

PROSPECTUS

Initial Public Offering

February 27, 2006



CAPITAL MARKETS INC.



INVESTMENT MANAGEMENT LTD.

CONNOR, CLARK & LUNN ROC PREF CORP.
\$150,000,000 Maximum (6,000,000 Preferred Shares)
\$25.00 per Preferred Share

This prospectus qualifies the issuance by Connor, Clark & Lunn ROC Pref Corp. (the “Company”) of redeemable, retractable cumulative preferred shares (the “Preferred Shares”). It is a condition of closing that the Preferred Shares be assigned a rating of at least P-1 (low) by Standard & Poor’s, a division of The McGraw Hill Companies, Inc. (“S&P”).

The Company’s investment objectives with respect to the Preferred Shares are (i) to pay to holders of Preferred Shares (“Holders”), on or about June 30, 2011 (the “Redemption Date”), an amount per Preferred Share equal to the original subscription price of \$25.00 per Preferred Share and (ii) to provide Holders with quarterly fixed cumulative preferential distributions of \$0.29375 per Preferred Share (\$1.1750 per annum to yield 4.70% on the subscription price of \$25.00 per Preferred Share). The first distribution, which covers the period from closing to June 30, 2006, is expected to be \$0.37101 per Preferred Share based on the anticipated closing date of March 8, 2006. Preferred Share distributions will consist primarily of returns of capital and may include capital gains dividends.

The Company will invest the net proceeds of the offering of Preferred Shares (the “Offering”) in order to obtain exposure to a credit linked note (the “Credit Linked Note”). It is a condition of closing that the Credit Linked Note be assigned a rating of at least A– by S&P. The return on the Credit Linked Note will be linked to the number of defaults experienced over the term of the Credit Linked Note among the companies in an equally weighted portfolio (the “CLN Portfolio”) of approximately 120 to 140 companies (the “Reference Companies”), all of which are currently rated investment grade by S&P. See “The Credit Linked Note”. Holders will be exposed, by virtue of the Forward Agreement (as defined below), to the credit risk of the Reference Companies in the CLN Portfolio and may suffer a partial loss of their investment if cumulative losses, net of recoveries (assuming the Indicative Recovery Rate (defined below)) exceed 2.82% of the initial value of the CLN Portfolio (which is 4.7 times the historical average five year default rate). Holders may suffer a loss of their entire investment if cumulative losses, net of recoveries (assuming the Indicative Recovery Rate) exceed 3.57% of the initial value of the CLN Portfolio (which is 6.0 times the historical average five year default rate). See “The Credit Linked Note — Structure of the Credit Linked Note”.

In order to provide the Company with the means to meet its investment objectives, the Company will use the net proceeds of the Offering to pre-pay its purchase obligations under a forward purchase and sale agreement (the “Forward Agreement”) which the Company will enter into with The Bank of Nova Scotia (the “Counterparty” or “BNS”) pursuant to which the Company will receive on or before June 30, 2011 (the “Termination Date”) a specified portfolio consisting of securities (“Canadian Securities”) of Canadian public issuers that are “Canadian securities” for the purposes of the *Income Tax Act* (Canada) (the “Tax Act”) with a value equal to an amount determined based on the economic return generated by the Credit Linked Note. The Credit Linked Note will be issued by BNS, a Canadian chartered bank whose long-term debt is currently rated AA– by S&P. The Credit Linked Note will be owned by a newly created investment trust (“Credit Trust IV”). Specifically, under the Forward Agreement, the Counterparty will deliver, on the Termination Date, a specified portfolio of Canadian Securities (the “Canadian Securities Portfolio”) with an aggregate value related to the net redemption proceeds of a corresponding number of units of Credit Trust IV. See “Investment Objectives and Strategy of the Company” and “Investment Guidelines of the Company”.

Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) has been retained to act as manager for both the Company and Credit Trust IV and will be responsible for providing or arranging for the provision of administrative services required by both the Company and Credit Trust IV. See “Management of the Company — The Manager” and “Management of Credit Trust IV — The Manager”. The Manager will appoint Connor, Clark & Lunn Investment Management Ltd. (the “Investment Advisor”) as investment advisor to Credit Trust IV. The Investment Advisor will be responsible for the execution of the investment strategy of Credit Trust IV, including determining and actively managing the CLN Portfolio in order to mitigate the risks associated with such portfolio. See “Management of Credit Trust IV — The Investment Advisor”.

Price: \$25.00 per Preferred Share

	Price to Public⁽¹⁾	Agents’ Fee	Net Proceeds to the Company⁽²⁾
Per Preferred Share	\$25.00	\$0.75	\$24.25
Total Minimum Offering ⁽³⁾	\$75,000,000	\$2,250,000	\$72,750,000
Total Maximum Offering	\$150,000,000	\$4,500,000	\$145,500,000

- (1) The offering price was established by negotiation between the Manager and the Agents.
- (2) Before deducting the expenses of issue which are estimated to be \$500,000 in the case of the minimum Offering, which together with the Agents’ fee will be paid out of the proceeds of the Offering.
- (3) There will be no closing unless a minimum of 3,000,000 Preferred Shares are sold. If subscriptions for a minimum of 3,000,000 Preferred Shares have not been received within 90 days following the date of issuance of a receipt for this prospectus, the Offering may not continue without the consent of the Canadian securities regulators and those who have subscribed for Preferred Shares on or before such date.

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The Company is considered to be a mutual fund corporation, but expects to obtain exemptive relief from certain of the protections provided by the policies of the Canadian securities regulators applicable to conventional mutual funds. There can be no assurance that the Company will be able to achieve its capital repayment objective or its distribution objective. See “Risk Factors” for a discussion of certain factors that should be considered by prospective investors in Preferred Shares.

Preferred Shares may be surrendered for retraction at any time and will be redeemed by the Company on the Redemption Date. See “Details of the Offering — Certain Provisions of the Preferred Shares”.

The Toronto Stock Exchange has conditionally approved the listing of the Preferred Shares, subject to fulfillment by the Company of the requirements of such exchange by May 16, 2006, including distribution to a minimum number of Holders.

There is currently no market through which Preferred Shares may be sold and purchasers may not be able to resell Preferred Shares purchased under this prospectus. The Agents (as defined below) may over-allot or effect transactions as described under “Plan of Distribution”.

In the opinion of Stikeman Elliott LLP, counsel to the Company, and McMillan Binch Mendelsohn LLP, counsel to the Agents, the Preferred Shares, if and when listed on a prescribed stock exchange, will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

Scotia Capital Inc. (“Scotia”) is an Agent (as defined below) of the Offering and is an affiliate of a Canadian chartered bank which is the Counterparty under the Forward Agreement and the issuer of the Credit Linked Note. As a result, the Company may be considered a connected issuer of Scotia. See “Interest of Management and Others in Material Transactions” and “Risk Factors — Roles of BNS”.

The Preferred Shares do not represent an interest in, or an obligation of the Counterparty or any affiliate thereof. Holders of Preferred Shares will not have any recourse against the Counterparty or any affiliate thereof in respect of any payments due to the Company or Holders.

Scotia, CIBC World Markets Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., HSBC Securities (Canada) Inc., Richardson Partners Financial Limited, Wellington West Capital Inc., Desjardins Securities Inc., Canaccord Capital Corporation and Raymond James Ltd. (collectively, the “Agents”), as agents, conditionally offer the Preferred Shares for sale on a best efforts basis, subject to prior sale, if, as and when issued by the Company and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution” and subject to approval of certain legal matters on behalf of the Company and the Manager by Stikeman Elliott LLP and on behalf of the Agents by McMillan Binch Mendelsohn LLP.

Subscriptions for the Preferred Shares offered hereby will be received subject to acceptance or rejection in whole or in part and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about March 8, 2006, but no later than April 13, 2006. Registrations and transfers of Preferred Shares will be effected only through the book-entry only system administered by The Canadian Depository for Securities Limited (“CDS”). Beneficial owners of Preferred Shares will not have the right to receive physical certificates evidencing their ownership.

Credit Trust IV has agreed to obtain a receipt for a prospectus of Credit Trust IV from L’Autorité des marchés financiers and deliver a copy of such prospectus to purchasers in the Province of Québec prior to the purchase of Preferred Shares by any person in the Province of Québec.

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PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

- Issuer:** Connor, Clark & Lunn ROC Pref Corp. (the “Company”) is a corporation incorporated under the *Canada Business Corporations Act* which invests its assets in accordance with the investment objectives and strategy described under “Investment Objectives and Strategy of the Company”.
- Offering:** The offering consists of redeemable, retractable cumulative preferred shares (the “Preferred Shares”) of the Company (the “Offering”).
- Rating:** It is a condition of closing that the Preferred Shares be assigned a rating of at least P-1 (low) by Standard & Poor’s, a division of The McGraw Hill Companies, Inc. (“S&P”). S&P has indicated that its rating of the Preferred Shares addresses the ability of the Company to meet the capital repayment and distribution objectives of the Company with respect to the Preferred Shares. The rating will be based on a number of factors, including the structure of the Company, Credit Trust IV and the Credit Linked Note (as defined below), and an assessment of the creditworthiness of the counterparty to the Forward Agreement (as defined below) and the financial institution which will issue the Credit Linked Note. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by S&P.
- Issue:** Minimum \$75,000,000 (3,000,000 Preferred Shares).
Maximum \$150,000,000 (6,000,000 Preferred Shares).
- Price:** \$25.00 per Preferred Share.
- Investment Objectives:** The Company’s investment objectives are:
- (i) capital repayment: to pay holders of Preferred Shares (“Holders”) on or about June 30, 2011 (the “Redemption Date”) an amount per Preferred Share equal to the original subscription price of \$25.00 per Preferred Share; and
 - (ii) distribution: to provide Holders with quarterly fixed cumulative preferential distributions of \$0.29375 per Preferred Share (\$1.1750 per annum to yield 4.70% on the original subscription price of \$25.00 per Preferred Share). Preferred Share distributions will consist primarily of returns of capital and may include capital gains dividends.
- Investment Strategy:** The Company will invest the net proceeds of the Offering in order to obtain exposure to a credit linked note (the “Credit Linked Note”). It is a condition of closing that the Credit Linked Note be assigned a rating of at least A – by S&P. The return on the Credit Linked Note will be linked to the number of defaults experienced over the term of the Credit Linked Note among companies in an equally weighted portfolio (the “CLN Portfolio”) of approximately 120 to 140 companies (the “Reference Companies”) all of which are currently rated investment grade by S&P. In addition, from time to time, the Company may invest in cash, cash equivalents and Canadian Securities. See “The Credit Linked Note — CLN Portfolio”, “Investment Objectives and Strategy of the Company”, “Investment Guidelines of the Company — Investment Restrictions of the Company” and “Investment Guidelines of Credit Trust IV”.
- In order to meet its investment objectives, the Company will use the net proceeds of the Offering to pre-pay its purchase obligations under a forward purchase and

sale agreement (the “Forward Agreement”) which the Company will enter into with The Bank of Nova Scotia (the “Counterparty” or “BNS”). Under the Forward Agreement, the Company will receive on or before June 30, 2011 (the “Termination Date”) a specified portfolio consisting of securities (“Canadian Securities”) of Canadian public issuers that are “Canadian securities” for the purposes of the *Income Tax Act* (Canada) (the “Tax Act”) with a value equal to an amount determined based on the economic return generated by the Credit Linked Note. Specifically, under the Forward Agreement, the Counterparty will deliver, on the Termination Date, a specified portfolio of Canadian Securities (the “Canadian Securities Portfolio”) with an aggregate value related to the net redemption proceeds of a corresponding number of units of Credit Trust IV. The Company will then sell the Canadian Securities into the market in order to fund the redemption of Preferred Shares.

The Credit Linked Note will be issued by BNS, a Canadian chartered bank whose long-term debt is currently rated AA– by S&P. The Credit Linked Note will be owned by a newly created investment trust (“Credit Trust IV”). See “Investment Objectives and Strategy of the Company” and “Investment Guidelines of the Company — Forward Agreement”.

The Company will partially settle the Forward Agreement prior to the Redemption Date in order to fund quarterly distributions as well as retractions of Preferred Shares by Holders and expenses and other liabilities of the Company.

Distributions:

Holders of Preferred Shares will be entitled to receive quarterly fixed cumulative preferential cash distributions of \$0.29375 per Preferred Share (\$1.1750 per annum to yield 4.70% on the subscription price of \$25.00 per Preferred Share) which will be paid to Holders on or about the last Business Day of March, June, September and December of each year. Unless otherwise provided in this prospectus, “Business Day” means any day on which commercial banks are open for business in Toronto, Ontario. The Company expects that the initial distribution will be payable to Holders on June 30, 2006. The first distribution which covers the period from closing to June 30, 2006 is expected to be \$0.37101 per Preferred Share based on an anticipated closing date of March 8, 2006. Preferred Share distributions will consist primarily of returns of capital (which are generally not subject to tax upon receipt but which would reduce the adjusted cost base of the Holder’s Preferred Shares) and may in certain circumstances include capital gains dividends. See “Details of the Offering — Certain Provisions of the Preferred Shares — Distributions” and “Canadian Federal Income Tax Considerations”.

The Credit Linked Note:

The Credit Linked Note to be held by Credit Trust IV is a senior obligation of BNS which will mature on June 20, 2011. It is a condition of closing that the Credit Linked Note be assigned a rating of at least A– by S&P. The Credit Linked Note will be issued at 97% of par and will pay a fixed Canadian dollar coupon of at least 5.73% on the outstanding principal amount to yield 6.40% per annum. The combination of the accrual to par on the Credit Linked Note plus the amount of the coupon will be sufficient to pay expenses and enable the Company to fund distributions on the Preferred Shares and pay to Holders the original subscription amount of the Preferred Shares on the Redemption Date.

The return on the Credit Linked Note will be linked to the number of defaults experienced over its term among the Reference Companies in the CLN Portfolio, all of which are currently rated investment grade by S&P. The Credit Linked Note has been structured so that it is unaffected until net losses on the CLN Portfolio

exceed 2.82% of the initial value of the CLN Portfolio. The net loss on a Reference Company that defaults is calculated as the percentage exposure in the CLN Portfolio to such Reference Company reduced by the percentage recovery that would be realized on the sale of a bond or loan of such defaulted Reference Company. Based on a study by S&P entitled “Recovery Rates for Credits in Global Synthetic CDOs Q3 2005”, the average recovery rate experienced on entities in reference portfolios of synthetic CDOs between January 2000 and September 2005, weighted by credit event, was 37.3% of par value (the “Indicative Recovery Rate”). Based on the Indicative Recovery Rate, the value of the Credit Linked Note would be reduced by the sixth default among the Reference Companies in a CLN Portfolio comprised of 125 Reference Companies. To the extent the realized recovery rates are lower than the Indicative Recovery Rate, the Credit Linked Note would be affected by fewer defaults. To the extent that the realized recovery rates are higher than the Indicative Recovery Rate, the Credit Linked Note would be able to sustain more defaults.

It is a condition of closing that the Credit Linked Note be assigned a rating of at least A– by S&P. Such rating will be based on a number of factors, including the diversification, credit quality, expected default levels and recovery rates of the CLN Portfolio as well as the level of net losses that can be experienced by the CLN Portfolio without affecting the payment of interest on and the principal value of the Credit Linked Note.

Based on the worst case cumulative five-year historical default records over the twenty-four years ending 2005 and using the Indicative Recovery Rate, the Credit Linked Note would have paid all interest payments and repaid the full principal amount at maturity.

To the extent that cumulative losses, net of recoveries, incurred as a result of defaults exceed 2.82% of the initial value of the CLN Portfolio, the principal amount of the Credit Linked Note, and therefore the amount that will be paid to Credit Trust IV on maturity, will decline. Based on the Indicative Recovery Rate, the value of the Credit Linked Note would be reduced by the sixth default among the Reference Companies in a CLN Portfolio comprised of 125 Reference Companies. Interest on the Credit Linked Note will be calculated on the basis of the weighted average principal amount outstanding during each interest period. Accordingly, if the principal amount of the Credit Linked Note is reduced as a result of defaults in the CLN Portfolio, the amount of interest received by Credit Trust IV will decline. To the extent that cumulative losses in the CLN Portfolio, net of any recoveries, incurred as a result of defaults exceed 3.57% of the initial value of the CLN Portfolio, the Credit Linked Note will likely have no value on maturity. A “default” in respect of the Reference Companies in the CLN Portfolio includes the occurrence of bankruptcy, failure to pay or restructuring. In addition, if the Counterparty, as the issuer of the Credit Linked Note, were to default on its senior debt, Credit Trust IV would have, little or no assets, other than amounts recovered by Credit Trust IV on the defaulted Credit Linked Note. As a result, amounts payable by Credit Trust IV on redemption of its units and, consequently, the value of the Canadian Securities Portfolio to be delivered under the Forward Agreement, will be reduced.

BNS’s obligations arise solely under the Forward Agreement, the Credit Linked Note and the Note Repurchase Agreement. BNS is not acting as an investment advisor to Credit Trust IV or any other party under this Offering, will not be

responsible for investment, management or trading decisions with respect to the CLN Portfolio and BNS has no obligations of any kind to Holders.

The Credit Linked Note does not evidence a deposit and will not be insured by the Canada Deposit Insurance Corporation or any other insurer.

See “The Credit Linked Note — Certain Provisions of the Credit Linked Note” for a summary of the terms and conditions of the Credit Linked Note, including the terms and conditions relating to defaults and their impact on the Credit Linked Note, substitution rights, events of default and early redemption and valuation.

Net Asset Value:

The net asset value per Preferred Share will be calculated twice a month and, by virtue of the Forward Agreement and Credit Trust IV, will be based on the value of the Credit Linked Note. The value of the Credit Linked Note depends on the credit performance of the CLN Portfolio. The value of the Credit Linked Note will be determined by the Manager using a price indication provided by BNS (based on proprietary pricing models and assumptions as employed and adjusted by BNS from time to time which models may be highly subjective and, in constructing such pricing models, the Counterparty need not consider the interests of the Company or the Holders) and such other information as the Manager deems relevant. BNS will provide Credit Trust IV with a price indication of the value of the Credit Linked Note twice a month commencing after closing. See “The Credit Linked Note”. On closing of the Offering, as a result of Agents’ fees and other issue expenses, the Company’s net asset value per Preferred Share is estimated to be approximately \$24.08 in the case of the minimum Offering. Also in the case of the minimum Offering, the Credit Linked Note will have a fixed coupon of approximately 5.837%, which is expected to exceed the amount payable in connection with the annual Preferred Share distributions of \$1.1750 per Preferred Share and estimated annual fees and operating expenses of \$0.24 per Preferred Share by an amount which is expected to be equivalent to approximately \$0.04 per Preferred Share annually. This excess will be invested by Credit Trust IV in cash, Cash Equivalents (as defined below) and other evidences of indebtedness such that the Company will have sufficient funds to pay any shortfall in distribution or redemption payments on the Preferred Shares and to fund the Deferred Management Fee (as defined below). Any excess amounts remaining after such payments will form part of the assets of Credit Trust IV.

The actual payments of interest on and the actual principal value of the Credit Linked Note and the amount payable to Credit Trust IV on maturity thereof will be based on the credit performance of the CLN Portfolio.

As a result of the structure of the Credit Linked Note, the Credit Linked Note, and, by virtue of the Forward Agreement, the net asset value per Preferred Share, will exhibit greater price volatility in response to movements in corporate credit spreads than corporate bonds with comparable ratings and maturities.

See “The Credit Linked Note”.

CLN Portfolio:

The CLN Portfolio will be equally weighted and will provide exposure to the credit performance of between 120 and 140 Reference Companies (representing 0.83% to 0.71% exposure to each Reference Company). The Reference Companies in the CLN Portfolio will initially carry a weighted average rating of A– and are broadly diversified by industry and country. The Reference Companies will be selected and actively managed by the Investment Advisor (as defined below).

The following tables outline the distribution by S&P rating, country and industry of the companies selected by the Investment Advisor as being illustrative of the Reference Companies that will be included in the CLN Portfolio (the “Indicative CLN Portfolio”):

Rating	Number of Reference Companies	Percent of CLN Portfolio
AAA	6	4.8%
AA+	0	0.0%
AA	3	2.4%
AA-	9	7.2%
A+	20	16.0%
A	35	28.0%
A-	28	22.4%
BBB+	10	8.0%
BBB	9	7.2%
BBB-	5	4.0%
Total:	125	100.0%

Country	Number of Reference Companies	Percent of CLN Portfolio
United States	68	54.4%
United Kingdom	11	8.8%
Germany	10	8.0%
France	9	7.2%
Netherlands	5	4.0%
Switzerland	4	3.2%
Sweden	3	2.4%
Australia	3	2.4%
Spain	2	1.6%
Canada	1	0.8%
Belgium	1	0.8%
Italy	1	0.8%
Norway	1	0.8%
Bermuda	1	0.8%
Japan	1	0.8%
South Korea	1	0.8%
Portugal	1	0.8%
Finland	1	0.8%
Hong Kong	1	0.8%
Total:	125	100.0%

(1) Categorized by the Investment Advisor using the Global Industry Classification Standard adopted by S&P.

