KILGOUR ADVISORY GROUP

Portfolio Manager Report

UWO Liquidating Trust – Quarter Ending 30 September 2010

Preamble

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

These reports are limited to the confidential use of University of Western Ontario and its external audit and legal advisors and are not to be circulated beyond that group or be publicly published without consent of KAG except as disclosure may be required by regulatory or self-regulatory agencies having jurisdiction.

Credit Markets

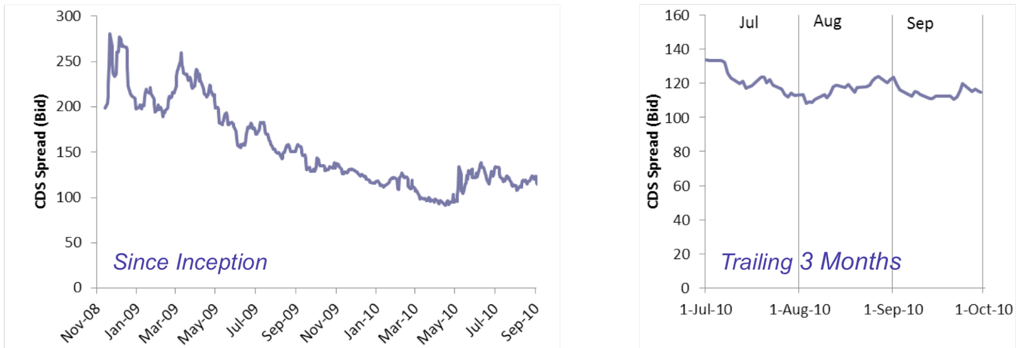
The economic concerns that were affecting markets at the end of Q2 – specifically, fears of sovereign debt defaults and downside risk in US and global economic recovery – continued to drive market volatility in the third quarter of 2010. The market has been responding to a mixed economic outlook: high US unemployment rates and rising consumer savings rates appear to indicate continued threat to recovery and growth. This is in contrast to a reasonably strong showing in corporate earnings and a continued highly accommodating US monetary policy (i.e. historically low real interest rates).

The credit markets reflected this contrasting outlook with continued volatility through the third quarter. July began with a tightening trend that was reversed in August as sovereign debt concerns returned. Ultimately, the tightening returned in September. In all, Q3 ended with credit spreads tighter than at the end of Q2.

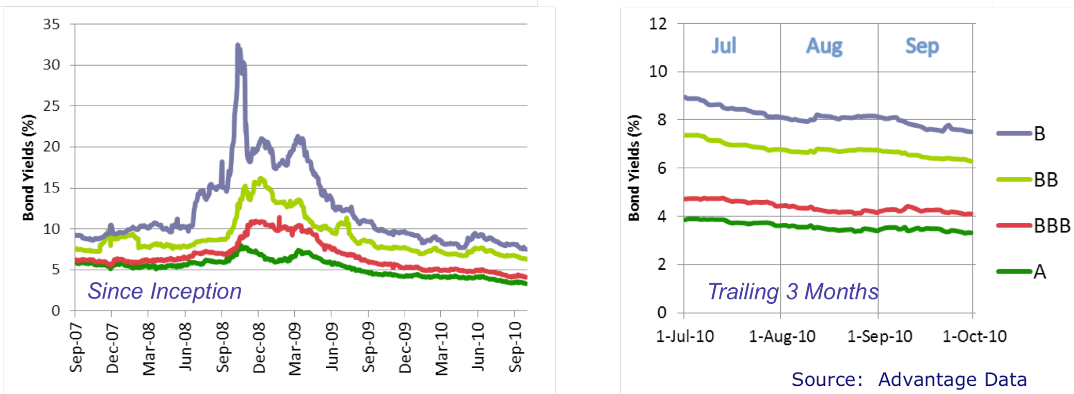
The movements in bond yields and credit default swap premiums over time and during Q3 are tracked in the charts below. The upper charts below show the Credit Default Swap Index for Investment Grade rated US corporations ('CDX IG')[1]. The CDX IG index fell in July, widened in August, and then ended September tighter. The lower charts track bond yields by S&P ratings cohorts. Similarly, bond yields showed volatility during the summer months but ended the quarter tighter. The High Yield cohorts (viz. BB and B) were more volatile than Investment Grade.

