



Portfolio Manager Report

UWO Liquidating Trust – Quarter ending 31 March 2010

Preamble

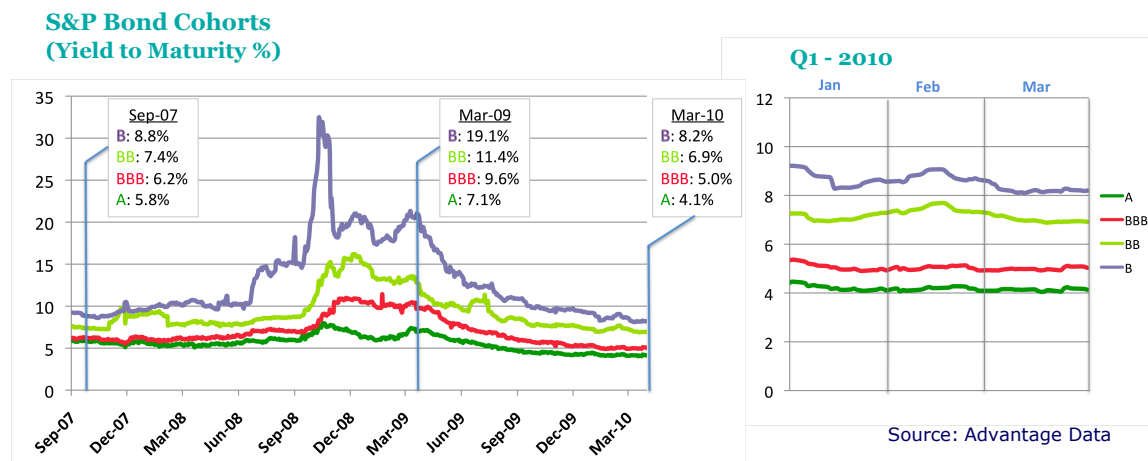
The University of Western Ontario Liquidating Trust ('UWO LT') holds a portfolio of Restructured Asset Backed Notes ('AB Notes') that resulted from the restructuring of Non-Bank Asset Backed Commercial Paper ('ABCP') that was completed in January 2009. The Kilgour Advisory Group is a specialist risk management firm that has been retained by UWO to provide portfolio valuation, risk management and reporting, and market liaison. KAG has undertaken to provide a report to UWO on a quarterly basis to provide commentary on credit markets, description of the margin triggers and reference indices, discussion of events affecting the Trust's holdings, summary of secondary markets, and valuation of the portfolio. This report is the second in the series and follows the first that was issued in January covering fiscal year 2009.

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Credit Markets

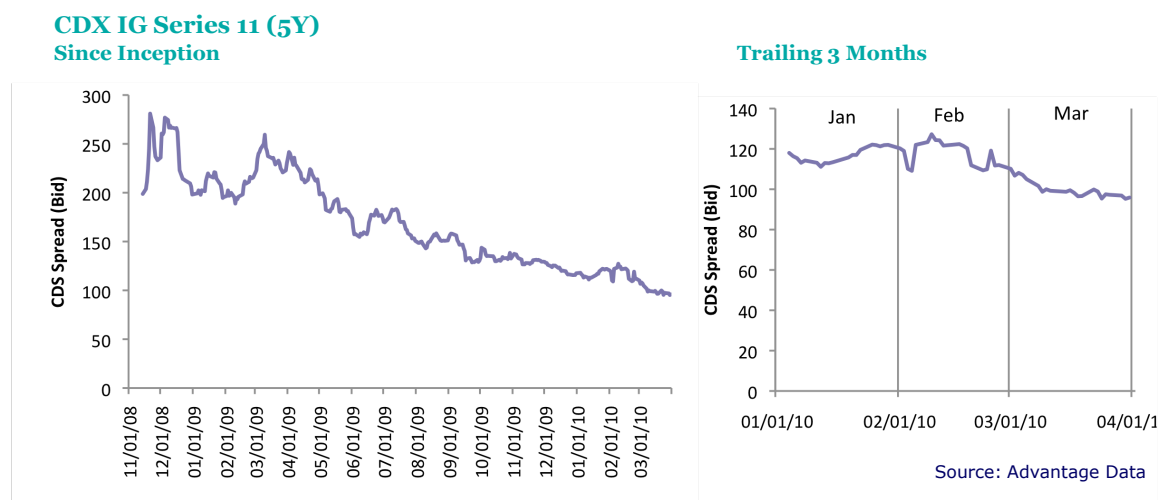
In the first quarter of 2010, bond yields and Credit Default Swap ('CDS') spreads both tightened, continuing their price trends since the peak of the 'credit crisis' in March 2009. There was some volatility – and therefore an increase in market risk – during the quarter, notably from mid-January to the end of February. This volatility was largely due to concern that the credit troubles of certain European sovereign debtors (and Greece in particular) would spill over into the broader corporate credit markets. Global credit and equity markets were somewhat roiled at that time but fears of contagion were abating in March and the credit markets continued their tightening trend.