Industry Category ⁽¹⁾	Number of Reference Companies	Percent of CLN Portfolio
Telecommunications/Cellular Communications	15	12.0%
Utilities	14	11.2%
Insurance	13	10.4%
Chemicals/Plastics	7	5.6%
Financial Intermediaries	7	5.6%
Conglomerates	6	4.8%
Automotive	6	4.8%
Forest Products	6	4.8%
Drugs	4	3.2%
Beverage & Tobacco	4	3.2%
Business Equipment & Services	4	3.2%
Publishing	4	3.2%
Food Products	3	2.4%
Industrial Equipment	3	2.4%
Brokers/Dealers/Investment Houses	3	2.4%
Retailers (except food and drug)	3	2.4%
Food/Drug Retailers	2	1.6%
Farming/Agriculture	2	1.6%
Building & Development	2	1.6%
Leisure Goods/Activities/Movies	2	1.6%
Surface Transport	2	1.6%
Oil & Gas	1	0.8%
Electronics/Electric	1	0.8%
Cable and Satellite Television	1	0.8%
Cosmetics/Toiletries	1	0.8%
Equipment Leasing	1	0.8%
Food Service	1	0.8%
Health Care	1	0.8%
Home Furnishings	1	0.8%
Air Transport	1	0.8%
Nonferrous Metals/Minerals	1	0.8%
Steel	1	0.8%
REITs & REOCs	1	0.8%
U.S. Agency (Explicitly Guaranteed)	1	0.8%
Total:	125	100.0%

The Investment Advisor’s Approach to Selecting the CLN Portfolio:

The Investment Advisor will employ a number of screening techniques to construct the CLN Portfolio with the objective of minimizing the expected default rate within the context of providing the yield target necessary to pay the fixed distributions on the Preferred Shares. The Investment Advisor will consider such factors as:

- diversification by name, industry, country and region, taking into consideration such factors as related entities, parent/subsidiary relationships and guarantees;
- a statistical assessment of the expected default rate of the Reference Companies in the CLN Portfolio; and
- credit analysis from a quantitative and qualitative perspective, including a review of third party reports from rating agencies and others.

The Investment Advisor, on behalf of Credit Trust IV, will have certain substitution rights with respect to the Reference Companies in the CLN Portfolio. Any proposed substitution must comply with certain substitution procedures as set out in the terms of the Credit Linked Note, will be limited to an approved list of companies and will not be made if, at the time of the substitution, the then current rating of the Credit Linked Note would be downgraded based on S&P’s rating criteria. In addition, substitutions may only be made to the extent that there are sufficient amounts in the trading reserve account established by Credit Trust IV with BNS to offset any losses resulting from such substitutions. See “The Credit Linked Note — Certain Provisions of the Credit Linked Note”.

Credit Trust IV:

A newly created investment trust, Credit Trust IV, will acquire the Credit Linked Note. The initial holder of all of the units of Credit Trust IV will be the Counterparty or affiliates of the Counterparty.

The return to Holders will primarily be dependent, by virtue of the Forward Agreement, upon the return on the Credit Linked Note. The value of the Credit Linked Note depends on the credit performance of the CLN Portfolio. Neither the Company nor the Holders will have any ownership interest in Credit Trust IV or the Credit Linked Note held by Credit Trust IV.

Manager:

Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) will perform management services for both the Company and Credit Trust IV. The Manager will provide or arrange for the provision of all administrative services required by both the Company and Credit Trust IV and will supervise the activities of the Investment Advisor. The Manager has over \$1.2 billion in assets under management and is part of the Connor, Clark & Lunn Financial Group, a group of affiliated companies with aggregate assets under management of approximately \$30.5 billion as at December 31, 2005. See “Management of the Company — The Manager” and “Management of Credit Trust IV — The Manager”.

Investment Advisor:

The Manager will appoint Connor, Clark & Lunn Investment Management Ltd. (the “Investment Advisor”) as investment advisor to Credit Trust IV. The Investment Advisor will be responsible for the execution of Credit Trust IV’s investment strategy, including constructing the CLN Portfolio and actively managing the Reference Companies in the CLN Portfolio to which the return on the Credit Linked Note is linked in order to mitigate the risks associated with such portfolio. The Investment Advisor, also part of the Connor, Clark & Lunn Financial Group, was established in March 1982 and has offices in Vancouver and Toronto. The Investment Advisor managed assets worth approximately

\$18.5 billion as at December 31, 2005. See “Management of Credit Trust IV — The Investment Advisor”.

Retraction:

Preferred Shares may be surrendered for retraction at any time but will be retracted only on the last day of the month (a “Valuation Date”) commencing June 30, 2006. Preferred Shares surrendered for retraction by a Holder at least five (5) Business Days prior to a Valuation Date will be retracted on such Valuation Date and such Holder will receive payment on or before the tenth Business Day following such Valuation Date. On a retraction, Holders will be entitled to receive a retraction price per share (the “Preferred Share Retraction Price”) equal to 95% of the net asset value per Preferred Share determined as of the relevant Valuation Date less \$0.25. As this Preferred Share Retraction Price may be less than \$25.00 and will vary depending on the net asset value at the time of retraction, the S&P rating of the Preferred Shares does not extend to the amount payable on a retraction. See “Details of the Offering — Certain Provisions of the Preferred Shares — Retraction” and “Details of the Offering — Suspension of Redemption or Retractions of Preferred Shares”.

For purposes of determining the Preferred Share Retraction Price, the net asset value per Preferred Share will be equal to the aggregate value of (i) the Forward Agreement, and (ii) any other assets of the Company, less liabilities of the Company and less the amount paid for the Company’s Class A Shares, divided by the number of Preferred Shares outstanding. Liabilities will include any expenses previously funded by the Manager on behalf of the Company and Deferred Management Fees (as defined below) calculated as at the Valuation Date. The value of the Forward Agreement, at any time, will primarily depend on the value of the Credit Linked Note. See “Valuation”.

Redemption:

The Preferred Shares will be redeemed by the Company on the Redemption Date at a price per Preferred Share (the “Preferred Share Redemption Price”) equal to the lesser of (i) \$25.00 plus the Residual Amount (as defined below), if any; and (ii) the amounts received by the Company from the sale of Canadian Securities acquired by the Company under the Forward Agreement (which will be an amount related to the maturity value of the Credit Linked Note less any liabilities of Credit Trust IV), and on the disposition of any other assets of the Company, less liabilities of the Company and less the nominal amount paid for the Company’s Class A Shares, divided by the number of Preferred Shares outstanding. For this purpose, liabilities will not include any expenses previously funded by the Manager on behalf of the Company and Deferred Management Fees. The Company may also redeem Preferred Shares prior to the Redemption Date upon an acceleration of the Credit Linked Note following an Event of Default or otherwise. See “The Credit Linked Note — Certain Provisions of the Credit Linked Note” and “Details of the Offering — Certain Provisions of the Preferred Shares”.

The residual amount is equal to the amount, if any, remaining after payment of \$25.00 per Preferred Share issued and outstanding on the Redemption Date together with any accrued and unpaid distributions, setting aside the amount payable on the Company’s Class A Shares and payment to the Manager of any Deferred Management Fees and any fees and expenses previously funded by the Manager on behalf of the Company (the “Residual Amount”). There is no assurance that any such Residual Amount will remain.

Priority:

The Preferred Shares will rank prior to the Class A Shares of the Company with respect to the payment of distributions and the repayment of capital on the

dissolution, liquidation or winding up of the Company. As there will only be a nominal number of Class A Shares outstanding, virtually all of the gains (after payment of expenses) and all of the losses arising as a result of the Company's investments will be for the account of the Holders. See "Details of the Offering — Certain Provisions of the Preferred Shares".

Use of Proceeds:

The Company will use the net proceeds of the Offering to provide exposure to the economic return generated by the Credit Linked Note by virtue of the Forward Agreement. Under the Forward Agreement, the Company will acquire the Canadian Securities Portfolio having a value based on the economic return generated by the Credit Linked Note. See "Use of Proceeds".

Book-Entry Only System:

Registration of the interests in and transfers of the Preferred Shares will be made only through the book-entry only system of The Canadian Depository for Securities Limited ("CDS"). Preferred Shares must be purchased, transferred and surrendered for retraction or redemption through a participant in the CDS book-entry only system. Beneficial owners of Preferred Shares will not have the right to receive physical certificates evidencing their ownership of such Preferred Shares.

Eligibility for Investment:

In the opinion of Stikeman Elliott LLP, counsel to the Company, and McMillan Binch Mendelsohn LLP, counsel to the Agents, provided that the Preferred Shares offered hereby are listed on a prescribed stock exchange, the Preferred Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, and registered education savings plans.

Canadian Federal Income Tax Considerations

Taxation of the Company:

At the closing of the Offering, the Company will qualify and intends to continue to qualify as a mutual fund corporation under the Tax Act. As a mutual fund corporation the Company will be entitled to capital gains refunds in respect of (i) capital gains dividends paid by it; and (ii) qualifying redemptions to the extent that the Company has paid or is liable to pay Canadian federal income tax on its taxable capital gains. As a result thereof, and of the deduction of expenses in computing its taxable income, the Company should not be subject to any material net Canadian income tax liability.

Taxation of Holders:

Returns of capital distributed by the Company to Holders will generally not be subject to tax but will reduce the adjusted cost base of the Preferred Shares to the Holder. The amount of any capital gains dividend received by a Holder will be considered to be a capital gain of the Holder from the disposition of capital property in the taxation year of the Holder in which the capital gains dividend is received. Holders are not expected to receive distributions other than returns of capital and, in certain circumstances, capital gains dividends. A disposition of a Preferred Share held as capital property may result in a capital gain or a capital loss to the Holder thereof. A redemption or retraction of Preferred Shares is considered to be a disposition for these purposes.

For a detailed explanation of the Canadian federal income tax considerations, see "Canadian Federal Income Tax Considerations".

Risk Factors:

An investment in Preferred Shares is subject to certain risk factors, including:

- (i) there can be no assurance that the Company will be able to achieve its capital repayment objective or its distribution objective;

- (ii) there is no guarantee that the Credit Linked Note will earn any return and the Credit Linked Note could be subject to losses, including the fact that if defaults occur with respect to the Reference Companies in the CLN Portfolio, the principal amount of the Credit Linked Note may be reduced, possibly to zero;
- (iii) the net asset value of the Company will vary according to, among other things, interest rates, credit spreads, the overall performance of the debt markets and the value of the Credit Linked Note, and the Credit Linked Note will exhibit greater price volatility in response to movements in corporate credit spreads than corporate bonds with comparable ratings and maturities;
- (iv) there can be no assurance that the Preferred Shares or the Credit Linked Note will maintain their rating by S&P and relatively few defaults by Reference Companies in the CLN Portfolio may result in the rating on the Preferred Shares or the Credit Linked Note being lowered. Any lowering or withdrawal of such ratings may have a negative effect on the market value of the Preferred Shares;
- (v) Preferred Shares may trade in the market at a premium or discount to the net asset value per Preferred Share and there can be no assurance that Preferred Shares will trade at a price equal to the net asset value per Preferred Share;
- (vi) counterparty risks associated with the Forward Agreement and the Credit Linked Note;
- (vii) risks relating to BNS's various roles in the transaction;
- (viii) risks related to the CLN Portfolio and the Reference Companies in the CLN Portfolio;
- (ix) substitution in respect of the Reference Companies in the CLN Portfolio is subject to the discretion of the Investment Advisor and can only be effected if certain conditions are satisfied;
- (x) the Company will not have a direct investment in the Credit Linked Note and BNS will have no obligations to the Company with respect to the Credit Linked Note;
- (xi) the termination of the Note Repurchase Agreement by BNS;
- (xii) the absence of recourse of Holders against the Reference Companies in the CLN Portfolio resulting from the absence of a proprietary interest of the Company in the CLN Portfolio or the Reference Companies therein;
- (xiii) the discretion of BNS with respect to certain provisions of the Credit Linked Note, including determination of defaults under the CLN Portfolio;
- (xiv) trading and other transactions by BNS or its affiliates in the securities of the Reference Companies may adversely affect the value of the Credit Linked Note;
- (xv) BNS's business activities may create conflicts of interest and there are actual and potential conflicts of interest between Credit Trust IV, as holder of the Credit Linked Note, and BNS;
- (xvi) the fact that if, contrary to the advice of counsel to the Company and to the Agents whether through the application of the general anti-avoidance rule

or otherwise or as a result of a change of law, the acquisition of the Canadian Securities Portfolio under the Forward Agreement were a taxable event or any gain realized by the Company on a sale of Canadian Securities acquired under the Forward Agreement were treated other than as a capital gain on the sale of such securities, after-tax returns to Holders could be reduced, possibly to an amount less than that which would have been realized by Holders if they had held a direct investment in Credit Trust IV or the Credit Linked Note;

- (xvii) the amounts payable upon acceleration of the Credit Linked Note may be substantially less than the initial principal amount of the Credit Linked Note and, in some cases, may be zero;
- (xviii) reliance on the Manager, the Investment Advisor and key personnel;
- (xix) the Company's lack of operating history and the current absence of a public trading market for Preferred Shares;
- (xx) possible changes in tax or other legislation;
- (xxi) potential conflicts of interest; and
- (xxii) foreign market exposure.

See "Risk Factors".

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Company and Credit Trust IV. For further particulars, see “Fees and Expenses”.

<u>Type of Charge</u>	<u>Description</u>
Fees payable to the Agents for selling Preferred Shares:	\$0.75 per Preferred Share (3%).
Expenses of issue:	The Company will pay the expenses incurred in connection with the Offering, which are estimated to be \$500,000 in the case of the minimum Offering.
Annual Fees and Expenses:	<p>The aggregate of the annual fees and expenses to be directly and indirectly borne by the Company is expected to be less than 1.0% of the net asset value of the Company. These fees and expenses consist of (i) annual management fees equal to the lesser of (a) 0.35% of the net asset value of the Company and (b) 0.35% of the Company’s initial net asset value; and (ii) a reduction in the value of Canadian Securities to be delivered under the Forward Agreement equal on an annual basis to 0.30% of the par value of the Credit Linked Note (which equates to an annual fee of 0.30%); and (iii) operating expenses in connection with operation and administration (as described below). If the fees and expenses described above exceed 1.10% of the par value of the Preferred Shares per year (being \$0.275 per Preferred Share per year), the Manager will agree to fund such excess out of, but only to the extent of, its Deferred Management Fee (as defined below).</p> <p>No fees are payable to BNS under the Credit Linked Note. Any benefit realized by BNS under the Credit Linked Note is priced into the coupon paid on the Credit Linked Note.</p> <p>To the extent that any assets remain after the original issue price of the Preferred Shares, together with any accrued and unpaid distributions, have been paid to Holders, the Manager will be paid (i) an amount equal to any fees and expenses funded by the Manager on behalf of the Company, and (ii) an additional one-time management fee payable on the Redemption Date, calculated on the quarterly net asset value of the Company on an effective basis of 0.65% per annum (the “Deferred Management Fee”).</p> <p>The breakdown of the management fees described above between the Company and Credit Trust IV is described under “Fees and Expenses”.</p> <p>The Manager, in its capacity as Manager of Credit Trust IV, is responsible for payment of the investment management fees of the Investment Advisor.</p> <p>Each of the Company and Credit Trust IV will also pay all expenses incurred in connection with its operation and administration, estimated to be \$144,000 and \$47,500 respectively, per annum in the case of the minimum Offering. See “Fees and Expenses — Operating Expenses”. Each of the Company and Credit Trust IV will also be responsible for its other costs of portfolio transactions and any extraordinary expenses which may be incurred from time to time.</p>

THE COMPANY

Connor, Clark & Lunn ROC Pref Corp. (the “Company”) is a corporation incorporated under the *Canada Business Corporations Act* on January 12, 2006. The manager of the Company is Connor, Clark & Lunn Capital Markets Inc. (the “Manager”). The Manager was incorporated under the *Business Corporations Act* (Ontario) on January 15, 2001 and is wholly owned by Connor, Clark & Lunn Capital Markets Partnership. The principal place of business and registered office of the Company is #2200 – 1111 West Georgia Street, Vancouver, British Columbia V6E 4M3. The registered office of the Manager is Suite 5700, Box 416, 1 First Canadian Place, 100 King Street West, Toronto, Ontario M5X 1E3.

Status of the Company

While the Company is considered to be a mutual fund corporation under the securities legislation of certain provinces in Canada, the Company is not a conventional mutual fund and expects to obtain exemptive relief from certain requirements of National Instrument 81-102 of the Canadian Securities Administrators and National Instrument 81-106 of the Canadian Securities Administrators.

INVESTMENT OBJECTIVES AND STRATEGY OF THE COMPANY

The Company’s investment objectives are:

- (i) **capital repayment:** to pay to holders of Preferred Shares (“Holders”), on or about June 30, 2011 (the “Redemption Date”), an amount per Preferred Share equal to the original subscription price of \$25.00 per Preferred Share; and
- (ii) **distribution:** to provide Holders with quarterly fixed cumulative preferential distributions of \$0.29375 per Preferred Share (\$1.1750 per annum to yield 4.70% on the original subscription price of \$25.00 per Preferred Share). Preferred Share distributions will consist primarily of returns of capital and may include capital gains dividends.

In order to meet its investment objectives, the Company will use the net proceeds of the offering of Preferred Shares (the “Offering”) to pre-pay its purchase obligations under a forward purchase and sale agreement (the “Forward Agreement”) which the Company will enter into with The Bank of Nova Scotia (the “Counterparty” or “BNS”). Under the Forward Agreement, the Company will receive on or before June 30, 2011 (the “Termination Date”) a specified portfolio consisting of securities of Canadian public issuers that are “Canadian securities” for the purposes of the Tax Act (as defined below) (“Canadian Securities”) with a value equal to an amount determined based on the economic return generated by a credit linked note (the “Credit Linked Note”). It is a condition of closing that the Credit Linked Note be assigned a rating of at least A – by Standard & Poor’s, a division of The McGraw Hill Companies, Inc. (“S&P”). The Credit Linked Note will be held by a newly created investment trust (“Credit Trust IV”).

Specifically, under the Forward Agreement, the Counterparty will deliver, on the Termination Date, a specified portfolio of Canadian Securities (the “Canadian Securities Portfolio”) with an aggregate value related to the redemption proceeds of a corresponding number of units of Credit Trust IV net of any amount owing by the Company to the Counterparty. This will provide the Company with the economic return generated by the Credit Linked Note which will be owned by Credit Trust IV. The Credit Linked Note will be issued by BNS, a Canadian chartered bank whose long-term debt is currently rated AA – by S&P. See “Investment Guidelines of the Company — Forward Agreement”. The return on the Credit Linked Note is linked to the number of defaults experienced over the term of the Credit Linked Note among companies in an equally weighted portfolio (the “CLN Portfolio”) of approximately 120 to 140 companies (the “Reference Companies”) all of which are currently rated investment grade by S&P. In addition, from time to time, the Company may invest in cash, cash equivalents and Canadian Securities.

The Company may have further exposure to cash and cash equivalents by virtue of the Forward Agreement because the Credit Linked Note pays cash distributions to Credit Trust IV. Any excess amount received by Credit Trust IV over what is paid out will be reinvested in Credit Trust IV and held in cash, cash equivalents and other evidences of indebtedness.

THE CREDIT LINKED NOTE

The Credit Linked Note to be held by Credit Trust IV is a senior, direct and unconditional obligation of BNS which will mature on June 20, 2011 (a term of 5.28 years). The Credit Linked Note will be issued at 97% of par and will pay a fixed Canadian dollar coupon of at least 5.73% on the outstanding principal amount to yield 6.40% per annum. The combination of the accrual to par on the Credit Linked Note plus the amount of the coupon will be sufficient to pay expenses and enable the Company to receive sufficient amounts on the sale of Canadian Securities acquired under the Forward Agreement to fund distributions on the Preferred Shares and pay to Holders the original subscription amount of the Preferred Shares on the Redemption Date.

The actual payments of interest on and the actual principal value of the Credit Linked Note, and the amount payable to Credit Trust IV on maturity thereof, will be based on the credit performance of the CLN Portfolio.

The Credit Linked Note does not evidence a deposit and is not insured by the Canada Deposit Insurance Corporation or any other insurer. The Credit Linked Note will rank at the same level as deposit liabilities of BNS (except as otherwise prescribed by law). It is a condition of closing that the Credit Linked Note be assigned a rating of at least A- by S&P. Such rating will be based on a number of factors, including the diversification, credit quality and expected default levels and recovery rates of the CLN Portfolio as well as the level of net losses that can be experienced by the CLN Portfolio without affecting the payment of interest on and the principal value of the Credit Linked Note.

Structure of the Credit Linked Note

The return on the Credit Linked Note will be linked to the number of defaults experienced over its term among the Reference Companies in the CLN Portfolio, all of which are currently rated investment grade by S&P. A “default” in respect of the Reference Companies in the CLN Portfolio includes the occurrence of bankruptcy, failure to pay or restructuring together with additional credit events relating to Latin American Reference Companies and sovereign reference entities. See “Certain Provisions of the Credit Linked Note — Defaults in the CLN Portfolio” below. The Credit Linked Note has been structured so that it is unaffected until net losses on the CLN Portfolio exceed 2.82% of the initial value of the CLN Portfolio. The net loss on a Reference Company that defaults is calculated as the percentage exposure in the CLN Portfolio to such Reference Company reduced by the percentage recovery that would be realized on the sale of a bond or loan of such defaulted Reference Company.

The CLN Portfolio will be equally weighted and will provide exposure to the credit performance of between 120 to 140 Reference Companies (representing 0.83% to 0.71% exposure to each Reference Company). The Reference Companies in the CLN Portfolio will initially carry a weighted average rating of A- and are broadly diversified by industry and country.

The rating of the Credit Linked Note is affected by three main factors: (i) the credit quality of the CLN Portfolio relative to the default “cushion”, being the level of net losses that can occur in the CLN Portfolio without affecting the principal amount of the Credit Linked Note; (ii) the amount that can be recovered on defaulted debt after a default has occurred, as the Credit Linked Note is only affected by net losses after this recovery amount; and (iii) the diversification of the CLN Portfolio. The higher the credit quality of the CLN Portfolio, the lower the probability that there will be defaults in the CLN Portfolio in excess of the specified default cushion. Better diversification improves the rating of the Credit Linked Note as the probability of multiple defaults is reduced where there is low correlation among factors such as industry and region.

