Court File No. 09-8302-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

B E T W E E N:

JAMES HAGGERTY HARRIS

Applicant

- and -

BELMONT DYNAMIC GROWTH FUND,
an Ontario limited partnership

Respondent

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

November 29, 2013

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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. The Appointment Order is attached as Tab 7 to the Receiver's Reports / Orders / Endorsements Record, filed separately with these motion materials.

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. The Amended Appointment Order is attached hereto as Tab 11 to the Receiver's Reports / Orders / Endorsements Record.

Background to the Receivership

3. The Belmont Fund is an investment fund established as a limited partnership under the laws of Ontario pursuant to an agreement between Belmont Dynamic GP Inc., as general partner (the "**General Partner**"), and the limited partners (the "**Limited Partners**") 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.

4. The only undertaking of the Belmont Fund was the investment of its assets. The objective of the Belmont Fund was to provide investors with the return on the Belmont Dynamic Segregated Portfolio (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.

5. Exposure to the Segregated Portfolio is obtained by first using the proceeds from the sale of units in the Belmont Fund to acquire two baskets of Canadian common shares (the "**CAD Share Basket**" and "**USD Share Basket**", collectively the "**Share Baskets**") and then entering into two forward purchase and sale agreements (the 'CAD Forward Contract' and the 'USD Forward Contract', collectively, the "**Forward Contracts**") with National Bank of Canada (Global) Limited, now known as Innocap Global Investment Management Ltd. (the "**Counterparty**" or "**Innocap**").

6. In accordance with the Forward Contracts, the Counterparty has agreed to pay to the Belmont Fund on the maturity date of the Forward Contracts 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.

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

8. Harcourt and Omniscope Advisors Inc ("**Omniscope**") each hold 50% ownership of the outstanding common shares of the General Partner. Omniscope carries on the business of a securities dealer and is registered as a dealer in the category of limited market dealer under the Securities Act (Ontario). Omniscope is wholly owned by Daniel Nead. Harcourt carries on business as a portfolio manager of funds of hedge funds with its principal offices located in Zurich, Switzerland. Harcourt's principal shareholder is The Vontobel Group ("**Vontobel**"), a Swiss private bank headquartered in Zurich, Switzerland.

9. 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 133 of the 135 Limited Partners. There are two ongoing Limited Partners of record in addition to RBCDS at this time.

First Report to the Court

10. The Receiver issued its First Report to the Court dated October 19, 2009 (the "**First Report**"). 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. A copy of the First Report is attached as Tab 1 to the Receiver's Reports / Orders / Endorsements Record.

Second Report to the Court

11. 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. A copy of the Second Report and Supplemental Second Report is attached as Tab 2 and 2A, respectively, to the Receiver's Reports / Orders / Endorsements Record.

Third Report to the Court

12. 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. A copy of the Third Report and Supplemental Third Report is attached as Tab 3 and 3A, respectively, to the Receiver's Reports / Orders / Endorsements Record.

Fourth Report to the Court

13. The Receiver issued its Fourth Report to the Court on April 20, 2012 (the "**Fourth Report**") and a Supplement to the Fourth Report on July 26, 2012 (the "**Supplemental Fourth Report**"). The Fourth Report and the Supplemental Fourth Report included an update on the financial position of the Segregated Portfolio and an update on the claims procedures, including the resolution of the Counterparty Claim (as defined in paragraph 54) and the resolution of the Vontobel Redemption Request (as defined in paragraph 74). A copy of the Fourth Report and Supplemental Fourth Report is attached as Tab 4 and 4A, respectively, to the Receiver's Reports / Orders / Endorsements Record.

Fifth Report to the Court

14. The Receiver issued its Fifth Report to the Court on September 11, 2012 (the "**Fifth Report**"). The Fifth Report included a further update on the financial position of the Segregated Portfolio and an update on the claims procedures, including the resolution of the Counterparty Claim and the Vontobel Redemption Request. A copy of the Fifth Report is attached as Tab 5 to the Receiver's Reports / Orders / Endorsements Record.

Sixth Report to the Court

15. The Receiver issued its Sixth Report to the Court on October 26, 2012 (the "**Sixth Report**"). The Sixth Report included a further update to the Court in respect of the status of the discussions regarding the Counterparty Claim and the Vontobel Redemption Request. A copy of the Sixth Report is attached as Tab 6 to the Receiver's Reports / Orders / Endorsements Record.

PURPOSE OF SEVENTH REPORT

16. The purpose of this Seventh Report to the Court dated November 29, 2013 (the "**Seventh**

Report") is to provide information to this Honourable Court and the stakeholders. This report will:

- describe certain activities of the Receiver since the Sixth Report, including with respect to:
  - Communications with stakeholders;
  - Share Basket transactions;
  - Preparation and filing of tax returns and slips;
  - Obtaining a clearance certificate;
  - Update on the financial position of the Segregated Portfolio;
  - Monitoring investments of Belmont Fund;
- Information regarding a proposed settlement in respect of the Counterparty Claim (the "**Counterparty Settlement**") and the unwinding of the Investment Structure;
- Information regarding a proposed settlement (the "**Vontobel Settlement**") in respect of the Vontobel Redemption Request and the Derivative Action (as herein defined); and
- Description of certain of the Receiver's next steps.

TERMS OF REFERENCE

17. The information contained in this Seventh 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 Seventh 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 CAD.

ACTIVITIES OF THE RECEIVER

19. Since the date of the Sixth Report, the Receiver has undertaken various actions including:

    (i) various communications and discussions with stakeholders;

    (ii) continuing to compile and review information in respect of the Belmont Fund, as well as the underlying value of the Segregated Portfolio;

    (iii) reviewing Share Basket Transactions;

    (iv) preparing and filing returns with the Canada Revenue Agency ("**CRA**") and mailing related slips to investors in the Belmont Fund;

    (v) applying for and receipt of clearance certificate up to December 31, 2012;

    (vi) participating in a second mediation before Justice Campbell on September 13, 2012 in respect of the Counterparty Claim and numerous follow up discussions with the parties in respect of the Counterparty Claim and potential resolution or determination thereof;

    (vii) attending at chambers appointments with Justice Morawetz on October 9, 2012 in respect of the status of the proceedings

    (viii) numerous discussions with Vontobel/Harcourt, the Segregated Portfolio and Innocap regarding potential settlement of the Vontobel Redemption Request; and

    (ix) communicating with Class B Shareholders to assist in finalizing the Vontobel Settlement.

Share Baskets Transactions

20. 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**").

21. Since April 20, 2013, the date of the Fourth Report, the Counterparty has advised the Receiver of eight proposed rebalancing transactions for each of the CAD Share Basket and the USD Share Baskets – five Share Basket Rebalancing transactions in 2012 and three in 2013. The Receiver reviewed the proposed Share Basket Rebalancing

transactions prior to implementation.

Tax Returns and Slips

22. 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. For the fiscal years ended December 31, 2012 and December 31, 2011 the income/loss flowed through to the General Partner and the Limited Partners arose from gains and losses on Share Basket Rebalancing Transactions and accrual of forward fees.

23. For the fiscal year ending December 31, 2012, the 2012 CRA filing requirements for a partnership such as the Belmont Fund provide that 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 "**2012 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.