The movements in bond yields over time and during Q4 are tracked in the charts below. The bond yields are noted as-of certain milestone dates.



The Canadian Non-bank Asset-Backed Commercial Paper market froze in August of 2007 but it is worth noting that corporate credit markets had not yet begun to plunge at that time. Although there was intense focus on the US Sub-prime mortgage market, contagion had not yet affected the broader corporate credit markets. Corporate credit took another year before ‘gapping’ out to the extreme level ultimately reached in Q4 2008 and Q1 2009. The depth of the ‘credit crisis’ occurred in March of 2009. Since then spreads have steadily tightened, initially in response to the fiscal and monetary policies of the US government and more recently due to an apparent broad-based economic recovery.

Credit Default Swap prices reflect the same sequence of events. The charts below show the Credit Default Index for Investment Grade rated US corporations (‘CDX IG’). (Series 11 is chosen, as this was the on-the-run (i.e. current) index at the time of the ABCP restructuring.)



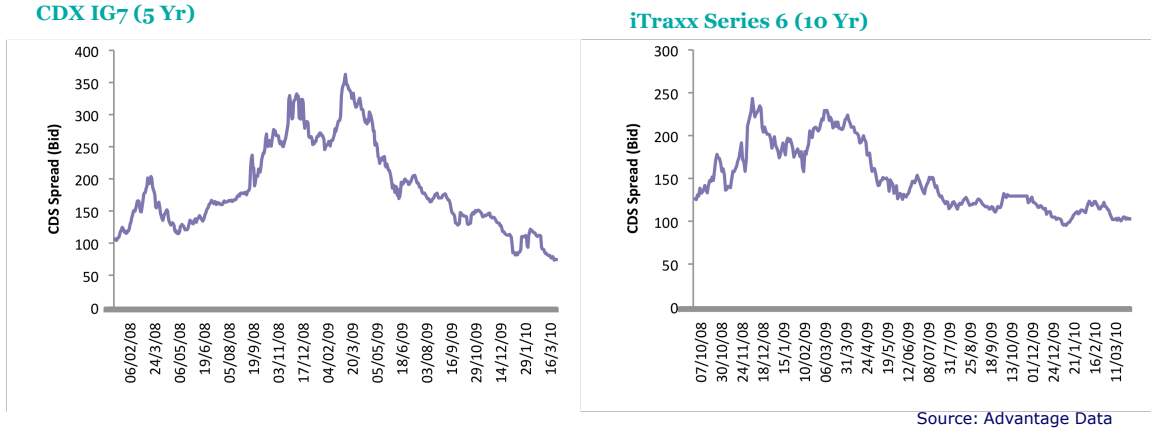
Again, CDX spreads ended Q1 tighter, albeit with intra-period volatility due to concerns about contagion from the Greece sovereign debt crisis.