The credit quality of the CLN Portfolio can be illustrated by the Credit Linked Note’s coverage level in respect of historical default rates. Based on a long-term study of credit defaults conducted by S&P for the period from 1981 to 2005, the historical average and historical worst level of cumulative defaults over a five-year period applied to a portfolio of companies with the same credit ratings as the Reference Companies in the CLN Portfolio, and with no restraints on industry or geographic exposure, was 0.95% and 1.58%, respectively.

Typically, when bonds default they can still be sold to recover a portion of their principal amount. The amount recovered varies from time to time depending on market conditions and the specific situation of the defaulting entity. Based on a study by S&P entitled “Recovery Rates for Credits in Global Synthetic CDOs

Q3 2005”, the average recovery rate experienced on entities in reference portfolios of synthetic CDOs between January 2000 and September 2005, weighted by credit event, was 37.3% of par value (the “Indicative Recovery Rate”). Based on the Indicative Recovery Rate, the value of the Credit Linked Note would be reduced by the sixth default among the Reference Companies in a CLN Portfolio comprised of 125 Reference Companies. To the extent the realized recovery rates are lower than the Indicative Recovery Rate, the Credit Linked Note would be affected by fewer defaults. To the extent that the realized recovery rates are higher than the Indicative Recovery Rate, the Credit Linked Note would be able to sustain more defaults.

Applying the Indicative Recovery Rate to both the historical average and worst levels of cumulative five-year defaults would result in average and worst net loss levels over a five-year period of 0.60% and 0.99% respectively. The Credit Linked Note held by Credit Trust IV can sustain net losses of up to a total of 2.82% of the initial value of the CLN Portfolio during the term of the Credit Linked Note and still continue to make all interest payments and return the full principal amount at maturity.

As a result, based on both the average and worst case cumulative five-year historical default records over the twenty-four years ending 2005 and using the Indicative Recovery Rate, the Credit Linked Note would have paid all interest payments and repaid the full principal amount at maturity.

The following table shows the default coverage level of the Credit Linked Note based on the Indicative Recovery Rate.

Historical Default Coverage Levels			
Description	Cumulative Five-Year Default Rate ⁽¹⁾	Net Loss at 37.3% Indicative Recovery Rate ⁽²⁾	Implied Coverage Level on Credit Linked Note ⁽³⁾
Historical Average Default Rate	0.95%	0.60%	4.7x
Historical Worst Default Rate	1.58%	0.99%	2.8x

Notes:

- (1) Based on the S&P annual global corporate default study for the period from 1981 to 2005 published on January 31, 2006. **The table above is provided to illustrate the historical average level of cumulative defaults over a five-year period and is not necessarily indicative of the performance of the Credit Linked Note. Historical performance is not necessarily indicative of future performance.**
- (2) The actual recovery rate for any particular Reference Company in the CLN Portfolio may vary substantially from the 37.3% Indicative Recovery Rate.
- (3) Level of net losses within the CLN Portfolio before the coupon or principal amount of the Credit Linked Note is affected. Currently that level is 2.82% of the initial value of the CLN Portfolio.

The CLN Portfolio has been constructed to provide strong diversification by industry and country. Diversification is important because defaults tend to be concentrated by industry and geography, with high default rates often driven by problems in a single industry. A credit linked note portfolio that offers the lowest risk for a given return is constructed by optimally combining companies from different industries and regions, controlling exposures to a variety of factors that might influence correlation. Consequently, two credit linked notes with the same coverage level can have significantly different levels of risk and significantly different ratings. A portfolio consisting entirely of telecommunications companies, for example, might exhibit high coverage levels but very high correlation in default. The relative impact of diversification becomes more pronounced as the term of the credit linked note increases.

If the level of net losses incurred as a result of defaults in the CLN Portfolio exceeds 2.82% of the initial value of the CLN Portfolio, the principal amount of the Credit Linked Note, and therefore the amount that will be paid to Credit Trust IV on maturity, will decline. Based on the Indicative Recovery Rate, the value of the Credit Linked Note would be reduced by the sixth default among the Reference Companies in the CLN Portfolio comprised of 125 Reference Companies. Interest on the Credit Linked Note will be calculated on the basis of the weighted average principal amount outstanding during each interest period. Accordingly, if the principal amount of the Credit Linked Note is reduced as a result of defaults in the CLN Portfolio, the amount of interest received by Credit Trust IV will decline. To the extent that cumulative losses in the CLN Portfolio, net

of recoveries, incurred as a result of defaults exceed 3.57% of the initial value of the CLN Portfolio, the Credit Linked Note will likely have no value on maturity.

If BNS, as the issuer of the Credit Linked Note, were to default on its senior debt, Credit Trust IV, and by virtue of the Forward Agreement, the Company would have, little or no assets, other than amounts recovered by Credit Trust IV on the defaulted Credit Linked Note, to meet its obligations to Holders. BNS's obligations arise solely under the Forward Agreement, the Credit Linked Note and the Note Repurchase Agreement. BNS will not act as an investment advisor to Credit Trust IV or any other party under this Offering, will not be responsible for investment, management or trading decisions with respect to the CLN Portfolio and BNS has no obligations of any kind to Holders.

The following table shows the sensitivity of the principal value of the Credit Linked Note to various levels of net losses in the CLN Portfolio over a five-year period.

Default Rate Sensitivity Analysis			
Number of Reference Companies Defaulting⁽¹⁾	Implied Cumulative Five-Year Default Rate	Net Loss at 37.3% Indicative Recovery Rate⁽²⁾	Percent of Par Value of Credit Linked Note Remaining
1.00	0.80%	0.50%	100.0%
2.00	1.60%	1.00%	100.0%
3.00	2.40%	1.50%	100.0%
4.00	3.20%	2.01%	100.0%
5.00	4.00%	2.51%	100.0%
6.00	4.80%	3.01%	74.7%
7.00	5.60%	3.51%	7.8%
8.00	6.40%	4.01%	0%

Notes:

- (1) Based on the 125 Reference Companies included in the Indicative CLN Portfolio (as defined below).
- (2) The actual recovery rate for any particular Reference Company in the CLN Portfolio may vary substantially from the 37.3% Indicative Recovery Rate. Based on the Indicative Recovery Rate, the value of the Credit Linked Note would be reduced by the sixth default among the Reference Companies in a CLN Portfolio comprised of 125 Reference Companies. To the extent the realized recovery rates are lower than the Indicative Recovery Rate, the Credit Linked Note would be affected by fewer defaults. To the extent that the realized recovery rates are higher than the Indicative Recovery Rate, the Credit Linked Note would be able to sustain more defaults.

Net Asset Value

The net asset value per Preferred Share will be calculated twice a month and, by virtue of the Forward Agreement and Credit Trust IV, will be based on the value of the Credit Linked Note. The value of the Credit Linked Note depends on the credit performance of the CLN Portfolio. The value of the Credit Linked Note will be determined by the Manager using a price indication provided by BNS (based on proprietary pricing models and assumptions as employed and adjusted by BNS from time to time which models may be highly subjective and, in constructing such pricing models, the Counterparty need not consider the interests of the Company or the Holders) and such other information as the Manager deems relevant. BNS will provide Credit Trust IV with a price indication of the value of the Credit Linked Note twice a month (other than upon the occurrence and continuance of certain specified events (each such event, a "Force Majeure Event") which prevent BNS from providing such a price indication).

On closing of the Offering, as a result of Agents' fees and other issue expenses, the Company's net asset value per Preferred Share is estimated to be approximately \$24.08 in the case of the minimum Offering. Also in the case of the minimum Offering, the Credit Linked Note will have a fixed coupon of approximately 5.837%, which is expected to exceed the amount payable in connection with the annual Preferred Share distributions of \$1.1750 per Preferred Share and estimated annual fees and operating expenses of \$0.24 per Preferred Share by an amount which is expected to be equivalent to approximately \$0.04 per Preferred Share annually. This excess

will be invested by Credit Trust IV in cash, cash equivalents and other evidences of indebtedness such that the Company will have sufficient funds to pay any shortfall in distribution or redemption payments on the Preferred Shares and to fund the Deferred Management Fee (as defined below). Any excess amounts remaining after such payments will form part of the assets of Credit Trust IV.

As a result of the structure of the Credit Linked Note, the Credit Linked Note, and, by virtue of the Forward Agreement the net asset value per Preferred Share, will exhibit greater price volatility in response to movements in corporate credit spreads than corporate bonds with comparable ratings and maturities.

CLN Portfolio

The CLN Portfolio will be equally weighted and will provide exposure to the credit performance of approximately 120 to 140 Reference Companies (representing 0.83% to 0.71% exposure to each Reference Company). The Reference Companies in the CLN Portfolio will initially carry a weighted average rating of A – and are broadly diversified by industry and country. The Reference Companies in the CLN Portfolio will be selected and actively managed by the Investment Advisor (as defined below).

The following are the names, S&P ratings, industries and countries of origin of the companies selected by the Investment Advisor, as of the date hereof, as being illustrative of the Reference Companies that will be included in the CLN Portfolio (the “Indicative CLN Portfolio”).

<u>Company Name</u>	<u>S&P Rating</u>	<u>Industry Category⁽¹⁾</u>	<u>Country</u>
Air Liquide S.A.	A+	Chemical/Plastics	France
Akzo Nobel N.V.	A–	Chemical/Plastics	Netherlands
Allianz AG	AA–	Insurance	Germany
Alltel Corporation	A–	Telecommunications/Cellular Communications	United States
Altria Group, Inc.	BBB+	Beverage and Tobacco	United States
Ambac Assurance Corporation	AAA	Insurance	United States
American Express Company	A+	Financial Intermediaries	United States
Archer-Daniels-Midland Company	A	Farming/Agriculture	United States
AT&T Inc.	A	Telecommunications/Cellular Communications	United States
Avon Products, Inc.	A	Cosmetics/Toiletries	United States
AXA	A	Insurance	France
Bayer AG	A	Chemical/Plastics	Germany
Bear Stearns Companies Inc. (The)	A	Brokers/Dealers/Investment Houses	United States
BellSouth Corporation	A	Telecommunications/Cellular Communications	United States
BHP Billiton Limited	A+	Nonferrous Metals/Minerals	Australia
BorgWarner Inc.	A–	Automotive	United States
Boston Scientific Corporation	A	Health Care	United States
Brascan Corporation	A–	Building and Development	Canada
Bristol-Myers Squibb Company	A+	Drugs	United States
British Telecommunications Plc	A–	Telecommunications/Cellular Communications	United Kingdom
Campbell Soup Company	A	Food Products	United States
Carrefour S.A.	A+	Food/Drug Retailers	France
Centrica Plc	A	Utilities	United Kingdom
Chevron Corporation	AA	Oil and Gas	United States
CIT Group Inc.	A	Financial Intermediaries	United States
Coca-Cola Enterprises Inc.	A	Beverage and Tobacco	United States
Comcast Cable Communications, LLC.	BBB+	Cable and Satellite Television	United States
Compass Group Plc	BBB+	Food Service	United Kingdom
DaimlerChrysler AG	BBB	Automotive	Germany
Danaher Corporation	A+	Industrial Equipment	United States
Deutsche Telekom AG	A–	Telecommunications/Cellular Communications	Germany
DSM N.V. (Koninklijke)	A–	Chemical/Plastics	Netherlands
Eaton Corporation	A	Industrial Equipment	United States
EDP Energias de Portugal S.A.	A	Utilities	Portugal
Electricite de France S.A.	AA–	Utilities	France
Endesa S.A.	A	Utilities	Spain

<u>Company Name</u>	<u>S&P Rating</u>	<u>Industry Category⁽¹⁾</u>	<u>Country</u>
E.On AG	AA-	Utilities	Germany
Essent N.V.	A+	Utilities	Netherlands
Federal National Mortgage Association	AAA	U.S. Agency (Explicitly Guaranteed)	United States
Financial Security Assurance Inc.	AAA	Insurance	United States
France Telecom	A-	Telecommunications/Cellular Communications	France
Gannett Co., Inc.	A	Publishing	United States
General Electric Capital Corporation	AAA	Conglomerates	United States
GKN Holdings Plc	BBB	Automotive	United Kingdom
Goldman Sachs Group, Inc. (The)	A+	Brokers/Dealers/Investment Houses	United States
Groupe Auchan	A	Food/Drug Retailers	France
GUS Plc	BBB+	Retailers (except food and drug)	United Kingdom
Hannover Rückversicherung AG (Sub)	AA-	Insurance	Germany
HSBC Finance Corporation	A	Financial Intermediaries	United States
Hutchison Whampoa Limited	A-	Conglomerates	Hong Kong
IAC/InterActiveCorp	BBB-	Telecommunications/Cellular Communications	United States
Iberdrola, S.A.	A+	Utilities	Spain
Ingersoll-Rand Company Limited	A-	Industrial Equipment	United States
International Lease Finance Corporation	AA-	Equipment Leasing	United States
International Paper Company	BBB	Forest Products	United States
Investor AB	AA-	Conglomerates	Sweden
Johnson Controls, Inc.	A-	Automotive	United States
J.P. Morgan Chase & Co.	A+	Financial Intermediaries	United States
Kelda Group Plc	A	Utilities	United Kingdom
KeySpan Corporation	A	Utilities	United Kingdom
Korea Electric Power Corporation	A	Utilities	South Korea
Lehman Brothers Holdings Inc.	A+	Financial Intermediaries	United States
Limited Brands, Inc.	BBB	Retailers (except food and drug)	United States
Loews Corporation	A	Conglomerates	United States
Louisiana-Pacific Corporation	BBB-	Forest Products	United States
MBIA Inc.	AA	Insurance	United States
MeadWestvaco Corporation	BBB	Forest Products	United States
Merck & Co., Inc.	AA-	Drugs	United States
Merrill Lynch & Co., Inc.	A+	Financial Intermediaries	United States
MetLife, Inc.	A	Insurance	United States
MGIC Investment Corporation	A	Insurance	United States
Morgan Stanley	A+	Brokers/Dealers/Investment Houses	United States
Münchener Rückversicherungs-Gesellschaft AG	A+	Insurance	Germany
National Grid Transco Plc	A	Utilities	United Kingdom
Nestle S.A.	AAA	Food Products	Switzerland
Newell Rubbermaid Inc.	BBB+	Home Furnishings	United States
Nucor Corporation	A+	Steel	United States
Omnicom Group Inc.	A-	Business Equipment and Services	United States
Peugeot S.A.	A-	Automotive	France
Pitney Bowes Inc.	A+	Business Equipment and Services	United States
PPG Industries, Incorporated	A	Chemical/Plastics	United States
RadioShack Corporation	BBB+	Retailers (except food and drug)	United States
Reed Elsevier Plc	A-	Publishing	United Kingdom
Reuters Group Plc	A-	Business Equipment and Services	United Kingdom
RWE AG	A+	Utilities	Germany
Sabre Holdings Corporation	BBB	Business Equipment and Services	United States
Sanofi-Aventis	AA-	Drugs	France
Sherwin-Williams Company (The)	A+	Chemical/Plastics	United States
Siemens AG	AA-	Conglomerates	Germany
SLM Corporation	A	Financial Intermediaries	United States
Solvay S.A.	A	Chemical/Plastics	Belgium

<u>Company Name</u>	<u>S&P Rating</u>	<u>Industry Category⁽¹⁾</u>	<u>Country</u>
Sony Corporation	A-	Electronics/Electric	Japan
Southwest Airlines Co.	A	Air Transport	United States
Sprint NextelCorp.	A-	Telecommunications/Cellular Communications	United States
Standard Life Assurance Co. (Sub) . . .	A	Insurance	United Kingdom
Stora Enso Oyj	BBB+	Forest Products	Finland
SUEZ	A-	Utilities	France
Svenska Cellulosa Aktiebolaget	A-	Forest Products	Sweden
Swiss Reinsurance Company (Sub) . . .	AA	Insurance	Switzerland
Syngenta AG	A-	Farming/Agriculture	Switzerland
Telecom Italia S.p.A.	BBB+	Telecommunications/Cellular Communications	Italy
Telenor ASA	A-	Telecommunications/Cellular Communications	Norway
Telephone and Data Systems, Inc.	A-	Telecommunications/Cellular Communications	United States
TeliaSonera AB	A-	Telecommunications/Cellular Communications	Sweden
Telstra Corporation Limited	A+	Telecommunications/Cellular Communications	Australia
Temple-Inland Inc.	BBB	Forest Products	United States
Time Warner Inc.	BBB+	Leisure Goods/Activities/Movies	United States
TNT N.V.	A	Surface Transport	Netherlands
Toll Brothers, Inc.	BBB-	Building and Development	United States
Tribune Company	A-	Publishing	United States
TXU Corp.	BBB-	Utilities	United States
Tyco International Ltd.	BBB+	Conglomerates	United States
Tyson Foods, Inc.	BBB	Food Products	United States
United Parcel Service, Inc.	AAA	Surface Transport	United States
Universal Corp.	BBB-	Beverage and Tobacco	United States
UST Inc.	A	Beverage and Tobacco	United States
Verizon Global Funding Corp.	A	Telecommunications/Cellular Communications	United States
Vodafone Group Plc	A+	Telecommunications/Cellular Communications	United Kingdom
Volkswagen AG	A-	Automotive	Germany
Walt Disney Company (The)	A-	Leisure Goods/Activities/Movies	United States
Westfield Trust	A-	REITs & REOCs	Australia
Wolters Kluwer nv	BBB+	Publishing	Netherlands
Wyeth	A	Drugs	United States
XL Capital Ltd.	A-	Insurance	Bermuda
Zurich Insurance Company	A+	Insurance	Switzerland

(1) Categorized by the Investment Advisor using the Global Industry Classification Standard adopted by S&P.

The following tables outline the distribution by S&P rating, country and industry of the companies included in the Indicative CLN Portfolio:

Rating	Number of Reference Companies	Percent of CLN Portfolio
AAA	6	4.8%
AA+	0	0.0%
AA	3	2.4%
AA –	9	7.2%
A+	20	16.0%
A	35	28.0%
A –	28	22.4%
BBB+	10	8.0%
BBB	9	7.2%
BBB –	5	4.0%
Total:	125	100.0%

Country	Number of Reference Companies	Percent of CLN Portfolio
United States	68	54.4%
United Kingdom	11	8.8%
Germany	10	8.0%
France	9	7.2%
Netherlands	5	4.0%
Switzerland	4	3.2%
Sweden	3	2.4%
Australia	3	2.4%
Spain	2	1.6%
Canada	1	0.8%
Belgium	1	0.8%
Italy	1	0.8%
Norway	1	0.8%
Bermuda	1	0.8%
Japan	1	0.8%
South Korea	1	0.8%
Portugal	1	0.8%
Finland	1	0.8%
Hong Kong	1	0.8%
Total:	125	100.0%

(1) Categorized by the Investment Advisor using the Global Industry Classification Standard adopted by S&P.

Industry Category ⁽¹⁾	Number of Reference Companies	Percent of CLN Portfolio
Telecommunications/Cellular Communications	15	12.0%
Utilities	14	11.2%
Insurance	13	10.4%
Chemicals/Plastics	7	5.6%
Financial Intermediaries	7	5.6%
Conglomerates	6	4.8%
Automotive	6	4.8%
Forest Products	6	4.8%
Drugs	4	3.2%
Beverage & Tobacco	4	3.2%
Business Equipment & Services	4	3.2%
Publishing	4	3.2%
Food Products	3	2.4%
Industrial Equipment	3	2.4%
Brokers/Dealers/Investment Houses	3	2.4%
Retailers (except food and drug)	3	2.4%
Food/Drug Retailers	2	1.6%
Farming/Agriculture	2	1.6%
Building & Development	2	1.6%
Leisure Goods/Activities/Movies	2	1.6%
Surface Transport	2	1.6%
Oil & Gas	1	0.8%
Electronics/Electric	1	0.8%
Cable and Satellite Television	1	0.8%
Cosmetics/Toiletries	1	0.8%
Equipment Leasing	1	0.8%
Food Service	1	0.8%
Health Care	1	0.8%
Home Furnishings	1	0.8%
Air Transport	1	0.8%
Nonferrous Metal/Minerals	1	0.8%
Steel	1	0.8%
REITs & REOCS	1	0.8%
U.S. Agency (Explicitly Guaranteed)	1	0.8%
Total:	125	100.0%

Rating of the Credit Linked Note

It is a condition of closing that the Credit Linked Note be assigned a rating of at least A – by S&P. S&P's rating of the Credit Linked Note will address the likelihood of full payment of interest and payment of the principal value thereof on the maturity date. The analysis focuses on how much credit enhancement, or subordination, is needed to achieve a given level of risk. S&P also considers the transaction's credit risk, structure and legal analysis.

S&P's analysis with respect to credit risk includes, among other things, an assessment of the default risk of BNS and the Reference Companies in the CLN Portfolio, a review of the Investment Advisor and of trading criteria and restrictions and a calculation of the required level of subordination.

There can be no assurance that actual defaults with respect to the Reference Companies in the CLN Portfolio to which the performance of the Credit Linked Note is linked will not exceed those assumed in S&P's analysis or that recovery rates with respect thereto will not differ from those assumed in determining the credit enhancement to support the given rating. In addition, relatively few defaults by Reference Companies in the CLN Portfolio, or downgrades of the credit ratings of relatively few Reference Companies, may result in the rating on the Credit Linked Note and the Preferred Shares being lowered.

For a discussion of the rating of the Preferred Shares issued by the Company, see "Details of the Offering — Certain Provisions of the Preferred Shares — Rating of the Preferred Shares". A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by S&P.