[1] Series 11 is shown as this was the on-the-run (i.e. current) index at the time of the ABCP restructuring.

CDX IG Series 11 (5Y)



S&P Bond Cohorts



Risk Assessment – MAV2 Pooled Notes

In evaluating UWO LT's MAV2 Pooled Note holdings (~$18.5 mm par value)_KAG uses a risk assessment framework that tracks credit risk, margin trigger risk, collateral risk, and structuring risk. Our analysis of each element of this framework forms our view on the overall risk facing the notes in the portfolio.

Credit Risk

The assessment of credit risk focuses on the potential for losses within the portfolio of Leveraged Super Senior ('LSS') credit default swaps that underlie the MAV2 Pool. When the original non-bank asset-backed commercial paper was restructured, all eligible LSS trades and their collateral were 'pooled'. Today, there are 69 LSS trades with a total notional value at risk of $73 Bn; these are collateralized by the $9.8 Bn of assets in the collateral pool.

One simple metric of credit risk is the state of the broad credit markets. Because the LSS pool is large and diverse, it is generally exposed to US and, to a lesser degree, European corporate credit risk. At a high level, the broad improvement in corporate credit during Q3 indicates a reduction in credit risk and is beneficial to the value of the MAV2 Pooled notes.

It is not sufficient, however, to consider only the general state of the credit markets when assessing credit risk. It is also important to analyse the idiosyncratic risk of each specific LSS. KAG maintains a segmentation of the LSS pool whereby each individual trade is categorized as Severe, High, Elevated, Guarded, or Low risk. At the end of September 2010, there were only two LSS trades – Trades #1 and #7 – that were identified as of Severe risk. There were no LSS trades in the 'High' risk category. There were five trades in the neutral 'Elevated' category and the rest of the 69 LSS deals were judged 'Guarded' or 'Low' risk.

Therefore, Trades #1 and #7 are the most immediate source of credit risk for the MAV2 Pooled notes. Trades #1 and #7 are two Leveraged Super Senior trades with Deutsche Bank as the 'asset provider'. They contain portfolios that are identical in composition and allocation and have the same leverage (2.5X). Trades #1 and Trade #7 together have levered amounts at risk of $324 million representing about 3% of the MAV2 Pool.

Trade #1 and #7 are at risk of loss. If there are further defaults among the corporate entities in these portfolios that cause losses equal to 2.5% of the portfolio notional value, then the MAV2 Pool will realize losses. Looking at the individual corporate names, there are a number of distressed credits that could conceivably default (see table below). On the positive side, these trades do benefit from having a maturity date of June 2012 – a shorter time to maturity reduces the risk of defaults.