Reference Indices and Margin Triggers

Status of the Reference Indices. There were no new defaults in any of the reference indices for the MAV2 Spread-Loss margin triggers¹. Total loss levels are unchanged since last report. To wit, the total losses on the CDX North American IG7 and IG5 indices are 1.11%; the total losses on the iTraxx series 6 is 0.29%.

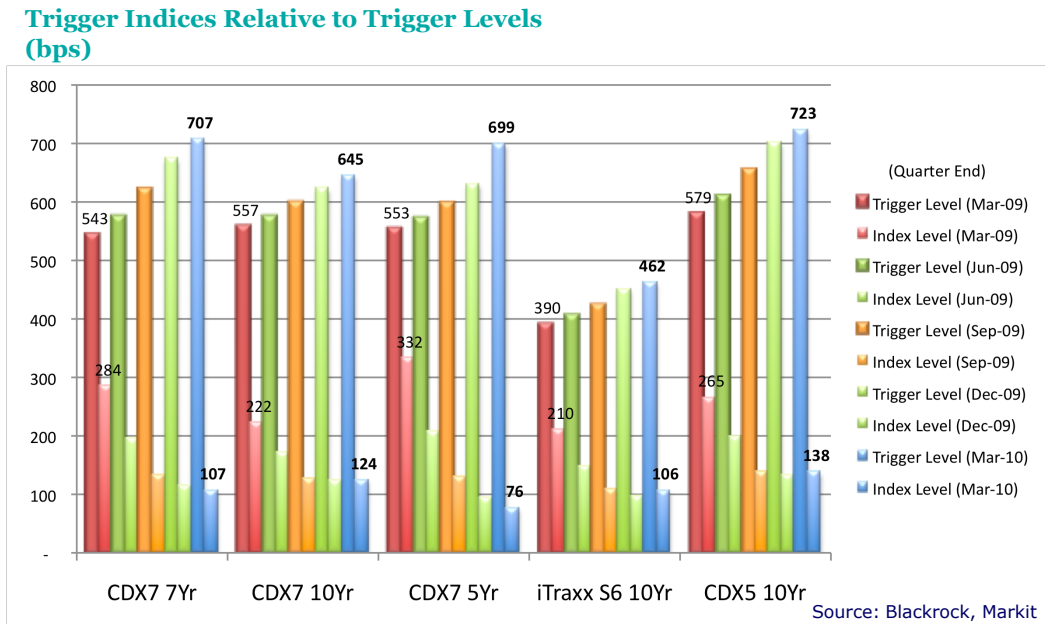
The index levels for the key indexes (CDX7 and iTraxx) are plotted in the charts below. These older CDS indices show the same recent price trends as outlined above – specifically that there was some intra-quarter volatility but prices ended tighter from quarter-to-quarter. This continuing tightening trend is advantageous for the MAV2 Pooled Notes as it makes the possibility of margin calls more remote.

¹ Description and Importance of the Spread-Loss Triggers was detailed in our inaugural report. Readers are directed to the Portfolio Manager Report dated 22 January 2009, pages 2 and 3 for review.



Index Levels v. Trigger Limits. The margin triggers for the Pooled Notes² take the form of ‘spread-loss’ triggers whereby a limit is defined in terms of the market spread of a reference index (e.g. CDX IG7) and determined within a matrix of actual loss and time to maturity. Losses within the reference indices have the impact of lowering the ‘margin trigger’ spread limit, therefore increasing the risk of margin calls. The passage of time – and therefore decrease in time to maturity – has the effect of increasing the spread limit and, all else being equal, reduces the risk of a margin call. If the reference index falls – as has actually occurred – then the margin trigger is more remote and the near-term risk of a margin call is diminished.

The trigger indices are compared to the trigger levels on a quarterly basis in the chart below.



