



AUDITED FINANCIAL STATEMENTS
BLUMONT X-ALPHA LIMITED PARTNERSHIP I

DECEMBER 2008



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MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

BluMont Capital Corporation (the "Manager"), on behalf of BCC GP No. 1 Limited (the "General Partner") is responsible for the accompanying financial statements and all information in this report. The financial statements have been approved by the Board of Directors of the Manager. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's judgment and best estimates.

Management has established systems of internal control that provide assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The systems of internal controls meet management's responsibilities for the integrity of the financial statements.

The Board of Directors meets with management and the auditors to discuss the Partnership's financial reporting and internal control. The Board of Directors reviews the results of the audits by the auditors and their audit report. The external auditors have unrestricted access to the Board of Directors.

The Manager and General Partner recognize their responsibility to conduct the Partnership's affairs in the best interest of its unitholders.

Respectfully,

"Paul J Perrow"

President and Chief Executive Officer
BluMont Capital Corporation
March 27, 2009

AUDITORS' REPORT

TO THE PARTNERS OF BLUMONT X-ALPHA LIMITED PARTNERSHIP I (THE "PARTNERSHIP")

We have audited the statement of net assets and investments and other net assets of the Partnership as at December 31, 2008, and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the General Partner and the Manager of the Partnership. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2008 and the results of its operations, the changes in its net assets and its cash flows for the year ended December 31, 2008, in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Canada
March 27, 2009

STATEMENT OF NET ASSETS
As at December 31,

**BLUMONT X-ALPHA LIMITED
PARTNERSHIP I****

	2008	2007
ASSETS		
Investments at fair value*		
Principal protected note	\$ 4,046,865	\$ 3,876,306
Cash and cash equivalents	2,629	43,923
Prepaid management fees (Note 4)	17,719	-
Total Assets	<u>4,067,213</u>	<u>3,920,229</u>
LIABILITIES		
Accounts payable:		
Due to Portfolio Manager	-	19,125
Interest payable (Note 5)	204,049	46,108
Loan payable (Note 5)	3,135,736	3,135,736
Total Liabilities	<u>3,339,785</u>	<u>3,200,969</u>
NET ASSETS REPRESENTING PARTNERS' CAPITAL	<u>\$ 727,428</u>	<u>\$ 719,260</u>
NUMBER OF UNITS OUTSTANDING (Note 7)	<u>36,000</u>	<u>36,000</u>
NET ASSET VALUE PER UNIT	<u>\$ 20.21</u>	<u>\$ 19.98</u>
* Investments, at cost	<u>\$ 3,995,236</u>	<u>\$ 3,995,236</u>

** The Partnership was formed on July 23, 2007.

On behalf of the Blumont X-Alpha Limited Partnership I by BCC GP No. 1 Limited.

“Peter Chodos”

Peter Chodos
Director

“Michael Staresinic”

Michael Staresinic
Director

The accompanying notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS

Year ended December 31, 2008 and for the period July 23, 2007 to December 31, 2007

	BLUMONT X-ALPHA LIMITED PARTNERSHIP I**	
	2008	2007
INVESTMENT INCOME		
Interest	\$ <u>430</u>	\$ <u>3,423</u>
EXPENSES		
Management fees (<i>Note 4</i>)	4,780	1,125
Bank charges	100	-
Interest expense	<u>157,941</u>	<u>46,108</u>
	<u>162,821</u>	<u>47,233</u>
NET INVESTMENT LOSS	<u>(162,391)</u>	<u>(43,810)</u>
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENT	<u>170,559</u>	<u>(118,930)</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ <u>8,168</u>	\$ <u>(162,740)</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT	\$ <u>0.23</u>	\$ <u>(4.52)</u>

** The Partnership was formed on July 23, 2007.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2008 and for the period July 23, 2007 to December 31, 2007

	BLUMONT X-ALPHA LIMITED PARTNERSHIP I**	
	2008	2007
Net Assets, Beginning of Period	\$ <u>719,260</u>	\$ <u>-</u>
Increase (Decrease) in Net Assets from Operations	<u>8,168</u>	<u>(162,740)</u>
From Capital Unit Transactions:		
Proceeds from issue of units, net of issue costs	<u>-</u>	<u>882,000</u>
Net Assets, End of Period	\$ <u>727,428</u>	\$ <u>719,260</u>

** The Partnership was formed on July 23, 2007.

STATEMENT OF CASH FLOWS

Year ended December 31, 2008 and for the period July 23, 2007 to December 31, 2007