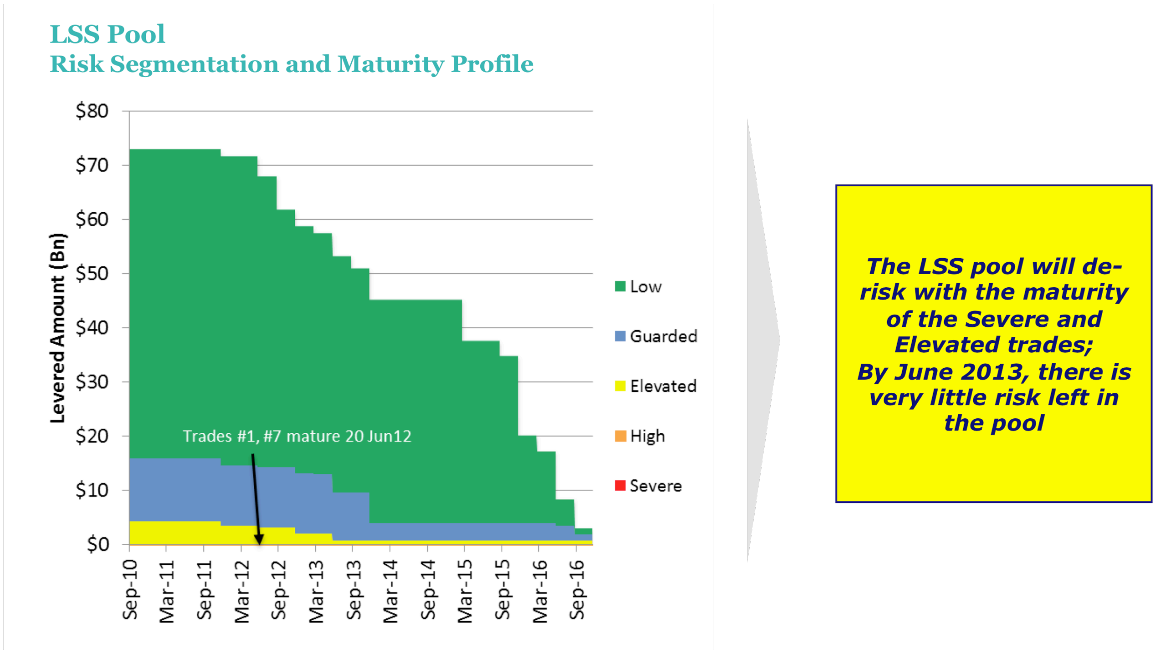
Trade #1 and #7 –Names with Highest CDS Spread

Reference Entity	3 Yr CDS Spread (bps) 30-Sep-10	3 Yr CDS Spread (bps) 31-Aug-10	3 Yr CDS Spread (bps) 30-Jul-10	3 Yr CDS Spread (bps) 30-Jun-10	Pctg of Notional	Sector (Blackrock)
Ambac Financial Group Inc.	14,200	9,907	8,830	7,542	1.20%	Property & Casualty
MBIA Insurance Corp.	3,536	4,346	4,160	4,291	2.41%	Property & Casualty
Hovnanian Enterprises Inc.	1,457	1,704	1,309	1,352	0.48%	Home Construction
Clear Channel Communications Inc.	1,274	1,370	1,337	1,513	1.32%	Media Non Cable
MGM Mirage	1,036	1,116	1,057	1,104	0.48%	Gaming
First Data Corp.	893	1,060	974	1,041	0.60%	Technology
Boyd Gaming Corp.	859	946	873	967	0.30%	Gaming
Beazer Homes USA Inc.	603	728	628	758	0.90%	Home Construction
Radian Group Inc.	606	688	662	693	1.20%	Property & Casualty
Meritage Homes Corp.	613	662	652	507	0.60%	Home Construction
Financial Security Assurance Hldg LTD	638	635	618	809	1.81%	Property & Casualty
International Lease Finance Corp.	440	571	535	628	1.43%	Non Captive Diversified
American Axle & Manufacturing Inc.	527	571	510	671	0.51%	Automotive
Unisys Corp.	479	550	551	598	0.60%	Technology
ArvinMeritor Inc.	488	532	481	612	0.51%	Automotive
Residential Capital Corp.	470	502	424	572	0.48%	Property & Casualty
Weighted Average	2,273	2,119	1,959	1,952		
Weighted Average ex. ABK	1,220	1,432	1,352	1,459		

Source: Advantage Data

If Trades #1 and #7 do default and realize 100% loss on the $324 million of exposure, then the MAV2 Class C notes held by UWO LT would become worthless and the Class B notes would have a reduction in principal redemption value to approximately 80% of par. There would be no direct impact on the redemption value of the Class A-2 or A-1 notes. To reflect this potential loss as well as other risk factors, the junior notes trade at a significant discount to par value; at 30 September, UWO LT carried the C notes at $0.03 to $0.05 and the B notes at $0.345.