² Why the margin triggers are important – If the market spread on the reference index exceeds the trigger level, MAV2 must draw upon its margin funding facility to post margin. If credit markets deteriorate significantly, there is a possibility that the margin funding facility will not be large enough to post sufficient margin. This would result in the underlying assets in MAV2 defaulting and would entail significant losses to the Noteholders.

With no new losses in any of the reference indices during the quarter, the trigger levels moved higher in all cases. The reference indices were flat or lower than their levels of a quarter ago. So, index levels became even more remote from the triggers in Q1.

On average, the index levels were at 17.5% of their trigger levels at the end of Q1-2010 – index levels would have to increase by more than 5 ½ times to breach the current trigger levels. At the end of Q4-2009, the index levels were at 18.3% of their trigger levels. The margin triggers are at their most remote levels since the inception of the AB Notes.

AB Notes Secondary Market

Secondary market prices for the MAV2 Pooled Notes have continued to improve. KAG believes that this improvement is due to a combination of macro and micro factors. Specifically, the broad-base improvement in credit markets and increased investor appetite for credit-risky assets has helped to buoy prices. However, the price improvement in the MAV2 Notes has out-paced the improvement in the credit market; there are ‘micro’ factors endemic to the MAV2 Notes themselves. Specifically, there has been an increase in focus on these Notes by US hedge fund investors, which has largely depleted the supply of ‘distressed sellers’.

With the supply-and-demand dynamics improving in the favour of holders of the Notes, the ‘liquidity discount’ (as described in previous reports) is reducing. Specifically, gap between the market bid for MAV2 Notes and the intrinsic or ‘fair value’ of those Notes is narrowing.

Today there is sufficient buying volume to enable the Liquidating Trust to sell part or all of its MAV2 Pooled Notes. However, despite of recent improvements, the market is not yet a fully ‘active market’. The market is not fully liquid and continues to require payment of a ‘liquidity discount’; sellers will receive less than the intrinsic ‘fair value’ of their Notes. As well, there is no guarantee that the current level of liquidity will persist in the future; a market shock and/or negative events affecting the Notes could dampen appetites. There is no commitment or requirement for the dealers to act as market-makers should investor demand wane.

MAV2 Class A-1 Notes were bid 67 cents as at the end of March. Class A-2s were bid 56 cents and the B and C Notes were bid 20 cents and 2.5 cents, respectively.

There has been limited interest in and little trading of the Tracking Notes issued by MAV2 and MAV3. KAG is unaware of any trades occurring in the MAV2 Ineligible Assets Class 13 held by Liquidating Trust. Dealers indicate some degree of willingness to provide one-off pricing but the fairness of these prices are likely constrained by the ongoing lack of full disclosure on the assets underlying these Tracking Notes.

Events Affecting the AB Notes

General Conditions in Credit Markets. The MAV2 Pooled Notes and Apex Notes are broadly exposed to US corporate credit given that the majority of the underlying assets are portfolios of corporate credit derivatives. An improvement in corporate credit markets reflects a decline in default risk and a decline in the risk of spread-loss limits being reached; thus, the continued improvement in credit markets reduces the risk and therefore increases the fair market value of the AB Notes.

Credit Quality Concerns for Specific MAV2 Pool Assets. KAG continues to closely monitor two specific assets within the MAV2 Pool that have heightened risk of default. Trades #1 and #7 are two Leveraged Super Senior trades with Deutsche Bank as the ‘asset provider’. They contain portfolios that are identical in composition and allocation and have the same leverage (2.5X). In combination, these trades represent about 3% of the MAV2 Pool

There was a further default in the portfolio underlying these trades. In March, Ambac Assurance Corporation (AAC), which is the operating company under Ambac Financial, had a restructuring event of default in accordance to the terms of the Credit Default Swap. This loss means that trades #1 and #7 will have further erosion of their ‘cushion’ against losses. The loss on AAC credit default swaps has not been set but is projected to be in the range of 66%. AAC has a 0.50% weighting in the portfolios, so the cushion against losses is projected to fall from the current 3.04% to 2.67%. In other words, these trades can withstand further losses of only 2.7% of their remaining portfolio before the MAV2 begins to lose money.