	BLUMONT X-ALPHA LIMITED PARTNERSHIP I**	
	2008	2007
Operating Activities		
Increase (decrease) in net assets from operations	\$ 8,168	\$ (162,740)
Add non-cash items:		
Interest expense	157,941	46,108
Net change in unrealized (appreciation) depreciation of investments	<u>(170,559)</u>	<u>118,930</u>
	(4,450)	(2,298)
Investments purchased	-	(3,995,236)
Net change in non-cash balances relating to operations	<u>(36,844)</u>	<u>19,125</u>
Cash used in operating activities	<u>(41,294)</u>	<u>(3,973,813)</u>
Financing Activities		
Proceeds from issue of units, net of issue costs	-	882,000
Proceeds from loan facility (Note 5)	<u>-</u>	<u>3,135,736</u>
Cash provided by financing activities	<u>-</u>	<u>4,017,736</u>
Increase (decrease) in cash and cash equivalents	(41,294)	43,923
Cash and cash equivalents, beginning of year	<u>43,923</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 2,629</u>	<u>\$ 43,923</u>

** The Partnership was formed on July 23, 2007.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INVESTMENTS AND OTHER NET ASSETS

As at December 31, 2008

	Par Value	Average Cost	Fair Value	% of Total Net Asset Value
Canadian				
Principal Protected Note				
Deutsche Bank AG, 4.8689%				
Due September 12, 2012	\$39,952	\$ 3,995,236	\$ 4,046,865	
TOTAL INVESTMENT PORTFOLIO		\$ 3,995,236	4,046,865	556.3
Other Assets Net of Liabilities ¹			(3,319,437)	(456.3)
TOTAL NET ASSETS			\$ 727,428	100.0

¹ This amount is comprised of cash and cash equivalents plus prepaid management fees less interest payable and loan payable.

The accompanying notes are an integral part of these financial statements.

BLUMONT X-ALPHA LIMITED PARTNERSHIP 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. FORMATION OF THE PARTNERSHIP

BluMont X-Alpha Limited Partnership I (the "Partnership") was formed on July 23, 2007 as a limited partnership under the laws of the Province of Ontario. Operations commenced on September 12, 2007 following the Partnership's first closing which resulted in the issuance of 36,000 partnership units ("Unit" or "Units") at \$25 per unit, for gross proceeds of \$900,000. The Partnership has a limited life dissolving on September 12, 2012, subject to earlier dissolution on the terms set forth in the partnership agreement. The General Partner of the Partnership is BCC GP No.1 Limited (the "General Partner"), a company incorporated on April 19, 2007 under the Ontario Business Corporations Act. The General Partner is a wholly-owned subsidiary of BluMont Capital Inc.

BluMont Capital Corporation, a wholly-owned subsidiary of BluMont Capital Inc., is the portfolio manager (the "Portfolio Manager") of the Partnership.

The day-to-day management, supervision, administration and control of the Partnership are the responsibility of the General Partner. The Partnership made a leveraged investment in the Note disclosed in the Statement of Investments and Other Net Assets (the "Note") issued by Deutsche Bank AG. The return on the Note is linked to the performance of an index (the "Index") designed to replicate the return on a global long-short strategy in which the investor is long eight Deutsche Bank style indices and simultaneously short comparable regional benchmark indices.

The Partnership acquired the Note using a combination of Partnership capital and funds borrowed from Deutsche Bank AG (Note 5).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

A summary of significant accounting policies is summarized below.

(I) Adoption of new accounting policies - Section 3862, Financial Instruments – Disclosure and Section 3863, Financial Instruments – Presentation

On January 1, 2008, the Partnership adopted Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments – Presentation". These new sections replace section 3861, "Financial Instruments – Disclosure and Presentation" and establish standards regarding the comprehensive disclosure and presentation of risks associated with financial instruments and how those risks are managed. (Please refer to Note 3).

Adoption of the new standards does not impact the price of the Partnership's units (a "Unit") for the calculation of Net Assets.

(II) Valuation of Investments

The Partnership is valued on the value of the underlying notes, cash and pre-paid management fees (Note 4) less the outstanding loan, accrued interest and realized management fees.