As stated above, reduction in time to maturity is a mitigating factor for credit risk. The chart below tracks the maturity profile of the LSS pool using KAG's risk categorization of each LSS trade. It is notable that the highest risk LSS assets mature early in the life of the pool. Trades #1 and #7 are scheduled to mature in June 2012 (or default sooner). Roughly half of the 'Elevated' risk trades will mature a year later. The risk profile of the remaining LSS exposures should be much more stable. Additionally, there is no release of collateral expected upon maturity of the individual LSS trades, so the leverage ratio will decline. By June 2013, the LSS pool will be significantly de-risked and de-levered.



Margin Trigger Risk

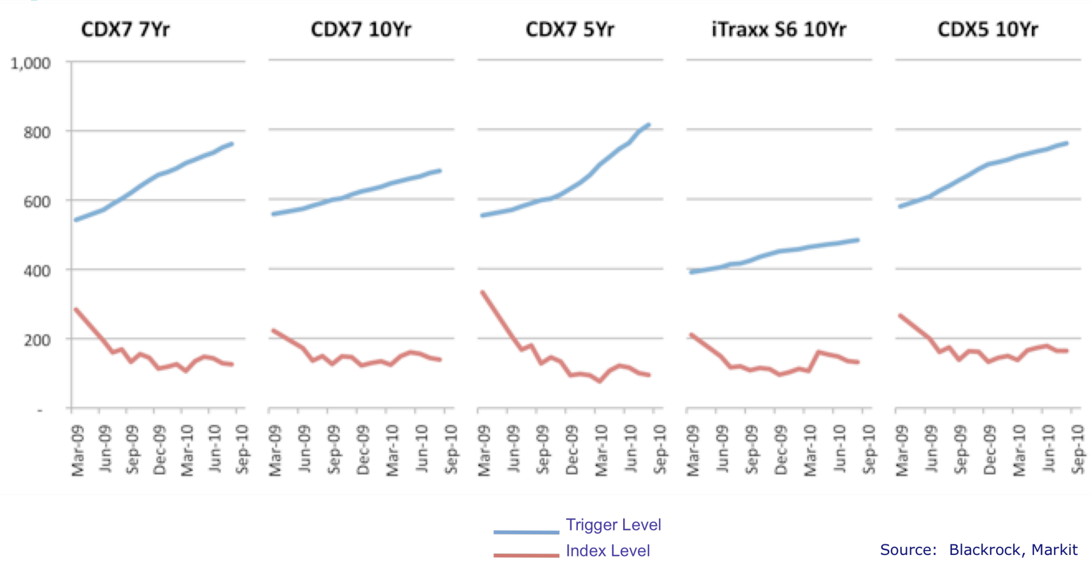
In spite of the market volatility, there were no new defaults during Q3 in any of the reference indices for the MAV2 Spread-Loss margin triggers. Total loss levels are unchanged since Q4 of 2009. Specifically, the total losses on the CDX North American IG7 and IG5 indices are 1.11%; the total losses on the iTraxx Europe series 6 is 0.29%.

The trigger indices are compared to the margin trigger[2] levels for each of the five reference indices in the series of charts below. The upper blue lines represent the trigger level; the lower red lines represent the actual index levels. A 'trigger breach' would occur if, at any time, a red line crosses above a blue one.

There has been significant divergence of these lines since the inception of the notes and that this divergence continued in Q3 2010. The trigger levels (blue) are set based on a predefined function of the loss level of the reference index and the remaining time to maturity. With no increase in losses, the trigger levels have steadily increased and therefore have become more remote. The index levels themselves (red) have declined with the general improvement in credit markets as discussed above. On average, the index levels were 17.3% of the trigger levels as at the end of September. Put another way, the index would have to widen by almost 6 times before a trigger would be breached. KAG continues to view the risk of triggering margin calls as very remote.

