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

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

April 20, 2012

TABLE OF CONTENTS

APPENDICES

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. 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.**

4. On May 17, 2010, the Receiver 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

5. 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**") 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. Limited Partners purchased units in either of Canadian dollars ("**CAD**") or in US dollars ("**USD**"). The General Partner was responsible for managing the day-to-day business of the Belmont Fund.

6. 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 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.

7. 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, now known as Innocap Global Investment Management Ltd. (the "**Counterparty**").

8. 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 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.

9. The investment structure, including the Belmont Fund and the Segregated Portfolio, is defined as the "**Investment Structure**".

10. 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 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.

11. 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.

12. At the time of the initial filing there were 135 Limited Partners, of which 126 were clients of RBC Phillips, Hager & North Investment Counsel Inc. **("RBC PHN")** and the remaining were clients of RBC Dominion Securities **("RBCDS")**. RBC PHN and RBCDS are collectively referred to as **"RBC"**. As at the date of this report, the Receiver understands that RBC has purchased the units of 134 of the 135 Limited Partners.

The First Report to the Court

13. The Receiver issued 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.

Second Report to the Court

14. The Receiver issued 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 F**.

Third Report to the Court

15. The Receiver issued its Third Report to the Court on June 21, 2010 (the "Third Report") and a Supplement to the Third Report on August 23, 2010 (the "Supplemental Third Report") in support of its motion to seek the Claims Determination Order. Copies of the Third Report and Supplemental Third Report (without attachments) are attached hereto as **Appendix G**.

PURPOSE OF FOURTH REPORT

16. The purpose of this Fourth Report to the Court dated April 20, 2012 (the "**Fourth Report**") is to provide information to this Honourable Court and the stakeholders. This report will:

- describe activities of the Receiver since the Second Report and Third Report;
- provide an overview of the financial position of the Segregated Portfolio;
- provide an update on the claims procedures;
- provide a update on the Vontobel redemption requests and status of the proposed settlement of Derivative Application (as herein defined); and
- describe certain of the Receiver's next steps.

TERMS OF REFERENCE

17. The information contained in the Fourth 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.

18. Unless otherwise noted, all dollar amounts referred to herein are expressed in Canadian dollars.

19. All capitalized terms used herein and not otherwise defined are as defined in the Third Report.

ACTIVITIES OF THE RECEIVER

20. Since the date of the Third Report, the Receiver has undertaken various actions including:

    (i) various communications and discussions with stakeholders;

    (ii) review and approval of Share Baskets transactions;

    (iii) preparation of certain tax filings with respect to the Belmont Fund;

    (iv) continuing to assess the investment and financial structures of the Belmont Fund and its investments;

    (v) 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;

    (vi) review and settle claims received pursuant to the Claims Procedure Order and the Claims Determination Order, and conduct hearings as required in respect of disputed claims; and

    (vii) continuing to investigate the claims in the Derivative Application and Counterpart Claim as herein defined.

Communications with Stakeholders

21. 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.

Share Baskets Transactions

22. As described in the First Report, proceeds raised from the Limited Partners were used to purchase the CAD and USD 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 herein as a "**Share Basket Rebalancing**").

23. Since June 21, 2010, the date of the Third Report, the Counterparty has advised the Receiver of ten proposed rebalancing transactions for each of the CAD Share Basket and the USD Share Baskets – three Share Basket Rebalancings in 2010, five in 2011 and two in 2012. The Receiver reviewed the proposed Share Basket Rebalancing transactions prior to implementation.

The Belmont Fund – Tax Returns and Slips

24. Pursuant to the Limited Partnership Agreement, for tax purposes the income and losses of the Belmont Fund, including realized gains and losses from Share Basket Rebalancing transactions, in respect of a fiscal year are to be allocated to the General Partner and the Limited Partners.

25. The 2006, 2007, 2008, 2009 and 2010 Canada Revenue Agency ("**CRA**") filing requirements for a partnership such as the Belmont Fund provide that for each fiscal year a T5013 Summary, *Information Return of Partnership Income;* information slips T5013, *Statement of Partnership Income* ("**T5103s**"); and related schedules and forms (collectively referred to as the "**CRA Return**") be prepared and submitted to CRA, and that copies of the T5013s be sent to each of the Limited Partners and the General Partner by March 31 of the following calendar year.

