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PIMCO Advisory



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Appendix A: Index Details

Please note that all USD-CAD conversions are calculated using an exchange rate of 1 USD = 1.2 CAD, unless otherwise specified. Additionally, all “\$” amounts are Canadian \$ unless otherwise specified.

1. Introduction

The risk profile of the Master Asset Vehicle II (MAV II) vehicle and the underlying securities is highly leveraged to the broad performance of the investment grade credit (IGC) markets, and by extension the health of the global economy. Accordingly, our analysis of the Montreal Accord restructuring and the associated securities held by the University of Western Ontario (UWO) included not only a rigorous review of the microstructure of the MAV II deal and related securities, but also the macroeconomic and market factors that will drive the performance of the MAV II transaction going forward.

The report is organized in a number of sections. First, we review recent macroeconomic conditions as well as the performance of the IGC markets, with a focus on the U.S., as the majority of the MAV II assets are in this sector. Next, we outline PIMCO's secular macro outlook and the cyclical outlook for the IGC markets. Then we review the history of the MAV II restructuring, including the events leading up to the Montreal Accord. This is followed by a brief review of synthetic credit instruments. Analysis of the MAV II deal requires the use of certain terminology that may be interpreted in different ways by different parties, so we provide an outline of our definitions. Additionally, we include extensive charts and diagrams in order to better illustrate the complex and layered risks embedded in the MAV II deal.

In addition to these macro, market, and instrument level frameworks, we analyze the MAV II transaction according to the following structural features: a) funding facilities, b) spread-loss triggers, c) waterfall, d) leveraged super senior CDS trades, e) cross-collateralization and f) subordination. We then provide a model valuation of UWO's securities using what PIMCO believes are conservative and reasonable assumptions. Finally, we discuss the activity in the secondary market, including trading levels, volume and possible developments going forward.

2. Macroeconomic Review

The global economy began 2009 in the throes of a deep recession that showed few signs of giving way to a near-term recovery. Moreover, globalization continued to show that it cuts both ways, producing a highly synchronized economic downturn in the face of a significant demand shock. With economic indicators setting new record lows – surpassing the previous quarter’s already dire levels – policymakers have gone “all in,” using unorthodox monetary and fiscal measures on a historic scale. Though financial markets showed tentative signs of normalization in response to specific targeted policy action, the question remains whether we have bottomed out, or are just in the midst of a bear market rally. Thus, while certain financial assets performed well over the past few months, with even the equity markets rebounding sharply, uncertainty continued to weigh on financial markets.

Growth and Inflation

The “green shoots” crowd, ever on the lookout for signs of economic spring, grasped at even the flimsiest buds that seemed to be suggested by data released in the early months of the year to show that winter was on its way out. The announcement that U.S. new home sales rose 4.7% in February, for instance, looked to some like a reason for optimism; to others, struck by the fact that sales remained more than 75% below their 2006 peak and were rising from a record low, the significance was far less compelling. In fact, purchases of new homes rose at only a 0.3% annualized rate in April. Sales are down 34% from a year earlier, and the number of homes for sale fell to the lowest level since May 2001. In Canada, housing starts fell a worse-than-expected 19.9% in April to 117,400 annualized units, the slowest pace of residential construction activity since 1996, and obliterating March’s surprising condo-fuelled bounce.

The economic data released during the first quarter not only confirmed that Canada is in recession, but also revealed an accelerated broad-based weakness in the economy. While the official timing of the recession is October of last year, nine months after the U.S., the pace at which the economy is falling is accelerating. The May unemployment rate reached an 11-year high of 8.4%, a similar pace to the U.S. and first quarter GDP fell at a 5.4% annualized rate, its worst result in 18 years. While the global recession continues to weigh heavily on trade, domestic demand is falling as well, as highlighted by consumer spending dropping at a 3.3% pace in the fourth quarter. Consumer prices dipped 0.1% in April, as the headline inflation rate dropped to just 0.4% y/y from 1.2% in the prior month, and the lowest annual rate since 1994 (when cigarette taxes were slashed). In seasonally adjusted terms, prices were even milder, falling 0.3% m/m. The big mover for headline prices was a whopping 20% m/m plunge in natural gas costs, the second largest monthly drop in 60 years of records.

Economic growth in the U.S. was revised up for the first quarter but still contracted at a 5.7% annualized rate. The unemployment rate rose to 8.9% in April, a 25-year high, as the economy shed over 2 million jobs so far this year. With job security vanishing and household wealth rapidly eroding, consumer confidence plunged to a new record low in February before rebounding.

In the euro zone, the recession also appeared to deepen in the first quarter, as industrial orders fell 34% in January compared to a year earlier and unemployment rose to 8.5% in February. Similarly, in the European Commission’s March economic survey, consumer and business confidence indices were at all-time lows. Some green shoots began to appear later in the year as European retail sales increased for the first time in seven months in April as consumers spent more on food and drinks. Sales in the 16 nation euro region rose 0.2 percent from the previous month, when they fell 0.1 percent. From a year earlier, April sales fell 2.3 percent after a 3.4 percent decline in March.

In the U.K., consumer confidence and the CIPS (Chartered Institute of Purchasing and Supply) manufacturing index rebounded slightly in March, both indices remained quite weak, suggesting that the U.K. experienced a significant first quarter contraction as well. In May, Britain's outlook was lowered to negative from stable by Standard and Poor's, though the agency reaffirmed the country's AAA status. In its report, the agency cited the need to sell hundreds of billions of pounds of debt over the next year as the country's budget deficit soars to about 175 billion pounds (12.4% of GDP). Total debt outstanding is quickly approaching 100% of GDP; it is expected to reach 66.9% of GDP in 2010 (as compared to levels of 30% in Canada, 60% in Germany, and over 70% in the U.S.).

Meanwhile, Japan's economy continued to implode in the beginning of this year, a fact that was brought home by the collapse of the Bank of Japan's Tankan index to a record low of *negative* 58 in March. Industrial production fell over 38% year-over-year in February and yet the ratio of inventories to sales continued to rise as both exports and domestic demand contracted, indicating few signs of an economic thaw coming from Tokyo. The economy recorded a 15.2% annualized plunge in economic growth in Q1, and during the same period Japanese companies slashed spending at the fastest pace in 54 years as profits tumbled a record 69 percent.

Government Policy

Throughout the early part of the year, central bankers continued the policy of lowering rates or maintaining their near-zero levels to ease the current economic contraction. With policy rates close to zero, the Federal Reserve (Fed) and Bank of Japan (BOJ) led the way into quantitative easing. In March, the Fed announced a sharp increase in its asset purchase program, increasing expected purchases of mortgage-backed securities to \$1.25 trillion, agency debt to \$200 billion, and stating their buying of up to \$300 billion in long-term Treasury securities. The Bank of Japan, too, increased its buy-back of long-term government bonds to ¥1.8 trillion per month.

The Bank of Canada continued to reduce rates during the quarter, with two cuts of 50 basis points, and an additional cut of 25 basis points in April, bringing the overnight rate to 0.25%. With the rate close to zero, the Bank is running out of options as the economy sees sharp falls in domestic demand. Following the lead of other major central banks, Governor Carney opened the door for credit and quantitative easing.

The Bank of England, in addition to cutting rates by 150 basis points to 0.5%, expanded its balance sheet almost as aggressively, launching a program to purchase as much as £125 billion of gilts and corporate bonds. Other central banks, such as Bank of Canada and Swiss National Bank, also announced asset purchase plans. While the European Central Bank also cut rates by 150 basis points to 1.0% this year, it remained the most significant holdout in terms of quantitative easing, though it has vowed to move forward with its plan to spend €60 billion on three- to 10-year covered bonds beginning next month.

In addition to monetary and quantitative easing, government and central banks continued to use public balance sheets to support private institutions in various forms including credit guarantees, direct capital injections, legacy asset purchases, etc. The Term Asset-backed Securities Loan Facility (TALF) and Public-Private Investment Program (PPIP) in the U.S., the Asset Purchase Facility in the U.K. and Japan's ¥3 trillion commercial paper purchase program are the latest examples.

3. Investment Grade Credit: Recent Market Review

In the month of March, as U.S. Treasuries rallied, credit spreads moved higher and almost all industries posted negative excess returns. Financials trailed the market and posted losses both in the U.S. and globally. Home construction bonds rallied in March as modestly favorable housing market data aided the debt valuations. Natural gas pipeline bonds, benefitting from solid asset coverage and their defensive characteristics, outpaced the market for the month despite the backdrop of weakening fundamentals and poor market technicals. Demand for natural gas has dropped dramatically relative to supply (pressuring prices), despite the steep pullback in natural gas drilling.

In sharp contrast, April was the single best month on record for high grade spreads, which tightened a staggering 87 basis points in the U.S. IGC market and 65 basis points in the global IGC market. In line with spread contractions, both markets also posted their best month of excess returns on record. Spreads improved due in part to slightly better economic data, decreases in first quarter earnings that were in line with expectations, and improving market technicals. On the corporate earnings front, S&P 500 earnings for the first quarter were down 39.1% (weighted by credit market value), significantly better than the 520.6% decrease in the fourth quarter of 2008 and consistent with expectations. The decline in earnings for the fourth quarter was driven primarily by losses in the financial sectors; earnings for financials were down 1,458% on the quarter. It was quite the opposite for the first quarter of 2009, however, as earnings in the non-financial sector lead the losses with consumer discretionary, materials, and energy all underperforming financials. In terms of market technicals; a mismatch between issuance and investor appetite created a market supply/demand imbalance.

The rally in investment grade credit bonds continued in May as spreads ended the month 76 and 62 basis points tighter in the U.S. domestic market and the global market, respectively. Global credit markets posted an excess return of 3.54%, the highest monthly excess return on record. Spreads tightened as U.S. Treasury yields trended higher, new issuance cooled slightly, and signs of economic improvement materialized. Yields on longer-dated U.S. Treasuries rose between 32 and 39 basis points on the month. While higher U.S. Treasury yields helped catalyze spread compression, the trend of higher overall rates also helped maintain an attractive entry point for flows into corporate bonds from a yield perspective. Continued strong demand for corporate bonds added to the downward pressure on spread levels for the month. Issuance of corporate bonds remained robust in May, although at a lower level than several other months this year, due in part to a slowdown in M&A activity (particularly in Pharma and Telecom). While most areas of the market remained fragile, fear continued to dissipate, as indicated by the equity market rally and the improvement in the second derivative of growth indicators, which in turn support demand for risk assets and thus, spread narrowing. In addition, the outcome of the bank stress tests and the manner in which banks have succeeded in addressing their capital needs appear to have left investors much less concerned about the possibility of failures and/or the outright nationalization of the largest financial institutions.

4. Macro: Secular Outlook

A New Normal

Over the previous cyclical period, the global economy experienced several economic shocks, each promising to influence the shape of the secular investment outlook in significant ways. For many, the previously unthinkable has become stark economic reality, requiring an unprecedented level of government intervention in order to keep the financial system, and indeed capitalism itself, afloat.

As the current global economic crisis continues to morph, we are confronted with a new set of facts that we must deal with; nevertheless, certain themes persist that indicate a new economic landscape, a “new normal,” will be a consequence of an unwinding of previous secular structures and dynamics. In particular, the three phenomena of de-leveraging, de-globalization and re-regulation are likely to have significant influence over the direction of corporate profitability, investor risk appetites, and the international monetary system.

If de-leveraging, de-globalization and re-regulation (driven largely by world governments) succeed in flushing out some of the excesses of capitalism that have caused its current impairment, then capitalism, as a going concern, will emerge more resilient and transparent. If, however, those three phenomena serve to impede creative destruction and smother the “animal spirits” that are essential to capitalism’s vitality, then investors may find themselves in a market system characterized by low returns, onerous regulations and limited opportunities for growth.

Key Factors

- As central banks have enacted aggressive expansionary monetary policies in an effort to avoid deflationary forces, it is possible that a foundation for runaway secular inflation has been created.
- If the U.S. government continues to maintain large current account deficits that lead to the accumulation of large external debts, then a higher U.S. inflation rate along with a steep decline in the nominal value of U.S. debt securities may be an unavoidable scenario.
- While Canada started this crisis with better initial conditions and a better capitalized, more regulated banking sector, Canada suffers from the fact that 25% of its GDP is linked to trade with the U.S.
- We may see lower prospective growth due to de-leveraging, increased regulation, a larger public sector, and a possible rise of protectionism around the world.
- A “new normal” will introduce new natural rates of unemployment and inflation. The changing dynamics of labor and inflation are very real.

Initial Conditions

As the global economy embarks on the road to recovery, it is confronted with a challenging set of initial conditions. In its current fragile state, the global economy is highly susceptible to further market volatility. Recognizing this, world governments have undertaken a policy of “stimulus shock-and-awe,” and have shown a willingness to enact novel, even unorthodox, policy responses. Nevertheless, the level and character of government intervention in economic activities during the present crisis has forced many market participants to question the hitherto sacrosanct status of property rights in the future of capitalism. Thus both market events and policy action hold the real danger of dampening “animal spirits” even further than they already have. Initial conditions vary across regions, and were most favorable in emerging market economies that had strong international reserves, putting those nations in the most favorable position to emerge from this crisis.

Global Growth and Inflation

The efficacy of current policy action to “jump-start” the engines of industry and commerce is the critical unknown.

- There will be lower growth going forward: De-leveraging, increased regulation, a larger public sector, and the rise, in various degrees, of protectionism around the world will create headwinds to growth.
 - A risk to this outlook is that super-secular growth trends, girded by technological advancements and labor productivity gains, will have sufficient force to counteract the secular headwinds and ultimately drive the global economy toward higher growth.
- Low inflation will likely prevail for 1–2 years, followed by higher inflation 3–5 years ahead: Historically, there has often been a breakdown between expansionary monetary policy and inflation.
 - In the absence of reignited demand, monetary policy alone cannot elevate inflation to the levels feared by some. If consumption and investment decrease in favor of increased saving, the transmission required to induce inflation will be absent.

The Secular Outlook for Canada

While Canada started this crisis with better initial conditions: fiscal surplus (1% GDP), current account surplus (2% GDP), and a better capitalized, more regulated banking sector, Canada suffers from the fact that 25% of its GDP is linked to trade with the U.S. We expect Canadian growth will suffer during the initial low growth, low inflation phase of our secular horizon, then expect Canadian growth to outperform the U.S. in the latter phase of the secular horizon on EM demand for commodities. Additionally, we expect the Canadian dollar will appreciate on a secular basis as Canada benefits from EM demand.

The U.S. Dollar and the Continued Role of the U.S. as the Preeminent Global Power

A meaningful consideration is if (or to what extent) the dollar could potentially lose ground as a reserve currency, and whether the United States' dominant economic status will be challenged.

U.S. global economic hegemony is likely to remain intact over the secular horizon. The U.S. is unique in the international system in terms of its ability to function as the world's police force, the world's primary consumer, and the borrower of last resort. The multidimensional role that the U.S. fills also grants it an advantage in terms of its ability to maintain the U.S. dollar's role as the world's reserve currency.

- A risk to this outlook is to what extent the U.S. government's large current account deficit decreases the nominal value of U.S. debt instruments. If there is a significant impact, holding dollar reserves would indeed become less desirable and could lead major holders of U.S. dollars to sell in anticipation of a new regime with a new reserve currency (or currencies).
- China, though perhaps a candidate for taking a leading role in international monetary affairs in the super-secular horizon, will not be able to function in this capacity in the near term; its currency is not fully convertible and its capital markets and regulatory infrastructure are undeveloped relative to the major industrialized economies, so within a 3–5 year secular timeframe we do not expect this.
- Although Europe clearly plays a secondary role to the U.S. in the global recovery, there is a question as to the scope of Europe's role. If Europe manages to speedily recover from the global downturn while maintaining hawkish monetary policy, then it may contribute significantly to the global recovery. Nevertheless, we should not expect radical monetary or fiscal action from the euro zone.

5. Investment Grade Credit: Cyclical Market Outlook

Given our outlook for a continued severe global recession, a sustainable broad credit market recovery is unlikely in the near future. Nevertheless, given technical dynamics and policy support aimed at stabilizing financial markets and reinvigorating the flow of credit in the economy, the recent improvement in spreads is not unexpected. However, while spread tightening tells one story, downgrade ratios and default rates are likely to rise as deteriorating consumer sentiment and rising unemployment put further pressure on corporate earnings.

The circulation of credit to both consumers and businesses will be essential to an economic recovery. Aggressive policy response has been focused on restoring the health of the banking sector. Efforts have been focused on improving banks' capital, leverage and liquidity in order to jump-start the private sector's lending engine. We believe policy action will eventually succeed in facilitating a healthier lending environment. Consistent with this view, we believe "national champion" banks positioned at the very center of an economic recovery will perform strongly over an appropriate time horizon.

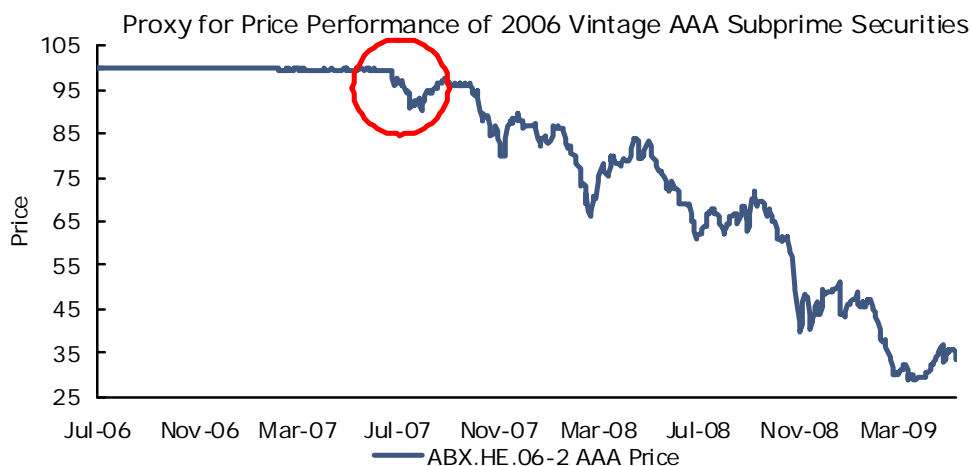
We also have a positive view on defensive credits that help provide critical components of the nation's infrastructure. In particular, we favor industries that are government-supported and/or -regulated, such as natural gas pipeline and utility issuers. In general, these issuers hold hard assets that are extremely difficult to replace and hence have value in most economic scenarios. Additionally, these issuers typically generate stable cash flows that are relatively resilient to economic downturns. Select pipeline and utility credits also offer attractive current yields for the accompanying level of risk.

Consistent with the economic headwinds described above, defensive issuers with business models that exhibit relatively inelastic demand, such as healthcare and pharmaceuticals, may also perform well.

We believe that highly cyclical sectors should be avoided, and specifically those issuers that levered their balance sheets to unsustainable levels during the easy credit environment of the last five or six years. We believe that these issuers, which include retailers, real estate investment trusts, gaming, home construction, and lodging, lack financial flexibility in the current environment. Rising unemployment coupled with weak consumer confidence will hinder consumer-related businesses and services. Corporate fundamentals of more leveraged corporates will continue to be pressured and profitability will deteriorate. We do not foresee a catalyst sufficient to generate a recovery in these sectors in the near term.

6. Master Asset Vehicle II Background: The Montreal Accord In early 2007, the effects of weak lending standards and inflated housing prices on U.S. subprime loans started to become apparent as subprime lenders and homebuilders began to make headlines. Delinquencies, bankruptcies, foreclosures, and losses had been rising, but in 2007 they reached a breaking point. On January 2, Mortgage Lenders Network, a provider of non-conforming mortgage and home equity financing, stopped lending due to financial distress. A few weeks later New Century reported that it had improperly accounted for and grossly underestimated claims in 2006, and filed for bankruptcy. As losses began to mount in financial instruments linked to mortgages, the impact began to spread throughout the financial community. In July 2007, two Bear Stearns hedge funds that had invested in debt securities called Collateralized Debt Obligations (CDOs), which had exposure to subprime mortgages, collapsed as high levels of leverage magnified losses.

First Cracks Appear



SOURCE: Barclays Capital

By August 2007, growing market concern over the U.S. subprime losses had even impacted the Canadian securitization market, specifically in the Asset-Backed Commercial Paper (ABCP) market. ABCP is a short-term debt instrument backed by a pool of financial assets, and third party ABCP is a subset of ABCP that is issued by non-bank sponsors. As a result of fears about possible exposure to U.S. subprime mortgages in third party ABCP, sponsors could not find buyers to refinance, or roll, maturing notes. Under certain circumstances, sponsors of third party ABCP can access a bank liquidity facility as a backup for proceeds to redeem maturing notes. However in August a number of liquidity providers, relying on a technical loophole, declined to provide these funds.