[2] The margin triggers for the Pooled Notes take the form of 'spread-loss' triggers whereby a limit is defined in terms of the market spread of a reference index (e.g. CDX IG7) and determined within a matrix of actual loss and remaining time to maturity. Losses within the reference indices have the impact of lowering the 'margin trigger' spread limit, thereby increasing the risk of margin calls. The passage of time – and resulting decrease in time to maturity – has the effect of increasing the spread limit and, all else being equal, reduces the risk of a margin call. The margin triggers are important because if the market spread on the reference index exceeds the trigger level, MAV2 must draw upon its margin funding facility to post margin. If credit markets deteriorate significantly, there is a possibility that the margin funding facility will not be large enough to post sufficient margin. This would result in the underlying assets in MAV2 defaulting and would entail significant losses to investors.

Trigger Indices Relative to Trigger Levels
(bps)

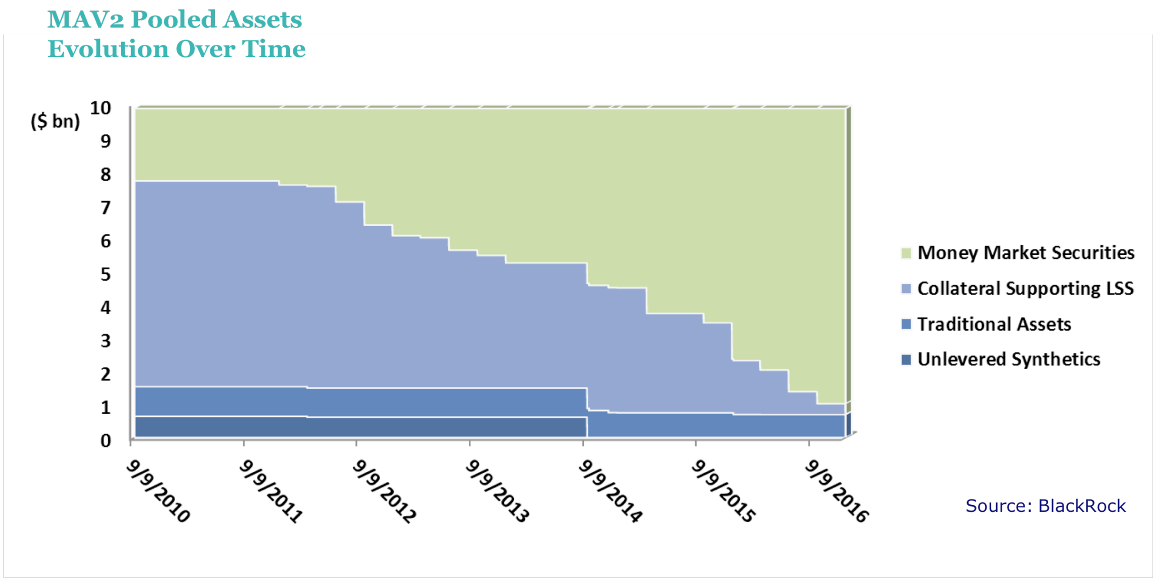


Collateral Risk

The Leveraged Super Senior pool is supported by $9.8 Bn of collateral. These assets are available to the LSS counterparties in the case that an LSS trade defaults. At the maturity of the notes, the remaining collateral will be 'released' and distributed to the noteholders as return of principal. Therefore, it is important to monitor the quality of the collateral pool itself in order to be assured that funds will be available to investors at maturity.

The collateral pool is generally composed of high-quality, low risk assets. One exception is the three CDO-squared assets that have been highlighted by DBRS and others as potentially risky. These assets have been stable and realized no additional losses in Q3. KAG continues to monitor the disclosures from BlackRock, the asset administrator, regarding these assets.

The collateral pool, like the LSS pool that it supports, will benefit from de-risking as time passes. The chart below shows the projected evolution of the asset composition of the collateral pool. Most significantly, the pool will gradually convert to low-risk money market securities as the original assets mature and the cash is reinvested.



