER OF \$ _____

Dated at _____ this _____ day of _____, 2009.

_____ Witness

_____ Creditor

Name: _____

Full Mailing Address: _____

Phone Number: _____

Fax Number: _____

E-mail Address: _____

NOTE: If an affidavit is attached, it must have been made before a person qualified to take affidavits.

Schedule "C"

Notice to Creditors of the Belmont Dynamic Growth Fund INSTRUCTION LETTER FOR COMPLETING THE PROOF OF CLAIM

On August 6, 2009, KPMG Inc. was appointed Receiver and Manager of the Belmont Dynamic Growth Fund (the "Belmont Fund") pursuant to Order of Madam Justice Mesbur (the "Initial Order").

On October 21, 2009, the Receiver was granted an order (the "Claims Procedure Order") that establishes a process for creditors to prove claims against the Belmont Fund. Copies of the Initial Order and Claims Procedure Order can be found at www.kpmg.ca/belmontfund.

Proofs of claim must be received by the Receiver by 4:00 pm (Eastern Standard Time) on December 5, 2009 (the "Claims Bar Date"). Failure to submit your claim by the prescribed date will result in your claim being forever barred and extinguished.

In order to have a valid claim as a creditor of the Belmont Fund in Receivership, the enclosed Proof of Claim form must be properly completed and delivered to the Receiver, KPMG Inc. of the Belmont Fund.

This instruction letter is provided to assist you in preparing the accompanying Proof of Claim form in a complete and accurate manner. Creditors who require a proof of claim may download a form from the Receiver's website (www.kpmg.ca/belmontfund) or they may contact the Receiver at the address below for a copy of the form.

1 - General

- Ensure you include your complete name, address, telephone number and account number on the Proof of Claim.
- If you are completing the Proof of Claim on behalf of a corporation or other person, you must state the title or capacity in which you are acting.
- You must have knowledge of the circumstances connected with the claim.
- Please check (x) the type of claim which applies to you on the Proof of Claim form.
- The Proof of Claim form is incomplete UNLESS it has been signed and witnessed. The Proof of Claim must be dated and signed personally by the individual completing it. The signature of a witness is required.

2 - Unsecured Creditors

Amounts owed should be filed as an **Unsecured Claim** (Part 4A on the Proof of Claim form). The Proof of Claim is incomplete unless you include a statement (marked as "Schedule A") setting out particulars of the claim. The balance on this statement must be complete and agree with the balance claimed by you as of the date of receivership, August 6, 2009. Schedule A should be a detailed statement of account in respect of the Claim, including, but not limited to the date, number and amount of all invoices or charges, together with the date, number and amount of all credits or payments. If an affidavit is attached, it must have been sworn to before a person qualified to take affidavits.

3 - Delivery of Proof of Claim to the Receiver

The Proof of Claim should be delivered to the Receiver at the following address:

**KPMG Inc., in its capacity as
Court-appointed receiver and manager of
Belmont Dynamic Growth Fund**

**199 Bay Street, Suite 3300
Toronto ON M5L 1B2
Attention: Johnny Chow
Email: belmontfund@kpmg.ca**

Proofs of claim must be received by 4:00 pm (Eastern Standard Time) on December 5, 2009.

CLAIMS WHICH ARE NOT RECEIVED BY THE CLAIMS BAR DATE WILL BE BARRED AND EXTINGUISHED FOREVER.

NOTE: If there are any questions in completing this Proof of Claim, please contact the Receiver at the address above, call the informational line at 1-866-602-6745 or send email to belmontfund@kpmg.ca.

Schedule "D"

Court File No. 09-8308-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE RECEIVERSHIP OF
BELMONT DYNAMIC GROWTH FUND**

NOTICE OF REVISION OR DISALLOWANCE OF CLAIM

TO:

Name of Creditor: _____

Reference #: _____

RE: Your Claim Against Belmont Dynamic Growth Fund

Take notice that KPMG Inc., in its capacity as Court-appointed receiver and manager (the "Receiver") of the assets, undertakings and properties of Belmont Dynamic Growth Fund (the "Belmont Fund"), has revised and/or disallowed your claim in the amount of \$●/ in whole or in part for the following reasons:

And further take notice that in accordance with the Claims Procedure Order of the Court dated October 21, 2009, if you are dissatisfied with the Receiver's decision in respect of your claim, you may dispute the Receiver's decision to the Court by no later than 30 calendar days from the receipt of this Notice of Revision or Disallowance. A copy of the Claims Procedure Order and form of Notice of Dispute may be obtained on the Receiver's website at www.kpmg.ca/belmontfund, or by contacting the undersigned at the address below.

Address for service of Notices of Dispute:

**KPMG Inc., in its capacity as
Court-appointed receiver and manager of
Belmont Dynamic Growth Fund
199 Bay Street, Suite 3300**

**Toronto ON M5L 1B2
Attention: Johnny Chow**

IF YOU FAIL TO TAKE THIS ACTION WITHIN THE PRESCRIBED TIME PERIOD, THIS NOTICE OF REVISION OR DISALLOWANCE WILL BE BINDING UPON YOU FOR DISTRIBUTION AND OTHER PURPOSES.

DATED at the City of Toronto, this ● day of ●, 20●.

KPMG Inc., in its capacity as
Court-appointed receiver and manager of
Belmont Dynamic Growth Fund
199 Bay Street, Suite 3300
Toronto ON M5L 1B2
Attention: Johnny Chow

Per: _____

[Name]
[Title]

Schedule "E"

Court File No. 09-8308-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE RECEIVERSHIP OF
BELMONT DYNAMIC GROWTH FUND

NOTICE OF DISPUTE OF DISALLOWANCE OR REVISION OF CLAIM

TO: KPMG INC., RECEIVER AND MANAGER OF BELMONT DYNAMIC GROWTH
FUND

FROM: Name of Creditor: _____

RE: Reference #: _____

The creditor or claimant herein disputes the Notice of Revision or Disallowance of Claim dated the
● day of ●, 20●.

The creditor or claimant disputes the Notice of Disallowance of Claim for the reasons set out in the
attached Appendix "A":

[You must attach an Appendix "A" setting out the reasons for the dispute]

DATED at the City of _____ this ● day of ●, 20●

CREDITOR OR CLAIMANT

Name: _____

Address: _____

Phone Number: _____
Fax Number: _____
Email Address: _____

THIS FORM AND SUPPORTING DOCUMENTATION TO BE RETURNED BY PERSONAL SERVICE, EMAIL, FACSIMILE OR COURIER TO THE ADDRESS INDICATED HEREIN AND TO BE RECEIVED WITHIN 30 CALENDAR DAYS OF THE DATE OF THE NOTICE OF REVISION OR DISALLOWANCE, FAILING WHICH THE NOTICE OF REVISION OR DISALLOWANCE WILL BE BINDING UPON YOU FOR DISTRIBUTION OR OTHER PURPOSES.

Address for Service of Notice of Dispute:

KPMG Inc., in its capacity as
Court-appointed receiver and manager of
Belmont Dynamic Growth Fund
199 Bay Street, Suite 3300
Toronto ON M5L 1B2
Attention: Johnny Chow

Schedule "F"

RBC NOTICE TO LIMITED PARTNERS

[Date]

[Address]

Dear Client,

Re: Belmont Dynamic Growth Fund

We are writing to you in connection with your investment in the Fund.

Further to our letter to you dated August 6, 2009, [●RBCDS or RBCPHN] determined that a Court supervised receivership and dissolution process would be the most appropriate way to dissolve the Fund. Further to this, an application was made to the Court for a Court-supervised receivership and dissolution of the Fund that is the subject of two separate Court hearings. At the first hearing on August 6, 2009, the court issued an order appointing KPMG Inc. as the Receiver and Manager of the Fund (the "Receiver"). The second hearing, which was originally scheduled to take place on August 27, 2009, took place on October 21, 2009 (the "Dissolution Hearing").

Dissolution Hearing

[On October 21, 2009, the Court granted an order permitting the dissolution of the Fund to commence. The Receiver shall undertake the interim steps required to effect the dissolution and once these steps are effected, will file a certificate which will result in the final dissolution of the Fund.]

Claims Process

On October 19, 2009 the Receiver issued its First Report to the Court (the "First Report"). A copy of the First Report is available for review at www.kpmg.ca/belmontfund.

In the First Report, among other things, the Receiver advised the Court that it intends to undertake a claims process to quantify the liabilities of the Fund. While the Receiver is not yet in a position to make any distributions to the Unitholders of the Fund, the Receiver believes that it would be prudent to obtain this information as soon as possible. With respect to the number of units held in the Fund, the Receiver will be relying upon the records of [●RBCDS or RBCPHN] and will not be requesting information from the Limited Partners, nor requiring the Limited Partners to file a claim in respect of their equity claims.

With respect to the claims process, the attached Notice will be published in the Globe and Mail and LaPresse within the next few weeks inviting any creditors or other claimants of the Fund to present their claims to the Receiver. **Please note this notice is not requesting you or any other RBC client to submit a proof of claim to the Receiver with respect to your investment in the Fund.** The information necessary to substantiate the unitholders' claims has been provided by RBC to the Receiver. If you wish details of the information relating to your unitholdings, as submitted to the Receiver, please contact the undersigned or the Receiver at belmontfund@kpmg.ca.

If you have any other potential claims against the Fund, other than in respect of your unitholdings, it will be necessary to file a claim in accordance with the claims procedures in place, details of which can be found at www.kpmg.ca/belmontfund. Please note the claims bar date has been set as December 5, 2009 at 4:00 pm (Eastern Standard Time).

Should you have any questions or concerns, please contact your Investment Counselor or KPMG at [●].

Yours truly,

JAMES HAGGERTY HARRIS

and

Applicant

BELMONT DYNAMIC GROWTH
FUND, an Ontario limited partnership

Respondent

Court File No: 09-8302-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at Toronto

ORDER

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Tel: (416) 869-5623
Fax: (416) 861-0445

Lawyers for KPMG

APPENDIX D

**ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST**

THE HONOURABLE) MONDAY, THE 17th
)
MADAM JUSTICE HOY) DAY OF MAY, 2010

IN THE MATTER OF AN APPLICATION PURSUANT
TO RULE 14.05(2) OF THE ONTARIO RULES OF CIVIL PROCEDURE, R.R.O. 1990,
Reg. 194 AND SECTION 35 OF THE PARTNERSHIPS ACT, R.S.O. 1990, c. P.5

IN THE MATTER OF AN APPLICATION PURSUANT TO
SECTION 101 OF THE COURTS OF JUSTICE ACT, R.R.O. 1990, c. C. 43

BETWEEN:

JAMES HAGGERTY HARRIS

Applicant

- and -

BELMONT DYNAMIC GROWTH FUND,
an Ontario limited partnership

Respondent

CLAIMS DETERMINATION ORDER

THIS MOTION, made by the Receiver of Belmont Dynamic Growth Fund, for an order approving the procedures described in the Second Report of the Receiver, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Second Report of the Receiver, the Supplement to the Second Report, and on hearing the submissions of counsel for the Receiver, Harcourt Investment Consulting AG and Peter Fanconi, National Bank of Canada and National Bank of Canada (Global) Limited c/o National Bank of Canada, and Omniscope Advisors Inc. and the Applicant, and on being advised that



notice has been provided to the Service List and any Person who has filed a Proof of Claim in accordance with the Claims Procedure:

DEFINITIONS

1. **THIS COURT ORDERS** that capitalized terms not otherwise defined in this Order shall have the meanings ascribed to them in the Claims Procedure Order of the Honourable Madam Justice Hoy dated October 21, 2009.

DETERMINATION OF DISPUTED CLAIMS

2. **THIS COURT ORDERS** that the Receiver is authorized to seek the Court's assistance in determining any jurisdictional issues and claims disputed pursuant to a Notice of Dispute ("Disputed Claims").

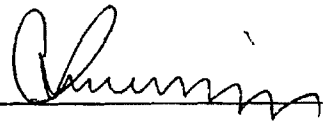
3. **THIS COURT ORDERS** that, subject to further Order of the Court, the Receiver is authorized and directed to determine, together with the Claimant in respect of the Disputed Claim, the procedure for adjudication of the Disputed Claim, including the manner in which evidence may be brought before the Court, the scheduling, length and conduct of any hearing and any other procedural matters which may arise in respect of the determination of any Disputed Claim. The Receiver or Claimant may seek the direction and advice of the Court in respect of such matters.

PRE-HEARING PROCEDURES

4. **THIS COURT ORDERS** that the Receiver shall serve a Notice of Motion in respect of each Disputed Claim, seeking the Court's determination of the Disputed Claim on a date as agreed or determined under paragraph 3 hereof. The Notice of Motion, together with a copy of the Proof of Claim, the Notice of Revision or Disallowance and Notice of Dispute shall be served on the Service List and any Person who has filed a Proof of Claim in accordance with the Claims Procedure.

5. **THIS COURT ORDERS** that in respect of any other individual or party who has been asked by the Receiver or the Claimant to participate as a potential witness at a hearing of a Disputed claim, the Receiver is authorized to disclose such additional information to such individual or party as may be required to assist with their participation in the hearing of the Disputed claim. The Receiver is not obligated to provide further disclosure in respect of the Disputed Claim, other than to the Claimant in issue and the Court, without further Order of this Court.


6. **THIS COURT ORDERS** that any party seeking to participate in the hearing of the Disputed Claim, other than those parties invited to participate by the Receiver or Claimant, or any party seeking pre-hearing disclosure other than the claim Material referred to in paragraph 4 above, shall seek the consent of the Receiver and Claimant, and in the absence of the consent of either the Receiver or the Claimant, may apply for a Court Order.



Christina Irwin
Registrar, Superior Court of Justice

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

MAY 18 2010

PER / PAR: 

JAMES HAGGERTY HARRIS
Applicant

and

BELMONT DYNAMIC GROWTH
FUND, an Ontario limited partnership
Respondent

Court File No: 09-8302-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at Toronto

ORDER

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Lawyers for KPMG

APPENDIX E

Court File No. 09-8302-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF AN APPLICATION PURSUANT RULE 14.05(2) OF THE
ONTARIO *RULES OF CIVIL PROCEDURE*, R.R.O. 1990, Reg. 194 AND SECTION 35
OF THE *PARTNERSHIPS ACT*, R.S.O, 1990. c. P.5

AND IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 101 OF
THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C. 43

BETWEEN:

JAMES HAGGERTY HARRIS

Applicant

- and -

BELMONT DYNAMIC GROWTH FUND,
an Ontario Limited Partnership

Respondent

**FIRST REPORT OF
KPMG INC., RECEIVER AND MANAGER OF
BELMONT DYNAMIC GROWTH FUND**

October 19, 2009

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- A. Appointment Order dated August 6, 2009
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I. INTRODUCTION AND BACKGROUND

1. Pursuant to the Order of the Honourable Madam Justice Mesbur of the Ontario Superior Court of Justice (Commercial List) dated August 6, 2009 (the "Appointment Order"), KPMG Inc. was appointed receiver and manager ("Receiver") of the assets, undertakings and properties of Belmont Dynamic Growth Fund (the "Belmont Fund"), an Ontario limited partnership. A copy of the Appointment Order, which among other things, sets out the powers of the Receiver is attached hereto as **Appendix A**. James Haggerty Harris (the "Applicant") made the application pursuant to section 101 of the *Courts of Justice Act*, RSO 1990 c.C.43.
2. The Appointment Order was without prejudice to the right of any interested person to return to court on August 21, 2009 (the "Comeback Hearing") to seek to alter any term of the Appointment Order, including the appointment of the Receiver. If any parties intended to come back for this purpose, they were to provide written notice to the Applicant and the Receiver by August 14, 2009; and deliver their motion materials by the close of business on August 18, 2009. As described below, the Receiver had discussions with Harcourt Investment Consulting AG ("Harcourt") and Omniscope Advisors Inc. ("Omniscope"), and their respective legal counsel, with respect to certain issues potentially to be addressed at the Comeback Hearing. Subsequent to the discussions, the Receiver was advised that neither Harcourt nor Omniscope intended to pursue a motion at the Comeback Hearing.
3. In its Application, the Applicant also sought a Court-supervised dissolution of the Belmont Fund (the "Fund Dissolution"). The Fund Dissolution is to be the subject of a separate court hearing (the "Dissolution Hearing"). The Appointment Order directed that the return date for the hearing of the application in respect of the Dissolution Hearing and certain relief as required would be August 27, 2009, or such other date as is set by the Court upon motion by the Applicant. On August 26, 2009, this Honourable Court adjourned the Dissolution Hearing to a date to be scheduled and approved by the Court in the fall of 2009. A copy of the endorsement is attached hereto as **Appendix B**.
4. The Appointment Order also provides that until further order of this Honourable Court at the Dissolution Hearing or otherwise, the Receiver shall not terminate or consent to the termination of any forward contract or sell or otherwise dispose of any material portion of the Property.
5. The Receiver is relying upon records and information available from the Belmont Fund and from third parties. The Receiver's review of this information does not encompass an audit of the financial position or operating results of the Belmont Fund. In addition, any financial information presented by the Receiver is preliminary and the Receiver is not yet in a position to project the outcome of the administration of the receivership. The Receiver may refine or alter its observations as further information is obtained or is brought to its attention after the date of this report.

6. Capitalized terms not defined in this report are as defined in the Appointment Order. All references to dollars are in Canadian currency unless otherwise noted.

Background to the Receivership

7. The Belmont Fund is an investment fund established as a limited partnership under the laws of Ontario pursuant to an agreement between Belmont Dynamic GP Inc., as general partner (the "General Partner"), and the limited partners (the "Limited Partners" or "Unitholders") of the Belmont Fund dated June 9, 2006 (the "Limited Partnership Agreement"). The Limited Partners are accredited investors and are the unitholders in the Belmont Fund. Unitholders purchased units in either of Canadian dollars ("CAD") or in US dollars ("USD"). The General Partner is responsible for managing day-to-day business of the Belmont Fund.
8. The only undertaking of the Belmont Fund was the investment of its assets. The objective of the Belmont Fund is to provide investors with the return on the Belmont Dynamic Segregated Portfolio ("Segregated Portfolio") of hedge funds existing as a segregated portfolio of Belmont SPC, a segregated portfolio company organized under the laws of the Cayman Islands. The Segregated Portfolio's investment objective is to invest on a leveraged basis in specialized fund of hedge funds managed by Harcourt. Harcourt is the Investment Advisor to the Segregated Portfolio. Alternative Investments Management Ltd, a Barbadian Company affiliated with Harcourt, owns all of the voting shares of the Belmont SPC, and is also the investment manager of the Segregated Portfolio.
9. Exposure to the Segregated Portfolio is obtained by first using the proceeds from the sale of units in the Belmont Fund to acquire two baskets of Canadian common shares (the CAD Share Basket and USD Share Basket, collectively the "Share Baskets") and then entering into two forward purchase and sale agreements (the CAD Forward Contract and the USD Forward Contract, collectively, the "Forward Contracts") with National Bank of Canada (Global) Limited (the "Counterparty").
10. In accordance with the Forward Contracts, the Counterparty has agreed to pay to the Belmont Fund on the maturity date of the Forward Contracts (the "Forward Maturity Date") an amount equal to the redemption proceeds of a notional number of participating shares ("Participating Shares") in the Segregated Portfolio (the "Notional Number of Shares") in exchange for the delivery of the Share Baskets to the Counterparty by the Belmont Fund or an equivalent cash payment at the election of the Belmont Fund. As a result of the Forward Contracts, the Belmont Fund has exposure to the performance of the Segregated Portfolio but it has no direct interest in the Segregated Portfolio.
11. The investment structure, including the Belmont Fund and the Segregated Portfolio, is defined as the "Investment Structure".
12. Harcourt and Omniscope each hold 50% ownership of the outstanding common shares of the General Partner. Omniscope carries on the business of a securities dealer and is registered as a dealer in the category of limited market dealer under the *Securities Act (Ontario)*. Omniscope is wholly owned by Mr. Daniel Nead ("Nead"). Harcourt carries on business as a portfolio manager of funds of hedge

funds with its principal offices located in Zurich, Switzerland. Harcourt's principal shareholder is The Vontobel Group ("Vontobel"), a Swiss private bank headquartered in Zurich, Switzerland.

13. The General Partner has two directors with equal voting rights: (1) Nead, a resident Canadian; and (2) Peter Fanconi ("Fanconi") a resident of Switzerland. Nead is also President and Secretary of the General Partner. Fanconi is Chief Executive Officer of the General Partner, director of Vontobel and former President and Chief Executive Officer of Harcourt.
14. There are 135 Limited Partners, of which 126 are clients of RBC Phillips, Hager & North Investment Counsel Inc. ("RBC PHN") and the remaining are clients of RBC Dominion Securities ("RBCDS"). RBC PHN and RBCDS are collectively referred to as "RBC".
15. On October 31, 2008 Citco Fund Services (Europe B.V.) ("Citco") wrote to the shareholders of the Segregated Portfolio (the "October 31, 2008 Citco Letter") advising that due to the ongoing financial crisis and its impact upon the investment industry, the directors of the Segregated Portfolio had deemed that the continued operation of the Segregated Portfolio was no longer viable and that steps should be taken to realize on the underlying assets of the Segregated Portfolio and to close it down (the "Segregated Portfolio Closing"). The letter also includes notice of a compulsory redemption of the shares in advance of the Segregated Portfolio Closing effective as of October 31, 2008. A copy of the October 31, 2008 Citco letter is attached as **Appendix C**.
16. The Receiver understands that at or around this time, Harcourt advised RBC that the Belmont Fund was no longer viable due to recent market turmoil and that steps would therefore be taken to dissolve the Belmont Fund. Further, the Receiver understands that Harcourt also advised RBC that the Limited Partners were unable to redeem their units of the Belmont Fund at that time because the direct and indirect underlying hedge fund holdings of the Segregated Portfolio that suspended the redemption of their units or shares and/or were gated, as the case may be.
17. In December, 2008, the General Partner provided RBC with a draft notice of a meeting of the Limited Partners. The meeting of the Limited Partners (the "Proposed Meeting") was to be held to consider and approve the dissolution of the Belmont Fund and to appoint the General Partner as the receiver and liquidator of the Belmont Fund in accordance with the terms and conditions of the Limited Partnership Agreement governing the operation of the Belmont Fund. The Proposed Meeting was not convened because of an "impasse" that developed between Harcourt and Omniscope.
18. This impasse has become the subject of a court proceeding involving an application for an oppression remedy under the *Business Corporations Act* (Ontario) that has been made by Harcourt against, among others, the Belmont Fund, the General Partner and Omniscope for the purpose of, among other things, dissolving the Belmont Fund (the "Oppression Application").