Investments are recorded in the accounts at their fair value, determined as follows:

The Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3855, "Financial Instruments – Recognition and Measurement", which applies to the interim periods and fiscal years beginning on or after October 1, 2006, requires that the fair value of financial instruments, which are actively traded, be measured based on the bid price for the security. Prior to that, fair value for GAAP was based on the last traded price for the day, when available.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Partnership be charged to net income in the period. Accordingly, these costs must be expensed and are included in the Statement of Operations. The Partnership incurred \$nil in transaction costs for the period January 1, 2008 to December 31, 2008 (2007 - \$nil).

The difference between fair value and the average cost is shown as the net change in unrealized appreciation (depreciation) of investment.

As at December 31, 2008 there is no difference in the net asset value computed in accordance with the partnership agreement and that computed in accordance with GAAP as reported in the Statement of Net Assets.

(III) Cash and cash equivalents, and other monetary balances

The carrying values of cash and cash equivalents, prepaid management fees and accounts payable approximate their fair values given the short periods to maturity of the instruments.

(IV) Investment

The General Partner, or a person designated by the General Partner, shall determine (or cause to be determined) the net asset value per unit of the Partnership as at the close of business on the last business day of each month (a "Valuation Date").

The net asset value per unit is defined in the partnership agreement but, in summary, is equal to the value at any time of the total net assets of the Partnership, being the difference between the total assets of the Partnership and the total liabilities divided by the total number of Units of the Partnership outstanding at such time. For the foregoing purposes, the value of the Note shall be as calculated and reported by Deutsche Bank AG.

(V) Investment Transactions and Income Recognition

Investment transactions are accounted for on the trade date. Income and expenses are recorded on an accrual basis. Interest income is recorded daily as it is earned. Realized gains and losses from the sale of the investment are calculated using the average cost basis.

(VI) Allocation of Partnership Income or Loss

These financial statements include only the assets, liabilities, revenues and

expenses of the Partnership and do not include the other assets and liabilities including income taxes of the individual partners. The Partnership is not subject to income taxes. The increase or decrease from operations of the Partnership is allocated 0.01% to the General Partner with the balance to the limited partners in proportion to the number of Units held by each limited partner at the end of each period.

(VII) Use of Estimates

These financial statements, prepared in accordance with GAAP, include estimates and assumptions by management that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(VIII) Increase (Decrease) in Net Assets from Operations Per Unit

Increase (decrease) in net assets from operations per unit is determined by dividing the net increase (decrease) in net assets from operations by the average number of Units outstanding during the period.

(IX) National Instrument 81-106

As a Non-Reporting Issuer under National Instrument 81-106 ("NI 81-106"), the Partnership is relying on Part 2.11 of NI 81-106, Filing Exemption for Investment Funds that are Non-Reporting Issuers, for the exemption not to file its financial statements with securities regulators.

3. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Partnership is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk) that could result in a reduction in the value of the Partnership's net assets. The value of the Index (Note 7) linked to the Partnership's investment can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, and market and company news related to specific securities within the Index. The level of risk depends on the Partnership's investment objectives and the type of securities it invests in.

The Partnership's investment objective is to seek superior investment returns through a leveraged investment linked to the Index.

(I) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Partnership.

Where the Partnership invests in debt instruments and derivatives, this represents the main concentration of credit risk. The fair value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the Partnership.

The Partnerships' sole investment is in the Note issued by Deutsche Bank AG. The principal amount of the Loan from Deutsche Bank AG to the Partnership is secured by the guarantee within the Note that has been purchased on a leveraged basis. As at December 31, 2008, Deutsche Bank

AG's credit rating was AA.

Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where one or more rating is obtained for Deutsche Bank AG, the lowest rating has been used.

(II) Liquidity Risk

Liquidity risk is defined as the risk that the Partnership may not be able to settle or meet its obligation on time or at a reasonable price.

Until the time of dissolution of the Partnership, the limited partners cannot redeem units. There is no market for units of the Partnership and it is unlikely that any public market will develop through which units may be sold.

Similarly, the Partnerships' sole investment in the Note is illiquid until the time of dissolution of the Partnership.

(III) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Interest rate risk arises when a Partnership invests in interest-bearing financial instruments. The Partnership is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates.

As at December 31, 2008, the Partnership held an investment in the Note with a cost of \$3,995,236 with a fair value of \$4,046,865. Each Unit is exposed to 4.44 Notes which matures on September 12, 2012. As such, each \$100 Unit is exposed to government bonds with a maturity value of \$444 and duration of 3 years and 9 months.

For every 50 basis point move up or down in interest rates, a Unit would expect a corresponding move of approximately 8.33%, or \$1.68 per Unit, resulting in an increase (decrease) in net assets from operations of approximately \$60,000.