Structuring Risk

KAG monitors for adverse affects of 'structuring risk', which is a general category that encompasses errors in drafting or application of legal documents, changes in regulatory environment, etc. For example, the new 'Dodd- Frank' financial regulations legislation in the US could potentially impact the MAV2 Pooled notes. KAG views this as a remote risk given that it would require an extreme extra-territorial reach for US laws to impact Canadian investors, the likely 'grandfathering' of the MAV notes, and the political influence that is likely to be brought to bear.

The MAV2 A-1 and A-2 notes are rated by the Dominion Bond Rating Service ('DBRS'). On September 21st, DBRS upgraded the Class A-1 notes to A (high) from A. The reasons cited for the upgrade were: broad improvement in credit markets, the remoteness of the spread-loss margin triggers, and some actions taken to address some 'legal and structural issues' that were non-standard from a rating agency perspective. DBRS continues to rate the A-2 notes BBB (low)

Risk Assessment – MAV2 Class 13s

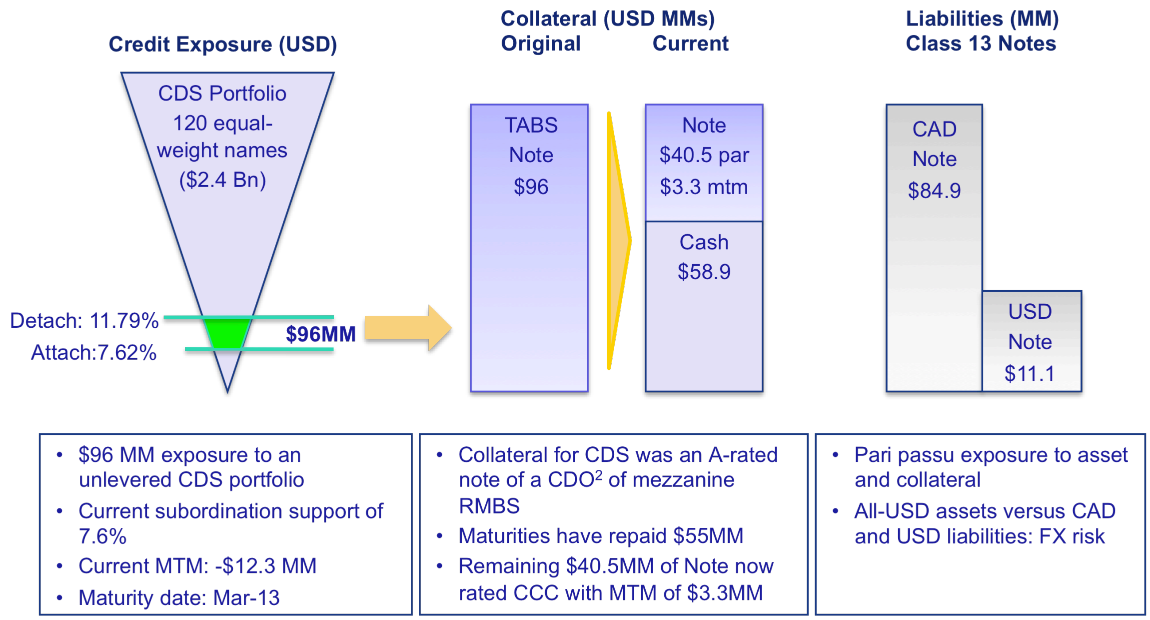
In addition to the MAV2 Pooled notes, UWO LT holds approximately $650,000 of the MAV2 Class 13 Ineligible Asset Tracking note. The structure of this note is summarized in the diagram on the following page.

This note has a US$96 million unlevered credit exposure to a portfolio of Credit Default Swaps. This credit exposure has a current attachment point of 7.62%; it would take additional *losses* (as opposed to defaults) amounting to 7.62% of the remaining portfolio prior to the first dollar of loss on the credit exposure. The credit exposure matures in March 2013.

The collateral for the credit derivatives exposure was originally a US$96 million 'TABS note', which was the senior note of a credit structure with exposure to US sub-prime mortgage. The current par value of this note is US$40.5 million; there has been a total of US$55 million repaid on the note that is currently being held as cash collateral. The remaining portion of the TABS note is likely to realize losses: it is currently rated CCC and has a mark-to-market value of US$3.3 million.

