

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Initial Public Offering

PROSPECTUS

November 29, 2004



Connor, Clark & Lunn Conservative Income Fund

\$125,000,000 (Maximum)

12,500,000 Units

\$10.00 per Unit

Connor, Clark & Lunn Conservative Income Fund (the “Trust”), an investment trust established under the laws of the Province of Ontario, proposes to issue redeemable, transferable units (the “Units”) of the Trust (the “Offering”).

The Trust’s investment objectives are to:

- (i) provide holders of the Units (“Unitholders”) with a stable stream of monthly cash distributions targeted to be \$0.0583 per Unit (representing approximately a 7.0% per annum yield on the issue price of \$10.00 per Unit); and
- (ii) preserve the net asset value per Unit in order to return at least the original issue price of Units (\$10.00 per Unit) to Unitholders on or about December 15, 2014 and provide to Unitholders an opportunity for capital appreciation above the original issue price.

The Trust expects that the initial distribution will be payable to Unitholders of record on January 31, 2005 and, based on an anticipated closing date of December 15, 2004, is expected to be \$0.0883 per Unit.

In order to achieve the Trust’s investment objectives, Connor, Clark & Lunn Investment Management Ltd. (the “Investment Manager”), the Trust’s investment manager, will invest the net proceeds of the Offering, together with any borrowings under the Trust’s loan facility or other leverage transactions, in a portfolio (the “Portfolio”) consisting of income producing securities including Canadian business income trusts, real estate investment trusts, utility income trusts, corporate bonds and convertible bonds. In addition, from time to time, the Portfolio may include significant cash and cash equivalents. The Portfolio will be managed to substantially replicate the CC&L Income Fund Composite, a strategy managed by the Investment Manager which has similar investment objectives to those of the Portfolio.

Monthly cash distributions on the Units will be funded primarily from the distributions received by the Trust on the securities in the Portfolio and may consist of income, capital gains or non-taxable returns of capital. Based on the current asset allocation as described under “Investment Guidelines – Security Selection”, the Portfolio is expected to generate distributions, interest and dividends totalling approximately 7.75% per annum. Net of all fees and expenses and including leverage, the Portfolio is expected to generate approximately 6.6% per annum with the remainder of the distribution payable on the Units expected to be generated through capital gains and growth in the distributions paid on Portfolio securities.

Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) has been retained to act as manager of the Trust and is responsible for providing or arranging for the provision of administrative management services required by the Trust. The Investment Manager will provide investment advisory and portfolio management services to the Trust. The Manager and the Investment Manager are both part of the Connor, Clark & Lunn Financial Group, which has approximately \$21 billion of assets under management as at September 30, 2004. See “Management of the Trust”.

Prospective purchasers may purchase Units either by: (a) cash payment; or (b) an exchange (the “Exchange Option”) of Exchange Eligible Securities (as defined herein). The number of Units issuable in exchange for the Exchange Eligible Securities will be determined by dividing the average of the daily weighted average trading price of such units on the Toronto Stock Exchange for December 7, 8 and 9, 2004, adjusted to reflect distributions that will not be received by the Trust, by \$10.00. Prospective purchasers under the Exchange Option will be required to deposit Exchange Eligible Securities with the Exchange Agent (as defined herein) prior to 5:00 p.m. (Toronto time) on December 6, 2004. Prospective purchasers under the Exchange Option have certain withdrawal and rescission rights. The Manager reserves the right to waive any conditions of the Exchange Option and to accept or reject, in whole or in part, any deposit of units made pursuant to the Exchange Option. See “Exchange Option” and “Purchasers’ Statutory Rights”.

The Toronto Stock Exchange has conditionally approved the listing of the Units, subject to fulfillment by the Trust of the requirements of such exchange on or before February 17, 2005, including distribution to a minimum number of Unitholders.

Price: \$10.00 per Unit
Minimum Purchase: 100 Units

	Price to the Public ⁽¹⁾	Agents’ Fees	Net Proceeds to the Trust ⁽²⁾
Per Unit	\$10.00	\$ 0.525	\$ 9.475
Total Minimum Offering ⁽³⁾⁽⁴⁾	\$ 40,000,000	\$2,100,000	\$37,900,000
Total Maximum Offering ⁽⁴⁾	\$ 125,000,000	\$6,562,500	\$118,437,500

Notes:

- (1) The offering price was established by negotiation between the Trust and the Agents. The price to the public per Unit is payable in cash or units of Exchange Eligible Securities deposited pursuant to the Exchange Option (as defined herein).
- (2) Before deducting the expenses of issue (estimated at \$605,000 in the case of the maximum offering and \$535,000 in the case of the minimum offering) which, together with the Agents’ fees, will be paid out of the proceeds of the offering.
- (3) There will be no closing unless a minimum of 4,000,000 Units are sold. If subscriptions for a minimum of 4,000,000 Units have not been received within 90 days following the date of issuance of a receipt for this prospectus, the offering of Units may not continue without the consent of the Canadian securities regulators and those who have subscribed for Units on or before such date.
- (4) The Trust has granted the Agents an option (the “Over-Allotment Option”), exercisable until 30 days after the closing of the offering, to offer up to 15% of the aggregate number of Units issued at the closing of the Offering on the same terms set forth above. This prospectus qualifies the distribution of the Over-Allotment Option, and the Units issuable on the exercise thereof. If the Over-Allotment Option is exercised in full, the total price to the public under the maximum offering will be \$143,750,000, the Agents’ fees will be \$7,546,875 and the net proceeds to the Trust will be \$136,203,125.

See “Risk Factors” for a discussion of certain factors that should be considered by prospective investors in Units. There is no assurance that the Trust will be able to achieve its investment objectives.

Commencing in 2006, Units may be redeemed on the last business day of January for a redemption price equal to the net asset value per Unit of the Trust (the “NAV per Unit”) on that date. See “Redemption of Units”. The NAV per Unit will vary depending on a number of factors, including the value of the securities in the Portfolio, which will be affected by market conditions, and the distributions paid thereon. **There is currently no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus.** The Agents may over-allot or effect transactions as described under “Plan of Distribution”.

The Trust will terminate on December 15, 2014 and its net assets will be distributed to Unitholders thereafter unless the Trust has been terminated earlier or Unitholders determine to continue the Trust by a majority vote at a meeting of Unitholders called for that purpose.

In the opinion of McMillan Binch LLP, counsel to the Trust, and Osler, Hoskin & Harcourt LLP, counsel to the Agents, provided that the Trust qualifies as a “mutual fund trust” for the purposes of the *Income Tax Act* (Canada) (the “Tax Act”), Units offered hereby will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (collectively, “Deferred Plans”) and registered education savings plans. Provided that the Trust qualifies as a mutual fund trust and complies with the restrictions on the ownership of foreign property under the Tax Act, Units will not be foreign property for

Deferred Plans and other entities subject to tax under Part XI of the Tax Act. See “Canadian Federal Income Tax Considerations” and “Eligibility for Investment”.

The Trust is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. The Trust is not a “mutual fund” as defined in the securities legislation applicable in certain provinces and does not operate in accordance with the requirements of Canadian securities regulation applicable to mutual funds. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, First Associates Investments Inc., Raymond James Ltd., Richardson Partners Financial Limited and Wellington West Capital Inc. (collectively, the “Agents”) conditionally offer the Units on a best efforts basis, subject to prior sale, if, as and when issued by the Trust and accepted by the Agents in accordance with the conditions contained in the Agency Agreement, and subject to the approval of certain legal matters on behalf of the Trust and the Manager by McMillan Binch LLP and on behalf of the Agents by Osler, Hoskin & Harcourt LLP. See “Plan of Distribution”. Subsequent to the closing of the Offering, it is intended that the Trust will enter into a loan facility or other leverage transactions which may be with a Canadian chartered bank or an affiliate of a Canadian chartered bank, either or both of which may be affiliated with one of the Agents. See “Plan of Distribution”.

Subscriptions for Units 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 December 15, 2004, but no later than February 25, 2005. Registrations and transfers of Units will be effected only through the book entry only system administered by The Canadian Depository for Securities Limited. A purchaser of Units will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through whom Units are purchased. See “Plan of Distribution” and “The Trust Agreement and Description of Units – Book-Entry Only System”.

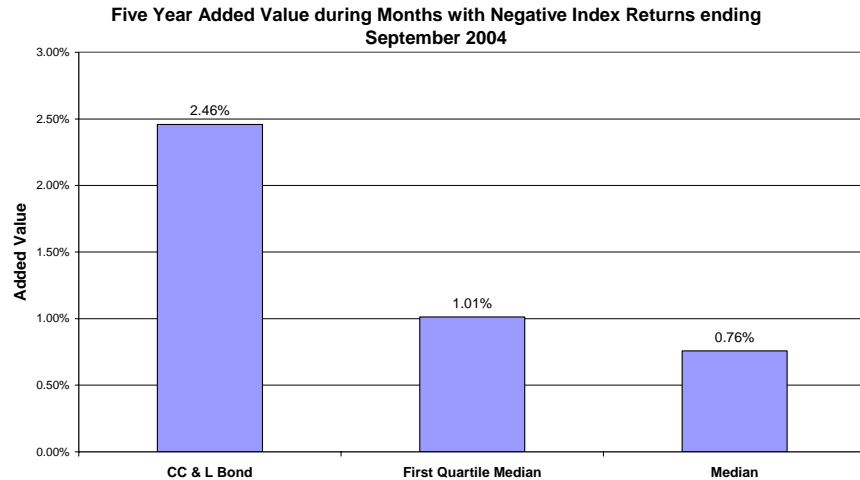
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PROSPECTUS SUMMARY

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. Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.

- Issuer:** Connor, Clark & Lunn Conservative Income Fund (the “Trust”) is an investment trust established under the laws of the Province of Ontario on November 29, 2004 which invests its assets in accordance with the investment objectives and strategy described under “Investment Guidelines”. The manager of the Trust is Connor, Clark & Lunn Capital Markets Inc.
- Offering:** The offering (the “Offering”) consists of redeemable, transferable units (“Units”) of the Trust.
- Maximum Issue:** \$125,000,000 (12,500,000 Units)
- Minimum Issue:** \$40,000,000 (4,000,000 Units)
- Price:** \$10.00 per Unit
- Minimum Subscription:** 100 Units (\$1,000)
- Manager:** Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) is the manager of the Trust and will be responsible for providing or arranging for the provision of administrative services required by the Trust. The Manager has approximately \$800 million 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 \$21 billion as at September 30, 2004. See “Management of the Trust – The Manager”.
- Investment Manager:** Connor, Clark & Lunn Investment Management Ltd. (the “Investment Manager”) will provide investment advisory and portfolio management services to the Trust. The Investment Manager, also part of the Connor, Clark & Lunn Financial Group, was established in March 1982 and has offices in Vancouver and Toronto. The Investment Manager manages assets worth approximately \$11 billion as at September 30, 2004.
- The Investment Manager’s 12 person fixed income team manages approximately \$4 billion of these assets. The team works in conjunction with the Investment Manager’s equity team and is supported by an analytic staff of 23 people. The fixed income team has a proven track record of outperformance. The CC&L Bond Fund has had an average annual value added of 0.40% above the Scotia Capital Universe Bond Index over the last five years, which ranks it among the first quartile of Canadian bond managers over that period, and has performed above such index in 94% of the rolling 12-month periods over this time. This strong investment performance has resulted in almost \$1 billion of new mandates during the past year.
- The Investment Manager performs particularly well both in absolute terms and relative to other fixed income managers during down markets. The following chart reflects the sum of the monthly returns of the CC&L Bond Fund in all months when the Scotia Capital Universe Bond Index experienced negative returns during the past five years, less the sum of the monthly returns of that index during the same period:



Note:

1. Returns and comparative returns are presented before deducting fees.
2. Median information supplied by Morningstar (Institutional Pooled). First quartile median calculated by Connor, Clark & Lunn Financial Group includes only managers of similar bond universe mandates. Quartile break points and median include all managers.
3. A full presentation in respect of the CC&L Bond Fund is available upon request.

The Investment Manager also manages approximately \$7 billion in equities, including the CC&L Income Fund Composite (the “CC&L Income Fund”). The returns of the CC&L Income Fund would have placed the Investment Manager in the first quartile of Canadian income fund managers, using Morningstar’s measurement criteria, over the two year and three year periods ending September 30, 2004 and since inception. See “The Investment Manager” and “Investment Guidelines – Investment Strategy – Investment Management Approach”.

Investment Objectives:

The Trust’s investment objectives are to:

- (i) provide holders of the Units (“Unitholders”) with a stable stream of monthly cash distributions targeted to be \$0.0583 per Unit (representing approximately a 7.0% per annum yield on the issue price of \$10.00 per Unit); and
- (ii) preserve the net asset value per Unit in order to return at least the original issue price of Units (\$10.00 per Unit) to Unitholders on or about December 15, 2014 and provide to Unitholders an opportunity for capital appreciation above the original issue price.

See “Investment Guidelines – Investment Objectives”.