In addition to not being able to redeem maturing notes at par, sponsors of third party ABCP received requests from counterparties to post additional collateral for leveraged exposure that they had taken on which had dropped in price. The ABCP sponsors disputed this as such posting requirements are typically suspended during broad market disruptions, which they claimed.

The confluence of these events would have resulted in substantial losses to ABCP holders. However, on August 16, 2007, an agreement which came to be known as the “Montreal Accord” was announced. The agreement provided for a restructuring of all outstanding third party ABCP, and a 60 day standstill period for all relevant parties. An investor group, the Pan Canadian Committee of Third Party ABCP, was formed, with Mr. Purdy Crawford serving as chairman, and J.P.Morgan engaged as a financial advisor. The main goals of the restructuring were to convert the short-term ABCP into long-term notes (to match the maturity of the underlying assets), and to restructure mark-to-market triggers in order to increase stability in light of the increasingly volatile environment.

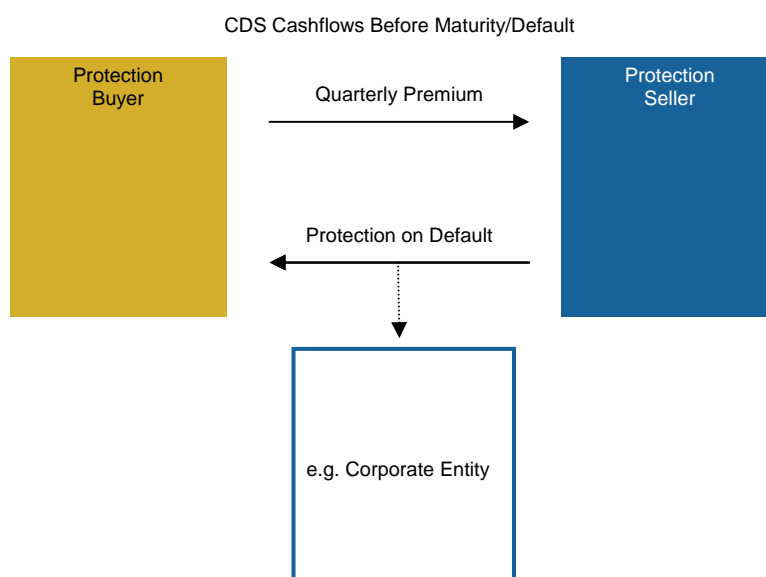
On January 21, 2009, seventeen months after the Montreal Accord was announced, the investor committee announced that the restructuring plan affecting \$32 billion of third party ABCP had been finalized and implemented. The prolonged timeframe for the restructuring was caused by challenging legal and economic negotiations, and compromises by many parties, during a period of unprecedented financial and economic conditions. Numerous Canadian third party ABCP vehicles, almost the entire market for such instruments, were restructured into just three new transactions, Master Asset Vehicle I (MAV I), Master Asset Vehicle II (MAV II), and Master Asset Vehicle III (MAV III). Holders of frozen third party ABCP exchanged their frozen ABCP notes for new securities issued by the MAVs (MAV Notes).

After briefly reviewing the terminology and mechanics of synthetic credit instruments, section 8 will focus on an analysis of the MAV II structure.

7. Review of Synthetic Credit Instruments

a) Credit Default Swaps

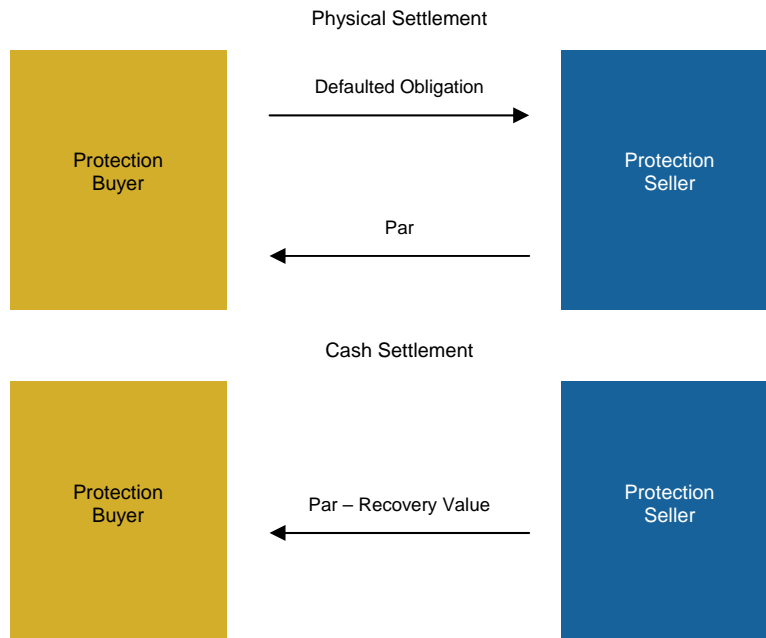
A credit default swap is an over-the-counter (OTC) contract between two parties where one party sells protection against the risk of default by a reference entity, and the other party buys protection against the risk of that default. The analogy to a typical event-driven insurance policy is appropriate, as a periodic premium is paid by the buyer of insurance (the protection buyer) to the seller of insurance (the protection seller). If the trigger event occurs, i.e., the reference entity defaults, the protection seller pays a specified par amount to the protection buyer. If the reference entity does not default prior to the maturity of the contract, the protection seller simply keeps the premium.



Historically, protection buyers were owners of corporate bonds who would hedge the credit risk in their portfolios by purchasing a notional amount of protection via CDS equal to the face value of bonds that they owned. However the CDS market also allows investors who do not own corporate bonds to still buy insurance, the economic equivalent of shorting a stock in the equity markets. While the process of shorting securities is well established for stocks, in the fixed income markets it is still quite difficult to short cash bonds. The advent of CDS allowed investors to synthetically replicate this exposure. To short a bond, one buys protection in the CDS markets. To synthetically go long a bond without actually using capital to purchase it, one sells protection. As CDS contracts are contingent obligations that only require the exchange of principal in the case of a credit event, they do not require any upfront cash payments, as a transaction with traditional cash bonds does.

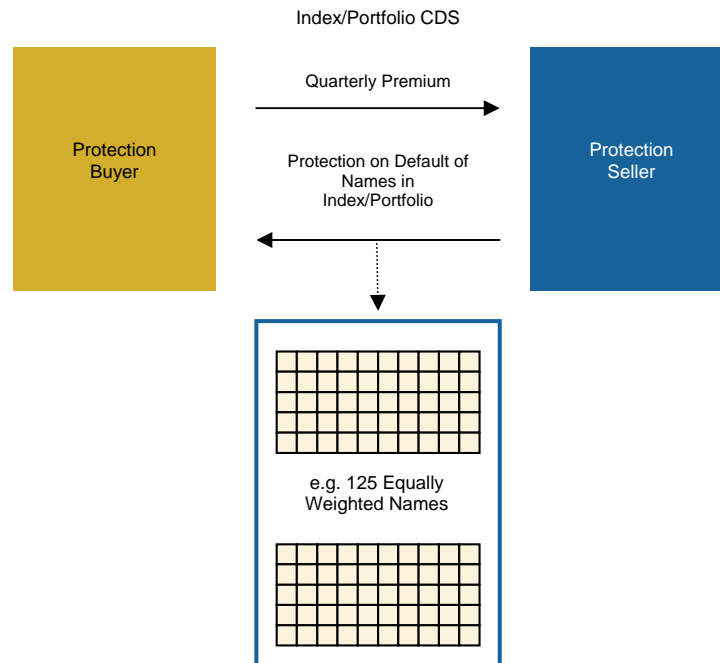
Besides allowing investors to take long or short views without using capital or borrowing the cash bond, CDS also gained popularity because it is an instrument that can be applied to corporate default risk, security default risk, and even sovereign default risk.

If a credit event occurs during the tenor of the CDS contract, the protection seller pays par on the agreed upon amount to the protection buyer. In exchange, the protection buyer gives the protection seller the defaulted bond of the issuer. This is called physical settlement. The protection seller can then recover some of their payment by selling the bond in the secondary market, or by holding onto the bond and recovering the amount agreed to in bankruptcy. An economically equivalent transaction is for the protection seller to pay the protection buyer the difference between the par value and the eventual cash recovery without exchanging the bond (cash settlement).



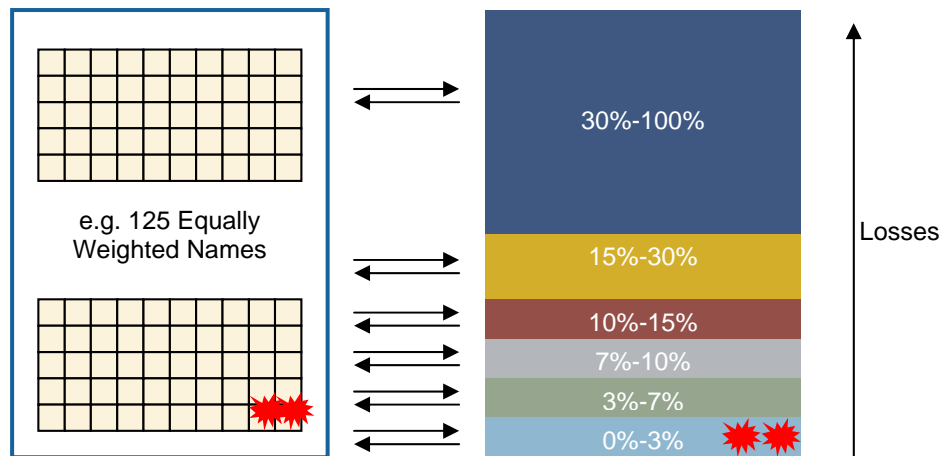
b) Index/Portfolio Credit Default Swaps

Standardized credit derivatives indices were launched in 2002 as demand for broad market hedging and investing instruments increased. Today, the major credit derivatives indices cover corporate credit, structured finance and emerging markets, and are managed by a privately owned company called Markit. Each Markit index is equally weighted and has specified construction, rolling (substitution), pricing and quoting mechanisms. The underlying economics are the same as those for a CDS on a single name. The protection buyer is short, or buys protection against the portfolio of credits, and the Protection Seller is long the portfolio of credits. If credit events occur in the index, the same flows described for single name CDS occur, except weighted for the exposure of that credit in the index. Dealers often customize bespoke portfolios of CDS that have a different composition from the standard indices.



c) Index/Portfolio Tranches

Index/Portfolio tranches allow investors to take a position on capital structure in addition to gaining long or short exposure to a portfolio of CDS. For example, an investor who wants to gain leveraged exposure to a portfolio of credits can do so by selling protection, or going long, the “first loss” tranche. The first loss tranche, is depicted in the diagram below by the tranche labeled “0%-3%.” The first number, the 0%, is called the attachment point, and refers to the level of losses in the portfolio where the tranche starts absorbing losses. The second number, 3%, is called the detachment point, and refers to the level of losses in the portfolio where the tranche is completely wiped out. The first loss tranche is a small portion of the entire portfolio, but receives leveraged economics on the entire portfolio. In return for magnified returns, the first loss tranche also has magnified losses, as it is the first to take losses if credit events occur in the portfolio. At the top of the capital structure, an investor can gain exposure to a credit portfolio on an improved loss potential. As losses are realized in the portfolio, they are allocated sequentially up the capital structure. The first loss tranche and other subordinate tranches need to be wiped out before the senior most tranche (the tranche labeled “30%-100%” in the diagram below) realizes losses.

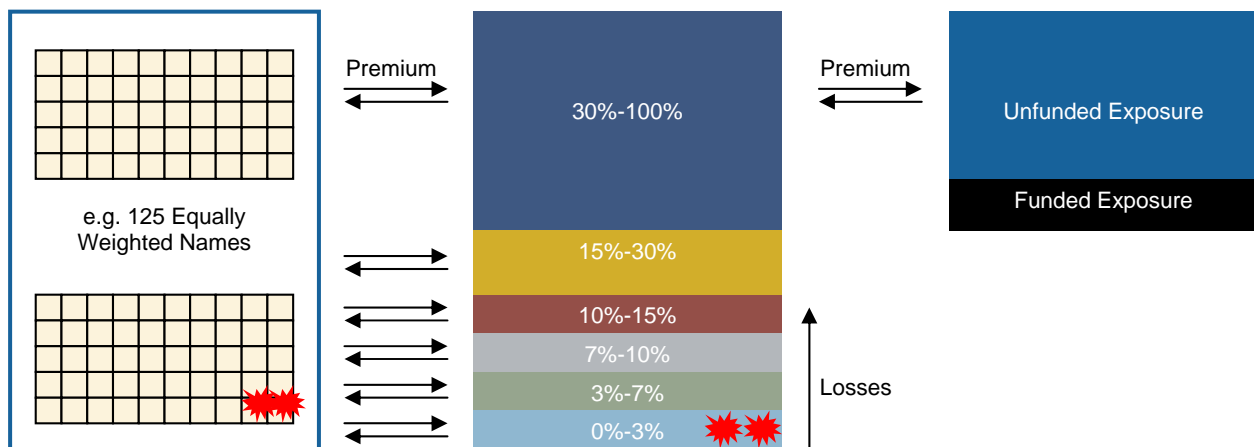


Note: Diagram not to scale.

d) Leveraged Super Senior CDS (LSS CDS)

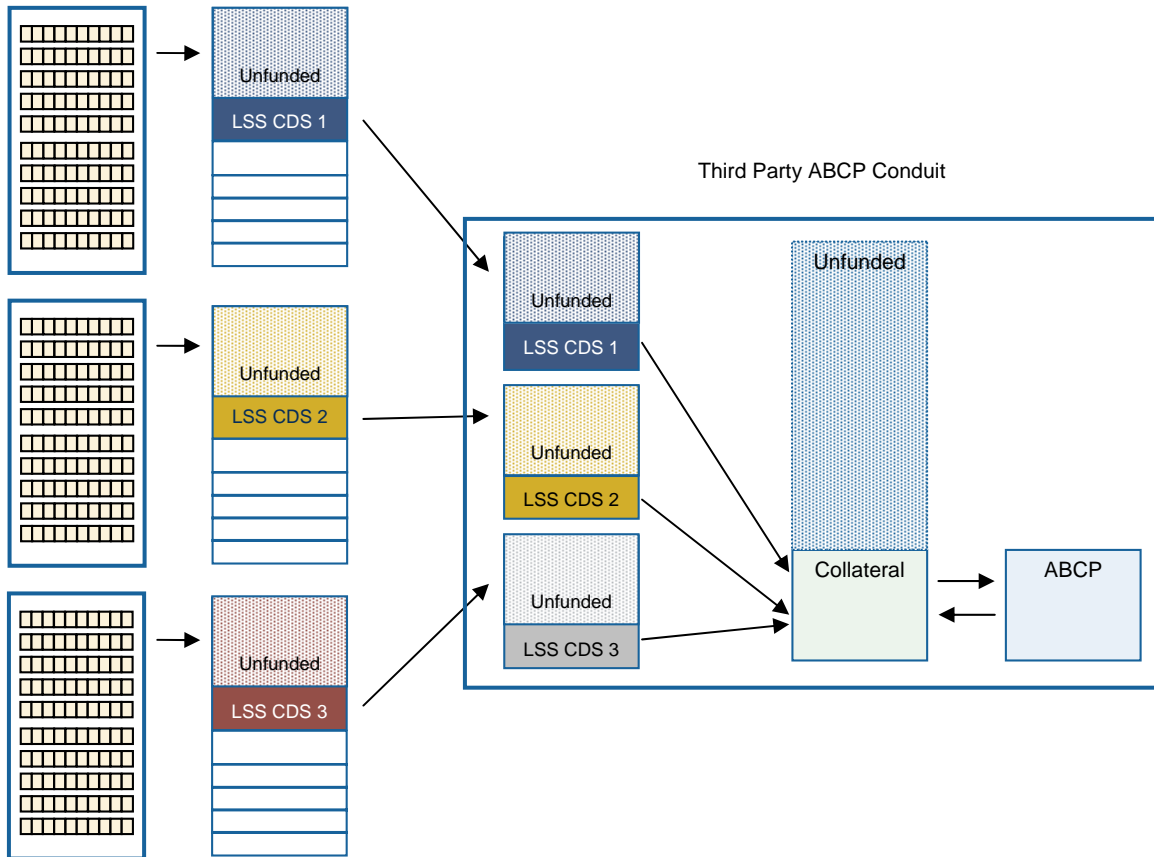
Historically, a senior tranche with a large amount of subordination could obtain AAA ratings due to its loss-remote risk profile. In the illustrative diagram above, portfolio losses would need to reach 30% before an investor in the senior tranche experiences a realized loss. This risk profile, however, meant that the protection seller on a senior tranche earned a much lower insurance premium than the protection seller on the first-loss tranche, which involves much greater risk. In 2006, a protection seller on a senior tranche could expect to earn only single digit basis point annual premiums on the notional amount of protection sold.

In order to enhance returns, some senior tranche investors employed leverage. An investor who sells protection on \$100 million notional of a senior tranche theoretically needs to have \$100 million in cash or securities set aside in case the full insurance payment needs to be made. However, in practice there is usually no requirement that the investor needs to fully fund the exposure he is taking on. OTC contracts for single name CDS, index or portfolio CDS, tranches, and LSS CDS all have collateral requirements imposed by the investor's counterparty. Dealers typically intermediate between the protection buyers and protection sellers, and usually require that only enough collateral, or margin, be posted to cover mark-to-market movements in the position. If an investor decides to set aside only \$10 million in cash or securities for \$100 million of exposure, assuming this is sufficient for the counterparty, the return on capital positively increases by tenfold relative to full funding.



Note: Diagram not to scale.

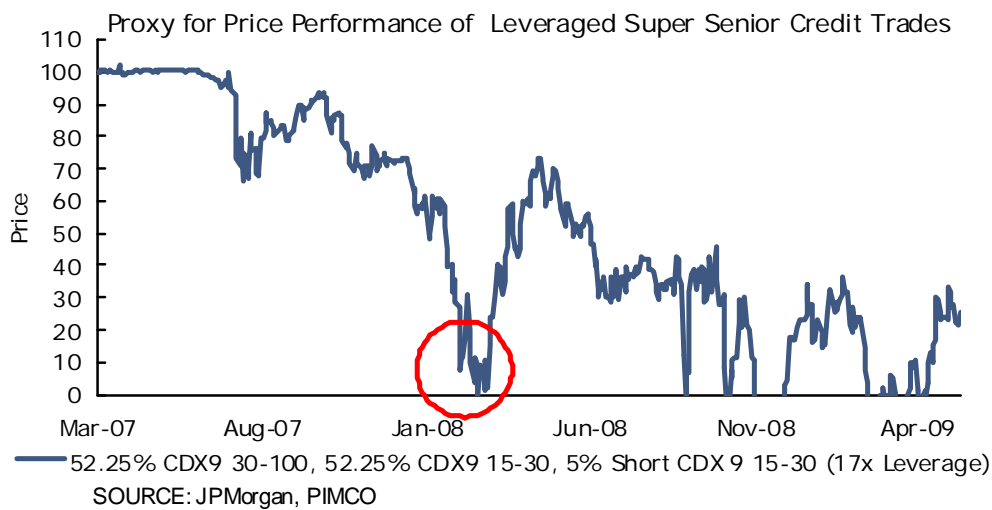
These leveraged senior tranche transactions are known in the market as leveraged super senior CDS. **The third party ABCP conduits, and the MAV II deal, owned and own portfolios of LSS CDS.** The diagram below shows how a third party ABCP vehicle would have funded itself, and entered into a series of LSS CDS trades. First, the conduit would raise funds by issuing ABCP in the market. Those funds would be used to purchase a pool of collateral securities. Then the conduit would sell protection on a number of synthetic credit tranches where each tranche trade was only partially collateralized by the pool of securities. By obtaining leverage in this way, the ABCP conduit could provide attractive yields to the ABCP holders.



Note: Diagram not to scale.

As long as spreads on CDS and on credit tranches continued to tighten or remain steady, the use of leverage to enhance returns in this manner worked. However, in 2007 when spreads began to widen and these credit trades began to suffer mark-to-market losses, the high level of leverage caused many ABCP conduits to be unable to post the required collateral amount, resulting in both a failure to post and a failure to redeem maturing ABCP.