26. The 2011 CRA filing requirements for a partnership such as the Belmont Fund provide that for the 2011 fiscal year a Form T5013 FIN, *Partnership Financial Return*; T5013s; and related schedules and forms (collectively referred to as the "**2011 CRA Return**") be prepared and submitted to CRA, and that copies of the T5013s be sent to each of the Limited Partners by March 31 of the following calendar year.

27. In addition, where any of the Limited Partners are resident in Quebec, the Revenu Québec filing requirements for a partnership such as the Belmont Fund provide that for each fiscal year the Form TP-600-V, *Partnership Information Return* and information slips Releve 15, *Montants attribués aux membres d'une société de personnes* ("**RL-15s**") (collectively referred to as the "**RQ Return**") be prepared and submitted to Revenu Québec and that RL-15s be submitted to each of the Limited Partners by March 31 of the following calendar year.

28. For the years ended December 31, 2006, 2007 and 2008 (the "**Prior Years**"), the Receiver received from Citigroup copies of the T5013s (the "**Prior T5013s**) filed with

CRA from Citigroup. 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**"). The Receiver observed that that the T5013 for 2008 assumed nil net income or loss for the 2008 fiscal year, even though the Receiver understands that there were gains and losses realized from Share Basket Rebalancing transactions in 2008 and that there would have been expenses incurred during 2008 by the Belmont Fund.

29. Despite numerous inquiries of key stakeholders, the Receiver has not obtained a complete set of books and records for the Belmont Fund. For example, the Receiver has not obtained the information used to prepare the Prior T5013s. In addition, the Receiver understands that financial statements for the year ended December 31, 2008 were not prepared.

30. For the year ended December 31, 2009, the Receiver prepared and remitted to CRA the CRA Return and to Revenu Québec the RQ Return (the "**2009 Returns**"). In addition, the Receiver sent to each person who was either a limited or general partner as at December 31, 2009, a T5013 and a RL-15 for 2009. Given the incomplete records available to the Receiver, the Receiver is not in a position to confirm the accuracy of the returns for the Prior Years. 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.

31. As described in the Third Report, the Receiver produced and remitted in March 2010 the CRA Return and the RQ Return for 2009. These 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. The Receiver 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.

32. In 2010 and early 2011, based upon information available to the Receiver, the Receiver estimated the net loss for the Belmont Fund for the year ended December 31, 2008. As a result, in March 2011, the Receiver prepared and remitted revised CRA Returns and Quebec Returns for 2008 and 2009 (collectively, the "**Amended Returns**"). In March 2011, the Receiver prepared and remitted a CRA Return and a Revenu Québec Return for 2010 (the "**2010 Returns**"). The Receiver prepared and mailed to the Limited Partners T5013s and RL-15s for 2010, and revised T5013s and RL-15s for 2008 and 2009.

33. In March 2012, based upon information available to the Receiver, the Receiver prepared and remitted the 2011 CRA Return and RC Return for 2011 (collectively the **2011 Returns**), and in addition prepared and mailed to the Limited Partners the related T5013s and RL-15s.

34. In preparing the 2009 Returns, the Amended Returns, the 2010 Returns and the 2011 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.

STRUCTURE OF THE BELMONT FUND

35. As at discussed in paragraph 12, as at the date of this report, the Receiver understands that RBC has purchased the units of 134 of the 135 Limited Partners. These purchases occurred in 2011 and 2012.

CASH POSITION OF THE BELMONT FUND

36. The Receiver currently holds no cash 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. As outlined below, until such time as there is a resolution of the Vontobel Redemption Claim and the Counterparty Claim (as defined below), the Receiver does not have available funds for any stakeholders. To date, the Receiver's costs in these proceedings have been initially paid by the Applicant, subject to potential reimbursement upon flow of funds to the Belmont Fund.

SEGREGATED PORTFOLIO

37. As described in greater detail in the Receiver's First Report, the principal assets of the Belmont Fund are the Forward Contracts, the values of which vary 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.

38. 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.

39. A number of factors affect the value, timing and entitlement of any potential recoveries from the Segregated Portfolio. Three significant factors are (i) the value and timing of realizations from the investments of the Segregated Portfolio; (ii) the priority of distributions from the Segregated Portfolio, in particular the Second Redemption Request (as defined in paragraph 70 of the Third Report); and (iii) priority of distribution and quantum of the alleged foreign exchange loss claims by the Counterparty (the "**Counterparty Claim**").