Investment Strategy:

The net proceeds of the Offering, together with any borrowings or other leverage under the Trust's Leverage Transactions (as defined below), will be invested in a portfolio (the "Portfolio") consisting of income producing securities including Canadian business income trusts, real estate investment trusts ("REITs"), utility income trusts, corporate bonds and convertible bonds. In addition, from time to time, the Portfolio may include significant cash and cash equivalents. The Portfolio will be managed to substantially replicate the CC&L Income Fund, a strategy managed by the Investment Manager which has similar investment objectives to those of the Portfolio.

CC&L Income Fund

The CC&L Income Fund was established in February 2001 with investment objectives and an investment strategy similar to those of the Trust. Over the period from inception to September 30, 2004, net asset value per unit increased from \$10.00 to \$15.22 and quarterly distributions totalled \$3.29 per unit. The average annual distribution has been 10.0% measured against initial unit value. Total assets of the fund were approximately \$61 million on September 30, 2004. Annualized total returns of the CC&L Income Fund are illustrated in the table below:

Average Annual Total Returns as of September 30, 2004

	<u>One Year</u>	<u>Three Year</u>	<u>Since Inception (February 2001)</u>
CC&L Income Fund	22.78%	18.95%	18.67%

Note:

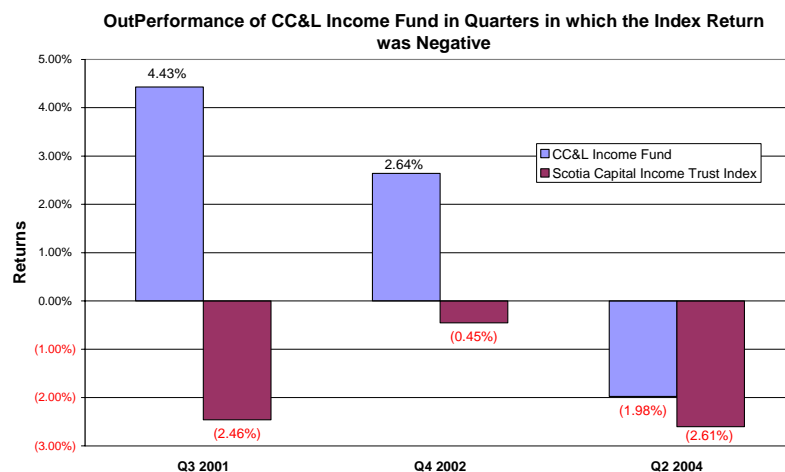
1. Returns have been reduced to reflect estimated annual fees and expenses of the Trust of 1.63% and are based on monthly data.
2. While the Trust will be managed on substantially the same basis as the CC&L Income Fund, there are differences in the investment objectives that may result in different performance including the use of leverage and the focus on stable distributions.
3. The performance data quoted above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted.
4. A full presentation in respect of the CC&L Income Fund is available upon request.

The CC&L Income Fund's asset mix since inception is summarized in the table below:

	Income Trusts	High Yield Bonds	Convertible Bonds	Investment Grade Bonds & Cash
Current	73.3%	2.6%	6.0%	18.1%
Average	68.3%	2.4%	2.2%	27.1%
Maximum	77.5%	4.9%	6.6%	40.8%
Minimum	55.8%	0.0%	0.0%	17.9%

As with the CC&L Income Fund, the Investment Manager will employ a disciplined, conservative process with respect to the Portfolio aimed at generating stable cash flows and preserving capital. A wide range of income generating assets will be evaluated using a bottom-up, company level analysis which emphasizes credit-oriented factors. This analysis will drive both security selection and asset allocation. Quantitative, macro-economic considerations such as interest rates and economic growth will be continuously reviewed relative to the sensitivity of the Portfolio to those factors. When the Investment Manager considers it appropriate, adjustments will be made to the asset mix of the Portfolio and/or interest rate hedging strategies will be used.

One of the principal goals of such investment process is to create a portfolio that outperforms in down markets while providing solid performance in up markets. The historical performance of the CC&L Income Fund demonstrates the success of this strategy. Up market performance is demonstrated by the performance of the CC&L Income Fund, which has returns that would have made it a top quartile performer in the Canadian income trust category, using Morningstar's measurement criteria, over the two year and three year periods ending September 30, 2004 and since inception. Down market outperformance can be seen in the performance of the CC&L Income Fund relative to the Scotia Capital Income Trust Index. Since inception of the CC&L Income Fund, the Scotia Capital Income Trust Index has experienced three negative quarters. During those quarters the sum of the three quarterly returns of the CC&L Income Fund was 5.1%, compared to -5.5% for the index. Comparative returns for each of the quarters with negative returns are illustrated in the following chart:



- Note:
1. Returns of the CC&L Income Fund have been reduced to reflect estimated annual fees and expenses of the Trust of 1.63% and are based on monthly data.
 2. Information on Scotia Capital Income Trust Index is supplied by Scotia Capital Inc.
 3. The performance data quoted above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted.
 4. A full presentation in respect of the CC&L Income Fund is available upon request.

Security Selection

The evaluation of both bonds and income trusts is conducted by the fixed-income team, which relies on a credit-oriented framework to identify those securities that the Investment Manager considers as likely to produce the desired portfolio characteristics. Corporate bond selection is based on a structured checklist approach, incorporating over 50 financial, operating, competitive and market considerations and including statistics generated by proprietary models. This structured selection process ensures that all issuers are evaluated on a consistent basis. Income trusts are evaluated in accordance with criteria adapted from the credit-oriented fixed-income checklist adjusted to reflect the particular requirements of investing in businesses that are managed to maximize cash distributions. The Investment Manager's conservative bias leads to a focus on business income trusts, REITs and utility income trusts. The strategy generally favours trusts that have a strong competitive position and stable revenues and avoids trusts where access to capital is important to replace depleting assets and where reinvestment levels are considered inadequate.

Interest Rate Management

The Investment Manager devotes considerable resources towards managing the interest rate exposure inherent in all of its income oriented investments. This is accomplished by portfolio design and construction as well as the use of derivative instruments such as interest rate futures and options to hedge this exposure. Where appropriate and consistent with the Investment Guidelines, the Investment Manager intends to employ these and other techniques in the management of the Portfolio. The hedging strategy is designed to protect against significant interest rate increases that may occur over an investment horizon. Such strategy is not intended to enhance the returns of the Trust but only to minimize the impact of increases in interest rates. A portfolio constructed for a rising rate environment is one that is biased towards instruments whose prices are expected to fall less when rates rise, such as bonds with a short time to maturity or the income trust units of businesses with pricing power. Examples of hedging strategies used by the Investment Manager include short selling bonds or interest rate futures or buying options to pay a fixed interest rate by way of a swap agreement. The Investment Manager believes that the hedging strategies it employs will assist the Trust to achieve its investment objectives.

Distributions:

An objective of the Trust is to provide Unitholders with a stable stream of monthly distributions targeted to be \$0.0583 per Unit (representing approximately a 7.0% per annum yield on the original issue price of \$10.00 per Unit) to Unitholders of record on or about the last business day of each month.

The Trust expects that the initial distribution will be payable to Unitholders of record on January 31, 2005 and, based on an anticipated closing date of December 15, 2004, is expected to be \$0.0883 per Unit. The Trust intends to pay distributions to Unitholders not more than 15 days after the Record Date.

Monthly cash distributions on the Units will be funded primarily from the distributions received by the Trust on the securities in the Portfolio, and may also be funded by net realized capital gains. Such distributions will be characterized for tax purposes as comprising income, capital gains or non-taxable returns of capital.

In order to achieve the targeted monthly distribution of \$0.0583 per Unit, the Trust will be required to generate an average annual return of approximately 8.15%. This return is based on the following assumptions: (i) the gross proceeds of the Offering are \$125 million; (ii) the Trust borrows 15% of the total assets of the Trust as described under “Leverage Transactions” for the purpose of purchasing additional Portfolio securities; and (iii) fees and expenses are as described in this prospectus. Based on the current asset allocation as described under “Investment Guidelines – Security Selection”, the Portfolio is expected to generate distributions, interest and dividends totalling approximately 7.75% per annum. Net of all fees and expenses and including leverage, the Portfolio is expected to generate approximately 6.6% per annum with the remainder of the distribution payable on the Units expected to be generated through capital gains and growth in the distributions paid on Portfolio securities. There can be no assurance that the Trust will be able to achieve its monthly distribution objective or make payments on any Payment Date.

If in any year, after such distributions, there would otherwise remain in the Trust additional net income or net realized capital gains, the Trust intends to make, on or before December 31 of that year, a special distribution of such portion of the remaining net income and net realized capital gains as is necessary to ensure that the Trust will not be liable for income tax thereon under the *Income Tax Act* (Canada) (the “Tax Act”). The Manager will determine, in view of the investment objectives of the Trust, whether to retain in the Trust any amounts remaining after any special distribution has been made or to distribute such amounts by further special distribution.

See “Distributions” and “The Trust Agreement and Description of Units – Units”.

Exchange Option:

The Trust is providing an option (the “Exchange Option”) to purchase Units by an exchange of freely tradeable units of income trusts as identified in the section “Exchange Option – Exchange Eligible Securities” (“Exchange Eligible Securities”).

Investors that currently hold Exchange Eligible Securities may tender their holdings for Units, subject to acceptance or rejection in whole or in part by the Manager. In order to utilize the Exchange Option, a prospective purchaser is required to deposit Exchange Eligible Securities with Computershare Investor Services Inc. (the “Exchange Agent”), through The Canadian Depository for Securities Limited (“CDS”), prior to 5:00 p.m. (Toronto time) on December 6, 2004. Such deposit must be made by way of book-entry deposit through a participant in the CDS depository service (a “CDS Participant”). CDS Participants may have an earlier deadline for receiving instructions from their clients to make deposits pursuant to the Exchange Option.

The “Exchange Ratio” will be determined by dividing the average of the daily weighted average trading price of the Exchange Eligible Securities on the Toronto Stock Exchange for December 7, 8, and 9, 2004 adjusted to reflect distributions that will not be received by the Trust, by \$10.00. See “Exchange Option”.

Subject to the limitations described below, to the extent that the number of Exchange Eligible Securities of an issuer deposited under the Exchange Option exceeds the number of such Exchange Eligible Securities that the Trust wishes to include in the Portfolio, these securities will be sold by the Trust in the market at then current prices which may be different from the price used to calculate the Exchange Ratio for such Exchange Eligible Security.

The maximum number of Exchange Eligible Securities of any one issuer which the Trust may acquire pursuant to the Exchange Option is that number which constitutes the lesser of: (i) 9.9% of the outstanding Exchange Eligible Securities of such issuer; and (ii) that number of Exchange Eligible Securities which when combined with the Exchange Eligible Securities of such issuer beneficially owned or over which control or direction is exercised by the Trust or the Manager constitutes 19.9% of the outstanding units of such issuer. The Exchange Option does not constitute, and is not to be construed as, a take-over bid for any issuer of Exchange Eligible Securities.

A purchaser who holds Exchange Eligible Securities as capital property may realize a capital gain or capital loss on the exchange of such Exchange Eligible Securities for Units pursuant to the Exchange Option, as such exchange will be a disposition by the purchaser of such Exchange Eligible Securities for tax purposes. See “Canadian Federal Income Tax Considerations – Taxation of Unitholders”.

All prospective purchasers (whether subscribing for Units by cash payment or through the Exchange Option) will be entitled to withdraw or rescind their purchase on or before midnight on the second business day after receipt or deemed receipt of the final prospectus and any amendment in accordance with applicable securities laws. See “Purchasers’ Statutory Rights” and “Exchange Option – Withdrawal of Exchange Option Elections”.

Market Purchases:

To enhance liquidity and to provide market support for the Units, the Trust will have a mandatory market purchase program under which the Trust will, subject to certain exceptions contained in the Trust Agreement (as described under “The Trust Agreement and Description of Units – Units”) and in compliance with any applicable regulatory requirements, be obligated to purchase Units for cancellation on and subject to the terms below. If, on any business day following the closing of the Offering, the closing price of the Units is less than 95% of the net asset value per Unit (the “NAV per Unit”) determined as at the most recent Valuation Date (as defined herein under “Valuation”), the Trust will offer to purchase for cancellation any Units offered in the market at or below 95% of the NAV per Unit on the following business day. The maximum number of Units to be purchased in any three month period (commencing with the three month period that begins on the first day of the month following the closing date of the Offering) will be 1.25% of the number of Units outstanding at the beginning of such period.

In addition, the Trust has the right (but not the obligation), exercisable in its sole discretion, at any time, to purchase for cancellation Units in the market at prices not exceeding the NAV per Unit, subject to any applicable regulatory requirements and limitations. See “The Trust Agreement and Description of Units – Units”.