24. 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 the fiscal year ended December 31, 2012 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 "**2012 RQ Return**") be prepared and submitted to Revenu Québec and that RL-15s be submitted to the Limited Partners resident in Quebec.

25. Based upon information available to the Receiver, the Receiver prepared and remitted, on or about April 2, 2013, the 2012 CRA Return and 2012 RQ Return (collectively the "**2012 Returns**"), and in addition prepared and mailed to the General Partner and the Limited Partners the related T5013s and RL-15s. In addition, based upon updated information provided to the Receiver with respect to the allocation of units between the Limited Partners, the Receiver prepared and remitted to CRA, on or about April 2, 2013, a revised 2011 CRA Return (the "**Amended 2011 CRA Return**"). Related T5013 slips were also sent to the Limited Partners and the General Partner

26. In preparing the 2012 Returns and the Amended 2011 CRA Return 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.

27. The Receiver has also responded to information requests from the CRA with respect to the 2012 CRA Return and the Amended 2011 CRA Return, and to queries from some Limited Partners with respect to the 2011 and 2012 T5013s slips.

Clearance Certificate

28. The Receiver applied for and received a Clearance Certificate from CRA for the period ending December 31, 2012 and all preceding taxation years under the *Income Tax Act*. The Clearance Certificate is attached as **Appendix A.**

CASH POSITION OF THE BELMONT FUND

29. 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 Request and the Counterparty Claim, the Receiver does not anticipate having any available funds for any stakeholders.

30. The Receiver's costs in these proceedings, of approximately $1,567,646 to September 30, 2013, have been initially paid by the Applicant, subject to potential reimbursement upon the flow of funds to the Belmont Fund pursuant to the Receiver's charge as granted under the Appointment Order (the "**Receiver's Charge**").

FINANCIAL POSITION OF THE SEGREGATED PORTFOLIO

31. 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.

32. The Segregated Portfolio is itself presently in wind-up, with Harcourt overseeing the winding-up. At the request of the Receiver, Harcourt continues to provide the Receiver with information with respect to the value and liquidity of the Segregated Portfolio and the Underlying Funds of Funds (as defined below).

33. The Receiver continues to be uncertain of the value, timing and entitlement to any potential recoveries from the Segregated Portfolio. A number of factors affect the value, timing and entitlement of any potential recoveries from the Segregated Portfolio. These factors include:

    (i) the value and timing of realizations from the Segregated Portfolio;

    (ii) the priority of distributions from the Segregated Portfolio; and

    (iii) the priority of distribution and quantum of the alleged foreign exchange loss claims by the Counterparty which form part of the Counterparty Claim, described in further detail below.

34. The Receiver obtained from Harcourt the Estimated Net Asset Value Statement for the Segregated Portfolio as at June 30, 2013 ("**June 2013 NAV Statement**"), being the most

current information available to the Receiver. According to the June 2013 NAV Statement, which is attached as **Appendix B**, the net assets of the Segregated Portfolio were approximately US$5.5 million (the "**June 2013 NAV**"). The June 2013 NAV statement states the number of outstanding Class A shares to be 187,142.5472 (the "**Outstanding Class A Shares**") and the number of outstanding Class B shares to be 5,478.7870 (the "**Outstanding Class B Shares**").

35. The calculation of the June 2013 NAV assumes that the Second Redemption Request (as defined herein) of approximately US$2.3 million is to be paid to Vontobel before any distributions to shareholders of the Segregated Portfolio. If, as outlined in the proposed Vontobel Settlement, Vontobel does not receive this amount and is not treated as a creditor with respect to the Second Redemption Request, based upon the June 2013 NAV Statement, the adjusted net asset value of the Segregated Portfolio is approximately US$7.7 million (the "**Adjusted June 2013 NAV**"). If the Second Redemption Request were reversed, the "**Amended Class A Shares Outstanding**" would be equal to 217,142.5472 (30,000 plus 187,142.5472) and the "**Amended Total Shares**" outstanding would be equal to 222,621.3342. (The Amended Class A Shares Outstanding (217,152.5472) plus the Class B Shares (5,478.7870)).

36. The following table provides summarized information from the June 2013 NAV Statement and the Net Asset Value Statements for the Segregated Portfolio as at July 31, 2012, February 29, 2012 and July 31, 2009 previously received by the Receiver.

Table of Financial Information for the Segregated Portfolio US$(000's)

Source: Estimated Net Asset Value Statements provided by Harcourt

	June 30, 2013	July 31, 2012	Feb. 29, 2012	July 31, 2009
Underlying Fund of Funds (cost)	*$6,945*	*$7,949*	*$8,461*	*$12,030*
Underlying Funds of Funds (market value)	$1,325	$1,663	$2,196	$9,166
Cash *	5,592	5,443	5,387	1,716
Receivable for investments sold	0	0	0	349
Receivable from ABL Fund	828	828	828	1,248
Payables and accrued expenses	(12)	(16)	(22)	(36)
Payables, including Vontobel Redemption Request	(2,263)	(2,263)	(2,263)	(2,263)
Net assets ("Net Assets")	**5,470**	**5,655**	**6,126**	**10,180**
Reversal of Second Redemption Request	2,263	2,263	2,263	2,263
Adjusted net assets ("Adjusted NAV")	**$7,733**	**$7,918**	**$8,389**	**$12,443**
Number of outstanding Class A shares, assuming Second Redemption Request is treated as a creditor balance**	187,142.5472	187,142.5472	187,142.5472	187,142.5472
Number of outstanding Class B shares	5,478.7870	5,478.7870	5,478.7870	5,478.7870

* *As at July 31, 2009, this balance includes both cash and cash equivalents and balances due from brokers.*

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

37. 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.

38. There has been a significant deterioration in the value of the Segregated Portfolio since July 2009. This has primarily been due to lower than expected realization from investments and writedowns of investment values of the Segregated Portfolio and the Underlying Fund of Funds. The Adjusted NAV at June 30, 2013 was approximately US$7.7 million compared to approximately US$12.4 million at July 31, 2009.

Available Cash at the Segregated Portfolio

39. According to information provided to the Receiver from Harcourt, the cash position of the Segregated Portfolio was approximately US$5.6 million as at June 30, 2013 (the "**June 2013 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, and the expenses of the Segregated Portfolio. The Receiver understands from Harcourt that since the appointment of the Receiver no funds have been distributed to shareholders of the Segregated Portfolio, including Vontobel.

40. Harcourt advises that a total of US$4.0 million is currently available ("**Nov. 2013 Available Funds**") for distribution. The amount of the Nov. 2013 Available Funds is the June 2013 Cash Balance of US$5.6 million less reserves (including for on-going operating costs at the Segregated Portfolio level of $250,000 and in respect of the Potential Clawback Amount of US$1,172,015). The Potential Clawback Amount (defined in paragraph 49) may need to be repaid to Belmont Asset Based Lending Limited – in Official Liquidation (the "**ABL Fund**") depending upon the resolution of certain matters in the Cayman Islands' liquidation proceedings . The circumstances with respect to the Potential Clawback Amount are discussed below in paragraphs 49 to 51.

Investments of the Segregated Portfolio

41. Harcourt has advised the Receiver that as at June 30, 2013, the Segregated Portfolio continues to be invested in four funds of funds (the "**Underlying Funds of Funds**"). The Underlying Funds of Funds are in turn invested in a number of hedge funds. The market values for each of the Underlying Fund of Funds as at June 30, 2013, July 31, 2012, February 29, 2012 and July 31, 2009 are provided below.