Certain Provisions of the Credit Linked Note

The Credit Linked Note has been structured to pay interest at a rate of at least 5.73% per annum, payable quarterly, on the outstanding principal amount to yield 6.40% per annum. Interest will be paid on the 20th day of March, June, September and December of each year, commencing on June 20, 2006. BNS will repay the principal amount of the Credit Linked Note outstanding on June 20, 2011 subject to reduction of the principal amount due to the occurrence of defaults with respect to the Reference Companies in the CLN Portfolio net of recoveries with respect thereto. The actual payment of interest on and the actual principal value of the Credit Linked Note will be based on, among other things, the credit performance of the CLN Portfolio. At any time prior to maturity, BNS may make a determination that one or more defaults with respect to a Reference Company has occurred which may result in a decrease of the principal amount of, and affect the payment of interest on, the Credit Linked Note. See "Defaults in the CLN Portfolio" below for a description of events which constitute a default.

Substitution Rights

The Investment Advisor, on behalf of Credit Trust IV, will have certain substitution rights with respect to the Reference Companies in the CLN Portfolio. Any proposed substitution will be limited to an approved list of companies and will not be made if, at the time of the substitution, the then current rating of the Credit Linked Note would be downgraded based on S&P's rating criteria or if such proposed substitution would not be in compliance with the substitution procedures set out in the terms of the Credit Linked Note. If substitutions are made other than on a one-for-one basis, the equal weighting of the CLN Portfolio will no longer be maintained. Any change in the Reference Companies in the CLN Portfolio will not be subject to the approval of holders of units of Credit Trust IV or Holders of the Preferred Shares.

On the date upon which the Credit Linked Note is issued, a trading reserve account (the "Trading Reserve Account") in the amount of approximately 0.85% of the principal amount of the Credit Linked Note will be established. Any substitutions in respect of the Reference Companies in the CLN Portfolio may result in an increase or decrease in the value of the Trading Reserve Account (which will be calculated by BNS in its absolute discretion) depending on whether such substitution resulted in a loss or gain in the value of the CLN Portfolio. The value of the Trading Reserve Account on any day will be equal to the value of such account on the date of issue of the Credit Linked Note, plus any gains resulting from substitutions on or prior to such valuation day, less any losses resulting from substitutions on or prior to such valuation day, plus any interest or other income received in respect of the Trading Reserve Account. Substitutions may only be made to the extent that BNS has

determined that the Trading Reserve Account has a value sufficient to offset the Credit Linked Note's share of any losses in the value of the CLN Portfolio resulting from such substitutions.

Events of Default

The repayment of principal of, and payment of interest on, the Credit Linked Note may be accelerated following the occurrence of one or more of the following events of default (each an "Event of Default"): (i) a default in the payment of interest in respect of the Credit Linked Note which continues for a period of 30 days following the date on which notice thereof has been given to BNS; (ii) a default in the performance of, or a breach of any covenant, undertaking or other agreement in respect of, the Credit Linked Note by BNS and such default or breach continues for a period of 45 days following the date on which notice thereof has been given to BNS; and (iii) BNS becomes insolvent or bankrupt or if a liquidator, receiver, receiver and manager or an examiner of BNS, or any other officer with similar powers, is appointed. The amount payable upon acceleration of the Credit Linked Note following an Event of Default will be equal to the nominal amount (or face amount) of the Credit Linked Note, plus any accrued but unpaid interest up to but excluding the acceleration date, plus the amount of any additional interest under the Credit Linked Note (if any), plus the value of the Trading Reserve Account, less any reduction to the value of the Credit Linked Note as a result of cumulative losses incurred as a result of defaults in excess of 2.82% of the initial value of the CLN Portfolio.

Upon an acceleration of the Credit Linked Note following an Event of Default, or otherwise, the Company shall be entitled to redeem all of the Preferred Shares at any time for the Preferred Share Redemption Price (as defined below).

Liquidity of the Credit Linked Note

BNS will enter into an agreement (the "Note Repurchase Agreement") with Credit Trust IV pursuant to which BNS will agree to repurchase all or a portion of the Credit Linked Note on the relevant Valuation Date in the event that Preferred Shares are retracted at any time. Upon receipt of retraction notices with respect to the Preferred Shares, Credit Trust IV may deliver a note repurchase request to BNS setting forth the outstanding principal amount of the Credit Linked Note to be repurchased. The outstanding principal amount of the Credit Linked Note to be repurchased by BNS pursuant to the terms of the Note Repurchase Agreement must be at least \$75,000, and any amount in excess thereof must be in increments of \$5,000. BNS will determine the price for the portion of the Credit Linked Note to be repurchased, provided that such price will not be lower than the indicative price provided by BNS to Credit Trust IV on the relevant Valuation Date, less (a) the present value of 0.60% per annum of the outstanding principal amount of the Credit Linked Note being repurchased, if such outstanding principal amount is less than or equal to \$5,000,000, or (b) the present value of 0.75% per annum of the outstanding principal amount of the Credit Linked Note being repurchased on such Valuation Date (each calculated for the period from the date of such repurchase to the scheduled maturity date of the Credit Linked Note). The repurchase obligation of BNS under the Note Repurchase Agreement may be suspended during the occurrence and continuance of a Force Majeure Event and will resume immediately upon the termination of such event.

In addition to the liquidity provided by the Note Repurchase Agreement, based on the provisions of the Credit Linked Note, Credit Trust IV has the ability to assign and sell all or a portion of the Credit Linked Note. The net asset value of the Company which is used to calculate the Preferred Share Retraction Price will not include a deduction for the discounts to the indicative price provided by BNS under the Note Repurchase Agreement.

The Note Repurchase Agreement and each pending repurchase of all or a portion of the Credit Linked Note thereunder may be terminated upon the occurrence of any of the following events: (a) Credit Trust IV transfers the Credit Linked Note to any other person; (b) the Holders cease to have retraction rights in respect of the Preferred Shares or the terms of the Preferred Shares are varied or amended without the written consent of BNS; (c) the Manager ceases to be the manager of Credit Trust IV or the Company, unless a successor is appointed, in each case, with the prior written approval of BNS, which approval shall not be unreasonably withheld; or (d) the Investment Advisor ceases to act as the investment advisor to Credit Trust IV, unless a successor is appointed with the prior written approval of BNS, which approval shall not be unreasonably

withheld. A termination as a result of the event described in (a) above shall apply only in respect of the portion of the Credit Linked Note being transferred.

Valuation of the Credit Linked Note

BNS will provide the Investment Advisor with a price indication of the Credit Linked Note on the 10th business day and the last business day of each month, unless a Force Majeure Event has occurred and is continuing, in which case BNS will provide a price indication as soon as reasonably possible following the termination of such event. BNS will provide a price indication in respect of the Credit Linked Note (based on proprietary pricing models and assumptions as employed and adjusted by BNS from time to time which models may be highly subjective and, in constructing such pricing models, the Counterparty need not consider of the interest of the Company or the Holders). Such conditions or events may include the level of interest rates, the credit spreads of the Reference Companies in the CLN Portfolio, the par value of the Credit Linked Note relative to the size of the CLN Portfolio, any loss of subordination due to defaults, and any discount relating to the liquidity, and market price relative to low risk fixed income securities of similar structured products. In providing price indications in respect of the Credit Linked Note (and in maintaining its proprietary models), BNS will have no obligation, expressed or implied, to the Company or to any Holder.

Defaults in the CLN Portfolio

Set forth below is a summary of what constitutes a default (also referred to as a credit event) with respect to the Reference Companies in the CLN Portfolio. See “Risk Factors — Discretion of BNS”.

Bankruptcy, with respect to a Reference Company, occurs if the Reference Company (a) is dissolved; (b) becomes insolvent or is unable to pay its debts; (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (d) institutes or has instituted against it a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, which (i) results in a judgement of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within 30 calendar days of the institution or presentation thereof; (e) has a resolution passed for its winding-up or liquidation; (f) seeks or becomes subject to the appointment of a receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (g) has a secured party take possession of all or substantially all its assets or has a distress, execution or other legal process enforced against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 calendar days thereafter; or (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (a) to (g) (inclusive).

Failure to Pay means, after the expiration of any applicable grace period (after the satisfaction of any conditions precedent to the commencement of such grace period), the failure by a Reference Company to make, when and where due, any payments in an aggregate amount of not less than the payment requirement under one or more obligations, in accordance with the terms of such obligations at the time of such failure.

Restructuring means, with respect to one or more debt obligations of the Reference Companies, under certain circumstances specified in the terms of the Credit Linked Note, any adverse change is made with respect to the obligation, including in respect of the amount of principal or premium payable at maturity or on the scheduled redemption date, the rate or amount of interest payable or the amount of scheduled interest accruals or the ranking in priority of payment, a postponement or other deferral of a date or dates for either the payment or accrual of interest or the payment of principal or premium or any change in the currency or composition of any payment of interest or principal to any currency which is not a permitted currency, in a form that binds all holders of such obligation, and such event is not expressly provided for under the terms of such obligation in effect as of the later of the issue date of the Credit Linked Note and the date as of which such obligation is issued or incurred.

In addition, with respect to Reference Companies that are Latin American Reference Companies and sovereign reference entities, additional credit events apply, such as obligation acceleration and repudiation/moratorium.

BNS has discretion to determine the occurrence of a default (also referred to as a credit event) in respect of a Reference Company which can involve a high degree of subjective judgement by BNS. In exercising such discretion, BNS has no obligation to consider the interests of the Company or the Holders. BNS will be required to deliver to Credit Trust IV an irrevocable notice describing, in reasonable detail, the facts relevant to the determination that a default has occurred, together with an irrevocable notice that cites publicly available information confirming the occurrence of the default. Such notices may be delivered by BNS up to 14 days following the scheduled maturity date of the Credit Linked Note.

Upon the determination by BNS of the occurrence of a default with respect to any of the Reference Companies, BNS will calculate an amount by which to reduce the par value of the CLN Portfolio. That amount will be the full par amount of the Reference Company's representation in the CLN Portfolio less a recovery amount. To calculate the recovery amount, BNS will select one or more senior, unsecured obligations of the Reference Company and, on a valuation date identified through a process acceptable to S&P, will attempt to obtain firm quotations on the selected obligation from at least five leading dealers who are unaffiliated with one another. The recovery amount will be the highest quotation obtained on the relevant quotation amount.

Any of the following may result in only a partial redemption of the Credit Linked Note on the Redemption Date: (1) a default occurs in respect to one or more Reference Companies and in respect of which the recovery amount has not been determined prior to the scheduled maturity date of the Credit Linked Note; (2) BNS believes in good faith that a default may have occurred with respect to one or more Reference Companies on or prior to the scheduled maturity date of the Credit Linked Note; or (3) an event has occurred with respect to one or more Reference Companies on or prior to the scheduled maturity date of the Credit Linked Note which cannot be constituted a default in respect of a Reference Company because the determination that all of the necessary elements of the relevant default subsist cannot be made until the elapse of a specified time period which extends beyond the scheduled maturity date of the Credit Linked Note (a "potential default"). If any of the foregoing occurs and if such defaults or potential defaults, individually or collectively, could affect the amount returned on the maturity of the Credit Linked Note, BNS will partially redeem the Credit Linked Note on the Redemption Date on the basis that the amount then payable will be calculated as if each potential default constituted a default and assuming that there was a nil recovery in respect of the defaulting Reference Company. If, in the context of an event specified in (2) above, BNS has not, on or before the 14th day following the Redemption Date, satisfied the conditions set out in the Credit Linked Note which are necessary in order to constitute such event as a default, a further partial redemption of the Credit Linked Note will be effected. In the context of any potential default, if on or before the 125th Business Day following the Redemption Date, all of the necessary elements for determining whether such potential default has become a default subsist and, pursuant to the terms of the Credit Linked Note, it is determined that such potential default has not become a default, a further partial redemption of the Credit Linked Note will be effected. To the extent that recoveries are realized on defaulting Reference Companies after the Redemption Date, any additional amounts payable on the Credit Linked Note as a result of such recoveries, including any interest (calculated at BNS's overnight rate) that would have been due on the recovered amount, will be for the account of Credit Trust IV and will be included in the net asset value of Credit Trust IV.

Defaults with respect to the Reference Companies will affect the maturity value of the Credit Linked Note if, as a result, aggregate reductions in the par value of the CLN Portfolio exceed 2.82% of the initial value of the CLN Portfolio.

INVESTMENT GUIDELINES OF THE COMPANY

The following section “Investment Restrictions of the Company”, together with the section “Investment Objectives and Strategy of the Company”, are referred to collectively in this prospectus as the Company’s “Investment Guidelines”.

Investment Restrictions of the Company

The investment activities of the Company are to be conducted in accordance with, among other things, the following investment restrictions:

- (i) **Forward Agreement.** The Company will enter into the Forward Agreement to purchase Canadian Securities as described under and in accordance with “Investment Guidelines of the Company — Forward Agreement”. Except as set forth below, the Company will not invest in any other securities or assets.
- (ii) **Prohibited Investments.** The Company will not acquire an investment that is “taxable Canadian property” or other “specified property” of the Company as such terms are defined in the *Income Tax Act* (Canada) (the “Tax Act”) and proposals to amend subsection 132(4) of the Tax Act.
- (iii) **Permitted Investments.** The Company may invest a portion of its assets in (i) Canadian Securities and (ii) cash, cash equivalents, or other evidences of indebtedness, provided that such debt instruments must be rated a minimum of A– by S&P (or an equivalent rating from another recognized rating agency) at the time of investment.
- (iv) **Foreign Currency.** The Company will invest in securities denominated in Canadian dollars only.
- (v) **Mutual Fund Status.** The Company will manage its investments and affairs to ensure that it will be a mutual fund corporation for the purposes of the Tax Act.

Forward Agreement

The Company will use the net proceeds of the Offering to pre-pay its purchase obligations under the Forward Agreement with the Counterparty. Under the terms of the Forward Agreement, the Company and the Counterparty have agreed that the Counterparty’s settlement obligations under the Forward Agreement will be discharged by physical delivery of the Canadian Securities Portfolio by the Counterparty to the Company. Pursuant to the terms of the Forward Agreement, the Counterparty will deliver to the Company on or about the Termination Date, the Canadian Securities Portfolio with an aggregate value related to the redemption proceeds of a corresponding number of units of Credit Trust IV. Amounts paid by Credit Trust IV to its unitholders will be funded by the proceeds received on the maturity of the Credit Linked Note held by Credit Trust IV and any cash or Cash Equivalents (as defined below) held by Credit Trust IV at such time (after satisfying its liabilities, if any).

The terms of the Forward Agreement will provide that the Forward Agreement may be partially settled prior to the Termination Date at the request of the Company. The Company will partially settle the Forward Agreement prior to the Termination Date in order to fund quarterly distributions as well as retractions of Preferred Shares by Holders and expenses and other liabilities of the Company. Pursuant to the terms of the Forward Agreement, the Counterparty will, in connection with a requested partial settlement deliver to the Company securities of certain of the issuers in the Canadian Securities Portfolio with an aggregate value based on the partial settlement amount. The Company will then sell such securities into the market in order to fund the quarterly distribution, retraction or other expense or liability of the Company.

Subject to certain restrictions, the composition of the Canadian Securities Portfolio may be varied from time to time (i) upon mutual agreement of the Company and the Counterparty; or (ii) upon the happening of certain stated events including mergers of issuers, the delisting of issuers from the TSX or in the event that their securities cease to be Canadian securities for purposes of the Tax Act. Before amending the Forward Agreement, the Company will seek confirmation from S&P that the rating assigned to the Preferred Shares will not be lowered or withdrawn. In accordance with exemptive relief expected to be obtained under National Instrument 81-102 of the Canadian Securities Administrators (“NI 81-102”), the parties have agreed that the Forward Agreement will not be terminated in the event that the Counterparty’s credit rating falls below the level of “approved credit rating” as defined in NI 81-102.

The value of the Canadian Securities Portfolio to be delivered by the Counterparty to the Company under the Forward Agreement will be determined by reference to the performance of Credit Trust IV which, in turn, is subject to the performance of the Credit Linked Note. The Counterparty may hedge its exposure under the Forward Agreement to the economic performance of Credit Trust IV. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. The Company is exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement.

The value of Canadian Securities to be delivered by the Counterparty under the Forward Agreement will be reduced by an amount equal to 0.30% per annum of the par value of the Credit Linked Note (which equates to an annual fee of 0.30%).

Structure of the Company at Closing

The following diagrams indicate the relationship between Holders, the Company and the Counterparty in the first diagram and between the Counterparty and Credit Trust IV at closing in the second diagram.

Diagram 1

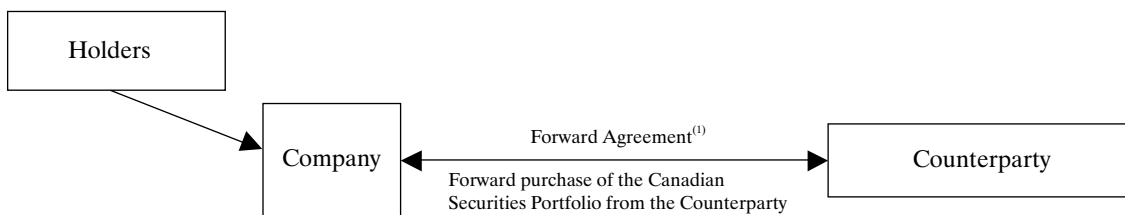
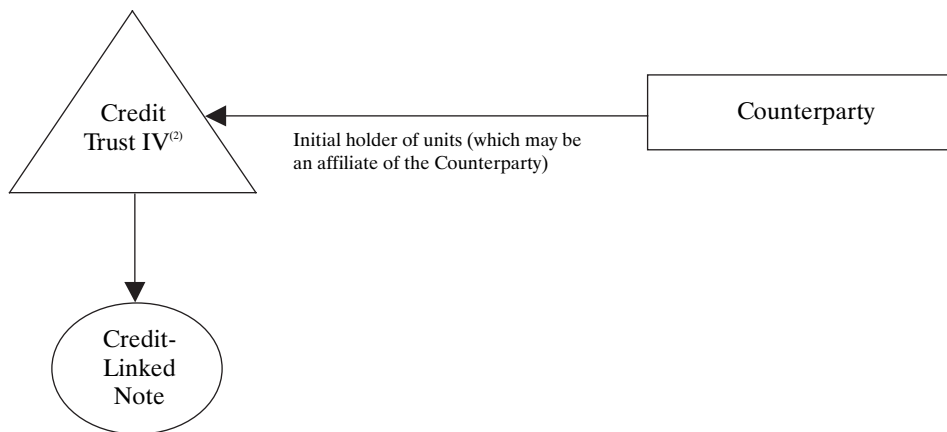


Diagram 2



(1) See “Investment Guidelines of the Company — Forward Agreement”.

(2) See “Credit Trust IV”.

CREDIT TRUST IV

Credit Trust IV is a newly created investment trust established under the laws of Ontario. Credit Trust IV was established pursuant to a trust agreement dated February 27, 2006 (the “Trust Agreement”) between the Manager and RBC Dexia Investor Services Trust, as trustee. It is expected that the initial holder of all of the units of Credit Trust IV will be the Counterparty.

Credit Trust IV will distribute all of its net income and net realized capital gains earned in each fiscal year to ensure that it is not liable for income tax under Part I of the Tax Act except to the extent any such liability may be offset by tax credits available to it in respect of foreign taxes paid by it (if any).

Units of Credit Trust IV will be redeemable at the demand of its unitholders on a daily basis.

Credit Trust IV will terminate on the Termination Date if not terminated earlier in accordance with its terms. On termination, Credit Trust IV will pay to unitholders the net proceeds of the amounts received on maturity of the Credit Linked Note together with any other assets, after payment or satisfaction of all liabilities of Credit Trust IV. Any amendment to the Trust Agreement which would have an adverse effect on the ability of Credit Trust IV to perform any of its material obligations under any material agreements to which it is a party requires the prior written consent of BNS, which consent shall not be unreasonably withheld or delayed.

The Manager performs management services for Credit Trust IV and will appoint the Investment Advisor as investment advisor to Credit Trust IV to construct the CLN Portfolio and actively manage the Reference Companies in the CLN Portfolio to which the return on the Credit Linked Note is linked in order to mitigate the risks associated with such portfolio pursuant to an investment advisory agreement (the “Credit Trust IV Investment Advisory Agreement”) between Credit Trust IV and the Investment Advisor. See “Management of Credit Trust IV — The Credit Trust IV Investment Advisory Agreement”.

INVESTMENT GUIDELINES OF CREDIT TRUST IV

The investment activities of Credit Trust IV are to be conducted in accordance with, among other things, the following investment restrictions:

- (i) **Investments.** Credit Trust IV will invest in the Credit Linked Note. Credit Trust IV may also invest a portion of its assets in cash and Cash Equivalents (as defined below).
- (ii) **Foreign Currency.** Credit Trust IV will invest in securities denominated in Canadian dollars only.
- (iii) **Foreign Issuers.** Credit Trust IV will not invest in securities of any foreign issuer if distributions to Credit Trust IV from such issuer would be subject to any foreign taxes or foreign withholding taxes that would not be recoverable by it or in respect of which it would not be entitled to receive a compensatory “gross-up” payment.

Cash Equivalents are defined in the Trust Agreement to mean cash held by or on deposit with or on behalf of the Trustee or Credit Trust IV’s custodian, or an evidence of indebtedness provided that such evidence of indebtedness: (a) has a rating of at least AAA by S&P; or (b) is issued by a Schedule I Canadian chartered bank and has a maturity date that is equal to or less than 364 days from the date of issuance thereof; and, in either case, (i) the maturity date of such evidence of indebtedness is no later than the last Business Day preceding the Termination Date, and (ii) the purchase of such evidence of indebtedness shall not result in the property of Credit Trust IV including evidence of indebtedness of more than nine different issuers at any one time.