Reported Financial Position of the Segregated Portfolio

40. The Receiver obtained from Harcourt the Net Asset Value ("**NAV**") Statement for the Segregated Portfolio as at February 28, 2012 on April 4, 2012 ("**February 2012 NAV Statement**"). This is the most current NAV statement available to the Receiver. According to the Feb. 2012 NAV Statement, which is attached as **Appendix H**, the net assets of the Segregated Portfolio were approximately US$6.1 million (the "**February 2012 NAV**"), and the net assets before outstanding **redemption requests** were **approximately US$8.4 million. As noted in the Third Re**port, the Receiver continues

to be uncertain of the value, timing and entitlement to any potential recoveries from the Segregated Portfolio.

41. As discussed in the Third Report, the net assets of the Segregated Portfolio before outstanding redemption requests were approximately US$ 12.1 million as at March 31, 2010 (the "**March 2010 NAV**") and US$12.4 million as at July 31, 2009 (the "**July 2009 NAV**").

42. Based upon the information provided to the Receiver the February 2012 NAV, the March 2010 NAV and the July 2009 NAV are calculated as follows:

	February 28, 2012 (US$000's)	March 31, 2010 (US$000's)	July 31, 2009 (US$000's)
Underlying Fund of Funds (cost)	*$8,461*	*$10,290*	*$12,030*
Underlying Fund of Funds (market value)	$2,196	$7,281	$9,166
Cash *	5,387	4,068	1,716
Receivable for investments sold	0	0	349
Receivable from ABL Fund	828	828	1,248
Other receivables and prepaid expenses			
Payables and accrued expenses	(22)	(40)	(36)
Net assets before outstanding redemption requests	8,389	2,137	2,443
Payable for fund shares repurchased **	(2,263)	(2,263)	(2,263)
Net assets	$6,126	$9,874	$10,180
Number of outstanding Class A shares ***	187,142.5472	187,142.5472	187,142.5472
NAV per Class A shares (US$)	$31.94	$51.46	$53.04
Number of outstanding Class B shares	5,478.7870	5,478.7870	5,478.7870
NAV per Class B shares (US$)	$27.15	$44.54	$46.23

* *This balance includes both cash and cash equivalents and balances due from brokers.*

** *This balance relates to the Second Redemption Request purportedly due to Vontobel.*

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

43. 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. Historically, 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.

Cash Position of the Segregated Portfolio

44. The cash position of the Segregated Portfolio was approximately US$5.4 million as at February 28, 2012 (the "**February 2012 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, as defined below, and the expenses of the Segregated Portfolio.

45. The February 2012 Cash Balance includes approximately US$1.2 million received from the Belmont ABL as part of the September 30 Payments defined in paragraph 51 (the "**Potential Clawback**"). The Potential Clawback may need to be repaid to the Belmont ABL, depending upon the resolution of certain litigation presently outstanding in the Cayman Islands. The ABL Fund and the related litigation are discussed below beginning in paragraph 49. The Receiver has been advised by Harcourt that the Segregated Portfolio has not received any payments from the ABL Fund since November 2009.

Investments of the Segregated Portfolio

46. Harcourt has advised the Receiver that as at February 28, 2012, the Segregated Portfolio was invested in the following five funds of funds (the "**Underlying Funds of Funds**"). The Underlying Funds of Funds are in turn invested in hedge funds (the "**Underlying Funds**"). For comparison purposes, the market values of the Underlying Fund of Funds as at February 28, 2012 and March 31, 2010 are provided below.

Fund Name	Market Value at February 28, 2012 US$(000's)	Market Value at March 31, 2010 US$(000's)
BELMONT RX SPC CLASS LATAM 11/08 ("**RX LATAM Fund**")	$298	$1,012
BELMONT RX SPC CLASS ASIA 11/08 ("**RX ASIA Fund**")	68	560
BELMONT RX SPC CLASS FI 09/08 ("**RX FI 09/08 Fund**")	43	220
BELMONT RX SPC CLASS FI 11/08 ("**RX FI 11/08 Fund**")	516	1,886
Sub-total	926	3,678
BELMONT ASSET BASED LENDING CLASS A ("**ABL Fund**")	1,269	3,603
Total Market Value	$2,195	$7,281

47. The Receiver understands and cautions that 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.

The RX Funds

48. As discussed in the Third Report, 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. Harcourt continues to manage and oversee the liquidation of the RX Funds. 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. However, Harcourt has advised that the positions remaining in the RX Funds are illiquid positions which are difficult to sell and that these funds are facing a general decline of asset quality creating an increase in the expected time it will take to realize these assets. In January 2012 Harcourt undertook an exercise to validate the underlying positions in the RX Funds. As a result Harcourt wrote down the market value of the Segregated Portfolio's investment in the RX Funds by $337,034 in January 2012.