Market Value of Underlying Funds of Funds US$(000's)
Source: Harcourt

Fund Name	June 30, 2013	July 31, 2012	Feb. 29, 2012	July 31, 2009 *
BELMONT RX SPC CLASS LATAM 11/08 (the "**RX LATAM Fund**")	$0	$213	$299	
BELMONT RX SPC CLASS ASIA 11/08 (the "**RX ASIA Fund**")	47	59	68	
BELMONT RX SPC CLASS FI 09/08 (the "**RX FI 09/08 Fund**")	23	42	43	
BELMONT RX SPC CLASS FI 11/08 (the "**RX FI 11/08 Fund**")	144	238	516	
Sub-total – RX Funds	214	552	926	
ABL Fund	1,111	1,111	1,270	
Total Market Value	$1,325	$1,663	$2,196	$9,166

* *The Receiver does not have the breakdown by each fund as at July 31, 2009.*

42. The Receiver understands and cautions that the Underlying Funds of Funds are invested in illiquid investments for which it is difficult to obtain precise market values. Due to a number of factors, including the uncertainty of future events and the nature of the underlying investments, there can be no assurance that the current market values for the Underlying Funds of Funds will not later be reduced, or that the Underlying Funds of Funds will be able to liquidate their investment at that value or at any other amount.

The RX Funds

43. 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.

ABL Fund

44. The Adjusted June 2013 NAV for the Segregated Portfolio of approximately US$7.7 million includes net assets related to the ABL Fund totalling approximately US$3.1 million (the "**Segregated Portfolio's ABL Assets**"). This balance for the Segregated Portfolio's ABL Assets includes:

(i) the Potential Clawback Amount of US$1,172,015;

(ii) the ABL Receivable (as herein defined) of US$827,985; and

(iii) the market value of the Segregated Portfolio's share of the Underlying Fund of Funds held by the ABL Fund of approximately US$1,111,000.

45. The Receiver cautions that under certain scenarios provided by the ABL Liquidator (as herein defined), the ultimate value of the Segregated Portfolio's ABL Assets could be nil. The ultimate value of the Segregated Portfolio's ABL Assets depends upon a number of factors, including the resolution of the ABL Issues (as defined in paragraph 50) and the ultimate total assets realized at the ABL Fund level.

46. The Receiver's discussion and analysis of the ABL Fund and related matters is based upon the Receiver's understanding of the information provided to the Receiver by the ABL Liquidators (as defined herein) and through conversations with representatives of the ABL Liquidators and Harcourt.

47. On October 27, 2008 a resolution was passed by the Board of Directors of the ABL Fund declaring a suspension of the calculation of the net asset value of all participating share classes in the ABL Fund. Similar to the Segregated Portfolio, the portfolio of the ABL Fund was adversely affected by the global financial crisis. In addition, the ABL Fund had underlying investments which were substantially affected by allegations of fraud. These investments were written down in September 2008. The ABL Liquidators have estimated that the expected realization for the ABL Fund may be less than thirty percent of the September 30, 2008 net asset value for the ABL Fund (the "**ABL September 2008 NAV**"), being the last net asset value available before the suspension of the net asset value calculation on October 27, 2008.

48. Pursuant to an application by an investor in the ABL Fund, Bear Sterns Alternative Assets International Ltd, 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.

49. Certain investors in the Belmont ABL, including the Segregated Portfolio, filed notices with the ABL Fund prior to September 30, 2008 requesting the redemption of some or all of their shares effective September 30, 2008 (the "**September 2008 Redeemers**"). Certain September 2008 Redeemers, including the Segregated Portfolio, received a series of partial payments prior to the appointment of the ABL Liquidators. The September 2008 Redeemers were paid in part because the ABL Fund did not have sufficient liquidity to make full payment. Based upon the ABL September 2008 NAV, the total redemption request by the Segregated Portfolio as at September 30, 2008 was US$2,000,000. Of this amount, the Segregated Portfolio received US$1,172,015 (the "**Potential Clawback Amount**"). The balance due to the Segregated Portfolio of US$827,985 is shown as a receivable on the July 2012 NAV Statement for the Segregated Portfolio (the "**ABL Receivable**").

50. Various issues have arisen in the ABL Fund, including the priority of Bear Sterns' position in the fund, status of the September 8, 2008 Redeemers and determination as to which investors should be classified as redeemed investors (the "**ABL Issues**"). The

Receiver understands the ABL Liquidator has undertaken an extensive investigation into the ABL Issues and proposed a plan to address the various ABL Issues. The initial plan did not receive necessary approval of the stakeholders in the Belmont ABL and the Receiver understands the ABL Liquidator had intended to seek in September 2013 the direction of the Grand Court with respect to next steps in the liquidation proceedings. The ABL Liquidator has postponed seeking the direction of the Grand Court pending revived settlement discussions with respect to the ABL Issues.

51. Until such time as the ABL Issues are finalized, the timing of any distributions from or potential payments to the Belmont ABL is uncertain.

FLOW OF FUNDS FROM THE SEGREGATED PORTFOLIO

52. As described in the Sixth Report, from the Receiver's perspective, a resolution to the Counterparty Claim and the Vontobel Redemption Request was required in order that funds could begin to flow from the Segregated Portfolio to the Belmont Fund. The Counterparty Claim needed to be resolved in order to determine the quantum of the Counterparty Claim and whether some or all of the Counterparty Claim is to be 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 Request had to be resolved prior to Vontobel and Harcourt agreeing to release any distributions from the Segregated Portfolio to the Belmont Fund.

53. Since the Sixth Report on October 26, 2012, the Trustee has continued to negotiate and finalize settlement documentation for each of the Counterparty Claim and Vontobel Redemption Request. The Receiver has reached an agreement with respect to the Vontobel Redemption Request, the Derivative Application and the Counterparty Claim. Both settlements are described in further detail below. While a general description of the settlements is provided, the governing terms are as outlined in the proposed form of agreements attached hereto.

COUNTERPARTY SETTLEMENT TERMS

54. On December 4, 2009, the Counterparty submitted, on a without prejudice basis, a secured claim (the "**Counterparty Claim**") of $3,248,891.75 in aggregate, with ongoing costs and expenses, for:

(i) an alleged realized loss suffered from the termination of the F/X Hedge (the "**F/X Loss**") of $2,681,808.76;

(ii) accrued and future Forward Fees to August 1, 2016 of $533,470.01;

(iii) funding costs of the alleged F/X Loss of $5,437.09; and

(iv) legal fees incurred of $28,175.89, plus future legal costs.

55. The Receiver issued the Counterparty Notice of Revision among other things disallowed the cash reimbursement of the alleged F/X Loss, funding costs of the alleged F/X Loss and the legal fees incurred. The Receiver confirmed it would permit the reimbursement of the F/X Loss by way of units in the Segregated Portfolio, subject to the determination of the final quantum of the F/X Loss. On April 9, 2010, the Counterparty submitted the Counterparty Notice of Dispute. Copies of the Claim, Notice of Revision and Notice of Dispute are attached at **Appendix C, D and E**.