MANAGEMENT OF THE COMPANY

Directors and Officers of the Company

The name, municipality of residence, position with the Company and principal occupation of each of the directors and officers of the Company are:

<u>Name and Municipality</u>	<u>Position with the Company</u>	<u>Principal Occupation</u>
W. NEIL MURDOCH* Oakville, Ontario	Director, President, Chief Executive Officer and Chairman	Director, President and Chief Executive Officer, Connor, Clark & Lunn Capital Markets Inc.
PHILIP K. GOW Toronto, Ontario	Chief Financial Officer and Secretary	Chief Financial Officer, Secretary and Compliance Officer, Connor, Clark & Lunn Capital Markets Inc.
JOHN H. G. DUSTAN* Vancouver, British Columbia	Director	President, Pacific Funds Management Ltd.
CRAIG A. SMITH* Surrey, British Columbia	Director	Corporate Director

* Members of the Audit Committee

Directors of the Company, other than employees of the Manager, will receive remuneration for their services as directors. All of the directors and officers of the Company have held the same principal occupation for the five years preceding the date hereof, other than Messrs. Gow and Murdoch, whose previous principal occupations are described below under “Officers and Directors of the Manager”.

John Dustan has worked in the financial services industry since 1974. He is President of Pacific Funds Management Ltd. He co-founded and was the Chairman and Chief Executive Officer of Genus Capital Management Inc., (formerly Dustan Wachell Capital Management Inc.). Positions he has held include Managing Director, Sceptre Investment Counsel Limited, Partner, M.K. Wong and Associates Ltd., and Pension Consultant, Wood Gundy Ltd. Mr. Dustan serves on the Pacific Blue Cross Investment Committee, British Columbia Life & Casualty Company investment committee and the Professional Conduct Enquiry Committee of the Institute of Chartered Accountants of British Columbia. He is an adviser to the investment committee of the Alberta Public Service Pension Fund and is a member of the boards of the Vancouver Foundation, Special Olympics Canada and the Board of Governors of the Law Foundation of British Columbia.

Craig Smith has thirty years’ experience in the financial services industry with a life insurance company, independent investment counsellor, retail brokerage firm and major chartered bank. He was formerly Managing Director, Western Canada, of UBS Global Asset Management (Canada) Company, serving on that company’s Board of Directors from 2001 to 2003. Mr. Smith holds the Chartered Financial Analyst designation.

The Manager

Connor, Clark & Lunn Capital Markets Inc. will perform management services for the Company pursuant to a management agreement (the “Management Agreement”) to be dated on or prior to the date of closing. The Manager will be entitled to receive fees as compensation for management services rendered to the Company. See “Fees and Expenses”.

The Manager managed over \$1.2 billion in assets as at December 31, 2005, including through ROC Pref Corp., ROC Pref II Corp., ROC Pref III Corp., CC&L Conservative Income Fund, CC&L Conservative Income Fund II, Connor, Clark & Lunn Real Return Income Fund, CC&L Prints Trust, SNP Health Split Corp. and SNP Split Corp. The Manager is part of the Connor, Clark & Lunn Financial Group, which also includes Connor, Clark & Lunn Investment Management Ltd., Connor, Clark & Lunn Private Capital Ltd., Baker Gilmore & Associates Inc., PCJ Investment Counsel Ltd., Scheer Rowlett & Associates Investment

Management Ltd., New Star Canada Inc., Banyan Capital Partners Management Partnership and Global Alpha Capital Management Ltd. (collectively, the “CC&L Group”). The CC&L Group, with approximately \$30.5 billion in assets under management as at December 31, 2005, offers professional management of financial assets for pension plan sponsors, capital accumulation plans, corporations, foundations, mutual funds and individual investors.

Duties and Services to be Provided by the Manager

The Manager’s duties will include: maintaining accounting records for the Company; authorizing the payment of operating expenses incurred on behalf of the Company; preparing financial statements, income tax returns and financial and accounting information as required by the Company; ensuring that Holders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Company complies with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Company’s reports to Holders and to the Canadian securities regulators; providing the custodian with information and reports necessary for the custodian to fulfil its fiduciary responsibilities; administering the retraction and redemption of Preferred Shares; administering the Forward Agreement including partial or early settlement thereof; arranging for any payment required on or about the Redemption Date; dealing and communicating with Holders; and negotiating contracts with third party providers of services, including, but not limited to, custodians, transfer agents, auditors and printers.

The Manager will also monitor the Company’s investment strategy to ensure compliance with the Investment Guidelines and that the net proceeds of the Offering are invested as described under “Use of Proceeds”. The Manager will report to the independent directors of the Company (the “Independent Committee”) on a quarterly basis with respect to the operation and performance of the Company.

The Manager will be required, under the Management Agreement, to notify the Independent Committee in writing of any conflict of interest or potential conflict of interest concerning the Manager or the Company (other than any such conflict of interest or potential conflict of interest relating to matters with respect to which the approval of Holders is required) and to consult with the Independent Committee in respect of any such conflict of interest or potential conflict of interest.

In the event of a dispute between the Independent Committee and the Manager with respect to a conflict of interest or potential conflict of interest, upon written direction of the Independent Committee, the Manager will call a meeting of Holders to consider the conflict of interest or potential conflict of interest.

A report of the Independent Committee, which summarizes any recommendations made or reports by the Independent Committee, will be included the annual reports provided to Holders.

The Company will enter into the custodial agreement and the registrar, transfer agency and distribution agency agreement, all as referred to under “Auditors, Valuation Agent, Transfer Agent, Registrar and Custodian”. See “Material Contracts”. Such agreements do not in any way release the Manager from compliance with its obligations to the Company under the Management Agreement. The Company may terminate each of the foregoing agreements upon notice.

Accounting and Reporting

The Company’s fiscal year will end on the last day of June in each year or such other fiscal period permitted under the Tax Act as the Company elects. The Manager will ensure that the Company complies with all applicable reporting and administrative requirements.

The Manager will keep adequate books and records reflecting the activities of the Company. A Holder or his or her duly authorized representative will have the right to examine the books and records of the Company during normal business hours at the offices of the Manager. Notwithstanding the foregoing, subject to applicable law, a Holder shall not have access to any information which, in the opinion of the Manager, should be kept confidential in the interests of the Company.

Officers and Directors of the Manager

The name, municipality of residence, position with the Manager and principal occupation of each of the directors and officers of the Manager are set out below:

<u>Name and Municipality</u>	<u>Position with the Company</u>	<u>Principal Occupation</u>
W. NEIL MURDOCH Oakville, Ontario	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer, Connor, Clark & Lunn Capital Markets Inc.
PHILIP K. GOW Toronto, Ontario	Director, Chief Financial Officer and Secretary and Compliance Officer	Director, Chief Financial Officer, Secretary and Compliance Officer, Connor, Clark & Lunn Capital Markets Inc.
MICHAEL W. FREUND Toronto, Ontario	Director and Chairman	Managing Partner, Connor, Clark & Lunn Financial Group
JENNIFER L. STEWART Toronto, Ontario	Vice-President and Associate Portfolio Manager	Vice-President, Connor, Clark & Lunn Capital Markets Inc.
BONNIE L.M. CHWARTACKI Winnipeg, Manitoba	Vice-President Sales, Western Canada	Vice-President, Sales, Western Canada, Connor, Clark & Lunn Capital Markets Inc.
VICTORIA L. JONAS Beaconsfield, Québec	Vice-President Sales, Quebec	Vice-President, Sales, Quebec, Connor, Clark & Lunn Capital Markets Inc.

W. Neil Murdoch: CFA, B.Comm, McGill University; LLB, University of Toronto; Master of Management, Kellogg Graduate School of Management, Northwestern University. Mr. Murdoch joined Connor, Clark & Lunn Capital Markets Inc. in December 2003. Prior thereto, Mr. Murdoch was Executive Vice-President and Portfolio Manager at AIC Group of Funds.

Philip K. Gow: CFA, BA, Dalhousie University; MBA, Saint Mary's University. Mr. Gow was a managing director of Brenton Reef Capital Inc. (which was acquired by CC&L Capital Markets Partnership in April 2001) from 1997 to April 2001 and has been a director and Chief Financial Officer of Connor, Clark & Lunn Capital Markets Inc. since April 2001.

Michael W. Freund: B.Bus.Sci., University of Capetown. Mr. Freund has held various management positions within the CC&L Group of companies since 1997. Mr. Freund's current principal occupation is Managing Partner of the Connor, Clark & Lunn Financial Group.

Jennifer L. Stewart: CFA, BA, University of Western Ontario. Ms. Stewart has been with Connor, Clark & Lunn Capital Markets Inc. since March 2002. Prior thereto, Ms. Stewart was a Canadian Equities Specialist at Merrill Lynch Canada Inc., with a niche focus on the income trust and structured products areas.

Bonnie L.M. Chwartacki: B.Comm (Hons.) University of Manitoba. Ms. Chwartacki has been with Connor, Clark & Lunn Capital Markets Inc. since the fall of 2004. Prior thereto, Ms. Chwartacki was Regional Vice-President for Western Canada at AIC Group of Funds.

Victoria L. Jonas: B.Ed., McGill University. Ms. Jonas joined Connor, Clark & Lunn Capital Markets Inc. in December, 2005. She was Senior Regional Sales Manager for Franklin Templeton Investments from 2002 until December, 2005, Regional Vice-President at Spectrum Investments from 2001 until that company was sold to CI Funds in 2002 and, prior thereto, Regional Vice President and Director with AGF Group of Funds from 1987.

Management Agreement

Pursuant to the Management Agreement, the Manager shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of Holders, and in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances.

The Manager may resign as manager of the Company upon 60 days' notice to the Holders and the Company or upon such lesser notice period as the Company may accept. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Manager, its successor must be approved by Holders. If the Manager is in material default of its obligations under the Management Agreement and such default has not been cured within 20 Business Days after notice of same has been given to the Manager, the Company shall give notice thereof to Holders and the Holders may remove the Manager and appoint a successor manager of the Company.

The Manager is entitled to fees for its services under the Management Agreement as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of the Company. In addition, the Manager and each of its directors, officers, employees and agents will be indemnified by the Company for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Manager or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from the Manager's wilful misconduct, bad faith or negligence or wilful disregard by the Manager of the Manager's duties or standard of care, diligence and skill set forth above or a material breach or default of the Manager's obligations under the Management Agreement.

Conflict of Interest — Manager

The services of the Manager and its officers and directors are not exclusive to the Company. The Manager or any of its affiliates and associates may, at any time, engage in the promotion, management or investment management of any other entity which invests primarily in the same securities as comprise the Canadian Securities Portfolio, and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for the Company will be made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may make the same investment for the Company and for one or more of its other clients. If the Company and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

Proxy Voting Policies and Procedures

With regard to voting on matters for which the Company receives, in its capacity as a shareholder, proxy materials for a meeting of securityholders of an issuer, the Manager has a fiduciary duty to act solely in the best interests of the Company. The Manager intends to vote securities in a timely manner and make voting decisions that are in the best interests of the Company. In addition to its own research, the Manager may pay Institutional Shareholder Services Inc. ("ISS"), an independent proxy review service, to provide an analysis of non-routine proxy issues. In most cases proxy items are routine issues and no further comment is made. In a small percentage of cases where the situation is considered to be non-routine a significant amount of additional work may be performed.

MANAGEMENT OF CREDIT TRUST IV

The Manager

Connor, Clark & Lunn Capital Markets Inc. will perform management services for Credit Trust IV pursuant to the Trust Agreement. The Manager will be entitled to receive fees as compensation for management services rendered to Credit Trust IV. See "Fees and Expenses". The Manager is responsible for payment of the investment management fees of the Investment Advisor related to Credit Trust IV.

Duties and Services to be Provided by the Manager

The Manager has exclusive authority to manage the operations and affairs of Credit Trust IV, to make all decisions regarding the business of Credit Trust IV and to bind Credit Trust IV. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of Credit Trust IV to do so.

Credit Trust IV Management

The Manager will continue as manager until terminated in accordance with the terms of the Trust Agreement. The terms of its appointment will be the same as the Management Agreement. See “Management of the Company — Management Agreement”.

Advisory Board

Credit Trust IV will establish an advisory board (the “Advisory Board”) consisting of at least two members appointed by the Manager each of whom will be independent of the Manager, the Investment Advisor, and each of their affiliates, and free from any interest and any business or other relationship which could, or could be reasonably perceived to, materially interfere with an Advisory Board member’s judgement. The Advisory Board will provide independent advice to the Manager in order to assist the Manager in performing its services under the Trust Agreement. The Trust Agreement provides that the members of the Advisory Board will act honestly and in good faith in the best interests of Credit Trust IV and its unitholders and in connection with that duty will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Manager will report to the Advisory Board on the operation and performance of Credit Trust IV on a quarterly basis, including with respect to compliance with the investment objectives, investment strategies and investment restrictions of Credit Trust IV and material contracts of Credit Trust IV, as amended from time to time.

The Manager will be required, under the Trust Agreement, to notify each member of the Advisory Board in writing of any conflict of interest, potential conflict of interest or related party transaction concerning the Manager or Credit Trust IV, including those with respect to the Investment Advisor of which the Manager is aware (other than any such conflict of interest, potential conflict of interest or related party transaction relating to matters with respect to which the approval of unitholders of Credit Trust IV is required under the Trust Agreement) and to consult with the Advisory Board in respect of any such conflict of interest, potential conflict of interest or related party transaction.

In the event of a dispute between the Advisory Board and the Manager with respect to a conflict of interest, potential conflict of interest or related party transaction, upon written direction of the Advisory Board, the Manager will call a meeting of unitholders of Credit Trust IV to consider the conflict of interest, potential conflict of interest or related party transaction.

Credit Trust IV’s annual report to unitholders will include a report by the Advisory Board summarizing any recommendations made by the Advisory Board, including recommendations made and not followed by the Manager, and any other matter that the Advisory Board determines to be appropriate in the circumstances.

All fees and expenses of the Advisory Board will be paid by Credit Trust IV and the regular fees and expenses of the Advisory Board have been included in Credit Trust IV’s estimated annual operating expenses of \$47,500 in the case of the minimum Offering. See “Fees and Expenses — Operating Expenses”. In addition, the Advisory Board will have the authority to retain, at the expense of Credit Trust IV, independent counsel or other advisors if Credit Trust IV deems it appropriate to do so.

The members of the Advisory Board will be indemnified by Credit Trust IV, except in cases of wilful misconduct, bad faith, negligence or breach of their standard of care. The Advisory Board members will not be responsible for the investments made by Credit Trust IV, or for the performance of Credit Trust IV. The members of the Advisory Board may serve in a similar capacity in respect of other entities managed by the Manager. The initial members of the Advisory Board will be John Dustan and Craig Smith, both of whom are

independent of the Manager. The principal occupations of Messrs. Dustan and Smith are described above under “Management of the Company — Directors and Officers of the Company”.

Conflict of Interest — Manager

The services of the Manager and its officers and directors are not exclusive to Credit Trust IV. The Manager or any of its affiliates and associates may, at any time, engage in the promotion, management or investment management of any other entity which invests primarily in the same securities as those held by Credit Trust IV, and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for Credit Trust IV will be made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may manage the same investment for Credit Trust IV and for one or more of its other clients. If Credit Trust IV and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

The Investment Advisor

The Investment Advisor was established in March 1982 and is an affiliate of the Manager. The principal office of the Investment Advisor is located at 2200 - 1111 West Georgia Street, Vancouver, British Columbia V6E 4M3. The Investment Advisor currently manages assets worth approximately \$18.5 billion.

The name, municipality of residence, position with the Investment Advisor and principal occupation of each of the directors and officers of the advisor are set out below:

<u>Name and Municipality</u>	<u>Position with the Investment Advisor</u>	<u>Principal Occupation</u>
LARRY R. LUNN Vancouver, British Columbia	Director, Chairman and President	Director, Chairman and President, Connor, Clark & Lunn Investment Management Ltd.
PHILLIP COTTERILL West Vancouver, British Columbia	Director and Vice President	Director and Vice President, Connor, Clark & Lunn Investment Management Ltd.
MICHAEL W. FREUND Toronto, Ontario	Director	Managing Partner, Connor, Clark & Lunn Financial Group
MARTIN L. GERBER West Vancouver, British Columbia	Director and Commodity Advising Officer	Director and Commodity Advising Officer, Clark & Lunn Investment Management Ltd.
BRIAN EBY West Vancouver, British Columbia	Director and Vice President	Director and Vice President, Connor, Clark & Lunn Investment Management Ltd.
GORDON H. MACDOUGALL West Vancouver, British Columbia	Director and Vice President	Director and Vice President, Connor, Clark & Lunn Investment Management Ltd.
J. WARREN STODDART Toronto, Ontario	Director	Managing Partner, Connor, Clark & Lunn Financial Group
SCOTT HACKNEY Etobicoke, Ontario	Vice President	Vice President, Connor, Clark & Lunn Investment Management Ltd.
KATHLEEN A. LEAVENS Vancouver, British Columbia	Compliance Officer	Compliance Officer, Connor, Clark & Lunn Investment Management Ltd.

Except as indicated below, each of the foregoing has held his or her current office or has held a similar office with the Investment Advisor during the five years preceding the date hereof.

Mr. Freund was appointed to the Board of the Investment Advisor in 2001. Mr. Eby was appointed to the Board of the Investment Advisor in 2002. Mr. Cotterill was appointed to the Board of the Investment Advisor in 2003.

The team of investment professionals responsible for investment management at the Investment Advisor all have significant experience in managing investment portfolios. The investment managers of the Investment Advisor who will primarily be responsible for the selection and active management of the Reference Companies comprising the CLN Portfolio are Warren Stoddart, Brian Eby, Jay Menning, Jane Justice and Chris Kalbfleisch.

Warren Stoddart: BA, University of Toronto. Mr. Stoddart is a director of the Investment Advisor and Managing Partner of the Connor, Clark & Lunn Financial Group. Mr. Stoddart is co-head of the fixed income team responsible for fixed income management strategy and research and also a member of the risk management team. Mr. Stoddart has 20 years experience covering three separate recessionary periods. In addition to his portfolio management experience, he has participated in the fixed income market as an employee of an issuer of debt, a principal lender to investment and sub-investment grade credits and in debt restructuring and workouts.

Brian Eby: CFA; MBA McMaster University. Mr. Eby is a partner of Connor, Clark & Lunn Investment Management Partnership, and co-head of the fixed income team responsible for fixed income management strategy and research. Mr. Eby has 21 years experience covering three separate recessionary periods. His experience outside portfolio management includes advising in the structuring/restructuring of public debt programs and underwriting of corporate bonds.

Jay Menning: CFA; B.Comm University of British Columbia. Mr. Menning is a partner of Connor, Clark & Lunn Investment Management Partnership. Mr. Menning is a Corporate Bond Specialist at the Investment Advisor and is responsible for credit analysis, research and corporate security selection. Mr. Menning has extensive experience in mutual fund research, credit analysis and high-yield bond portfolio management.

S. Jane Justice: B.Mgmt. Capilano College. Ms. Justice is a Partner of Connor, Clark & Lunn Investment Management Partnership and a member of the fixed income team responsible for bond trading and risk management.

Chris Kalbfleisch: CFA; MSc. Statistics University of Western Ontario. Mr. Kalbfleisch is a partner of Connor, Clark & Lunn Investment Management Partnership and is a member of the fixed income team. Mr. Kalbfleisch is a quantitative financial markets specialist and is responsible for research. In addition to his experience with the Investment Advisor, Mr. Kalbfleisch has extensive financial market experience that includes alternative asset portfolio management, derivatives trading and credit risk management.

Services to be Provided by the Investment Advisor

Decisions as to the active management of, and the evaluation of risks associated with, the CLN Portfolio and the Credit Linked Note held by Credit Trust IV will be made by the Investment Advisor in accordance with and subject to the Credit Trust IV Investment Advisory Agreement and the investment restrictions applicable to Credit Trust IV.

The Manager is responsible for ensuring that the provisions of the Credit Trust IV Investment Advisory Agreement are consistent with the investment guidelines and restrictions relating to Credit Trust IV and that such investment guidelines and restrictions comply with applicable Canadian federal and provincial laws. The Manager is also responsible for analyzing all provisions of applicable Canadian federal and provincial laws and interpretation of such laws (and any changes thereto) referred to in the investment guidelines and restrictions relating to Credit Trust IV. See "Investment Guidelines of Credit Trust IV".

The Investment Advisor's Approach to Selecting the CLN Portfolio

The Investment Advisor will employ a number of screening techniques to construct the CLN Portfolio with the objective of minimizing the expected default rate within the context of providing the yield target necessary to pay the fixed distributions on the Preferred Shares. The Investment Advisor will consider such factors as:

- diversification by name, industry, country and region, taking into consideration such factors as related entities, parent/subsidiary relationships and guarantees;
- a statistical assessment of the expected default rate of the Reference Companies in the CLN Portfolio to ensure they meet the objectives of Credit Trust IV; and
- credit analysis from a quantitative and qualitative perspective, including a review of third party reports from rating agencies and others.

With the benefit of these screening techniques, the Investment Advisor will build a model portfolio so as to minimize the probability of defaults. A separate qualitative credit analysis will be done by the Investment Advisor with the objective of identifying any unique risks associated with individual businesses. Based on this qualitative analysis a number of names from the model portfolio may be eliminated or replaced to arrive at the CLN Portfolio.

The Credit Trust IV Investment Advisory Agreement

Under the Credit Trust IV Investment Advisory Agreement, the Investment Advisor is required to act at all times on a basis which is fair and reasonable to Credit Trust IV, to act honestly and in good faith with a view to the best interests of Credit Trust IV and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Credit Trust IV Investment Advisory Agreement provides that the Investment Advisor shall not be liable in any way for any default, failure or defect in the Credit Linked Note or other securities held by Credit Trust IV or for any loss or diminution in the value of such note or other loss or damage suffered by any such person or for any errors of judgement, acts or omissions if it has satisfied the duties and standard of care, diligence and skill set forth above. The Investment Advisor will, however, incur liability in cases of wilful misconduct, bad faith or negligence or breach of its standard of care set forth above.