The table below lists the highest risk names within these trade #1 and #7 portfolios, giving their CDS pricing over the quarter and their weighting in the portfolio (‘percentage of notional’). It is notable that there is an undue concentration of at-risk industry sectors such as monoline insurers and home construction. As well, the three highest-risk names are also relatively heavily weighed; a default of as few as two of those names could trigger losses.

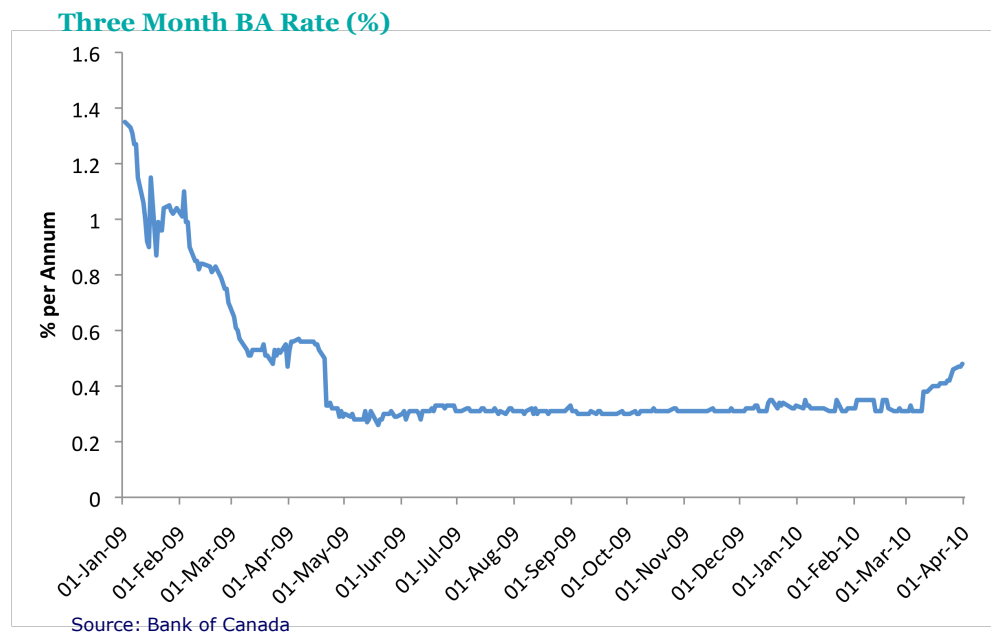
Trade #1 and #7 –Names with Highest CDS Spread

Reference Entity	3 Yr CDS Spread (bps) 1-Apr-10	3 Yr CDS Spread (bps) 3-Mar-10	3 Yr CDS Spread (bps) 8-Feb-10	3 Yr CDS Spread (bps) 15-Jan-10	Pctg of Notional	Sector (Blackrock)
Ambac Financial Group Inc.	11,847	7,803	7,132	4,041	1.20%	Property & Casualty
MBIA Insurance Corp.	3,291	3,544	3,312	3,130	2.41%	Property & Casualty
Clear Channel Communications Inc.	1,159	1,294	1,580	1,122	1.32%	Media Non Cable
Boyd Gaming Corp.	965	1,082	911	828	0.30%	Gaming
Radian Group Inc.	953	1,583	1,844	1,413	1.20%	Property & Casualty
Hovnanian Enterprises Inc.	884	950	917	728	0.48%	Home Construction
MGIC Investment Corp.	803	1,111	1,190	931	1.20%	Property & Casualty
MGM Mirage	799	933	909	695	0.48%	Gaming
Beazer Homes USA Inc.	605	687	667	651	0.90%	Home Construction
Residential Capital Corp.	550	862	763	677	0.48%	Property & Casualty
Meritage Homes Corp.	470	637	709	624	0.60%	Home Construction
ArvinMeritor Inc.	429	549	675	465	0.51%	Automotive
Ford Motor Co.	425	560	624	486	0.78%	Automotive
Unisys Corp.	419	445	494	497	0.60%	Technology
Financial Security Assurance Hldg LTD	417	482	447	393	1.81%	Property & Casualty
Nova Chemicals Corp.	404	415	365	269	0.42%	Chemicals
American Axle & Manufacturing Inc.	400	552	651	430	0.51%	Automotive
Total					15.22%	
Weighted Average	1,968	1,829	1,792	1,372		