The Class 13 notes outstanding against these assets are CAD$84.9 million plus US$11.1 million.

Summary: MAV2, Class 13



In assessing the value and potential return of the Class 13s, we again consider the credit risk of the CDS portfolio and the collateral risk of the TABS note plus cash balance.

In terms of credit risk, this is a maturing portfolio (2.5 years to maturity) with a considerable cushion against loss (the 7.62% attachment point). Although the portfolio does contain some risky names as identified by BlackRock, it would require somewhere between 8 and 14 additional defaults to break the attachment point and causes losses on the credit exposure. KAG views this credit exposure as relatively risk remote. It is most likely that the credit exposure will mature without losses. Thus, the note holder is primarily exposed to collateral risk – what moneys will be available to pay down the Class 13 notes at maturity?

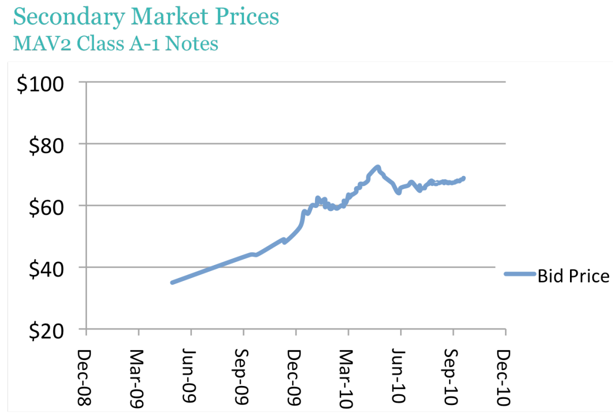
The collateral risk is bifurcated between the highly risky remaining principal outstanding on the TABS note and the virtually riskless cash balance. At least, the note holder will receive ~$57 per $100 of par value based on the cash alone. There is also some upside potential from further maturities and principal repayments on the TABS note, although these are much less certain or likely.

Secondary Market Activity

July and August saw lower secondary prices and thinner markets for the MAV notes. This trend was reversed in September with renewed market activity and a small run-up in market prices. Prices ended the quarter slightly up from the end of Q2. MAV2 Class A-1 Notes were bid 69 cents as at the end of September, up from 67 at the end of June. Class A-2s were bid 59 cents, down from 61 cents at the end of Q2.

The secondary market activity and interest continues grow as new investors enter the market. However, fluctuations in bid prices continue to be driven more by liquidity factors than the underlying credit quality of the MAV notes.

UWO LT was able to wait out the illiquidity of July and August and was successful in selling a portion of its portfolio at the end of September. The sales raised cash to pay out unitholders who elected or were required to liquidate their holdings in the Trust. As well, a portion of the AB Notes portfolio was converted to cash and invested in a highly-rated money market fund as a measure to reduce the risk in the portfolio – particularly to mitigate the risk of being forced to sell into an illiquid market in the future.



The sale of notes in September included only MAV2 Pooled notes. It was decided that the market for the MAV2 Class 13s was too thin (one bidder) and too deeply discounted. Market bids for the Class 13s were in the 37 to 40 range, which implies an IRR of approximately 25% for what has been assessed as a low risk claim on the cash collateral with some upside from the remaining TABS note collateral. On this basis, the Class 13 notes were not marketed at that time.

Portfolio Valuation

The Market Value of the Portfolio as at 30 September 2010 was CAD$11.61 million, down from CAD$13.65 million at 30 June 2010.