The Credit Trust IV Investment Advisory Agreement will continue in effect unless earlier terminated in accordance with the terms thereof. If the Manager is terminated, the Credit Trust IV Investment Advisory Agreement will terminate at such time. The Manager may terminate the Credit Trust IV Investment Advisory Agreement if the Investment Advisor has committed certain events of bankruptcy or insolvency, has lost any registration, licence or other authorization required to perform its services thereunder or is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 business days (defined as any day on which the TSX is open for trading) after notice thereof has been given to the Investment Advisor by the Manager. Except as described above, the Investment Advisor cannot be terminated as investment advisor of Credit Trust IV.

The Investment Advisor may terminate the Credit Trust IV Investment Advisory Agreement upon 20 business days' notice in the event that Credit Trust IV or the Manager is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 business days' notice of same to the Manager and to Credit Trust IV, or in the event that there is a material change in the investment guidelines of Credit Trust IV.

If the Credit Trust IV Investment Advisory Agreement is terminated, the Manager will promptly appoint a successor investment advisor to carry out the activities of the Investment Advisor until a meeting of unitholders is held to confirm such appointment.

Any amendment to the Credit Trust IV Investment Advisory Agreement which would have an adverse effect on the ability of Credit Trust IV to perform any of its material obligations under any material agreements to which it is a party requires the prior written consent of BNS, which consent shall not be unreasonably withheld or delayed.

The Manager, in its capacity as manager of Credit Trust IV, is responsible for the payment of the fees of the Investment Advisor out of its fees.

Conflict of Interest — Investment Advisor

The services of the Investment Advisor and its officers and directors are not exclusive to Credit Trust IV or the Manager. The Investment Advisor or any of its affiliates and associates may, at any time, engage in the promotion, management or investment management of any other entity which invests primarily in the same securities as those held by Credit Trust IV, and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for Credit Trust IV will be made independently of those made for other clients and independently of investments of the Investment Advisor. On occasion, however, the Investment Advisor may make the same investment for Credit Trust IV and for one or more of its other clients. If Credit Trust IV and one or more of the other clients of the Investment Advisor are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

DESCRIPTION OF SHARE CAPITAL

The Company is authorized to issue an unlimited number of Preferred Shares and Class A Shares of which, before giving effect to the Offering, there are issued and outstanding 100 Class A Shares. The attributes of the Preferred Shares are described under “Details of the Offering”.

Class A Shares

The holders of Class A Shares are entitled to receive dividends, if as and when declared by the board of directors of the Company. However, holders of Class A Shares are not entitled to receive any dividends on the Class A Shares at any time when there are Preferred Shares outstanding.

The holders of the Class A Shares will be entitled to one vote per share. The Class A Shares are retractable at any time. For retractions occurring at a time when any Preferred Shares are outstanding prior to the Redemption Date, the retraction price will be \$1.00 per share; for other retractions, the retraction price will be based on the net asset value of the Company. The Class A Shares are redeemable by the Company at any time for a redemption price equal to \$1.00 per share when any Preferred Shares are outstanding; for other redemptions, the redemption price will be based on the net asset value of the Company. The Class A Shares rank subsequent to the Preferred Shares with respect to dividends, distributions on retractions and redemptions, and distributions on the dissolution, liquidation or winding-up of the Company. Each Class A Share entitles the holder thereof to participate in the distribution of the remaining net assets of the Company on a dissolution, liquidation or winding-up of the Company.

A trust established for the benefit of the Holders owns all of the issued and outstanding Class A Shares of the Company. See “Principal Shareholder”.

DETAILS OF THE OFFERING

The following is a summary of certain provisions of the Preferred Shares offered hereby.

Certain Provisions of the Preferred Shares

Distributions

Holders will be entitled to receive quarterly fixed cumulative preferential cash distributions of \$0.29375 per Preferred Share on the last Business Day of March, June, September and December in each year (each, a “Distribution Payment Date”). On an annualized basis, this would represent a yield on the offering price of the Preferred Shares of 4.70%. The Company expects that the initial distribution will be payable to Holders on June 30, 2006. The first distribution which covers the period from closing to June 30, 2006, is expected to be \$0.37101 per Preferred Share based on the anticipated closing date of March 8, 2006. Preferred Share distributions will consist primarily of returns of capital (which are generally not subject to tax upon receipt, but which would reduce the adjusted cost base of the Holder’s Preferred Shares), and may include capital gains dividends. See “Canadian Federal Income Tax Considerations”.

Retraction

Preferred Shares may be surrendered at any time for retraction to Computershare Investor Services Inc. (“Computershare”), the Company’s registrar and transfer agent, but will be retracted only on the last day of the month (a “Valuation Date”) commencing June 30, 2006. Preferred Shares surrendered for retraction by a Holder at least five (5) Business Days prior to a Valuation Date will be retracted on such Valuation Date and the Holder will receive payment on or before the tenth Business Day following such Valuation Date (the “Retraction Payment Date”). If a Holder makes such surrender after 5:00 p.m. (Toronto time) on the fifth Business Day immediately preceding a Valuation Date, the Preferred Shares will be retracted on the Valuation Date in the following month and the Holder will receive payment for the retracted shares on the Retraction Payment Date in respect of such Valuation Date.

On a retraction, Holders will be entitled to receive a retraction price per share (“Preferred Share Retraction Price”) equal to 95% of the net asset value per Preferred Share determined as of the relevant Valuation Date less \$0.25. As this Preferred Share Retraction Price may be less than \$25.00 and will vary depending on the net asset value at the time of retraction, the S&P rating of the Preferred Shares does not extend to the amount payable on a retraction. Any declared and unpaid distributions payable to Holders of record on or before a Valuation Date in respect of Preferred Shares tendered for retraction on such Valuation Date will also be paid on the Retraction Payment Date.

For purposes of determining the Preferred Share Retraction Price, the net asset value per Preferred Share will be equal to the aggregate value of (i) the Forward Agreement, and (ii) any other assets of the Company, less liabilities of the Company and less the amount paid for the Company’s Class A Shares, divided by the number of Preferred Shares outstanding. Liabilities will include any expenses previously funded by the Manager on behalf of the Company and Deferred Management Fees (as defined below), calculated as at the Valuation Date. The value of the Forward Agreement, at any time, will primarily depend on the value of the Credit Linked Note. See “Valuation”.

As disclosed below under “Details of the Offering — Certain Provisions of the Preferred Shares — Resale of Preferred Shares Tendered for Retraction”, where the holder of Preferred Shares tendered for retraction has not withheld his consent thereto in the manner provided in the retraction notice delivered to The Canadian Depository for Securities Limited (“CDS”) through a participant in the CDS book-based system (a “CDS Participant”), the Company may, but is not obligated to, require the Recirculation Agent (as defined below) to use commercially reasonable efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date pursuant to the Recirculation Agreement (as defined below). In such event, the amount to be paid to the Holder on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Preferred Shares less any applicable commission. Such amount will not be less than the Preferred Share Retraction Price described above. Holders of Preferred Shares are free to withhold their consent to such treatment and to require the Company to retract their Preferred Shares in accordance with their terms.

Subject to the Company’s right to recirculate Preferred Shares as described below, any and all Preferred Shares which have been surrendered to the Company for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Payment Date, unless not retracted thereon, in which event such Preferred Shares will remain outstanding.

The retraction right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described under “Details of the Offerings — Book-Entry Only System”. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Preferred Shares which are not retracted by the Company on the relevant Retraction Payment Date.

Resale of Preferred Shares Tendered for Retraction

The Company intends to enter into an agreement (the “Recirculation Agreement”) with Scotia (the “Recirculation Agent”) pursuant to which the Recirculation Agent has agreed to use commercially reasonable efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant

Retraction Payment Date, provided that the Holder of the Preferred Shares so tendered has not withheld consent thereto. The Company is not obligated to require the Recirculation Agent to seek such purchasers but may elect to do so. In the event that a purchaser for such Preferred Shares is found in this manner, the amount to be paid to the Holder of the Preferred Shares on the relevant Retraction Payment Date will be an amount equal to the proceeds of the sale of the Preferred Shares less any applicable commission. Such amount will not be less than the applicable Preferred Share Retraction Price described above.

Redemption

The Preferred Shares will be redeemed by the Company on the Redemption Date at a price per Preferred Share (the “Preferred Share Redemption Price”) equal to the lesser of (i) \$25.00 plus the Residual Amount (as defined below), if any, and (ii) the amount received by the Company from the sale of Canadian Securities acquired by the Company under the Forward Agreement (which will be an amount related to the maturity value of the Credit Linked Note less any liabilities of Credit Trust IV), and on the disposition of any other assets of the Company, less liabilities of the Company and less the nominal amount paid for the Company’s Class A Shares, divided by the number of Preferred Shares outstanding. For this purpose, liabilities will not include Deferred Management Fees or any expenses previously funded by the Manager on behalf of the Company (other than expenses funded by the Manager from that portion of its annual management fee not included in the Deferred Management Fee). Notice of redemption will be given to CDS Participants holding Preferred Shares on behalf of the beneficial owners thereof at least 30 days prior to the Redemption Date.

The Company will also be entitled to redeem all of the Preferred Shares prior to the Redemption Date at the Preferred Share Redemption Price upon an acceleration of the Credit Linked Note following an Event of Default or otherwise. See “The Credit Linked Note — Certain Provisions of the Credit Linked Note”.

The residual amount is equal to the amount per Preferred Share, if any, remaining after payment of \$25.00 per Preferred Share issued and outstanding on the Redemption Date together with any accrued and unpaid distributions, setting aside of the amount payable on the Company’s Class A Shares and payment to the Manager of any Deferred Management Fees and any fees and expenses previously funded by the Manager on behalf of the Company (the “Residual Amount”). There is no assurance that any such Residual Amount will remain.

Rating of the Preferred Shares

It is a condition of closing that the Preferred Shares be assigned a rating of at least P-1 (low) by S&P using S&P’s Canadian Preferred Share Rating Scale and at least A – using S&P’s global scale for preferred shares. S&P’s ratings for preferred shares range from P-1 to P-5 on its Canadian Preferred Share Rating Scale. The A rating category is the highest of the three categories used by S&P on its global preferred share scale. S&P has indicated that its rating of the Preferred Shares addresses the ability of the Company to meet the capital repayment and distribution objectives of the Company. The rating will be based on a number of factors, including the structure of the Company, Credit Trust IV and the Credit Linked Note, and an assessment of the creditworthiness of the Counterparty. See “The Credit Linked Note — Rating of the Credit Linked Note” for information on the rating of the Credit Linked Note.

Prospective purchasers of the Preferred Shares should consult S&P with respect to the interpretation and implications of the rating. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by S&P.

Priority

The Preferred Shares rank in priority to the Class A Shares with respect to the payment of dividends, distributions upon a redemption, retraction or reduction of capital, and distributions upon the dissolution, liquidation or winding up of the Company. As there will only be a nominal number of Class A Shares outstanding, virtually all of the gains and all of the losses arising as a result of the Company’s investments will be for the account of the Holders.

Voting Rights

Except as required by law or as set out below under “Shareholder Matters”, Holders of Preferred Shares will not be entitled to receive notice of, to attend or to vote at any meeting of securityholders of the Company.

Suspension of Redemption or Retractions of Preferred Shares

The Company may suspend the retraction of Preferred Shares or payment of retraction proceeds: (i) during any period when normal trading in the Canadian Securities or Preferred Shares is suspended on the TSX; or (ii) for any period not exceeding 120 days during which the Company determines that conditions exist which render impractical the settlement of the Forward Agreement, the ability of the Company to determine the value of the assets of the Company or in such other circumstances as the Company considers appropriate, only with the prior approval of the securities regulatory authorities (if required). The suspension may apply to all requests for redemption or retraction received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Holders making such requests shall be advised by the Company of the suspension and that the redemption or retraction will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such Holders shall have and shall be advised that they have the right to withdraw their requests for redemption or retraction. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Company, any declaration of suspension made by the Company shall be conclusive.

Book-Entry Only System

Registration of interests in and transfers of the Preferred Shares will be made through the book-entry only system. On the closing of the Offering, the Company will deliver to CDS certificates evidencing the aggregate number of Preferred Shares subscribed for under this Offering. Preferred Shares must be purchased, transferred and surrendered for retraction or redemption through a CDS Participant. All rights of an owner of Preferred Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such securities. Upon the purchase of any Preferred Shares, the owner will receive only the customary confirmation. References in this prospectus to a holder of Preferred Shares means, unless the context otherwise requires, the owner of the beneficial interest in such securities.

The ability of a beneficial owner of Preferred Shares to pledge such securities or otherwise take action with respect to such owner’s interest in such securities (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

An owner of such Preferred Shares who desires to exercise retraction privileges thereunder must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice of the owner’s intention to retract such shares, no later than 5:00 p.m. (Toronto time) on the relevant notice date. An owner who desires to retract Preferred Shares should ensure that the CDS Participant is provided with notice (the “Retraction Notice”) of his intention to exercise his retraction privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. The Retraction Notice will be available from a CDS Participant or Computershare. Any expense associated with the preparation and delivery of Retraction Notices will be for the account of the owner exercising the retraction privilege.

By causing a CDS Participant to deliver to CDS a notice of the owner’s intention to retract Preferred Shares, an owner shall be deemed to have irrevocably surrendered such shares for retraction and appointed such CDS Participant to act as his exclusive settlement agent with respect to the exercise of the retraction privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Retraction Notice which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the retraction privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise retraction

privileges or to give effect to the settlement thereof in accordance with the owner's instructions will not give rise to any obligations or liability on the part of the Company to the CDS Participant or to the owner.

The Company has the option to terminate registration of the Preferred Shares through the book-entry only system in which case certificates for Preferred Shares in fully registered form would be issued to beneficial owners of such shares or to their nominees.

SHAREHOLDER MATTERS

Meetings of Holders

Except as required by law or set out below, Holders of Preferred Shares will not be entitled to receive notice of, to attend or to vote at any meeting of shareholders of the Company.

Acts Requiring Holder Approval

The following matters require the approval of the Holders by a two-thirds majority vote (other than items (c) and (f) which require approval by a simple majority vote) at a meeting called and held for such purpose:

- (a) a change in the investment strategy of the Company as described under "Investment Objectives and Strategy of the Company";
- (b) a change in the investment restrictions of the Company as described under "Investment Guidelines of the Company — Investment Restrictions of the Company";
- (c) any change in the basis of calculating fees or other expenses that are charged to the Company which could result in an increase in charges to the Company;
- (d) a change of the manager of the Company, other than a change resulting in an affiliate of such person assuming such position;
- (e) a decrease in the frequency of calculating the net asset value per Preferred Share or of retraction privileges;
- (f) a change of the auditors of the Company;
- (g) any additional issuances of Preferred Shares other than for net proceeds equal to or greater than 100% of the NAV per Preferred Share; and
- (h) an amendment, modification or variation in the provisions or rights attaching to the Preferred Shares or Class A Shares if such change would materially adversely affect the rights attaching to the Preferred Shares.

In addition, each of the foregoing (other than items (e) and (f)) will be subject to confirmation from S&P that its rating of the Preferred Shares will not be reduced or withdrawn as a result of such change or action.

Each Preferred Share will have one vote at such a meeting. Twenty-five percent of the outstanding Preferred Shares represented in person or by proxy at the meeting will constitute a quorum. If no quorum is present, the Holders then present will constitute a quorum at an adjourned meeting.

The Company may only amend its articles with the approval of the independent directors of the Company.

Information and Reports to Holders

The Company will provide Holders with consolidated unaudited interim and consolidated audited annual financial statements that will include the accounts of the Company and Credit Trust IV and a consolidated statement of investments. The Company will also furnish to Holders such other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Holders' tax returns under the Tax Act and equivalent provincial legislation. Separate unaudited interim and audited annual financial statements of Credit Trust IV will be available on the Internet at www.sedar.com. Each of the Company and

Credit Trust IV will comply with all of the continuous disclosure requirements applicable to it as a reporting issuer under applicable securities laws.

Prior to any meeting of Holders, the Company will provide Holders (along with notice of such meeting) all such information as is required by applicable law to be provided to Holders.

VALUATION

Valuation of Assets

RBC Dexia Investor Services Trust (the “Valuation Agent”) will, twice a month (each, a “NAV Valuation Date”), calculate the value of the Company’s and Credit Trust IV’s respective assets as set forth below.

The total assets of the Company will consist of the aggregate value of the Forward Agreement together with any assets of the Company invested in cash, cash equivalents and Canadian Securities. Since the value of the Company’s rights and obligations under the Forward Agreement is determined by reference to the value of the Credit Linked Note held by Credit Trust IV, the Company’s net asset value (“NAV”) is linked to the value of the Credit Linked Note. The value of the Credit Linked Note will be determined by the Manager using a price indication provided by BNS (based on proprietary pricing models and assumptions as employed and adjusted by BNS from time to time which models may be highly subjective and, in constructing such pricing models, the Counterparty need not consider of the interests of the Company or the Holders) and such other information as the Manager deems relevant. See “The Credit Linked Note — Certain Provisions of the Credit Linked Note — Valuation of the Credit Linked Note”. The Manager will notify the Valuation Agent of any adjustments in the holdings of either the Company or Credit Trust IV. The Manager will review the valuation and will, from time to time, consider the appropriateness of the valuation policies adopted by the Company and followed by the Valuation Agent, as such policies are modified from time to time in the discretion of the Manager, acting reasonably, and in the best interests of Holders.

Net Asset Value

The NAV and the net asset value of Credit Trust IV will be calculated by the Valuation Agent on each NAV Valuation Date by subtracting the aggregate amount of the liabilities of the Company or Credit Trust IV from the total assets of the Company or Credit Trust IV, as applicable. The total assets of the Company and Credit Trust IV will be valued as follows:

- (i) the value of any security which is listed or traded upon a stock exchange shall be determined by taking the latest available sale price traded on such exchange during usual trading hours of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless, in the opinion of the Valuation Agent, such value does not reflect the fair value thereof and in which case the latest offer price or bid price should be used), as at the NAV Valuation Date on which the NAV and the net asset value of Credit Trust IV are being determined, all as reported by any means in common use;
- (ii) the value of any cash on hand or on deposit, prepaid expenses, cash dividends received (or declared to holders of record on a date before the NAV Valuation Date as of which the NAV and the net asset value of Credit Trust IV are being determined and to be received) and interest accrued and not yet received, shall be deemed to be the face amount thereof unless the Valuation Agent has determined that any such asset is not otherwise worth the face amount thereof, in which case the value thereof shall be deemed to be such value as the Valuation Agent determines to be the fair value thereof;
- (iii) the value of a forward contract (including the Forward Agreement) shall be the gain or loss with respect thereto that would be realized if, on the NAV Valuation Date, the position in the forward contract were to be closed out in accordance with its terms;
- (iv) the value of any bonds, debentures and other debt obligations will be valued by taking the average of the bid and ask prices on the NAV Valuation Date at such times as the Valuation Agent, in its discretion, deems appropriate. Short-term investments, including notes and money market instruments, will be valued at cost plus accrued interest;

- (v) in the case of Credit Trust IV, the value of the Credit Linked Note will be determined in the manner described under “The Credit Linked Note — Certain Provisions of the Credit Linked Note — Valuation of the Credit Linked Note”;
- (vi) if an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Valuation Agent to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Valuation Agent shall make such valuation as it considers fair and reasonable; and
- (vii) the value of all assets quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable in foreign currency and the value of all liabilities and contractual obligations payable in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the date on which the net asset value is computed.

Any net capital or non-capital losses available to the Company on the Redemption Date will not be treated as an asset on or subsequent to the Redemption Date, in the calculation of NAV.

The net asset value per Preferred Share is the amount obtained by dividing the NAV as of a particular date by the total number of Preferred Shares outstanding on that date (the “NAV per Preferred Share”). The NAV per Preferred Share will be calculated twice a month by the Valuation Agent. Such information will be provided by the Manager to Holders on request. The Manager will also post the NAV on its website (www.cclcapitalmarkets.com) twice a month.

The process of valuing investments for which no published market exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold or retracted.

Audit of Financial Statements

The annual financial statements of the Company shall be audited by the Company’s auditors in accordance with generally accepted auditing standards. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with generally accepted accounting principles. BNS will have no obligations, express or implied, to the Company or any Holder with regard to price indications provided with respect to the Credit Linked Note.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, counsel to the Company, and McMillan Binch Mendelsohn LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Preferred Shares by a Holder who acquires Preferred Shares pursuant to this prospectus. This summary is applicable to a Holder who, for the purposes of the Tax Act, is resident in Canada, deals at arm’s length with the Company and holds Preferred Shares as capital property. This summary is also based on the assumptions that the Canadian Securities Portfolio will consist of “Canadian securities” for purposes of the Tax Act and that the Company will elect in accordance with the Tax Act to have each of its Canadian securities treated as capital property. This summary assumes that the Preferred Shares will, at all material times, be listed on a Canadian stock exchange prescribed for the purposes of the Tax Act.

This summary is based on the facts set out in this prospectus, the current provisions of the Tax Act and the regulations thereunder, counsel’s understanding of the current published administrative and assessing practices of the Canada Revenue Agency and all specific proposals to amend the Tax Act and regulations thereunder publicly announced by the Minister of Finance (Canada) prior to the date hereof (such proposals referred to hereafter as the “Tax Proposals”). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations.

This summary is not applicable to Holders an interest in which would be a tax shelter investment for the purposes of the Tax Act. This summary does not deal with the mark-to-market rules in the Tax Act and Holders

that are “financial institutions” as defined in the Tax Act for purposes of these rules should consult their own tax advisors.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Preferred Shares and, in particular, does not describe income tax considerations relating to the deductibility of interest on money borrowed to acquire Preferred Shares. Moreover, the income and other tax consequences of acquiring, holding or disposing of Preferred Shares will vary depending on the investor’s particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Preferred Shares, based on their particular circumstances.