Leverage Transactions:

Subsequent to the closing of the Offering, the Trust intends to enter into a loan facility with a Canadian chartered bank (the “Lender”), which may be affiliated with one of the Agents, or add leverage to the Portfolio by utilizing a variety of additional strategies, including but not limited to trading on margin, derivative instruments that are inherently leveraged, including forward contracts, futures contracts and swaps, repurchase agreements and other forms of direct and indirect borrowings (the loan facility and other leverage transactions collectively, the “Leverage Transactions”). The aggregate amount of borrowings and other leverage under the Leverage Transactions may not exceed 15% of the total assets of the Trust. Such leverage may be used to purchase additional securities for the Portfolio. It is expected that the terms, conditions, interest rates, fees and expenses, as applicable, of and under the Leverage Transactions would be typical for transactions of this nature and that the Lender or counterparty (which may be a Canadian chartered bank or an affiliate of a Canadian chartered bank, either or both of which may be affiliated with one of the Agents) will require the Trust to provide a security interest in some or all of its assets in favour of the Lender or counterparty to secure such obligations. It is expected that initially the Trust will employ leverage in an amount equal to approximately 10% of the total value

of the Trust's assets. See "Investment Guidelines – Leverage Transactions".

Net Asset Value: The net asset value of the Trust (the "NAV") on any date is equal to the difference between the aggregate value of the assets of the Trust and the aggregate value of the liabilities of the Trust on that date. The NAV per Unit is determined by dividing the NAV of the Trust by the number of Units then outstanding. See "Valuation – Net Asset Value and NAV per Unit".

Redemption: Units will be redeemed by the Trust on December 15, 2014. The redemption price on that date will be equal to the NAV per Unit.

Units may be surrendered at any time for redemption by the Trust and will be redeemed on a monthly basis on the last business day of a month (a "Redemption Date"), subject to the Trust's right to suspend redemptions in certain circumstances. For redemptions occurring on the January Redemption Date, commencing in 2006, in each year, the redemption price will be equal to the NAV per Unit determined as of the relevant Redemption Date, minus any costs of funding the redemption including all brokerage fees, commissions and other costs incurred in liquidating the securities held in the Portfolio. For redemptions occurring on a Redemption Date other than January of each year, the redemption price per Unit will be calculated by reference to market price. Units surrendered for redemption by a Unitholder no later than the 10th day of a month will be redeemed on the Redemption Date of such month and such Unitholder will receive payment on or before the 10th business day following such Redemption Date. See "Redemption of Units".

Trustee: The Royal Trust Company is the trustee of the Trust, acts as custodian of the assets of the Trust and is responsible for certain aspects of the day-to-day administration of the Trust. See "The Trustee" and "Auditors, Transfer Agent, Registrar and Custodian".

Termination: The Trust will terminate on December 15, 2014 (the "Termination Date") and its net assets will be distributed to Unitholders thereafter unless the Trust has been terminated earlier or Unitholders determine to continue the Trust by a majority vote at a meeting of Unitholders called for that purpose.

Eligibility for Investment: In the opinion of McMillan Binch LLP, counsel to the Trust, and Osler, Hoskin & Harcourt LLP, counsel to the Agents, provided that the Trust qualifies as a "mutual fund trust" under the Tax Act, Units offered hereby will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (collectively, "Deferred Plans") and registered education savings plans. Provided that the Trust qualifies as a mutual fund trust and complies with the restrictions on the ownership of foreign property under the Tax Act, Units will not be foreign property for Deferred Plans and other entities subject to tax under Part XI of the Tax Act. See "Canadian Federal Income Tax Considerations" and "Eligibility for Investment".

Canadian Federal Income Tax Considerations: A Unitholder will generally be required to include in computing income for a taxation year the amount of the Trust's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year (whether in cash or in Units). Distributions paid out of the Trust's capital gains will generally be treated as capital gains realized by Unitholders. A Unitholder who disposes of Units held as capital property (on redemption or otherwise) will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are less than) the adjusted cost base of the Units and any reasonable costs of disposition. Distributions by the Trust to a Unitholder in excess of the Unitholder's share of the Trust's net income and net realized capital gains will not result in an inclusion in income but will reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to that

negative amount.

A purchaser who holds Exchange Eligible Securities as capital property may realize a capital gain or capital loss on the exchange of such Exchange Eligible Securities for Units pursuant to the Exchange Option, as such exchange will be a disposition by the purchaser of such Exchange Eligible Securities for tax purposes.

Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Units by obtaining advice from his or her tax advisor. See “Canadian Federal Income Tax Considerations”.

Risk Factors:

An investment in the Units will be subject to certain risk factors, including:

- (i) there can be no assurance that the Trust will be able to achieve its investment objectives;
- (ii) the NAV per Unit and the funds available for distribution will vary according to, among other things, the net asset value of the securities in the Portfolio and the distributions paid thereon;
- (iii) the financial performance of the Portfolio and market and economic conditions affecting the equity markets;
- (iv) the fact that income trusts depend on the financial performance of the related operating company and may also be subject to general risks associated with various economic factors, and that investments in REITs are subject to general risks associated with real property investments;
- (v) the use of leverage to enhance yield;
- (vi) reliance on the Manager and the Investment Manager, and there is no certainty that the individuals who are principally responsible for providing investment advisory and portfolio management services will continue to be employed by the Investment Manager while it provides investment advisory and portfolio management services to the Trust in respect of the Portfolio;
- (vii) sensitivity to interest rates;
- (viii) risks relating to the use of derivative instruments;
- (ix) counterparty risks associated with securities lending;
- (x) the Units may trade in the market at a premium or a discount to the NAV per Unit and there can be no guarantee that Units will trade at prices that reflect their net asset value;
- (xi) status of the Trust for securities law purposes;
- (xii) potential unlimited liability of Unitholders;
- (xiii) potential conflicts of interest;
- (xiv) tax proposals and administrative positions of the Canada Revenue Agency regarding deductibility of interest; and
- (xv) the Trust’s lack of operating history and the current absence of a public trading market for the Units.

See “Risk Factors”.

SUMMARY OF FEES AND EXPENSES

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

<u>Type of Charge</u>	<u>Description</u>
Fees payable to the Agents for selling Units:	\$0.525 per Unit.
Expenses of issue:	The Trust will pay the expenses incurred in connection with the offering of Units by the Trust, estimated to be \$605,000 in the case of the maximum offering and \$535,000 in the case of the minimum offering.
Fee payable to Manager for acting as manager of the Trust:	<p>An annual fee of 1.10% of the NAV accrued daily and payable monthly in arrears, together with the Service Fee (described below) to be paid by the Manager to dealers, plus applicable taxes, will be paid to the Manager.</p> <p>The Investment Manager will be remunerated by the Manager out of the management fee.</p>
Operating expenses of the Trust:	The Trust will pay for all ordinary expenses incurred in connection with its operation and administration, estimated to be \$135,000 per annum. The Trust will also be responsible for any extraordinary expenses which it may incur from time to time.
Service Fee:	A service fee (the “Service Fee”) will be payable to each dealer whose clients hold Units. The Service Fee will accrue daily and be paid at the end of each calendar quarter and will be equal to 0.40% annually of the NAV of the Units held by clients of the dealer.

THE TRUST

Connor, Clark & Lunn Conservative Income Fund (the “Trust”) is an investment trust established under the laws of the Province of Ontario pursuant to a trust agreement dated as of November 29, 2004 (the “Trust Agreement”) between Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) in its capacity as manager and The Royal Trust Company (the “Trustee”) as trustee. The Manager was incorporated under the *Business Corporations Act* (Ontario) on January 15, 2001 and is wholly-owned by CC&L Capital Markets Partnership.

The principal place of business of the Trust and 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 Trust

The Trust is not a “mutual fund” for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Units.

INVESTMENT GUIDELINES

The following sections, “Investment Objectives”, “Investment Strategy”, “Investment Restrictions”, “Securities Lending”, “Leverage Transactions” and “Use of Derivative Instruments” are referred to collectively in this prospectus as the Trust’s “Investment Guidelines”.

Investment Objectives

The Trust’s investment objectives are to:

- (i) provide holders of the Units (“Unitholders”) with a stable stream of monthly cash distributions targeted to be \$0.0583 per Unit (representing approximately a 7.0% per annum yield on the issue price of \$10.00 per Unit); and
- (ii) preserve the net asset value per Unit in order to return at least the original issue price of Units (\$10.00 per Unit) to Unitholders on or about December 15, 2014 (the “Termination Date”) and provide to Unitholders an opportunity for capital appreciation above the original issue price.

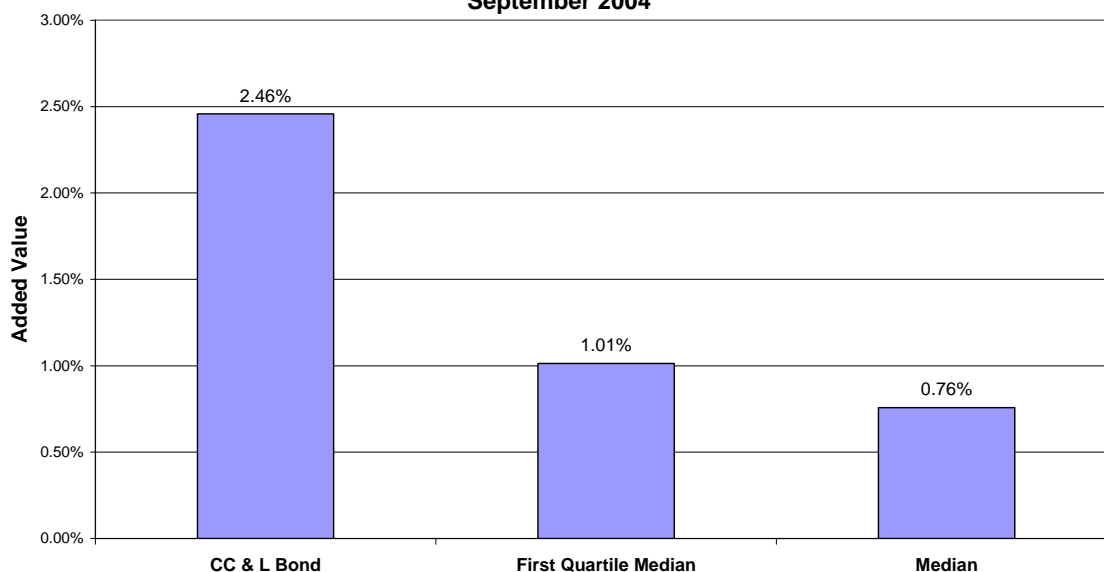
Investment Strategy

Investment Management Approach

Connor, Clark & Lunn Investment Management Ltd. (the “Investment Manager”) will provide investment advisory and portfolio management services to the Trust. As at September 30, 2004, the Investment Manager manages assets worth approximately \$11 billion and its 12 person fixed income team manages approximately \$4 billion of these assets. The team works in conjunction with the Investment Manager’s equity team and is supported by an analytic staff of 23 people. The fixed income team has a proven track record of outperformance. The CC&L Bond Fund has had an average annual value added of 0.40% above the Scotia Capital Universe Bond Index over the last five years, which ranks it among the first quartile of Canadian bond managers over that period, and has performed above such index in 94% of the rolling 12-month periods over this time. This strong investment performance has resulted in almost \$1 billion of new mandates during the past year.

The Investment Manager performs particularly well both in absolute terms and relative to other fixed income managers during down markets. The following chart reflects the sum of the monthly returns of the CC&L Bond Fund in all months when the Scotia Capital Universe Bond Index experienced negative returns during the past five years, less the sum of the monthly returns of that index during the same period:

**Five Year Added Value during Months with Negative Index Returns ending
September 2004**



Note:

1. Returns and comparative returns are presented before deducting fees.
2. Median information supplied by Morningstar (Institutional Pooled). First quartile median calculated by Connor, Clark & Lunn Financial Group includes only managers of similar bond universe mandates. Quartile break points and median include all managers.
3. A full presentation in respect of the CC&L Bond Fund is available upon request.

The Investment Manager also manages approximately \$7 billion in equities, including the CC&L Income Fund Composite (the “CC&L Income Fund”). The returns of the CC&L Income Fund would have placed the Investment Manager in the first quartile of Canadian income fund managers, using Morningstar’s measurement criteria, over the two year and three year periods ending September 30, 2004 and since inception.

The net proceeds of the Offering, together with any borrowings and other leverage under the Trust’s Leverage Transactions (as defined below), will be invested in a portfolio (the “Portfolio”) consisting of income producing securities including Canadian business income trusts, real estate investment trusts (“REITs”), utility income trusts, corporate bonds and convertible bonds. In addition, from time to time, the Portfolio may include significant cash and cash equivalents. The Portfolio will be managed to substantially replicate the CC&L Income Fund, a strategy managed by the Investment Manager which has similar investment objectives to those of the Portfolio.