19. As a result of these developments, RBC was of the view that the dissolution of the Belmont Fund could not be completed by the General Partner. On July 30, 2009, RBC brought an application (the "Initial Application") to this Honourable Court to appoint the Receiver and for the Dissolution Hearing.

Purpose of this Report

20. The purpose of this first report of the Receiver (the "Report") is to provide this Honourable Court and the stakeholders of the Belmont Fund with a preliminary update on the activities of the Receiver since the date of the Appointment Order (the "Receivership Date") and on the process of the receivership generally. The Receiver seeks to implement a realization plan that is capable of satisfying the ultimate objective of distributing maximum value to the Limited Partners (the "Realization Plan").
21. This Report will describe:
 - the Receiver's summary observations,
 - an overview of the Investment Structure of the Belmont Fund and the Segregated Portfolio,
 - the activities of the Receiver since the date of the Appointment Order,
 - the assets and liabilities of the Belmont Fund and the Segregated Portfolio,
 - certain issues with respect to certain Vontobel redemption requests from the Segregated Portfolio,
 - certain issues arising from the loss incurred by the Counterparty on the termination of certain foreign exchange hedge contracts,
 - the Receiver's recommended claims procedure, and
 - certain of the Receiver's next steps.
22. This Report will provide the evidentiary basis in respect of the Dissolution Hearing by the Applicant, and the Receiver's request to implement a claims process to assist in the ultimate distribution to stakeholders of the Belmont Fund, enroute to the dissolution of the Belmont Fund.

Summary Observations

23. Based on its review of the information and documentation made available to date, the Receiver has following observations:
 - a. given the ongoing wind up efforts of the Segregated Portfolio, the Receiver is not yet in a position to report to the Court with respect to an estimated liquidation value of the Belmont Fund's assets, the timing required to realize on these assets, and timing of potential distributions to creditors and Unitholders;
 - b. there are no liquid assets currently held by the Belmont Fund, available to pay liabilities of the Belmont Fund or to distribute to Unitholders;
 - c. the principal assets of the Belmont Fund are the Forward Contracts, the value of which varies directly with the market value and return of the

Segregated Portfolio. As a result, the value of the Belmont Fund is tied to the value and potential recovery from the Segregated Portfolio; and

- d. the Receiver continues to be uncertain of the value, timing and entitlement to any potential recoveries from the Segregated Portfolio, for a number of reasons, including:
 - i. while there is cash of approximately US\$2.1 million at the Segregated Portfolio level, the liquidation schedules for the Segregated Portfolio prepared by Harcourt estimate that approximately US\$10.6 million will be recovered by the fund over the next three years. The Receiver observes that given the uncertainties in the financial markets, this estimate is subject to change and that any changes could be material;
 - ii. the priority of payments from the Segregated Portfolio has not yet been determined. Matters to be resolved included the priority of payments pursuant to redemption requests made by Vontobel in May and August 2008 and the priority of payment for the loss incurred by the Counterparty as a result of the unwind of a foreign exchange contract loss put in place pursuant to the Forward Contracts;
 - iii. the Receiver has been in discussions with Vontobel, which purchased and invested in the Segregated Portfolio, about the priority of payment of its two redemption requests made in 2008. Discussions with Harcourt and Vontobel are ongoing and are cooperative; and
 - iv. the Receiver has also been in discussions with the Counterparty with respect to the Forward Contracts to determine the size of the alleged foreign exchange loss incurred by the Counterparty on the termination of certain foreign exchange contracts by the Counterparty and to determine the legal basis for paying any such loss, including the priority of payment. Discussions with the Counterparty are ongoing and are cooperative.
24. The Receiver continues to meet with stakeholders and to investigate the Investment Structure. The Receiver plans to make further recommendations and may seek further instruction from the Court after the date of this Report.

II. OVERVIEW OF THE INVESTMENT STRUCTURE OF THE BELMONT AND THE SEGREGATED PORTFOLIO

Investment Structure

25. The material contracts of the Investment Structure include the Limited Partnership Agreement and the Forward Contracts. The Limited Partnership Agreement is attached as **Appendix D**. The Forward Contracts are attached as **Appendix E**.
26. Based on these documents and discussions with stakeholders, the Receiver understands the following to be the material elements of the Investment Structure

(an illustrated overview of the Investment Structure is presented in **Appendix F**, Belmont Dynamic Growth Fund Structure).

- a) Units were sold by way of the Amended and Restated Confidential Offering Memorandum of the Belmont Fund (the “OM”) to accredited investors in Canada. In consideration of their cash investment, a Limited Partner received units of the Belmont Fund. Four classes of units were offered for sale (the “Units”). Each unit represents an equal undivided interest in the net assets of the Belmont Fund attributable to the class of Units. The Class AC Units denominated in Canadian dollars, and the Class AU Units, denominated in US dollars, (collectively, the “Class A Units”) were intended for sale to the clients of registered dealers. Class FC Units, denominated in Canadian dollars, and Class FU Units, denominated in US dollars (collectively, the “Class F Units”) were intended for sale to all other investors. The Class AC Units and the Class FC Units are referred to as the “CAD Units”, and the holders of the units as the “CAD Unitholders.” The Class FC units and the Class FU units are referred to as the “USD Units”, and the holders of the units as the “USD Unitholders.” Collectively, the CAD Unitholders and the USD Unitholders are referred to as the Unitholders.
- b) The proceeds raised from the Unitholders were used to purchase the Share Baskets, baskets of non-dividend-paying Canadian securities listed on the Toronto Stock Exchange, consisting of securities that constitute “Canadian securities” for purposes of section 39(6) of the *Income Tax Act (Canada)*. The proceeds from the CAD Unitholders were invested in Canadian dollar denominated shares. The proceeds from the USD Unitholders were invested in US dollar denominated shares.
- c) The Belmont Fund then entered into the Forward Contracts with the Counterparty. The CAD Forward Contract relates to the investment of the CAD Unitholders and the USD Forward Contract relates to the investment of the USD Unitholders. Certain material aspects of the Forward Contracts are summarized below:
 - i) pursuant to the Forward Contracts, the Counterparty agrees to purchase the Share Baskets from the Belmont Fund on the Forward Maturity Date for an amount (the “Forward Price”), in US dollars, equal to the value of a notional investment, (the “Notional Investment”) in Participating Shares made at the time of, and in an amount equal to, the proceeds from the sale of Units of the Belmont Fund (in the case of CAD Units, converted into US dollars);
 - ii) pursuant to the Forward Contracts, the Counterparty is to pay to the Belmont Fund on the August 1, 2016, or such other date as may be agreed upon, the redemption proceeds of the Notional Number of Shares in exchange for delivery of the Share Baskets to the Counterparty by the Belmont Fund or an equivalent cash payment at the election of the Belmont Fund. In order to fund redemptions of Units by Unitholders and ongoing fees and expenses of the Fund, the

Forward Contracts may be partially settled by the Belmont Fund tendering to the Counterparty securities of the Share Baskets or, at the election of the Belmont Fund, in cash;

- iii) under the terms of the Forward Contracts, the Belmont Fund and the Counterparty have agreed that their settlement obligations under the Forward Contracts with respect to the Share Baskets will be discharged by physical delivery of the securities in the Share Baskets by the Belmont Fund to the Counterparty against cash payment of the Forward Price or, at the election of the Belmont Fund, by the making of cash payments between the parties. The Forward Price may be more or less than the original subscription price of the Units. The Share Baskets have been pledged and are held by the Counterparty as security for the obligations of the Belmont Fund under the Forward Contracts; and
- iv) under the Forward Contracts, the Forward Price may be reduced for all dividends and distributions declared on any securities in the Share Baskets securities and paid to the Belmont Fund as owner of the Share Baskets. If any dividends or distributions are to be received by the Belmont Fund, the Forward Contracts provides that replacement securities acceptable to the Counterparty may, at the Belmont Fund's option, be substituted for shares in respect of which the dividend or distribution has been declared to preserve the value of the Forward Contracts. Alternatively, the Belmont Fund may consider contributing additional securities to the Share Baskets or entering into additional forward, derivative or other transactions.
- d) The Counterparty then executed a short sale (the "Short Sale") of securities equivalent to those comprising the Share Basket and used the proceeds from the Short Sale (the "Short Sale Proceeds") to acquire US dollar denominated Participating Shares. The number of Participating Shares that were acquired by the Counterparty using the Short Sale Proceeds is equal to the Notional Number of Shares.
- e) The CAD Units are denominated in Canadian dollars, while the Segregated Portfolio is denominated in US dollars. Therefore, the CAD Units are exposed to the risk of unfavourable fluctuations in the rate of exchange between the Canadian dollar and the US dollar. This risk was managed through a foreign exchange currency hedge embedded in the Forward Contracts (the "FX Hedge").
- f) 99.999% of the net income or loss from operations of the Belmont Fund for the fiscal year is to be allocated to the Limited Partners in proportion to the class and number of Units owned. Because the Belmont Fund is not a taxable entity, the Limited Partners are taxable on their pro rata share of the Belmont Fund's net investment income, as calculated for income tax purposes, regardless of whether any distributions have been made to the Limited Partner.

- g) The General Partner is entitled to 0.0001% of the net income on loss from operations of the Belmont Fund.
- h) The Segregated Portfolio is a sub-fund of the Belmont SPC. Two classes of Participating Shares have been issued by the Segregated Portfolio, Class A Shares and Class B Shares.
- i) According to the financial statements for the Segregated Portfolio provided by Harcourt, at July 31, 2009, the total number of outstanding Class A Shares of the Segregated Portfolio was 187,142.5472 shares and the total number of Class B shares was 5,478.7870. The Receiver understands that the Counterparty is the holder of these Class A Shares and that the Class B shares are held by five different shareholders, all of which are represented by RBCDS.
- j) Pursuant to the Forward Contracts, the Counterparty prepares, as required the Annex 5 – Final Confirmation of Upward Adjustment (the “Annex 5”), which confirms the number of the shares held by the Counterparty in the Segregated Portfolio. The most recent Annex 5, as at December 3, 2008 attributed to the Forward Contracts was 149,777.5751 Class A shares to the Canadian dollar forward agreement and 38,115.3399 Class A shares to the US dollar forward agreement, for a total of 187,892.9150 Class A shares. The Receiver continues to seek clarification of the difference for the number of outstanding Class A shares held by the Counterparty between the Annex 5 numbers and July 31, 2009 financial statements for the Segregated Portfolio.
- k) In the event the Segregated Portfolio faces liquidity restrictions, the Segregated Portfolio may not be able to dispose of its investments through notional requests to redeem Participating Shares. In such circumstances, the Counterparty is permitted under the Forward Contracts to defer payment of any pre-settlement proceeds to the Belmont Fund (or, on the Forward Maturity Date, the Forward Price) to the extent of any outstanding amounts that would be payable on the proportional Notional Investment as of the pre-settlement date (or the Forward Maturity Date), including distributions or redemption proceeds that would be payable on the Participating Shares held in the Notional Investment. Therefore, the Counterparty may exercise the foregoing right to defer payments under the Forward Contracts which will result in the Belmont Fund’s deferral of the payment of redemption proceeds in respect of Units that have been tendered for redemption.
- l) The supplemental offering memorandum for the Segregated Portfolio provides that the Segregated Portfolio may leverage its investments. The Receiver understands that on November 21, 2007, the Segregated Portfolio purchased a call option (the “Call Option”) from KBC Financial Products UK Limited, agent for KBC Investments Cayman Islands V Limited (collectively “KBC”), for the right to purchase a basket of hedge funds on the expiration of the Call Option. The Receiver understands that the Call Option leveraged the Segregated Portfolio with a multiple of approximately two times. On November 26, 2008, KBC exercised an early termination, pursuant to its rights under the Call Option, which resulted in the termination and settlement of the Call Option.

Other Parties to the Structure

27. The following is a brief description of any parties to the Investment Structure who have not been previously referenced:
- Citigroup Fund Services Canada Inc. (“Citigroup”) – administrative services provider to the Belmont Fund;
 - Accilent Capital Management Inc. (“Accilent”) – investment advisory services provider to the Belmont Fund; and
 - Citco Global Custody N.V. – custodian of the Segregated Portfolio.

III. ACTIVITIES OF THE RECEIVER

28. Since the date of the Appointment Order, the Receiver has undertaken various actions including:
- a) providing notice to various stakeholders pursuant to the Appointment Order;
 - b) establishing a dedicated web-site, email address and telephone number;
 - c) retaining legal counsel for the Receiver;
 - d) taking steps to locate and secure the books and records of the Belmont Fund;
 - e) identifying and generally safeguarding the known assets of the Belmont Fund;
 - f) meeting with parties to obtain background information in respect of the Belmont Fund, the Segregated Portfolio and certain events which occurred prior to the Receivership Date;
 - g) initiating and continuing to take steps to identify the assets of the Belmont Fund and develop the Realization Plan, including:
 - communicating with the Counterparty regarding the Forward Contracts, including the termination of the FX Hedge, and the status of the Share Baskets;
 - communicating with Harcourt regarding the Investment Structure, status and activities of the Segregated Portfolio, including redemption request activity of Vontobel;
 - assessing the investment and financial structures of Belmont Fund and its investments;
 - discussing with other financial institutions that are involved in the Investment Structure; and

- communicating with RBC and McCarthy Tétrault, legal counsel to RBC, regarding the receivership matters.
- h) communicating with key stakeholders regarding the Comeback Hearing and resolution of the same on a consensual basis;
- i) reviewing and authorizing rebalancing transactions of the Share Baskets; and
- j) assessment and development of a proposed claims process in respect of the claims against the Belmont Fund.

Notice to the General Partner and the Limited Partners

29. In accordance with the Appointment Order:
- the Receiver mailed a copy of the Appointment Order to the General Partner on August 14, 2009; and
 - the Receiver confirmed the delivery of notice to the Limited Partners from provided by RBC, in accordance the Appointment Order, on August 6 and 7, 2009. Copies of the notices sent by RBC are attached hereto as **Appendix G**.

Communications with Stakeholders

30. The Receiver has established a website where all Orders issued by this Honourable Court in this matter, and other information, will be posted and updated regularly. The webpage can be found at www.kpmg.ca/belmontfund.
31. In addition, the Receiver has established a dedicated telephone line and email address to receive inquiries from any interested parties. To date, the Receiver has received a limited number of inquiries with respect to the general status of the receivership. The Receiver has contacted or attempted to contact these interested parties. The Receiver has not received or indirectly heard of any objections from any of the Limited Partner with respect to the actions of RBC to undertake the Initial Application, including seeking the appointment of the Receiver.

Retention of Legal Counsel

32. Upon appointment, the Receiver retained Stikeman Elliott LLP of Toronto, Ontario as its legal counsel.

Books and Records

33. Since the date of the Appointment Order, the Receiver has had discussions with Nead, who the Receiver understood to be the primary custodian of the Belmont Fund's books and records with respect to the property and business affairs of the Belmont Fund. On August 8, 2009, the Receiver attended the offices of Nead at 357 Bay Street, Suite 800, Toronto, Ontario (also the principal address of the Belmont Fund) to meet with Nead and take possession and control of the Belmont Fund's books and records. Nead informed the Receiver that certain of the books and records of the Belmont Fund were being held by certain service providers and

advisors to the Belmont Fund and General Partner. Subsequently, the Receiver had further discussions with Nead regarding the activities of the Belmont Fund and the existence of any other books and records of the Belmont Fund. The Receiver continues to receive and review the information provided by and have discussions with Nead regarding the same, and continues to seek Nead's cooperation in ensuring that information in his possession is provided to the Receiver.

34. In addition, on August 11, 2009 the Receiver wrote to Harcourt with respect to the property and business affairs of the Belmont Fund and was informed that the books and records were substantially held by Nead.
35. Furthermore, the Receiver communicated with the following parties, all of which were identified by Nead as service providers or advisors to the Belmont Fund, to inform them of our appointment and request information regarding the existence of any books and records of the Belmont Fund in their possession:
 - PricewaterhouseCoopers LLP ("PWC") – auditors of the Belmont Fund;
 - McMillan LLP ("McMillan") – legal services provider to the Belmont Fund;
 - Citigroup – administrative services provider to the Belmont Fund; and
 - Accilent – investment advisory services provider to the Belmont Fund.
36. In summary, the Receiver received the following responses as at the date of this Report:
 - PWC has informed the Receiver that it is not in the possession of any original books and records of the Belmont Fund;
 - McMillan has provided the Receiver with electronic copies of certain agreements, contracts and other relevant documents of the Belmont Fund and General Partner with respect to activities of the Belmont Fund;
 - The Receiver has been in correspondence with Citigroup since the Receivership Date in order to determine what information and records Citigroup has and what services Citigroup has been providing to the Belmont Fund. The Receiver has obtained limited information from Citigroup including summary information with respect to the Unitholders, portfolio activity and net asset value calculations. The Receiver understands that the Administrative Services Agreement between Citigroup, the General Partner and the Belmont Fund recently expired. On October 16, 2009, the Receiver discussed with Citigroup the scope of services provided by Citigroup. Given that the Receiver expects on an ongoing basis to be responsible for paying the liabilities of the Belmont Fund and for any future distributions to Unitholders, Citigroup and the Receiver have agreed that the Administrative Services Agreement does not need to be continued.
 - Once a client is no longer to be active on Citigroup's system, it is Citigroup's practice to under take a deconversion process and send all of its

original documents, both in paper and electronic form, to the client. Citigroup has asked the Receiver to confirm that the Receiver will not be requiring the services, pursuant to the Administrative Services Agreement, of Citigroup. Upon receipt of this letter, Citigroup will begin its deconversion process with respect to the Belmont Fund. The Receiver further understands that upon receipt of the letter from the Receiver, that all of the Citigroup books and records should be sent to the Receiver within two weeks.

- Accient has informed the Receiver that it is not in possession of any of the Belmont Fund's books and records.
37. The Receiver continues to have discussions with the above mentioned parties, and others as required, as new information is received. The Receiver also continues to gather and review information and records relating to the Belmont Fund.

Identifying Assets of the Belmont Fund

38. According to the OM, the only investments of the Belmont Fund are to be the Share Baskets, the Forward Contracts, and cash and cash equivalents.
39. As previously discussed, the Share Baskets are pledged to the Counterparty. The principal asset of the Belmont Fund is the Forward Contracts. The value of the Forward Contracts is based on the market value of the Notional Investment. Therefore, the value of the Forward Contracts varies directly with the market value and return of the Segregated Portfolio. As a result, the value of the Belmont Fund is tied to the value of and potential recovery from the Segregated Fund.
40. As at the Receivership Date there was no cash held by the Belmont Fund. The Receiver understands that there are no bank accounts registered in the name of the Belmont Fund. However, the General Partner maintained trust and commissions accounts (denominated in Canadian and US dollars) at Royal Bank of Canada, on behalf of the Belmont Fund. Citigroup has informed the Receiver that these accounts were frozen by Royal Bank of Canada due to inactivity and mounting service fees. As the Receivership Date, the balances in these accounts were nominal.
41. The Receiver continues to compile information in respect of the value of the assets of the Belmont Fund, as well as the underlying value of the Segregated Portfolio, as well as potential claims against the fund, as outlined in greater detail below.

Meeting with Various Parties to Obtain Background Information Regarding the Belmont Fund and the Segregated Portfolio

42. The Receiver communicated with a variety of parties since its appointment to seek background information regarding the Belmont Fund and the Segregated Portfolio. This has permitted the Receiver to assess what assets exist and what actions must be undertaken in order to be in a position to ultimately repatriate the value to the Belmont Fund and distribute such value to the Unitholders of the Belmont Fund. These discussion and actions are discussed in further detail below.

43. Since the date of the Appointment Order, the Receiver has reviewed documents and held discussions with Nead, the Counterparty, RBC and other key stakeholders to discuss the property and business affairs of the Belmont Fund.
44. Given the indirect interest of the Belmont Fund in the value of the Segregated Portfolio, the Receiver has also undertaken steps to review the structure and value of the Segregated Portfolio. The Receiver has had discussions with the following parties, to inform them of our appointment, and request information regarding the Segregated Portfolio:
- Harcourt – in its capacity as portfolio advisor to the Segregated Portfolio; and
 - Citco – administrator of the Segregated Portfolio.
45. The Receiver has communicated with the Cayman Islands regulatory authority (the “Cayman Regulator”) with respect to our appointment as Receiver and disclosed the Belmont Funds’ relationship with the Segregated Portfolio, which is under the authority of the Cayman Regulator.
46. The Cayman Regulator subsequently responded requesting of the Receiver any further information with respect to breaches or adverse conditions with respect to Belmont SPC which become known to the Receiver. The Receiver will continue to communicate with and update the Cayman Regulator as appropriate during the course of the Receivership.
47. In summary, the Receiver received the following responses as at the date of this Report:
- The Receiver has had several discussions and email exchanges with Harcourt regarding the Belmont Fund and the Segregated Portfolio since the date of the Appointment Order. Harcourt has provided the Receiver with relevant agreements and other information schedules specifically relating to the Segregated Portfolio, including but not limited to liquidity analysis, redemption activity and the termination of the Call Option. The Receiver continues to review the information provided and have discussions with Harcourt regarding the same.
 - Citco has not responded directly to the Receiver. However, Harcourt has agreed to liaise with Citco regarding specific information requests made by the Receiver.
 - In addition to seeking background information in respect of the Segregated Portfolio, the Receiver has identified potential areas which may affect the underlying value of the Segregated Portfolio and therefore the value of the Belmont Fund: a) the redemption requests by Vontobel; and b) the Foreign exchange loss claimed by the Counterparty. The Receiver continues to investigate, discuss and seek potential resolution of these issues.
 - The Receiver has also expressed concerns regarding potential actions which could be detrimental to the value of the Belmont Fund to Harcourt, specifically

the potential payment of a redemption request to Vontobel. In response, Harcourt has confirmed that all redemption payments from the Segregated Portfolio have been frozen. Specifically, Harcourt has undertaken not make any payments on the Second Vontobel Redemption Request (as defined below). Harcourt also advises that no redemption requests were accepted after September 30, 2008 by the Segregated Portfolio.