The diagram below is an illustrative example of a portfolio of LSS CDS, similar in composition to the tranches that were in Canadian third party ABCP conduits. The example portfolio is leveraged seventeen times. In March 2008, when the investment bank Bear Stearns was on the verge of collapse, credit spreads widened and market correlations increased. Correlations (of defaults in the portfolio) are an important variable in the pricing of tranches, and are an indicator of systemic risk. Under “normal” circumstances senior tranches are relatively loss-remote given the amount of subordination they have. However, in a high correlation environment, the behavior of the credit portfolio that the senior tranche has exposure to begins to behave in a binary manner due to the increase in systemic risk: either no securities default or all of the securities default. The capital backing the proxy shown below would have been completely wiped out in March 2008.



8. The MAV II Transaction - Final Restructured Form

On January 21, 2009, the Montreal Accord restructuring was completed, and the Master Asset Vehicle II trust was established under the laws of the Province of Ontario. The Master Asset Vehicle II trust is directed by two different indentures: a Trust Indenture that established and governs the MAV II A-1, A-2, B, and C Notes that are in UWO's portfolio, and an Ineligible Asset Tracking Note Trust Indenture that established and governs the Class 13 Notes that are also in UWO's portfolio. The separate indentures essentially create two unique deals. For the avoidance of doubt, references in this report to MAV II, the MAV II Notes, the MAV II transaction, etc. will mean the notes and structure governed by the Trust Indenture, and references to MAV II Class 13 Notes, the MAV II Class 13 deal, etc. will mean the notes and structure governed by the Ineligible Asset Tracking Note Trust Indenture.

a) Issuance of MAV II and MAV II Class 13 Notes

Total Issue Amount

Description	CAD	USD	USD (CAD EQUIV)	Total (CAD EQUIV)	% of Total
MAV II Class A-1 Notes	5,059,294,158	95,146,618	114,175,942	5,173,470,100	51.49%
MAV II Class A-2 Notes	3,835,200,463	29,228,142	35,073,770	3,870,274,233	38.52%
MAV II Class B Notes	696,195,779	5,305,721	6,366,865	702,562,644	6.99%
MAV II Class C Notes	296,619,265	4,010,735	4,812,882	301,432,147	3.00%
	9,887,309,665	133,691,216	160,429,459	10,047,739,124	100.00%
MAV II Class 13 Notes	84,939,316	11,091,711	13,310,053	98,249,369	100.00%

SOURCE: Master Asset Vehicle II Trust Indenture, Dated January 21, 2009

b) Characteristics of MAV II and MAV II Class 13 Notes

Description	Coupon	Legal Maturity	Expected Repayment Date	Payment Date	Original Rating	5/31/09 Rating
MAV II Class A-1 Notes	3m BA/L - 50 bps	7/15/2056	7/22/2017	Jan, Apr, July, Oct 22	A	A
MAV II Class A-2 Notes	3m BA/L - 50 bps	7/15/2056	7/22/2017	Jan, Apr, July, Oct 22	A	A */-
MAV II Class B Notes	3m BA/L - 50 bps	7/15/2056	7/22/2017	Jan, Apr, July, Oct 22	NR	NR
MAV II Class C Notes	3m BA/L + 20%	7/15/2056	7/22/2017	Jan, Apr, July, Oct 22	NR	NR
MAV II Class 13 Notes	Tracking	3/20/2014	NA	Jan, Apr, July, Oct 27	NR	NR

SOURCE: Master Asset Vehicle II Ineligible Asset Tracking Note Trust Indenture, Dated January 21, 2009

c) The MAV II Class 13 Transaction – Ineligible Asset Tracking Notes

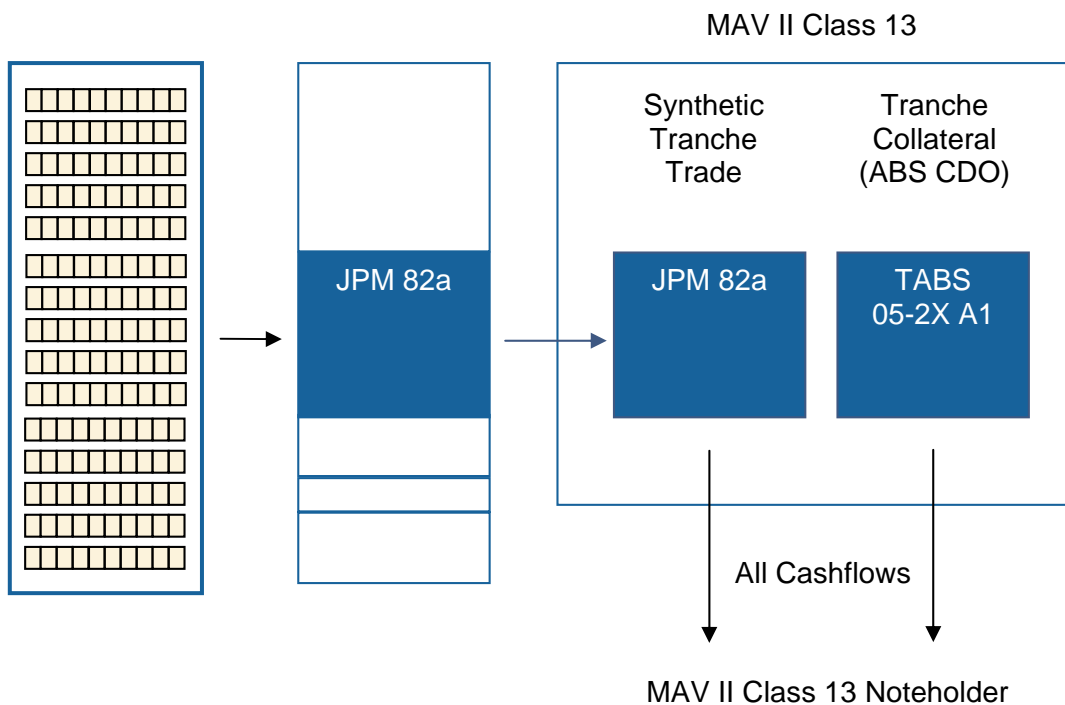
The Montreal Accord restructuring directed that securities held in third party ABCP conduits with significant exposure to the U.S. subprime market be isolated from the main MAV II structure and segregated in separate vehicles called Ineligible Asset Tracking Notes (IATNs), of which 15 classes were issued.

The holder of a class of tracking notes only has recourse to the assets specifically designated to that class. Noteholders do not have recourse to the securities backing any other classes of tracking notes or the assets held in the main MAV II structure. Additionally, the MAV II Ineligible Asset Tracking Notes are governed by the MAV II Ineligible Asset Tracking Note Trust Indenture, while the main MAV II structure is governed by the Trust Indenture. **In other words, the MAV II tracking notes are NOT subject to the Spread-Loss Triggers, Funding Facilities, Cross-Collateralization, or other structural features of the main MAV II transaction.**

Each class of MAV II tracking notes is essentially a pass-through vehicle that passes through all the cashflows and losses associated with the securities that it holds (usually one or two positions) to the noteholder. The stated coupon for each class is the lower of BA + 11% per annum (or LIBOR + 11% for U.S. Dollar notes) or the realized annual return for that class. This ex-post coupon setting is literally what gives the tracking notes their “tracking” characteristic.

If the asset(s) backing a given IATN have realized losses (full or partial), these losses are fully borne by the IATN noteholders, with no other recourse. For example the MAV II Class 2 tracking notes were backed by a single credit linked note called Yukon Trust 2006-1. Yukon Trust experienced credit events that resulted in a full principal reduction of the note on Feb 26, 2009. Consequently, the MAV II Class 2 Noteholders realized a full loss on their holdings.

The MAV II Class 13 Notes are also one of the 15 classes of IATNs. The MAV II Class 13 transaction has long exposure to an unleveraged credit tranche known as JPM Trade 82a. The tranche has exposure to a portfolio of U.S. and European corporate reference entities. The tranche has a 9.65% attachment point and a 13.65% detachment point, pays a coupon of 15 basis points per annum, and matures on March 20, 2013. The counterparty to this trade is the Royal Bank of Canada.



Note: Diagram not to scale.

As seen in the diagram above, the synthetic credit tranche is fully collateralized (on a notional basis) by a single U.S. Mezzanine ABS CDO security called TABS 05-2X A1. Mezzanine ABS CDOs have indirect exposure to U.S. subprime mortgages; they own mezzanine tranches of Residential Mortgage Backed Securities (RMBS), which in turn have ownership of subprime mortgages. TABS 05-2X A1 owns 95 mezzanine RMBS tranches of mainly 2005 vintage. These mezzanine tranches are highly susceptible to losses and sensitive to model assumptions given their junior position in the RMBS capital structure and thin widths.

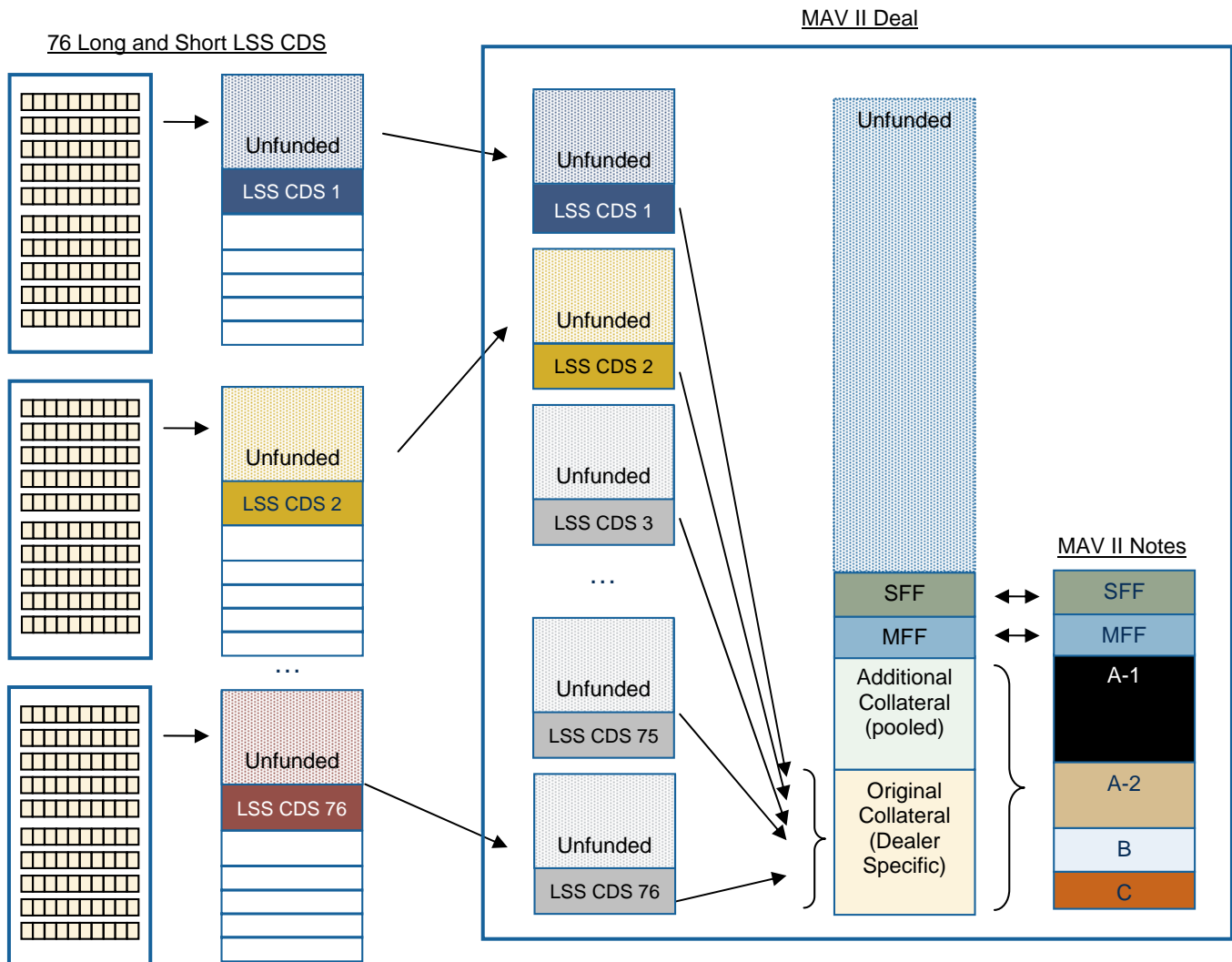
The TABS 05-2X deal is managed by Tricadia CDO Management, and has a legal maturity of August 7, 2045. The A1 bond issued by this deal is the senior-most security in the CDO capital structure, was originally rated Aaa/AAA, and has since been downgraded to Ca/CCC+.

Please note that the following sections d) through k) apply only to the main MAV II transaction, and not the MAV II Class 13 transaction.

d) The MAV II Transaction

At its core, the main MAV II transaction consists of 76 long and short LSS CDS trades, collateral backing the exposure of those trades, and the A-1, A-2, B, and C Notes that are similarly secured by that collateral. As illustrated in the diagram below, the MAV II deal maintains a high degree of leverage, even taking account the Margin Funding Facility and Senior Funding Facility. What is not illustrated in the diagram below are a number of unique structural features that were implemented as a result of the restructuring. A key result of the Montreal Accord restructuring was to convert mark-to-market triggers that were originally specific to each LSS CDS trade into general and transparent spread-loss triggers. If the spread-loss triggers are not breached, the LSS CDS trades that are in the MAV II transaction are not subject to mark-to-market margin calls. Further, during an 18 month period beginning on the closing date of the restructuring, no spread-loss triggers can be breached.

The LSS CDS trades and the collateral can be viewed as the MAV II deal's assets, and the A-1, A-2, B, and C Notes can be viewed as the deal's liabilities (in addition to the Senior Funding Facility and Margin Funding Facility, if drawn). While the LSS CDS trades are a cashflow generating asset (the MAV II deal is the seller of protection in each trade, and so it earns a premium), it can also be viewed as a contingent liability. If portfolio losses exceed the LSS CDS attachment point, the contract requires that a payment be made by the protection seller, in which case the collateral will be used to meet those obligations. By extension, that collateral will then no longer be available to repay the A-1, A-2, B, and C Notes. If no losses are realized in the LSS CDS trades, and all of the trades mature, then the collateral will be used to repay the A-1, A-2, B, and C Notes.



Note: Diagram not to scale.

e) Interest Payments

The stated coupon on each of the MAV II A-1, A-2, and B Notes is one-month bankers acceptance (BA), or one-month LIBOR for USD, minus 50 basis points. The stated coupon on the MAV II C Notes is 20%. This rate is primarily used for rating agency criteria purposes as an indication that the MAV II C Notes should be treated as an “equity,” or loss-absorbing tranche, and should not be viewed as cashflows that will actually be received.

On April 22, 2009, the first payment date for the MAV II Notes, interest payments were missed. The Class A-1 Notes experienced a shortfall of approximately 95%, and the Class A-2, B, and C Notes received zero. BlackRock attributed some of the shortfall to non-recurring factors such as closing expenses, reconciliation issues and first-period timing mismatch. Additionally the low level of one-month BA has exacerbated the mismatch between the fixed commitment fees payable to the SFF Lenders and MFF Lenders and the floating rate interest that the collateral pool generates (a substantial portion of future expected cashflows come from the interest generated by the collateral pool).

On April 24, 2009, the A rating on the MAV II Class A-2 Notes were placed under review, with negative implications, by DBRS. The review was made in light of the missed interest payment, and the increased possibility that future interest payments may be missed as well.

f) Subordination

The MAV II A-1 Notes are senior to the MAV II A-2 Notes. The MAV II A-2 Notes are senior to the MAV II B Notes. The MAV II B Notes are senior to the MAV II C Notes. In the case where the Margin Funding Facility (MFF) and Senior Funding Facility (SFF) are drawn, the SFF is senior to the MFF, and the MFF is senior to the MAV II A-1 Notes. Any interest or principal proceeds will be designated to the notes in this priority, from most-senior to least-senior, and any losses will be allocated in reverse order, from least-senior to most-senior.

g) Underlying Risk – LSS Trades

Description	# Trades	Avg Cpn	Avg Maturity	Total Notional (C\$)	Avg Orig Lev (X)	Avg CDS Attach (%)	Avg CDS Detach (%)
Long Position	61	0.05%	06/18/14	81,541,147,293	17	20%	65%
Long IO Position	3	0.74%	12/20/15	176,024,060		0%	3%
Short Position	12	0.11%	03/13/13	-3,949,578,809	7	15%	27%
Total LSS CDS	76	0.05%	07/12/14	77,767,592,544			

SOURCE: BlackRock

The MAV II deal has exposure to 61 long LSS CDS trades, 3 long coupon only LSS CDS trades, and 12 short LSS CDS trades.

The average coupon of the long transactions, including the IO trades, is 5 basis points per annum. The average attachment point is 20%, and the average detachment point is 65%. The total long notional exposure is C\$81 billion.

The average coupon of the short transactions is 11 basis points per annum (which is paid by the MAV II). The average attachment point is 15%, and the average detachment point is 27%. The total short notional exposure is C\$4 billion. Each of the 12 short LSS CDS transactions pairs with a long LSS CDS transaction that has exposure to the same reference portfolio, and has the same maturity date (with the exception of two pairs of transactions), but different notional amounts. These long-short pairs express views on the tranche capital structure. In each of the 12 long-short pairs, the short transaction is the subordinate tranche directly below the paired long tranche. For example, one pair is short the 10%-15% tranche and long the 15%-30% tranche.

The LSS CDS in MAV II are executed with seven different counterparties. Deutsche Bank is the counterparty for the largest notional amount of LSS CDS in the MAV II with C\$48 billion notional (net), and Merrill Lynch International and HSBC are in second and third, with C\$7 billion and C\$6 billion notional, respectively.