CC&L Income Fund

The CC&L Income Fund was established in February 2001 with investment objectives and an investment strategy similar to those of the Trust. Over the period from inception to September 30, 2004, net asset value per unit increased from \$10.00 to \$15.22 and quarterly distributions totalled \$3.29 per unit. The average annual distribution has been 10.0% measured against initial unit value. Total assets of the fund were approximately \$61 million on September 30, 2004. Annualized total returns of the CC&L Income Fund are illustrated in the table below:

Average Annual Total Returns as of September 30, 2004

	<u>One Year</u>	<u>Three Year</u>	<u>Since Inception (February 2001)</u>
CC&L Income Fund	22.78%	18.95%	18.67%

Note:

1. Returns have been reduced to reflect estimated annual fees and expenses of the Trust of 1.63% and are based on monthly data.
2. While the Trust will be managed on substantially the same basis as the CC&L Income Fund there are differences in the investment objectives that may result in different performance including the use of leverage and the focus on stable distributions.
3. The performance data quoted above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted.

4. A full presentation in respect of the CC&L Income Fund is available upon request.

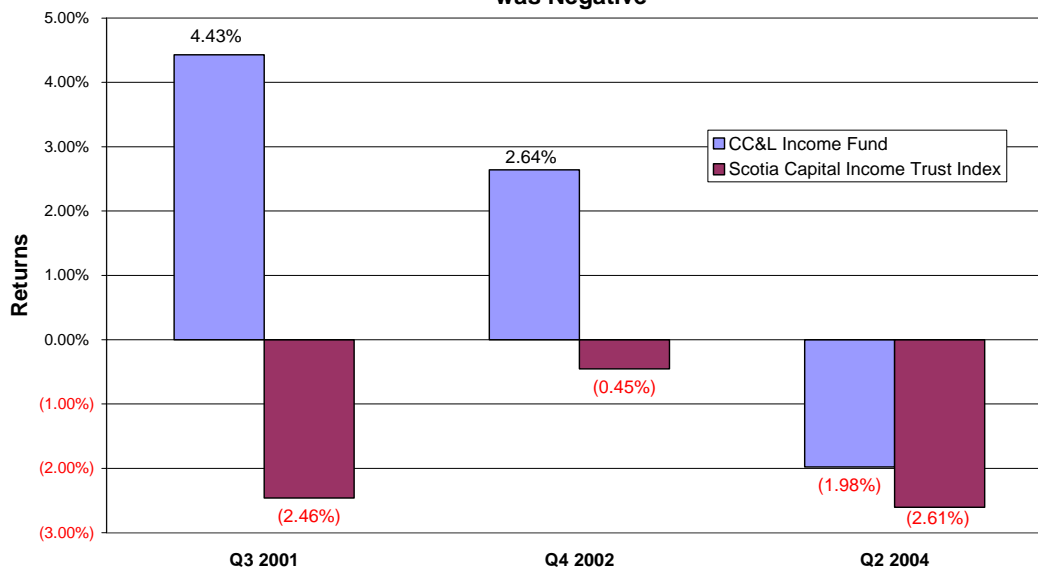
The CC&L Income Fund's asset mix since inception is summarized in the table below:

	Income Trusts	High Yield Bonds	Convertible Bonds	Investment Grade Bonds & Cash
<i>Current</i>	73.3%	2.6%	6.0%	18.1%
<i>Average</i>	68.3%	2.4%	2.2%	27.1%
<i>Maximum</i>	77.5%	4.9%	6.6%	40.8%
<i>Minimum</i>	55.8%	0.0%	0.0%	17.9%

As with the CC&L Income Fund, the Investment Manager will employ a disciplined, conservative process with respect to the Portfolio aimed at generating stable cash flows and preserving capital. A wide range of income generating assets will be evaluated using a bottom-up, company level analysis which emphasizes credit-oriented factors. This analysis will drive both security selection and asset allocation. Quantitative, macro-economic considerations such as interest rates and economic growth will be continuously reviewed relative to the sensitivity of the Portfolio to those factors. When the Investment Manager considers it appropriate, adjustments will be made to the asset mix of the Portfolio and/or interest rate hedging strategies will be used.

One of the principal goals of such investment process is to create a portfolio that outperforms in down markets while providing solid performance in up markets. The historical performance of the CC&L Income Fund demonstrates the success of this strategy. Up market performance is demonstrated by the performance of the CC&L Income Fund, which has returns that would have made it a top quartile performer in the Canadian income trust category, using Morningstar's measurement criteria, over the two year and three year periods ending September 30, 2004 and since inception. Down market outperformance can be seen in the performance of the CC&L Income Fund relative to the Scotia Capital Income Trust Index. Since inception of the CC&L Income Fund, the Scotia Capital Income Trust Index has experienced three negative quarters. During those quarters the sum of the three quarterly returns of the CC&L Income Fund was 5.1%, compared to -5.5% for the index. Comparative returns for each of the quarters with negative returns are illustrated in the following chart:

OutPerformance of CC&L Income Fund in Quarters in which the Index Return was Negative



Note:

1. Returns of the CC&L Income Fund have been reduced to reflect estimated annual fees and expenses of the Trust of 1.63% and are based on monthly data.
2. Information on Scotia Capital Income Trust Index is supplied by Scotia Capital Inc.
3. The performance data quoted above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted.
4. A full presentation in respect of the CC&L Income Fund is available upon request.

Security Selection

The chart below indicates the permitted asset allocation ranges and the expected initial asset allocation in the Portfolio. The current yields indicated reflect the Investment Manager’s expectations of yield, based on the relevant indices, and do not reflect the current or the expected yields of the securities to be included in the Portfolio.

	Current Yield ⁽¹⁾	Initial Portfolio	Permitted Ranges
Income Trusts	8.1%	75-80%	40-90%
Investment Grade Corporate Bonds	6.1%	10-15%	0-50%
Other Income-Oriented Securities⁽²⁾	6.7%	5-10%	0-20%
Cash & Equivalents	2.5%	0-5%	0-20%

Notes:

- (1) Estimates for current yield are based on the following:
 Income Trusts – Scotia Capital Income Trust Index weighted average yield excluding Energy Subsector and Oil trusts within the Resource subsector.
 Investment Grade Corporate Bonds – Scotia Capital Long-Term Investment Grade Corporate Bond Index.
 Other Income-Oriented Securities – CC&L estimate of initial current yield.
 Cash & Equivalent – Scotia Capital 91-Day T-Bill Index.
- (2) May include bonds that are rated below investment grade.

The evaluation of both bonds and income trusts is conducted by the fixed-income team, which relies on a credit-oriented framework to identify those securities that the Investment Manager considers as likely to produce the desired portfolio characteristics. Corporate bond selection is based on a structured checklist approach, incorporating over 50

financial, operating, competitive and market considerations and including statistics generated by proprietary models. This structured selection process ensures that all issuers are evaluated on a consistent basis.

While income trust securities are equities rather than debt, the Investment Manager's investment process for trusts incorporates more emphasis on credit-oriented factors than is typical for the analysis of equity instruments. Income trusts are evaluated in accordance with criteria adapted from the credit-oriented fixed-income checklist adjusted to reflect the particular requirements of investing in businesses that are managed to maximize cash distributions. The Investment Manager's conservative bias leads to a focus on business income trusts, REITs and utility income trusts.

Security evaluation in the income trust sector particularly focuses on the following factors:

Competitive position: The Investment Manager is attracted to businesses with a dominant market position (ideally a monopolistic or oligopolistic environment), that benefit from the existence of barriers to entry, and that have some potential pricing power.

Stability of revenue stream: The Investment Manager looks for investment opportunities in income trusts where they have a high degree of confidence regarding the sustainability of revenues of such issuer. While an issuer's competitive position and asset quality are important to achieving this objective, it can also be accomplished in situations where revenues are based on contractual arrangements, such as long-term leases in the REITs category, or power purchase agreements in the utility income trust segment.

Commitment to appropriate levels of reinvestment: As the sustainability of cash flows in most income trusts is based on the quality of the underlying assets (e.g., well maintained real estate or power generating facilities), particular attention is paid to confirming that sustaining capital expenditure levels are adequate to maintain the value of those assets.

Access to capital: The Investment Manager avoids those businesses where access to low cost capital may not be sufficient to justify their valuation. This is particularly true in cases where access to capital is a requirement to replenish depleting assets.

Interest rate sensitivity: In setting its valuation parameters, the Investment Manager takes into account an income trust's sensitivity to changes in borrowing costs.

Management structure: The Investment Manager seeks to invest in income trusts with structures that are simple and that maximize the alignment of management and unitholders' interests. Trusts with external management contracts are not favoured. "Foreign content" trusts are in general avoided.

Valuation: A standardized methodology is used to compare the valuation of securities across the income trust sector. The Investment Manager calculates the sustainable distributable cash flow yield, which is defined as sustainable distributable cash flow per unit divided by unit price, for each income trust analyzed. The key variable in this valuation measure, sustainable distributable cash flow, is the Investment Manager's assessment of the cash flow the income trust can reasonably be expected to generate on an annual basis, indefinitely. The Investment Manager prefers the sustainable distributable cash flow metric as, unlike EBITDA (earnings before interest, taxes, depreciation and amortization), it takes into consideration interest costs, taxes, and capital expenditures, which are real cash costs. Qualitative factors illustrated above, as well as quantitative risk measures, such as the amount of debt leverage in the income trust, are used to determine the appropriate sustainable distributable cash flow yield target for each income trust.

Interest Rate Management

The Investment Manager devotes considerable resources towards managing the interest rate exposure inherent in all of its income oriented investments. This is accomplished by portfolio design and construction as well as the periodic use of derivative instruments such as interest rate futures and options to hedge this exposure. Where appropriate and consistent with the Investment Guidelines, the Investment Manager intends to employ these and other techniques in the management of the Portfolio. The hedging strategy is designed to protect against significant interest rate increases that may occur over an investment horizon. Such strategy is not intended to enhance the returns of the Trust but only to minimize the impact of increases in interest rates. A portfolio constructed for a rising rate environment is one that is

biased towards instruments, whose prices are expected to fall less when rates rise, such as bonds with a short time to maturity or the income trust units of businesses with pricing power. Examples of hedging strategies used by the Investment Manager include short selling bonds or interest rate futures or buying options to pay a fixed interest rate by way of a swap agreement. The Investment Manager believes that the hedging strategies it employs will assist the Trust to achieve its investment objectives.

Investment Restrictions

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

- (i) **Investments.** The Trust will not, for a period of more than 90 days, have: (a) less than 40% or more than 90% of the value of the Portfolio invested in units of income trusts; (b) more than 50% of the value of the Portfolio invested in investment grade corporate bonds; (c) more than 20% of the value of the Portfolio invested in other income-oriented securities; and (d) more than 20% of the value of the Portfolio invested in cash and cash equivalents. Any cash equivalents in which the Trust invests must be rated at least investment grade.
- (ii) **Concentration.** Not more than 10% of the assets (determined at the time of purchase) of the Portfolio will be invested in any one issuer.
- (iii) **Leverage.** The Trust may borrow or use other forms of leverage in an aggregate amount of up to 15% of the total value of the Trust's assets at the time the borrowing or other leverage is entered into. See "Leverage Transactions" below.
- (iv) **Commodities.** The Investment Manager will not purchase or sell commodities or commodity contracts for the Portfolio.
- (v) **Illiquid Securities.** Not more than 10% of the total assets (determined at the time of purchase) of the Portfolio will be invested in "illiquid securities". The term "illiquid securities" for this purpose means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the amount at which the securities are valued for the Portfolio.
- (vi) **Real Estate other than REITs.** The Trust will not purchase real estate (other than through the purchase of securities of issuers that invest in real estate or interests therein, including REITs).
- (vii) **Control.** The Trust will not own more than 10% of the outstanding equity securities of an issuer or purchase the securities of an issuer for the purpose of exercising control over management of that issuer.
- (viii) **Mutual Fund Trust Status.** The Trust will not make or hold any investment that would result in the Trust failing to qualify as a "mutual fund trust" or "unit trust" within the meaning of the *Income Tax Act* (Canada) (the "Tax Act").
- (ix) **Foreign Property.** The Trust will not invest in or hold securities which may be considered "foreign property", if the "cost amount" to the Trust of all "foreign property" (as those terms are defined in the Tax Act) held by it would cause the Units to be foreign property under the Tax Act.
- (x) **Foreign Investment Entities.** The Trust will not invest in the securities of any non-resident corporation or trust or other non-resident entity if the Trust would be required to mark its investment in such securities to market in accordance with proposed section 94.2 of the Tax Act or to include any significant amounts in income pursuant to proposed sections 94.1 or 94.3 of the Tax Act, as set forth in the proposed amendments to the Tax Act dealing with foreign investment entities released on October 30, 2003 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto).
- (xi) **No Guarantee.** The Trust will not guarantee securities or obligations of another person or company other than the Manager, and then only in respect of the activities of the Trust.