Resolution of Comeback Motion

48. Prior to the date scheduled for the Comeback Hearing, the Receiver and its legal counsel had discussions with Harcourt and Omniscope, and their respective legal counsels, with respect to certain issues potentially to be addressed at the Comeback Hearing. Prior to the deadline prescribed by the Court, Harcourt advised the Receiver that it did not intend on pursuing any comeback motion at Comeback Hearing.
49. Initially, Omniscope raised specific concerns relating to (1) the portion of the Oppression Application relating to potential Vontobel redemption requests, (2) certain fees being claimed by Nead and/or Omniscope and the determination of such claims; and (3) clarification regarding the nature and extent of the Receiver's charge. The Receiver was able to confirm that first two issues were under consideration by the Receiver and would be addressed in due course during the administration of the receivership. The third issue was clarified to Omniscope's satisfaction. Subsequently, Omniscope advised the Receiver that it did not intend on pursuing a comeback motion without prejudice to seeking further direction on process and timing to review the fees claim. No other parties contacted the Receiver regarding the possible pursuit of a comeback motion.

Share Baskets Transactions

50. As previously discussed, proceeds from the Belmont Fund's offering of units were used to acquire the Share Baskets, which are pledged to the Counterparty subject to the Forward Contracts.
51. On August 17, 2009, the Counterparty advised the Receiver that Kinross Gold Corporation shares ("Kinross") a security held in both the CAD and USD Share Baskets, had declared a dividend, and at the ex-dividend date of September 21, 2009, would cease to be a Canadian Security for the purposes of subsection 39(6) of the *Income Tax Act* (Canada). The Counterparty requested that in both the CAD and USD Share Baskets that the Kinross shares be replace with Teck Cominco B shares ("Teck") (the "Teck Substitution"). The intent of the Teck Substitution was to remove the Kinross shares from the Belmont Fund before the ex-dividend date and substitute with a comparable investment. Substitution of shares is governed by the Forward Contracts, specifically, Section 7 Adjustments and Extraordinary Events.
52. On September 4, 2009, the Receiver approved the Teck Substitution. From both the CAD and USD Share Baskets, 8,322 and 25,535 shares respectively, of Kinross shares were sold. For both the CAD and USD Share Baskets, 7,516 and 23,028 shares respectively, of Teck shares were purchased. The transaction resulted in a

realized capital gains of approximately \$275,000. Pursuant to the OM, any net income or loss from operations, including realized and unrealized gains/losses on investments are to be allocated to Limited Partners on an annual basis. The Receiver will determine the appropriateness tax treatment of the gain arising from the Teck Substitution and will report, as necessary, to the Unitholders and the General Partner.

53. The Receiver has not reviewed any prior share substitutions in the Share Baskets. According to Citigroup, there is a cumulative net capital loss of approximately \$1.3 million as a result of similar basket change transactions since inception of the Belmont Fund. The Receiver will follow-up with the Counterparty to determine if, in addition to the Teck Substitution, there are net gains/losses on investments that need to be reported to the Unitholders and the General Partner.

IV. THE BELMONT FUND

Assets

54. As outlined above, the value of the Belmont Fund is derived from the Share Baskets, the Forward Contracts, and cash and cash equivalents, and indirectly the market value and return of the Segregated Portfolio. As a result, the value of the Belmont Fund is tied to the value of and potential recovery from the Segregated Portfolio (as further described herein).
55. As outlined above, the Share Baskets are pledged to the Counterparty. The principal asset of the Belmont Fund is the Forward Contracts. The value of the Forward Contracts is based on the market value of the Notional Investment. Therefore, the value of the Forward Contracts varies directly with the market value and return of the Segregated Portfolio. As a result, the value of the Belmont Fund is tied to the value of and potential recovery from the Segregated Portfolio.

Unitholdings in the Belmont Fund and Liabilities of the Belmont Fund

56. The Receiver continues to be uncertain of the total liabilities of the Belmont Fund with respect to the Unitholders, and creditors and other claimants (“the Creditors”). The Receiver has not determined any reasons not to rely on the books, records and client statements of RBC (the “RBC Unitholder Records”) to determine the amounts invested by the Unitholders, including the number of Units held, the Receiver is of the view that the most effective method of determining the Creditor liabilities is to implement a claims procedure, as further described herein.
57. Based on the records available to the Receiver from RBC and Citigroup, the Receiver has identified that the number of units held by the Unitholders at the Receivership Date were as follows:

Class of Units	Number of units	Initial investment ('000s)
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Class AC (CDN)	4,500.0	\$450.0
Class FC (CDN)	152,958.9	\$16,496.7
Class FU (USD)	38,123.3	\$4,040.0

58. While the Limited Partnership Agreement provides that the General Partner may acquire Units in the Belmont Fund, it is the Receiver's understanding that the General Partner does not hold any Units.
59. The Receiver understands that the Belmont Fund's liabilities may include amounts owed to certain service providers or parties in the Investment Structure.
60. The OM describes the following fees and costs which are the responsibility of the Belmont Fund:
- a monthly administration fee to be paid to the General Partner (the "Administration Fee") to compensate the General Partner for the costs incurred in administering the Belmont Fund and to pay any applicable trailer fees or other dealer compensation fees;
 - a annual fee due to the Counterparty, payable quarterly in arrears (the "Forward Fee");
 - costs associated with the FX Hedge (the "FX Hedge costs"); and
 - other expenses incurred in the ordinary course of the administration of the fund, including but not limited to, custodian, audit, legal, advisory and other related administration fees.
61. On October 16, 2009, Citigroup advised the Receiver that it has not received payment for its administrative services rendered for at least one year. The amount owing to Citigroup has not yet been confirmed by the Receiver.
62. In addition, the Receiver understands that the Belmont Fund may also have amounts owing to creditors with respect to unpaid trailer fees. The balances outstanding have not yet been confirmed by the Receiver.
63. In addition, the Receiver has received a claim from Nead/Ominiscope for \$558,799.58 for fees and expenses. The Receiver is reviewing the claim and will incorporate this claim into the claims procedure proposed below.
64. At this time, the Receiver is only in a position to identify potential claims and the potential priorities of those claims against the Belmont Fund; however, the Receiver does not have funds available to satisfy any amounts due to Unitholders and Creditors at this time, pending the repatriation of value from the Segregated Portfolio to the Belmont Fund.

Net Asset Value (“NAV”)

65. As discussed above the Receiver continues to be uncertain about the value of the total assets of the Belmont Fund and the amount of the total liabilities of the Belmont Fund. As a result, the Receiver is not in a position to calculate a NAV for the Belmont Fund.
66. The most recent NAV for the Belmont Fund was calculated by the Citigroup as at September 30, 2008. The table below is a summary of the September 30, 2008 NAV calculated by Citigroup for each class of Unitholder:

September 30, 2008	Total net assets value ('000s)	Number of units	NAV per unit
Class AC (CAD)	\$288.4	4,500.0	\$64.09
Class FC (CAD)	\$10,984.7	152,958.8	\$71.81
Class FU (USD)	\$2,780.2	38,123.2	\$72.92

67. **The Receiver observes that the September 30, 2008 NAV for the Belmont Fund is not necessarily indicative of the ultimate realizations available to the Unitholders, and that the current NAV for the Belmont Fund may be significantly less than the September 30, 2008 NAV.** The principal asset of the Belmont Fund is the Forwards Contracts, the value which varies directly with the market value and return of the Segregated Portfolio. Based upon information provided by Harcourt, the NAV of the Class A Shares of Segregated Portfolio (the “Class A NAV”) has fluctuated significantly since August 31, 2008. For example,
- at August 31, 2008, the Class A NAV was approximately US\$21.3 million;
 - at February 28, 2009, approximately US\$12.8 million; and
 - at July 31, 2009, approximately US\$10.2 million.

The Receiver had not recalculated the Class A NAV calculation; however, it is worth noting that the Receiver understands that the Class A NAV calculation above reflect the Second Vontobel Redemption Request (as defined and further described below) as a liability of the Segregated Portfolio, therefore reducing the NAV. Should the Second Vontobel Redemption Request be withdrawn, this will have an effect on the Class A NAV, and ultimately the NAV at the Belmont Fund level.

68. The most recent audited financial statements for the Belmont Fund are for the period ending December 31, 2007, attached hereto as **Appendix H**.

V. THE SEGREGATED PORTFOLIO

Segregated Portfolio Closing and Realization of Assets of Segregated Portfolio

69. Harcourt is overseeing the winding up of the Segregated Portfolio. Further to this, Harcourt provided the Receiver with a liquidity analysis which extends to the fourth quarter 2011 and beyond. The Receiver has requested regular updates in respect of the windup of the Segregated Portfolio and continues to collect any relevant supporting information with request to liquidity of the Underlying Funds of Funds (as defined below) from Harcourt.
70. The Segregated Portfolio is invested in various fee-free classes of specialized funds of hedge funds that are also managed by Harcourt (the "Underlying Funds of Funds"). The Receiver understands that the Segregated Portfolio was invested in the following fund of funds as at July 2009:
- Belmont Asset Based Lending Ltd. Belmont Asset Based Lending Ltd,
 - Belmont Asia Ltd. Nov08-Redemption Share Class,
 - Belmont Fixed Income Sep08-Redemption Share Class,
 - Belmont Fixed Income Nov08-Redemption Share Class,
 - Belmont Fixed Income Dec-08-Redemption Share Class, and
 - Belmont Latin America Ltd. Nov08-Redemption Share Class.
71. The Receiver obtained the July 31, 2009 financial statements for the Segregated Portfolio from Harcourt on September 24, 2009, which are attached as **Appendix I**. According to these financial statements the NAV of the Segregated Portfolio as at June 30, 2009 is US\$10,180,024, calculated as follows:

Fund Investments (Cost \$12,030,420)	US\$ 9,615,920
Cash	655
Dues from Brokers	1,714,803
Receivable for sold investments	349,062
Receivable from Belmont ABL	<u>1,247,985</u>
Total Assets	12,478,424
Less payables and accrued expenses	(35,500)
Payable to Vontobel for Repurchase of Participating Shares *	<u>(2,262,900)</u>
Net Assets	<u>US\$ 10,180,024</u>

*The July 31, 2009 financial statement treat the Second Vontobel Redemption Request payable to Vontobel of \$2,262,900 is the amount Harcourt says is payable to Vontobel for the Second Vontobel Redemption Request. As discussed above, the Receiver observes that the treatment and priority of payment of the Second Vontobel Redemption Request will affect the ultimate realization for the Unitholders

72. As at July 31, 2009, the reported total value of the Class A shares was approximately US\$9.9 million. The total value of the Class B shares was approximately US\$250,000.

73. As at August 21, 2009, as a result of distributions from the funds underlying the Segregated Portfolio, the total cash held in the Segregated Portfolio had increased to approximately US\$2.1 million, from US\$655,000 at July 31, 2009. The Receiver obtained confirmation of the cash balance from Citco.
74. For the investment management services that Harcourt provides to the Segregated Portfolio, Harcourt is entitled to receive a monthly management fee and a performance fee based on a percentage of the Segregated Portfolio's NAV, which the Receiver understands is calculated based on the equity in the Segregated Portfolio and is not based on the leveraged value of the Segregated Portfolio.
75. Subject to certain requirements, the Segregated Portfolio is to pay Harcourt a performance fee which is based on a percentage and is calculated and paid quarterly (the "Performance Fee"). The Receiver understands that where a net shortfall amounts arises in a subsequent fiscal year, Harcourt is not required to return the Performance Fee paid in respect of a prior period. Harcourt has advised the Receiver that no Performance Fees are outstanding and that given the financial performance of the Segregated Portfolio, Harcourt does not expect to earn any Performance Fees in the future.

Additional issues which may affect underlying values of Segregated Portfolio and therefore the Belmont Fund

76. The Receiver has, to date, identified two potential areas which may affect the underlying values of the Segregated Portfolio and the Belmont Fund, and which the Receiver continues to investigate:
 - a) the Vontobel redemption requests; and
 - b) the alleged foreign exchange hedge loss claimed by the Counterparty.

Vontobel Seed Capital and Redemption Requests

77. In August 2006, Vontobel invested seed capital in the Segregated Portfolio, with a subscription of 50,000 Class A Shares for US\$5 million (the "Seed Capital"). The Receiver understands from discussions with Harcourt that they invested the Seed Capital around the time that the Investment Structure was set up. An objective of investing the Seed Capital was to increase the asset base of the Investment Structure to spread out the costs of the Investment Structure. Harcourt further advised the Receiver that the objective of spreading out the costs of the Investment Structure and did not depend on whether the Seed Capital was invested in the Segregated Portfolio or in the Belmont Fund. Harcourt further advised the Receiver that, generally speaking, seed money injections into any particular investment fund by Vontobel are removed as once the investment fund reaches a size to support the cost structure of the fund.
78. Harcourt advised the Receiver that sometime in May 2008 that Vontobel made the decision to withdraw the Seed Capital from the Segregated Portfolio. The decision was made to withdraw the Seed Capital in two installments. Further to this, Vontobel submitted a redemption request to Citco for 20,000 of its Class A shares

on May 9, 2008 (the “First Vontobel Redemption Request”) to be redeemed using June 30, 2008 as the NAV date. The Receiver has received confirmation of the First Vontobel Redemption Request from Harcourt which is attached hereto as **Appendix J**. The Receiver understands from Harcourt that US\$2 million was paid to Vontobel on August 4, 2008.

79. Based on documents provided by Harcourt, the Receiver understands that on June 23, 2008, Vontobel requested that the custodian for its shares in the Segregated Portfolio, SIS SegalInterSettle AG (“SIS”), make a redemption request for the balance of Vontobel’s investment in the Segregated Portfolio (the “Second Vontobel Redemption Request”) for a trade date at the end of September. SIS placed the Second Vontobel Redemption Request to Citco on August 5, 2008. The confirmation for the Second Vontobel Redemption Request from Citco dated August 5, 2008, attached hereto as **Appendix K**, indicates that the trade date was to be October 1, 2008, based on the September 30, 2008 NAV for the Segregated Portfolio, with a settlement date of October 30, 2008. Based on information provided by Harcourt, with the September 30, 2008 NAV of approximately US\$75.43 per unit, the redemption amount claimed by Vontobel is US\$2,262,900, which would result in a loss by Vontobel of approximately US\$700,000 on its US\$2 million investment.
80. The Receiver understands that no amounts have been paid to Vontobel with respect to the Second Vontobel Redemption Request. As previously mentioned, Harcourt has confirmed that all redemption payments have been frozen and pending discussions with the Receiver has undertaken not to pursue receiving payment of the Second Vontobel Redemption Request. If Vontobel had been paid out for the Second Vontobel Redemption Request, based on the September 30, 2008 NAV for the Belmont Fund of approximately US\$75.43 per unit, it would have received US\$2,262,900.
81. The two Vontobel redemption requests were the subject of a proposed derivative claim within the Oppression Application (the “Redemption Claim Application”). In the Appointment Order, the Court ordered that the Redemption Claim Application was to be addressed by the Receiver and the Court hearing the Dissolution Hearing. The Receiver continues to investigate the claims in the Redemption Claim Application and is in discussions with Harcourt and Vontobel with respect to a potential resolution thereof. Matters being discussed between the Receiver and Harcourt include the priority of any amounts due, if any, to Vontobel with respect to the Second Vontobel Redemption Request, including:
- i. whether Vontobel should be paid US\$2,262,900 from the Segregated Portfolio for the repurchase of its Class A shares pursuant to the Second Vontobel Redemption Requests in priority to any distributions to any other shareholders in the Segregated Portfolio;
 - ii. whether the timing of the Vontobel request results in Vontobel being considered a creditor versus holding an equity position as a holder of Class A Shares, at the date of the decision to wind up the Segregated Portfolio; or

- iii. whether Vontobel should be considered to still hold 30,000 Class A shares and receive distributions from the Segregated Portfolio on a *pari passu* basis with other shareholders in the Segregated Portfolio.
82. The Receiver believes that the ongoing discussions with Harcourt and Vontobel in respect of the redemption requests are productive and seeks to continue discussions as well as its ongoing investigation. The Receiver shall continue to update the Court in respect of the Redemption Claim Application.

Unwind of the FX Hedge and Counterparty's claim to foreign exchange loss

83. On April 22, 2009, the Counterparty terminated the FX Hedge as contemplated by the OM ("FX Termination") based on the occurrence of a triggering event. The Counterparty advises the Receiver that it suffered a loss on termination of the foreign exchange hedge totaling approximately US\$2.5 million (the "FX Loss").
84. The Receiver and legal counsel for RBC met with representatives of the Counterparty on August 31, 2009 at which time the Counterparty explained the mechanics of the calculation of the FX Loss. The Receiver has also received supporting documents from the Counterparty to support the calculation of the loss on the termination of the FX Hedge.
85. The Counterparty has settled US\$2.5 million to its counterparty to the FX hedge (the "FX Hedge Counterparty"). In the normal course, the Counterparty would sell shares in the Segregated Portfolio to raise the funds to settle with the FX Hedge Counterparty, by sending a redemption request to the Segregated Portfolio to redeem sufficient shares to receive US\$2.5 million. The Counterparty advises the Receiver, however, that it did not submit a redemption request for the FX Termination.
86. The Receiver continues to collect and review information with respect to priorities associated with the loss on termination of the foreign exchange hedge and is not yet in a position to present its view in this matter. The Receiver is continuing its review of this issue, as well as continuing discussion with the Counterparty in respect of potential determination and/or resolution of this issue, and will continue to update the Court in respect of its progress in addressing this issue. Matters which the Receiver continues to investigate include:
- a. whether the Counterparty is entitled to be reimbursed for the FX Loss, and if so whether the Counterparty is to be reimbursed in cash or with Participating Shares;
 - b. if the Counterparty is to be reimbursed with Participating Shares, what is the appropriate number of shares;
 - c. if the Counterparty is to be reimbursed in cash, what is an appropriate amount and what is the Counterparty's priority for payment; and,

- d. determine the impact of the FX Loss on the Unitholders, in particular the CAD Unitholders. As discussed above, the FX Hedge was placed to reduce the foreign exchange risk of the CAD Unitholders.

VII. CLAIMS PROCEDURE

Creditors and Other Claimants

87. The Receiver is of the view that it is advisable and prudent to implement a claims procedure as soon as possible in order to
 - identify and quantify the claims of creditors and other claims against the Belmont Fund as at the Receivership Date;
 - eliminate the need to go back to Court at a future date to have a claims procedure put in place; and
 - to be in a position to expedite any distribution of the Belmont Fund's assets to the creditors/claimants and Limited Partners at the appropriate time.
88. The Receiver recommends that creditors and any other claimants complete a prescribed proof of claim form ("Proof of Claim") in a format similar to that utilized in a bankruptcy proceeding, substantially in the form attached to the draft Order attached to the Motion Record.
89. The Receiver shall send a Proof of Claim form, and any other materials as the Receiver considers necessary or appropriate, to each of the Belmont Fund's known creditors.
90. The Receiver shall publish a notice to creditors and any other claimants against the Belmont Fund, substantially in the form attached to the draft Order attached to the Motion Record, on the Receiver's website at www.kpmg.ca/belmontfund and in the following publications on one occasion: (1) The Globe & Mail (National Edition); and (2) La Presse.
91. The Receiver shall send a copy of the Proof of Claim, and any other materials as the Receiver considers necessary or appropriate, to any other party upon a request of such materials as soon as practicable.
92. The Receiver recommends that this Honourable Court establish a claims bar date of 4:00 p.m. (Eastern Standard Time) on December 5, 2009 for the filing of Proofs of Claim with the Receiver, failing which, all claims against the Companies are forever barred and extinguished.
93. The Receiver may disallow any proof of claim of a creditor or claimant, in whole or in part, by issuing a Notice of Disallowance, substantially in the form attached to the draft Order attached to the Motion Record. The Receiver will issue its Notices of Disallowance prior to any distribution.

94. Any claimant may appeal any disallowance of its claim by delivering a Notice of Appeal, substantially in the form attached to the draft Order attached to the Motion Record, within 30 calendar days from the receipt of a Notice of Disallowance failing which, the claim will be forever barred and extinguished.

Unitholders

95. The Limited Partners will not be required to submit a Proof of Claim in respect of their claims as unitholders of the Belmont Fund. With respect to the equity claims of and on behalf of Unitholders, in lieu of requiring formal proofs of claims to be filed by the Unitholders in respect of their equity claims, the Receiver intends to rely on RBC Unitholder Records. If required, the Receiver may seek further advice and direction of the Court in respect of Unitholders' claims.
96. RBC is to send to all Unitholders a notice, substantially in the form attached as **Appendix L** ("Unitholder Notice"), to each Unitholder within fourteen calendar days of this Order. The Unitholder Notice advises the Unitholders that they are not being requested by the Receiver to submit a proof of claim to the Receiver with respect to their investment in the Belmont Fund and that the Receiver is relying upon the RBC Unitholder Records. Unitholders are further advised that if they wish details of the information relating to their units, as submitted to the Receiver by RBC, they are to contact either the Receiver or RBC.
97. The Receiver believes it is appropriate to rely on the RBC Unitholder Records for the following reasons:
 - a. RBC sends a client statement, which include details of the number of units held, to each Unitholders on a monthly and/or quarterly basis. Unitholders have the opportunity to report any discrepancies to RBC;
 - b. RBC has historically reconciled its RBC Unitholder Records with the quarterly and monthly reports prepared by the fund administrator and/or custodian, which include information as to the units held by each unitholder; and
 - c. through the Unitholder Notice, the Unitholders are being advised that the Receiver is relying upon the RBC Unitholder Records.