Based on this review of the trade structure and underlying portfolio, KAG views it as likely that these two trades will default and suffer 100% loss. If these trades default and realize complete losses, then there will be a loss of 3% within the MAV2 Pool. The C Notes initially represented a 0% to 3% ‘first loss’ position with the MAV2 structure; 1.1% out of this 3% has already been lost due to the previous CIBC trades defaults. So, if Trade #1 and Trade #7 do default with complete losses, then the C Notes will be worthless.

Interest Payment on MAV2 Notes. There was a quarterly payment date on the MAV2 Notes on 7 January 2010. As has been projected by KAG since July 2009, no interest was accrued on the Pooled Notes during the October 2009 to January 2010 payment period. This was due to the fact that the A-1 and A-2 Notes earn interest at 3-month Bankers Acceptance rate minus 50 bps; BA rates persisted below 50 bps during the payment period.

At the end of March, there was an increase in BA rates, which had previously been steady in the 29-31 basis points range since May 2009. KAG continues to conservatively estimate that the A-1 and A-2 Notes will not pay interest in the next two payment periods (those ending April and July) however, if the recent rising trend continues, there is a reasonable chance that the Notes will accrue interest in the quarter ending 7-July.



No Ratings Actions or Disclosures by DBRS. The Dominion Bond Rating Service ('DBRS') made no rating actions or advisories regarding the A-1 and A-2 Notes during Q4. DBRS rates these two notes A and BBB(low) respectively.

Change in Net Asset Value of MAV2 Class 13 Tracking Notes. UWO holds the MAV2 Class 13 Tracking Note. This 'Ineligible Asset' tracking note was created at the time of the ABCP restructuring in order to quarantine exposure to the US sub-prime real estate market. The Class 13s are comprised of a Levered Super Senior trade that is collateralized by a senior note on a highly-leveraged exposure to US real estate, including a high portion of sub-prime residential mortgage backed securities.

The collateral note was originally rated AAA; it is currently rated C by DBRS. The original par value held of the collateral note was \$98MM but the note has been amortizing and has returned more than 50% of that capital. Given the 'C' rating on the collateral note, it is uncertain how much of the remaining \$41MM of principal outstanding will actually be returned. Blackrock's mark-to-market valuation of the \$41 MM par value was \$2.9MM as at the end of March. A shortfall in collateral will reduce the Class 13 Note's ability to repay principal if and when the Levered Super Senior trade matures.

In Q1, Blackrock did somewhat improve the disclosures relating the this Tracking Notes, specifically by clarifying the cash collateral position of \$55MM. The mark-to-market value of the LSS trade was negative \$15MM at the end of March, an improvement on the December valuation of -\$19MM.

Unfortunately, there is very little detailed disclosure on either the LSS portfolio or the exposures underlying the collateral note. KAG is pressing Blackrock to improve the transparency of these risks. In the meantime and pending any evidence to the contrary, KAG recommends a conservative valuation of the Class 13 Notes that takes into account the mark-to-market values of the LLS asset, the collateral note, and the cash collateral.

