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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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 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 send to the Receiver within two weeks.

- Accilent 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)**

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	1,247,985
Total Assets	12,478,424
Less payables and accrued expenses	(35,500)
Payable to Vontobel for Repurchase of Participating Shares *	(2,262,900)
Net Assets	US$ 10,180,024

*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 SegaInterSettle 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

JAMES HAGGERTY HARRIS	and	BELMONT DYNAMIC GROWTH FUND, an Ontario limited partnership	Court File No: 09-8302-00CL
Applicant		Respondent	

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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