LSS CDS Counterparties

Citibank, N.A.
 Deutsche Bank AG
 HSBC Bank USA, National Association
 Merrill Lynch Capital Services, Inc.
 Merrill Lynch International
 Swiss Re Financial Products Corporation
 Royal Bank of Canada
 UBS AG

Long LSS CDS Counterparty Exposure	
Citi	4,313,000,975
DB	50,446,457,853
HSBC	6,419,446,007
MLCS	831,892,886
MLI	7,690,522,149
RBC	233,512,982
Swiss RE	5,461,778,703
UBS	6,496,493,858
Grand Total	81,893,195,413

SOURCE: BlackRock

Short LSS CDS Counterparty Exposure	
DB	-2,653,040,607
HSBC	-171,016,177
MLI	-1,125,522,025
Grand Total	-3,949,578,809

SOURCE: BlackRock

Net LSS CDS Counterparty Exposure	
Citi	4,313,000,975
DB	47,793,417,246
HSBC	6,248,429,830
MLCS	831,892,886
MLI	6,565,000,124
RBC	233,512,982
Swiss RE	5,461,778,703
UBS	6,496,493,858
Grand Total	81,893,195,413

SOURCE: BlackRock

The long LSS CDS transaction details are presented in the table below:

<u>Long Positions</u>													
CPTY	Description	JPM Trade ID	Cpn	Maturity	CCY	Levered Notional	ORIG LEV (X)	CDS Attach(%)	CDS Detach(%)	Index Name	Index Maturity		
1	Citi	CDS: (ITRX.EUR.5 22-55%)	73,151	0.04%	6/20/2016	CAD	1,829,448,988	14	22%	55%	Itraxx S6 10Y	12/20/2016	
2	Citi	NCLCT (CITI-LSS) 2006	72	0.04%	6/20/2016	CAD	1,476,426,900	14	22%	55%	Itraxx S6 10Y	12/20/2016	
3	Citi	CCLT (CB LSS) 2005-1	74	0.08%	9/20/2012	CAD	1,007,125,087	10	15%	85%	Itraxx S6 10Y	12/20/2016	
4	DB	SILVERSTONE TRUST	78	0.05%	3/20/2015	CAD	7,612,958,601	10	15%	100%	CDX77Y	12/20/2013	
5	DB	CDS: (ITRAXX EUR.4 22-70%)	8ab	0.04%	12/20/2015	CAD	3,209,526,827	16	22%	70%	Itraxx S6 10Y	12/20/2016	
6	DB	WHITEHALL DEAL #1	59	0.06%	9/20/2015	CAD	2,800,254,509	10	15%	80%	CDX77Y	12/20/2013	
7	DB	WHITEHALL DEAL #2	60	0.06%	12/20/2015	CAD	2,800,254,509	10	15%	80%	CDX77Y	12/20/2013	
8	DB	CDS: (DJ CDX.NA.IG.4 30-65%)	12A	0.02%	6/20/2010	CAD	2,781,907,371	40	30%	65%	CDX75Y	12/20/2011	
9	DB	NCLCT (LSS II) 2005	10	0.07%	9/20/2012	CAD	2,513,518,590	10	14%	54%	CDX77Y	12/20/2013	
10	DB	CDS: (DJ CDX.NA.IG.4 30-65%)	16A	0.02%	6/20/2010	CAD	2,495,297,260	40	30%	65%	CDX75Y	12/20/2011	
11	DB	APSLEY DEAL #3	54	0.04%	12/20/2015	CAD	2,348,497,784	25	30%	100%	CDX510Y	12/20/2015	
12	DB	SYMPHONY TRUST 2005-2	19	0.02%	6/20/2010	CAD	2,165,132,240	40	30%	65%	CDX75Y	12/20/2011	
13	DB	CCLT (SUPER SENIOR 2) 2005-1	2	0.07%	6/20/2012	CAD	2,073,085,537	10	15%	85%	CDX77Y	12/20/2013	
14	DB	APSLEY DEAL #1	52	0.04%	3/20/2016	CAD	1,878,798,227	10	22%	77%	CDX77Y	12/20/2013	
15	DB	WHITEHALL DEAL #3	61A	0.04%	12/20/2015	CAD	1,866,836,339	10	15%	70%	CDX77Y	12/20/2013	
16	DB	CCLT (SUPER SENIOR 3) 2005-1	5	0.09%	9/20/2012	CAD	1,694,065,221	10	15%	60%	CDX77Y	12/20/2013	
17	DB	CDS: (DJ CDX.NA.IG.5 30-70%)	4A	0.04%	12/20/2015	CAD	1,619,598,076	25	30%	70%	CDX510Y	12/20/2015	
18	DB	CCLT (SUPER SENIOR 4) 2005-1	6	0.10%	12/20/2012	CAD	1,554,304,840	10	15%	50%	CDX77Y	12/20/2013	
19	DB	NCLCT (EC SUPER SENIOR) 2005-1	9	0.04%	3/20/2010	CAD	1,256,759,295	10	12%	88%	CDX75Y	12/20/2011	
20	DB	OPUS TRUST SERIES 2005-2	17	0.04%	12/20/2015	CAD	998,118,904	16	22%	70%	Itraxx S6 10Y	12/20/2016	
21	DB	APSLEY DEAL #2	53	0.06%	3/20/2016	CAD	939,399,113	10	22%	77%	CDX77Y	12/20/2013	
22	DB	APSLEY DEAL #5	56	0.05%	6/20/2016	CAD	939,399,113	10	22%	77%	CDX710Y	12/20/2016	
23	DB	APSLEY DEAL #6	57	0.05%	6/20/2016	CAD	939,399,113	10	22%	77%	CDX710Y	12/20/2016	
24	DB	WHITEHALL DEAL #4	62A	0.04%	12/20/2015	CAD	933,418,170	10	15%	70%	CDX77Y	12/20/2013	
25	DB	WHITEHALL DEAL #5	63A	0.04%	12/20/2015	CAD	933,418,170	10	15%	70%	CDX77Y	12/20/2013	
26	DB	ENCORE TRUST 2006-2	15	0.04%	6/20/2016	CAD	888,077,596	16	22%	70%	Itraxx S6 10Y	12/20/2016	
27	DB	SYMPHONY TRUST 2005-2	18	0.11%	6/20/2012	CAD	676,603,825	10	15%	85%	CDX77Y	12/20/2013	
28	DB	ARIA TRUST SERIES 2005-2	11	0.11%	6/20/2012	CAD	602,085,505	10	15%	85%	CDX77Y	12/20/2013	
29	DB	CDS: (DJ CDX.NA.IG.5 10-15%)	13A	0.18%	12/20/2012	CAD	591,155,316	9	10%	15%	CDX77Y	12/20/2013	
30	DB	SYMPHONY TRUST 2005-2	20	0.18%	12/20/2012	CAD	536,772,368	9	10%	15%	CDX77Y	12/20/2013	
31	DB	CCLT (SHAMROCK) 2005-1	3	0.10%	12/20/2012	CAD	298,045,777	10	15%	50%	CDX77Y	12/20/2013	
32	DB	CCLT (IML-CDS-2) 2005-1	7	0.44%	6/20/2012	CAD	191,203,400	3	9%	10%	CDX77Y	12/20/2013	
33	DB	CCLT (IML-CDS) 2005-1	1	0.30%	6/20/2012	CAD	132,542,197	2	9%	10%	CDX77Y	12/20/2013	
34	DB	WHITEHALL DEAL -3 IO	61io	0.73%	12/20/2015	CAD	87,938,552			3%			
35	DB	WHITEHALL DEAL -4 IO	62io	0.75%	12/20/2015	CAD	44,042,754			3%			
36	DB	WHITEHALL DEAL -5 IO	63io	0.73%	12/20/2015	CAD	44,042,754			3%			
37	HSBC	NCLCT (BCO-LSS) 2006	68	0.03%	9/20/2013	CAD	2,374,310,505	15	18%	75%	CDX77Y	12/20/2013	
38	HSBC	SYMPHONY TRUST SERIES 2005-1	46	0.03%	3/20/2013	CAD	1,193,661,776	20	30%	100%	CDX77Y	12/20/2013	
39	HSBC	Opus HS8_Long-(Short)	48A	0.15%	6/20/2013	CAD	748,589,178	8	10%	15%	CDX77Y	12/20/2013	
40	HSBC	SYMPHONY TRUST SERIES 2005-2	47c	0.13%	9/20/2012	CAD	719,505,274	6	15%	50%	CDX77Y	12/20/2013	
41	HSBC	STARTS (CANADA) TRUST 2005-2	50	0.03%	6/20/2013	CAD	667,090,771	20	20%	100%	CDX77Y	12/20/2013	
42	HSBC	ENCORE TRUST SERIES 2006-1	49	0.15%	6/20/2013	CAD	391,518,667	8	10%	15%	CDX77Y	12/20/2013	
43	HSBC	SYMPHONY TRUST SERIES 2005-1	47b	0.13%	9/20/2012	CAD	324,769,836	6	15%	50%	CDX77Y	12/20/2013	
44	ML	ARIA TRUST SERIES 2006-4	28	0.06%	9/20/2016	CAD	3,709,209,822	33	30%	70%	CDX710Y	12/20/2016	
45	ML	ENCORE TRUST SERIES 2006-4	36	0.03%	12/20/2013	CAD	810,272,306	22	15%	30%	CDX77Y	12/20/2013	
46	ML	NCLCT (ML-LSS II) 2006	27	0.11%	9/20/2016	CAD	729,432,142	7	20%	30%	CDX710Y	12/20/2016	
47	ML	CCLT (ML-LSS-2) 2006-2	35	0.08%	12/20/2011	CAD	611,590,748	8	10%	15%	CDX75Y	12/20/2011	
48	ML	NCLCT (ML-LSS) 2006	26	0.11%	9/20/2016	CAD	522,284,029	7	20%	30%	CDX710Y	12/20/2016	
49	ML	CCLT (ML-LSS) 2006-1	25	0.13%	9/20/2016	CAD	415,110,230	6	18%	28%	CDX710Y	12/20/2016	
50	ML	CCLT (ML6 L/S) 2006-1	33	0.09%	6/20/2016	CAD	371,516,795	9	15%	30%	CDX710Y	12/20/2016	
51	ML	OPUS TRUST SERIES 2006-4	24	0.06%	6/20/2016	CAD	353,768,424	12	15%	100%	CDX710Y	12/20/2016	
52	MLCS	ARIA ML4 (ANDERSON VALLEY LSS)	31	0.14%	12/20/2016	CAD	289,782,018	5	15%	20%	CDX710Y	12/20/2016	
53	MLCS	SYMPHONY ML4 (ANDERSON VALLEY LSS)	30	0.14%	12/20/2016	CAD	225,534,608	5	15%	20%	CDX710Y	12/20/2016	
54	MLCS	OPUS ML4 (ANDERSON VALLEY LSS)	29	0.14%	12/20/2016	CAD	194,945,098	5	15%	20%	CDX710Y	12/20/2016	
55	ML	NCLCT (ML-LSS IV) 2006	34	0.07%	12/20/2011	CAD	167,337,653	8	10%	15%	CDX75Y	12/20/2011	
56	MLCS	ENCORE ML4 - LSS (ANDERSON VALLEY)	32	0.14%	12/20/2016	CAD	121,721,162	5	15%	20%	CDX710Y	12/20/2016	
57	RBC	CCLT (MPL-CDN) 2006-1	81	0.18%	6/20/2013	CAD	137,481,952	2	10%	18%	CDX77Y	12/20/2013	
58	RBC	MPL-US 2006-1 B	82b	0.15%	3/20/2013	USD	96,031,030			14%	18%	CDX77Y	12/20/2013
59	Swiss RE	CCLCT (BANFF) 2006-1	21	0.03%	6/20/2013	CAD	2,213,766,994	17	15%	30%	CDX710Y	12/20/2016	
60	Swiss RE	CCLT (GALIBIER) 2006-1	22	0.04%	6/20/2016	CAD	2,073,085,537	22	30%	60%	CDX710Y	12/20/2016	
61	Swiss RE	COASTAL MOUNTAIN BASE TRUST SERIES	23	0.04%	12/20/2016	CAD	1,174,926,172	10	30%	60%	CDX710Y	12/20/2016	
62	UBS	CDS: (DJ CDX.NA.IG.7 15-30%)	39B	0.02%	12/20/2013	CAD	4,865,686,758	26	15%	30%	CDX77Y	12/20/2013	
63	UBS	CDS: (DJ CDX.NA.IG.7 15-30%)	39C	0.02%	12/20/2016	CAD	1,162,952,604	26	15%	30%	CDX710Y	12/20/2016	
64	UBS	NCLCT (MT-LSS) 2005	39A	0.02%	12/20/2011	CAD	467,854,496	26	15%	30%	CDX75Y	12/20/2011	
Long Position			0.06%			81,893,195,412	17	20%	65%				

SOURCE: BlackRock

The short LSS CDS transaction details and net positions are presented in the table below:

<u>Short Positions</u>											
CPTY	Description	JPM Trade ID	Cpn	Maturity	CCY	Levered Notional	ORIG LEV (X)	CDS Attach(%)	CDS Detach(%)	Index Name	Index Maturity
65	DB										
66	DB										
67	DB										
68	DB										
69	DB										
70	DB										
71	DB										
72	HSBC										
73	HSBC										
74	ML										
75	ML										
76	ML										
Short Position			0.11%			-3,949,578,808	7	15%	27%		
<u>Net Positions</u>											
Total LSS CDS						77,943,616,604					

SOURCE: BlackRock

h) Cross-Collateralization

Each LSS CDS trade transferred to the MAV II deal has collateral associated with it which was held by the LSS CDS counterparty pre-restructuring. Post-restructuring, that dealer specific collateral remains specific to that trade and dealer. However, the Montreal Accord restructuring also resulted in the addition of new collateral to further secure the 76 LSS CDS trades and reduce leverage. This new collateral consists mainly of securities that were originally part of the affected third party ACBP programs as investments made alongside the LSS CDS trades. As these securities were never intended to be used as collateral, they tend to have longer maturities, higher risk, and less liquidity than more typical "cash equivalent" collateral securities. This collateral is cross-collateralized across all of the MAV II counterparties, meaning that it can be used to meet any shortfall in any dealer's required posting amount. Additionally, any funds drawn on via the Senior Funding Facility or Margin Funding Facility (described below), will also be used for the benefit of all LSS CDS transactions.

i) Funding Facilities

The funding facilities exist to satisfy potential collateral posting obligations and payments required by the MAV II that are not covered by the existing collateral in the deal. For example, if two spread-loss triggers are breached after the moratorium period ends, the LSS CDS trades in the MAV II deal become subject to a potential mark-to-market margin call by the LSS CDS counterparties. This mechanic is described in depth in the following section. If existing collateral is insufficient to meet a margin call, the two funding facilities can be drawn down on to meet such requirements. Drawing on the funding facilities essentially deleverages the LSS CDS trades.

The Margin Funding Facility is a C\$5,087,000,00 revolving facility with commitments provided by 11 lenders in the following amounts:

Lender	Lender's Commitment (CAD)
National Bank of Canada	\$111,916,726
The Toronto Dominion Bank	\$50,000,000
The Bank of Nova Scotia	\$200,000,000
Bank of Montreal	\$300,000,000
CIBC	\$300,000,000
Citibank	\$190,000,000
Deutsche Bank	\$2,400,000,000
HSBC	\$400,000,000
Merrill Lynch International	(\$835,000,000)
SwissRe	(\$200,000,000)
RBC	(\$100,000,000)

SOURCE: Master Asset Vehicle II - Margin Funding Facility Agreement, Dated January 21, 2009

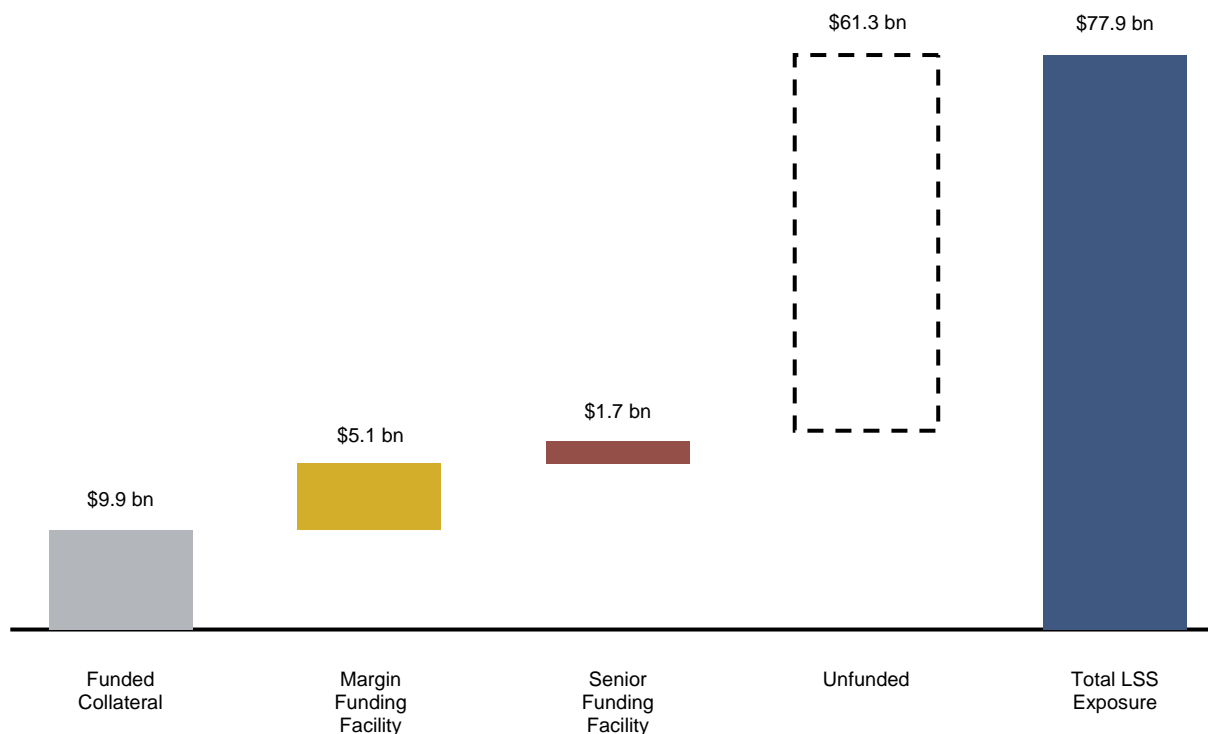
The commitment fee is 120 basis points per annum, and the facility expires on July 7, 2017. The interest rate applicable to a draw of funds depends on the type of loan (prime, BA, term).

The Senior Funding Facility is also a revolving facility for C\$1,677,653,288 provided by:

Senior Purchaser	Amount (CAD)
Her Majesty The Queen In Right Of Canada	\$899,611,184
Le Gouvernement De La Province De Quebec	\$632,159,210
Caisse De Depot et Placement du Quebec	\$145,882,895

SOURCE: Master Asset Vehicle II - Margin Funding Facility Agreement, Dated January 21, 2009

The commitment fee is 120 basis points per annum, and the facility expires on July 7, 2017. The Senior Funding Facility stops being a revolving after August 16, 2010. The interest rate applicable to a draw of funds is the prime rate. The Senior Funding Facility is senior to the Margin Funding Facility, and is only drawn down on if the Margin Funding Facility is insufficient to meet collateral calls.



SOURCE: Master Asset Vehicle II - Margin Funding Facility Agreement and Master Asset Vehicle II - Agreement to Purchase Senior Notes, Dated January 21, 2009; BlackRock
Note: Diagram not to scale.

As illustrated in the diagram above, if the Margin Funding Facility and Senior Funding Facility are fully drawn, the MAV II transaction still has approximately 5 times leverage relative to the notional amount of CDS exposure.

j) Spread-Loss Triggers

i. Overview

One of the main reasons third party ABCP conduits failed in July 2007 was that their LSS CDS exposure became subject to mark-to-market collateral calls. As credit conditions deteriorated and spreads widened, third party ABCP conduits were not able to meet the margin requirements dictated by their counterparties, and faced collateral seizures and liquidation. A major accomplishment of the Montreal Accord was to restructure these mark-to-market triggers into spread-loss triggers. In general, spread-loss triggers serve the purpose of restricting margin calls unless a specified reference spread level breaches a predefined trigger based on the remaining time to maturity of the trade, and realized losses in the portfolio. While each LSS CDS contributed to the MAV II had its own custom mark-to-market triggers when it was in a third party ABCP Conduit, the Montreal Accord created five transparent and objective spread-loss triggers (collectively, the "Spread-Loss Triggers") that would be applied to all LSS CDS transferred into the MAV II deal. **The LSS CDS can only be marked-to-market and subject to margin calls if two Spread-Loss Triggers are breached.**

ii. Mechanics

Each of the five Spread-Loss Triggers is a test based on the daily level of the CDX.NA.IG.7 5yr, 7yr or 10yr, CDX.NA.IG.5 10yr, or iTraxx Europe s6 10yr synthetic credit indices, and a corresponding matrix of test levels developed by J.P.Morgan, in its role as financial advisor to the restructuring. In order to calculate the threshold, or trigger, for a particular index, one must interpolate across the X (time to maturity) and Y (realized index losses) axes in the corresponding matrix. In the example below, the circled row and column were manually calculated by linearly interpolating between the predefined parameters in the matrix. As of May 31, 2009, the CDX.NA.IG.7 7yr index had 4.56 years remaining to maturity, and 0.85% realized losses. On this date, the trigger level for this index was 549.6 bps. If the actual spread of the CDX.NA.IG.7 7yr index were to rise above this level, the trigger would be considered breached.

Spread-Loss Trigger Matrix: 7 year CDX 7 (12/20/13 maturity)								
Years Remaining to Maturity								
	6	5	4.56	4	3	2	1	0
0% loss	3.060%	4.610%	5.569%	6.790%	8.140%	9.080%	9.500%	9.990%
0.85% loss	2.975%	4.546%	5.496%	6.705%	8.033%	8.995%	9.368%	9.952%
2% loss	2.860%	4.460%	5.397%	6.590%	7.890%	8.880%	9.190%	9.900%
4% loss	2.760%	4.310%	5.225%	6.390%	7.690%	7.750%	8.940%	9.770%
6% loss	2.570%	4.010%	4.859%	5.940%	6.940%	6.850%	7.930%	8.910%
8% loss	1.830%	3.060%	4.019%	5.240%	5.690%	5.520%	6.700%	6.850%
10% loss	1.540%	2.326%	3.259%	4.446%	4.880%	4.560%	5.660%	6.250%
12% loss	1.300%	2.043%	2.652%	3.426%	3.628%	3.220%	4.170%	5.110%
12.1% loss	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

The five matrices that define the Spread-Loss Triggers are defined below. Markit is the official calculation agent for the spread levels and corresponding trigger levels for each of the five indices, and posts the information daily.