Portfolio Valuation

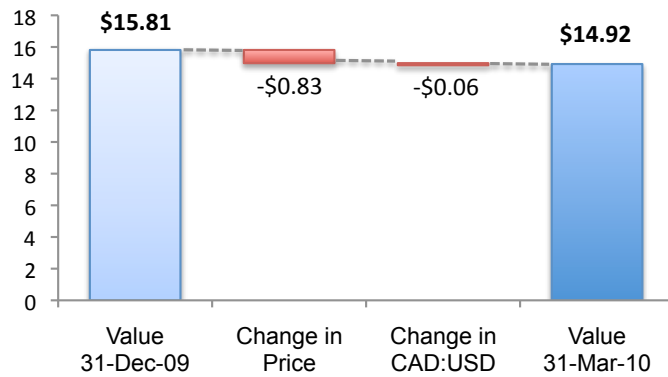
The total par value of the UWO LT's portfolio of AB Notes as at 31 March 2010 was CAD23.771 million. The Value of the Portfolio as at 31 March 2010 was CAD14.921 million, for a Weighted Average Price of 57.36. This compares to the valuation as at 31 December 2009 of CAD15.812 with a Weighted Average Price of 60.47.

UWO Liquidating Trust AB Notes Portfolio Value, 31 March 2010

Holdings		Market-based Prices	
Notes	Par Value	Price	Market Value (CAD)
Class A-1	12,380,426	67.00	8,277,553
Class A-2	8,145,189	56.00	4,561,306
Class B	1,478,571	20.00	295,714
Class C	681,763	2.50	17,044
IA Tracking Note Class 13	369,592	11.08	40,950
Class A-1 (USD)	2,477,435	67.00	1,683,010
Class C (USD)	76,829	2.50	1,949
IA Tracking Note Class 13 (USD)	389,816	11.08	43,820
Total (native)	\$ 25,999,621		
Total (CAD)	\$ 23,771,315		\$ 14,921,345
Wtd Average		57.36	

The chart below decomposes the key factors influencing the quarter-to-quarter change in portfolio value. As described below, UWO has changed valuation approach from 'mark-to-model' to 'mark-to-market' for the MAV2 Pooled Notes. Since the secondary market trades at a discount to the intrinsic or 'fair value' of the Notes, this change in valuation methodology resulted in a decrease in price and, therefore, portfolio value. As well, some components of the portfolio are denominated in US dollars. The appreciation of Canadian dollar ("CAD") versus USD over the quarter also had the effect of reducing the value of the portfolio.

Factors Influencing Change in Portfolio Value (CAD millions)



A note on Valuation Methodology. For the period ending 31 March 2010, UWO LT elected to use market bids to value its MAV2 Pooled Notes. In absence of any market bid for the MAV2 Class 13s, a 'fair value' approach was used that takes into consideration the mark-to-market values of the underlying assets and collateral.