Securities Lending

The Trust may enter into securities lending, repurchase and reverse repurchase transactions to generate additional income and/or as a short-term cash management tool. Any borrower of securities from the Trust must maintain with a qualified agent collateral having a market value equal to at least 102% of the market value of the securities borrowed, and must provide the Trust with a right to sell the collateral if the borrower defaults on its obligations under the transaction. The Trust will provide to the borrower a right to sell the securities if the Trust defaults on its obligations under the transaction. The value of the collateral and the securities will be monitored daily and collateral will be adjusted appropriately on each business day. Any securities lending transaction must qualify as a “securities lending arrangement” for purposes of the Tax Act

Leverage Transactions

Subsequent to the closing of the Offering, the Trust intends to enter into a loan facility with a Canadian chartered bank (the “Lender”), which may be affiliated with one of the Agents, or add leverage to the Portfolio by utilizing a variety of additional strategies, including but not limited to trading on margin, derivative instruments that are inherently leveraged, including forward contracts, futures contracts and swaps, repurchase agreements and other forms of direct and indirect borrowings (the loan facility and other leverage transactions collectively, the “Leverage Transactions”). The aggregate amount of borrowings and other leverage under the Leverage Transactions may not exceed 15% of the total assets of the Trust. Such leverage may be used to purchase additional securities for the Portfolio. It is expected that the terms, conditions, interest rates, fees and expenses, as applicable, of and under the Leverage Transactions would be typical for transactions of this nature and that the Lender or counterparty (which may be a Canadian chartered bank or an affiliate of a Canadian chartered bank, either or both of which may be affiliated with one of the Agents) will require the Trust to provide a security interest in some or all of its assets in favour of the Lender or counterparty to secure such obligations. It is expected that initially the Trust will employ leverage in an amount equal to approximately 10% of the total value of the Trust’s assets.

The use of leverage to enhance returns on the Portfolio may result in capital losses or a decrease in net cash distributions to Unitholders. The Manager will ensure that, in the event of default under the Leverage Transactions, the Lender’s or counterparty’s recourse will be limited to the assets of the Trust. Such provisions are intended to ensure that Unitholders will not be liable for the obligations of the Trust under the Leverage Transactions.

In the event that the total amount borrowed or otherwise subject to leverage by the Trust exceeds the 15% limit as a result of redemptions or other decrease in the number of Units outstanding, indebtedness will be reduced on an orderly basis as soon as practicable so that the amount borrowed or otherwise subject to leverage does not continue to exceed such limit. The Trust will not be required to reduce borrowings or other leverage as a result of decreases in the total assets of the Trust occurring other than as a result of redemptions or other decrease in the number of Units outstanding. If the total assets of the Trust decreases other than as a result of redemptions or other decrease in the number of Units outstanding, the percentage of leverage in the Trust’s investment portfolio may constitute more than 15% of the total assets of the Trust from time to time.

Other than borrowings or other transactions by the Trust under the Leverage Transactions the Trust will not engage in other borrowings or leverage transactions.

Use of Derivative Instruments

Derivative instruments will only be used in ways that are consistent with the Investment Guidelines. Counterparty risk arising from derivative transactions will be limited to credits rated “A” or better, as defined by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (or an equivalent rating from another recognized rating agency). Instruments used may include but are not limited to forward contracts, futures contracts, options, swaps and structured notes.

MANAGEMENT OF THE TRUST

The Manager

Connor, Clark & Lunn Capital Markets Inc. will perform management and investment management services for the Trust pursuant to the terms of the Trust Agreement. The Manager will be entitled to receive fees as compensation for management services rendered to the Trust. See “Duties and Services to be Provided by the Manager” below and “Fees and Expenses”.

The Manager currently manages approximately \$800 million in assets, including through ROC Pref Corp., ROC Pref II Corp., SNP Health Split Corp. and SNP Split Corp. The Manager is also 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 Tera Inc. (collectively, the “CC&L Group”). The CC&L Group, with approximately \$21 billion in assets under management, 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

Pursuant to the Trust Agreement, the Manager has full authority and responsibility to manage and direct the business and affairs of the Trust, to make all decisions regarding the business of the Trust and to bind the Trust. 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 the Trust to do so. Among other restrictions imposed on the Manager, it may not dissolve the Trust or wind up the Trust’s affairs except in accordance with the provisions of the Trust Agreement.

The Manager’s duties will include negotiating contracts with certain third-party service providers, including, but not limited to, custodians, registrars, transfer agents, auditors and printers; obtaining the services of dealers in exchange for payment of the Service Fee; authorizing the payment of operating expenses incurred on behalf of the Trust; maintaining accounting records for the Trust; preparing the Trust’s reports to Unitholders and to the Canadian securities regulators; calculating the amount and determining the frequency of distributions by the Trust; preparing financial statements, income tax returns and financial and accounting information as required by the Trust; ensuring that Unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Trust complies with regulatory requirements including the continuous disclosure requirements of the Trust under applicable securities laws; providing the Trustee with the information and reports necessary for it to fulfil its fiduciary responsibilities; administering the redemption and market purchases of Units; arranging for any payment required on or about the Termination Date; and dealing and communicating with Unitholders. The Manager will provide office facilities and personnel to carry out these services, together with clerical services that are not furnished by the Trustee or transfer agent of the Trust. The Manager will monitor the Trust’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 enter into the registrar, transfer agency and distribution agency agreement as referred to under “Auditors, Transfer Agent, Registrar and Custodian”. See “Material Contracts”. Such agreement does not in any way release the Manager from compliance with its obligations to the Trust under the Trust Agreement. The Manager may terminate the foregoing agreement upon notice.

The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Trust, and to exercise the care, diligence and skill that a reasonably prudent manager would exercise in comparable circumstances. The Trust Agreement provides that the Manager will not be liable in any way for any default, failure or defect in any of the securities comprising the investment portfolio of the Trust if it has satisfied its duties and the standard of care, diligence and skill set forth above. The Manager will incur liability in cases of wilful misconduct, bad faith, negligence or the disregard of its obligations or duties or breach of its standard of care. The Manager and each of its directors, officers, employees and agents will be indemnified by the Trust for all costs, claims, charges, liabilities and expenses actually and reasonably 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 under the Trust Agreement, except those resulting from such person's wilful misconduct, bad faith, negligence or the disregard of its obligations or duties or breach of its standard of care in relation to the matter in respect of which indemnification is claimed.

The Manager may resign upon 60 days' notice to the Trust and the Unitholders or upon such lesser notice period as the Trust may accept. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Manager, the successor must be approved by Unitholders. The Manager may be removed upon 90 days' written notice by an Extraordinary Resolution of the Unitholders (as defined under "Unitholder Matters – Meetings of Unitholders and Extraordinary Resolutions") in the event the Manager is in material breach or default of the provisions of the Trust Agreement and, if capable of being cured, such breach or default has not been cured within 20 business days' notice of such breach or default (a "business day" being any day on which the Toronto Stock Exchange is open for trading). If the Manager is removed, any successor manager must be approved by the Unitholders prior to appointment by the Trustee on behalf of the Trust. The Manager is deemed to have resigned in certain circumstances, including if the Manager becomes bankrupt or insolvent or in the event the Manager ceases to be resident in Canada for the purposes of the Tax Act. The resignation or removal of the Manager shall only become effective upon the appointment of a replacement manager. If, within 90 days after the resignation or removal of the Manager, the Unitholders have not directed the Trustee to appoint a successor manager, the Trust shall be terminated.

As compensation for management services rendered to the Trust, the Manager is entitled to receive an annual management fee in an amount equal to 1.10% of the NAV, together with the service fee (the "Service Fee") to be paid by the Manager to each dealer whose clients hold Units, plus applicable taxes, accrued daily and payable monthly in arrears based on the NAV as at the last Valuation Date of each month (as defined under "Valuation"). The Investment Manager will be remunerated by the Manager out of the management fee.

The Manager will not receive any performance fees from the Trust.

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 Manager</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	Director, Chief Financial Officer and Secretary, Connor, Clark & Lunn Capital Markets Inc.
MICHAEL W. FREUND Toronto, Ontario	Director and Chairman	Managing Partner, Connor, Clark & Lunn Financial Group
GLENN M. PITTMAN Burlington, Ontario	Senior Vice-President	Senior Vice-President, Connor, Clark & Lunn Capital Markets Inc.
JENNIFER L. STEWART Toronto, Ontario	Vice-President and Associate Portfolio Manager	Vice-President, Connor, Clark & Lunn Capital Markets Inc.

W. Neil Murdoch: *CFA; BComm, McGill University; LLB, University of Toronto; Master of Management, Kellogg Graduate School of Management.* 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 investment manager 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.

Glen M. Pittman: *BComm, Memorial University of Newfoundland.* Mr. Pittman joined Connor, Clark & Lunn Capital Markets Inc. in early 2004. Prior thereto, Mr. Pittman was Vice-President and National Sales Manager at AIC Group of Funds.

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, with a niche focus on the income trust and structured products areas.

The Advisory Board

The Trust will establish an advisory board (the "Advisory Board") consisting of two members appointed by the Manager. The Advisory Board will act in an advisory capacity to the Manager with respect to conflicts of interest and potential conflicts of interest identified by the Manager. The members of the Advisory Board will be Frank Santangeli and Selwyn Kletz, both of whom are independent of the Manager. The Trust will be responsible for all fees and expenses of the Advisory Board including costs of independent counsel or advisors, if the Advisory Board deems it to be appropriate to retain such experts. See "Fees and Expenses - Fees and Other Expenses".

The members of the Advisory Board will be indemnified by the Trust. The Advisory Board members will not be responsible for investments made by the Trust or for the performance of the Trust.

Mr. Santangeli has worked in the financial services industry since 1960. Positions he has held include Vice President of Sunlife of Canada, President and Chief Executive Officer of Finsco Investment Management Corporation, and Vice President of Imasco Financial Corporation. He has also served as Chairman of The Investment Funds Institute of Canada.

Mr. Kletz has recently retired as President and Chief Executive Officer of AMIC Canada Limited, a company engaged in the business of investing in Investment Counselling companies. He was previously a Managing Director of CIBC Wood Gundy Securities Inc. where he managed the Global Equity Research Department and served as a member of the Equity Management Committee and the Investment Committee of the merchant banking arm. Earlier in his career, Mr. Kletz founded and managed MYW Financial Management (since incorporated into Scotia Investment Management Limited), Laurim Capital Management Inc. and Laurentian Investment Management (Canada) Inc. Mr. Kletz has more than 30 years of experience in the investment business.

Accounting and Reporting

The Trust's fiscal year will be the calendar year or such other fiscal period permitted under the Tax Act as the Trust elects. The Manager will ensure that the Trust complies with all applicable reporting and administrative requirements.

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

Conflict of Interest

The services of the Manager and its officers and directors are not exclusive to the Trust. 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 and provide similar services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Trust) and engage in other activities. Investment decisions for the Trust 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 Trust and for one or more of its other clients. If the Trust 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 MANAGER

The Investment Manager will provide investment advisory and portfolio management advice to the Trust and will manage the Portfolio in a manner consistent with the Investment Guidelines pursuant to an investment management agreement (the "Investment Management Agreement") between the Manager as manager of the Trust and in its own capacity and the Investment Manager dated as of November 29, 2004.

The Investment Manager will be responsible for execution of the Trust's investment strategy. Decisions as to the purchase and sale of securities and as to the execution of all portfolio and other transactions in connection with the Portfolio will be made by the Investment Manager. The Investment Manager was established in March 1982 and has offices in Vancouver and Toronto, Canada, and has approximately \$11 billion directly under its management as at September 30, 2004. The principal office of the Investment Manager is located at 2200 - 1111 West Georgia Street, Vancouver, British Columbia V6E 4M3.

Name and Municipality	Position with the Investment Manager	Principal Occupation
LARRY R. LUNN Vancouver, British Columbia	Director, Chairman and President	Director, Chairman and President of the Investment Manager Clark & Lunn Investment Management Ltd.
PHILLIP COTTERILL West Vancouver, British Columbia	Director and Vice President	Director and Vice President of the Investment Manager
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 of the Investment Manager
BRIAN EBY West Vancouver, British Columbia	Director and Vice President	Director and Vice President of the Investment Manager
GORDON H. MACDOUGALL Vancouver, British Columbia	Director and Vice President	Director and Vice President of the Investment Manager
J. WARREN STODDART Toronto, Ontario	Director	Managing Partner, Connor, Clark & Lunn Financial Group
SCOTT HACKNEY Etobicoke, Ontario	Vice President	Vice President of the Investment Manager

<u>Name and Municipality</u>	<u>Position with the Investment Manager</u>	<u>Principal Occupation</u>
KATHLEEN A. LEAVENS Vancouver, British Columbia	Compliance Officer	Compliance Officer of the Investment Manager
COLIN JANG Toronto, Ontario	Vice President	Vice President of the Investment Manager
PARTICK D. ROBITAILLE North Vancouver, British Columbia	Corporate Secretary	Corporate Secretary of the Investment Manager

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

Mr. Gerber and Mr. Stoddart were appointed to the Board of the Investment Manager in 1999 and Mr. Freund in 2001. Mr. Eby was appointed to the Board of the Investment Manager in 2002. Mr. Cotterill was appointed to the Board of the Investment Manager in 2003. Mr. Jang was appointed as an officer of the Investment Manager in 2003. Mr. Robitaille was appointed as an officer of the Investment Manager in 2003.