ABL Fund

49. Pursuant to an application by the Bear Stearns Alternative Assets International Ltd (the "**ABL Option Provider**"), the ABL Fund was placed into a court supervised liquidation proceeding with Stuart Sybersma and Ian Wight of Deloitte & Touche in the Cayman Islands being appointed as Joint Official Liquidators of the ABL FUND (the "**ABL Liquidators**") by an Order of the Grand Court of the Cayman Islands ("**Grand Court**") on January 19, 2010. Prior to this, the ABL Fund which was established by Harcourt, was being informally wound up by Harcourt.

50. The ABL Liquidator has prepared three 'strictly privileged and confidential' reports for the purpose of informing the Grand Cayman Court, and creditors and shareholders of the ABL Fund (the "**ABL Reports**"). The ABL Liquidators have provided the ABL Reports to the Receiver; however, the ABL Liquidators haves not given the Receiver permission to share the ABL Reports with the stakeholders of the Belmont Fund.

51. Based upon the ABL Reports and conversations with representatives of the ABL Liquidator the Receiver understands the following:

- As part of their duties the ABL Liquidators have investigated whether the September 30, 2008 NAV for the ABL Fund ("**September 2008 ABL NAV**") had been calculated prior to the time of suspension of the ABL Fund in October 2008 and, if so, whether it had been calculated properly. This matter is relevant given that there were certain shareholders, including the Segregated Portfolio, who sought to redeem their investment effective with the September 30, 2008 redemption date ("**September 30 Redeemers**"). Certain September 30 Redeemers, including the Segregated Portfolio, received a series of partial payments prior to the appointment of the ABL Liquidators ("**September 30 Payments**"). The September 30 Redeemers were only paid in part because the ABL Fund did not have sufficient liquidity to make full payment. Based upon the September 30 ABL NAV, the total redemption request as at September 30, 2008 by the Segregated Portfolio was US$2,000,000. Of this, the Segregated Portfolio received US$1,172,015. The balance of US$827,985 is shown as a receivable on the Feb. 2012 NAV Statement.

- The ABL Liquidators continues to monitor and look for opportunities to monetize the investments of the ABL Fund. The ABL Liquidators are not seeking a rapid liquidation of all the positions in the ABL Fund; however, where the underlying value is

diminishing, the ABL Liquidators are prepared to exit positions through strategic sales, negotiated settlements and winding down of positions. Since their appointment, the ABL Liquidators has realized on certain positions. The ABL Liquidators anticipate that it will take several years to realize the full value of the ABL Fund.

- The ABL Liquidators sought sanction from the Grand Court to admit the Option Provider as an unsecured creditor for the full value of its option plus interest (the "**ABL Application**") The effect of the Option Provider being admitted as an unsecured creditor is that the Option Provider, along with any other unsecured creditors, will rank ahead of any "**Deferred Creditors**" and "**Unredeemed Shareholders**". The Receiver understands that the ABL Fund is either a Deferred Creditor or an Unredeemed Creditor. Given the size of the Option Provider's claim, if the Option Provider is successful in its application, and unless the realizations in the liquidation significantly exceed the current estimates, the unsecured creditors stand to receive all future distributions from the ABL Fund; there will be no funds available to distribute to the Deferred Creditors and the Unredeemed Shareholders. In addition, the September 30 Redeemers may have to repay some or all of the September 30 Payments. The Potential Clawback amount for the Segregated Portfolio is $1,172,015.

- In the event the Option Provider is not admitted as an unsecured creditor of the ABL Fund, it is the Receiver's understanding that funds may be available to flow to the Deferred Creditors and Unredeemed Shareholders. It is also the Receiver's understanding that the amount of the Potential Clawback may be applied as a credit against any future distributions due from the ABL Fund to the Segregated Portfolio. As a result, depending upon the ultimate realizations in the ABL Fund, there is still a risk of limited funds ultimately being available and that the Segregated Portfolio will have to repay some or all of the Potential Clawback.