Spread-Loss Trigger Matrix: 10 year CDX 7 (12/20/16 maturity)									
Years Remaining to Maturity									
	8	7	6	5	4	3	2	1	0
0% loss	5.240%	6.410%	7.360%	8.960%	9.455%	10.889%	14.862%	15.936%	17.422%
0.85% loss	5.108%	6.239%	7.140%	8.871%	9.319%	10.842%	14.820%	15.887%	17.370%
2% loss	4.930%	6.010%	6.843%	8.752%	9.136%	10.778%	14.763%	15.820%	17.299%
4% loss	4.620%	5.610%	6.327%	7.577%	8.879%	10.645%	14.067%	14.568%	15.939%
6% loss	4.560%	5.210%	5.740%	6.641%	7.880%	9.696%	12.861%	13.370%	14.642%
8% loss	3.880%	5.080%	5.400%	5.608%	6.792%	7.418%	10.684%	12.887%	14.042%
10% loss	3.210%	4.770%	4.860%	4.610%	5.920%	6.819%	10.588%	12.726%	13.945%
12% loss	3.192%	3.958%	3.940%	3.617%	4.776%	6.080%	9.917%	11.982%	13.137%
12.1% loss	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

SOURCE: Master Asset Vehicle II, Omnibus Agreement, Dated January 21, 2009

Spread-Loss Trigger Matrix: 7 year CDX 7 (12/20/13 maturity)							
Years Remaining to Maturity							
	6	5	4	3	2	1	0
0% loss	3.060%	4.610%	6.790%	8.140%	9.080%	9.500%	9.990%
0.85% loss	2.975%	4.546%	6.705%	8.033%	8.995%	9.368%	9.952%
2% loss	2.860%	4.460%	6.590%	7.890%	8.880%	9.190%	9.900%
4% loss	2.760%	4.310%	6.390%	7.690%	7.750%	8.940%	9.770%
6% loss	2.570%	4.010%	5.940%	6.940%	6.850%	7.930%	8.910%
8% loss	1.830%	3.060%	5.240%	5.690%	5.520%	6.700%	6.850%
10% loss	1.540%	2.326%	4.446%	4.880%	4.560%	5.660%	6.250%
12% loss	1.300%	2.043%	3.426%	3.628%	3.220%	4.170%	5.110%
12.1% loss	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

SOURCE: Master Asset Vehicle II, Omnibus Agreement, Dated January 21, 2009

Spread-Loss Trigger Matrix: 5 year CDX 7 (12/20/11 maturity)					
Years Remaining to Maturity					
	4	3	2	1	0
0% loss	3.959%	5.185%	6.478%	9.029%	9.378%
0.85% loss	3.826%	5.013%	6.255%	8.939%	9.241%
2% loss	3.646%	4.781%	5.956%	8.819%	9.056%
4% loss	3.333%	4.377%	5.435%	7.633%	8.796%
6% loss	3.323%	4.337%	5.276%	6.687%	7.787%
8% loss	2.677%	4.236%	5.226%	5.290%	6.486%
10% loss	2.576%	4.135%	5.125%	5.189%	6.385%
12.1% loss	0.000%	0.000%	0.000%	0.000%	0.000%

SOURCE: Master Asset Vehicle II, Omnibus Agreement, Dated January 21, 2009

Spread-Loss Trigger Matrix: 10 year CDX 5 (12/20/15 maturity)									
Years Remaining to Maturity									
	8	7	6	5	4	3	2	1	0
0% loss	3.750%	5.070%	7.190%	8.140%	10.210%	10.555%	11.789%	12.662%	13.036%
0.85% loss	3.636%	4.938%	7.019%	7.920%	10.121%	10.419%	11.742%	12.620%	12.987%
2% loss	3.483%	4.760%	6.790%	7.623%	10.002%	10.236%	11.678%	12.563%	12.920%
4% loss	3.217%	4.450%	6.390%	7.107%	8.827%	9.979%	11.545%	11.867%	11.668%
6% loss	2.950%	4.140%	5.990%	6.590%	7.891%	8.980%	10.596%	10.661%	10.470%
8% loss	2.000%	3.450%	5.700%	6.150%	6.508%	7.692%	8.318%	8.484%	9.987%
10% loss	1.820%	2.780%	5.440%	5.560%	5.510%	6.820%	7.719%	8.388%	9.826%
12% loss	1.485%	2.762%	4.628%	4.640%	4.517%	5.676%	6.980%	7.717%	9.082%
12.1% loss	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

SOURCE: Master Asset Vehicle II, Omnibus Agreement, Dated January 21, 2009

Spread-Loss Trigger Matrix: 10 year iTraxX S6 (12/20/16 maturity)									
Years Remaining to Maturity									
	8	7	6	5	4	3	2	1	0
0% loss	3.470%	4.530%	5.020%	5.610%	9.480%	10.780%	11.840%	12.236%	13.273%
2% loss	3.210%	4.180%	4.600%	5.480%	9.140%	10.660%	11.740%	12.114%	13.143%
4% loss	2.960%	3.830%	4.340%	4.860%	9.020%	10.670%	11.010%	10.797%	11.714%
6% loss	2.710%	3.480%	3.930%	4.250%	7.970%	9.670%	9.740%	9.538%	10.350%
8% loss	2.600%	3.450%	3.810%	4.210%	6.620%	7.270%	7.450%	9.030%	9.718%
10% loss	1.970%	3.400%	3.710%	4.110%	5.700%	6.640%	7.350%	8.860%	9.617%
12% loss	1.950%	2.760%	3.090%	3.280%	4.500%	5.870%	6.640%	8.078%	8.767%
12.1% loss	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

SOURCE: Master Asset Vehicle II, Omnibus Agreement, Dated January 21, 2009

iii. Spread Loss Trigger Concentrations and Trigger Events

Each LSS CDS trade in the MAV II deal maps to one of the five Spread-Loss Triggers (with the exception of the short LSS CDS positions and IO tranches, which do not have triggers). The mapping was decided based on overlap of the LSS CDS' maturity and portfolio composition with the five indices. The distribution of the mapping is as follows:

Index	# LSS CDS Linked to Index
CDX.NA.IG.5 10Y	2
CDX.NA.IG.7 10Y	16
CDX.NA.IG.7 5Y	7
CDX.NA.IG.7 7Y	30
Itraxx Europe s6 10Y	6

SOURCE: BlackRock

The CDX.7 7yr Spread-Loss Trigger is linked to the largest number of LSS CDS transactions, 30. However, if the CDX.7 7yr breaches its trigger level, *one* Spread-Loss Trigger is reported as breached (a "First Spread-Loss Trigger Event"), not 30. If one of the remaining four indices breaches its trigger level on the same day that the first breach occurred or is occurring a "Second Spread-Loss Trigger Event" has occurred.

The risk associated with having a high concentration of LSS CDS transactions mapped to the same index is that if a First Spread-Loss Trigger Event occurs with respect to that index, there is a greater probability that a "Deemed Second Spread-Loss Trigger Event" can occur.

A Deemed Second Spread-Loss Trigger Event occurs when the counterparty for any of the LSS CDS linked to the First Spread-Loss Trigger Event provides notice that the collateral available to them (as specified in Schedule E of the MAV II Omnibus Agreement) is less than the replacement cost for those affected LSS CDS that it is counterparty to, plus 20% of the initial funded amount of all such affected LSS CDS, as specified in Schedule J of the MAV II Omnibus Agreement (essentially, a haircut).

The 30 LSS CDS trades linked to the CDX.7 7yr Spread-Loss Trigger causes concern since it affects a large number of counterparties. All else being equal, the more counterparties there are that a Deemed Second Spread-Loss Trigger Event can be claimed by, the more likely an unwind of the MAV II deal becomes. For example, if the iTraxx s6 10yr trigger is breached, only two counterparties have LSS CDS linked to it and only they can potentially claim a Deemed Second Spread-Loss Trigger Event. If the CDX.7 7yr trigger is breached, five counterparties could potentially claim a Deemed Second Spread-Loss Trigger Event.

The occurrence of a Second Spread-Loss Trigger Event or a Deemed Second Spread-Loss Trigger Event initiates a potential unwind process of the MAV II transaction. When either of these triggers are breached, the LSS CDS trades will be marked-to-market by the counterparties, and the available collateral measured against that exposure. If there is sufficient collateral, or if use of the Margin Funding Facility or Senior Funding Facility meets any shortfalls, the MAV II transaction does not unwind. These mechanics are described in greater detail in section 8.k) Waterfall and Unwind Events.

iv. Moratorium Period

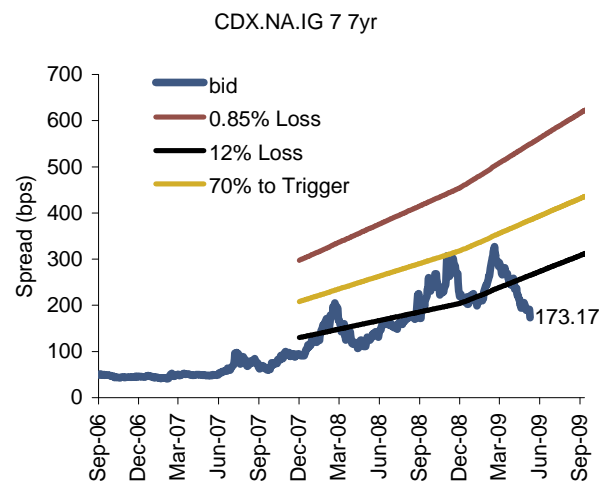
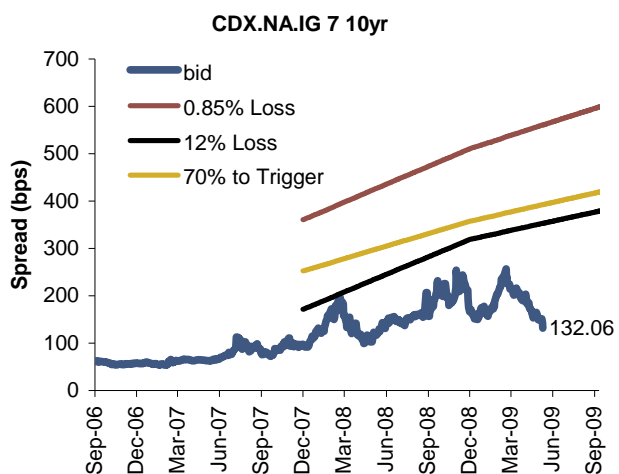
Another major accomplishment of the Montreal Accord was to establish a moratorium period for the MAV II deal, during which no Spread-Loss Trigger Event could occur. The Moratorium Period is defined as the period from January 21, 2009 up to and including July 16, 2010. The Moratorium Period was established with the hope that by July 16, 2010, financial and credit markets would have returned to a more normal state and the probability of breaching the Spread-Loss Triggers becomes more remote. This feature is undoubtedly a positive for the MAV II deal.

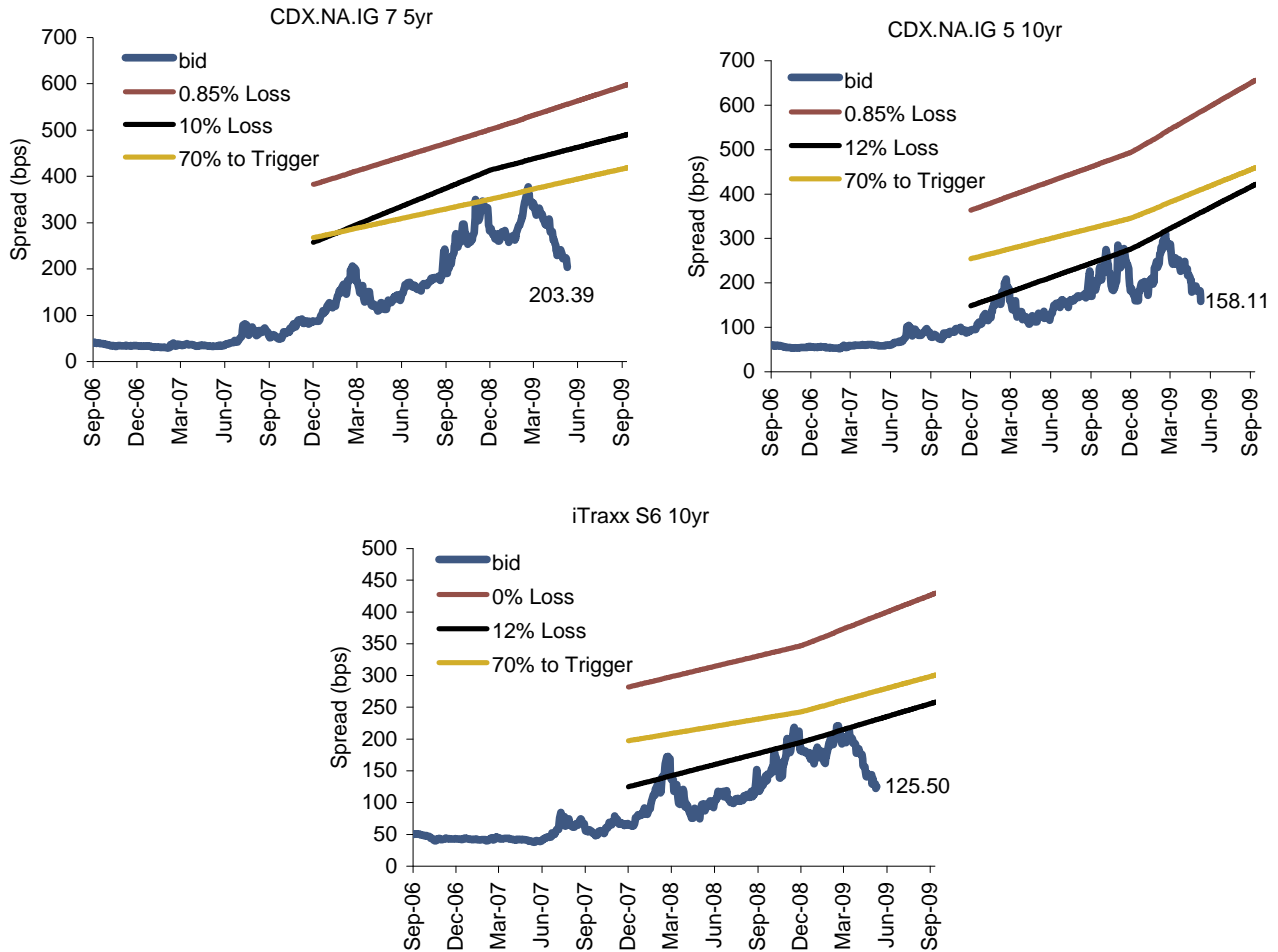
v. Spread-Loss Trigger Reporting

BlackRock reports each of the five index levels as a percentage of its relevant trigger that day on a daily basis. The graphs below represent the same data in a visual format over a period of time as calculated by PIMCO through May 31, 2009. The red line reflects the actual trigger level over time holding the current realized expected losses constant. While these triggers did not technically exist prior to January 21, 2009, we have included data going back as far as possible in order to illustrate the relative scale and magnitude of spreads movements.

The black line reflects a hypothetical “worst case” trigger level. Moving down the Y-axis in any of the Spread-Loss matrices, one sees that as realized losses in the relevant index increase, the trigger levels tighten. This “worst case” trigger line is derived from the penultimate row in the Spread-Loss matrices, the row for 12% realized losses (10% in the case of the CDX.7 5yr). As the last row in all of the matrices contains zero values any increase in expected losses above 12% (10% for the CDX.7 5yr) automatically results in a forced breach regardless of where the index spread is.

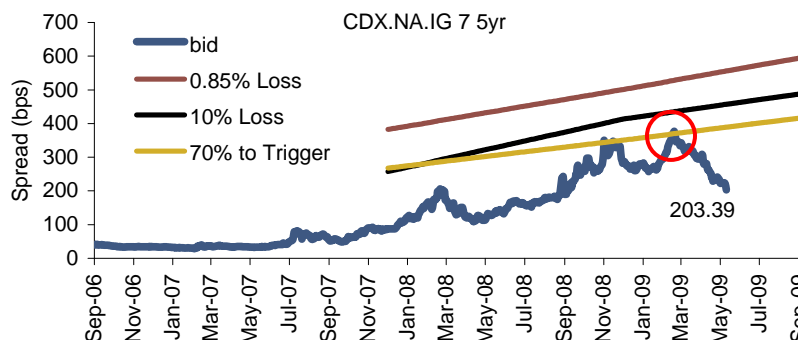
The yellow line reflects an early warning trigger. On every day after an index breaches 70% of its actual trigger level BlackRock will report the value of the collateral held by the MAV II deal to all LSS CDS counterparties, and the LSS CDS counterparties will provide a mid-market quotation of each LSS CDS it is party to. This process forces transparency and disclosure of high frequency valuation data by both BlackRock and the LSS CDS counterparties, and allows MAV II noteholders to anticipate what sort of losses could potentially arise if two triggers were to be breached. The early warning trigger is a simple 70% mathematical scalar of the actual trigger on that date.





vi. Observations

All five index spread levels are off all-time wide levels reached in March 2009. At the time, one of the main drivers of spread widening was the fear that public-private burden sharing would become a tool used by the government to recapitalize and restructure financial institutions and other companies. Market participants feared that the government would breach contract law and force debt holders to forgive principal, destroying the capital markets. On March 9th, the CDX.7 5yr did touch the early warning trigger. However, as this happened during the Moratorium Period, the required actions discussed in the previous paragraph did not occur.



Since mid-March, credit spreads have tightened dramatically, equity markets have rallied sharply, and yields on government bonds have risen, as risk taking returned to the market. Historically attractive valuations coupled with favorable technical supply-demand dynamics reinforced a “risk-on” mentality as potential signs of recovery appeared. Second derivatives on some economic indicators turned positive, the results of the bank stress test by the Federal Reserve were received favorably by the market, and fears of systemic failure abated. The five Spread-Loss Triggers that govern the MAV II deal are now all at levels last seen prior to the Lehman Brothers collapse.

Appendix A contains additional details on the underlying entities in each of the indices (note that the CDX.7 5yr, 7yr, and 10yr all have the same underlying exposure). In March 2009, there were triple the number of index components with individual CDS spreads greater than 500 basis points (a level that we would consider strong warning of potential for default) than there were on May 31, 2009. The distribution of the underlying index entities’ spreads was also substantially more barbelled than it was as of May 31, 2009.

As of May 31, 2009, the triggers were 65% to 70% away from their trigger levels, a positive sign notwithstanding the fact that the Moratorium Period is in effect. However, **the long-term performance of the MAV II Notes is binomial in nature and highly dependent on whether the Spread-Loss Triggers are breached.** On the one hand, if a Second Spread-Loss Trigger Event does not occur over the life of the deal, the return of capital to Noteholders will simply depend on the value of the collateral remaining after all of the LSS CDS mature. On the other hand, if a Second Spread-Loss Trigger Event does occur, and an unwind of all the MAV II LSS CDS and collateral follows, noteholders may likely recover zero.

k) Waterfall and Unwind Events

Potential Unwind Event

If a Second Spread-Loss Trigger Event or Deemed Second Spread-Loss Trigger Event occurs after the Moratorium Period, the Administrator, BlackRock, will calculate the exposure amount of all LSS CDS and the total value of all collateral, i.e., the MAV II will be marked-to-market. If there is a shortfall, a draw notice will be sent to the Margin Funding Facility Lenders to call on up to C\$5.087 billion of funds to meet the shortfall. Additionally, if the Margin Funding Facility is insufficient to meet the shortfall, a draw notice will be sent to the Senior Funding Facility Lenders to call on up to C\$1.677 billion of funds. If, the total value of all collateral and the amounts provided by the MFF and SFF still fall below the required collateral amounts to cover the LSS CDS exposure, the MAV II will have three days to raise additional margin funds. If an additional margin funding facility can not be obtained or is still insufficient, a Terminal Unwind Event occurs.