56. The Counterparty Claim was filed on a without prejudice basis as the Counterparty did not acknowledge the jurisdiction of the receivership proceedings, as the nature of its claim allegedly fell outside the Belmont Fund, and was instead the issue of compensation as between the Belmont Segregated Portfolio and the Belmont Fund.

57. 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. Together with representatives of the Counterparty and RBC a second mediation was held on September 13, 2012. Discussions between the parties included both economics of a settlement and potential related structural changes to the Investment Structure in order to effect a settlement. Issues that needed to be resolved included:

- quantum of the Counterparty Claim;
- the form, timing and priority of any compensation to the Counterparty;
- the potential removal of the Counterparty from the Investment Structure;
- whether the Receiver should replace and could replace the Counterparty as a holder of the Class A shares in the Segregated Portfolio; and
- the potential timing of the flow of funds from the Segregated Portfolio.

58. Discussions continued following the second mediation date, and an agreement in principle on the economics of a resolution was achieved. Since the date of the Sixth Report, the Counterparty, RBC and the Receiver have continued to negotiate and finalize the settlement documentation, concurrent with the discussions to resolve the Vontobel Settlement discussed below. The Receiver has also discussed the approval process necessary to transfer the Counterparty's Class A shares to the Receiver.

59. Subject to Court approval and the terms defined and described below, the Receiver, RBC and the Counterparty have agreed that the Counterparty Claim should be allowed in the amount of US $1.5 million, inclusive of forward fees, professional fees and other fees and expenses of the Counterparty (the "**Allowed Counterparty Claim**") and the first available funds to flow from the Segregated Portfolio Funds are to be paid directly to the

Counterparty from the Segregated Portfolio prior to the collapse of the Investment Structure, such funds to be free and clear of the Receiver's charge and any and all charges, encumbrances, interests or claims.

60. Pursuant to the proposed Counterparty Settlement, the Counterparty, RBC and the Receiver have entered into Terms of Resolution, attached hereto as **Appendix F**. The material aspects of the Counterparty Settlement include the following:

a) The Allowed Counterparty Claim is US$1.5 million inclusive of forward fees, professional fees and other fees and expenses and the Counterparty agrees that no further amounts shall accrue on this figure pending payment of the distributions of funds on the shares of the Segregated Portfolio;

b) The Counterparty agrees that the terms outlined in the Counterparty Settlement provide for a complete resolution of the Counterparty Claim and releases all other claims into or in respect of the Belmont Dynamic Growth Fund, the US Forward Agreement, the Canadian Forward Agreement and its role therewith;

c) The Allowed Counterparty Claim will be paid directly to the Counterparty from the Segregated Portfolio immediately prior to collapsing the Investment Structure referred to below;

d) Distributions to the Counterparty as and when received shall be free and clear and in priority to any charges created in the receivership proceeding and the claims of any creditors of Belmont Fund or any other claims of any nature whatsoever against the Belmont Fund;

e) The Counterparty Settlement is subject to Court approval;

f) Following receipt of the Court Approvals, the Receiver and the Counterparty shall initiate the amendment of the Forward Contracts;

g) The parties agree to amend the CAD Forward Agreement and the US Forward Agreement so that the Forward Date and Scheduled Forward Date are accelerated; on the Physical Settlement Date, the Receiver on behalf of the Belmont Fund will satisfy its obligations by providing physical settlement by way of delivery of the shares in the Basket to the Counterparty versus a cash settlement; in turn the Counterparty shall satisfy its obligations by delivery of the units of the Segregated Portfolio to the Receiver on behalf of the Belmont Fund. The Investment Structure will therefore be altered such that the Receiver, on behalf of the Belmont Fund, will hold the shares in the Segregated Portfolio directly.

61. The draft Order approving the Counterparty Settlement provided for proposed expansion of Receiver's role and powers to permit it to enter into the amending documents as well as holding the units the Segregated Portfolio directly. In addition, the Receiver seeks authorization to enter into the necessary amending documents, substantially in the form

of the following: Special Resolution of the Limited Partners, **Appendix G,** Amending Agreement to the Forward Agreement, **Appendix H,** Amendment to Limited Partnership Agreement, **Appendix I.**

VONTOBEL SETTLEMENT TERMS

62. The background to the Vontobel Redemption Request and the Derivative Application inherited by the Receiver, were outlined in detail at paragraphs 68 to 91 of the Third Report. For ease of reference, they are reproduced below, with modifications as reflected in square brackets. A copy of the proposed Derivative Action Application is attached as **Appendix J**.

"Vontobel Seed Capital and Redemption Requests

68. In August 2006, Vontobel invested seed capital in the Segregated Portfolio, with a subscription of 50,000 Class A shares for US$5 million (the "**Seed Capital**").

69. [Vontobel, through] Harcourt advised the Receiver that in May 2008 Vontobel made the decision to withdraw the Seed Capital from the Segregated Portfolio. The decision was made to withdraw the Seed Capital in two instalments. Further to this, Vontobel submitted a redemption request to Citco for 20,000 of its shares on May 9, 2008 (the "**First Redemption Request**") to be redeemed using the June 30, 2008 NAV. The Receiver understands from Harcourt that approximately US$2 million was paid to Vontobel on August 4, 2008 and that 20,000 of the 50,000 shares in the Segregated Portfolio held by Vontobel were redeemed.

70. Based on documents provided by Harcourt, the Receiver understands that on June 23, 2008, Vontobel requested that the custodian for its shares in the Segregated Portfolio, SIS SegaInterSettle AG ("**SIS**"), make a redemption request for 30,000 shares held by Vontobel in the Segregated Portfolio (the "**Second Redemption Request**") for a trade date at the end of September. SIS placed the Second Redemption Request with Citco on August 5, 2008. The confirmation for the Second Redemption Request from Citco dated August 5, 2008 indicates that the trade date was to be October 1, 2008, based on the September 30, 2008 NAV for the Segregated Portfolio, with a settlement date of October 30, 2008.

71. Using the September 30, 2008 NAV of approximately US$75.43 per share (the "**September NAV**"), the amount claimed by Vontobel for the Second Redemption Request is US$2,262,900 (the "**Second Redemption Request Amount**"), which would have resulted in a loss by Vontobel of approximately US$700,000 on its US$3 million investment in 30,000 shares.

72. The Receiver understands that no amounts have been paid to Vontobel with respect to the Second Redemption Request. Harcourt has confirmed that any

distributions (including outstanding redemption requests) from the Segregated Portfolio to shareholders of the Segregated Portfolio have been frozen and, pending discussions with the Receiver, [~~Harcourt~~/]Vontobel has undertaken not to pursue receiving payment of the Second Redemption Request.

Vontobel Redemption Requests Disputes

73. The First and Second Vontobel Redemption Requests (collectively, the "**Vontobel Redemption Requests**") were the subject of a proposed derivative claim within Court File No. CV-09-8227-00CL. In the cross application in Court File No. CV-09-8227-00CL (the "**Derivative Application**"), the cross applicants, Nead and Omniscope (the "**Cross Applicants**"), sought, inter alia, an Order pursuant to the Business Corporations Act (Ontario) granting leave to Omniscope to commence a derivative action on behalf of the General Partner against Fanconi, Harcourt and Vontobel (collectively the "**Defendants**"), in respect of, inter alia, the redemption requests.