- In November 2011, the Grand Court issued the "**November 2011 Order**" directing that the Application should be treated as an application of the Option Provider, as applicant, against a "**Representative Respondent**". The effect of the November 2011 Order is that the Representative Respondent is to represent all shareholders, including the September 30 Redeemers. The Grand Court further ordered that the ABL Liquidators should not take part in the Application on the basis that the issue to be decided was an issue between the Option Provider and the Representative Respondent. On application by the ABL Liquidators, the November 2011Order was varied to the extent that it "authorised" the ABL Liquidators to take no further part in the Application as opposed to excluding them.

- The ABL Application was initially listed to be heard in December 2011; however, the court dates were adjourned for a variety of reasons including the order referred to above. The ABL Application is now listed to be heard by the Grand Court on July 11 and 12, 2012.

52. The Receiver understands from Harcourt that the market value for the ABL Fund in the Sept. 2008 NAV Statement is based upon information provided by the ABL Liquidators. However, the market value for the ABL Fund has not been adjusted to reflect the possibility that the Option Provider will be admitted as an unsecured creditor of the ABL Fund and for the possibility that there will be no further recoveries for the Segregated Portfolio from the ABL Fund.

53. The Receiver further understands from Harcourt that the Segregated Portfolio is contributing toward the legal costs of the Representative Respondent. The Receiver has asked Harcourt to provide an estimate of the potential contribution to these legal costs.

UPDATE ON CLAIMS PROCEDURE

54. 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 $1.0759 = US$1, as provided for in the Claims Procedure Order.

Summary of Creditor Claims Process

Creditor Type	Claims Filed		Admitted Claims		Disputed Claims	
	No.	Amounts		Amounts		Amounts
Secured	1	$3,248,891.75	-	-	1	$3,248,891.75 (1)
Unsecured	6	780,980.72	6	$269,177.64 (2)	-	-
Contingent	1	TBD	-	-	1	TBD (3)

(1) Relates to the Counterparty Claim. See paragraph 59.

(2) The Omniscope Claim (see paragraph 56) was the subject of a Court hearing. Omniscope was awarded a direct claim of $83,475.

(3) Relates to the Belmont GP Claim. See paragraph 56.

55. There are currently two remaining claims filed in the claims process to be addressed.

Belmont GP Claim

56. The first remaining disputed claim is the claim was filed by Nead on March 26, 2010 (after the December 5, 2009 Claims Bar Date) purportedly on behalf of the General Partner (the "**Belmont GP Claim**"). The claim was submitted on "an alternative, without prejudice basis, in response to the contents of a Notice of Allowance of certain claims submitted for Omniscope Advisors, Inc." (the "**Omniscope Claim**")

57. The Receiver is advised by Harcourt, the 50% shareholder of the General Partner, that they did not support the filing of the claim. The Belmont GP Claim was not quantified nor were details or supporting documentation provided to the Receiver within the deadlines provided. Further, the Omniscope Claim was the subject of a Court hearing before Justice Morawetz in which Omniscope was awarded a direct claim of $83,475. As such, the Receiver concluded that the Belmont GP Claim was not being pursued.

58. Out of an abundance of caution, the Receiver issued a Notice of Disallowance on June 6, 2011. Nead filed a Notice of Appeal on July 7, 2011 purportedly on behalf of the General Partner. Harcourt has advised the Receiver that it does not support the filing of the Notice of Appeal. The Receiver has written to Nead to advise that it assumes the Notice of Appeal was not authorized to be initiated and that it will not be proceeding. Nead through his counsel expressed their disagreement but no additional details have been provided nor steps taken since August 2011 regarding the appeal. The Receiver proposes to treat the appeal as abandoned, and to disallow the Belmont GP Claim.

Counterparty Claim

59. The second remaining disputed claim is the Counterparty Claim.

60. In the Receiver's Second Report dated April 30, 2010 the Receiver described the Counterparty Claim for F/X Loss, accrued and future Forward Fees, funding costs of the F/X Loss and legal fees totalling $3,248,891.75 ($456,699.34 and US$2,595,215.55).

61. In an effort to resolve the Counterparty Claim the Receiver sought the assistance of Justice Campbell to act as mediator in respect of the claim. The Receiver together with representatives of the Counterparty attended before Justice Campbell on May 9, 2011 for the initial mediation date.

62. At the end of the first day of mediation, the parties adjourned to seek to determine if any further offers would be exchanged and in order to determine if representatives of RBC and/or the limited partners would attend at the return of the mediation. Issues arose in respect of the attendance at the mediation, which the Receiver now understands have been resolved. The Receiver believes that it and the Counterparty would benefit from a second round of mediation and has reached out to the Counterparty and RBC in order to schedule a return date for the mediation. The Receiver would appreciate the Court's ongoing assistance in this regard.