VIII. NEXT STEPS

Dissolution Hearing

98. The Dissolution Hearing was originally scheduled for August 27, 2009. At the request of the Receiver, with the consent of RBC the hearing was postponed in order that the Receiver be given additional time to accumulate and review relevant information and prepare options for the Dissolution Hearing. The Dissolution Hearing is now returnable October 21, 2009.

99. The order to be sought during the Dissolution Hearing (the “Dissolution Order”) seeks to permit the Fund Dissolution to be effected upon the filing by the Receiver of a certificate that confirms that the Receiver has completed its realization on all of the Belmont Fund’s property and distributed the proceeds of such realization to the persons entitled to receive such distributions.
100. Prior to being in a position to issue such a certificate, the Receiver will have to complete a number of tasks in respect of the realization of the Belmont Fund, including but not limited to:
- a. finalizing a review of the financial position of the Belmont Fund and the Segregated Portfolio;
 - b. completing determinations and/or resolutions in respect of the Vontobel redemption request and the Counterparty’s foreign exchange loss claim;
 - c. determining what steps must be required to repatriate the funds from the Segregated Portfolio, once available;
 - d. determining whether such repatriation will be effected through the use of the Forward Contracts presently in place, or through the collapse of such contracts, whereby the Belmont Fund could be a direct holder of Participating Shares, thereby removing the Counterparty from the Investment Structure. Such a determination will required a review of potential fee/cost savings, tax consequences and other matters that are associated with a decision to collapse the Forwards Contracts; and
 - e. calling for and determination of any claims against the Belmont Fund, and the priorities associated with such claims.
101. As part of its mandate in determining the next steps required to effect the dissolution of the Belmont Fund, it would benefit the Receiver to have the restriction previously imposed in paragraph 4 of the Appointment Order lifted, such that the Receiver shall have the authority and direction needed to effect the interim steps required to effect the dissolution of the Belmont Fund.
102. The Receiver may also seek the advice and direction of the Court in the course of undertaking the interim steps and will also return to the Court at such time as it is prepared to recommend and seek authority to distribute the assets of the Belmont Fund to the various stakeholders.

RESPECTFULLY SUBMITTED,

Dated the 19th day of October, 2009.

KPMG INC.

In its capacity as Court-appointed
receiver and manager of
Belmont Dynamic Growth Fund

A handwritten signature in black ink, reading "Elizabeth J. Murphy". The signature is written in a cursive style with a large initial "E" and a long, sweeping underline.

JAMES HAGGERTY HARRIS

and

Applicant

BELMONT DYNAMIC GROWTH
FUND, an Ontario limited partnership

Respondent

Court File No: 09-8302-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at Toronto

**FIRST REPORT OF KPMG INC., RECEIVER
AND MANAGER OF BELMONT DYNAMIC
GROWTH FUND**

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APPENDIX F

Court File No. 09-8302-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF AN APPLICATION PURSUANT RULE 14.05(2) OF THE
ONTARIO *RULES OF CIVIL PROCEDURE*, R.R.O. 1990, Reg. 194 AND SECTION 35
OF THE *PARTNERSHIPS ACT*, R.S.O. 1990. c. P.5

AND IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 101 OF
THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C. 43

BETWEEN:

JAMES HAGGERTY HARRIS

Applicant

- and -

BELMONT DYNAMIC GROWTH FUND,
an Ontario Limited Partnership

Respondent

**SECOND REPORT OF
KPMG INC., RECEIVER AND MANAGER OF
BELMONT DYNAMIC GROWTH FUND**

April 30, 2010

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- B. Amended Appointment Order dated October 21, 2009
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- D. Claims Procedure Order dated October 21, 2009
- E. First Reporting Letter to Investors dated February 24, 2010
- F. Notice to Creditors and Any Other Claimants dated October 30, 2009
- G. Unitholder Notice dated October 26, 2009
- H. Proposed Claims Determination Order

INTRODUCTION

Appointment of the Receiver

1. Pursuant to the Order of the Honourable Madam Justice Mesbur of the Ontario Superior Court of Justice (Commercial List) dated August 6, 2009 (the "Appointment Order"), KPMG Inc. was appointed receiver and manager (the "Receiver") of the assets, undertakings and properties of Belmont Dynamic Growth Fund (the "Belmont Fund"), an Ontario limited partnership. A copy of the Appointment Order, which among other things, sets out the powers of the Receiver is attached hereto as **Appendix A**. James Haggerty Harris (the "Applicant") made the application pursuant to section 101 of the *Courts of Justice Act*, RSO 1990 c.C.43.
2. The Appointment Order was amended by Order of the Honourable Madam Justice Hoy on October 21, 2009 (the "Amended Appointment Order"), a copy of which is attached as **Appendix B**.

Background

3. The Belmont Fund is an investment fund established as a limited partnership under the laws of Ontario pursuant to an agreement between Belmont Dynamic GP Inc., as general partner (the "General Partner"), and the limited partners (the "Limited Partners" or "Unitholders") of the Belmont Fund dated June 9, 2006 (the "Limited Partnership Agreement" or "LPA"). The Limited Partners are accredited investors and are the unitholders in the Belmont Fund. Unitholders purchased units denominated in either of Canadian dollars or in US dollars. The General Partner was responsible for managing the day-to-day business of the Belmont Fund.
4. The only undertaking of the Belmont Fund was the investment of its assets. The objective of the Belmont Fund was to provide investors with the return on the Belmont Dynamic Segregated Portfolio ("Segregated Portfolio") of hedge funds existing as a segregated portfolio of Belmont SPC, a segregated portfolio company organized under the laws of the Cayman Islands. The Segregated Portfolio's investments were made on a leveraged basis in specialized fund of hedge funds managed by Harcourt Investment Consulting AG ("Harcourt"). Harcourt is the Investment Advisor to the Segregated Portfolio. Alternative Investments Management Ltd, a Barbadian Company affiliated with Harcourt, owns all of the voting shares of the Belmont SPC, and is also the investment manager of the Segregated Portfolio.
5. Exposure to the Segregated Portfolio is obtained by first using the proceeds from the sale of units in the Belmont Fund to acquire two baskets of Canadian common shares (the CAD Share Basket and USD Share Basket, collectively, the "Share Baskets") and then entering into two forward purchase and sale agreements (the CAD Forward Contract and the USD Forward Contract, collectively, the "Forward Contracts") with National Bank of Canada (Global) Limited (the "Counterparty").
6. In accordance with the Forward Contracts, the Counterparty has agreed to pay to the Belmont Fund on the maturity date of the Forward Contracts (the "Forward Maturity Date") an amount equal to the redemption proceeds of a notional number of participating

shares ("Participating Shares") in the Segregated Portfolio (the "Notional Number of Shares") in exchange for the delivery of the Share Baskets to the Counterparty by the Belmont Fund or an equivalent cash payment at the election of the Belmont Fund. As a result of the Forward Contracts, the Belmont Fund has exposure to the performance of the Segregated Portfolio but it has no direct interest in the Segregated Portfolio.

7. The investment structure, including the Belmont Fund and the Segregated Portfolio, is defined as the "Investment Structure".
8. Harcourt and Omniscope Advisors Inc. ("Omniscope") each hold 50% ownership of the outstanding common shares of the General Partner. Omniscope carries on the business of a securities dealer and is registered as a dealer in the category of limited market dealer under the *Securities Act* (Ontario). Omniscope is wholly owned by Mr. Daniel Nead ("Nead"). Harcourt carries on business as a portfolio manager of funds of hedge funds with its principal offices located in Zurich, Switzerland. Harcourt's principal shareholder is The Vontobel Group ("Vontobel"), a Swiss private bank headquartered in Zurich, Switzerland.
9. The General Partner has two directors with equal voting rights: (1) Nead, a resident Canadian; and (2) Peter Fanconi ("Fanconi") a resident of Switzerland. Nead is also President and Secretary of the General Partner. Fanconi is Chief Executive Officer of the General Partner, a director of Vontobel and former President and Chief Executive Officer of Harcourt.
10. There are 135 Limited Partners, of which 126 are clients of RBC Phillips, Hager & North Investment Counsel Inc. ("RBC PHN") and the remaining are clients of RBC Dominion Securities ("RBCDS"). RBC PHN and RBCDS are collectively referred to as "RBC".
11. On October 31, 2008 Citco Fund Services (Europe B.V.) ("Citco"), the administrator of the Segregated Portfolio, wrote to the shareholders of the Segregated Portfolio advising that due to the ongoing financial crisis and its impact upon the investment industry, the directors of the Segregated Portfolio had deemed that the continued operation of the Segregated Portfolio was no longer viable and that steps should be taken to realize on the underlying assets of the Segregated Portfolio and to close it down (the "Segregated Portfolio Closing"). The letter also included notice of a compulsory redemption of the shares in advance of the Segregated Portfolio Closing effective as of October 31, 2008.
12. The Receiver understands that at or around October 31, 2008, Harcourt advised RBC that the Belmont Fund was no longer viable due to recent market turmoil and that steps would therefore be taken to dissolve the Belmont Fund. Further, the Receiver understands that Harcourt also advised RBC that the Limited Partners were unable to redeem their units of the Belmont Fund at that time because the direct and indirect underlying hedge fund holdings of the Segregated Portfolio had suspended the redemption of their units or shares and/or were gated, as the case may be.
13. In December, 2008, the General Partner provided RBC with a draft notice of a meeting of the Limited Partners (the "Proposed Meeting"). The Proposed Meeting was to be held to consider and approve the dissolution of the Belmont Fund and to appoint the General Partner as the receiver and liquidator of the Belmont Fund in accordance with the terms and conditions of the LPA governing the operation of the Belmont Fund. The Proposed

Meeting was not convened because of an “impasse” that developed between Harcourt and Omniscop.

14. This impasse became the subject of a court proceeding involving an application for an oppression remedy under the *Business Corporations Act* (Ontario) that has been made by Harcourt against, among others, the Belmont Fund, the General Partner and Omniscop for the purpose of, among other things, dissolving the Belmont Fund (the “Harcourt Application”). In a cross application to the Harcourt Application (the “Nead/Omniscop Application”) the cross applicants, Nead and Omniscop, sought, *inter alia*, a claim for fees and an order pursuant to the *Business Corporations Act* (Ontario) granting leave to Omniscop to commence a derivative action on behalf of the General Partner against Fanconi, Harcourt and Vontobel. No action has been taken in these matters since the appointment of the Receiver.
15. As a result of the above developments, RBC was of the view that the dissolution of the Belmont Fund could not be completed by the General Partner. On July 30, 2009, RBC brought an application to this Honourable Court to appoint the Receiver and for the Dissolution Hearing.

PURPOSE OF REPORT

16. The purpose of this Second Report to the Court dated April 30, 2010 (the “Second Report”) is to provide this Honourable Court and the stakeholders of the Belmont Fund with an update on certain of the Receiver’s activities since the First Report of the Receiver dated October 19, 2009 (the “First Report”), including:
 - (i) the status of the legal proceedings since the First Report;
 - (ii) an update on the claims process procedure; and
 - (iii) an overview of the Receiver’s request to implement a claims determination process in respect of disputed claims.
17. A copy of the First Report (without attachments) is attached hereto as **Appendix C**.

TERMS OF REFERENCE

18. The information contained in this Second Report has been obtained from the books and records and other information made available to the Receiver from the Belmont Fund and from third parties, including the General Partner. The accuracy and completeness of the financial information contained herein has not been audited or otherwise verified by the Receiver or KPMG LLP nor has it necessarily been prepared in accordance with generally accepted accounting principles. The reader is cautioned that this report may not disclose all significant matters about the Belmont Fund. Accordingly, the Receiver does not express an opinion or any other form of assurance on the financial or other information presented herein. The Receiver reserves the right to refine or amend its comments and/or finding as further information is obtained or is brought to its attention subsequent to the date of the Second Report.

19. Unless otherwise note, all dollar amounts referred to herein are expressed in Canadian dollars.
20. All capitalized terms used herein and not otherwise defined are as defined in the First Report and/or as defined in the Appointment Order or Amended Appointment Order.

LEGAL PROCEEDINGS

Appointment Order

21. The Appointment Order did not stay the relief sought in the Harcourt Application. With respect to the Nead/Omniscope Application, the Application Order provided that the claim for fees was to be dealt with in the Receivership and the claim to commence a derivative action was to be considered and addressed by the Receiver at a later date.
22. The Appointment Order was without prejudice to the right of any interested person to return to court on August 21, 2009 (the "Comeback Hearing") to seek to alter any term of the Appointment Order, including the appointment of the Receiver. If any parties intended to come back for this purpose, they were to provide written notice to the Applicant and the Receiver by August 14, 2009. While the Receiver had discussions with Harcourt and Omniscope, and their respective legal counsel, with respect to certain issues potentially to be addressed at the Comeback Hearing, no interested person pursued a motion at the Comeback Hearing.
23. A Court-supervised dissolution of the Belmont Fund (the "Fund Dissolution") was sought as part of the original application of the Applicant. The Fund Dissolution was to be the subject of a separate court hearing (the "Dissolution Hearing"). The Appointment Order directed that the return date for the hearing of the application in respect of the Dissolution Hearing and certain relief as required would be August 27, 2009, or such other date as set by the Court upon motion by the Applicant. On August 26, 2009, this Honourable Court adjourned the Dissolution Hearing to a date to be scheduled and approved by the Court in the fall of 2009.
24. The Appointment Order also provided that until further Order of this Honourable Court at the Dissolution Hearing or otherwise, the Receiver shall not terminate or consent to the termination of any forward contract or sell or otherwise dispose of any material portion of the Property.
25. As previously indicated, the Dissolution Hearing was originally scheduled for August 27, 2009. At the request of the Receiver, with the consent of RBC, the Dissolution Hearing was postponed in order that the Receiver be given additional time to accumulate and review relevant information and prepare options for the Dissolution Hearing. The Dissolution Hearing was heard on October 21, 2009.
26. At the Dissolution Hearing on October 21, 2009, the Honourable Madame Justice Hoy of the Ontario Superior Court of Justice (Commercial List) made the Amended Appointment Order providing that:
 - (i) the Belmont Fund shall be dissolved upon the Receiver filing a certificate confirming that the Receiver has completed its realization on all of the Belmont

Fund's property and distributed the proceeds of such realization in accordance with the *Partnership Act* (Ontario); and

- (ii) the Appointment Order be amended by deleting Paragraph 4 so the Receiver was expressly empowered and authorized to terminate or consent to the termination of any Forward Contract and to sell or otherwise dispose of any material portion of the Property where the Receiver considers it necessary or desirable to do so.
27. The Service List was provided with notice of the Dissolution Hearing and a copy of the First Report. There was no opposition to the relief sought by any party. Specifically, none of Harcourt, Omniscope or the Counterparty opposed the relief sought.
28. As described in the First Report, prior to being in a position to issue a certificate that the Belmont Fund may be dissolved, the Receiver will have to complete a number of tasks in respect of the realization of the Belmont Fund, including but not limited to:
- (i) finalizing a review of the financial position of the Belmont Fund and the Segregated Portfolio;
 - (ii) completing determinations and/or resolutions in respect of the Vontobel redemption requests and the Counterparty's foreign exchange loss claim and any outstanding disputed claims;
 - (iii) determining what steps must be required to repatriate the funds from the Segregated Portfolio, once available; and
 - (iv) determining whether such repatriation will be effected through the use of the Forward Contracts presently in place, or through the collapse of such contracts, whereby the Belmont Fund could be a direct holder of Participating Shares, thereby removing the Counterparty from the Investment Structure. Such a determination will required a review of potential fee/cost savings, tax consequences and other matters that are associated with a decision to collapse the Forwards Contracts.

Claims Procedure Order

29. On October 21, 2009, this Honourable Court granted an Order setting out a claims identification process to identify pre-receivership claims (the "Claims Procedure Order"). The Claims Procedure Order is attached hereto as **Appendix D**.
30. The Claims Procedure Order established a claims bar date of 4:00 p.m. (Eastern Standard Time) on December 5, 2009 ("Claims Bar Date") for the filing of Proofs of Claim with the Receiver.
31. In addition, among other things, the Claims Procedure Order provides that:
- (i) the Limited Partners are not required to submit Proofs of Claim with respect to their Unitholders' claims. For purposes of determining the Unitholders' claims, the Receiver can rely on the books and records and statements maintained by RBC.

- (ii) the Receiver may disallow any Proofs of Claim in whole or in part by delivering a Notice of Revision or Disallowance;
- (iii) upon receipt of a Notice of Revision or Disallowance, any creditor who chose to dispute the revision or disallowance of its claims shall do so by delivery of a Notice of Dispute within 30 calendar days from the receipt of the Notice of Revision or Disallowance, failing which the amount of the claim as outlined in the Notice of Revision or Disallowance shall be deemed binding for distribution and all other purposes; and
- (iv) the applicable procedures for determining any claims disputed pursuant to a Notice of Dispute shall be established by further Order of the Court.

First Reporting Letter to Investors

32. The Receiver has reported to Unitholders by way of a reporting letter to investors, dated February 24, 2010 (the "First Reporting Letter"). The First Reporting Letter, attached as **Appendix E**, has been posted on the Receiver's website at www.kpmg.ca/belmontfund/.

UPDATE ON CLAIMS PROCEDURE

Creditor Claims

33. In accordance with the Claims Procedure Order, the Receiver:
- (i) published a notice to creditors and any other claimants against the Belmont Fund in the Globe and Mail (National Edition) and La Presse (copies of which are attached as **Appendix F**) on October 30, 2009; and
 - (ii) mailed packages containing a Proof of Claim and instruction letter for completing the Proof of Claim (the "Claims Materials") to each of the eight parties who had been identified by the Receiver as potential creditors of the Belmont Fund.
34. The results of the creditor claims process conducted by the Receiver to date are summarized below. Amounts denominated in US dollars have been converted to Canadian dollars at a rate of Cdn\$1.0759 = US\$1, as provided for in the Claims Procedure Order.

Creditor Type	Count	Amount Claimed	Count	Allowed Amount	Count	Disputed Amount	Count	Unresolved
Secured	1	\$ 3,248,891.75	n/a	n/a	1	\$ 3,248,891.75	n/a	n/a
Unsecured	6	780,980.72	4	179,402.64	1	558,799.58	1	25,271.08
Contingent	1	TBD	n/a	n/a	n/a	n/a	1	Unknown
Total	8	\$ 4,029,872.47	4	\$ 179,402.64	2	\$ 3,807,691.33	2	\$ 25,271.08

35. As indicated above, the Receiver has:
- (i) received eight Proofs of Claim, including one secured claim and one contingent claim (the “Pre-Receivership Claims”);
 - (ii) reviewed the Pre-Receivership Claims and corresponded with the appropriate claimants, as required, to obtain clarification and additional supporting information;
 - (iii) issued Notices of Revision or Disallowance to five claimants, one of whom was subsequently allowed in whole and two of whom have filed Notices of Dispute (the “Disputed Claims”);
 - (iv) allowed four claims totaling \$179,402.64;
 - (v) received two additional claims after the initial Claims Bar Date (one unsecured claim and one contingent claim), as further described below, and the Receiver has sought further information in respect of these claims; and
 - (vi) with respect to the remaining Disputed Claims, the Receiver is seeking a claims determination process as further described herein.

Unitholder Claims

36. With respect to the investments of the Unitholders, the Claims Procedure Order provides that Unitholders were not required to submit Proofs of Claim. Through a notice to Unitholders, dated October 26, 2009 and issued by RBC to all Unitholders, RBC advised that the Receiver is relying upon the RBC’s unitholder records and that Unitholders are not required to file a Proof of Claim (the “Unitholder Notice”). In the Unitholder Notice, sample copies attached herein as **Appendix G**, Unitholders were invited to contact either RBC or the Receiver if they wished further information about their unitholdings as provided by RBC to the Receiver.
37. The Receiver has not received any information which indicates that it should not rely upon the RBC’s unitholder records.

Admitted Claims

38. To date, the Receiver has allowed the following four claims totaling \$179,402.64:
- (i) an unsecured claim of \$120,388.65 from Citigroup for monthly administrative service charges including interest charges, for the period from January 1, 2009 to August 6, 2009.
 - (ii) an unsecured claim of \$48,079.10 from Accilent for monthly advisory service fees including interest and penalties, for the period July 1, 2008 to August 6, 2009;
 - (iv) an unsecured claim of \$8,963.05 from McMillan for legal services provided prior to August 6, 2009; and

- (iv) an unsecured claim of \$1,971.84 from Fundserv for services provided prior to August 6, 2009.

Claims Received after the Claims Bar Date

- 39. In reviewing the Omniscopes Claim (defined below in paragraph 43), the Receiver concluded that certain of the amounts sought, in respect of advisory and legal fees, were duplicative and dealt with by claims which were filed directly by the respective parties, and/or in the Receiver's view were more appropriately dealt with in a direct claim filed by such parties (specifically the General Partner and Borden Ladner Gervais LLP ("BLG")) as opposed to inclusion in the Omniscopes Claim. As such, the Receiver permitted these two parties the opportunity to submit claims for further consideration after the initial Claims Bar Date.
- 40. On March 26, 2010, Nead, on behalf of the General Partner, submitted a Proof of Claim for administrative fees with the final amount to be determined (the "GP Claim"). The Receiver has requested that all details for the claim be submitted by April 30, 2010.
- 41. On April 15, 2010, BLG submitted a Proof of Claim in respect of legal fees provided to or on behalf of the Belmont Fund (the "BLG Claim"). The Receiver has sought further particulars of the BLG claim. It may be necessary to have this claim resolved together with the Omniscopes Claim.

Disputed Claims

- 42. At this time, there are two Disputed Claims, filed by Omniscopes and Nead and the Counterparty.