74. The Cross Applicants sought leave to issue and serve a statement of claim requesting the following relief: (i) a declaration that the Vontobel Redemption Requests are invalid; (ii) an Order requiring the Defendants to return to the Belmont Fund all amounts paid to Vontobel pursuant to the First Redemption Request with interest; (iii) an Order prohibiting the Defendants from pursuing the Second Redemption Request or, in the alternative, an Order requiring the Defendants to return to the Belmont Fund all amounts paid to Vontobel pursuant to the Second Redemption Request with interest; (iv) in the alternative to (i), (ii) and (iii), compensation for facilitating, participating in, and receiving property obtained in, breach of fiduciary duty; and (v) in alternative to (iv), an Order for the disgorgement of all profits or other benefits occasioned by the Defendant's allegedly wrongful conduct.

75. In the Appointment Order, the Court ordered that the Derivative Application was to be dealt with by the Receiver and considered by the Court on the return of the Dissolution Hearing. This portion of the motion to address the potential of the Receiver pursuing the Derivative Application was addressed on a preliminary basis in the First Report and adjourned by an Order of the Court pending further discussions between Harcourt[, Vontobel] and the Receiver.

Background of Vontobel Redemption Requests

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

77. It was alleged in the Derivative Application that when the Belmont Fund was established, Fanconi, Harcourt and the General Partner agreed that Harcourt, through Vontobel, would invest the Seed Capital directly in the Belmont Fund; however, instead of buying units of the Belmont Fund, Vontobel invested in the Segregated Portfolio. The Receiver has not been provided any written confirmation from the Cross Applicants supporting their claim of an agreement that the Seed Capital was to be invested directly in the Belmont Fund. The Receiver understands from discussions with Harcourt that there was no agreement that the Seed Capital was to be invested in the Belmont Fund.

78. In addition, with respect to the Seed Capital, Harcourt advises the Receiver of the following:

    (i) Harcourt/Vontobel normally uses seed capital to launch new products and that the amount of seed capital available to Harcourt [, Vontobel] was limited;

    (ii) an objective of investing the Seed Capital at the launch of the Belmont Fund was to increase the asset base of the Investment Structure to spread out the costs of the Investment Structure; and

    (iii) generally speaking, seed money injections into any particular investment fund by [~~Harcourt~~/]Vontobel are removed after a given investment fund reaches a size which supports the cost structure of the respective fund.

79. The Cross Applicants allege that Vontobel submitted the First Redemption Request to Citco on August 5, 2008, and that Vontobel received payment for the First Redemption Request on or about September 30, 2008. The Cross Applicants claim that this decision detrimentally affected the Belmont Fund. The Receiver has received supporting information from Harcourt that the First Redemption Request was made on May 9, 2008 and subsequently settled on August 4, 2008.

80. Harcourt has advised the Receiver that the decision to withdraw the Seed Capital was made in May 2008. The decision to withdraw the Seed Capital was made to allow [~~Harcourt~~][Vontobel] to use the Seed Capital in other projects. At the time the decision was made to request the redemptions of the Seed Capital, [Vontobel, through] Harcourt advises that it did not have any knowledge or expectation of a decline in the value of the Segregated Portfolio or that the viability of the Segregated Portfolio was in question. [Vontobel, through] Harcourt has also advised the Receiver that at the time the First Redemption Request was settled it did not have any knowledge or expectation of a decline in the per share value of the Segregated Portfolio or that the viability of the Segregated Portfolio was in question.

81. The following NAVs for the Class A shares of the Segregated Portfolio were taken from the monthly NAV statements for the Segregated Portfolio, provided to the Receiver by Harcourt.

Month	NAV per Class A share (US$)
March 31, 2008	99.27
April 30, 2008	99.65
May 30, 2008	101.61
June 30, 2008	101.17
July 31, 2008	98.40
August 31, 2008	95.35
September 30, 2008	75.43
October 31, 2008	67.06

82. In the Derivative Application, it was alleged that Vontobel submitted the Second Redemption Request on September 30, 2008. As discussed in paragraph 70, the Receiver understands that the request for the Second Redemption Request was made on August 5, 2008, with the decision to make the Second Redemption Request being made in May 2008. [Vontobel, through] Harcourt has advised the Receiver that it decided to remove the Seed Capital in two transactions in order to lessen the impact on the liquidity of the Segregated Portfolio.

83. According to the Derivative Application, by investing directly in the Segregated Portfolio, Vontobel was able to remove its investment ahead of the Limited Partners, and at a favourable NAV. The Cross Applicants also allege that as fiduciaries of the Belmont Fund, Fanconi and Harcourt were not free to use pertinent information about the Segregated Portfolio, which was not available to the Limited Partners, to benefit themselves or third parties, including early redemption of the Seed Capital. In turn, Vontobel was not free to accept information delivered through a breach of fiduciary duty.

84. The Cross Applicants claim that Harcourt and Fanconi had access to pertinent information regarding market conditions and the Segregated Portfolio before the General Partner and the Limited Partners. It further alleges that confidential information was disclosed to Vontobel, which knowingly received and used such information to its benefit by investing directly in the Segregated Portfolio and submitting the Vontobel Redemption Requests. The breaches of fiduciary duty by Harcourt and Fanconi, and assisted in by Vontobel, caused direct financial loss to the Belmont Fund.

85. As noted in paragraph 53, in the July 2009 and March 2010 NAV Statements, Vontobel is classified as a creditor with respect to the Second Redemption Request Amount. Harcourt has advised the Receiver that it is Vontobel's position that:

- the Second Redemption Request was a valid redemption request for which the proceeds are to be calculated using the September 30, 2008 NAV;

- effective September 30, 2008 Vontobel ceased to be a shareholder of the Segregated Portfolio;

- effective September 30, 2008 Vontobel became a creditor of the Segregated Portfolio for the amount of the Second Redemption Request Amount; and

- as a creditor of the Segregated Portfolio, Vontobel is entitled to receive payment of the Second Redemption Request Amount in advance of any distributions to shareholders of the Segregated Portfolio.

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

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

87. In addition, Harcourt has advised the Receiver that if the directors of the Belmont Fund had not authorized the Leverage Provider Payment (defined below), the Second Redemption Request could have been paid in full on October 31, 2008. The cash balance in the Segregated Portfolio was US$2,710 as at September 30, 2008. During October 2008, there were significant transactions in the Segregated Portfolio, including receiving redemption requests from certain Underlying Funds of US$9.4 million and US$1.9 million on October 29, 2008 and October 31, 2008 respectively, and paying US$9.4 million to the leverage provider on October 31, 2008 (the "**Leverage Provider Payment**"). The closing cash balance of the Segregated Portfolio on October 31, 2008 was US$1.9 million (the "**October 2008 Cash**").

88. Harcourt advised the Receiver that there was no requirement or request to pay the Leverage Provider Payment ahead of the Second Redemption Request, and that Harcourt could have elected to pay the Second Redemption Request in full prior to the winding-up of the Segregated Portfolio. However, the directors of the Belmont Fund approved the payment of the Leverage Provider Payment in order to reduce risk in the Segregated Portfolio.