UWO Liquidating Trust

Re-Structured Asset Backed Notes

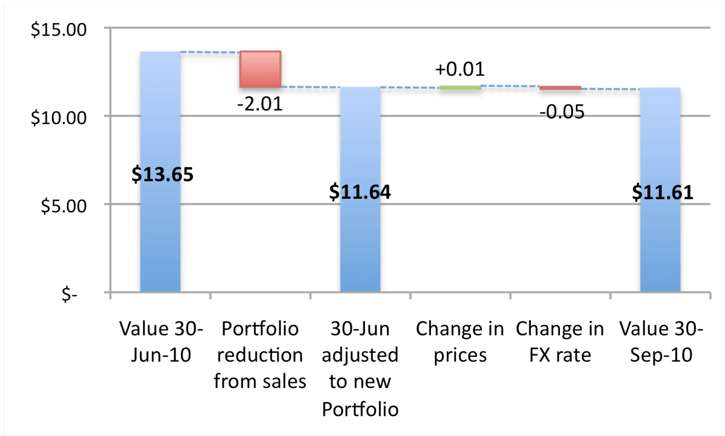
Valuation as of:	**30-Jun-10**			**30-Sep-10**		
			CAD:USD			CAD:USD
			1.06265			1.02585
Notes	**Par Value (Local currency)**	**Price (Local currency)**	**Market Value (CAD)**	**Par Value (Local currency)**	**Price (Local currency)**	**Market Value (CAD)**
Class A-1	10,585,264	67.25	7,118,590	8,997,474	69.00	6,208,257
Class A-2	6,964,136	61.50	4,282,944	5,919,516	59.02	3,493,698
Class B	1,264,178	34.00	429,821	1,074,551	34.50	370,720
Class C	582,908	7.00	40,804	495,472	5.00	24,774
IA Tracking Note Class 13	316,001	39.13	123,651	316,001	37.00	116,920
Class A-1 (USD)	2,116,920	67.25	1,512,819	1,799,382	68.50	1,264,439
Class C (USD)	65,689	7.00	4,886	55,836	3.00	1,718
IA Tracking Note Class 13 (USD)	333,292	39.13	138,588	333,292	37.00	126,506
Total (Local currency)	$ 22,228,388			$ 18,991,524		
Total (CAD)	$ 22,386,009		$ 13,652,102	$ 19,048,097		$ 11,607,032
Wtd Average (CAD)		60.98			60.94	

There were a number of positive and negative factors that contributed to the quarter-to-quarter change in the value of the portfolio. These factors are summarized below and are decomposed in the chart on the following page.

- *Sale of Notes with par value of CAD$3.2 MM*. UWO LT sold a portion of its MAV2 Pooled notes at the end of September. The impact on market value of this reduction in the portfolio is isolated in the chart below. As well, the reduced portfolio is valued using the pricing and foreign exchange parameters of 30 June (see '30-Jun adjusted to new portfolio').

- *Change in prices*. As can be seen in the table on the preceding page, the quarter-to-quarter change in prices varied in direction and magnitude. The net effect – in isolation from currency fluctuations – was a slight benefit to the value of the portfolio.
- *Change in FX rate.* Because UWO LT holds both Canadian and US dollar denominated notes, the Canadian value of the portfolio is subject to the change in foreign exchange rates between the two currencies. During the quarter, the CAD:USD rate fell from 1.06265 to 1.02585. This had a marginal detrimental effect on Canadian dollar value of the portfolio.

Factors Influencing Change in Portfolio Value
(CAD millions)



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In summary, Q3 was characterized by somewhat volatile but improving credit markets. UWO LTs holdings of Asset-Backed notes was reduced in value largely due to sales of notes. While there was also an increase in prices it was more than offset by an adverse change in USD:CAD exchange rates. Considerable de-levering and risk reduction is projected for the MAV2 Pool over the next two and a half years to three years. As we head into Q4, the secondary market is increasingly active which would enable UWO LT to sell a portion of the portfolio but the market continues to trade at a persistent illiquidity and complexity discount. The market for the MAV2 Class 13 notes is largely illiquid and at a too-steep discount to intrinsic value. KAG continues to believe that UWO LT's strategy of holding its portfolio of notes for a gradual liquidation as required rather than selling all notes at current prices is financially prudent.

Kilgour Advisory Group
28 October 2010

GLOSSARY OF TERMS

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

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