

August 7, 2009

## NOTICE

**Re: Belmont Dynamic Growth Fund (the “Fund”)**

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

### **Background**

In October, 2008, Harcourt Investment Consulting AG (“Harcourt”) advised RBC Dominion Securities Inc. (“RBCDS”) that the Fund was no longer viable due to recent market turmoil and that steps would therefore be taken to dissolve the Fund.

In December, 2008, Belmont Dynamic GP Inc. (the “General Partner”), the general partner of the Fund, provided RBCDS with a draft notice of a meeting of the limited partners of the Fund (the “Limited Partners”). The meeting of the Limited Partners (the “Proposed Meeting”) was to be held to consider and approve the dissolution of the Fund and to appoint the General Partner as the receiver and liquidator of the Fund (the “Proposed Meeting Objectives”) in accordance with the terms and conditions of the Limited Partnership Agreement governing the operation of the Fund. RBCDS was generally supportive of the Proposed Meeting Objectives because it considered them to be in the best interests of those Limited Partners who were clients of RBCDS.

Unfortunately, the Proposed Meeting has never been convened because of an “impasse” that developed between Harcourt and Omniscop Advisors Inc. (“Omniscop”), the shareholders of the General Partner. 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 Fund, the General Partner and Omniscop for the purpose of, among other things, dissolving the Fund. According to Harcourt, the impasse has also precluded RBCDS from obtaining a net asset valuation for the Fund since September 30, 2008 despite RBCDS’ repeated requests for such a valuation. Furthermore, Harcourt has also advised that Limited Partners are unable to redeem their units of the Fund because the direct and indirect underlying hedge fund holdings of the Fund have suspended the redemption of their units or shares, as the case may be.

### **Court Appointed Receivership and Court Approved Dissolution of Fund**

As a result of these developments, RBCDS determined that it would be in the best interests of our clients to apply to the Ontario Superior Court of Justice (the “Court”) for orders appointing KPMG Inc. (“KPMG”) as the Receiver and Manager of the assets, undertakings and properties of the Fund (the “Receiver”) and approving the dissolution of the Fund. RBCDS determined that a Court supervised receivership and dissolution process would be the most appropriate way to dissolve the Fund for the following reasons:

- (a) the Receiver, as a Court-appointed officer, will be an independent party and will therefore be in a better position, compared to the General Partner or a privately-appointed receiver, to resolve or otherwise address issues that may arise in the course of dissolving the Fund;
- (b) the complexity of the structure of the Fund and its investments, the key agreements and relationships, the realization process and potential tax implications make it appropriate to have a Court-supervised process;
- (c) the Receiver has experience and expertise relevant to the proposed dissolution of the Fund that the General Partner may not have; and
- (d) the transparency afforded by a Court-supervised process is desirable and important given the circumstances described above.

An application has therefore been made to the Court (the “Application”) for a Court-supervised receivership and dissolution of the Fund that is the subject of two separate Court hearings. The first hearing (the “Initial Hearing”) took place on August 6, 2009 and the second hearing (the “Dissolution Hearing”) is scheduled to take place on August 27, 2009.

### **The Initial Hearing**

Upon completion of the Initial Hearing, the Court issued an order (the “Initial Order”) authorizing the appointment of KPMG as Receiver of the Fund with broad, customary authority and powers in respect of the property of the Fund but subject to restrictions on the Receiver’s ability to exercise more specific authority and powers to terminate, or consent to the termination, of any forward contract to which the Fund is a party or to sell or otherwise dispose of any material portion of any property of the Fund pending completion of the Dissolution Hearing or without the prior consent of the Court. The Initial Order also approved the delivery of this letter to the Limited Partners as notice of the Court proceedings in relation to the dissolution of the Fund, including the Initial Order and the Dissolution Hearing.

The Initial Order was made without prejudice to the right of any interested person to return to court on August 21, 2009 to seek to vary any provision of the Initial Order, including the appointment of the Receiver. To that end, a 3-hour appointment has been booked with the Court for August 21, 2009. If anyone intends to come back for this purpose, they must:

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

### **The Dissolution Hearing**

While the details of the order to be sought during the Dissolution Hearing (the “Dissolution Order”) will be the subject of further discussion, it is presently contemplated that the Dissolution Order will include the following:

- (a) an order dissolving the Fund with effect upon the filing by the Receiver of a certificate that confirms that the Receiver has completed its realization on all of the Fund’s property and distributed the proceeds of such realization to the persons entitled to receive such distributions;

- (b) an order confirming that the Receiver is permitted to exercise all of the authority and powers granted to it pursuant to the Initial Order and that it is no longer subject to any of the restrictions imposed upon it by the Initial Order; and
- (c) any directions or changes to the authority and powers of the Receiver thought necessary or desirable by the Receiver or the applicant in connection with the conduct of the receivership and dissolution process.

Any person wishing to oppose the Dissolution Order is required to serve on the Service List available from the Receiver a notice setting out the basis for such opposition and a copy of the materials that are to be used to oppose the Dissolution Order at least three days before the date set for the Dissolution Hearing, or such shorter time as the Court, by order, may allow.

### **Access to Receiver and Documents**

Our clients and other Limited Partners may contact the Receiver directly with any questions or concerns that they may have in relation to the dissolution and receivership of the Fund by calling or emailing the Receiver using the following telephone number or email address:

Telephone Number – 1-866-602-6745

Email Address - [belmontfund@kpmg.ca](mailto:belmontfund@kpmg.ca)

The Receiver has also established a website that the Receiver will update on a regular basis. The website is located at [www.kpmg.ca/belmontfund](http://www.kpmg.ca/belmontfund). The website provides Limited Partners and other stakeholders with access to, among other things, the Receiver's correspondence with Limited Partners and other stakeholders, periodic status updates from the Receiver, all motion records and Court orders in relation to the receivership including, without limitation, the Initial Order and the Dissolution Order and any other documents that the Receiver considers relevant to those affected by the dissolution of the Fund.

Sincerely,



Rob McDonald  
Vice-President, RBC Dominion Securities