89. In addition to the Derivative Application that was sought by the Cross Applicants, correspondence was exchanged between Harcourt/Vontobel and the Counterparty (as shareholder in the Segregated Portfolio) in respect of the then proposed redemption requests. Attached hereto as Appendix J [not attached] is a copy of the correspondence between the Counterparty and its Cayman counsel, Harcourt/Vontobel and Belmont SPC/Segregated Portfolio and its counsel in respect of the redemption requests. In this exchange, the Counterparty argued,

inter alia that "all shareholders, including those whose redemptions have been delayed because of such liquidation, should be treated on a pro rata basis to ensure fair and equal treatment." In response, counsel for the Segregated Portfolio, noted that they had spoken with the directors of the Segregated Portfolio and took the position that the decision to redeem the seed capital was made before the decision to liquidate the Segregated Portfolio and the seed investor (Vontobel) did not have information about the Segregated Portfolio's performance unavailable to other investors.

90. The Receiver understands that [~~Harcourt/~~]Vontobel indicated that it would not agree to withdraw the Second Redemption Request, and took the position that Cayman law supported their claim that the timing of the Second Redemption Request elevated their claim to that of a creditor of the Segregated Portfolio and not a shareholder.

91. Notwithstanding this position, as noted above, upon the appointment of the Receiver, Harcourt/Vontobel agreed to take no further steps in respect of the Second Redemption Request while discussions were ongoing with the Receiver."

Initial Vontobel Settlement

63. 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 and the Vontobel Redemption Request.

64. The motion to approve the Initial Vontobel Settlement was originally returnable August 25, 2010. In support to the approval motion, the Receiver filed a Motion Record and Submissions on or about July 12, 2010, including the Third Report and a supplement to the Third Report dated August 23, 2010. In response, three other parties filed materials: the Counterparty; Daniel Nead; and Harcourt.

Proposed Vontobel Settlement

65. Following the adjournments, and after lengthy negotiations, Vontobel Holdings AG, SIS, the Belmont Fund, the Segregated Portfolio on its own authority and behalf of the Belmont Dynamic Growth Segregated Portfolio, Innocap, and RBCDS in its capacity as registered unitholders of Class B shares of the Segregated Belmont Portfolio have entered into the Vontobel Settlement, as set out in the Minutes of Settlement attached hereto as **Appendix K**.

66. With respect to the Vontobel Redemption Requests, matters investigated and discussed included:

- Vontobel being considered to have redeemed its 30,000 Class A shares in the Segregated Portfolio effective September 30, 2008 and to be a creditor of the

Segregated Portfolio as at September 30, 2008 for US$2,262,900 versus continuing to hold an equity position as a holder of Class A shares;

- whether at the Segregated Portfolio closing date, Vontobel had an outstanding redemption request that was due prior to the decision to wind-up the Segregated Portfolio (a "**Prior Outstanding Redemption Request**");

- in the event Vontobel had a Prior Outstanding Redemption Request, whether the full amount of the Prior Outstanding Redemption Request of US$2,262,900 should be paid in priority to any distributions to any other shareholders in the Segregated Portfolio, but after all other debts and liabilities of the Segregated Portfolio, and whether Vontobel's 30,000 shares should be cancelled, notwithstanding the winding-up of the Segregated Portfolio;

- in the event Vontobel had a Prior Outstanding Redemption Request, whether Vontobel was entitled to proceeds in priority to any distributions to any other shareholders in the Segregated Portfolio to the extent that cash was available to the Segregated Portfolio to pay the Prior Outstanding Redemption Request after the date upon which the redemption was due to be effected and before the winding-up of the Segregated Portfolio commenced; or

- whether Vontobel should be considered to hold 30,000 Class A shares at the Segregated Portfolio Closing Date and be entitled to receive distributions from the Segregated Portfolio on a *pari passu* basis with other shareholders in the Segregated Portfolio.

67. The material aspects of the Vontobel Settlement include the following:

(i) The Belmont Fund and/or the Receiver shall not pursue the Derivative Application;

(ii) Vontobel shall retain all monies paid to it through SIS pursuant to the First Redemption Request;

(iii) Instead of a priority lump sum payment of US$2,262,900 from the Segregated Portfolio, Vontobel would receive payments over time. Specifically, Vontobel's redemption claim in respect of the Second Redemption Request shall be set at US$1,900,000 (the "**Vontobel Redemption Request**") and a continuing interest in the assets of the Segregated Portfolio equivalent to 4,811.0831 Class A Shares (the "**Remaining Vontobel Interest**");

(iv) In respect of the Vontobel Redemption Request, Vontobel/SIS is entitled to receive 15.6% of the Surplus Assets from the Segregated Portfolio up to an aggregate maximum amount of US$1,900,000 (the "**Vontobel Allocation**"). The calculation of the Vontobel Settlement is set out in paragraph 69;

(v) The holders of the Class B Shares are to receive 2.4610% of any Surplus Assets (the **"Class B Allocation"**). The calculation of the Class B Allocation is set out in paragraph 82;

(vi) In respect of the Remaining Vontobel Interest, Vontobel/SIS is entitled to receive 2.0567% of the Surplus Assets after deduction of the Vontobel Allocation and the Class B Allocation. The calculation of the Remaining Vontobel Interest is set out in paragraph 72;

(vii) Thereafter, the balance of any Surplus Assets are to be distributed to the holder of the NBCG Shares (the "NBCG Allocation"); and

(viii) The Vontobel Allocation, the Class B Allocation, the Remaining Vontobel Interest and the NBCG Allocation are to be paid at the same time.

Calculation of the Vontobel Allocation and the Remaining Vontobel Interest

68. The Vontobel Allocation and the Remaining Vontobel Interest were agreed in principle by the Receiver and Vontobel, through Harcourt in December 2009 as part of the Initial Vontobel Settlement, and are based upon the figures available to the parties in December 2009, including the October 2008 Cash and the estimated future cash receipts for the Segregated Portfolio as at September 30, 2009 (the "**Sept. 2009 Estimated Cash Receipts**").

69. The Vontobel Allocation of 15.6% was calculated based on the percentage that the October 2008 Cash of US$1.9 million, the date on which the decision was made to wind-up the Segregated Portfolio, represents of the Sept. 2009 Estimated Cash Receipts of approximately US$12.2 million.

70. The Vontobel Allocation would be paid in full if Surplus Assets exceed or are equal to approximately $12.2 million. However, based on the June 2013 Adjusted NAV of approximately $7.7 million, the Receiver does not anticipate that the Vontobel Allocation will be paid in full.

71. A notional number of the redeemed shares (the "**Notional Redeemed Shares**") was calculated by dividing the amount of the Vontobel Allocation of US$1.9 million by US$75.43, the amount of the per unit NAV for the Segregated Portfolio as at September 30, 2008, the effective date of the redemption request. The number of the "**Remaining Shares**" of 4,811.0831 was calculated by subtracting the number of Notional Redeemed Shares from the Second Redemption Request amount of 30,000 shares.

72. The Remaining Shares of 4811.0831, the Outstanding Class A Shares of 187,142.5472 and the Outstanding Class B Shares of 5,478.7870 are referred to as the "**Notional Outstanding Shares**". The Remaining Vontobel Interest of 2.0567% is calculated based upon the assumption that Vontobel/SIS is to receive a share of the Surplus Assets remaining after the Vontobel Allocation of 15.6% that is proportionate to the number of

Remaining Shares (4,811.0831) divided by the number of Notional Outstanding Shares (197,432.4173).