Status of the Company

This summary is based on the assumptions that the Company will qualify at all times as a “mutual fund corporation” within the meaning of the Tax Act and that the Company will elect under the Tax Act to be a public corporation from the date it was established. To so qualify, the Company must be a “public corporation”, the sole undertaking of the Company must, in general, be the investing of its funds in property (other than real property or interests in real property), and the Preferred Shares must be redeemable at the demand of the Holders of those shares. If the Company were to fail to qualify as a mutual fund corporation, the income tax considerations described below would in some respects be materially different.

Tax Treatment of the Company

Dividends

Dividends received by the Company on shares in the Canadian Securities Portfolio will be included in its income but will be deductible in computing its taxable income. The Company will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on the amount by which such dividends received by it on shares in the Canadian Securities Portfolio exceed the Company’s non-capital losses claimed in a year. However, any Part IV tax that is paid will be fully refunded to the Company on the payment by the Company of sufficient taxable dividends (other than capital gains dividends as defined below) in the year or in subsequent taxation years, in accordance with the provisions of the Tax Act in that regard.

As the Company will be a “financial intermediary corporation” as defined in the Tax Act, it will not be subject to tax under Part VI.1 of the Tax Act on dividends that it pays on the Preferred Shares.

Capital Gains

The Company has advised counsel that it intends to elect in accordance with the Tax Act to have each of its “Canadian securities” (as defined in subsection 39(6) of the Tax Act) treated as capital property. Such an election will result in the treatment of gains or losses realized by the Company on the sale of “Canadian securities” as capital gains or capital losses.

The Company will not realize income, gain or loss as a result of entering into the Forward Agreement and no amount will be included in the Company’s income by virtue of the acquisition of Canadian Securities under the Forward Agreement. The cost to the Company of such Canadian Securities will be that portion of the aggregate amount paid by the Company under the Forward Agreement attributable to the Canadian Securities. Provided the Company elects in accordance with the Tax Act to have each of its Canadian securities treated as capital property, gains or losses realized by the Company on the sale of Canadian Securities acquired pursuant to the Forward Agreement will be taxed as capital gains or capital losses.

As a mutual fund corporation, the Company will be entitled in certain circumstances to a refund of tax paid by it in respect of its net realized capital gains. Also, as a mutual fund corporation, the Company will maintain a capital gains dividend account in respect of capital gains realized by the Company and from which it may elect to pay dividends (“capital gains dividends”) which will be treated as capital gains in the hands of the shareholders of the Company. See below under “Tax Treatment of Holders of Preferred Shares — Distributions”.

Other Income

To the extent that the Company earns income, the Company will be required to include such amounts in income in accordance with the rules of the Tax Act.

Issue and Other Expenses

The Company will be entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing the Preferred Shares. Such issue expenses, including the Agents' fees, will be deductible by the Company rateably over a five-year period subject to reduction in any taxation year which is less than 365 days. Generally, the Company will also be entitled to deduct reasonable administrative and other ongoing expenses incurred by it. Any non-capital losses incurred by the Company may generally be carried forward or back in accordance with the rules and limitations contained in the Tax Act and deducted in computing the taxable income of the Company. Tax Proposals released, for public comment, on October 31, 2003 may deny losses realized in a year in respect of a business or property if in the year it is not reasonable to expect that the taxpayer will realize a cumulative profit from that business or property for the period in which the taxpayer has carried on, and can reasonably be expected to carry on, that business or has held, and can reasonably be expected to hold, that property. For these purposes, profit does not include capital gains. If this Tax Proposal applied to the Company, losses in respect of a business or property of the Company could be denied. On February 23, 2005 the Department of Finance announced that it will, at an early opportunity, release an alternative to this Tax Proposal for comment.

Net Tax Liability

As a result of the deductions and refunds of tax described above, it is not anticipated that the Company will be subject to any material net Canadian tax liability.

Tax Treatment of Holders of Preferred Shares

Distributions

Dividends other than capital gains dividends ("Ordinary Dividends") received by a Holder will be included in computing the Holder's income. In the case of a Holder that is an individual, Ordinary Dividends will be subject to the gross-up and dividend tax credit rules under the Tax Act normally applicable to taxable dividends received from a taxable Canadian corporation.

In the case of a Holder that is a specified financial institution, Ordinary Dividends received on Preferred Shares will be deductible in computing its taxable income only if either:

- (a) the specified financial institution did not acquire the Preferred Shares in the ordinary course of its business, or
- (b) at the time of the receipt of the dividends by the specified financial institution, dividends are received in respect of not more than 10% of the issued and outstanding Preferred Shares by
 - (i) the specified financial institution, or
 - (ii) the specified financial institution and persons with whom it does not deal at arm's length (within the meaning of the Tax Act).

For these purposes, a beneficiary of a trust will be deemed to receive the amount of any dividend received by the trust and designated to that beneficiary, effective at the time the dividend was received by the trust, and a member of a partnership will be considered to have received that partner's share of a dividend received by the partnership, effective at the time the dividend was received by the partnership.

Ordinary Dividends on Preferred Shares will generally be subject to a 10% tax under Part IV.1 of the Tax Act when such dividends are received by a corporation (other than a "private corporation" or a "financial intermediary corporation", as defined in the Tax Act) to the extent that such dividends are deductible in computing the corporation's taxable income.

A Holder which is a private corporation for purposes of the Tax Act, or any other corporation controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on Ordinary Dividends received on Preferred Shares, to the extent that such dividends are deductible in computing the corporation's taxable income. Where Part IV.1 tax also applies to an Ordinary Dividend received by a particular corporation on the Preferred Shares, the rate of Part IV tax payable by such corporation on such dividend is reduced to 23 $\frac{1}{3}$ %.

The amount of any capital gains dividend received by a Holder from the Company on a Preferred Share will be considered to be a capital gain of the Holder from the disposition of capital property in the taxation year of the shareholder in which the capital gains dividend is received.

Holders of Preferred Shares are generally not expected to receive dividends other than capital gains dividends.

The amount of any payment received by a Holder from the Company on a Preferred Share as a return of capital will not be required to be included in computing income. Instead such amount will reduce the adjusted cost base of such share to the Holder. To the extent that the adjusted cost base to the Holder would otherwise be a negative amount, the Holder will be considered to have realized a capital gain at that time equal to that negative amount.

Dispositions

Upon the redemption, retraction or other disposition of a Preferred Share, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of such share exceed (or are less than) the aggregate of the Holder's adjusted cost base of such share and any reasonable costs of disposition.

Where the Holder is a corporation, a trust of which a corporation is a beneficiary or a partnership of which a corporation is a member, in certain circumstances the amount of any capital loss otherwise determined may be reduced by the amount of Ordinary Dividends previously received on the Preferred Share. These rules may also apply where a trust or partnership is a member of a partnership or a beneficiary of a trust that owns Preferred Shares.

The adjusted cost base to a Holder of a Preferred Share will be determined by averaging the cost of the Preferred Shares acquired by the Holder at a particular time with the adjusted cost base to the Holder of any Preferred Shares already held by the Holder as capital property.

One-half of any capital gain (a taxable capital gain) will be required to be included in computing the Holder's income and one-half of any capital loss (an allowable capital loss) may be deducted from taxable capital gains realized by the Holder in the year of disposition. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

A taxable gain realized by an individual, and certain trusts, may give rise to a liability for alternative minimum tax.

A Holder that is a "Canadian controlled private corporation" (as defined in the Tax Act) may be liable for an additional refundable tax of 6 $\frac{2}{3}$ % on investment income for the year, which is defined to include taxable capital gains.

ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Elliott LLP, counsel to the Company, and McMillan Binch Mendelsohn LLP, counsel to the Agents, provided that the Preferred Shares are listed on a prescribed stock exchange (which includes the TSX), they will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. Holders that are registered education savings plans should consult their own tax advisors as to the effect of acquiring Preferred Shares and the accompanying beneficial interest in the trust that holds the Class A Shares.

USE OF PROCEEDS

The Company will use the proceeds from the sale of Preferred Shares as follows:

	<u>Minimum Offering</u>	<u>Maximum Offering</u>
Gross proceeds to the Company	\$75,000,000	\$150,000,000
Agents' Fees	\$ 2,250,000	\$ 4,500,000
Expense of issue	<u>\$ 500,000</u>	<u>\$ 830,000</u>
Net proceeds to the Company	<u>\$72,250,000</u>	<u>\$144,670,000</u>

The Company will use the net proceeds of the Offering to provide exposure to the economic return generated by the Credit Linked Note held by Credit Trust IV by pre-paying its purchase obligations under the Forward Agreement.

PLAN OF DISTRIBUTION

Pursuant to an agency agreement (the "Agency Agreement") among Scotia, CIBC World Markets Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., HSBC Securities (Canada) Inc., Richardson Partners Financial Limited, Wellington West Capital Inc., Desjardins Securities Inc., Canaccord Capital Corporation and Raymond James Ltd. (collectively, the "Agents"), the Company and the Manager, the Agents have agreed to offer a minimum of 3,000,000 and a maximum of 6,000,000 Preferred Shares for sale as agents of the Company, on a best efforts basis, if, as and when issued by the Company, in accordance with the terms and conditions of the Agency Agreement. Preferred Shares will be offered at a price of \$25.00 per Preferred Share. The Agents will receive a fee equal to \$0.75 for each Preferred Share sold and will be reimbursed for reasonable out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell Preferred Shares offered hereby, the Agents will not be obligated to purchase Preferred Shares which are not sold. Under the Agency Agreement, the Agents have agreed that they will not offer or sell the Preferred Shares in the United States or to U.S. Persons.

Proceeds from subscriptions will be held by the Agents in trust in a segregated account until the closing of the Offering. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. Credit Trust IV has agreed to obtain a receipt for a prospectus of Credit Trust IV from the Autorité des marchés financiers prior to the purchase of Preferred Shares by any persons in Québec.

Subscriptions for Preferred Shares will be received subject to rejection or allotment in whole or in part. The decision to accept or reject the subscription will be made promptly, and in any event within two days of receipt of the subscription. In the event that a subscription is rejected, all monies received with the subscription will be refunded immediately. The right is reserved to close the subscription books at any time without notice. The closing of the Offering will take place on or about March 8, 2006 or such later date as may be agreed on by the Company and the Agents that is on or before April 13, 2006.

If subscriptions for a minimum of 3,000,000 Preferred Shares have not been received within 90 days following the date of issuance of a final receipt for this prospectus, this Offering may not continue without the consent of the Canadian securities regulators and those who have subscribed for Preferred Shares on or before such date. In the event the minimum offering is not achieved by the Company and the necessary consents are not obtained or if the closing of the Offering does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction.

It is a condition of closing that (i) the Preferred Shares be assigned a rating of at least P-1 (low) by S&P; and (ii) the Credit Linked Note be assigned a rating of at least A – by S&P.

The TSX has conditionally approved the listing of the Preferred Shares, subject to fulfillment by the Company of the requirements of such exchange by May 16, 2006, including distribution to a minimum number of Holders.

Pursuant to policy statements of certain Canadian securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Preferred Shares. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Preferred Shares. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Agents may over-allot or effect transactions. Such transactions, if commenced, may be discontinued at any time.

The Company may be considered a connected issuer of Scotia. See “Interest of Management and Others in Material Transactions”.

CAPITALIZATION

The capitalization of the Company at February 27, 2006 and at such date as adjusted to give effect to the issue and sale of the Preferred Shares offered hereby, is set forth in the table below:

	<u>Authorized</u>	<u>Outstanding as at February 27, 2006</u>	<u>To be outstanding as at February 27, 2006 after giving effect to the issue⁽²⁾ (unaudited)</u>
Liabilities			
Preferred Shares	Unlimited	Nil	\$ 150,000,000 (6,000,000 shares)
Share Capital			
Class A Shares	Unlimited	\$100 ⁽¹⁾ (100 shares)	\$ 100 (100 shares)
Issue Costs		Nil	\$ (830,000)
Total Capitalization		<u>\$100</u>	<u>\$ 149,170,100</u>

Note:

(1) The Company does not have any retained earnings or contributed surplus as at February 27, 2006.

(2) Assumes the maximum amount of the Offering.

PRINCIPAL SHAREHOLDER

All of the issued and outstanding Class A Shares of the Company are owned by a trust established for the benefit of Holders of Preferred Shares from time to time. The trustees of such trust will be John Dustan and Craig Smith. The Class A Shares will be held in escrow by Computershare Trust Company of Canada pursuant to an agreement dated on or prior to the date of closing (the “Escrow Agreement”) between such trust, Computershare Trust Company of Canada and the Company and will not be disposed of or dealt with in any manner until all the Preferred Shares have been redeemed or are no longer outstanding, without the express consent, order or direction in writing of the Ontario Securities Commission.

FEES AND EXPENSES

Initial Fees and Expenses

The expenses of the Offering (including the costs of creating and organizing the Company, the costs of printing and preparing the prospectus, legal expenses, marketing and advertising expenses and other reasonable out-of-pocket expenses) incurred by the Company and the Agents and other incidental expenses, which are estimated to be approximately \$500,000 in the aggregate in the case of the minimum Offering, will be paid out of the gross proceeds of the Offering. In addition, the Agents’ fee will be paid to the Agents from the gross proceeds of the Offering as described under “Plan of Distribution”.

Annual Fees and Expenses

The Manager will coordinate the organization of the Company and Credit Trust IV and will manage the ongoing administrative affairs of the Company and business and administrative affairs of Credit Trust IV.

The aggregate of the annual fees and expenses to be directly and indirectly borne by the Company is expected to be less than 1.0% of the net asset value of the Company. These fees and expenses consist of (i) annual management fees equal to the lesser of (a) 0.35% of the net asset value of the Company and (b) 0.35% of the Company’s initial net asset value; and (ii) a reduction in the value of Canadian Securities to be delivered under the Forward Agreement equal on an annual basis to 0.30% of the par value of the Credit Linked Note (which equates to an annual fee of 0.30%); and (iii) operating expenses in connection with operation and administration (as described below). If the fees and expenses described above exceed 1.10% of the par value of the Preferred Shares per year (being \$0.275 per Preferred Share per year), the Manager will agree to fund such excess out of, but only to the extent of, its Deferred Management Fee (as defined below).

To the extent that any assets remain after the original issue price of the Preferred Shares, together with any accrued and unpaid distributions have been paid to Holders, the Manager will be paid (i) an amount equal to any fees and expenses funded by the Manager on behalf of the Company, and (ii) an additional one-time management fee payable on the Redemption Date, calculated on the quarterly NAV on an effective basis of 0.65% per annum (the “Deferred Management Fee”).

No fees are payable to BNS under the Credit Linked Note. Any benefit realized by BNS under the Credit Linked Note is priced into the coupon paid on the Credit Linked Note.

Operating Expenses

Each of the Company and Credit Trust IV will pay for all expenses incurred in connection with its operation and administration. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Holders; fees payable to the trustee for acting as trustee of Credit Trust IV; fees payable to the Valuation Agent for performing certain valuation services; fees payable to the custodian for acting as custodian of the assets of the Company; fees payable to the transfer agent and registrar for performing certain financial, record keeping, reporting and general administrative services; fees payable to the auditors and legal advisors; fees payable to certain of the directors of the Company and to members of the Advisory Board; ongoing regulatory filing fees and other fees; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Company or Credit Trust IV; expenses relating to portfolio transactions; and any expenditures which may be incurred upon the termination of Credit Trust IV. The Manager estimates that administration and operating costs for the Company and Credit Trust IV will be approximately \$144,000 and \$47,500, respectively, per annum in the case of the minimum Offering. A small

amount of additional administration and operating costs may arise as a result of the establishment of both the Company and Credit Trust IV. Each of the Company and Credit Trust IV will also be responsible for any extraordinary expenses which may be incurred from time to time.

Management Fees

The breakdown of the management fees described above between the Company and Credit Trust IV is as follows:

As compensation for management services rendered to the Company, the Manager is entitled to receive an annual management fee in an amount equal to the lesser of (a) 0.25% of the net asset value of the Company and (b) 0.25% of the Company's initial net asset value, to be calculated and payable monthly in arrears, plus applicable taxes. The Manager is also entitled to the Deferred Management Fee together with any fees and expenses funded by the Manager, plus applicable taxes, to be paid after the original issue price of the Preferred Shares together with any accrued and unpaid distributions have been paid to Holders.

As compensation for management services rendered to Credit Trust IV, the Manager is entitled to receive an annual management fee in an amount equal to the lesser of (a) 0.10% of the net asset value of Credit Trust IV and (b) 0.10% of Credit Trust IV's initial net asset value calculated and payable monthly in arrears, plus applicable taxes.

The Manager, in its capacity as manager of Credit Trust IV, is responsible for payment of the investment management fees of the Investment Advisor.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager will receive the fees described under "Fees and Expenses" for its services to the Company and Credit Trust IV and will be reimbursed by the Company and Credit Trust IV for all expenses incurred in connection with such services. The Manager is a promoter of the Company.

In accordance with the requirements of the provincial securities regulatory authorities in connection with the Offering, the Manager has undertaken to file insider trading reports, as if the Company was not a mutual fund corporation, in accordance with applicable securities legislation, for itself and to cause its affiliates, its directors and senior officers and the directors and senior officers of its affiliates who might ordinarily receive knowledge of material facts or changes with respect to the Company prior to the general disclosure of such facts and changes to file insider trading reports, as if the Company was not a mutual fund corporation, in accordance with applicable securities legislation in respect of trades made by them in Preferred Shares. The foregoing undertakings shall remain in full force until such time as all the Preferred Shares have been redeemed.

Scotia is an Agent of the Offering and is an affiliate of a Canadian chartered bank which is the Counterparty under the Forward Agreement and the issuer of the Credit Linked Note.

RISK FACTORS

There are certain risks associated with an investment in Preferred Shares. Investors should consider the following risk factors before subscribing for Preferred Shares:

No Assurance of Achieving Investment Objectives

There is no assurance that the Company will be able to achieve its capital repayment objective or its distribution objective. The ability of the Company to repay capital, make distribution payments and fund expenses and other liabilities will depend, among other things, on the performance of the Credit Linked Note which is subject to the risks described below and elsewhere in this prospectus.

No Guaranteed Rate of Return

There is no guarantee that the Credit Linked Note held by Credit Trust IV will earn any return or that the Company will be in a position on the Redemption Date to return to investors an amount equal to or in excess of the original subscription price of the Preferred Shares (\$25.00 per Preferred Share). An investment in the

Company is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of the stated return not being met in any period.

Fluctuations in Net Asset Value

The NAV and the funds available for distribution and redemption by the Company will vary according to, among other things, the rate of default among Reference Companies in the CLN Portfolio, interest rates, credit spreads, the overall performance of the debt markets, the value of the Credit Linked Note held by Credit Trust IV, and the value of the units of Credit Trust IV held by the Counterparty or its affiliate.

As a result of the structure of the Credit Linked Note, the Credit Linked Note, and, by virtue of the Forward Agreement, the NAV per Preferred Share, will exhibit greater price volatility in response to movements in corporate credit spreads than corporate bonds with comparable ratings and maturities. See “Investment Guidelines of the Company” and “Investment Guidelines of Credit Trust IV”. Fluctuations in the value of the Credit Linked Note may occur for a number of reasons beyond the control of the Investment Advisor.

Changes in Credit Rating

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There can be no assurance that the Preferred Shares or the Credit Linked Note will maintain their respective ratings by S&P for any given period of time or that the rating will not be lowered or withdrawn entirely by S&P if in S&P’s judgement circumstances so warrant. The rating of the Preferred Shares addresses the ability of the Company to meet the capital repayment and distribution objectives of the Company. The rating will be based on a number of factors, including the structure of the Company, the Credit Linked Note, Credit Trust IV, and the creditworthiness of the Counterparty.

There is no assurance that the CLN Portfolio will keep its initial S&P weighted average rating until the Redemption Date as a result of possible changes in the credit ratings of the Reference Companies comprising the CLN Portfolio. In such event, the Investment Advisor will not seek to replace the Reference Companies to maintain the initial S&P weighted average rating of the CLN Portfolio. In addition, downgrades of the credit ratings of relatively few Reference Companies could result in the rating of the Credit Linked Note and the Preferred Shares being lowered. Furthermore, although the Credit Linked Note has been structured so that a certain number of defaults must occur prior to the amounts payable under the Credit Linked Note being reduced, relatively few defaults could result in the rating of the Credit Linked Note and the Preferred Shares being lowered.

A lowering or withdrawal of the rating of the Credit Linked Note or the Preferred Shares may have a negative effect on the market value of the Preferred Shares.

Fluctuations in Trading Price

Preferred Shares may trade in the market at a premium or discount to the NAV per Preferred Share and there can be no assurance that Preferred Shares will trade at a price equal to the NAV per Preferred Share. As Holders are entitled to receive fixed cumulative quarterly distributions, the market price of Preferred Shares may be affected by the level of interest rates prevailing from time to time.

Counterparty Risk

The Company will enter into the Forward Agreement with the Counterparty and such agreement will be the sole material asset of the Company pursuant to which the Counterparty will be required to deliver to the Company on the Termination Date the Canadian Securities Portfolio in consideration of the cash payment received by the Counterparty on the closing of this Offering. In entering into the Forward Agreement, the Company will be fully exposed to the credit risk associated with the Counterparty which exposure will be determined by reference to the total assets of Credit Trust IV less liabilities. In accordance with exemptive relief expected to be obtained under National Instrument 81-102 of the Canadian Securities Administrators (“NI 81-102”), the parties have agreed that the Forward Agreement will not be terminated in the event that the Counterparty’s credit rating falls below the level of “approved credit rating” as defined in NI 81-102. In addition, the possibility exists that the Counterparty will default on its obligations under the Forward Agreement or that

the proceeds from the sale of Canadian Securities acquired under the Forward Agreement will be used to satisfy other liabilities of the Company, which liabilities could include obligations to third party creditors in the event the Company has insufficient assets, excluding such proceeds, to pay its liabilities. Holders will have no recourse or rights against the assets of Credit Trust IV or the Counterparty in respect of the Forward Agreement or arising out of the Forward Agreement.