A. Omniscopes Claim

- 43. Omniscopes and Nead filed a claim (the "Omniscopes Claim") in the aggregate amount of \$558,799.58, in respect of liquidator's fees (the "Omniscopes Liquidator Fee"), advisory fees due and outstanding to Accilent and legal fees due and outstanding to three legal firms.
- 44. On March 12, 2010, the Receiver issued a Notice of Revision or Disallowance disallowing the Omniscopes Claim in whole (the "Omniscopes Disallowance Notice").
- 45. While the Receiver disallowed the portion of the Omniscopes Claim relating to the Omniscopes Liquidator Fee, the Omniscopes Disallowance Notice provided that the Receiver would permit the submission of claims for consideration by the Receiver from i) the General Partner for administrative costs due to the General Partner from the Belmont Fund and ii) from BLG for legal services charges incurred on behalf of the Belmont Fund.
- 46. On March 26, 2010, Omniscopes and Nead submitted to the Receiver a Notice of Dispute of Disallowance or Revision of Claim ("Omniscopes Notice of Dispute"). The parties have been unable to resolve the Omniscopes Claim to date and as such it will be necessary to implement a dispute resolution mechanism for this claim.

B. Counterparty Claim

47. On December 4, 2009, the Counterparty submitted, on a without prejudice basis, a secured claim (the "Counterparty Claim") of \$456,699.34 and US\$2,595,215.55 in aggregate, for:
 - (i) an alleged realized loss suffered from the termination of the F/X Hedge (the "F/X Loss");
 - (ii) accrued and future Forward Fees to August 1, 2016;
 - (iii) funding costs of the alleged F/X Loss; and
 - (iv) legal fees incurred.
48. On March 12, 2010, the Receiver issued a Notice of Revision or Disallowance ("Counterparty Revision Notice") which revised the Counterparty Claim in part as follows:
 - (i) allowed the accrued Forward Fees as at the date of the receivership, subject to confirmation of how the amount claimed was calculated. The Receiver awaits details of the Counterparty's calculations in this regard; and
 - (ii) disallowed the cash reimbursement of the alleged F/X Loss, funding costs of the alleged F/X Loss and the legal fees incurred. The Receiver confirmed it would permit the reimbursement of the F/X Loss by way of units in the Segregated Portfolio, subject to the determination of the final quantum of the F/X loss.
49. On April 9, 2010, the Counterparty submitted a Notice of Dispute of Disallowance or Revision of Claim ("Counterparty Notice of Dispute").
50. In the First Report, the Receiver described the unwind of the F/X Hedge and the Counterparty's claim to the F/X Loss. Since the First Report, the Receiver has continued its review of this matter, including continued discussions with the Counterparty in respect of potential determination and/or resolution of this issue. The parties have been unable to resolve this claim to date and as such it will be necessary to implement a dispute resolution mechanism for this claim.

PROPOSED PROCESS FOR ADVANCING THE DISPUTED CLAIMS

51. The Claims Procedure Order was silent on a dispute resolution process should a claimant and the Receiver be unable to resolve a claim. The Receiver is of the view that it is appropriate to seek direction from the Court on a proposed process to resolve any Disputed Claims (the "Claims Determination Process") as soon as possible in order to reach a final determination of all potential claims against the Belmont Fund.
52. Given the limited number of disputed claims to be resolved in this matter and the nature of those claims, the Receiver seeks the Court's assistance in reviewing and adjudicating upon the Disputed Claims. The Receiver proposes setting the procedure and scheduling of each Disputed Claim in discussion with the relevant claimant. If the Receiver and claimant are unable to finalize such terms and resolve the claim, they shall seek the Court's direction on a resolution or determination of the Disclaimed Claim.

53. A copy of the proposed Order approving and implementing the Claims Determination Process (the “Claims Determination Order”) is attached as **Appendix H**. The draft Claims Determination Order also provides for the Court’s involvement, if required, to address any of the remaining claims that may require adjudication (ie. the General Partner and BLG claims). The Receiver is confident it can reach consensus on procedures to address dispute resolution with these remaining parties; however, if the Receiver is unable to do so, the parties will seek an appointment with the Court to resolve such mechanics and scheduling issues.
54. An issue has arisen in respect of requests by certain stakeholders for disclosure of other claimant’s disputed claim materials and information. The Receiver contemplates that some stakeholders may also seek to participate in the hearing of a Disputed Claim filed by another claimant. The Receiver is reluctant to disclose information in respect of a particular claim, or agree to a party’s standing in a hearing of the Disputed Claim, without the relevant claimant’s consent or a Court Order.
55. In this Receivership, there are parties who have expressed interest to the Receiver in respect of other claims filed and such individuals or parties may have relevant information to provide in respect of a Disputed Claim. The Receiver envisions that it may be necessary for it to call evidence in respect of certain Disputed Claims and as such it may be necessary to ask for certain individuals or parties to be witnesses at an upcoming hearing.
56. The Receiver has considered the requests for disclosure and the potential request for standing at a hearing, and recommends the following process to address disclosure and standing issues:
- in advance of a hearing of a Disputed Claim, the Proof of Claim, Notice of Revision or Disallowance and Notice of Dispute will be circulated to the Service List and any claimant who has filed a Proof of Claim; and
 - no other disclosure in respect of the individual claim shall be provided by the Receiver to a third party other than:
 - to the extent such disclosure is required to assist a potential witness to be called by the Receiver, to participate in a hearing of a Disputed Claim;
 - with the consent of the relevant claimant; or
 - further Court Order.
57. In respect of a party seeking to participate in the hearing of a Disputed Claim, any party, other than the claimant or a witness for the Receiver or claimant, shall be required to seek the claimant and Receiver’s consent, or a Court Order, to participate at the hearing.

SUMMARY AND CONCLUSIONS

58. The Receiver requests that this Honourable Court make an Order:

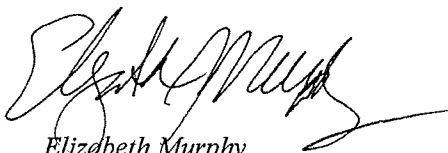
- (i) approving the activities of the Receiver with respect to the claims procedure as described in this Second Report; and
- (ii) authorizing the proposed Claims Determination Order.

RESPECTFULLY SUBMITTED,

Dated the 30th day of April, 2010.

KPMG INC.

In its capacity as Court-appointed
receiver and manager of
Belmont Dynamic Growth Fund


Per: *Elizabeth Murphy*
Vice-President

JAMES HAGGERTY HARRIS

and

Applicant

BELMONT DYNAMIC GROWTH
FUND, an Ontario limited partnership

Respondent

Court File No: 09-8302-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at Toronto

**SECOND REPORT OF KPMG INC.,
RECEIVER AND MANAGER OF BELMONT
DYNAMIC GROWTH FUND**

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Court File No. 09-8302-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF AN APPLICATION PURSUANT RULE 14.05(2) OF THE
ONTARIO *RULES OF CIVIL PROCEDURE*, R.R.O. 1990, Reg. 194 AND SECTION 35
OF THE *PARTNERSHIPS ACT*, R.S.O. 1990. c. P.5

AND IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 101 OF
THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C. 43

BETWEEN:

JAMES HAGGERTY HARRIS

Applicant

- and -

BELMONT DYNAMIC GROWTH FUND,
an Ontario Limited Partnership

Respondent

**SUPPLEMENT TO SECOND REPORT OF
KPMG INC., RECEIVER AND MANAGER OF
BELMONT DYNAMIC GROWTH FUND**

May 14, 2010

Introduction

1. The Receiver files this Supplement to Second Report in response to the Affidavit of Paul J. Martin sworn May 11, 2010 (the "Martin Affidavit") and the issues raised therein by Harcourt Investment Consulting AG and Peter Fanconi ("Harcourt"). All capitalized terms not defined herein are as defined in the Receiver's Second Report, dated April 30, 2010 (the "Second Report").
2. As outlined in the Second Report, there are essentially four remaining Disputed Claims that may require determination, (i) the Omniscopes Claim; (ii) the GP Claim; (iii) the BLG Claim; and (iv) the Counterparty Claim. The Receiver is seeking a Claims Determination process to be implemented which will assist in reaching a final resolution of each of these claims, if the parties and Receiver are unable to otherwise resolve the claims. The Receiver has circulated to Omniscopes and the Counterparty, a proposed process and timeline for determination of their respective Disputed Claims, which involves exchange of reports, affidavits, factums and a hearing before the Court. The procedures and timelines have not yet been finalized.
3. If the Disputed Claims (in particular the Omniscopes Claim and Counterparty Claim) are resolved prior to a hearing, it is the Receiver's intention to seek approval of any resolution.
4. The Receiver has proposed a form of Order which it believes will provide flexibility to the Court, the Receiver and Claimant to have the Disputed Claims determined, and which provides for an interested party to seek to have standing in a hearing, should they not otherwise be invited to participate in the hearing by either the Receiver and/or the Claimant.
5. In the context of this particular receivership proceeding, the Receiver acknowledges that there have been a relatively small number of persons who have been actively involved with these proceedings, specifically Harcourt, Nead/Omniscopes, the Counterparty, and RBC on behalf of the Limited Partners of the Belmont Fund (collectively the "Parties"). It has become clear to the Receiver that the history between some of the Parties was difficult and adversarial, and that there remain ongoing difficulties between some of the Parties.

Information to be provided to Receiver

6. Throughout these proceedings the Receiver has been in contact with the Parties. The Parties have taken on an active role in the proceedings, some more than others. During the course of its mandate, the Receiver has asked the Parties for background information in respect of the Belmont Fund and Segregated Portfolio to determine the history of the Belmont Fund and the potential value and recovery to the Limited Partners. Pursuant to paragraph 5 and 6 of the Appointment Order, there is an ongoing duty to provide access to information and cooperate with the Receiver, and the Receiver expects that the Parties have and will continue to satisfy these obligations.
7. In respect of the claims filed pursuant to the Claims Procedure Order, throughout these proceedings certain of the Parties have expressed interest in the claims filed by other Parties, in addition to their own filed claims. In reviewing claims, the Receiver looked first to the available books and records of the Belmont Fund and other publicly filed information (for example the Application Materials filed by Omniscopes and Harcourt) to obtain background information. In certain circumstances, the Receiver has found it necessary to consult with certain of the Parties in the course of investigating a claim, for example as outlined in

paragraphs 41 and 42 of the Martin Affidavit. Throughout the Proceedings, the Receiver has also gratuitously received information from certain of the Parties in respect of various claims filed. For example, without prompting by the Receiver, Harcourt provided the Receiver with the letters attached as Exhibits K and Q to the Martin Affidavit, wherein Harcourt outlines its view of certain filed claims.

8. Should any party believe that it has relevant information to provide to the Receiver in respect of the receivership proceedings it has and remains available to the individual or party to provide this information. The Receiver expects such cooperation from the Parties, particularly in respect of paragraphs 5 and 6 of the Appointment Order. There is no need for the parties to delay providing such information, or to do so only in formal Court filings.

GP Claim

9. At the time the claim was filed by General Partner, the Receiver sought to ensure that both shareholders of the General Partner were aware of the claim. As noted in the cover note accompanying the disclosure of the GP Claim to Harcourt (Exhibit P to the Martin Affidavit), "...as a shareholder of the Belmont GP, the Receiver will keep Harcourt updated as and when there are developments on the Belmont GP Claim." Going forward, as an equal shareholder and a director of General Partner, the Receiver believes that Harcourt should be adequately informed in respect of the GP Claim and the Receiver intends to consult and confer with Omniscop and Harcourt equally in respect of this claim. The Receiver does not believe there is a need for a specific Order in this respect.

Harcourt Motion

10. In respect of the balance of the Disputed Claims, in its materials and draft Order, Harcourt raises three requests:
 - (i) disclosure;
 - (ii) involvement in setting of the Claims Determination Process; and
 - (iii) standing at the hearing of the Disputed Claims.
11. These issues were first raised with the Receiver in the letter dated April 7, 2010 (Exhibit L to the Martin Affidavit). The Receiver disagreed with the contents of the letter in respect of the historical recounting of conversations between counsel. The Receiver also disagreed with the request for disclosure and standing as posed by Harcourt and as such the Receiver asked Harcourt to withdraw and reconsider the letter. The Receiver then received a second letter on April 20, 2010 (Exhibit M to the Martin Affidavit) wherein Harcourt continued to seek disclosure and standing.

Disclosure Request

12. Harcourt's disclosure request is as follows:

"all relevant, non-privileged documents you have (including Notices of Disallowance and Notices of Dispute and all communications with other parties on these issues, including email communications and non-privileged

communications between your offices and the Receiver on these subjects) so that we can be in a position to advise our client". (Exhibit M to the Martin Affidavit)

13. The Receiver has recommended in its draft form of Order that copies of the Notice of Motion in respect of the Disputed Claim, Proofs of Claim, Notices of Revision or Disallowance and Notices of Dispute (the "Claims Documents") would be forwarded to the service list. The service list includes each of the Parties, and any party who has filed a Proof of Claim. This level of disclosure is broader than is often provided in claims processes involving insolvency or bankruptcy proceedings, but given the limited number of claimants involved and the limited number of potentially interested Parties, the Receiver thinks this is appropriate given the circumstances.
14. As part of the Claims Determination Process, the Receiver envisions that it may require affidavits from certain related parties (including, for example, Harcourt). As outlined in the draft Claims Determination Order, should a Party become involved as a potential witness, further disclosure may be provided to the party "as may be required to assist with their participation in the hearing of the Disputed Claims".
15. The Receiver does not believe it is necessary or appropriate to provide the level of disclosure requested by Harcourt. By reviewing the Claims Documents, any third party will have adequate information to determine the remaining issues and whether the third party has relevant information it wishes to disclose, to the Receiver and/or the Court relating to these issues.
16. The Receiver is concerned that providing the level of disclosure sought by Harcourt may interfere with the Receiver's role as the party responsible for determining, adjudicating and potentially resolving claims into the estate.
17. The Receiver is also concerned that providing such disclosure will harm future discussions and negotiations between the Receiver and Claimants. (*Ravelston Corp. Re 2007 Carswell Ont 661 at para 49, 50, 52 (SCJ) (Comm List)*), (Tab 2))
18. While the Receiver seeks to maintain a fair and transparent process throughout these proceedings, it is the Receiver's view that such disclosure may potentially be prejudicial to other stakeholders, especially given the litigious history between certain parties. On this basis, the Receiver believes that all claimants should be treated the same and the additional disclosure requested of the Court is not appropriate in the circumstances.

Involvement in setting Claims Determination Process

19. It has been the Receiver's experience in this proceeding that simple scheduling of motions has proven to be overly complicated. The Receiver's preference is therefore to provide that the Receiver and each Claimant shall determine the timeline and process for determining each Claimant's Disputed Claim.

Standing

20. On the issue of standing, the Receiver proposed in the draft Order that this issue would be left to the Judge hearing the Disputed Claim. This will permit the Parties to await

“invitation” by any of the Receiver or Claimant to the hearing (as a witness), before determining if a request for formal standing is required.

21. On the issue of standing, the Courts have offered some guidance in the context of Receivership proceedings: In the Afton Foods Justice Spies notes that although claimants may be indirectly impacted by the Court’s decision, they may not have standing to intervene on interpretation issues before the Court. (*Afton Food Group Ltd. Re 2006 Carswell Ont 3002 (SCJ)* at para 16, (Tab 3))
22. Finally, while the potential number of interested parties in this case is small, the Receiver is concerned of the precedential affect that an Order such as that sought by Harcourt, will have (for example, on larger claims procedures or ones heard before a Claims Officer in an arbitration type setting).

Draft Form of Order

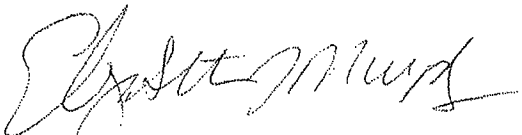
23. The Receiver has received comments from the Counterparty in respect of proposed changes to the draft Form of Order (attached as Appendix A). The Receiver is agreeable to the requested changes sought by the Counterparty

RESPECTFULLY SUBMITTED,

Dated the 14th day of May, 2010.

KPMG INC.

In its capacity as Court-appointed
receiver and manager of
Belmont Dynamic Growth Fund



Per: *Elizabeth Murphy*
Vice-President

JAMES HAGGERTY HARRIS

and

Applicant

BELMONT DYNAMIC GROWTH
FUND, an Ontario limited partnership

Respondent

Court File No: 09-8302-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at Toronto

**SECOND REPORT OF KPMG INC.,
RECEIVER AND MANAGER OF BELMONT
DYNAMIC GROWTH FUND**

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Appendix G

Court File No. 09-8302-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF AN APPLICATION PURSUANT RULE 14.05(2) OF THE
ONTARIO *RULES OF CIVIL PROCEDURE*, R.R.O. 1990, Reg. 194 AND SECTION 35
OF THE *PARTNERSHIPS ACT*, R.S.O, 1990. c. P.5

AND IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 101 OF
THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C. 43

BETWEEN:

JAMES HAGGERTY HARRIS

Applicant

- and -

BELMONT DYNAMIC GROWTH FUND,
an Ontario Limited Partnership

Respondent

**THIRD REPORT OF
KPMG INC., RECEIVER AND MANAGER OF
BELMONT DYNAMIC GROWTH FUND**

June 21, 2010

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- A. Appointment Order dated August 6, 2009
- B. Amended Appointment Order dated October 21, 2009
- C. Claims Procedure Order dated October 21, 2009
- D. Claims Determination Order dated May 17, 2010
- E. First Report of the Receiver dated October 19, 2009
- F. First Reporting Letter to Investors dated February 24, 2010
- G. Second Report of the Receiver dated April 30, 2010 and Supplemental Second Report of the Receiver dated May 14, 2010
- H. March 2010 NAV Statement
- I. July 2009 NAV Statement
- J. Correspondence between the Counterparty and its Cayman counsel, Harcourt/Vontobel and Belmont SPC/Segregated Portfolio and its counsel in respect of redemption requests

INTRODUCTION

Appointment of the Receiver

1. Pursuant to the Order of Madam Justice Mesbur of the Ontario Superior Court of Justice (Commercial List) dated August 6, 2009 (the "Appointment Order"), KPMG Inc. was appointed receiver and manager (the "Receiver") of the assets, undertakings and properties of Belmont Dynamic Growth Fund (the "Belmont Fund"), an Ontario limited partnership. A copy of the Appointment Order, which among other things, sets out the powers of the Receiver is attached hereto as **Appendix A**. James Haggerty Harris (the "Applicant") made the application pursuant to section 101 of the *Courts of Justice Act*, RSO 1990 c.C.43.
2. The Appointment Order provided that until further order of this Honourable Court at the Dissolution Hearing or otherwise, the Receiver shall not terminate or consent to the termination of any forward contract or sell or otherwise dispose of any material portion of the property of the Belmont Fund. The Appointment Order was amended by Order of Madam Justice Hoy on October 21, 2009 (the "Amended Appointment Order") by deleting Paragraph 4 of the initial Appointment Order, so the Receiver was empowered and authorized to terminate or consent to the termination of any forward contract and to sell or otherwise dispose of any material portion of the property of the Belmont Fund where the Receiver considers it necessary or desirable to do so. A copy of the Amended Appointment Order is attached as **Appendix B**.
3. The Appointment Order was made without prejudice to the right of any interested person to return to court on August 21, 2009 (the "Comeback Hearing") to seek to alter any term of the Appointment Order, including the appointment of the Receiver. If any parties intended to come back for this purpose, they were to provide written notice to the Applicant and the Receiver by August 14, 2009. While the Receiver had discussions with Harcourt Investment Consulting AG ("Harcourt") and Omniscope Advisors Inc. ("Omniscope"), and their respective legal counsels, with respect to certain issues potentially to be addressed at the Comeback Hearing, no interested person pursued a motion at the Comeback Hearing.
4. In its Application, the Applicant also sought a Court-supervised dissolution of the Belmont Fund (the "Fund Dissolution"). The Fund Dissolution was to be the subject of a separate court hearing (the "Dissolution Hearing"). The Appointment Order directed that the return date for the hearing of the application in respect of the Dissolution Hearing and certain relief as required would be August 27, 2009, or such other date as is set by the Court upon motion by the Applicant. On August 26, 2009, this Honourable Court adjourned the Dissolution Hearing to a date to be scheduled and approved by the Court.
5. At the Dissolution Hearing on October 21, 2009, Madame Justice Hoy of the Ontario Superior Court of Justice (Commercial List) issued the Amended Appointment Order which also provided that the Belmont Fund shall be dissolved upon the Receiver filing a certificate confirming that the Receiver has completed its realization on all of the Belmont Fund's property and distributed the proceeds of such realization in accordance with the Partnership Act.

6. On October 21, 2009, the Receiver also sought and received an Order setting out a claims identification process to identify claims of the creditors of the Belmont Fund (the "Claims Procedure Order"). The Claims Procedure Order is attached hereto as **Appendix C**.
7. On May 17, 2010, the Receiver also sought and received an Order setting out a resolution process for disputed claims pursuant to the Claims Procedure Order (the "Claims Determination Order"). The Claims Determination Order is attached hereto as **Appendix D**.

Background to the Receivership

8. The Belmont Fund is an investment fund established as a limited partnership under the laws of Ontario pursuant to an agreement between Belmont Dynamic GP Inc., as general partner (the "General Partner"), and the limited partners (the "Limited Partners" or "Unitholders") of the Belmont Fund dated June 9, 2006 (the "Limited Partnership Agreement"). The Limited Partners are accredited investors and are the unitholders in the Belmont Fund. Unitholders purchased units in either of Canadian dollars ("CAD") or in US dollars ("US\$"). The General Partner was responsible for managing the day-to-day business of the Belmont Fund.
9. The only undertaking of the Belmont Fund was the investment of its assets. The objective of the Belmont Fund was to provide investors with the return on the Belmont Dynamic Segregated Portfolio (the "Segregated Portfolio") of hedge funds existing as a segregated portfolio of Belmont SPC, a segregated portfolio company organized under the laws of the Cayman Islands. The Segregated Portfolio's investment objective is to invest on a leveraged basis in specialized fund of hedge funds managed by Harcourt. Harcourt is the investment advisor to the Segregated Portfolio. Alternative Investments Management Ltd, a Barbadian Company affiliated with Harcourt, owns all of the voting shares of the Belmont SPC, and is also the investment manager of the Segregated Portfolio.
10. Exposure to the Segregated Portfolio is obtained by first using the proceeds from the sale of units in the Belmont Fund to acquire two baskets of Canadian common shares (the "CAD Share Basket" and "USD Share Basket", collectively the "Share Baskets") and then entering into two forward purchase and sale agreements (the "CAD Forward Contract" and the "USD Forward Contract", collectively, the "Forward Contracts") with National Bank of Canada (Global) Limited (the "Counterparty").
11. In accordance with the Forward Contracts, the Counterparty has agreed to pay to the Belmont Fund on the maturity date of the Forward Contracts an amount equal to the redemption proceeds of a notional number of participating shares ("Participating Shares") in the Segregated Portfolio in exchange for the delivery of the Share Baskets to the Counterparty by the Belmont Fund or an equivalent cash payment at the election of the Belmont Fund. As a result of the Forward Contracts, the Belmont Fund has exposure to the performance of the Segregated Portfolio but it has no direct interest in the Segregated Portfolio.
12. The investment structure, including the Belmont Fund and the Segregated Portfolio, is defined as the "Investment Structure".