The team of investment professionals responsible for investment management at the Investment Manager all have significant experience in managing investment portfolios. The investment managers of the Investment Manager who will be primarily responsible for managing the Portfolio are Warren Stoddart and Brian Eby, who will be assisted by Jane Justice, Chris Kalbfleisch, Jay Menning and Steve Vertes.

Warren Stoddart: *BA, Trinity College, University of Toronto.* Mr. Stoddart is a director of the Investment Manager 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 16 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, BComm, McMaster University.* Mr. Eby is a Director of the Investment Manager and 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 16 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. Prior to joining the CC&L Group in 1998, Mr. Eby held various roles with Scotia Capital Markets Inc. for 10 years, including Director, Fixed Income, Proprietary Trading.

Jay Menning: *CFA; BComm, 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 Manager 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: *BMgm, 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 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.

Steve Vertes: *CFA; BA, University of Western Ontario.* Mr. Vertes is a Partner of Connor, Clark & Lunn Investment Management Partnership. Mr. Vertes is responsible for fundamental analysis, research and security selection of

Canadian equities and income trusts. In addition to his experience with the Investment Manager, Mr. Vertes also has extensive experience in the field of investment banking.

Investment Management Agreement

Under the Investment Management Agreement, the Investment Manager is required to act honestly, in good faith and in the best interests of the Unitholders 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 Investment Management Agreement provides that the Investment Manager shall not be liable in any way for the making, retention or sale of any investment or for any loss to or diminution of, the assets of the Trust if it has satisfied the duties and standard of care, diligence and skill set forth above. The Investment Manager will incur liability in cases of wilful misconduct, bad faith, negligence or breach its standard of care.

The Investment Management Agreement, unless terminated as described below, will continue in effect until the termination of the Trust. If the Manager is terminated, the Investment Management Agreement will terminate at such time. The Manager may terminate the Investment Management Agreement if the Investment Manager 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 after notice thereof has been given to the Investment Manager and the Trustee by the Manager. Except as described above, the Investment Manager cannot be terminated as investment manager of the Trust.

The Investment Manager may terminate the Investment Management Agreement upon 20 business days' notice in the event that 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 the Trustee, or in the event that there is a material change in the Investment Guidelines.

If the Investment Management Agreement is terminated, the Manager will promptly appoint a successor investment manager to carry out the activities of the Investment Manager until a meeting of the Unitholders is held to confirm such appointment.

The Investment Manager is entitled to fees for its services under the Investment Management Agreement and will be reimbursed for all reasonable costs and expenses incurred by the Investment Manager on behalf of the Trust. In addition, the Investment Manager and each of its directors, officers, employees and agents will be indemnified by the Trust for all claims whatsoever brought against the Investment Manager for any act or omission, except those resulting from the Investment Manager's wilful misconduct, bad faith, negligence or breach of its standard of care.

THE TRUSTEE

The Royal Trust Company has been appointed the trustee of the Trust pursuant to the provisions of the Trust Agreement. The Trustee will act as custodian of the Trust's assets and is responsible for certain aspects of the day-to-day administration of the Trust as described in the Trust Agreement, including processing redemptions, calculating net asset value, net income and net realized capital gains of the Trust and maintaining the books and records of the Trust.

The Trustee or any successor trustee may resign upon 60 days' written notice to Unitholders and the Manager or may be removed upon 60 days' written notice by an Extraordinary Resolution of the Unitholders (as defined under "Unitholder Matters – Meetings of Unitholders and Extraordinary Resolutions" below). Any such resignation or removal shall become effective only on the acceptance of appointment by a successor trustee. If the Trustee resigns or is removed by Unitholders, the Manager shall appoint a successor trustee. If, after the resignation or removal of the Trustee, no successor has been appointed within 60 days, the Trustee, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee. If a successor appointee is not appointed, the Trust shall be terminated.

The Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Trust, and to exercise the degree of care, diligence and skill that a reasonably prudent Canadian trust

company would exercise in comparable circumstances. The Trust Agreement provides that the Trustee will not be liable in carrying out its duties under the Trust Agreement except in cases of wilful misconduct, bad faith, negligence or breach of its standard of care. In addition, the Trust Agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees from the Trust as described under “Fees and Expenses” and to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Trust.

THE TRUST AGREEMENT AND DESCRIPTION OF UNITS

General

The Trust is an investment trust created pursuant to the Trust Agreement and governed by the laws of the Province of Ontario. The Trust Agreement provides that the undertaking of the Trust is restricted to: (i) investing in securities as described under “Investment Guidelines”; (ii) investing in, holding and selling cash equivalents as provided for herein and holding cash; (iii) borrowing or otherwise adding leverage to the Portfolio pursuant to the Leverage Transactions to purchase securities for the Portfolio in accordance with the Investment Guidelines; and (iv) investing in or entering into derivative instruments for the purpose of interest rate hedging.

Units

The Trust is authorized to issue an unlimited number of redeemable, transferable Units of one class, each of which represents an equal, undivided interest in the net assets of the Trust. To become a Unitholder, an investor must acquire 100 or more Units in the Trust under the Offering. Fractional Units will not be issued.

Each Unit entitles a Unitholder to the same rights and obligations as a Unitholder of any other Unit and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholder. Each Unitholder is entitled to one vote for each Unit held, except as described below under “Unitholder Matters – Meetings of Unitholders and Extraordinary Resolutions”, and is entitled to participate equally with respect to any and all distributions made by the Trust. On termination, all Unitholders of record holding outstanding Units are entitled to receive their *pro rata* share of any assets of the Trust remaining after payment of all debts, liabilities and liquidation expenses of the Trust. See “Termination of the Trust”.

The Trust does not currently intend to issue additional Units following completion of the Offering, except: (i) by way of rights offerings to existing Unitholders, private placement or public offering where the subscription amount is not less than the aggregate of the NAV per Unit calculated prior to the pricing of the subsequent offering and the estimated expenses of such offering, or (ii) with the approval of Unitholders by Extraordinary Resolution. See “Unitholder Matters – Meetings of Unitholders and Extraordinary Resolutions”.

To enhance liquidity and to provide market support for the Units, the Trust will have a mandatory market purchase program under which the Trust will, subject to certain exceptions contained in the Trust Agreement (as described under “The Trust Agreement and Description of Units – Units”) and in compliance with any applicable regulatory requirements, be obligated to purchase Units for cancellation on and subject to the terms below. If, on the business day following any Valuation Date, the closing price of the Units is less than 95% of the net asset value of the Trust (“NAV”) per Unit (the “NAV per Unit”) determined as at the most recent Valuation Date, the Trust will offer to purchase for cancellation any Units offered in the market at or below 95% of the NAV per Unit on such business day. The maximum number of Units purchased in any three month period will be 1.25% of the number of Units outstanding at the beginning of the period (commencing with the three month period that begins on the first day of the month following the closing date of the Offering). The Trust is not obligated to make such purchases if (i) the Trust lacks the cash, debt capacity or other resources to make such purchases, or (ii) in the opinion of the Manager, such market purchases would adversely affect the ongoing activities of the Trust.

In addition, the Trust Agreement provides that the Trust has the right (but not the obligation), exercisable in its sole discretion, at any time, to purchase for cancellation Units in the market at prices not exceeding the NAV per Unit,

subject to any applicable regulatory requirements and limitations. It is expected that such purchases, if made, will be made as normal course issuer bids through the facilities and under the rules of the exchange or market on which the Units are listed, if applicable, as provided for in the Trust Agreement or as otherwise permitted by applicable securities laws.

Book-Entry Only System

A book-entry only certificate representing Units will be issued in registered form to The Canadian Depository for Securities Limited (“CDS”), or its nominee on its behalf, on the date of the closing of the Offering. Any purchase or transfer of Units must be made through participants in the CDS depository service (“CDS Participants”), which includes securities brokers and dealers, banks and trust companies. Indirect access to the CDS book-entry only system is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly. Each purchaser of Units will receive a customer confirmation of purchase from the CDS Participant from or through whom such Units are purchased in accordance with the practices and procedures of such CDS Participant. Reference in this prospectus to a Unitholder means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

No Unitholder will be entitled to a certificate or other instrument from the registrar and transfer agent or CDS evidencing that person’s interest in or beneficial ownership of Units, or will be shown on the records maintained by CDS, except through an agent who is a CDS Participant. All cash distributions in respect of Units will be made by the Trust to CDS and distributions to CDS will be forwarded by CDS to CDS Participants, and thereafter to the Unitholders. See “Distributions”.

Neither the Manager, the Trustee nor the Agents will have any liability for (i) records maintained by CDS relating to the beneficial interests in the Units or the book-entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS or made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of CDS Participants.

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

The Manager, on behalf of the Trust, has the option to terminate the book-entry only system through CDS, in which case Units in fully registered certificated form will be issued to Unitholders, as of the effective date of such termination.

UNITHOLDER MATTERS

Meetings of Unitholders and Extraordinary Resolutions

The Trustee may, at any time, convene a meeting of the Unitholders and will be required to convene a meeting on receipt of a request in writing of the Manager or Unitholders holding 10% or more of the outstanding Units, which request must specify the purpose or purposes for which such meeting is to be called. Subject to the foregoing and to any applicable stock exchange requirements, the Trust need not hold annual meetings of Unitholders. Each Unitholder is entitled to one vote for each Unit held. A quorum for ordinary meetings of Unitholders will consist of two or more Unitholders present in person or by proxy and representing not less than 10% of the Units outstanding.

Certain matters shall require the approval of Unitholders by extraordinary resolution (an “Extraordinary Resolution”). An Extraordinary Resolution shall be a resolution passed by Unitholders of not less than 66⅔% of the Units voting thereon at a meeting duly convened for the consideration of such matter. A quorum for any meeting convened to consider a matter requiring the approval of Unitholders by an Extraordinary Resolution shall consist of two or more Unitholders present in person or by proxy and representing not less than 10% of the Units then outstanding.

If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a request of Unitholders, will be cancelled, but otherwise will be adjourned to another day, not less than ten days or more than 21 days later, selected by the Manager and notice will be given to the Unitholders of such adjourned meeting. The Unitholders present at any adjourned meeting will constitute a quorum.

The matters which require Unitholder approval by an Extraordinary Resolution include the removal of the Manager, any issuance of Units subsequent to the initial issuance of Units (other than issuances made by way of rights offerings to existing Unitholders, private placement or public offering where the net proceeds per Unit to be received by the Trust are not less than the NAV per Unit or a distribution in Units as discussed above and in the Trust Agreement), or the continuation of the Trust beyond the Termination Date and certain matters described below under “Amendments to the Trust Agreement”.

The Manager, in respect of any Units which may be held by it from time to time, insiders of the Trust (as such expression is defined in the *Securities Act* (Ontario)), affiliates of the Manager, and any director or officer of such persons who hold Units shall not be entitled to vote on any Extraordinary Resolution to be adopted by the Unitholders.

Amendments to the Trust Agreement

Except as described below, the Trust Agreement may only be amended with the consent of Unitholders by an Extraordinary Resolution, including: changes to the fundamental investment objectives and strategy of the Trust as described under “Investment Guidelines –Investment Objectives” and “Investment Guidelines–Investment Strategy”, unless such change is required by applicable law or any regulatory authority; a change in the investment restrictions of the Trust as described under “Investment Guidelines – Investment Restrictions”; the liability of any Unitholder; the right of a Unitholder to vote at any meeting; or changing the Trust from a trust to a different form of issuer. However, no amendment can be made to the Trust Agreement that would have the effect of reducing the interest in the Trust of Unitholders unless all Unitholders consent thereto. No amendment can be made to the Trust Agreement which would have the effect of reducing the fees payable to the Manager unless the Manager, in its sole discretion, consents.

Notwithstanding the foregoing, the Manager and the Trustee are entitled, without the consent of Unitholders, to make certain amendments to the Trust Agreement to make any change or correction which is of a typographical nature or is required to cure or correct a clerical omission, mistake or manifest error contained therein or which is for the purpose of amending the existing provisions or adding any provisions which are for the protection or benefit of the Unitholders or the Trust, for the purpose of curing an ambiguity in the Trust Agreement, for the purpose of supplementing any provision which may be defective or inconsistent with another provision, for the purpose of compliance with applicable law, or for the purpose of conforming the Trust Agreement with current administrative practice or curing or correcting any administrative difficulty. Such amendments may be made only if they will not materially adversely affect the interest of any Unitholder. The Manager and the Trustee may also amend the Trust Agreement without the consent of the Unitholders for the purpose of removing any conflicts or other inconsistencies which may exist between the Trust Agreement and applicable law, changing the Trust’s taxation year-end as permitted under the Tax Act or for the purpose of maintaining the status of the Trust as a “mutual fund trust” for purposes of the Tax Act. Any amendments made by the Manager and the Trustee without the consent of the Unitholders must be disclosed in the next regularly scheduled report to Unitholders.

Information and Reports to Unitholders

The Trust will furnish to Unitholders such financial statements (including interim unaudited and annual audited financial statements, accompanied by management’s discussion and analysis of the affairs and operations of the Trust) and other reports as are from time to time required by applicable law to be furnished by the Manager, including prescribed forms needed for the completion of Unitholders’ tax returns under the Tax Act and equivalent provincial legislation.