In addition, the Company, by virtue of the Forward Agreement, will be exposed to the credit risks associated with BNS and Credit Trust IV. Credit Trust IV will invest all of its assets in the Credit Linked Note which will be issued by BNS. As a result, changes in the credit rating of BNS's securities may cause greater fluctuations in the net asset value of Credit Trust IV than would otherwise be the case. In addition, the possibility exists that BNS will default in its payment obligations under the Credit Linked Note and the Note Repurchase Agreement. If BNS, as the issuer of the Credit Linked Note were to default on its senior debt, Credit Trust IV, and by virtue of the Forward Agreement, the Company would have, assuming no recovery, little or no assets to meet its obligations to holders of its securities, including the Preferred Shares.

The Preferred Shares do not represent an interest in, or an obligation of the Counterparty or any affiliate thereof. Holders will not have any recourse against the Counterparty or any affiliate thereof in respect of any payments due to Holders.

Any change in the credit rating of BNS may also have an adverse affect on the value of the Preferred Shares.

Roles of BNS

The transactions referenced herein contemplate that BNS will be the issuer of the Credit Linked Note and the Counterparty to the Company under the Forward Agreement. As issuer of the Credit Linked Note and Counterparty, the economic interests of BNS in respect of the transactions contemplated thereby may conflict with those of the Holders. Further, BNS also assumes a number of functions in connection with the transactions contemplated hereby including, without limitation, providing pricing indications for the Credit Linked Note which are based on proprietary models, some of which functions involve the exercise of a high degree of discretion. The often subjective nature of the determinations to be made by BNS may enable BNS to perform the functions assumed by it in connection with the transactions contemplated hereby in a manner which does not further or protect the interests of the Holders. In performing such functions BNS will have no obligation, express or implied to the Company (other than its obligations under the Forward Agreement) or any Holder.

Risks Related to the CLN Portfolio and the Reference Companies

The rating of the Credit Linked Note will be based primarily on the credit performance of the Reference Companies and on the rating of BNS. If BNS determines that a default has occurred in respect of one or more Reference Companies, the principal value of the CLN Portfolio will be decreased accordingly. If defaults in the CLN Portfolio exceed 2.82% of the initial value of the CLN Portfolio, the principal amount of the Credit Linked Note and the amount payable to Credit Trust IV upon maturity of the Credit Linked Note may be substantially less than the initial principal amount thereof, and, in some cases, may be zero. In addition, interest on the Credit Linked Note will cease to accrue on the portion of the principal amount of the Credit Linked Note that has been reduced.

There is no "principal protection", "guaranteed interest" or limit on the amount of reduction that may be made to the initial principal amount of the Credit Linked Note. Accordingly, Holders will be exposed, by virtue of the Forward Agreement, to the credit risks of the Reference Companies in the CLN Portfolio and may suffer a loss of their entire initial investment. Actual default levels and recovery rates applicable to the Reference Companies in the CLN Portfolio may be different than the historical and indicative rates referred to elsewhere in this prospectus and such differences may be substantial. Credit Trust IV may lose some or all of the amount that it invests in the Credit Linked Note which will affect the return on the Preferred Shares. See "The Credit Linked Note".

An investment in the Credit Linked Note may be riskier than a pro rata investment in a portfolio of securities of the Reference Companies because, after aggregate losses (net of recoveries) in the CLN Portfolio exceed 2.82% of the initial value of the CLN Portfolio, Credit Trust IV will be exposed to the full amount of the

loss net of recoveries with respect to each defaulted company in the CLN Portfolio in excess of 2.82% of the initial value of the CLN Portfolio, rather than a pro rata amount of such loss.

This prospectus does not provide any information with respect to any of the Reference Companies comprising the CLN Portfolio or the likelihood of the occurrence of a default. The credit ratings of such companies' debt obligations are those of S&P's and the Investment Advisor has relied on those credit ratings to select the companies. Credit ratings are not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency. As the occurrence of defaults may result in significant losses to the Company and to Holders, each prospective purchaser is advised to conduct its own investigation and analysis with respect to the above matters. Financial and other information with respect to each Reference Company may be available from publicly available sources, but no representation is made with respect thereto by the Company, the Manager, the Investment Advisor, BNS or any of their respective affiliates as to the accuracy or completeness of any such information.

Substitution Rights with respect to the CLN Portfolio

Substitution of Reference Companies in the CLN Portfolio is subject to the discretion of the Investment Advisor and can be effected only if certain conditions are satisfied. Substitutions may only be made to the extent that BNS has determined that the Trading Reserve Account has a value sufficient to offset the Credit Linked Note's share of any losses in the value of the CLN Portfolio resulting from such substitutions. There can be no assurance that the Investment Advisor will be able to satisfy the conditions required for a substitution to be effective or that the CLN Portfolio, following one or more substitutions, will be less likely to experience defaults.

Indirect Investment

The Company will not have a direct investment or ownership interest in the Credit Linked Note or Credit Trust IV, and BNS as issuer of the Credit Linked Note will have no obligations to the Company. The ability of the Company to make payments on the Preferred Shares in amounts linked to the return on the Credit Linked Note will depend on a number of factors independent from the performance of the Credit Linked Note, including the performance by the Counterparty under the Forward Agreement.

Note Repurchase Agreement

In the event that the Note Repurchase Agreement is terminated in accordance with its terms, the value of the Preferred Shares may be impaired and the payment of the Preferred Share Retraction Price payable in respect of a retraction of Preferred Shares may be adversely affected or delayed. See "The Credit Linked Note — Certain Provisions of the Credit Linked Note — Liquidity of the Credit Linked Note".

No Recourse to Reference Companies in the CLN Portfolio

The obligation to make quarterly distributions and to redeem the Preferred Shares on the Redemption Date in accordance with the terms hereof is an obligation of the Company. Holders will not have, and the Preferred Shares will not represent, any proprietary interest whatsoever in the debt obligations of the Reference Companies comprising the CLN Portfolio. Accordingly, Holders will have no recourse whatsoever, directly or indirectly, to the Reference Companies to satisfy amounts owing to them.

Credit Trust IV will not, by virtue of its investment in the Credit Linked Note, have a contractual relationship with any Reference Company in the CLN Portfolio and will not have voting or consent rights or any other rights that holders of debt obligations of a Reference Company may have. For example, if a default occurs in respect of a Reference Company, Credit Trust IV, unlike a holder of such company's debt obligations, will have no right to challenge or participate in any element of the default. Credit Trust IV will not have any rights of set-off against a Reference Company in default. Credit Trust IV will not have the benefit of the remedies that would normally be available to a holder of an obligation of a defaulted entity. Consequently, an indirect investment in the Credit Linked Note may be riskier than a direct investment in the debt obligations of the Reference Companies in the CLN Portfolio.

BNS may hold debt securities of any or all of the companies in the CLN Portfolio and may have one or more of the rights that a holder of debt securities has, but BNS is not required to exercise any of such rights for the benefit of Credit Trust IV, the Counterparty, the Company or Holders.

Discretion of BNS

BNS has sole and absolute discretion to determine the occurrence of a default (also referred to as a credit event) in respect of the CLN Portfolio which can involve a high degree of subjective judgement by BNS. Credit Trust IV, as holder of the Credit Linked Note, may disagree with BNS's determination, but will nevertheless be bound by that determination.

Trading gains and losses in respect of the Trading Reserve Account will be determined by BNS in its sole and absolute discretion based on its proprietary method. Trading gains and trading losses are notional calculations only and, therefore, may not reflect the actual trading gains to, or actual trading losses suffered by, BNS with respect to a proposed substitution. In making any trading gain or trading loss determination, BNS will have no obligation to take the interests of Credit Trust IV, the Counterparty, the Company or Holders into consideration.

Trading and other Transactions by BNS or its Affiliates in the Securities of the Reference Companies may adversely affect the Value of the Credit Linked Note

BNS or any of its affiliates may engage in trading in the securities of any of the Reference Companies and other investments relating to the securities of any such companies on a regular basis as part of their general broker dealer and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for customers. Any of these activities could adversely affect the value of the Credit Linked Note and, in turn, the Preferred Shares.

BNS or any of its affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in the value of the Reference Companies. By introducing competing products into the marketplace in this manner, BNS or any of its affiliates could adversely affect the value of the Credit Linked Note and, in turn, the Preferred Shares.

BNS's Business Activities may create Conflicts of Interest and there are Actual and Potential Conflicts of Interest between Credit Trust IV, as holder of the Credit Linked Note, and BNS.

BNS may engage in business with any of the Reference Companies, deal in the debt obligations and other obligations of the Reference Companies, or make loans or otherwise extend credit to any of the Reference Companies. In each case, BNS may act as if the Credit Linked Note did not exist, regardless of whether any such action might have an adverse effect on any of the Reference Companies or the debt obligations of such Reference Companies. In the course of its business, BNS may have the ability to accelerate payment obligations or call an event of default or take other action that may result in the occurrence of a default (or credit event) in respect of one or more Reference Companies. These activities may present a conflict between BNS's interests and obligations and the interests of Credit Trust IV, as holder of the Credit Linked Note, the Counterparty, the Company and Holders. Moreover, BNS may in the future publish research reports on any of the Reference Companies. This research may express opinions or provide recommendations that are inconsistent with purchasing or holding the Credit Linked Note, and may affect the value of the Credit Linked Note. BNS will serve as the calculation agent under the Credit Linked Note, and in this capacity, BNS will, among other things, select the dealers, determine the valuation time and obtain quotations, in each case for purposes of determining the recovery amount on the valuation obligation of the Reference Company in respect of which a default or credit event has occurred. Since these determinations by BNS may affect the amount BNS will be required to repay on the Credit Linked Note, BNS may have a conflict of interest as it makes such determinations.

In addition, BNS and its affiliates may be in possession of information relating to the Reference Companies or debt obligations of the Reference Companies that is or may be material to an investment in the Credit Linked Note and that may or may not be publicly available or known to Credit Trust IV, and the issuance of the Credit Linked Note does not create any obligation on the part of BNS or its affiliates to disclose to Credit Trust IV any such information (whether confidential or not).

Treatment of Acquisition and Sale of Securities Acquired under the Forward Agreement

In determining its income for tax purposes, the Company will not treat the acquisition of Canadian Securities acquired under the Forward Agreement as a taxable event and will treat the cost of the Canadian Securities so acquired as being the portion of the aggregate amount paid by the Company under the Forward Agreement attributable to such Canadian Securities. The Company will treat gains or losses on the disposition of securities in the Canadian Securities Portfolio acquired under the Forward Agreement as capital gains and losses.

If, contrary to the advice of counsel to the Company and to the Agents whether through the application of the general anti-avoidance rule or otherwise or as a result of a change of law, the acquisition of Canadian Securities under the Forward Agreement were a taxable event or if any gain realized by the Company were treated other than as a capital gain on the sale of such securities, after-tax returns to Holders could be reduced, possibly to an amount less than that which would have been realized by Holders if they had held a direct investment in the Credit Linked Note, and the Company could be subject to non-refundable income tax from such transactions.

Amounts Payable upon Acceleration of the Credit Linked Note may be substantially less than the Initial Principal Amount

The payment of principal and interest on the Credit Linked Note may be accelerated following the occurrence of an Event of Default. The amount payable upon such an acceleration could be substantially less than the initial principal amount of the Credit Linked Note and, in some cases, may be zero. See “The Credit Linked Note — Certain Provisions of the Credit Linked Note”.

Reliance on Investment Advisor, Manager and Key Personnel

Performance of the Company and the Credit Linked Note will be dependent on the Manager, which acts as manager of both the Company and Credit Trust IV, and the Investment Advisor, which provides investment advisory and portfolio management services in respect of Credit Trust IV. In the event that the Manager ceases to be the manager of either or both of the Company and Credit Trust IV and/or the Investment Advisor ceases to be the investment advisor of Credit Trust IV, the performance of the Company and/or the Credit Linked Note may be adversely affected.

Operating History and Marketability of Preferred Shares

The Company is a newly organized investment company with no previous operating history. There is currently no public market for the Preferred Shares and there can be no assurance that an active public market will develop or be sustained after completion of the Offering.

Changes in Legislation

There can be no assurance that income tax, securities, and other laws will not be changed in a manner which adversely affects the distributions received by the Company or by Holders.

Conflicts of Interest

The Manager, its directors and officers and its affiliates and associates may engage in the promotion, management or investment management of any other fund or trust which invests primarily in debt securities.

Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Company, Credit Trust IV or the Manager, each will devote as much time as is necessary to supervise the management of (in the case of directors) or to manage (in the case of officers) the business and affairs of the Manager, the Company and Credit Trust IV.

Foreign Market Exposure

The CLN Portfolio may, at any time, include exposure to the credit risk of the Reference Companies established in jurisdictions outside Canada and the United States. Although most of such companies will be

subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. companies, some Reference Companies may not be subject to such standards and, as a result, there may be less publicly available information about such companies than a Canadian or a U.S. company. Volume and liquidity in some foreign markets may be less than in Canada and the United States and, at times, volatility of price may be greater than in Canada or the United States. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the Reference Company is located or its securities are traded. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

MATERIAL CONTRACTS

Material contracts which have been, or will be, entered into by the Company since its formation or prior to closing, other than contracts entered into in the ordinary course of business are as follows:

- (i) the Management Agreement made between the Company and the Manager referred to under “Management of the Company — The Manager”;
- (ii) the Agency Agreement made between the Company, the Manager and the Agents referred to under “Plan of Distribution”;
- (iii) the custodian agreement made between the Company and RBC Dexia Investor Services Trust referred to under “Auditors, Valuation Agent, Transfer Agent, Registrar and Custodian”; and
- (iv) the Forward Agreement made between the Company and the Counterparty referred to under “Investment Guidelines of the Company”.

Although the Company is not a party to them, the Credit Linked Note and the Note Repurchase Agreement between Credit Trust IV and BNS, referred to under “The Credit Linked Note — Certain Provisions of the Credit Linked Note” are, by virtue of the Forward Agreement, relevant to the offering of the Preferred Shares.

Copies of the contracts referred to above may be inspected during normal business hours at the offices of the Manager at 1 First Canadian Place, 57th Floor, Toronto, Ontario throughout the Offering period and will be available on www.sedar.com after closing of the Offering.

PROMOTER

The Manager may be considered a promoter of the Company by reason of its initiative in forming and establishing the Company and taking the steps necessary for the public distribution of Preferred Shares. The promoter will not receive any benefits, directly or indirectly, from the issuance of Preferred Shares offered hereunder other than as described under “Fees and Expenses”.

LEGAL MATTERS

Legal matters in connection with the Offering will be passed upon on behalf of the Company and the Manager by Stikeman Elliott LLP and on behalf of the Agents by McMillan Binch Mendelsohn LLP.

AUDITORS, VALUATION AGENT, TRANSFER AGENT, REGISTRAR AND CUSTODIAN

The auditors of the Company are PricewaterhouseCoopers LLP.

Computershare will act as transfer agent and registrar for the Company at its principal office in Toronto. In addition to performing registrar and transfer agency services, the transfer agent and registrar will provide certain record keeping, Holder reporting and general administration services pursuant to the registrar, transfer agency and distribution agency agreement to be dated as of the date of closing of the Offering.

RBC Dexia Investor Services Trust, as Valuation Agent, will perform certain valuation services for the Company and will serve as custodian of the assets of the Company pursuant to a custodian agreement to be dated as of the closing of the Offering.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

In addition, the Company has agreed that purchasers in the Province of Québec have the right to withdraw from an agreement to purchase Preferred Shares which may be exercised within two business days after receipt or deemed receipt of the prospectus of Credit Trust IV. See "Plan of Distribution".

AUDITORS' CONSENT

We have read the prospectus of Connor, Clark & Lunn ROC Pref Corp. (the "Company") dated February 27, 2006 relating to the offering of Preferred Shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the inclusion in the above mentioned prospectus of our report to the board of directors of the Company on the statement of financial position of the Company as at February 27, 2006. Our report is dated February 27, 2006.

February 27, 2006

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

AUDITORS' REPORT

To the Board of Directors of
CONNOR, CLARK & LUNN ROC PREF CORP.:

We have audited the statement of financial position of Connor, Clark & Lunn ROC Pref Corp. (the "Company") as at February 27, 2006. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Company as at February 27, 2006 in accordance with Canadian generally accepted accounting principles.

February 27, 2006

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

CONNOR, CLARK & LUNN ROC PREF CORP.
STATEMENT OF FINANCIAL POSITION
February 27, 2006

	<u>Actual</u>
ASSETS	
Cash	<u>\$100</u>
SHAREHOLDERS' EQUITY:	
Class A Shares (Note 1)	<u>\$100</u>

Approved by the Board:

(Signed) JOHN H. G. DUSTAN
Director

(Signed) CRAIG A. SMITH
Director

NOTES

1. ORGANIZATION AND SHARE CAPITAL

Connor, Clark & Lunn ROC Pref Corp. (the “Company”) was incorporated under the *Canada Business Corporations Act* on January 12, 2006.

The Company is authorized to issue an unlimited number of Preferred Shares and Class A Shares. On January 12, 2006 the Company issued 100 Class A Shares for cash consideration of \$100.

2. AGENCY AGREEMENT AND CUSTODIAN

The Company has engaged Scotia Capital Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., HSBC Securities (Canada) Inc., Richardson Partners Financial Limited, Wellington West Capital Inc., Desjardins Securities Inc., Canaccord Capital Corporation and Raymond James Ltd. as its agents to offer for sale to the public pursuant to a prospectus dated February 27, 2006 the Preferred Shares described in Note 3.

The Company has retained RBC Dexia Investor Services Trust (“RBC”) under a custodian agreement to act as custodian of the assets of the Company and is also responsible for certain aspects of the Company’s day-to-day operations. In consideration for the services provided by RBC, the Company will pay a fee to be agreed upon between RBC and the Manager.

3. COMMITMENTS

The Company has retained Connor, Clark & Lunn Capital Markets Inc. to act as manager under a Management Agreement. As compensation for management services rendered to the Company, the Manager will receive an annual management fee in an amount equal to the lesser of (i) 0.35% of the net asset value of the Company; and (ii) 0.35% of the Company’s initial net asset value, to be calculated and payable monthly in arrears, plus applicable taxes. There will be a reduction in the value of Canadian Securities to be delivered under the Forward Agreement equal to 0.30% of the par value of the Credit Linked Note on an annual basis. The Manager is also entitled to an additional one-time management fee payable on the Redemption Date and calculated on the average of the quarterly net asset values of the Company on an effective basis of 0.65% per annum together with any fees and expenses funded by the Manager, on behalf of the Company, plus applicable taxes, to be paid after the original issue price of the Preferred Shares together with any accrued and unpaid distributions have been paid to Holders.

CERTIFICATE OF THE COMPANY AND THE PROMOTER

Dated: February 27, 2006

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of *The Securities Act, 1988* (Saskatchewan), Part VII of *The Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), Section 74 of the *Securities Act* (New Brunswick), Section 63 of the *Securities Act* (Nova Scotia), Part II of the *Securities Act* (Prince Edward Island) and Part XIV of the *Securities Act* (Newfoundland and Labrador), the *Securities Act* (Yukon), the *Securities Act* (Northwest Territories) and the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

CONNOR, CLARK & LUNN ROC PREF CORP.

By: (Signed) W. NEIL MURDOCH
Chief Executive Officer

By: (Signed) PHILIP K. GOW
Chief Financial Officer

**On behalf of the Board of Directors
of Connor, Clark & Lunn ROC Pref Corp.**

By: (Signed) JOHN H. G. DUSTAN
Director

By: (Signed) CRAIG A. SMITH
Director

**CONNOR, CLARK & LUNN CAPITAL MARKETS INC.,
as Promoter**

By: (Signed) W. NEIL MURDOCH
Chief Executive Officer

CERTIFICATE OF THE AGENTS

Dated: February 27, 2006

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of *The Securities Act, 1988* (Saskatchewan), Part VII of *The Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), Section 74 of the *Securities Act* (New Brunswick), Section 64 of the *Securities Act* (Nova Scotia), Part II of the *Securities Act* (Prince Edward Island) and Part XIV of the *Securities Act* (Newfoundland and Labrador), the *Securities Act* (Yukon), the *Securities Act* (Northwest Territories) and the *Securities Act* (Nunavut) and the respective regulations thereunder. To the best of our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

SCOTIA CAPITAL INC.

By: (Signed) BRIAN D. MCCHESENEY

CIBC WORLD MARKETS INC.

By: (Signed) RONALD W.A. MITCHELL

BMO NESBITT BURNS INC.

RBC DOMINION SECURITIES INC.

By: (Signed) DAVID R. THOMAS

By: (Signed) EDWARD V. JACKSON

HSBC SECURITIES (CANADA) INC.

RICHARDSON PARTNERS
FINANCIAL LIMITED

WELLINGTON WEST CAPITAL INC.

By: (Signed) DEBORAH J. SIMKINS

By: (Signed) DAVID
FINNBOGASON

By: (Signed) KEVIN M. HOOKE

DESJARDINS SECURITIES INC.

By: (Signed) BETH SHAW

CANACCORD CAPITAL CORPORATION

RAYMOND JAMES LTD.

By: (Signed) RONALD A. RIMER

By: (Signed) SARA MINATEL

Connor, Clark & Lunn

CAPITAL MARKETS INC.

Connor, Clark & Lunn

INVESTMENT MANAGEMENT LTD.