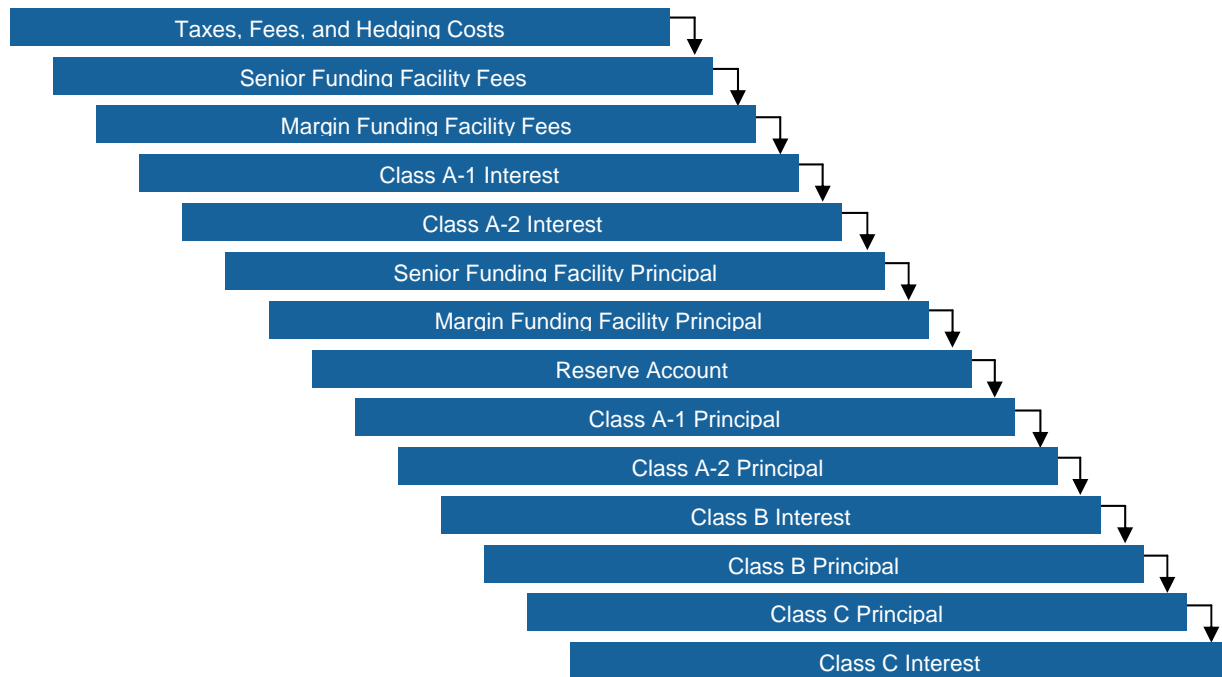
Terminal Unwind Event

If a Terminal Unwind Event occurs, each LSS CDS counterparty will terminate all of its LSS CDS transactions with the MAV II and calculate the amount due to it for all transactions using the terms set out in the documents governing each LSS CDS. The Administrator will liquidate the collateral already allocated specifically to that counterparty to pay the termination payment. If those funds are insufficient, the Administrator will liquidate the pool of collateral that cross-collateralizes all counterparties and use the funds to pay any taxes, fees, or hedge payments, and then to pay any unpaid LSS CDS termination amounts. After repaying all of the LSS CDS counterparties, if there are any funds remaining, they will be used to repay any additional margin lenders, the SFF Lenders, the MFF Lenders, and the A-1, A-2, B, and C Notes, in that order.

Ordinary Course

In the ordinary course of business (no Potential or Terminal Unwind Event), interest cashflows are generated by the collateral held by the LSS CDS counterparties and the MAV II deal and the premiums earned on the LSS CDS transactions. These cashflows are allocated in accordance with the specified priority of payments, which is illustrated in the following waterfall diagram. Principal proceeds are generated by the liquidation of or repayment of the collateral in the deal.

Priority of Payments in Ordinary Course



Please note this waterfall diagram leaves out certain payments for the benefit of conciseness. Please refer to the MAV II Omnibus Agreement for full details.)

Collateral held by LSS CDS counterparties is “released” back to MAV II when all of a given counterparty’s transactions with MAV II have been terminated/matured and all amounts due to that counterparty, if any, have been paid. Any released collateral that is returned to MAV II then becomes part of the pool of collateral that cross-collateralizes all counterparties. If, after December 23, 2012, none of the Spread-Loss Triggers are within 50% of being breached and no other negative events are occurring, all released collateral can be liquidated and passed through the waterfall as principal proceeds. Otherwise, when all synthetic transactions have been terminated/matured with the MAV II, then all collateral held by the MAV II, including all released collateral, can be liquidated and returned as principal in accordance with the waterfall.

Please note that the Administrator has the responsibility for obtaining best execution on the liquidation of collateral. However if the Administrator can not obtain any bids after 15 business days, the collateral is used to pay outstanding claims *in-kind*. This may result in extension risk for noteholders beyond December 20, 2016, when the last LSS CDS matures.

9. University of Western Ontario Portfolio

Description	CAD	USD	USD (CAD EQUIV)	Total (CAD EQUIV)	% of Total
MAV II Class A-1 Notes	12,420,223	2,484,127	2,980,952	15,401,175	59.70%
MAV II Class A-2 Notes	8,145,197	-	-	8,145,197	31.57%
MAV II Class B Notes	1,478,575	-	-	1,478,575	5.73%
MAV II Class C Notes	681,765	76,827	92,192	773,957	3.00%
	22,725,760	2,560,954	3,073,145	25,798,905	100.00%
MAV II Class 13 Notes	369,593	389,815	467,778	837,371	

SOURCE: University of Western Ontario

10. Model Valuation

The MAV II deal contains unique structural features that are not seen in any other comparable security in the fixed income markets, including the Spread-Loss Triggers, the Moratorium Period, the Margin Funding Facility and Senior Funding Facility, to name a few. Besides the structural complexity, the underlying assets, LSS CDS trades, are esoteric instruments that require sophisticated analytics to model and value. Further, there is operational complexity because the Administrator, BlackRock, deals with multiple counterparties and needs to reconcile cashflows, assets, and records with the numerous custodian banks, managers and dealers involved in the original third party ABCP conduits that were restructured into the MAV II deal. Finally, the MAV II governing documents contain vagaries that could lead to potential disagreements as to “intent.”

Given the highly complex, untransparent and unprecedented nature of the MAV II deal, PIMCO believes that it is prudent to approach the valuation of the MAV II Notes with a framework that is as conservative as possible.

PIMCO first recognizes that the MAV II deal contains “structural assets” that may theoretically add value to the deal, but can not be easily monetized and should therefore be carried at zero in a valuation. An explanation of the “structural assets” and the rationale for carrying them at zero follows:

1) **Quanto Value:** Generally speaking, a quanto feature refers to an instrument in which the underlying risk is denominated in one currency, but the instrument itself is settled in another currency. The quanto shields the investor from exchange rate fluctuations, while allowing exposure to a foreign asset. The MAV II deal has an embedded quanto, as the LSS CDS contributed to the MAV II deal pay in Canadian dollars, while the underlying exposure in each trade is primarily to U.S. and European entities. Additionally, the dealers most likely hedge their LSS CDS exposure in the U.S. and European markets. The cost of this quanto, i.e., the cost that the LSS CDS counterparties charge for the currency hedging they have to engage in, was likely originally borne at the inception of the original LSS CDS trades. That quanto value is now an “asset” to the MAV II deal. Theoretically, if an investor were to swap CAD MAV II Notes into USD MAV II Notes, then the dealer should pay the investor that quanto value, as currency hedging is no longer required on their end. However, a Canadian MAV II Noteholder who does not want U.S. dollar/Canadian dollar exchange rate risk, and continues to hold the MAV II Notes in Canadian dollars, should not care about the value of the quanto, as it is an embedded cost that can not be avoided. Additionally, the operational complexity involved with coordinating and executing such a swap with all of the LSS CDS counterparties is highly unfeasible. As such, PIMCO excludes the quanto value from our valuation.

2) **Funding Facility Value:** The Margin Funding Facility and Senior Funding Facility cost the MAV II deal 120 basis points and 119 basis points per annum, respectively. While there is no comparable liquidity facility in the market to compare these costs to, one can argue that they are below “fair” market levels. Unsecured facilities for corporate borrowers cost multiples of what the MFF and SFF premiums are, that is, if a corporation can even obtain a new one in this market. Obtaining an unsecured liquidity facility in the capital markets for leveraged structured credit risk is even more unlikely and would consequently cost more as well. This subsidy that the MFF and SFF providers are contributing to the MAV II deal is then theoretically an asset that adds value. However, this is not an asset a noteholder can monetize, nor are there any comparable instruments to price this asset against. As a noteholder can not sell this subsidy, PIMCO carries the asset at zero for valuation.

3) **Spread-Loss Trigger Value:** The Spread-Loss Triggers prevent the LSS CDS in the MAV II deal from being subject to mark-to-market counterparty calls as long as they are not breached. Additionally, in a mark-to-market scenario, the LSS CDS counterparties only have recourse to the collateral in the MAV II trust at that time, plus any MFF and SFF draws. In other words, the noteholders are relieved from any mark-to-market liabilities that extend into the unfunded exposure detailed in the diagram in section 8.i) (though a full loss of principal would be realized on all notes). This capped/non-recourse feature is equivalent to the noteholders owning a put option on the MAV II deal with a strike level at the “detachment point” described above. This put option goes into the money when two Spread-Loss Triggers are breached and the mark-to-market on the MAV II deal is greater than the available collateral, i.e., the trust liquidates. This put can theoretically be valued using option techniques, but again, this is not an asset that can be monetized, nor are there comparable instruments in the market to derive prices from. While PIMCO recognizes that it exists, we believe that a conservative approach is to value the put option at zero.

By conservatively and reasonably carrying these “structural assets” at zero, PIMCO was then able to estimate a clean Net Asset Value (NAV) for the MAV II deal. An estimate of the NAV is calculated as the value of all MAV II collateral netted against the current mark-to-market exposure on the LSS CDS trades. For example, if the deal holds \$100 of collateral, and the mark-to-market exposure on the LSS CDS is negative \$5, then the NAV is \$95. The NAV of the MAV II deal is extremely important as it reflects the current liquidation value of the entire deal (holding all variables constant), and provides a base from which each of the MAV II A-1, A-2, B, and C Notes values can be derived.

As of May 31, 2009, PIMCO estimates that the mark-to-market on all 76 LSS CDS trades was \$(3.9) billion. The value of each LSS CDS underlying the MAV II trust was calculated using a proprietary version of the Gaussian Copula model coupled with a “loss ratio” bespoke correlation mapping technique. The procedure for valuing each LSS CDS was as follows:

- 1) Using documentation provided by BlackRock, the Ernst & Young Data Room, and J.P. Morgan, PIMCO mapped the reference portfolio names for the LSS CDS to our internal CDS identifiers. For names that could not be mapped (less than 5% of names) we used the average spread of the rest of the portfolio. Once the internal identifiers were mapped we were able to obtain the CDS spread and recovery rate for each name on any date.
- 2) We then found a suitable index (either CDX.IG or iTraxx) with a similar maturity to implement the correlation mapping. Correlations can be observed on an implied basis in standard tranche index pricing the same way that volatility can be implied from an option price. Since the LSS CDS tranches in the MAV II deal are not actively traded, correlations implied by other observable tranches are mapped to the LSS CDS tranches. We equate the ratio of expected loss of the tranche over expected loss of the index/portfolio to get a base correlation for the attachment and detachment points of the bespoke portfolio. This is the loss ratio method. As mentioned in section 9.c), correlations are an extremely important variable in tranche pricing and the base correlation technique for valuation is well accepted and broadly understood in the market.
- 3) Using the recovery and CDS curves of the underlying names and the correlations, we use a Monte Carlo implementation of the Gaussian Copula method to value the LSS CDS.

4) There were several fixed recovery and coupon only LSS CDS trades that were treated somewhat differently in that their recoveries were set to predetermined values (either 0% or 40%) or the value of the coupon leg was discounted back to the valuation date, again using the Gaussian Copula model.

The model valuations for the long LSS CDS trades are shown below:

Long Positions					Levered	ORIG	CDS	CDS	Avg	PIMCO	PIMCO	PIMCO	PIMCO	
CPTY	Description	JPM Trade ID	Cpn	Maturity	Notional	LEV (X)	Attach(%)	Detach(%)	Spread	Par Spread	MTM	PV10	Exposure	
1 Citi	CDS: (ITRX.EUR.5 22-55%)	73	0.04%	6/20/2016	CAD 1,829,448,988	14	22%	55%	201	61	(3.68)	(4.08)	(74,629,308)	
2 Citi	NCLCT (CITI-LSS) 2006	72	0.04%	6/20/2016	CAD 1,476,426,900	14	22%	55%	201	61	(3.69)	(4.09)	(60,379,882)	
3 Citi	CCLT (CB LSS) 2005-1	74	0.08%	9/20/2012	CAD 1,007,125,087	10	15%	85%	365	98	(2.86)	(3.01)	(30,309,217)	
4 DB	SILVERSTONE TRUST	78	0.05%	3/20/2015	CAD 7,612,958,601	10	15%	100%	612	74	(3.54)	(3.78)	(288,031,223)	
5 DB	CDS: (ITRAXX EUR.4 22-70%)	8a	0.04%	12/20/2015	CAD 3,209,526,827	16	22%	70%	198	100	(5.73)	(6.15)	(197,263,850)	
6 DB	WHITEHALL DEAL #1	59	0.06%	9/20/2015	CAD 2,800,254,509	10	15%	80%	234	72	(3.79)	(4.11)	(115,155,533)	
7 DB	WHITEHALL DEAL #2	60	0.06%	12/20/2015	CAD 2,800,254,509	10	15%	80%	233	74	(4.00)	(4.34)	(121,596,544)	
8 DB	CDS: (DJ CDX.NA.IG.4 30-65%)	12A	0.02%	6/20/2010	CAD 2,781,907,371	40	30%	65%	452	63	(0.65)	(0.67)	(18,594,570)	
9 DB	NCLCT (LSS II) 2005	10	0.07%	9/20/2012	CAD 2,513,518,590	10	14%	54%	239	106	(3.18)	(3.42)	(85,996,878)	
10 DB	CDS: (DJ CDX.NA.IG.4 30-65%)	16A	0.02%	6/20/2010	CAD 2,495,297,260	40	30%	65%	452	63	(0.65)	(0.67)	(16,678,837)	
11 DB	APLSLEY DEAL #3	54	0.04%	12/20/2015	CAD 2,348,497,784	25	30%	100%	352	49	(2.74)	(2.89)	(67,957,445)	
12 DB	SYMPHONY TRUST 2005-2	19a	0.02%	6/20/2010	CAD 2,165,132,240	40	30%	65%	452	63	(0.65)	(0.67)	(14,471,978)	
13 DB	CCLT (SUPER SENIOR 2) 2005-1	2	0.07%	6/20/2012	CAD 2,073,085,537	10	15%	85%	361	106	(2.93)	(3.07)	(63,643,019)	
14 DB	APLSLEY DEAL #1	52	0.04%	3/20/2015	CAD 1,878,798,227	10	22%	77%	239	44	(2.50)	(2.74)	(51,550,950)	
15 DB	WHITEHALL DEAL #3	61	0.04%	12/20/2015	CAD 1,866,836,339	10	15%	70%	272	80	(4.56)	(4.93)	(91,971,759)	
16 DB	CCLT (SUPER SENIOR 3) 2005-1	5	0.09%	9/20/2012	CAD 1,694,065,221	10	15%	80%	357	165	(5.00)	(5.26)	(89,114,797)	
17 DB	CDS: (DJ CDX.NA.IG.5 30-70%)	4A	0.04%	12/20/2015	CAD 1,619,698,076	25	30%	70%	327	46	(2.52)	(2.70)	(43,782,326)	
18 DB	CCLT (SUPER SENIOR 4) 2005-1	6	0.10%	12/20/2012	CAD 1,554,304,840	10	15%	50%	377	163	(5.23)	(5.48)	(85,183,682)	
19 DB	NCLCT (EC SUPER SENIOR) 2005-1	9	0.04%	3/20/2010	CAD 1,266,759,295	10	12%	88%	400	162	(1.53)	(1.57)	(19,718,009)	
20 DB	OPUS TRUST SERIES 2005-2	17	0.04%	12/20/2015	CAD 998,118,904	16	22%	70%	198	100	(5.72)	(6.13)	(61,216,757)	
21 DB	APLSLEY DEAL #2	53	0.06%	3/20/2016	CAD 939,399,113	10	22%	77%	254	49	(2.86)	(2.94)	(27,608,699)	
22 DB	APLSLEY DEAL #5	56	0.05%	6/20/2016	CAD 939,399,113	10	22%	77%	275	38	(2.09)	(2.32)	(21,771,193)	
23 DB	APLSLEY DEAL #6	57	0.05%	6/20/2016	CAD 939,399,113	10	22%	77%	275	38	(2.09)	(2.32)	(21,771,193)	
24 DB	WHITEHALL DEAL #4	62	0.04%	12/20/2015	CAD 933,418,170	10	15%	70%	272	80	(4.56)	(4.93)	(45,985,880)	
25 DB	WHITEHALL DEAL #5	63	0.04%	12/20/2015	CAD 933,418,170	10	15%	70%	272	80	(4.56)	(4.93)	(45,985,880)	
26 DB	ENCORE TRUST 2006-2	15	0.04%	6/20/2016	CAD 888,077,596	16	22%	70%	196	99	(5.99)	(6.44)	(57,212,526)	
27 DB	SYMPHONY TRUST 2005-2	18	0.11%	6/20/2012	CAD 676,603,825	10	15%	85%	244	66	(1.63)	(1.76)	(11,906,313)	
28 DB	ARIA TRUST SERIES 2005-2	11	0.11%	6/20/2012	CAD 602,085,505	10	15%	85%	413	106	(2.82)	(2.96)	(17,842,673)	
29 DB	CDS: (DJ CDX.NA.IG.5 10-15%)	13a	0.18%	12/20/2012	CAD 591,155,316	9	10%	15%	370	422	(13.30)	(14.06)	(83,124,319)	
30 DB	SYMPHONY TRUST 2005-2	20a	0.18%	12/20/2012	CAD 536,772,368	9	10%	15%	370	422	(13.30)	(14.06)	(75,477,352)	
31 DB	CCLT (SHAMROCK) 2005-1	3	0.10%	12/20/2012	CAD 298,045,777	10	15%	50%	390	163	(5.21)	(5.47)	(16,301,523)	
32 DB	CCLT (IML-CDS-2) 2005-1	7	0.44%	6/20/2012	CAD 191,203,400	3	9%	10%	634	2,701	(54.96)	(56.15)	(197,368,899)	
33 DB	CCLT (IML-CDS) 2005-1	1	0.30%	6/20/2012	CAD 132,542,197	2	9%	10%	634	2,592	(53.87)	(55.02)	(72,920,201)	
34 DB	WHITEHALL DEAL -3 IO	61io	0.73%	12/20/2015	CAD 87,938,552			3%	268	4,368	0.08		69,607	
35 DB	WHITEHALL DEAL -4 IO	62io	0.75%	12/20/2015	CAD 44,042,754			3%	268	4,368	0.08		35,733	
36 DB	WHITEHALL DEAL -5 IO	63io	0.73%	12/20/2015	CAD 44,042,754			3%	268	4,368	0.08		34,862	
37 HSBC	NCLCT (BCO-LSS) 2006	68	0.03%	9/20/2013	CAD 2,374,310,505	15	18%	75%	446	89	(3.69)	(3.91)	(92,873,050)	
38 HSBC	SYMPHONY TRUST SERIES 2005-1	46	0.03%	3/20/2013	CAD 1,193,661,776	20	30%	100%	472	40	(1.29)	(1.34)	(16,052,955)	
39 HSBC	Opus HS8 Long-(Short)	48	0.15%	6/20/2013	CAD 748,589,178	8	10%	15%	332	484	(17.10)	(18.06)	(135,191,638)	
40 HSBC	SYMPHONY TRUST SERIES 2005-2	47	0.13%	9/20/2012	CAD 719,505,274	6	15%	50%	399	162	(4.79)	(5.03)	(36,155,604)	
41 HSBC	STARTS (CANADA) TRUST 2005-2	50	0.03%	6/20/2013	CAD 667,090,771	20	20%	100%	367	71	(2.50)	(2.63)	(17,543,943)	
42 HSBC	ENCORE TRUST SERIES 2006-1	49	0.15%	6/20/2013	CAD 391,518,667	8	10%	15%	332	484	(17.10)	(18.06)	(70,706,405)	
43 HSBC	SYMPHONY TRUST SERIES 2005-1	47	0.13%	9/20/2012	CAD 324,769,836	6	15%	50%	399	162	(4.79)	(5.03)	(16,319,894)	
44 ML	ARIA TRUST SERIES 2006-4	28	0.06%	9/20/2016	CAD 3,709,209,822	33	30%	70%	403	72	(4.26)	(4.49)	(166,612,230)	
45 ML	ENCORE TRUST SERIES 2006-4	36a	0.03%	12/20/2013	CAD 810,272,306	22	15%	30%	273	136	(5.77)	(6.25)	(50,612,213)	
46 ML	NCLCT (ML-LSS II) 2006	27	0.11%	9/20/2016	CAD 729,432,142	7	20%	30%	402	241	(14.54)	(15.48)	(112,900,723)	
47 ML	CCLT (ML-LSS-2) 2006-2	35	0.08%	12/20/2011	CAD 611,590,748	8	10%	15%	284	313	(7.53)	(8.13)	(49,694,340)	
48 ML	NCLCT (ML-LSS) 2006	26	0.11%	9/20/2016	CAD 522,284,029	7	20%	30%	402	241	(14.52)	(15.46)	(80,753,714)	
49 ML	CCLT (ML-LSS) 2006-1	25	0.13%	9/20/2016	CAD 415,110,230	6	18%	28%	392	296	(17.44)	(18.55)	(76,990,800)	
50 ML	CCLT (ML6 L/S) 2006-1	33a	0.09%	6/20/2016	CAD 371,516,795	9	15%	30%	275	139	(8.13)	(8.89)	(33,043,853)	
51 ML	OPUS TRUST SERIES 2006-4	24	0.06%	6/20/2016	CAD 353,768,424	12	15%	100%	204	67	(3.73)	(4.06)	(14,364,409)	
52 MLCS	ARIA ML4 (ANDERSON VALLEY LSS)	31	0.14%	12/20/2016	CAD 289,782,018	5	15%	20%	316	606	(33.68)	(35.34)	(102,410,888)	
53 MLCS	SYMPHONY ML4 (ANDERSON VALLEY LSS)	30	0.14%	12/20/2016	CAD 225,534,608	5	15%	20%	316	606	(33.68)	(35.34)	(79,705,427)	
54 MLCS	OPUS ML4 (ANDERSON VALLEY LSS)	29	0.14%	12/20/2016	CAD 194,945,098	5	15%	20%	316	606	(33.68)	(35.34)	(68,894,891)	
55 ML	NCLCT (ML-LSS IV) 2006	34	0.07%	12/20/2011	CAD 167,337,653	8	10%	15%	284	313	(7.56)	(8.16)	(13,646,760)	
56 MLCS	ENCORE ML4 - LSS (ANDERSON VALLEY)	32	0.14%	12/20/2016	CAD 121,721,162	5	15%	20%	316	606	(33.68)	(35.34)	(43,017,066)	
57 RBC	CCLT (MPL-CDN) 2006-1	81	0.18%	6/20/2013	CAD 137,481,952	2	10%	18%	661	1,068	(34.27)	(35.28)	(48,501,288)	
58 RBC	MPL-US 2006-1 B	82b	0.15%	3/20/2013	USD 96,031,030			14%	18%	667	791	(25.46)	(26.38)	(25,335,313)
59 Swiss RE	CCLCT (BANFF) 2006-1	21	0.03%	6/20/2013	CAD 2,213,766,994	17	15%	30%	317	229	(8.64)	(9.14)	(202,286,189)	
60 Swiss RE	CCLT (GALIBIER) 2006-1	22	0.04%	6/20/2016	CAD 2,073,085,537	22	30%	60%	275	55	(3.24)	(3.52)	(72,982,666)	
61 Swiss RE	COASTAL MOUNTAIN BASE TRUST SERIES	23	0.04%	12/20/2016	CAD 1,174,926,172	10	30%	60%	244	52	(3.28)	(3.60)	(42,245,526)	
62 UBS	CDS: (DJ CDX.NA.IG.7 15-30%)	39B	0.02%	12/20/2013	CAD 4,865,686,758	26	15%	30%	273	136	(5.80)	(6.28)	(305,372,442)	
63 UBS	CDS: (DJ CDX.NA.IG.7 15-30%)	39C	0.02%	12/20/2016	CAD 1,162,952,604	26	15%	30%	244	121	(7.93)	(8.80)	(102,294,264)	
64 UBS	NCLCT (MT-LSS) 2005	39A	0.02%	12/20/2011	CAD 467,854,496	26	15%	30%	284	104	(2.57)	(2.82)	(13,206,420)	
Long Position					0.06%	81,893,195,413	17	20%	65%	346	132	(4.91)	(4,292,097,722)	