Kilgour Advisory Group

27 April 2010

GLOSSARY OF TERMS

<i>Asset-Backed Notes or 'AB Notes'</i>	Notes created through the restructuring of the former non-bank asset-backed commercial paper (ABCP). The AB Notes are comprised of: 'Pooled Notes', 'Ineligible Asset Tracking Notes' and 'Traditional Asset Tracking Notes'.
<i>Credit Default Swap or 'CDS'</i>	Contract where Counterparty A pays financial consideration to a Counterparty B to assume the risk of default by a specific third party company. Analogous to insurance, where A pays a premium to B in return for a lump-sum payment should the specified third-party company go bankrupt or otherwise default. Credit default swaps can be done on an 'unfunded' basis since there is no requirement for either party to own the referenced credit. A CDS premium is quoted in terms of basis points (one-hundredths of a percent) of the notional value 'insured'. Portfolios of CDSs typically underlie 'Leveraged Super Senior' trades.
<i>Credit Default Index e.g. 'CDX' or 'iTraxx'</i>	A quoted market index of the Credit Default Swap premiums on one hundred representative corporate credits. The indices are renewed semi-annually; the vintage most relevant to the AB Notes is the CDX Investment Grade Series 7, which was issued in Sep-06. Indices also are quoted in terms of term to maturity – e.g. the CDX IG7 '5 Year' is based on prices for 5-year credit insurance. The CDX indices are comprised of North American companies; the iTraxx indices reference European credits.
<i>Ineligible Asset ('IA') Tracking Notes</i>	Notes created from the restructuring of ABCP assets that had exposure to US subprime mortgage securities. The Ineligible Assets were quarantined from the Pooled Notes and the IA Tracking Notes will directly track the financial performance of the underlying assets on a one-note-per-asset basis.
<i>Leveraged Super-Senior or 'LSS'</i>	<p>A trade of a portfolio of Credit Default Swaps where the seller of the insurance/buyer of the risk receives a small premium in return for insuring the losses on the portfolio only above a certain amount, for example, the insurance might be for any losses above 30%. Thus, 'super senior'.</p> <p>LSS is partially funded in that the seller of insurance posts collateral ('Margin') for only a portion of the total amount of risk insured. In this way, the small premium is levered to provide a higher return on investment.</p> <p>There are many LSS trades underlying the MAV2 Pooled Notes whereby the MAV is the seller of credit insurance on a levered basis.</p>

<i>Margin</i>	A reserve of cash or near-cash securities pledged as collateral to the insurance purchaser (swap counterparty) under an LSS trade. If the portfolio of CDS experiences losses or the market price of the CDS premiums increase, the counterparty may have the right to call for additional collateral to be posted (a 'margin call').
<i>Margin Funding Facility or 'MFF'</i>	A lending facility established by the federal government, Canadian banks, and some international banks to provide Margin funding should the Spread-Loss Triggers be breached. By making this additional collateral available, the MFF reduces the risk that the AB Notes will be terminated early and incur massive losses to investors.
<i>Master Asset Vehicle or 'MAV'</i>	<p>The so-called Master Asset Vehicles are the issuers of the restructured AB Notes. Essentially, they are the legal entities holding the assets and issuing the Notes, receiving income on the assets and paying expenses and interest to the Noteholders.</p> <p>MAV1 is the vehicle for issuing Notes to the self-margin investors (e.g. the Caisse de Depot) and is not relevant to UWO LT.</p> <p>MAV2 issues the Pooled Notes and IA Tracking Notes held by the LT.</p> <p>MAV3 is the issuer of the Traditional Asset Tracking Notes.</p>
<i>Net Asset Value or 'NAV'</i>	The value of a security or fund; equal to the market value of assets minus liabilities.
<i>Pooled Notes</i>	AB Notes created from the restructuring of ABCP containing both cash assets (loans, non-US residential mortgage backed securities, commercial mortgage backed-securities, etc.) and Leveraged Super Senior assets. These notes are comprised of classes A-1, A-2, B, and C, in order of seniority. These notes are supported by the Margin Funding Facility.
<i>Spread-Loss Trigger</i>	<p>A 'margin trigger' is the metric by which it is judge whether an AB Note must provide additional collateral. A 'Spread-Loss' trigger provides a limit for a pre-determined CDX index's market price (the 'spread') above which additional margin must be posted (e.g. "if spreads on the CDX IG7 5Year exceed 550 basis points, then the note triggers."). The Spread-Loss Triggers are given within a matrix of the level of losses on the Index and the remaining term to maturity on the note.</p> <p>When the AB Notes were restructured, the triggers where changed from market price triggers to Spread-Loss Triggers and the overall levels of the triggers were raised; this reduces the likelihood of margin calls relative to current market conditions.</p>
<i>Traditional Asset ('TA') Tracking Notes</i>	Notes created from the restructuring of ABCP assets that had exposure ONLY to cash assets (loans, non-US residential mortgage backed securities, commercial mortgage backed-securities, etc.). These notes will directly track the performance of the underlying assets on a one-note-per-asset basis.