The Trust 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 Unitholders, the Trust will provide to Unitholders (along with notice of such meeting) all such information as is required by applicable law to be provided to Unitholders.

By purchasing Units, investors will be deemed to consent to the sharing of personal information collected by the CDS Participant through whom Units are purchased with the Manager, the Trustee and the Trust. The investor will be deemed to acknowledge that the information will be used by the Manager, the Trustee and their affiliates to administer and manage the Trust and the investment in Units, and that such information may be disclosed to third parties that provide administrative and other services in respect of the Trust.

Non-Resident Unitholders

At no time may non-residents of Canada (including, for this purpose, any partnerships having a partner that is a non-resident of Canada) be the beneficial owners of a majority of the Units and the Manager shall inform the registrar and transfer agent of this restriction. The Manager may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding are, or may be, non-residents, or that such situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that a majority of the Units are beneficially held by non-residents, or that such a situation is imminent, the Manager may send a notice to such non-resident Unitholders, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to sell their Units or a portion thereof to residents of Canada within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents within such period, the Manager may, on behalf of such Unitholders, sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

EXCHANGE OPTION

Exchange Eligible Securities

The Trust is providing an option (the “Exchange Option”) to purchase Units by an exchange of freely tradeable units of any of the following income trusts (“Exchange Eligible Securities”):

Business Trusts

Arctic Glacier Income Fund	Livingston International Income Fund
BFI Canada Income Fund	Medical Facilities Corporation
CML Healthcare Income Fund	Newalta Income Fund
Connors Bros. Income Fund	Oceanex Income Fund
Contrans Income Fund	Osprey Media Income Fund
Davis + Henderson Income Fund	Sun Gro Horticulture Income Fund
Fording Canadian Coal Trust	Versacold Income Fund
Gateway Casinos Income Fund	Yellow Pages Income Fund
Liquor Stores Income Fund	

REITs

Chartwell Seniors Housing Real Estate Investment Trust	RioCan Real Estate Investment Trust
Legacy Hotels Real Estate Investment Trust	

Utilities

Bell Nordiq Income Fund	Pembina Pipeline Income Fund
Fort Chicago Energy Partners L.P.	

Limitations

Subject to the limitations described below, to the extent that the number of Exchange Eligible Securities of an issuer deposited under the Exchange Option exceeds the number of such Exchange Eligible Securities that the Trust wishes to include in the Portfolio, these securities will be sold by the Trust in the market at then current prices which may be different from the price used to calculate the Exchange Ratio for such Exchange Eligible Security.

The maximum offering, comprised of the aggregate cash subscriptions and Exchange Eligible Securities (based on the applicable Exchange Ratios and excluding that number of Exchange Eligible Securities deposited and not acquired) shall not be more than \$125,000,000. If the maximum offering is exceeded, the Trust will accept cash subscriptions first and will then accept Exchange Eligible Securities on a *pro rata* basis or such other reasonable basis that it determines appropriate until the maximum offering size of \$125,000,000 is achieved.

The maximum number of Exchange Eligible Securities of any one issuer which the Trust may acquire pursuant to the Exchange Option is that number which constitutes the lesser of: (i) 9.9% of the outstanding Exchange Eligible Securities of such issuer; and (ii) that number of Exchange Eligible Securities which when combined with the Exchange Eligible Securities of such issuer beneficially owned or over which control or direction is exercised by the Trust or the Manager constitutes 19.9% of the outstanding units of such issuer (such number being referred to as the "Maximum Ownership Level"). To the extent the Maximum Ownership Level has been achieved in respect of the Exchange Eligible Securities of an issuer, and an excess of such Exchange Eligible Securities above the Maximum Ownership Level has been deposited and not withdrawn, then such Exchange Eligible Securities will be accepted by the Manager up to the Maximum Ownership Level. The Exchange Option does not constitute, and is not to be construed as, a take-over bid for any issuer of Exchange Eligible Securities.

The Manager reserves the right to waive any conditions of the Exchange Option and to accept or reject, in whole or in part, any deposit of units made pursuant to the Exchange Option.

Procedure

Prospective purchasers intending to utilize the Exchange Option must deposit the Exchange Eligible Securities with Computershare Investor Services Inc. (the "Exchange Agent") through CDS prior to 5:00 p.m. (Toronto time) on December 6, 2004. Such book-entry deposits must be made by a CDS Participant who may have an earlier deadline for receiving instructions from its clients to deposit units into the Exchange Option. Exchange Eligible Securities may be withdrawn as described below under the heading "Withdrawal of Exchange Option Elections".

By authorizing a deposit of Exchange Eligible Securities through CDS, a prospective purchaser authorizes the transfer to the Trust of each such unit and represents and warrants that the prospective purchaser has full right and authority to transfer the units and is the beneficial owner of such units, that such units have not previously been conveyed, that the transfer of such units is not prohibited by laws applicable to the prospective purchaser and that such units are free and clear of all liens, encumbrances and adverse claims. Such representations and warranties will survive the issuance of Units in exchange for such units of Exchange Eligible Securities. The Manager's interpretation of the terms and conditions of the Exchange Option will be final and binding.

If for any reason Exchange Eligible Securities deposited pursuant to the Exchange Option are not acquired by the Trust, the holders of such Exchange Eligible Securities will be notified of such fact as soon as practicable following the Closing or the termination of this Offering, as the case may be, and such units will be re-credited to their accounts through CDS.

Determination of Exchange Ratios

The number of Units issuable for each Exchange Eligible Security will be determined by dividing (i) the average of the daily weighted average trading price of the Exchange Eligible Securities on the Toronto Stock Exchange for December 7, 8 and 9, 2004 as adjusted to reflect distributions declared by the issuer of any Exchange Eligible Security that will not be received by the Trust, by (ii) \$10.00. For greater certainty, the distribution payable on any Exchange Eligible Securities that are deposited under the Exchange Option and which have a record date before the Closing will be received by the prospective purchaser who deposited such units and not by the Trust.

After the close of business on or about December 9, 2004, the Trust will issue a press release announcing the Exchange Ratio for each Exchange Eligible Security. The Exchange Ratios will be rounded down to four decimal places. If a prospective purchaser of Units has deposited Exchange Eligible Securities pursuant to the Exchange Option, and if the exchange of such units for Units would otherwise result in the issuance of a fractional Unit, the Trust will, after all applicable withdrawal periods have expired, forward a cash payment to such prospective purchaser equal to \$10.00 multiplied by such fraction of a Unit, in lieu of issuing a fractional Unit.

The Manager reserves the right to reject Exchange Eligible Securities on the basis of an unfavourable relationship between the Exchange Ratio and the net asset value or market price, as applicable, of the Exchange Eligible Security.

Withdrawal of Exchange Option Elections

Each prospective purchaser who has deposited Exchange Eligible Securities will have the right to withdraw such deposit by notifying their investment advisor or other CDS Participant who effected the deposit at any time prior to the close of business (Toronto time) on December 13, 2004. To be effective, a written notice of withdrawal must be either delivered in person or by courier to such investment advisor or other CDS Participant within the specified time, who in turn will direct CDS to notify the Exchange Agent of such withdrawal. In addition, prospective purchasers under the Exchange Option will be entitled to withdraw or rescind their purchase on or before midnight on the second business day after receipt or deemed receipt of this prospectus and any amendment. To be effective, a written notice of withdrawal or rescission must be either delivered in person or by courier to such prospective purchaser's investment advisor or other CDS Participant who effected the deposit. Any such notice of withdrawal or rescission must specify the Exchange Eligible Securities to be so withdrawn or rescinded and the name of the prospective purchaser, and notification thereof must be received prior to the specified time. Each such notice must be signed by the person who authorized the deposit under the Exchange Option. A prospective purchaser also has the rights described under "Purchasers' Statutory Rights".

TERMINATION OF THE TRUST

The Trust will terminate on or about December 15, 2014 unless terminated earlier in accordance with the terms of the Trust Agreement or unless Unitholders determine to terminate the Trust prior to the Termination Date or to continue the Trust beyond the Termination Date by an Extraordinary Resolution at a meeting called for such purpose. The Trust shall, to the extent possible, convert its assets to cash and, after paying or making adequate provision for all of the Trust's liabilities, distribute the net assets of the Trust to Unitholders, on a *pro rata* basis, as soon as practicable after the Termination Date.

Not less than six months nor more than twelve months prior to the Termination Date, the Manager may present a proposal to the Unitholders providing for a deferral of the termination of the Trust to a date that is later than the Termination Date. Such proposal may include, without limitation, a proposal: (i) to continue the Trust beyond the Termination Date; or (ii) to exchange Units for securities of one or more mutual funds or closed-end investment funds on or after the Termination Date.

In the event of the approval of the proposal referred to above, any dissenting Unitholder may require the Manager to redeem all (but not less than all) of his or her Units on the Termination Date at a price per Unit equal to the NAV per Unit on the Termination Date. The termination of the Trust may not be extended beyond January 1, 2025.

DISTRIBUTIONS

Distribution Policy

The Trust will provide monthly distributions to Unitholders of record on or about the last business day of each month (such date, a "Record Date") equal to approximately \$0.70 per annum (\$0.0583 per month, approximately 7.0% per annum yield on the original issue price of \$10.00 per Unit). Monthly cash distributions on the Units will be funded primarily from the distributions received by the Trust on the securities in the Portfolio, and may also be funded by net realized capital gains. If the Trust's net income and net realized capital gains in a year are insufficient to fund the

regular distributions of \$0.70 per annum, the balance of the regular distributions will constitute a return of capital to Unitholders.

In order to achieve the targeted monthly distribution of \$0.0583 per Unit, the Trust will be required to generate an average annual return of approximately 8.15%. This return is based on the following assumptions: (i) the gross proceeds of the Offering are \$125 million; (ii) the Trust borrows 15% of the total assets of the Trust as described under “Leverage Transactions” for the purpose of purchasing additional Portfolio securities; and (iii) fees and expenses are as described in this prospectus. Based on the current asset allocation as described under “Investment Guidelines – Investment Strategy – Security Selection”, the Portfolio is expected to generate distributions, interest and dividends totalling approximately 7.75% per annum. Net of all fees and expenses and including leverage, the Portfolio is expected to generate approximately 6.6% per annum with the remainder of the distribution payable on the Units to Unitholders expected to be generated through capital gains and growth in the distributions paid by Portfolio securities. There can be no assurance that the Trust will be able to achieve its monthly distribution objective or make payments on any Payment Date.

The Trust intends that the aggregate distributions of net income and net capital gains made in each year will be sufficient to ensure that the Trust will not be liable for income tax thereon under the Tax Act, except to the extent that any tax payable on net realized capital gains of the Trust for a year that are retained by the Trust would be recoverable by it in such year. If in any year, after such distributions, there would otherwise remain in the Trust additional net income or net realized capital gains, the Trust intends to make, on or before December 31 of that year, a special distribution of such portion of the remaining net income and net realized capital gains as is necessary to ensure that the Trust will not be liable for income tax thereon under the Tax Act. The Trust may make additional distributions provided certain conditions are met at any time. The Manager will determine, in view of the investment objectives of the Trust, whether to retain in the Trust any amounts remaining after any special distribution has been made or to distribute such amounts by further special distribution.

The Trust expects that the initial distribution will be payable to Unitholders of record on January 31, 2005 and, based on an anticipated closing date of December 15, 2004, is expected to be \$0.0883 per Unit. Distributions will be payable to Unitholders of record at 5:00 p.m. (Toronto time) on the Record Date. All distributions will be paid to Unitholders proportionately based on their respective holdings of Units within 15 days following the Record Date or paid in such other manner as may be agreed to by the Manager.

Each Unitholder will be provided annually with the information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the Trust in respect of its preceding taxation year. See “Canadian Federal Income Tax Considerations”

REDEMPTION OF UNITS

Redemption on Termination of the Trust

All Units outstanding on the Termination Date will be redeemed by the Trust on such date. The redemption price payable by the Trust for a Unit on that date will be equal to the NAV per Unit determined as of the Termination Date. Notice of redemption will be given to CDS Participants holding Units on behalf of the beneficial owners thereof at least 30 days before the Termination Date.

Optional Redemptions

Units may be surrendered for redemption at any time for redemption by the Trust, subject to the Trust’s right to suspend redemptions in certain circumstances. Where Units are surrendered on or prior to the 10th day of a month, Units will be redeemed on the last business day of the month (a “Redemption Date”); where Units are surrendered after the 10th day of a month, Units will be redeemed on the Redemption Date of the following month. For redemptions occurring on a Redemption Date other than the January Redemption Date of each year, the redemption price per Unit will be equal to the lesser of:

- (a) 95% of the Market Price. For such purposes, the “Market Price” is the weighted average trading price of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not

listed on any stock exchange, on the principal market on which the Units are quoted for trading) for the 10 trading days immediately preceding the applicable Redemption Date, and

- (b) 100% of the Closing Market Price of the Units on the applicable Redemption Date, minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Trust in connection with such payment, including, but not limited to, costs incurred in liquidating securities held in the Portfolio. For such purposes, the “Closing Market Price” means the closing price of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) or, if there was no trade on the relevant date, the average of the last bid and the last asking prices of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading).