13. Harcourt and Omniscope each hold 50% ownership of the outstanding common shares of the General Partner. Omniscope carries on the business of a securities dealer and is registered as a dealer in the category of limited market dealer under the *Securities Act (Ontario)*. Omniscope is wholly owned by Daniel Nead (“Nead”). Harcourt carries on business as a portfolio manager of funds of hedge funds with its principal offices located in Zurich, Switzerland. Harcourt’s principal shareholder is The Vontobel Group (“Vontobel”), a Swiss private bank headquartered in Zurich, Switzerland.
14. The General Partner has two directors with equal voting rights: (1) Nead, a resident Canadian; and (2) Peter Fanconi (“Fanconi”) a resident of Switzerland. Nead is also President and Secretary of the General Partner. Fanconi is Chief Executive Officer of the General Partner, Head of Private Banking at Vontobel and former President and Chief Executive Officer of Harcourt.
15. There are 135 Limited Partners, of which 126 are clients of RBC Phillips, Hager & North Investment Counsel Inc. (“RBC PHN”) and the remaining are clients of RBC Dominion Securities (“RBCDS”). RBC PHN and RBCDS are collectively referred to as “RBC”.
16. Due to the impact of the ongoing financial turmoil on the investment industry, on October 31, 2008 the directors of the Segregated Portfolio decided to compulsorily redeem all units or shares in the Segregated Portfolio in advance of closing down the Segregated Portfolio.
17. On October 31, 2008 Citco Fund Services (Europe B.V.) (“Citco”) wrote to the shareholders of the Segregated Portfolio advising that the directors of the Segregated Portfolio had deemed that the continued operation of the Segregated Portfolio was no longer viable and that steps should be taken to realize on the underlying assets of the Segregated Portfolio and to close it down (the “Segregated Portfolio Closing”). The letter also included notice of a compulsory redemption of the shares in advance of the Segregated Portfolio Closing effective as of October 31, 2008 (the “Segregated Portfolio Closing Date”).
18. The Receiver understands that at or around this time, Harcourt advised RBC that the Belmont Fund was no longer viable due to recent market turmoil and that steps would therefore be taken to dissolve the Belmont Fund. Further, the Receiver understands that Harcourt also advised RBC that the Limited Partners were unable to redeem their units of the Belmont Fund at that time because the direct and indirect underlying hedge fund holdings of the Segregated Portfolio had suspended the redemption of their units or shares and/or were gated, as the case may be.
19. In December, 2008, the General Partner provided RBC with a draft notice of a meeting of the Limited Partners. The meeting of the Limited Partners (the “Proposed Meeting”) was to be held to consider and approve the dissolution of the Belmont Fund and to appoint the General Partner as the receiver and liquidator of the Belmont Fund in accordance with the terms and conditions of the Limited Partnership Agreement governing the operation of the Belmont Fund. The Proposed Meeting was not convened because of an “impasse” that developed between Harcourt and Omniscope.
20. This impasse has become the subject of a court proceeding under the *Business Corporations Act (Ontario)* that has been made by Harcourt against, among others, the

Belmont Fund, the General Partner and Omniscop for the purpose of, among other things, dissolving the Belmont Fund.

21. As a result of these developments, RBC was of the view that the dissolution of the Belmont Fund could not be completed by the General Partner. On July 30, 2009, RBC brought an application to this Honourable Court to appoint the Receiver and for the Dissolution Hearing.

The First Report to the Court

22. The Receiver filed its First Report to the Court dated October 19, 2009 (the "First Report"), a copy of which (without attachments) is attached hereto as **Appendix E**. The First Report provides a detailed overview of the Investment Structure and various issues addressed in these receivership proceedings, as well as support for the Claims Procedure Order which was sought at that time.

First Report Letter to Investors

23. On February 24, 2010, the Receiver issued its First Reporting Letter to Investors (the "First Letter") as attached in **Appendix F** to this Third Report. The purpose of the First Letter was to provide the Limited Partners with certain information, including that pertaining to the Segregated Portfolio regarding its investments and distributions, and updates on the claims process and certain tax matters.

Second Report to the Court

24. The Receiver filed its Second Report to the Court on April 30, 2010 (the "Second Report") and a Supplement to the Second Report on May 14, 2010 (the "Supplemental Second Report") in support of its motion to seek the Claims Determination Order. Copies of the Second Report and Supplemental Second Report (without attachments) are attached hereto as **Appendix G**.

PURPOSE OF THIRD REPORT

25. The purpose of this Third Report to the Court dated June 21, 2010 (the "Third Report") is to provide information to this Honourable Court and the stakeholders of the Belmont Fund with an update on the Receiver's activities since the First Report. This report will:
 - describe activities of the Receiver;
 - review of the Segregated Portfolio's financial position and estimated valuations;
 - review of the redemption requests of Vontobel and proposed settlement of Derivative Application (as herein defined);
 - review of funds held pending the resolution of the remaining disputed claims from the claims procedure (the "Disputed Claims"); and
 - describe certain of the Receiver's next steps.

TERMS OF REFERENCE

26. The information contained in the Third Report has been obtained from the books and records and other information made available to the Receiver from the Belmont Fund and from third parties, including the General Partner and Harcourt. The accuracy and completeness of the financial information contained herein has not been audited or otherwise verified by the Receiver or KPMG LLP nor has it necessarily been prepared in accordance with generally accepted accounting principles. The reader is cautioned that this report may not disclose all significant matters about the Belmont Fund. Accordingly, the Receiver does not express an opinion or any other form of assurance on the financial or other information presented herein. The Receiver reserves the right to refine or amend its comments and/or finding as further information is obtained or is brought to its attention subsequent to the date of the Third Report. In addition, any financial information presented by the Receiver is preliminary and the Receiver is not yet in a position to project the outcome of the receivership.
27. Unless otherwise noted, all dollar amounts referred to herein are expressed in Canadian dollars.
28. All capitalized terms used herein and not otherwise defined are as defined in the First Report and Second Report and/or as defined in the Appointment Order and Amended Appointment Order.

ACTIVITIES OF THE RECEIVER

29. Since the date of the First Report, the Receiver has undertaken various actions including:
 - (i) various communications and discussions with stakeholders;
 - (ii) preparing and mailing the First Letter;
 - (iii) continuing to collect and take possession of the Belmont Fund's books and records;
 - (iv) review and approval of Share Baskets transactions;
 - (v) review of certain tax matters relating to the Belmont Fund and the General Partner;
 - (vi) preparation of certain tax filings with respect to the Belmont Fund;
 - (vii) continuing to assess the investment and financial structures of the Belmont Fund and its investments;
 - (viii) continuing to compile and review information in respect of the value of the Belmont Fund, as well as the underlying value of the Segregated Portfolio, as well as potential claims against the Belmont Fund;

- (ix) review of claims received pursuant to the Claims Procedure Order as described in the Second Report and the Supplemental Second Report;
- (x) preparation of the Claim Determination Order;
- (xi) continuing to investigate the claims in the Derivative Application and to hold discussions with Harcourt with respect to the priority of the redemption requests of Vontobel; and
- (xii) addressing potential dissolution of the General Partner;

Communications with Stakeholders

30. The Receiver continues to monitor the Receiver's dedicated telephone line and email address for inquiries from any interested parties. To date, the Receiver has received a limited number of inquiries with respect to the general status of the receivership, the creditor claims process and certain tax matters. The Receiver has contacted these interested parties and understands that all material matters have been resolved or continue to be reviewed by the Receiver.

Books and Records

31. Since the date of the First Report, the Receiver has continued its efforts to gather and review information and records relating to the Belmont Fund, and the Receiver has continued to have discussions with relevant stakeholders as new information is received.
32. In December 2009, Citigroup Fund Services Canada Inc. ("Citigroup"), the Belmont Fund's administrative services provider, delivered to the Receiver a set of records which included the following:
- (i) Net Asset Value ("NAV") statements;
 - (ii) Share Baskets transaction records;
 - (iii) account summaries; and
 - (iv) various other reports and supporting information.
33. Despite numerous inquiries of key stakeholders, including Nead and Citigroup, the Receiver has not obtained a complete set of books and records for the Belmont Fund. For instance, the Receiver has not obtained the information used to prepare the Prior T5013s (as defined in paragraph 45). In addition, the Receiver understands that financial statements for the year ended December 31, 2008 were not prepared. In the event that it would be necessary to prepare the 2008 financial statements, the Receiver has not been able to collect a complete set of records to support the preparation of such financial statements.

Share Baskets Transactions

34. As described in the First Report, proceeds raised from the Unitholders were used to purchase the Share Baskets of non-dividend-paying Canadian securities listed on the Toronto Stock Exchange, consisting of securities that constitute “Canadian securities” for purposes of section 39(6) of the *Income Tax Act (Canada)*. If any dividends or distribution are to be received by the Belmont Fund, the Forward Contracts provide that replacement securities acceptable to the Counterparty, may at the Belmont Fund’s option, be substituted for shares in respect of which the dividend or distribution has been declared to preserve the value of the Forward Contracts (referred to as a the “Share Basket Rebalancing”).
35. On February 12, 2010, the Counterparty advised the Receiver of proposed rebalancing transactions for each of the CDN and USD Share Baskets. The Receiver reviewed and approved the rebalancing and underlying transactions. The transactions in question resulted in realized capital losses of approximately \$23,000.
36. On May 19, 2010, the Counterparty advised the Receiver of proposed rebalancing transactions for each of the CDN and USD Share Baskets. The Receiver reviewed and approved the rebalancing and underlying transactions. The transactions in question resulted in realized capital gains of approximately \$1.1 million.

The General Partner

37. On October 20, 2009, Harcourt through its legal counsel notified the Receiver that the General Partner had received a notice of pending cancellation dated October 2, 2009 from the Ontario Ministry of Revenue as a result of non-compliance with the *Corporations Tax Act* (the “Notice of Pending Cancellation”). The Notice of Pending Cancellation provided thirty days from the date of issue for the General Partner to comply otherwise an Order to dissolve the company would be issued.
38. Given the potential adverse affects that a dissolution of the corporate general partner would have had on the limited partnership, the Receiver took the following steps:
 - communicated with the stakeholders of the General Partner to determine the current status of the alleged non-compliance issues, and sought their assistance to ensure full compliance, in accordance with the Limited Partnership Agreement;
 - communicated with the Ontario Ministry of Revenue, after receiving and submitting authorization for release of account information to the Receiver from a director of the General Partner, to determine the nature of the alleged non-compliance issues, next steps and requirements to bring the General Partner into compliance; and
 - communicated with certain service providers to determine the current status of the alleged non-compliance issues and cost and timing required to bring the General Partner into compliance, if required.

39. On February 18, 2010, the Receiver through its legal counsel, requested the Ontario Ministry of Revenue to cease any further steps in respect of the Notice of Pending Cancellation on the basis that any involuntary dissolution of the General Partner may adversely impact the Belmont Fund and/or these receivership proceedings, and in light of the stay or proceedings granted in the Appointment Order.
40. On March 6, 2010, the Notice of Pending Cancellation was elevated to an impending cancellation of the General Partner by way of posting to The Ontario Gazette.
41. Following this publication, the Receiver through its legal counsel was able to contact the Ontario Ministry of Revenue directly to discuss the potential dissolution in the context of these receivership proceedings and the stay of proceedings. On April 8, 2010, the Ontario Ministry of Government Services informed the Receiver's legal counsel that the cancellation process had been withdrawn and the General Partner would remain with "active" status.

The Belmont Fund – 2009 Year-end

42. For the year ended December 31, 2009, the Receiver prepared and remitted to Canada Revenue Agency (the "CRA") a T5013 Summary, *Information Return of Partnership Income* and related information slips T5013, *Statement of Partnership Income* (the "2009 T5103s") (collectively referred to as the "2009 Return") and to Revenu Quebec the Form TP-600-V, *Partnership Information Return* and the related information slips RL-15, *Montants attribués aux membres d'une société de personnes* (the "2009 RL-15s") (collectively referred to as the "2009 Quebec Return"). In addition, for the year ended December 31, 2009 the Receiver sent to each person who was either a limited or general partner at December 31, 2009, a 2009 T5013 and, and if the Limited Partner was a Quebec resident, a 2009 RL-15.
43. The 2009 Return and the 2009 Quebec Return (the "2009 Returns") were prepared using available records and information of the Belmont Fund, including available information contained in prior filings with the CRA, supplemented by certain information obtained from third parties by the Receiver since its appointment as Receiver. In preparing the 2009 Returns, the Receiver did not carry out an audit nor was the Receiver in a position to formally verify the information obtained from the records of the Belmont Fund or from third parties.
44. Pursuant to the Limited Partnership Agreement for tax purposes, the income and losses of the Belmont Fund in respect of a fiscal year are to be allocated among the General Partner and the Limited Partners. In determining the income and losses of the Belmont Fund for the fiscal year ended 2009, the Receiver included the realized gains and losses from all of the Share Basket Rebalancing transactions in 2009. The information with respect to the list of 2009 Share Basket Rebalancing transactions was provided to the Receiver by the Counterparty.
45. For the years ended December 31, 2006, 2007 and 2008 (the "Prior Years"), the Receiver received copies of the previously filed T5013s (the "Prior T5013s") from Citigroup; however, the Receiver did not receive any of the supporting information used in the preparation of the Prior T5013s. For the Prior Years, the Receiver has no information

with respect to whether Limited Partners resident in Quebec received RL-15 slips (the "Prior RL Slips").

46. As discussed in paragraph 33, the Receiver has not obtained a complete set of financial records for the Belmont Fund. In particular, the Receiver has not obtained the information used to prepare the returns for the years prior to the year ending December 31, 2009 (the "Prior Returns"). Given the incomplete records available to the Receiver, the Receiver is also not in a position to confirm the accuracy of the Prior Returns. The Receiver has advised the Limited Partners that should there be any errors in the Prior Returns, that these errors may have been carried forward to the 2009 Returns.

CASH POSITION OF THE BELMONT FUND

47. The Receiver currently holds no cash in its trust bank account relating to these proceedings. Since the date of the Appointment Order, the Receiver has not received any funds nor has the Receiver made any payments or distributions to any creditors/investors.

SEGREGATED PORTFOLIO

48. As described in greater detail in the Receiver's First Report, the principal asset of the Belmont Fund is the Forward Contracts, the value of which varies directly with the market value and return of the Segregated Portfolio. As a result, the value of the Belmont Fund is tied to the value and potential recovery from the Segregated Portfolio.
49. The Segregated Portfolio is itself presently in wind-up, with Harcourt overseeing the winding-up. The Receiver has requested regular updates in respect of the wind-up of the Segregated Portfolio and continues to collect any relevant supporting information with request to the value and liquidity of the Underlying Funds of Funds (as defined below) from Harcourt.
50. A number of factors affect the value, timing and entitlement of any potential recoveries from the Segregated Portfolio. Two significant factors are a) the value and timing of realizations from the investments of the Segregated Portfolio and b) the priority of distributions from the Segregated Portfolio, in particular the Second Redemption Request (defined in paragraph 70) and the alleged foreign exchange loss claims by the Counterparty (the "Counterparty Claim"). Information with respect to the financial position and investments of the Segregated Portfolio is provided in paragraphs 51 to 67. The Second Redemption Request, including a proposed resolution, is discussed below beginning in paragraph 68. The Counterparty Claim is discussed in the Second Report and is being addressed through the Claims Determination Process.

Financial Position of the Segregated Portfolio

51. The Receiver obtained from Harcourt the NAV statement for the Segregated Portfolio for March 31, 2010 on June 3, 2010 (the "March 2010 NAV Statement"). This is the most current NAV statement available to the Receiver. According to the March 2010 NAV Statement, which is attached as **Appendix H**, the net assets of the Segregated Portfolio before outstanding redemption requests as at March 31, 2010 were approximately US\$12.1 million as at March 31, 2010 (the "March 2010 NAV"). As

noted in the First Report, the Receiver continues to be uncertain of the value, timing and entitlement to any potential recoveries from the Segregated Portfolio.

52. According to the NAV statement for the Segregated Portfolio for July 31, 2009 (the "July 2009 NAV Statement"), the net assets of the Segregated Portfolio before outstanding redemption requests were approximately US\$12.4 million as at July 31, 2009 (the "July 2009 NAV"). The July 2009 NAV Statement is attached as **Appendix I**.

53. Harcourt has advised the Receiver that the July 2009 NAV and the March 2010 NAV are calculated as follows:

	July 31, 2009 <u>(US\$ 000's)</u>	March 31, 2010 <u>(US\$ 000's)</u>
<i>Underlying Fund of Funds (cost)</i>	<u>\$12,030</u>	<u>\$10,290</u>
Underlying Fund of Funds (market value)	\$9,166	\$7,281
Cash *	1,716	4,068
Receivable for investments sold	349	0
Receivable from ABL FUND	<u>1,248</u>	<u>828</u>
Total Assets	12,479	12,177
Payables and accrued expenses	<u>(36)</u>	<u>(40)</u>
Net assets before outstanding redemption requests	12,443	12,137
Payable for fund shares repurchased **	<u>(2,263)</u>	<u>(2,263)</u>
Net assets	<u>\$10,180</u>	<u>\$9,874</u>
Number of outstanding Class A shares ***	187,142.5472	187,142.5472
NAV per Class A shares (US\$)	\$53.04	\$51.46
Number of outstanding Class B shares	5,478.7870	5,478.7870
NAV per Class B shares (US\$)	\$46.23	\$44.54

* *The July 2009 and March 2010 NAV Statements include separate amounts for Cash and Cash Equivalents and Due from Brokers, which the Receiver has classified together as Cash. Harcourt has confirmed to the Receiver that both of these amounts are Cash.*

** *In the July 2009 and March 2010 NAV Statements, Vontobel is classified as a creditor for US\$2,262,900, the Second Redemption Request Amount.*

*** *The number of outstanding Class A shares is net of the 30,000 shares which are part of the Second Redemption Request.*

54. If the 30,000 shares which are part of the Second Redemption Request were considered to still be outstanding Class A shares, the Receiver estimates that the NAV per Class A share would increase by approximately US\$3 per share.

55. For the investment management services that Harcourt provides to the Segregated Portfolio, Harcourt is entitled to receive a monthly management fee and a performance fee based on a percentage of the Segregated Portfolio's NAV, which the Receiver

understands is calculated based on the equity in the Segregated Portfolio and is not based on the leveraged value of the Segregated Portfolio.

56. Subject to certain requirements, the Segregated Portfolio is to pay Harcourt a performance fee which is based on a percentage and is calculated and paid quarterly (the "Performance Fee"). The Receiver understands that where a net shortfall amounts arises in a subsequent fiscal year, Harcourt is not required to return the Performance Fee paid in respect of a prior period. Harcourt has advised the Receiver that no Performance Fees are outstanding and that given the financial performance of the Segregated Portfolio, Harcourt does not expect to earn any Performance Fees in the future.

Investments of the Segregated Portfolio

57. Harcourt has advised the Receiver that as at March 31, 2010, the Segregated Portfolio was invested in cash and the following five fund of hedge funds (the "Underlying Funds of Funds"):

<u>Fund Name</u>	<u>Market Value at March 31, 2010 US\$ (000's)</u>
BELMONT ASSET BASED LENDING CLASS A ("ABL FUND")	\$3,603
BELMONT RX SPC CLASS ASIA 11/08 ("RX ASIA FUND")	560
BELMONT RX SPC CLASS LATAM 11/08 ("RX LATAM FUND")	1,012
BELMONT RX SPC CLASS FI 09/08 ("RX FI 09/08 FUND")	220
BELMONT RX SPC CLASS FI 11/08 ("RX FI 11/08 FUND")	<u>1,886</u>
Total	<u>\$7,281</u>

58. The Underlying Funds of Funds are in turn invested in hedge funds (the "Underlying Funds"). Harcourt has advised the Receiver that there are three basic types of investments held in the Underlying Funds:

- (i) fixed income instruments which are high yield with low subordinated positions;
- (ii) equity positions in small-cap companies which have not been able to obtain financing to buy out the existing investors; and
- (iii) private loans for which refinancing is not available.

59. The ABL FUND was placed into a court supervised liquidation proceeding in January 2010, with Stuart Sybersma and Ian Wight of Deloitte & Touche ("Deloitte") in the Cayman Islands being appointed as Joint Official Liquidators of the ABL FUND by an Order of the Grand Court in the Cayman Islands on January 19, 2010. Prior to this, the ABL FUND which was established by Harcourt, was being informally wound up by Harcourt. The Receiver learned of appointment of the Joint Official Liquidators from Harcourt in early May 2010. The Receiver understands from Harcourt that the liquidity provider to the ABL FUND sought the appointment of an official liquidator for the ABL FUND.