SOURCE: BlackRock, PIMCO

The model valuations for the short and aggregate LSS CDS trades are shown below:

<u>Short Positions</u>		JPM			Levered	ORIG	CDS	CDS	Avg	PIMCO	PIMCO	PIMCO		
CPY	Description	Trade ID	Cpn	Maturity	CCY	Notional	LEV (X)	Attach(%)	Detach(%)	Spread	Par Spread	MTM	PV10	Exposure
65 DB	CDS: (CDX.NA.IG.4 15-30%) SHORT	12b	0.01%	6/20/2010	CAD	-695,476,843	10	15%	30%	452	254	2.68	2.74	19,064,931
66 DB	CDS: (CDX.NA.IG.4 15-30%) SHORT	16b	0.01%	6/20/2010	CAD	-623,824,315	10	15%	30%	452	254	2.68	2.74	17,100,739
67 DB	CDS: (CDX.NA.IG.4 15-30%) SHORT	19b	0.01%	6/20/2010	CAD	-541,283,060	10	15%	30%	452	254	2.68	2.74	14,838,056
68 DB	APSLEY DEAL -3 SHORT	54b	0.09%	12/20/2015	CAD	-335,499,683	4	15%	30%	352	155	8.58	9.28	31,134,243
69 DB	CDS: (CDX.NA.IG.5 15-30%) SHORT	4b	0.10%	12/20/2015	CAD	-231,371,168	4	15%	30%	327	116	6.34	6.98	16,152,706
70 DB	CDS: (CDX.NA.IG.5 7-10%) SHORT	13b	0.52%	12/20/2012	CAD	-118,231,063	2	7%	10%	370	957	27.24	28.52	33,720,321
71 DB	CDS: (CDX.NA.IG.5 7-10%) SHORT	20b	0.52%	12/20/2012	CAD	-107,354,475	2	7%	10%	370	957	27.24	28.52	30,618,242
72 HSBC	OPUS HS8 (SHORT)	48As	0.53%	6/20/2013	CAD	-112,288,377	1	7%	10%	332	1,057	32.67	34.18	38,381,546
73 HSBC	ENCORE HS8 (SHORT) - LSS	49s	0.53%	6/20/2013	CAD	-58,727,800	1	7%	10%	332	1,057	32.67	34.18	20,073,883
74 ML	ARIA ML2 SHORT	28s	0.23%	9/20/2016	CAD	-741,841,967	7	20%	30%	403	239	13.48	14.42	106,969,837
75 ML	CDS: (CDX.NA.IG.7 10-15%) SHORT	36b	0.00%	12/20/2011	CAD	-309,376,699	8	10%	15%	284	313	7.73	8.32	25,738,573
76 ML	CDS: (CDX.NA.IG.6 10-15%) SHORT	33b	0.00%	6/20/2013	CAD	-74,303,359	2	10%	15%	308	443	16.25	17.26	12,824,542
Short Position			0.11%			-3,949,578,809	7	15%	27%	401	318	8.77		366,617,619
Total Assets						77,943,616,604								(3,925,480,104)

SOURCE: BlackRock, PIMCO

PIMCO then estimates the value of the MAV II collateral by haircutting the BlackRock reported "Omnibus Value" i.e. par value, by 20%. BlackRock does not report sufficient information for PIMCO to independently verify the fair value of the collateral, and so a haircut is applied in order to maintain the conservative position that not all of the collateral will return full principal. A portion of the collateral consists of swaps, CDOs, and other structured securities which have deteriorated in quality, but are carried at face value for purposes of calculating margin requirements by the LSS CDS counterparties. While this feature was one that could not have been negotiated without the Montreal Accord, and is a positive contribution in so far as margin calls are reduced, this is ultimately a negative for noteholders as a par amount of MAV II A-1, A-2, B, and C Notes were issued in a close amount to the par amount of the collateral. If the collateral ultimately does not mature at par or can not be sold near par, the noteholders bear the loss.

By combining the \$(3.9) billion mark-to-market on the LSS CDS trades with a value of \$7.9 billion estimated as the collateral value, the implied NAV for the MAV II deal is 40. The net asset value of the MAV II was then distributed across the MAV II Notes. While there are various ways to distribute the value, PIMCO conservatively values the MAV II Notes in a pass-through liquidation context. In such a scenario, the NAV of the deal would flow through the MAV II capital structure sequentially to bondholders in order of seniority. The MAV II A-1 Notes would be paid first, then the MAV II A-2 Notes, MAV II B Notes and MAV II C Notes, in that order. A NAV of 40 for the deal implies that the MAV II A-1 noteholders receive 75% of the face value, taking into account allocation of part of the NAV to the MAV II A-2 Notes for convexity and option value, which PIMCO believes is reasonable.

Class	May 29, 2009 Valuation
MAV II A-1	75.4
MAV II A-2	2.6
MAV II B	0.0
MAV II C	0.0

Market participants may or may not use the NAV technique to value the MAV II Notes. Even if they do, methods for distributing value across the capital structure will inevitably vary between parties. PIMCO is aware of one broker/dealer that uses the NAV technique, but combines with it a distribution method that uses index proxies as a measurement guide. Each MAV II class is proxy priced using index tranches, and then the calculated NAV is distributed using the relative prices of the tranches. While PIMCO recognizes that this is a reasonable approach, and one that many market participants may use,

we believe that there may be significant basis risk, since the proxy uses one index tranche, and the actual MAV II deal has exposure to 76 tranches. While the straight pass-thru and NAV method is a basic one for distributing value, we believe that it represents a conservative and sensible approach.

It is important to point out though, that UWO owns amounts of MAV II A-1, A-2, B, and C Notes in approximately the same proportion as the total amount of MAV II A-1, A-2, B, and C Notes issued. If UWO owned MAV II Notes in exactly the same proportion to the MAV II deal, and were to sell a vertical slice of their holdings, the dollar value received should be the same regardless of how the NAV is distributed across the A-1, A-2, B, and C classes. As seen in the table below though, UWO own slightly more MAV II A-1 Notes and slightly less MAV II A-2 Notes than are issued by the MAV II deal, implying that a potential buyer of UWO's notes using the broker/dealer NAV approach described above would calculate a higher price for a vertical slice of UWO's securities than using the approach PIMCO used (assuming equivalent NAV output).

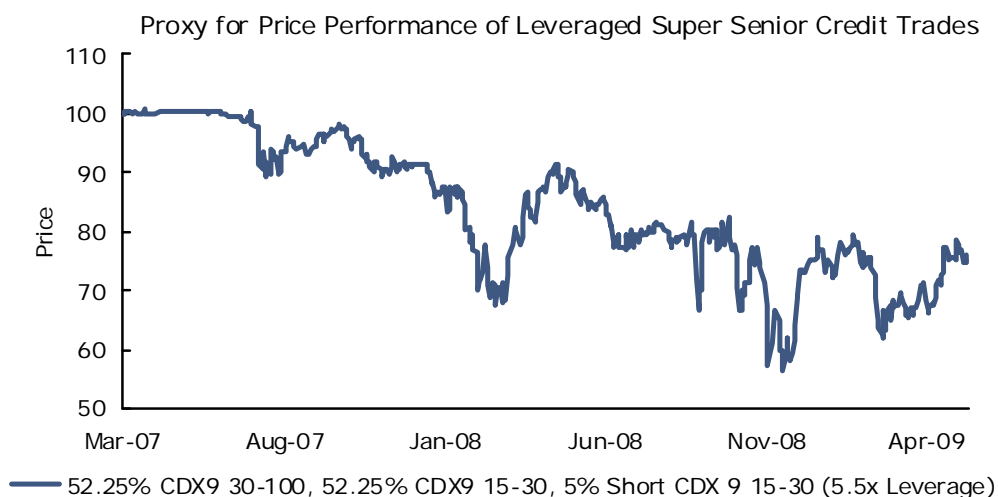
	% of UWO Holdings	% of Total Issued
MAV II A-1	59.70%	51.49%
MAV II A-2	31.57%	38.52%
MAV II B	5.73%	6.99%
MAV II C	3.00%	3.00%
	100.00%	100.00%

SOURCE: University of Western Ontario, Master Asset Vehicle II Trust Indenture, Dated January 21, 2009

Based on the model estimate of MAV II Class A-1, A-2, B, and C Notes, PIMCO estimates that these securities in the UWO portfolio have the following fair value:

Description	Total Par (CAD EQUIV)	Valuation	UWO Value
MAV II Class A-1 Notes	15,401,175	75.4	\$11,607,325
MAV II Class A-2 Notes	8,145,197	2.6	\$211,460
MAV II Class B Notes	1,478,575	0.0	\$0
MAV II Class C Notes	773,957	0.0	\$0
	25,798,905		\$11,818,785

As a transparent and simple check, the price proxy below confirms that LSS CDS prices remain depressed. This is the same price proxy that was examined earlier, but is recalculated using an amount of leverage equal to that of the MAV II deal. The price proxy had a value, or NAV, of 76 as of May 31, 2009. While higher than the one estimated for the MAV II deal, the price proxy is for illustrative purposes only. The basis between this proxy and the MAV II deal (in terms of portfolio exposure, and attachment and detachment points) are too significant to make direct comparisons, and is provided as a transparent measure that reflects only general pricing direction for this type of asset.



SOURCE: PIMCO, JPMorgan

MAV II Class 13 Valuation

Determining the fair value of the MAV II Class 13 Notes is relatively more straightforward than valuing the MAV II A-1, A-2, B, and C Notes, since the Class 13 Notes are not subject to the same structural features. The valuation of the MAV II Class 13 Notes is theoretically equivalent to the valuation of the underlying assets, since the returns of the two are directly linked.

The two assets underlying the MAV II Class 13 Notes are a synthetic credit tranche, JPMorgan Trade 82b, and a cash Mezz ABS CDO security, TABS 05-2X A1. These assets are described in section 8.c).

The tranche is valued using the Gaussian Copula methodology and has a model price of negative 42 as of May 29, 2009. BlackRock provides a price of negative 28 on this tranche as of April 30, 2009, which is the most recent data available. The difference between PIMCO's model price and BlackRock's price is not unexpected given the difference in valuation dates, and the fact that the valuation is model driven. Differences in any number of sensitive inputs, such as what correlations are used and how they are mapped, and the source of the portfolio spreads, can result in different model outputs between market participants, especially in the current environment.

The BlackRock reported price of 38 for the CDO security TABS 05-2X A1, also as of April 30, 2009, is also used to value the MAV II Class 13 Notes. While use of this price results in a timing mismatch when combined with PIMCO's May 29, 2009 model value for the credit tranche, the BlackRock price is the most current information available. PIMCO attempted to obtain a price for this bond from its main pricing vendors (IDC, PDI, Reuters, and Bloomberg), which in turn poll broker/dealers for prices, however no other value could be obtained.

According to both PIMCO's model estimate and the BlackRock reported information, the MAV II Class 13 Notes have a net asset value of 0 as of May 29, 2009. The MAV II Class 13 trust holds a US\$96 million notional credit tranche that has a price of (42) according to PIMCO, and (28) according to BlackRock. Accordingly, the market value of the tranche is \$(40) million or \$(27) million, based on PIMCO's or BlackRock's price, respectively. The market value of the collateral, the CDO security, is \$20 million, according to BlackRock. As the market value of the collateral does not cover the negative exposure of the tranche, MAV II Class 13 noteholders would receive nothing if they were to unwind the transaction on May 29, 2009 (assuming no change in the CDO security price from April 30, 2009).

If credit spreads were to tighten (holding correlations constant), the market value of the tranche would improve (become less negative). Above a price of (21) for the tranche, the net asset value of the MAV II Class 13 trust would be positive, assuming the CDO collateral value stays constant. In this scenario, one possible way to calculate a price for the Class 13 Notes could be to distribute the net dollar value of the assets across the Class 13 Notes, and adjust for legal, tax and trustee fees incurred by the trust. The price should also factor in an illiquidity premium to account for an investor's preference to holding the two underlying assets outright versus owning them via the MAV II Class 13 structure.

As PIMCO estimates that the MAV II Class 13 Notes have a fair value of 0 as of May 29, 2009, the estimate of fair value for the entire UWO portfolio is:

Description	Total Par (CAD EQUIV)	Valuation	UWO Value
MAV II Class A-1 Notes	15,401,175	75.4	\$11,607,325
MAV II Class A-2 Notes	8,145,197	2.6	\$211,460
MAV II Class B Notes	1,478,575	0.0	\$0
MAV II Class C Notes	773,957	0.0	\$0
MAV II Class 13 Notes	837,371	0.0	\$0
	26,636,276		\$11,818,785

11. Secondary Market

For several months after the MAV II restructuring was completed on Jan 21, 2009, PIMCO did not hear of any secondary market trading in the MAV II Notes. This was not unexpected as potential buyers and sellers required time to analyze the final structure, and build out analytical models for valuation. Towards the end of April and in the beginning of May, PIMCO heard about several trades being executed, and bid/ask levels started appearing in the market.

Dealer A

At the end of April, PIMCO learned that Dealer A, a U.S. investment bank, had purchased approximately \$5 million par of a vertical slice of the MAV II Notes (i.e. the proportion of A-1, A-2, B, and C Notes that they purchased was similar to the proportion of total Notes issued by the MAV II trust). The vertical slice was purchased by Dealer A in the mid-20s price range. While individual prices for each of the A-1, A-2, B, and C Notes were not known, the mid-20s price was indicative of what Dealer A paid for the Net Asset Value of the deal. The NAV of the MAV II deal can provide rough insight into what each of the Note prices would be if distributed. Please see section 10. Model Valuation, for further details. PIMCO learned that Dealer A engaged in a similar trade several weeks later, also in small size.

On two dates in May, Dealer A provided the following indicative bids to PIMCO for the MAV II Notes:

Indicative bids on May XX 2009	Indicative bids on May YY 2009
Class A-1: 35.5	Class A-1: 33.5
Class A-2: 22.0	Class A-2: 21.0
Class B: 3.0	Class B: 3.0
Class C: 1.0	Class C: 1.0

Dealer A has indicated its intention to be a market maker in these securities. While they have only traded these bonds twice, they have bids out in the market, and theoretically have offer levels out to interested parties.

Dealer A has told PIMCO that very few of their clients are interested in buying. It is unclear whether they have worked sales for their clients who are current noteholders.

Dealer B

Dealer B is a boutique Canadian dealer that specializes in the fixed income market. Unlike Dealer A, Dealer B indicated that it does not want to make a market in the MAV II Notes. Their intention is to work specific orders that they see on their screens for clients on an agency basis. During the month of May, they provided information on MAV II bid/offer levels they were seeing:

Indicative bid-offer on May XX 2009	Indicative bid-offer on May YY 2009
Class A1: 35-50 (\$0.5mm x \$0.5mm)	Class A1: -
Class A2: -40 (\$0.5mm x)	Class A2: -
Class B: -	Class B: 10-30 (\$2mm x \$0.2mm)
Class C: -	Class C: 1-10 (\$5mm x \$0.2mm)

Indicative bid-offers on May ZZ 2009

Class A1: -

Class A2: 20- (\$1mm x)

Class B: -

Class C: -

According to Dealer B, the variety of pricing levels they have seen for MAV II A-2 Notes (40 offer, 35 trade, 20 bid) was indicative of the theory that investors were simply testing price points to establish some price discovery.

Dealer B tells us there is still no real liquidity in the MAV II Notes, and more time is needed before anything meaningful is seen.

Dealer C

Dealer C, a large Canadian bank, told PIMCO they have no intention of acting as a principal in any MAV II related transactions. They are, however, currently working on an agency basis to assist clients who own MAV II Notes find buyers. Dealer C verbally indicated that they had seen the MAV II A-1 Notes quoted anywhere from 35 to 60 (offer), the MAV II A-2 Notes from 25 to 40, the MAV II B Notes from 5 to 15, and the MAV II C Notes from 1 to 10. They also mentioned that the small volume of MAV II Notes that they have seen trade likely came from traders at banks that had owned third party ABCP and had a necessity to liquidate their holdings after the restructuring was completed.

Dealer D

Dealer D, a U.S. bank, informed PIMCO that while they do not view themselves as market makers for the MAV II Notes, they stand ready to provide liquidity where there is interest. They believe that they have the ability to risk manage any positions that they do take on, and have room on their books to hold the notes comfortably.

Dealer D has only seen one trade completed, for a vertical slice in the MAV II Notes, done in the mid-teens price.