Distribution of Surplus Assets

73. The assets of the Segregated Portfolio available for distribution to investors in the Segregated Portfolio pursuant to the Vontobel Settlement are defined as **Surplus Assets**. Based on the June 2013 Adjusted NAV of approximately US$7.7 million, the Receiver cautions that it is unlikely that the Surplus Assets will exceed US$7.7 million. In addition, due to the illiquid nature of the non-cash assets of the Segregated Portfolio, the uncertainties with respect to a resolution with respect to the Potential Clawback Amount, and the timing of the closing of the Segregated Portfolio (and related costs), the amount of and the timing of distributions of Surplus Assets in addition to the November 2013 Available Funds of US$4.0 million is uncertain.

74. The cash at the Segregated Portfolio has increased since the stakeholders began settlement discussion. As a result the Minutes of Settlement are based on funds available for distribution (defined as **"Currently Available Funds")** of US$3.8 million.

75. Harcourt has advised the Receiver that as Surplus Assets are available they will be distributed pursuant to the Minutes of Settlement.

76. The following table sets out the effective allocation percentages as agreed to in the Minutes of Settlement, assuming the Surplus Assets do not exceed US$12,179,487. If the Surplus Assets exceed US$12,179,487, the Vontobel Redemption Request of US$1,900,000 will be satisfied in full.

CASH FLOW DISTRIBUTIONS (USD) FROM THE SEGREGATED PORTFOLIO

Party	*Allocation – percentage part of 100%*
Vontobel (in respect of Vontobel Allocation)	15.6000%
Class B shareholders (in respect of Class B Allocation)	2.4610%
Vontobel (in respect of Remaining Vontobel Interest)	2.0567%
NBCG Shares (in respect of the NBCG Allocation) (which will now be held by the Receiver on behalf of the Belmont Fund)	79.8823%
Total	100.0000%

* The Vontobel Redemption Request of US$1,900,000 would be paid in full if Surplus Assets exceed or are equal to US$12,179,487.

77. The following table sets out the flow of funds from the Segregated Portfolio based on the Currently Available Funds of US$3.8 million.

CASH FLOW DISTRIBUTIONS (USD) FROM THE SEGREGATED PORTFOLIO (US$)
Assuming Currently Available Funds of US$3.8 million

Party	*Percentage*	*Amount*
Vontobel Allocation	15.6000%	US$592,800
Class B Allocation	2.4610%	93,519
Remaining Vontobel Interest	2.0567%	78,154
NBCG Shares	79.8823%	3,035,527
Total	100.0000%	US$3,800,000

	Total Distribution
Vontobel	US$670,954
Class B shareholders	93,519
NBCG Shares	3,035,527
Total	US$3,800,000

After the Allowed Counterparty Claim of US$1.5 million, US$1,535,527 will flow to the Belmont Fund.

78. The following table sets out the flow of funds from the Segregated Portfolio based on the Nov. 2013 Available Funds of US$4.0 million.

CASH FLOW DISTRIBUTIONS (USD) FROM THE SEGREGATED PORTFOLIO (US$)
Assuming Nov. 2013 Available Funds of US$4.0 million

Party	*Percentage*	*Amount*
Vontobel Allocation	15.6000%	$624,000
Class B Allocation	2.4610%	98,442
Remaining Vontobel Interest	2.0567%	82,267
NBCG Shares	79.8823%	$3,195,291
Total	100.0000%	US$4,000,000

	Total Distribution
Vontobel	$706,267
Class B shareholders	98,442
NBCG Shares	3,195,291
Total	$4,000,000

After the Allowed Counterparty Claim of US$1.5 million, US$1,695,291 will flow to the Belmont Fund.

79. The following table sets out the flow of funds from the Segregated Portfolio if the total amount of Surplus Assets is ultimately US$7.7 million, the amount of the Adjusted June 2013 NAV.

CASH FLOW SCHEDULE (USD) FROM THE SEGREGATED PORTFOLIO (US$)
Assuming the Total Amount of Surplus Assets is ultimately US$7.7 million

Party	*Percentage*	*Amount*
Vontobel Allocation	15.6000%	$1,201,20
Class B Allocation	2.4610%	189,497
Remaining Vontobel Interest	2.0567%	158,366
NBCG Shares	79.8823%	6,150,937
Total	100.0000%	$7,700,000

	Total Distribution
Vontobel	$1,359,566
Class B shareholders	189,497
NBCG Shares	6,150,937
Total	$7,700,000

After the Allowed Counterparty Claim of US$1.5 million, US$4,650,937 would flow to the Belmont Fund.

Approval of Class B Shareholders

80. On behalf of four clients, RBC is the registered unitholder of the Class B Shares of the Segregated Portfolio. RBC, in its capacity as the registered unitholder of the Class B share of the Segregated Portfolio, is a signatory to the Vontobel Settlement. In order to seek authorization to execute the settlement, the Class B shareholders were contacted by RBC. The Receiver assisted by proving a cover letter outlining the proposed Vontobel Settlement, with a copy of the proposed Vontobel Settlement attached.

81. The calculation of the Class B Allocation has been revised since the Initial Vontobel Settlement to assume that the Second Redemption Request is reversed. The results of the revised calculation for the Class B Allocation is a higher distribution of Surplus Assets to the Class B shareholders, and an equal reduction in the NBCG Allocation. That is, the Class B Shareholders are not bearing any additional financial burden of the Proposed Vontobel Settlement.

82. The Class B Allocation of 2.4610% of Surplus Assets is based on the percentage the Outstanding Class B Shares of 5,478.7870 represents of the Amended Total Shares Outstanding of 222,621.33.

83. Based on the Currently Available Funds of US$3.8 million, under the Vontobel Agreement the Class B Shareholders will receive US$93,519; under the terms of the Initial Vontobel Agreement the Class B Shareholders would receive $4,519 less or

$89,000. If the total amount of Surplus Assets is ultimately US$7.7 million, the amount of the Adjusted June 2013 NAV, under the Vontobel Settlement the Class B Shareholders will receive US$189,500; under the terms of the Initial Vontobel Agreement the Class B Shareholders would receive $9,157 less or $180,343.

84. The Class B Shareholders were asked to provide signed authorizations to RBC. The Receiver understands that at the date of this Report, RBC has received three of the four necessary signed authorizations. The Receiver will continue to update the Court in this regard.

APPROVAL OF THE INNOCAP AND THE VONTOBEL SETTLEMENTS

85. The Receiver recommends the approval of the Counterparty Settlement by this Honourable Court for the following reasons:

- the Counterparty Settlement is fair and reasonable;
- the initial Counterparty Claim totalled $3,248,892, including Forward Fees, through to 2016 as alleged by the Counterparty totalling $533,470;
- certain priority payables would be paid in cash in advance of the Belmont Fund including Forward Fees;
- costs and expenses being claimed by the Counterparty continued to accrue;
- the language in the Forward Contracts was uncertain regarding priority and nature of payments of F/X Loss;
- the nature and party responsible to incur inherent risk of the F/X Loss in the Investment Structure was debatable;
- use of estimated NAVs during the course of proceedings created further uncertainty;
- the appropriate NAVs to be used for calculation of indemnifiable loss was uncertain;
- as the Counterparty held the units in the Underlying Fund, there was potential that distributions to the Belmont Fund and its stakeholders could be withheld;
- the Belmont Fund now has a direct interest in the Segregated Portfolio; and
- the settlement allows for early wind up of structure, which provides the Receiver with greater control over the available funds.