FLOW OF FUNDS

63. From the Receiver's perspective, there are two fundamental issues that remain to be resolved in order that funds from the Segregated Portfolio can start to flow through to the Belmont Fund:

- the Counterparty Claim; and
- resolution of the Derivative Application as defined in paragraph 73 of the Third Report and allegations with respect to the Second Redemption Request (collectively, the "**Vontobel Redemption Claim**").

64. The Counterparty Claims needs to be resolved in order to determine the quantum of the Counterparty Claim and whether some or all of the Counterparty Claim is paid prior to any funds flowing from the Belmont Fund through to the other stakeholders of the Belmont Fund. The issues related to the Vontobel Redemption Claim have to be resolved prior to Vontobel and Harcourt agreeing to release any distributions from the Segregated Portfolio.

Vontobel Redemption Claim

65. In the paragraph 72 of the Third Report, the Receiver defined and described the **Vontobel Redemption Requests** which were requests made by Vontobel to withdraw seed capital from the Segregated Portfolio in 2008. With reference to paragraph 42 of this report, Vontobel has not received payment for the Second Redemption Request.

66. At the time of preparing the Third Report, the Receiver had negotiated and sought Court approval for a resolution reached with Vontobel in respect of the Derivative Application which had been commenced prior to the Receivership and which included, inter alia, allegations in respect of the Vontobel Redemption Requests (the "**Vontobel Settlement**"). Immediately prior to the return of the scheduled motion on August 25, 2010, issues were raised in respect of the proposed Vontobel Settlement. These issues included the nature of releases sought by the directors of the Segregated Portfolio and the mechanics of the Receiver holding any funds which were available to flow to the Belmont Fund as a result of the resolution. The Counterparty had raised concerns as to which entity would hold the funds in a reserve account (the Receiver alone, the Counterparty alone or a joint account with both the Receiver and the Counterparty). The motion was adjourned to determine if the issues could be resolved.

67. The Receiver has had numerous discussions with Vontobel, RBC and the Counterparty regarding the outstanding issues impeding the initial flow of funds to the stakeholders of the Segregated Portfolio, and has worked toward a form of documentation necessary to formalize any settlement that is reached.

68. In addition to the necessary steps in negotiating the form of settlement, the underlying basis of the Vontobel Settlement was questioned as a result of issues that had been raised in the ABL Application referred to above. As a result of the nature of the allegations raised in the ABL Application (including with respect to whether the September 2008 ABL NAV had been properly calculated prior to the time suspension of the ABL Fund), the Receiver sought and is awaiting further information from Vontobel with respect to the nature of the redemption requests sought by Vontobel from the Segregated Portfolio.

69. The Receiver is seeking to arrange a meeting with Vontobel, RBC and the Counterparty to further the discussions and determine if a resolution remains available in respect of the Vontobel Redemption Claim. The Receiver will report back on the status of these discussions.

Available Cash at Segregated Portfolio

70. The Receiver cautions that at the present time it is unclear what, if any, funds will be available to flow ultimately to the Belmont Fund, or thereafter available to flow to other stakeholders of the Belmont Fund. The Receiver will continue to keep the stakeholders and the Court updated.

71. The Receiver estimates the available cash at the Segregated Portfolio (the "**Available Cash**") to be approximately US$3.7 million. This is determined by deducting the Potential Clawback of $US1.7 million from the February 2012 Cash Balance of US$5.4 million. A further deduction may be required to provide for ongoing costs of the Segregated Portfolio. While the net assets of the Segregated Portfolio before outstanding redemption requests were approximately $8.4 million as at February 28, 2012, the Receiver cautions that there is a high degree of uncertainty about any future cash recoveries, in particular from the ABL Fund.

NEXT STEPS

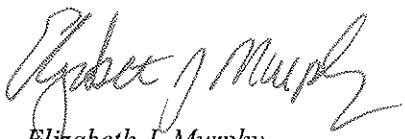
72. The Receiver's first priority is to seek a further mediation date or meeting date to resolve the Counterparty's claim or failing which seek to have the claim determined.

73. In addition the Receiver shall seek to discuss and resolve if possible the Vontobel redemption issues or failing which seek the Court's direction on this issue.

RESPECTFULLY SUBMITTED,

Dated the 20th day of April, 2012.

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	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

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

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