60. Based on a conversation with a representative of Deloitte, the Receiver understands that Deloitte is continuing to investigate the financial status of the ABL FUND and has not yet developed a realization or distribution plan for the ABL FUND. Harcourt advises the Receiver that the first report from Deloitte is expected to be available shortly.
61. The RX LATAM FUND, the RX ASIA FUND and the RX FI 09/08 and RX FI 11/08 FUNDS (the "RX Funds) are "side pockets" funds, established respectively from the following funds: BELMONT ASIA CLASS A, BELMONT LATIN AMERICA LTD. CLASS A and BELMONT FIXED INCOME LTD CLASS A. (the "Redeemed Funds"). A side pocket is a separate account created to include the illiquid assets of a particular hedge fund. Each time an investor redeemed from one of the Redeemed Funds the investor received the liquid part of its redemption in cash as well as a payment in kind in the form of units in one of the RX Funds.
62. Harcourt established and managed the Redeemed Funds. Harcourt continues to manage and oversee the liquidation of the RX Funds. The Receiver understands from Harcourt that Harcourt's approach to liquidating the RX Funds is to maximize the recovery from the Underlying Funds; therefore, to the extent it is reasonable, Harcourt's objective is to continue to hold the positions in the Underlying Funds until such time as the fund allows redemptions. It is not Harcourt's intention to "fire sale" the assets of the RX Funds in the secondary market. The Receiver understands from Harcourt that as liquidity is available in the RX Funds, distributions will be made on a *pro rata* basis to investors in the RX Funds, including the Segregated Portfolio.

Cash Position of the Segregated Portfolio

63. The cash position of the Segregated Portfolio was approximately US\$4.1 million at March 31, 2010 (the "March 31, 2010 Cash Balance"). The cash position of the Segregated Portfolio at July 31, 2009 was approximately US\$1.7 million. The principal reason for the change in the cash position has been the distribution of funds from each of the Underlying Fund of Funds.
64. The Receiver has been advised by Harcourt that the Segregated Portfolio has not received any payments from the ABL FUND since November 2009. Since March 31, 2010, the Segregated Portfolio has received cash distributions of approximately US\$100,000 from the RX FI 09/08 and RX FI 11/08 FUNDS.

Realization of Assets of the Segregated Portfolio

65. In December 2009, Harcourt provided the Receiver with a liquidity analysis, dated September 30, 2009, which extended to November 2012 and beyond (the "Sept. 2009 Liquidity Analysis"). Based on the Sept. 2009 Liquidity Analysis, the estimated cash receipts to be available over time to the Segregated Portfolio, before ongoing costs of the Segregated Portfolio, was US\$12.2 million (the "Sept. 2009 Estimated Cash Receipts"), with the cash on hand at September 30, 2009 being approximately US\$2.3 million.
66. Based on the March 2010 NAV Statement the estimated cash receipts to be available over time (before ongoing costs of the Segregated Portfolio) is US\$12.1 million (the "March 2010 Estimated Cash Receipts"). Approximately 33% (or US\$4.1 million) of the March 2010 Estimated Cash Receipts is cash and the balance is largely in illiquid

investments. Approximately 37% (or US\$4.4 million) of the March 2010 Estimated Cash Receipts is recoverable from the ABL FUND. In May 2010, Harcourt provided the Receiver with estimated payout schedules for the RX Funds as at March 31, 2010 (the "RX Payout Schedules"). Harcourt has not prepared an estimated payout schedule for the ABL FUND as Deloitte is now responsible for the liquidation of that fund. As a result, the timing of any distributions from the ABL FUND is uncertain.

67. The Receiver understands that the Sept. 2009 Liquidity Analysis and the RX Payout Schedules were prepared by Harcourt from information received directly or indirectly from the administrators of the Underlying Funds. The Receiver understands that Harcourt has limited ability to assess the accuracy of the valuations received directly or indirectly from the administrators or portfolio managers of the Underlying Funds. This is because, given the terms of the agreements between the Underlying Funds of Funds and the Underlying Funds, it is up to the discretion of the fund managers of the Underlying Funds as to whether they provide all detailed specifics about the underlying investments and the specific methods and processes used to value the investments of the Underlying Funds. In addition, the Underlying Funds are invested in illiquid investments for which it is difficult to obtain precise market values. Furthermore, the values received from the Underlying Funds' managers may consist of estimates only. Due to a number of factors, including the uncertainty of future events, there can be no assurance that the value at which an investment is recorded in the accounting records of a particular Underlying Fund at any particular time will not later be reduced, or that a fund will be able to liquidate the investment at that value or at any other amount.

VONTOBEL REDEMPTION REQUESTS

Vontobel Seed Capital and Redemption Requests

68. In August 2006, Vontobel invested seed capital in the Segregated Portfolio, with a subscription of 50,000 Class A shares for US\$5 million (the "Seed Capital").
69. Harcourt advised the Receiver that in May 2008 Vontobel made the decision to withdraw the Seed Capital from the Segregated Portfolio. The decision was made to withdraw the Seed Capital in two instalments. Further to this, Vontobel submitted a redemption request to Citco for 20,000 of its shares on May 9, 2008 (the "First Redemption Request") to be redeemed using the June 30, 2008 NAV. The Receiver understands from Harcourt that approximately US\$2 million was paid to Vontobel on August 4, 2008 and that 20,000 of the 50,000 shares in the Segregated Portfolio held by Vontobel were redeemed.
70. Based on documents provided by Harcourt, the Receiver understands that on June 23, 2008, Vontobel requested that the custodian for its shares in the Segregated Portfolio, SIS SegInterSettle AG ("SIS"), make a redemption request for 30,000 shares held by Vontobel in the Segregated Portfolio (the "Second Redemption Request") for a trade date at the end of September. SIS placed the Second Redemption Request with Citco on August 5, 2008. The confirmation for the Second Redemption Request from Citco dated August 5, 2008 indicates that the trade date was to be October 1, 2008, based on the September 30, 2008 NAV for the Segregated Portfolio, with a settlement date of October 30, 2008.

71. Using the September 30, 2008 NAV of approximately US\$75.43 per share (the “September NAV”), the amount claimed by Vontobel for the Second Redemption Request is US\$2,262,900 (the “Second Redemption Request Amount”), which would have resulted in a loss by Vontobel of approximately US\$700,000 on its US\$3 million investment in 30,000 shares.
72. The Receiver understands that no amounts have been paid to Vontobel with respect to the Second Redemption Request. Harcourt has confirmed that any distributions (including outstanding redemption requests) from the Segregated Portfolio to shareholders of the Segregated Portfolio have been frozen and, pending discussions with the Receiver, Harcourt/Vontobel has undertaken not to pursue receiving payment of the Second Redemption Request.

Vontobel Redemption Requests Disputes

73. The First and Second Vontobel Redemption Requests (collectively, the “Vontobel Redemption Requests”) were the subject of a proposed derivative claim within Court File No. CV-09-8227-00CL. In the cross application in Court File No. CV-09-8227-00CL (the “Derivative Application”), the cross applicants, Nead and Omniscope (the “Cross Applicants”), sought, *inter alia*, an Order pursuant to the *Business Corporations Act* (Ontario) granting leave to Omniscope to commence a derivative action on behalf of the General Partner against Fanconi, Harcourt and Vontobel (collectively the “Defendants”), in respect of, *inter alia*, the redemption requests.
74. The Cross Applicants sought leave to issue and serve a statement of claim requesting the following relief: (i) a declaration that the Vontobel Redemption Requests are invalid; (ii) an Order requiring the Defendants to return to the Belmont Fund all amounts paid to Vontobel pursuant to the First Redemption Request with interest; (iii) an Order prohibiting the Defendants from pursuing the Second Redemption Request or, in the alternative, an Order requiring the Defendants to return to the Belmont Fund all amounts paid to Vontobel pursuant to the Second Redemption Request with interest; (iv) in the alternative to (i), (ii) and (iii), compensation for facilitating, participating in, and receiving property obtained in, breach of fiduciary duty; and (v) in alternative to (iv), an Order for the disgorgement of all profits or other benefits occasioned by the Defendant’s allegedly wrongful conduct.
75. In the Appointment Order, the Court ordered that the Derivative Application was to be dealt with by the Receiver and considered by the Court on the return of the Dissolution Hearing. This portion of the motion to address the potential of the Receiver pursuing the Derivative Application was addressed on a preliminary basis in the First Report and adjourned by an Order of the Court pending further discussions between Harcourt and the Receiver.

Background of Vontobel Redemption Requests

76. In the First Report the Receiver advised this Honourable Court that it was investigating the claims in the Derivative Application and holding discussions with Harcourt with respect to the priority of the Vontobel Redemption Requests. Since the First Report the Receiver has continued to investigate the background of the Vontobel Redemption Requests.

77. It was alleged in the Derivative Application that when the Belmont Fund was established, Fanconi, Harcourt and the General Partner agreed that Harcourt, through Vontobel, would invest the Seed Capital directly in the Belmont Fund; however, instead of buying units of the Belmont Fund, Vontobel invested in the Segregated Portfolio. The Receiver has not been provided any written confirmation from the Cross Applicants supporting their claim of an agreement that the Seed Capital was to be invested directly in the Belmont Fund. The Receiver understands from discussions with Harcourt that there was no agreement that the Seed Capital was to be invested in the Belmont Fund.
78. In addition, with respect to the Seed Capital, Harcourt advises the Receiver of the following:
- (i) Harcourt/Vontobel normally uses seed capital to launch new products and that the amount of seed capital available to Harcourt was limited;
 - (ii) an objective of investing the Seed Capital at the launch of the Belmont Fund was to increase the asset base of the Investment Structure to spread out the costs of the Investment Structure; and
 - (iii) generally speaking, seed money injections into any particular investment fund by Harcourt/Vontobel are removed after a given investment fund reaches a size which supports the cost structure of the respective fund.
79. The Cross Applicants allege that Vontobel submitted the First Redemption Request to Citco on August 5, 2008, and that Vontobel received payment for the First Redemption Request on or about September 30, 2008. The Cross Applicants claim that this decision detrimentally affected the Belmont Fund. The Receiver has received supporting information from Harcourt that the First Redemption Request was made on May 9, 2008 and subsequently settled on August 4, 2008.
80. Harcourt has advised the Receiver that the decision to withdraw the Seed Capital was made in May 2008. The decision to withdraw the Seed Capital was made to allow Harcourt to use the Seed Capital in other projects. At the time the decision was made to request the redemptions of the Seed Capital, Harcourt advises that it did not have any knowledge or expectation of a decline in the value of the Segregated Portfolio or that the viability of the Segregated Portfolio was in question. Harcourt has also advised the Receiver that at the time the First Redemption Request was settled it did not have any knowledge or expectation of a decline in the per share value of the Segregated Portfolio or that the viability of the Segregated Portfolio was in question.
81. The following NAVs for the Class A shares of the Segregated Portfolio were taken from the monthly NAV statements for the Segregated Portfolio, provided to the Receiver by Harcourt.

<u>Month</u>	<u>NAV per Class A share (US\$)</u>
March 31, 2008	99.27
April 30, 2008	99.65
May 30, 2008	101.61
June 30, 2008	101.17

July 31, 2008	98.40
August 31, 2008	95.35
September 30, 2008	75.43
October 31, 2008	67.06

82. In the Derivative Application, it was alleged that Vontobel submitted the Second Redemption Request on September 30, 2008. As discussed in paragraph 70, the Receiver understands that the request for the Second Redemption Request was made on August 5, 2008, with the decision to make the Second Redemption Request being made in May 2008. Harcourt has advised the Receiver that it decided to remove the Seed Capital in two transactions in order to lessen the impact on the liquidity of the Segregated Portfolio.
83. According to the Derivative Application, by investing directly in the Segregated Portfolio, Vontobel was able to remove its investment ahead of the Limited Partners, and at a favourable NAV. The Cross Applicants also allege that as fiduciaries of the Belmont Fund, Fanconi and Harcourt were not free to use pertinent information about the Segregated Portfolio, which was not available to the Limited Partners, to benefit themselves or third parties, including early redemption of the Seed Capital. In turn, Vontobel was not free to accept information delivered through a breach of fiduciary duty.
84. The Cross Applicants claim that Harcourt and Fanconi had access to pertinent information regarding market conditions and the Segregated Portfolio before the General Partner and the Limited Partners. It further alleges that confidential information was disclosed to Vontobel, which knowingly received and used such information to its benefit by investing directly in the Segregated Portfolio and submitting the Vontobel Redemption Requests. The breaches of fiduciary duty by Harcourt and Fanconi, and assisted in by Vontobel, caused direct financial loss to the Belmont Fund.
85. As noted in paragraph 53, in the July 2009 and March 2010 NAV Statements, Vontobel is classified as a creditor with respect to the Second Redemption Request Amount. Harcourt has advised the Receiver that it is Vontobel's position that:
- the Second Redemption Request was a valid redemption request for which the proceeds are to be calculated using the September 30, 2008 NAV;
 - effective September 30, 2008 Vontobel ceased to be a shareholder of the Segregated Portfolio;
 - effective September 30, 2008 Vontobel became a creditor of the Segregated Portfolio for the amount of the Second Redemption Request Amount; and
 - as a creditor of the Segregated Portfolio, Vontobel is entitled to receive payment of the Second Redemption Request Amount in advance of any distributions to shareholders of the Segregated Portfolio.

86. The Receiver notes paragraph 19 of the Articles of Association for Belmont SPC which states that:

“Participating Shares of a Segregated Portfolio to be redeemed shall be deemed to be outstanding until and including the close of business on the day as at which the NAV of the Participating Shares of the relevant Segregated Portfolio is determined and after that time until paid the price thereof shall be deemed to be a liability of the Segregated Portfolio.”

87. In addition, Harcourt has advised the Receiver that if the directors of the Belmont Fund had not authorized the Leverage Provider Payment (defined below), the Second Redemption Request could have been paid in full on October 31, 2008. The cash balance in the Segregated Portfolio was US\$2,710 as at September 30, 2008. During October 2008, there were significant transactions in the Segregated Portfolio, including receiving redemption requests from certain Underlying Funds of US\$9.4 million and US\$1.9 million on October 29, 2008 and October 31, 2008 respectively, and paying US\$9.4 million to the leverage provider on October 31, 2008 (the “Leverage Provider Payment”). The closing cash balance of the Segregated Portfolio on October 31, 2008 was US\$1.9 million (the “October 2008 Cash”).
88. Harcourt advised the Receiver that there was no requirement or request to pay the Leverage Provider Payment ahead of the Second Redemption Request, and that Harcourt could have elected to pay the Second Redemption Request in full prior to the winding-up of the Segregated Portfolio. However, the directors of the Belmont Fund approved the payment of the Leverage Provider Payment in order to reduce risk in the Segregated Portfolio.
89. In addition to the Derivative Application that was sought by the Cross Applicants, correspondence was exchanged between Harcourt/Vontobel and the Counterparty (as shareholder in the Segregated Portfolio) in respect of the then proposed redemption requests. Attached hereto as **Appendix J** is a copy of the correspondence between the Counterparty and its Cayman counsel, Harcourt/Vontobel and Belmont SPC/Segregated Portfolio and its counsel in respect of the redemption requests. In this exchange, the Counterparty argued, *inter alia* that “all shareholders, including those whose redemptions have been delayed because of such liquidation, should be treated on a *pro rata* basis to ensure fair and equal treatment.” In response, counsel for the Segregated Portfolio, noted that they had spoken with the directors of the Segregated Portfolio and took the position that the decision to redeem the seed capital was made before the decision to liquidate the Segregated Portfolio and the seed investor (Vontobel) did not have information about the Segregated Portfolio’s performance unavailable to other investors.
90. The Receiver understands that Harcourt/Vontobel indicated that it would not agree to withdraw the Second Redemption Request, and took the position that Cayman law supported their claim that the timing of the Second Redemption Request elevated their claim to that of a creditor of the Segregated Portfolio and not a shareholder.
91. Notwithstanding this position, as noted above, upon the appointment of the Receiver, Harcourt/Vontobel agreed to take no further steps in respect of the Second Redemption Request while discussions were ongoing with the Receiver.

Proposed Settlement with Vontobel and Harcourt

92. The Receiver has reached a proposed agreement with Vontobel (the “Vontobel Settlement”) which the Receiver believes is favourable to the estate. As discussed above, since its appointment the Receiver has continued to investigate the claims in the Derivative Application and to hold discussions with Harcourt with respect to the priority of the Vontobel Redemption Requests. Matters investigated and discussed included:

- (i) Vontobel being considered to have redeemed its 30,000 Class A shares in the Segregated Portfolio effective September 30, 2008 and to be a creditor of the Segregated Portfolio as at September 30, 2008 for US\$2,262,900 versus continuing to hold an equity position as a holder of Class A shares;
- (ii) whether at the Segregated Portfolio Closing Date, Vontobel had an outstanding redemption request that was due prior to the decision to wind-up the Segregated Portfolio (a “Prior Outstanding Redemption Request”);
- (iii) in the event Vontobel had a Prior Outstanding Redemption Request, whether the full amount of the Prior Outstanding Redemption Request of US\$2,262,900 should be paid in priority to any distributions to any other shareholders in the Segregated Portfolio, but after all other debts and liabilities of the Segregated Portfolio, and whether Vontobel’s 30,000 shares should be cancelled, notwithstanding the winding-up of the Segregated Portfolio;
- (iv) in the event Vontobel had a Prior Outstanding Redemption Request, whether Vontobel is entitled to proceeds in priority to any distributions to any other shareholders in the Segregated Portfolio to the extent that cash was available to the Segregated Portfolio to pay the Prior Outstanding Redemption Request after the date upon which the redemption was due to be effected and before the winding-up of the Segregated Portfolio commenced; or
- (v) whether Vontobel should be considered to hold 30,000 Class A shares at the Segregated Portfolio Closing Date and be entitled to receive distributions from the Segregated Portfolio on a *pari passu* basis with other shareholders in the Segregated Portfolio.

93. The proposed resolution of the Derivative Application includes the following:

- (i) Vontobel would withdraw the Second Redemption Request;
- (ii) instead of a priority lump sum payment of US\$2,262,900 from the Segregated Portfolio, Vontobel would receive payments over time, based on a predetermined percentage of funds made available from the Segregated Portfolio and a set amount of equivalent shares. Specifically, Vontobel would:

- (a) be deemed to have redeemed approximately 25,188.9169 Class A shares (the “Deemed Redeemed Shares”) and in payment for the Deemed Redeemed Shares to receive approximately 15.6% of any net cash receipts in the Segregated Portfolio (the “Vontobel Allocation”) to be paid out on a *pari passu* basis with the shareholders of the Segregated Portfolio up to a maximum amount of US\$1.9 million; and
 - (b) Vontobel would continue to hold the equivalent of approximately 4,811.0831 shares in the Segregated Portfolio (the “Remaining Shares”) and to have rights in the distribution of surplus assets on the same basis as the other shareholders of the Segregated Portfolio;
 - (iii) costs would continue to be paid in the ordinary course from the funds available to the Segregated Portfolio;
 - (iv) the Receiver would not pursue the Derivative Application or claims therein. Specifically relating to the reversal of the First Redemption Request, which was made and settled prior to the commencement of these receivership proceedings, the monies paid to Vontobel in respect of the First Redemption Request would remain in its hands; and
 - (v) Harcourt would continue to provide ongoing cooperation with respect to the provision of information to the Receiver on a regular and timely basis.
94. The Vontobel Settlement was agreed in principle by the Receiver and Harcourt in December 2009 and was based upon the figures available to the parties when the resolution was reached, including the Sept. 2009 Estimated Cash Receipts.
95. The Vontobel Allocation of 15.6% was calculated based on the percentage that the October 31, 2008 Cash of US\$1.9 million, the date on which the decision was made to wind-up the Segregated Portfolio, represents of the Sept. 2009 Estimated Cash Receipts of US\$12.2 million.
96. The number of the Deemed Redeemed Shares was calculated by dividing US\$1.9 million by the amount of the September 30, 2008 NAV of US\$75.43. The Receiver understands that the September 30, 2008 NAV was finalized on October 30, 2008, and as such it is reasonable to use this NAV figure for purposes of estimating the potential claim in respect of the Second Redemption Request.
97. The number of the Remaining Shares of 4,811.0831 was calculated by subtracting the number of Deemed Redeemed Shares from the Second Redemption Request amount of 30,000 shares.
98. If the Vontobel Settlement is approved, based upon information provided by Harcourt the Receiver estimates that the total number of remaining shares in the Segregated Portfolio will be:

- the equivalent of approximately 191,953.6303 Class A shares, of which approximately 4,811.0831 shares are held by Vontobel; and
- 5,478.7870 Class B shares.

The Receiver notes that there is a discrepancy between the information received from Harcourt and from the Counterparty with respect to the number of Class A shares held by the Counterparty. According to the records of the Counterparty, the Counterparty holds 187,892.9150 shares, approximately 750 shares more than that reported by Harcourt to be outstanding. The Receiver needs to obtain additional information in order to understand the reason for the difference.