86. The Receiver recommends the approval of the Vontobel Settlement by this Honourable

Court for the following reasons:

- the Vontobel Settlement is fair and reasonable;

- with respect to the First Redemption Request, the Receiver is of the view that further pursuit of the matter to recover any amounts already paid to Vontobel through litigation would not be cost effective. Our review of the timing and payment of the First Redemption Request suggests the request was made and settled prior to a decline in the value of the Segregated Portfolio;

- there is litigation risk in respect of the Derivative Application, including that the evidence in support of the Derivative Application may not be satisfactory to prove the claims, and in the event Vontobel successfully defended the Derivative Application, Vontobel would be permitted to be paid the full Second Redemption Request Amount of US$2,262,900 in advance of other shareholders of the Segregated Portfolio;

- with respect to the Second Redemption Request, the proposed settlement provides that Vontobel is effectively dealt with as a shareholder in the Segregated Portfolio and would receive payments over time, thereby having the same payment risk as the other Class A and Class B shareholders. Vontobel would not receive priority payment for the Second Redemption Request out of the Segregated Portfolio's most liquid assets and share with the other shareholders for the ongoing costs of the liquidation of the Segregated Portfolio. Had the Derivative Application been successful as it relates to the Second Redemption Request, Vontobel would have a received a priority payment of US$2,262,900;

- by continuing to hold a stake in the Segregated Portfolio through shareholdings and a percentage of future recoveries, Vontobel continues to have a direct interest in the viability and recoveries available from the Segregated Portfolio;

- based on the November 2013 Funds of $4.0 million, Vontobel will initially receive US$706,267. If the Surplus Assets equal the June 30, 2013 NAV of US$7.7 million, Vontobel will receive approximately US$1,359,566 over time, thereby incurring a loss of approximately US$1,640,434 on its investment of US$3 million and receiving US$903,036 less than the amount of the Second Redemption Request;

- the calculation of the Class B Allocation has been revised since the Initial Vontobel Settlement to assume that the Second Redemption Request is reversed. The results of the revised calculation for the Class B Allocation is a higher distribution of Surplus Assets to the Class B shareholders, and an equal reduction in the NBCG Allocation.

- the Receiver understands that at the date of this Report, RBC has received three of the four necessary signed authorization;

- the costs and time delay involved in pursuing the Derivative Application, through full litigation proceedings would be cost prohibitive. Instead, in addressing this matter in

Canada through these receivership proceedings, the Receiver has been able to reach a cost and time effective resolution for the estate;

- the proposed resolution effectively puts the Belmont Fund and estate in the same position as if the Derivative Application had been successful in respect of the Second Redemption Request, with Vontobel sharing with other shareholders, instead of in priority to them;

- resolution of this issue permits the estate to be one step closer to a final determination of outstanding issues and ability to distribute funds to Limited Partners;

- pursuant to the Vontobel Agreement, the Class B Shareholders will receive a higher percentage of the Surplus Assets than under the Initial Vontobel Settlement. Based on the November 2013 Funds of US$3.8 million, the Class B Shareholders will receive approximately US$98,442;

- based on the November 2013 Funds, approximately US$1,695,291 will flow from the Segregated Portfolio to the Belmont Fund; and

- RBC as representative of the Limited Partners supports this proposed settlement.

Proposed Distributions

87. The draft order accompanying the Counterparty Settlement provides for a proposed distribution of funds recoverable from the Segregated Portfolio (the "**Distribution Order**"). Based on the current value and allowed claims, the Receiver anticipated being in a position to make the following distributions:

- Funds flowing to Belmont Fund from Segregated Portfolio US$1,695,291 or Cdn$1,796,839 (converted at November 29, 2013 exchange rate of 1.0599);

- Reimbursement of Professional Fees to Date of $1,567,646;

- Subtotal $229,193;

- Partial distributions may be available towards payment of Allowed Claims of $269,177.

88. 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. A schedule of the admitted unsecured claims is attached as **Appendix L.**

Summary of Creditor Claims Process

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

(1) Relates to the Counterparty Claim settled pursuant to Counterparty settlements

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

(3) Relates to the claim made by the General Partner. The claim was disallowed.

Approval of Fees and Activities

89. The Receiver and its counsel have maintained detailed records of their professional costs and time during the course of the Receivership Proceedings (as detailed in the Affidavits of Elizabeth Murphy and Elizabeth Pillon (collectively, the "**Fee Affidavits**"). Copies of the Fee Affidavits will be filed separately.

90. Since the commencement of the proceedings, the Receiver and its counsel have been paid by the Applicant.

91. The Receiver is seeking approval of the Receiver's Reports and supplements thereto filed to this date, and the activities of the Receiver described therein.

NEXT STEPS

92. As discussed in paragraph 2, the Amended Appointment Order empowers and authorizes the Receiver to terminate or consent to the termination of any Forward Contract and to sell or otherwise of any material portion of the Property of the Belmont Fund where Receive considers it necessary and desirable to do so.

93. The Amended Appointment Order also provided for mechanics for dissolving the Belmont Fund upon completing realization of the assets of Belmont Fund, application of property to payment of debts and liabilities of the Belmont Fund and distribution of surplus funds in final settlement of the accounts of the partners of the Belmont Fund in accordance with the *Partnership Act* (Ontario).

94. With the proposed Vontobel Settlement, Counterparty Settlement and draft distribution order, the Receiver believes it has put into place mechanics which permit flow of funds, once available, through to repayment of expenses and liabilities.

95. As noted earlier, RBC holds approximately 133 of the 135 Limited Partnership units at this time. Upon further discussion with RBC, the Receiver may return to the Court with

a proposal regarding next steps regarding these proceedings or an alternative structure to facilitate payment of any future distributions to the creditors and Limited Partners.

96. Whether there is any available recovery to the Limited Partners is unknown at this time.

SUMMARY AND CONCLUSIONS

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

i) Approving the Vontobel Settlement and authorizing the Receiver to proceed with the execution and implementation of the settlement;

ii) Approving the Counterparty Settlement and authorizing the Receiver to proceed with the execution and implementation of the settlement;

iii) Authorizing the proposed amendment to the Investment Structure as contemplated in the Vontobel Settlement and Counterparty Settlement;

iv) Authorizing the proposed distributions;

v) Approving the Activities of the Receiver described in the First Report, Second Report, Supplement to the Second Report, Third Report, Supplement to the Third Report, Fourth Report, Fifth Report, Sixth Report, Seventh Report and the Receiver's activities to date; and

vi) Approving the fees and disbursements incurred by the Receiver and its counsel incurred to date.

RESPECTFULLY SUBMITTED,

Dated the 29th day of November, 2013.

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

Proceeding commenced at Toronto

SEVENTH REPORT OF KPMG, INC., RECEIVER AND MANAGER OF BELMONG DYNAMIC GROWTH FUND

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Elizabeth Pillon LSUC#: 35638M
Tel: (416) 869-5623
Fax: (416) 861-0445

Lawyer for the Receiver, KPMG Inc.