In practice, actual trading results may differ from the above sensitivity analysis and the difference could be material.

(IV) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

All investments represent a risk of loss of capital. The Notes within the Partnership moderate this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Partnership's investment objectives and strategy. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Financial instruments held by the Partnership are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The impact on net assets of the Partnership due to a 5 percent change in the

fair value of the Index (Note 7), as at December 31, 2008, with all other variables held constant, is included in the following table.

	5% Increase in Fair Value	5% Decrease in Fair Value
Net Assets From Operations	\$202,000	\$(202,000)

(V) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

All currency risk that resides in the Note is fully hedged back to Canadian Dollars.

4. FEES AND OPERATING EXPENSES

On September 12, 2007, the General Partner was owed a one-time management fee of 2.50% of the gross proceeds of the offering. The management fee was subsequently paid on March 20, 2008. The General Partner will be responsible for paying all offering expenses, other than sales commissions, and for paying all ongoing operating expenses of the Partnership. Selling dealers were paid a commission of 2% in respect of Units sold by them.

The General Partner's one time management fee is accrued monthly and amortized over the life of the Partnership. \$4,780 was accrued in 2008, leaving \$17,719 as an unamortized asset of the Partnership as shown in the Statement of Net Assets "Prepaid management fees."

3% of the net asset value of the Partnership, calculated as at the Maturity Date (as defined in Note 5); will be paid by the Partnership to the General Partner by the third business day following the Maturity Date. The General Partner will pay to dealers of record, as at the Maturity Date, a servicing fee of 3% of the net asset value of the Units at the Maturity Date in respect of Units held by the clients of such dealers. As at December 31, 2008, \$21,823 of net assets representing partner's capital is attributable to the General Partner in respect of this arrangement.

5. LOAN FACILITY AND NOTE

On September 12, 2007, the Partnership entered into a term loan facility with a Canadian chartered bank. For the purpose of investing in the Note, Deutsche Bank AG, agreed to loan (the "Loan") funds to the Partnership, subject to certain conditions. The Loan is secured by, and recourse limited to, the Note. The Loan matures on September 12, 2012 and bears interest at a 4.8689% with all principal and interest payable at maturity. The principal amount of the Note will equal the principal and accumulated interest on the Loan at September 12, 2012 (the "Maturity Date").

No interest has been paid by the Partnership during the period ended December 31, 2008; however \$157,941 has been accrued in the current year (2007 - \$46,108).

6. INCOME TAXES

The Partnership itself is not a taxable entity and, therefore, no provision for income taxes is required.

7. PARTNERS' EQUITY

In accordance with Canadian Institute of Chartered Accountants' (CICA) Handbook Section 1535, "Capital Disclosures", the Partnership discloses information about the Partnership's capital and how it is managed.

Units issued and outstanding represent the capital of the Partnership. The Partnership issued 36,000 units in 2007 for \$900,000 net of issue costs. The Partnership cannot issue any additional units. Until the time of dissolution of the Partnership, the Limited Partners cannot redeem units. There is no market for units of the Partnership and it is unlikely that any public market will develop through which units may be sold. The Partnership has a limited life dissolving on September 12, 2012, subject to earlier dissolution on the terms set forth in the partnership agreement.

The Partnership made a leveraged investment in the Note disclosed in the Statement of Investments and Other Net Assets issued by Deutsche Bank AG. The return on the Note is linked to the performance of an index (the "Index") designed to replicate the return on a global long-short strategy in which the investor is long eight Deutsche Bank style indices and simultaneously short comparable regional benchmark indices.

The Note will mature on September 12, 2012 (the "Maturity Date"). At the Maturity Date, the Partnership will receive an amount per Note equal to: (i) the principal amount of the Note (the "Principal Amount") and (ii) the variable return (the "Variable Return"), if any, in an amount equal to the Principal Amount multiplied by the Participation Factor multiplied by the Index Return. The Participation Factor is 140%. The Index Return is the percentage increase or decrease in the closing value of the Index between the Issue Date and the date that is two Business Days (as defined herein) prior to the Maturity Date (the "Calculation Date"). Unless the Index Return is positive, no Variable Return will be payable on the Note and investors in the Partnership will lose their entire investment. The Note does not carry a fixed rate of interest.

7. FUTURE ACCOUNTING CHANGE

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises. The General Partner is currently evaluating the impacts of this change and developing its plan for the Partnership.

PARTNERSHIP INFORMATION

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