They also indicated they are aware of several proprietary desks that are interested in purchasing several hundred million notional of the MAV II Notes, but who are waiting on the sidelines for the right price and a seller in size. Dealer A confirmed the same information, and added that the proprietary desks were disappointed there have not been more sellers, especially in size.

At the end of May, they provided the following indicative levels to PIMCO:

Indicative bids on May XX 2009

Class A1: 29-30

Class A2: 23

Class B: 4

Class C: 0

Potential for Secondary Market Going Forward

As of May 31, 2009, the number and volume of secondary trades that PIMCO is aware of that have occurred in the MAV II Notes since January 21, 2009 is quite small relative to the amount of MAV II Notes outstanding. It is likely that less than \$50 million of bonds have traded compared to the C\$9.8 billion and \$133.7 million total of MAV II Notes issued.

While certain parties seem to be testing the waters for price discovery, it appears that a fundamental difference in view between potential buyers and sellers may be preventing a meaningful secondary market from developing. On the one side, interested buyers have to analyze an incredibly complicated structure and use valuation methods for which there are no market standards to rely on yet. The lack of transparency and structural complexities potentially motivates bidders to bid well below the fair value price that their models produce. On the other side, owners of MAV II Notes seem reluctant to sell at prices well below par, unless liquidity needs or imposed directives force them to do so.

During the two year restructuring process, institutions have likely obtained other sources of liquidity and financing; the lack of transactions in the secondary seems to indicate that noteholders have the ability to wait for better prices. Some noteholders may believe that after such a massive restructuring process and given the government involvement, the securities will mature at par, so there is no need to sell at distressed prices. PIMCO has also learned that many institutional noteholders have no incentive to sell as they have received a minimum guarantee on the value of their holdings. While structured not as a put option, the guarantee on MAV II holdings effectively sets a minimum recovery value. PIMCO knows of two banks that are providing these economics to their clients; both banks had sold these institutions affected third party ABCP in the past, and are providing this arrangement as a way to regain trust and business. One bank, National Bank of Canada, has disclosed this guarantee publicly in their financial statements. According to the Q2-2009 Report to Shareholders, the bank has extended credit facilities to holders of C\$914 million notional of MAV II A-1, A-2, B, and C Notes. The credit facility is collateralized by the MAV II Notes, and provides funds in the amount of 75% of the face value of the notes. Only 30% of the borrowing is full recourse to the borrower, which means that the borrower effectively receives a floor of 45% for recovery on the MAV II A-1, A-2, B, and C Notes.

PIMCO believes that the disconnect between potential buyers and sellers is a dynamic that is likely to persist in the near-term horizon. While a handful of transactions will probably occur between sophisticated investors with the ability to take on distressed risk, and institutions or individuals with a requirement to sell, it seems likely that secondary trading will remain limited over the next several months, especially given unique situations that mitigate forced selling, such as bank guarantees.

A test for the market may occur in the months leading up to the end of the Moratorium Period, July 16, 2010. At that point in time, the level of the five Spread-Loss Triggers and the condition of the broad economy will be key variables in driving distressed selling. If the market revisits systemic failure pricing similar to what was seen after the Lehman Brothers bankruptcy, or the global economy goes into a sustained downturn, there is a high probability that the Spread-Loss Triggers would be breached. Without the benefit of the Moratorium Period, a breach of two Spread-Loss Triggers would result in a mark-to-market on the MAV II that may result in high or potentially total loss. This scenario will certainly weigh on noteholders and may cause additional selling flows prior to the end of the Moratorium Period.

Given information as of May 31, 2009, PIMCO does not believe that it is likely for a meaningful secondary market to develop in the near term for the MAV II Class 13 Notes. As discussed, there have only been several trades in the MAV II Notes, likely for less than \$50 million par, while \$10 billion of notes are outstanding. In contrast, only \$100 million of MAV II Class 13 Notes have been issued. PIMCO is only aware of one public offer being made for a different class of IATNs.

While a secondary market may not develop in the near term for the MAV II Class 13 Notes, it is possible that UWO may be able to obtain bids for this security from the same broker/dealer desks that are providing liquidity for the MAV II A-1, A-2, B, and C Notes. Despite the results of the model valuation discussed in section 11., the MAV II Class 13 Notes have a much simpler structure and asset composition than the main MAV II transaction. The process for valuing the underlying components is relatively straightforward. The only unknown is whether dealers will have balance sheet capacity for this risk. While certain desks may build long positions in the A-1, A-2, B, and C Notes in anticipation of future demand, the same interest may not exist for the MAV II Class 13 Notes. In this case, the discount for illiquidity could be substantial and any bids may be substantially below the fair value of the notes.

12. Conclusion

The University of Western Ontario has exposure to the MAV II A-1, A-2, B, and C Notes, and the MAV II Class 13 Notes. C\$10 billion of MAV II A-1, A-2, B, and C Notes were issued by the main MAV II transaction, a highly structured, complicated, and unprecedented deal involving 76 long and short LSS CDS trades, eight counterparties, five spread-loss triggers, cross-collateralization, and two funding facilities, amongst other esoteric features. The C\$98 million of MAV II Class 13 Notes that were issued are not subject to these features and are simple tracking notes that are linked to the performance of one synthetic tranche trade, and the collateral backing it.

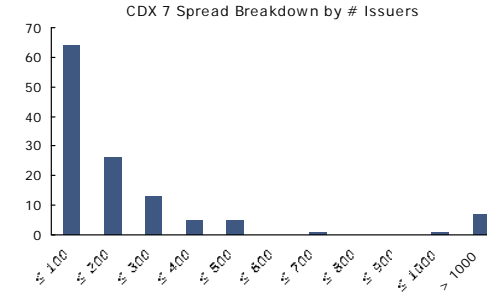
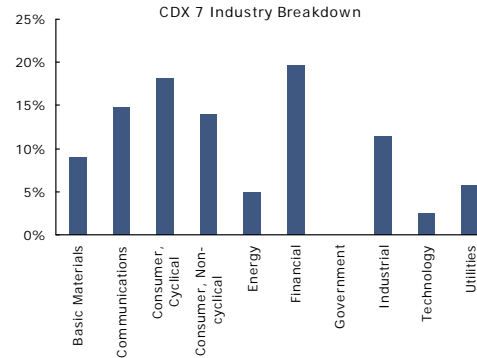
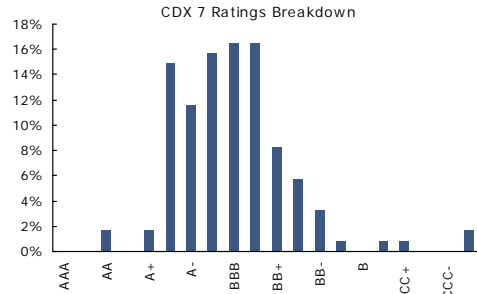
While some hedge funds, proprietary trading desks, and other distressed and opportunistic investors have expressed interest in purchasing the MAV II A-1, A-2, B, and C Notes, secondary trading has been limited. Potential investors are faced with valuing a daunting and high risk transaction for which there is little transparency, incomplete information, and no comparable instrument or market standard method of pricing, and so they back-bid to protect themselves. Current holders do not want to sell at distressed prices, and many have received partial guarantees on their holdings from the institutions that had originally sold them the third party ABCP. The result has been that over the past few months leading up to May 31, 2009, bid-ask spreads have been seen as wide as 15 points, and the range of bid and ask levels even wider. Valuation of the MAV II Class 13 Notes is straightforward; however no secondary trading appears to have occurred since the notes were issued. It may be difficult for a secondary market to develop, due to the small issuance size, and the bespoke nature of the transaction. Additionally, market participants may currently value the MAV II Class 13 Notes at zero, and be willing to pay only option value for such risk.

The University of Western Ontario may find it necessary to sell the MAV II A-1, A-2, B, and C Notes, or MAV II Class 13 Notes in the near future. While a deep and liquid secondary market is unlikely to develop in the near-term, certain dealers have expressed that they are willing to provide liquidity. Based on recent levels seen in the market as of May 31, 2009, and described in section 11, liquidity will likely be provided at a distressed price. The performance of the MAV II A-1, A-2, B, and C securities that continue to be held by the University of Western Ontario will probably be binary in nature and highly dependent on the spread-loss triggers. If two spread-loss triggers are breached, the likelihood of a complete loss to noteholders will be high. This is a logical assumption as the breach of two spread-loss triggers implies a severe downward mark-to-market of the LSS CDS trades, given the high overlap in exposure between the LSS CDS portfolios and the names in the spread-loss trigger indices. If there is a significant MTM loss, existing collateral will likely be insufficient to cover subsequent margin calls, given the high degree of leverage, and counterparties will have the right to liquidate all collateral for their own benefit. However, if two spread-loss triggers are not breached, any remaining collateral that was not used to pay for any realized losses on the LSS CDS trades will be liquidated for the benefit of the noteholders after the LSS CDS trades all mature.

Market Index Summary and Breakdown: CDX 7

As of: 05/29/09

	<u>Spread¹</u>	<u>Price²</u>
10yr CDX 7	132.06	95.71
7yr CDX 7	173.17	94.90
5yr CDX 7	203.39	96.01



Top 25 Spread Contributors

	<u>Name</u>	<u>Spread (bps, 5y)</u>
1.	CLEAR CHANNEL COMMUNICATION	5,437.69
2.	MBIA INSURANCE CORP/ILLINOIS	3,415.63
3.	AMERICAN INTERNATIONAL GROUP INC	2,034.62
4.	HARRAHS OPERATING CO INC	1,853.75
5.	SABRE HOLDINGS CORP	1,462.82
6.	RESIDENTIAL CAPITAL LLC	1,229.31
7.	CIT GROUP INC	1,089.76
8.	INTERNATIONAL LEASE FINANCE	919.79
9.	TEXTRON FINANCIAL CORP.	618.29
10.	ALCOA INC	454.34
11.	THE HARTFORD FINANCIAL SERVICES G	449.25
12.	XL CAPITAL LTD	446.34
13.	METLIFE INC	436.48
14.	GENERAL ELECTRIC CAPITAL CORP	433.51
15.	LENNAR CORP	354.29
16.	SPRINT CAPITAL CORP	336.25
17.	STARWOOD HOTELS & RESORTS WORL	335.41
18.	DONNELLEY RR SONS & CO	327.44
19.	JONES APPAREL GROUP INC	303.00
20.	INTERNATIONAL PAPER COMPANY	287.28
21.	MACYS INC	264.87
22.	LIMITED BRANDS INC	247.57
23.	TEMPLE INLAND INC	246.47
24.	MOTOROLA INC.	242.27
25.	CBS CORPORATION	236.50

Index Defaults

	<u>Name</u>	<u>Recovery</u>
1.	Idearc Inc.	1.75%
2.	Washington Mutual, Inc.	57.00%
3.	Federal Home Loan Mortgage Corporation	94.00%
4.	Federal National Mortgage Association	91.51%

On Thursday 23rd April 2009, 12 dealers submitted inside markets, physical settlement requests and limit orders to the Idearc auction administered by Creditex and Markit to settle trades across the market referencing Idearc Inc.
The Final Price was 1.75, resulting in an Index loss of 0.39%

On Thursday 23rd October 2008, 14 dealers submitted inside markets, physical settlement requests and limit orders to the Washington Mutual auction administered by Creditex and Markit to settle trades across the market referencing Washington Mutual, Inc.
The Final Price was 57.00, resulting in an Index loss of 0.34%

On Monday 6th October 2008, 13 dealers submitted inside markets, physical settlement requests and limit orders to the Fannie Mae Senior auction administered by Creditex and Markit to settle trades across the market referencing Fannie Mae Senior.
The Final Price was 91.51, resulting in an Index loss of 0.068%

On Monday 6th October 2008, 13 dealers submitted inside markets, physical settlement requests and limit orders to the Freddie Mac Senior auction administered by Creditex and Markit to settle trades across the market referencing Freddie Mac Senior.
The Final Price was 94.00, resulting in an Index loss of 0.048%

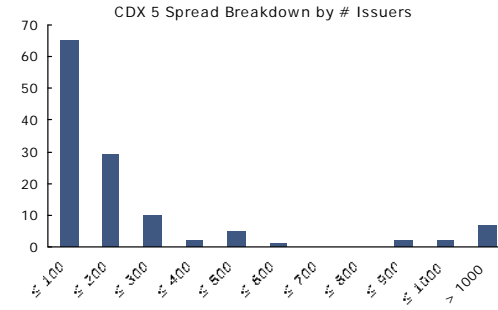
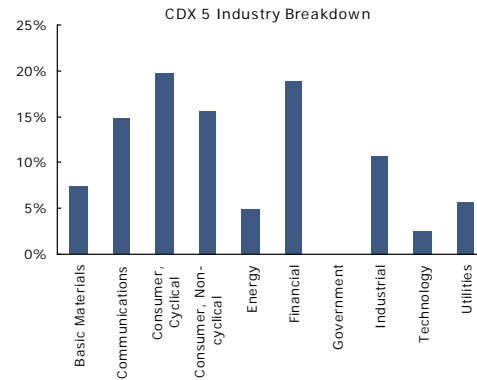
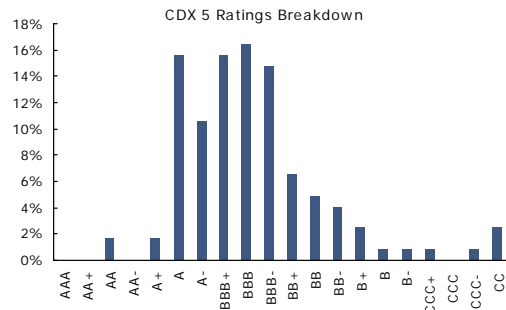
The cumulative loss currently realized in the CDX.NA.IG Series 7 is 0.85%
The cumulative realized and unrealized losses is 0.85%

1. Source: JPMorgan
2. Source: Price implied by Markit Default Swap Calculator. Assumes flat curve and 40% deal recovery, yield curve for USD, May 29, 2009.
Note: The lower of Moody's or S&P rating is shown

Market Index Summary and Breakdown: CDX 5

As of: 05/29/09

10yr CDX 5 Spread¹ 158.11 Price² 95.04



Top 25 Spread Contributors

	Name	Spread (bps)
1.	CLEAR CHANNEL COMMUNICATION	5,017.22
2.	AMERICAN AXLE & MANUFACTURING INC	4,076.43
3.	KNIGHT RIDDER INC	3,940.61
4.	MBIA INSURANCE CORP/ILLINOIS	3,063.75
5.	AMERICAN INTERNATIONAL GROUP INC	1,761.77
6.	HARRAHS OPERATING CO INC	1,661.31
7.	SABRE HOLDINGS CORP	1,311.64
8.	CIT GROUP INC	991.54
9.	HILTON HOTELS CORP.	971.68
10.	AVIS BUDGET GROUP INC	892.17
11.	INTERNATIONAL LEASE FINANCE	835.22
12.	TEXTRON FINANCIAL CORP.	582.22
13.	XL CAPITAL LTD	430.62
14.	THE HARTFORD FINANCIAL SERVICES	424.61
15.	ALCOA INC	420.17
16.	METLIFE INC	417.70
17.	GENERAL ELECTRIC CAPITAL CORP	402.19
18.	LENNAR CORP	317.61
19.	SPRINT CAPITAL CORP	305.81
20.	INTERNATIONAL PAPER COMPANY	268.33
21.	JONES APPAREL GROUP INC	254.70
22.	MACYS INC	235.81
23.	MOTOROLA INC.	225.99
24.	SIMON PROPERTY GROUP LP	219.63
25.	CBS CORPORATION	219.63

Index Defaults

	Name	Recovery
1.	Idearc Inc.	1.75%
2.	Washington Mutual, Inc.	57.00%
3.	Federal Home Loan Mortgage Corporation	94.00%
4.	Federal National Mortgage Association	91.51%

On Thursday 23rd April 2009, 12 dealers submitted inside markets, physical settlement requests and limit orders to the Idearc auction administered by Creditex and Markit to settle trades across the market referencing Idearc Inc.
The Final Price was 1.75, resulting in an Index loss of 0.39%

On Thursday 23rd October 2008, 14 dealers submitted inside markets, physical settlement requests and limit orders to the Washington Mutual auction administered by Creditex and Markit to settle trades across the market referencing Washington Mutual, Inc.
The Final Price was 57.00, resulting in an Index loss of 0.34%

On Monday 6th October 2008, 13 dealers submitted inside markets, physical settlement requests and limit orders to the Fannie Mae Senior auction administered by Creditex and Markit to settle trades across the market referencing Fannie Mae Senior.
The Final Price was 91.51, resulting in an Index loss of 0.068%

On Monday 6th October 2008, 13 dealers submitted inside markets, physical settlement requests and limit orders to the Freddie Mac Senior auction administered by Creditex and Markit to settle trades across the market referencing Freddie Mac Senior.
The Final Price was 94.00, resulting in an Index loss of 0.048%

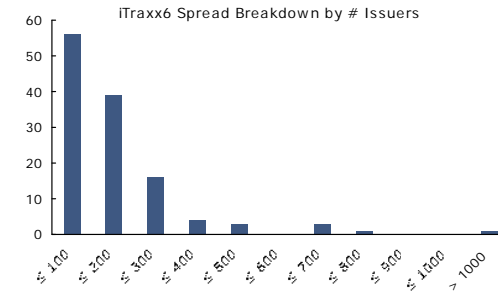
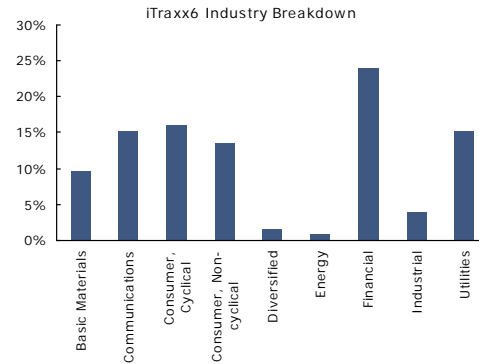
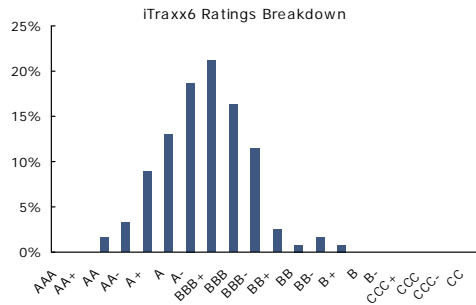
The cumulative loss currently realized in the CDX.NA.IG Series 5 is 0.85%
The cumulative realized and unrealized losses is 0.85%

1. Source: JPMorgan
2. Source: Price implied by Markit Default Swap Calculator. Assumes flat curve and 40% deal recovery, yield curve for USD, May 29, 2009.
Note: The lower of Moody's or S&P rating is shown

Markit Index Summary and Breakdown: iTraxx 6

As of: 05/29/09

10yr iTraxx 6 Spread¹ Price²
125.50 95.16



Top 25 Spread Contributors

	Name	Spread (bps)
1.	THOMSON (EX-TMM)	2,954.71
2.	CONTINENTAL AG	727.23
3.	ITV PLC	659.11
4.	DSG INTERNATIONAL PLC	652.73
5.	GLENCORE INTERNATIONAL AG	638.07
6.	ARCELOR FINANCE SCA	471.75
7.	THYSSENKRUPP AG	415.74
8.	STORA ENSO OYJ	410.17
9.	ALLIANCE BOOTS PLC	390.94
10.	VOLVO TREASURY AB	328.28
11.	RENAULT S.A.	327.03
12.	UPM-KYMMENE OYJ	310.33
13.	GKN HOLDINGS PLC	292.32
14.	BERTELSMANN AG	283.09
15.	PPR SA	281.50
16.	WPP FINANCE (UK) CORP	280.60
17.	AEGON N V	273.50
18.	SWISS RE AMERICAN HOLDING CORP	270.65
19.	LAFARGE SA	264.47
20.	PEUGEOT SA	240.15
21.	TELECOM ITALIA SPA	227.24
22.	AVIVA PLC	222.85
23.	GAS NATURAL SDG SA	214.98
24.	METRO AG	214.45
25.	VALEO SA	209.61

Index Defaults

	Name	Recovery
1.	N/A	N/A

1. Source: JPMorgan

2. Source: Price implied by Markit Default Swap Calculator. Assumes flat curve and 40% deal recovery, yield curve for USD, May 29, 2009.

Note: The lower of Moody's or S&P rating is shown

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