99. If the Vontobel Settlement is approved, based on the Sept. 2009 Estimated Cash Receipts, Harcourt would receive US\$2.15 million over time, before ongoing costs of the Segregated Portfolio, consisting of approximately US\$1.9 million in respect of the Vontobel Allocation and approximately US\$250,000 in respect of the Remaining Shares. In the event the total realization for the Segregated Portfolio is less than US\$12.2 million, Vontobel would receive less than US\$2.15 million. In the event the total realization for the Segregated Portfolio is greater than US\$12.2 million, Vontobel will receive a maximum of US\$1.9 million for the Vontobel Allocation but has the potential to receive in excess of US\$250,000 for the Remaining Shares.
100. Based on the March 31, 2010 Cash Balance of approximately US\$4.10 million, before taking into consideration a reserve for ongoing costs of the Segregated Portfolio, approximately US\$720,000 is available to be paid to Vontobel as an interim distribution, with US\$640,000 relating to the Vontobel Allocation and US\$80,000 for the Remaining Shares. The remaining US\$3.38 million would be available to be distributed from the Segregated Portfolio.
101. The Receiver recommends the approval of the Vontobel Settlement by this Honourable Court for the following reasons:
- (i) the Vontobel Settlement is fair and reasonable;
 - (ii) with respect to the First Redemption Request, the Receiver is of the view that further pursuit of the matter to recover any amounts already paid to Vontobel through litigation would not be cost effective. Our review of the timing and payment of the First Redemption Request suggests the request was made and settled prior to a decline in the value of the Segregated Portfolio;
 - (iii) there is litigation risk in respect of the Derivative Application, including that the evidence in support of the Derivative Application may not be satisfactory to prove the claims, and in the event Vontobel successfully defended the Derivative Application, Vontobel would be permitted to be paid the full Second Redemption Request Amount of US\$2,262,900 in advance of other shareholders of the Segregated Portfolio;
 - (iv) with respect to the Second Redemption Request, the proposed settlement provides that Harcourt is effectively dealt with as a shareholder in the

Segregated Portfolio and would receive payments over time, thereby having the same payment risk as the other Class A and Class B shareholders. Vontobel would not receive priority payment for the Second Redemption Request out of the Segregated Portfolio's most liquid assets and shall bear equally with the other shareholders for the ongoing costs of the liquidation of the Segregated Portfolio. Had the Derivative Application been successful as it relates to the Second Redemption Request, Vontobel would have received a priority payment of US\$2,262,900;

- (v) Vontobel will be paid on a *pro rata* basis with the Counterparty, Class A shareholder, and the Class B shareholders. Based upon the March 31, 2010 Cash Balance of approximately US\$4.10 million, approximately US\$720,000 is available as an initial distribution to Vontobel and the balance of approximately US\$3.38 million is available to be distributed from the Segregated Portfolio;
- (vi) by continuing to hold a stake in the Segregated Portfolio through shareholdings and a percentage of future recoveries, Vontobel continues to have a direct interest in the viability and recoveries available from the Segregated Portfolio;
- (vii) based on the Sept. 2009 Estimated Cash Receipts, Harcourt will receive approximately US\$2.15 million over time, thereby incurring a loss of approximately US\$850,000 on its investment of US\$3 million;
- (viii) the costs and time delay involved in pursuing the Derivative Application, through full litigation proceedings would be cost prohibitive. Instead, in addressing this matter in Canada through these receivership proceedings, the Receiver has been able to reach a cost and time effective resolution for the estate;
- (ix) the proposed resolution effectively puts the Belmont Fund and estate in the same position as if the Derivative Application had been successful in respect of the Second Redemption Request, with Vontobel sharing *pro rata* with other shareholders, instead of in priority to them;
- (x) resolution of this issue permits the estate to be one step closer to a final determination of outstanding issues and ability to distribute funds to Limited Partners; and
- (xi) RBC as representative of the Limited Partners supports this proposed settlement.

HOLDING OF FUNDS PENDING RESOLUTION OF DISPUTED CLAIMS

102. As discussed above, Harcourt has advised the Receiver that pending resolution of the Second Redemption Request, Harcourt would not agree to the distribution of any cash on hand from the Segregated Portfolio, with the exception of ongoing expenses of the

Segregated Portfolio. Upon the approval of the Vontobel Settlement, Harcourt will be in a position to use the available cash at the Segregated Portfolio to make *pro rata* distributions to Vontobel, the Counterparty as a holder of Class A shares (“Counterparty Distributions”) and the Class B shareholders.

103. The Receiver seeks an Order that the any Counterparty Distributions be paid to the Receiver and held pending a resolution of the Counterparty Claim. This will permit the funds to be repatriated to Canada and available for distribution as quickly as possible once the Disputed Claims have been resolved or determined. The Receiver seeks to hold the reserve in a manner that is without prejudice to the rights and claims of parties to the funds.

NEXT STEPS

104. The Receiver shall, among other things:
- (i) continue to gather and review information from the stakeholders of the Belmont Fund with respect to the Belmont Fund, the Segregated Portfolio, the Disputed Claims and any other matters related to these receivership proceedings, as necessary;
 - (ii) continue to work towards a resolution of the Disputed Claims in accordance with the Claims Determination Order; and
 - (iii) report to the Limited Partners and the Court, and where necessary, seek further direction of the Court as required.

SUMMARY AND CONCLUSIONS

105. The Receiver requests that this Honourable Court make an Order:
- (i) approving the activities of the Receiver as described in this Third Report;
 - (ii) authorizing the Receiver to proceed with the proposed Vontobel Settlement; and
 - (iii) authorizing any distributions to the Counterparty be paid to the Receiver and held pending a resolution of the Counterparty Claim.

RESPECTFULLY SUBMITTED,

Dated the 21st day of June, 2010.

KPMG INC.

In its capacity as Court-appointed
receiver and manager of
Belmont Dynamic Growth Fund



Per: Elizabeth J. Murphy
Vice-President

JAMES HAGGERTY HARRIS

and

Applicant

BELMONT DYNAMIC GROWTH
FUND, an Ontario limited partnership

Respondent

Court File No: 09-8302-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at Toronto

**THIRD REPORT OF KPMG INC., RECEIVER
AND MANAGER OF BELMONT DYNAMIC
GROWTH FUND**

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**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF AN APPLICATION PURSUANT RULE 14.05(2) OF THE
ONTARIO *RULES OF CIVIL PROCEDURE*, R.R.O. 1990, Reg. 194 AND SECTION 35
OF THE *PARTNERSHIPS ACT*, R.S.O. 1990. c. P.5

AND IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 101 OF
THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C. 43

BETWEEN:

JAMES HAGGERTY HARRIS

Applicant

- and -

BELMONT DYNAMIC GROWTH FUND,
an Ontario Limited Partnership

Respondent

**SUPPLEMENT TO THIRD REPORT OF
KPMG INC., RECEIVER AND MANAGER OF
BELMONT DYNAMIC GROWTH FUND**

August 23, 2010

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- A. Letter from Deloitte & Touche dated June 23, 2010
- B. Form of Minutes of Settlement for Vontobel Settlement
- C. Letter from Stikeman Elliott LLP to counsel for NBCG dated August 23, 2010

INTRODUCTION

1. Pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) dated August 6, 2006 (the "Appointment Order"), and amended on October 21, 2009 (the "Amended Appointment Order"), KPMG Inc. was appointed receiver and manager ("Receiver") of the assets, undertakings and properties of the Belmont Dynamic Growth Fund (the "Belmont Fund"), an Ontario limited partnership.
2. The Receiver's last Report to the Court was dated June 21, 2010 (the "Third Report"). The Receiver files this Supplemental Report to the Third Report (the "Supplemental Third Report") in order to inform the Court and stakeholders about certain developments with respect to the investments in the Segregated Portfolio and to address issues raised by the Counterparty with respect to any Counterparty Distribution. The Supplemental Third Report should be read in conjunction with the Third Report. The Supplemental Third Report will:
 - provide an update on certain matters pertaining to the investments in the Segregated Portfolio, specifically the cash balances received by the Segregated Portfolio from the ABL FUND;
 - in conjunction with the Third Report provide an evidentiary basis for the approval of the Minutes of Settlement for the Vontobel Settlement as described in the Third Report; and
 - provide clarification with respect to the Receiver's request that any distributions to the Counterparty from the Segregated Portfolio be paid to and held by the Receiver.

TERMS OF REFERENCE

3. The information contained in the Supplemental Third Report has been obtained from the books and records and other information made available to the Receiver from the Belmont Fund and from third parties, including the General Partner and Harcourt. The accuracy and completeness of the financial information contained herein has not been audited or otherwise verified by the Receiver or KPMG LLP nor has it necessarily been prepared in accordance with generally accepted accounting principles. The reader is cautioned that this report may not disclose all significant matters about the Belmont Fund. Accordingly, the Receiver does not express an opinion or any other form of assurance on the financial or other information presented herein. The Receiver reserves the right to refine or amend its comments and/or finding as further information is obtained or is brought to its attention subsequent to the date of the Supplemental Third Report. In addition, any financial information presented by the Receiver is preliminary and the Receiver is not yet in a position to project the outcome of the receivership.
4. Unless otherwise noted, all dollar amounts referred to herein are expressed in Canadian dollars.
5. All capitalized terms used herein and not otherwise defined are as defined in the Third Report.

DISTRIBUTIONS RECEIVED FROM ABL FUND

6. As described in paragraph 59 of the Third Report, the ABL FUND was placed into a court supervised liquidation proceeding in January 2010, with Stuart Sybersma and Ian Wight of Deloitte & Touche (“Deloitte”) in the Cayman Islands being appointed as Joint Official Liquidators of the ABL FUND by an Order of the Grand Court in the Cayman Islands on January 19, 2010.
7. On July 13, 2010, Harcourt advised the Receiver that Deloitte had issued a letter to direct shareholders or nominee shareholders in the Segregated Portfolio dated June 23, 2010 (the “Deloitte Letter”) regarding the ABL FUND. The Deloitte Letter, which is attached hereto as **Appendix A**, stated the following:

As you know, Ian Wright and Stuart Sybersma are appointed as the Joint Official Liquidators of the Fund. As part of the liquidation process, we have been investigating all payments made to investors after the date on which the Fund suspended redemptions (i.e. 27 October 2008). It appears that these payments may have been made in breach of the Fund’s constitutional documents and in breach of the Cayman Islands Companies Law. If so, such payments would be unlawful returns of capital and liable to be repaid to the Fund. The purpose of this letter is to put you on notice that any payments you may have received from the Fund after 27 October 2008 may be liable to be returned to the Fund and, if not returned voluntarily, may be the subject of legal action against you. The liquidators’ investigation is continuing and we shall revert to you in this regard in due course.

8. Harcourt advises the Receiver since the Deloitte letter no further information has been received from Deloitte on this issue, including information to substantiate the assertion that the payments were unlawful and liable to be returned. Nor has Deloitte provided anything further concerning its investigation.
9. In paragraph 60 of the Third Report the Receiver advised the Court that Harcourt was expecting a copy of Deloitte’s first report on the administration of the ABL FUND. Harcourt advises the Receiver that this report has not yet been presented to stakeholders of the ABL FUND.
10. The Receiver advised in paragraph 102 of the Third Report that upon approval of the Vontobel Settlement, Harcourt would be in a position to use the available cash at the Segregated Portfolio to make *pro rata* distributions to Vontobel, the Counterparty as a holder of Class A shares (“Counterparty Distributions”) and the Class B shareholders (the “Pro Rata Distributions”). Based on the March 31, 2010 Cash Balance of approximately US\$4.10 million, Harcourt anticipated that approximately US\$3.28 million would be available to be paid as an initial Counterparty Distribution.
11. Harcourt has advised the Receiver that between November 2008 and November 2009, the Segregated Portfolio received distributions of approximately US\$1.17 million from the ABL FUND (the “ABL Funds”). Assuming that the Vontobel Settlement is approved by this Court, Harcourt has advised the Receiver that pending the completion and resolution of the potential claim for the Post-October 2008 Payments, the amount currently available for a Pro Rata Distribution is approximately US\$2.9 million, calculated as the amount of the March

31, 2010 Cash Balance of US\$4.10 million less the amount of the ABL Funds of approximately US\$1.17 million. Of the approximately US\$2.93 million, approximately US\$520,000 would be available to be paid to Vontobel as an initial interim distribution and approximately US\$2.34 million would be available to be paid as an initial Counterparty Distribution.

12. Harcourt has advised the Receiver that the cash balance in the Segregated Portfolio as at August 23, 2010 is approximately US\$4.3 million. The approximately US\$200,000 received by the Segregated Portfolio since March 31, 2010 is to held by Harcourt as a reserve for costs incurred by the Segregated Portfolio in the ordinary course of business.

VONTOBEL SETTLEMENT – MINUTES OF SETTLEMENT

13. In the draft order in respect of the August 25, 2010 motion, the Receiver sought approval to enter into further documentation in respect of the Vontobel Settlement. The Receiver has negotiated a form of Minutes of Settlement with Vontobel, a copy of which is attached at **Appendix B**.

DISTRIBUTIONS FROM SEGREGATED PORTFOLIO

14. As discussed in paragraph 103 of the Third Report, the Receiver seeks an Order that any Counterparty Distributions be paid to and held by the Receiver (the “Reserve”). On August 18, 2010, National Bank of Canada (Global) Limited (“NBCG”) filed responding materials (the “NBCG Responding Materials), including the Affidavit of Jayden Jones of Barbados. The NBCG Responding Materials speak to a number of issues, including disagreement with the Receiver’s request that any Counterparty Distributions be paid to the Receiver.
15. On August 23, 2010 on behalf of the Receiver, Stikeman Elliott LLP wrote to counsel for NBCG (the “August 23, 2010 Letter”) in response to these materials. The August 23, 2010 Letter is attached hereto as **Appendix C**.
16. The basis for the Receiver’s request to maintain the Reserve pending further Court Order is as follows:
 - the Forward Contracts do not contemplate various scenarios during a winding up process, and while the parties, and if necessary the Court, work their way through the issues the Receiver would prefer to hold the Reserve, in order that as neutral a result as possible is available to all relevant stakeholders;
 - the Receiver is seeking to preserve the assets and economic interests of the Belmont Fund;
 - issues remain in dispute between the parties, including the manner in which the Forward Contracts are to be interpreted; potential claims against the Reserve; the manner in which the Limited Partners should realize on the Forward Contracts; and the impact of distributions from the Segregated Portfolio on the value of the Forward Contracts (i.e. the Forward Price);

- while such issues are still in dispute, the Receiver seeks to have any available Counterparty Distributions repatriated to Canada, and held in the hands of a neutral Court Officer, subject to the Court's oversight; and
- by holding the Reserve, the Receiver does not intend to expropriate or alter the rights of the parties, or to put NBCG at risk. Instead the Receiver seeks to preserve those rights and interests pending a future determination and interpretation of the contractual arrangements on the basis of a complete record before the Court.

RESPECTFULLY SUBMITTED,

Dated the 23rd day of August, 2010.

KPMG INC.

In its capacity as Court-appointed
receiver and manager of
Belmont Dynamic Growth Fund



Per: *Elizabeth Murphy*
Vice-President

JAMES HAGGERTY HARRIS

and

Applicant

BELMONT DYNAMIC GROWTH
FUND, an Ontario limited partnership

Respondent

Court File No: 09-8302-00CL

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Proceeding commenced at Toronto

**SUPPLEMENT TO THIRD REPORT OF
KPMG INC., RECEIVER AND MANAGER OF
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Appendix H

BELMONT CUSTOMIZED DYNAMIC GROWTH SPC

NET ASSET VALUE STATEMENTS

PERIOD JANUARY 1 THRU FEBRUARY 29, 2012

(In USD)

STATEMENT OF ASSETS AND LIABILITIES	February 29, 2012		January 31, 2012	
** ASSETS **	Unaudited		Unaudited	
	<i>cost</i>	<i>market value</i>	<i>cost</i>	<i>market value</i>
<i>Investments, at value:</i>				
Equities	-	-	-	-
Fund investments	8,460,590	2,195,594	8,460,590	2,200,336
Bonds	-	-	-	-
Discount papers	-	-	-	-
Options	-	-	-	-
	8,460,590	2,195,594	8,460,590	2,200,336
<i>Unrealized gain on financial instruments:</i>				
Contracts for differences	-		-	
Forward contracts	-		-	
Futures contracts	-		-	
		-		-
<i>Cash and cash equivalents:</i>				
Cash at banks	-		-	
Deposits	-		-	
		-		-
Repurchase agreements		-		-
Short term loans		-		-
<i>Due from brokers:</i>				
Balances according to statements	5,387,421		5,393,732	
Receivable gains on forward contracts, expiring after reporting date	-		-	
		5,387,421		5,393,732
Receivable for investments sold		-		-
Prepaid subscriptions		-		-
Accrued interest on bonds		-		-
Overdue coupon interest receivable		-		-
Interest paid in advance on bonds purchased		-		-
Accrued interest on repurchase agreements		-		-
Interest receivable on bank, broker and other balances		-		-
Dividends receivable on shares		-		-
Other receivables and prepaid expenses		-		-
Receivable from Belmont ABL		827,985		827,985
Organizational expenses	-		-	
<i>less: Cumulative amortization</i>	-		-	
Deferred organizational expenses		-		-
Receivable for fund shares sold		-		-
Redemptions paid in advance		-		-
Total Assets		8,410,999		8,422,053

BELMONT CUSTOMIZED DYNAMIC GROWTH SPC

NET ASSET VALUE STATEMENTS

PERIOD JANUARY 1 THRU FEBRUARY 29, 2012

(In USD)

STATEMENT OF ASSETS AND LIABILITIES	January 31, 2012		January 31, 2012	
** LIABILITIES **	Unaudited		Unaudited	
	<i>proceeds</i>	<i>market value</i>	<i>proceeds</i>	<i>market value</i>
<i>Investments sold short, at value:</i>				
Equities	-	-	-	-
Bonds	-	-	-	-
Discount papers	-	-	-	-
Options	-	-	-	-
	-	-	-	-
<i>Unrealized loss on financial instruments:</i>				
Contracts for differences	-		-	
Forward contracts	-		-	
Futures contracts	-		-	
	-	-	-	-
<i>Due to brokers:</i>				
Balances according to statements	-		-	
Payable losses on forward contracts, expiring after reporting date	-		-	
	-	-	-	-
Reverse repurchase agreements		-		-
Short term loans		-		-
Payable for investments purchased		-		-
Redemptions received in advance		-		-
Accrued interest on bonds		-		-
Overdue coupon interest payable		-		-
Interest received in advance on bonds sold		-		-
Accrued interest on reverse repurchase agreements		-		-
Interest payable on bank, broker and other balances		-		-
Dividends payable on shares sold short		-		-
Distribution payable		-		-
<i>Other payables and accrued expenses:</i>				
Management fees-pre 2012	-		4,516	
Management fees- 2012	6,135		3,070	
Performance fees	-		-	
Administrative services	1,250		1,250	
Audit fees	11,680		10,645	
Director fees	56		28	
Fund Serv fees				
Custody fees	147		340	
Cayman fees	31		15	
Distribution fee	2,510		2,386	
		21,809		22,251
Overpayment of redemption F1 RX 11/08		-		-
Payable for fund shares repurchased		2,262,900		2,262,900
Total Liabilities		2,284,709		2,285,151
NET ASSETS		6,126,290		6,136,902
Number of shares outstanding Class A:		187,142,5472		187,142,5472
Net Asset Value per share Class A: 184002 Claris 13-016169	-0.17%	\$ 31.9412	-5.34%	\$ 31.9959
Number of shares outstanding Class B:		5,478,7870		5,478,7870
Net Asset Value per share Class B: 184102 Claris 13-016168	-0.25%	\$ 27.1477	-5.42%	\$ 27.2168

BELMONT CUSTOMIZED DYNAMIC GROWTH SPC

NET ASSET VALUE STATEMENTS

PERIOD JANUARY 1 THRU FEBRUARY 29, 2012

(In USD)

STATEMENT OF OPERATIONS	January 1 thru February 29, 2012 Unaudited		January 1 thru January 31, 2012 Unaudited	
Investment Income				
<i>Income:</i>				
Interest: · Bonds	-		-	
· Discount papers	-		-	
· Repurchase agreements	-		-	
· Loans	-		-	
· Bank and broker balances	-		-	
	-		-	
Dividends (gross income)	-		-	
less: Withholding tax	-		-	
	-		-	
Other income	-		-	
Total income	-		-	
<i>Expenses:</i>				
Interest: · Bonds	-		-	
· Discount papers	-		-	
· Reverse repurchase agreements	-		-	
· Loans	-		-	
· Bank and broker balances	-		-	
Dividends on short sales	-		-	
Management fees	6,106		3,070	
Performance fees	-		-	
Administrative services	2,518		1,268	
Audit fees	1,636		808	
Director fees	56		28	
Legal fees	3,743		3,743	
Custody fees	189		76	
Bank and broker expenses	366		99	
Amortized organizational expenses	31		15	
General and other expenses	248		124	
Total expenses	14,893		9,232	
Net investment income (loss)	(14,893)		(9,232)	
Realized and unrealized gains (losses) on investments				
<i>Realized gains (losses) on investments in:</i>				
Securities	-		-	
Options	-		-	
Contracts for differences	-		-	
Futures contracts	-		-	
Forward contracts	-		-	
Foreign currency exchange	1,006		1,012	
	1,006		1,012	
<i>Unrealized appreciation (depreciation) on investments in:</i>	<u>Beginning of year</u>	<u>End of period</u>	<u>Beginning of year</u>	<u>End of period</u>
Securities	(5,923,220)	(6,264,996)	(5,923,220)	(6,260,254)
Options	-	-	-	-
Contracts for differences	-	-	-	-
Futures contracts	-	-	-	-
Forward contracts	-	-	-	-
	(5,923,220)	(6,264,996)	(5,923,220)	(6,260,254)
Increase (decrease) unrealized appreciation on investments		(341,776)		(337,034)
<i>Unrealized gains (losses) on foreign currency exchange:</i>				
Beginning of year (1-1-2012)	1,023		1,023	
End of period	(300)		(98)	
		(1,323)		(1,122)
Net realized and unrealized gains (losses) on investments		(342,093)		(337,143)
Net increase (decrease) in net assets resulting from operations		(356,986)		(346,375)

BELMONT CUSTOMIZED DYNAMIC GROWTH SPC

NET ASSET VALUE STATEMENTS

PERIOD JANUARY 1 THRU FEBRUARY 29, 2012

(In USD)

STATEMENT OF CHANGES IN NET ASSETS	January 1 thru February 29, 2012 Unaudited	January 1 thru January 31, 2012 Unaudited
Increase (decrease) in net assets from operations:		
Net investment income (loss)	(14,893)	(9,232)
Net realized gains (losses) on investments	1,006	1,012
Increase (decrease) unrealized appreciation on investments	(341,776)	(337,034)
Net unrealized gains (losses) on foreign currency exchange	(1,323)	(1,122)
Net increase (decrease) in net assets resulting from operations	<u>(356,986)</u>	<u>(346,375)</u>
Distribution to Stockholders	-	-
From capital stock transactions:		
Proceeds from sales of shares	-	-
Cost of repurchases of shares	<u>-</u>	<u>-</u>
Increase (decrease) in net assets resulting from capital stock transactions	-	-
Net increase (decrease) in net assets	<u>(356,986)</u>	<u>(346,375)</u>
Net Assets:		
Beginning of year (1-1-2012)	6,483,277	6,483,277
End of period	<u>6,126,290</u>	<u>6,136,902</u>