For redemptions on the January Redemption Date in each year, commencing in 2006, the redemption price will be equal to the NAV per Unit determined as of the relevant Redemption Date, minus any costs of funding the redemption including all brokerage fees, commissions and other costs incurred in liquidating the securities held in the Portfolio. The NAV per Unit will be made available to Unitholders on request and will be posted on the Manager’s website (www.cclcapitalmarkets.com). The NAV per Unit will vary depending on a number of factors, including the distributions paid on the Units, the value of the securities in the Portfolio and the distributions paid on securities held in the Portfolio. See “Risk Factors”.

Exercise of Redemption Right

Units surrendered for redemption by a Unitholder no later than the 10th day of a month will be redeemed on the Redemption Date of such month and such Unitholder will receive payment on or before the 10th business day following such Redemption Date (the “Redemption Payment Date”). Any unpaid distribution declared on or before a Redemption Date in respect of Units redeemed on such Redemption Date will be paid to the Unitholder redeeming such Units on the applicable Redemption Payment Date. A Unitholder who desires to exercise Unit redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the Unitholder a written notice of the Unitholder’s intention to redeem Units, no later than 5:00 p.m. (Toronto time) on the relevant notice date. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver a notice to CDS by the required time.

By causing a CDS Participant to deliver to CDS a notice of a Unitholder’s intention to redeem Units, the Unitholder shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any redemption notice that 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 redemption 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 redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder’s instructions will not give rise to any obligations or liability on the part of the Trust, the Trustee, the Manager or the Agents to the CDS Participant or the Unitholder.

Resale of Units Tendered for Redemption

The Trust will, upon closing of the Offering, enter into a recirculation agreement (the “Recirculation Agreement”) with Scotia Capital Inc. (in such capacity, the “Recirculation Agent”) whereby the Recirculation Agent will agree to use commercially reasonable efforts to find purchasers for any Units properly surrendered for redemption, provided that the holder of the Units so surrendered has not withheld consent thereto. The Trust may from time to time appoint additional dealers to act as recirculation agents for any Units surrendered for redemption. The Trust 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 Units is found in this manner, the amount to be paid to the holder of the Units on the relevant Redemption Payment Date will be an amount equal to the proceeds of the sale of the Units less any applicable commission, provided that such amount will not be less than the applicable redemption price described above. Any Units for which the Trust

requests the Recirculation Agent to find purchasers and for which purchasers are not found will be redeemed on the applicable Redemption Payment Date at a price equal to the applicable redemption price.

Suspension of Redemptions

The Manager may direct the Trustee to suspend the redemption of Units or payment of redemption proceeds: (i) for the whole or any part of a period during which normal trading is suspended on a stock exchange, options exchange or futures exchange or other market within or outside Canada on which securities are listed and traded, if those securities represent more than 50% by value of the total assets of the Portfolio; or (ii) with the prior approval of the securities regulatory authorities (if required) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Trust or which impair the ability of the Trustee to determine the value of its assets. The suspension may apply to all requests for redemption 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 of Units making such requests shall be advised of the suspension and of their right to withdraw their request for redemption. Redemptions so suspended will be effected at a price determined on the first date that the NAV is calculated following the termination of the suspension. The suspension shall terminate 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 Trust, any declaration of suspension made by the Manager shall be conclusive.

Purchase for Cancellation

Subject to applicable law and regulatory requirements, the Trust will have a mandatory market purchase program and may, at any time and from time to time, purchase Units for cancellation at prices not exceeding the NAV per Unit on the Valuation Date immediately prior to such purchase. See “The Trust Agreement and Description of Units – Units”.

VALUATION

Net Asset Value and NAV per Unit

The net asset value of the Trust (the “NAV”) on a particular date will be equal to (i) the aggregate value of the assets of the Trust, less (ii) the aggregate value of the liabilities of the Trust, including any distributions declared and not paid that are payable to Unitholders on or before such date. The “NAV per Unit” on a particular date is obtained by dividing the NAV on such date by the number of Units then outstanding.

The Royal Trust Company has been appointed valuation agent of the Trust (in such capacity, the “Valuation Agent”) pursuant to the provisions of the Trust Agreement. The NAV per Unit will be calculated on the last business day of each week by the Valuation Agent (with assistance from the Manager in certain respects as identified below). Such information will be provided by the Manager to Unitholders on request and will be posted on the Manager’s website (www.cclcapitalmarkets.com).

The Manager will review and, if satisfactory, approve the valuation and will, from time to time, consider the appropriateness of the valuation policies adopted by the Trust, as such policies are modified from time to time in the discretion of the Manager, acting reasonably, and in the best interests of the Trust.

In determining the NAV at any time:

- (a) the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends or distributions declared and interest accrued and not yet received, shall be deemed to be the face amount thereof unless the Valuation Agent determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Valuation Agent determines to be the fair value thereof;

- (b) the value of any security, index futures or index options thereon which is listed on any recognized exchange shall be determined by the closing sale price at the close of business on the Valuation Date or, if there is no sale price, the average between the closing bid and the closing asked price on the day on which the NAV is being determined, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;
- (c) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a Valuation Date at such times as the Trustee, in its discretion, deems appropriate. Amounts drawn under any loan facility will be valued at par. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;
- (d) the value of any security or other asset for which a market quotation is not readily available shall be its fair market value as determined by the Valuation Agent, acting reasonably;
- (e) the value of any security, the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Trust's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;
- (f) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- (g) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Trust shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV. The securities, if any, which are the subject of a written clearing corporation option, or over-the-counter option shall be valued at their then current market value;
- (h) the value of a futures contract, or a forward contract, shall be the gain or loss with respect thereto that would be realized if, at 4:00 p.m. (Toronto time), the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;
- (i) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (j) all securities, property and assets of the Trust valued in a foreign currency and all liabilities and obligations of the Trust payable by the Trust in foreign currency shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Trustee, including, but not limited to, the Trustee or any of its affiliates;
- (k) all expenses or liabilities (including fees payable to the Manager) of the Trust shall be calculated on an accrual basis; and
- (l) if any security or property cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Valuation Agent, in consultation with the Manager, to be inappropriate under the circumstances (whether because no price or yield equivalent quotations are available as above provided, or for any other reason), then notwithstanding such rules, the Valuation Agent shall make such valuation as it considers fair and reasonable.

In discharging its valuation duties, the Trustee shall be entitled to rely on reports prepared by or for the Manager or the Investment Manager.

Audit of Financial Statements

The annual financial statements of the Trust shall be audited by the Trust's auditors in accordance with Canadian generally accepted auditing standards. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with Canadian generally accepted accounting principles.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McMillan Binch LLP, counsel to the Trust, and Osler, Hoskin & Harcourt 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 Units by a Unitholder who acquires Units pursuant to this prospectus. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Trust and holds Units as capital property. This summary is also based on the assumptions that none of the issuers of the securities in the Portfolio will be a foreign affiliate of the Trust and that none of the securities in the Portfolio will be a "participating interest" in a "tracking entity" or a "foreign investment entity" (other than an "exempt interest") under draft legislation released by the Minister of Finance (Canada) on October 30, 2003 (or such proposals as amended or enacted, or successor provisions thereto).

This summary is based on 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 (the "CRA") and all specific proposals to amend the Tax Act and regulations thereunder publicly announced by or on behalf of 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 other federal or any provincial, territorial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax consequences relating to the deductibility of interest on money borrowed to acquire Units or Exchange Eligible Securities. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an 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 Units, based on their particular circumstances.

Status of the Trust

This summary is based on the assumptions that the Trust will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act, that the Trust will validly elect under the Tax Act to be a mutual fund trust from the date it was established, and that the Trust has not been established and will not be maintained primarily for the benefit of non-residents.

To qualify as a mutual fund trust (i) the Trust must be a Canadian resident "unit trust" for purposes of the Tax Act; (ii) the only undertaking of the Trust must be the investing of its funds in property (other than real property or interests in real property; and (iii) the Trust must comply with certain minimum requirements respecting the ownership and dispersal of Units (the "minimum distribution requirements"). In this connection, (i) the Manager intends to cause the Trust to qualify as a unit trust throughout the life of the Trust; (ii) the Trust's undertaking conforms with the restrictions for mutual fund trusts; and (iii) the Manager and the Agents have advised counsel that they have no reason to believe at the date hereof that the Trust will not comply with the minimum distribution requirements at all material times.

An additional condition to qualify as a mutual fund trust for purposes of the Tax Act is that the Trust may not be established or maintained primarily for the benefit of non-resident persons unless, at all times, substantially all of its property consists of property other than “taxable Canadian property” within the meaning of the Tax Act. If certain Tax Proposals released on September 16, 2004 are enacted as proposed, the Trust would cease to qualify as a mutual fund trust for purposes of the Tax Act if, at any time after 2004, the fair market value of all Units held by non-residents, or partnerships that are not “Canadian partnerships” for the purpose of the Tax Act, or any combination of the foregoing, is more than 50% of the fair market value of all issued and outstanding Units unless no more than 10% (based on fair market value) of the Trust’s property is at any time “taxable Canadian property” within the meaning of the Tax Act and certain other types of specified property. Restrictions on the ownership of Units are intended to limit the number of Units held by non-residents such that non-residents, partnerships that are not Canadian partnerships, or any combination of the foregoing, may not own Units representing more than 50% of the fair market value of all Units.

If the Trust were not to qualify as a mutual fund trust at all times, the income tax considerations as described below and under “Eligibility for Investment” would in some respects be materially different.

Taxation of the Trust

The Trust will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. The Trust intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Trust makes distributions in each year of its net income and net realized capital gains as described under “Distributions”, it will generally not be liable in such year for income tax under Part I of the Tax Act.

With respect to each issuer included in the Portfolio that is a Canadian resident trust, the Trust will be required to include in the calculation of its income the net income and net taxable capital gains paid or payable to the Trust by the issuer in the year, notwithstanding that certain of such amounts may be reinvested in additional units of such issuer. Provided that appropriate designations are made by the issuer, net taxable capital gains and taxable dividends from taxable Canadian corporations paid or payable by the issuer to the Trust will effectively retain their character in the hands of the Trust.

The Trust will be required to reduce the adjusted cost base of units of an issuer in the Portfolio that is a Canadian resident trust by any amount paid or payable by such issuer to the Trust except to the extent that the amount was included in calculating the income of the Trust or was the Trust’s share of the non-taxable portion of capital gains of such issuer, the taxable portion of which was designated in respect of the Trust. If the adjusted cost base to the Trust of such units becomes a negative amount at any time in a taxation year of the Trust, that negative amount will be deemed to be a capital gain realized by the Trust in that taxation year and the Trust’s adjusted cost base of such units will be increased by the amount of such deemed capital gain.

The Trust will also be required to include in the calculation of its income any amount designated in respect of the Trust under subsection 104(29) of the Tax Act by a Canadian resident trust that is an oil and gas royalty trust relating to certain Crown royalties and charges in excess of the resource allowance deductible in computing the trust’s income. The Trust may designate an amount in respect of such designated amount to Unitholders with the result that the Trust will be entitled to deduct the amount it designates in computing its income and Unitholders will be required to include their share of such amount in computing their income.

With respect to each issuer in the Portfolio that is a limited partnership, the Trust will be required, in computing its income, to include or will be entitled to deduct, as the case may be and subject to the “at risk rules” in the Tax Act, its share of net income, capital gains, losses and capital losses for tax purposes of the issuer allocated to the Trust for the fiscal year of the issuer ending in the Trust’s taxation year, whether or not a distribution is received in respect thereof from the issuer.

In general, the adjusted cost base at a particular time to the Trust of units of a limited partnership will be equal to the cost of such units to the Trust plus its share of income and capital gains of the limited partnership allocated to it for fiscal years of the limited partnership ending before the particular time less the total of its share of losses and capital losses of the limited partnership allocated to it for fiscal years of the partnership ending before the particular time and

the Trust's share of any distributions received from the limited partnership before the particular time. If the adjusted cost base to the Trust of units of a limited partnership is negative at the end of a fiscal year of the partnership, that negative amount will be deemed to be a capital gain realized by the Trust at that time and the Trust's adjusted cost base of such units will be increased by the amount of such deemed capital gain.

The Trust will also be required to include in its income for each taxation year, all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year.

In computing its income for tax purposes, the Trust may deduct reasonable administrative and other expenses incurred to earn income, generally including interest payable by the Trust on borrowed funds used to purchase securities to be included in the portfolio of the Trust. The Trust may generally deduct the costs and expenses of this Offering paid by the Trust and not reimbursed at a rate of 20% per year, pro-rated where the Trust's taxation year is less than 365 days.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust may be reduced on a pro rata basis in respect of distributions from the income trust that are a return of capital which are not reinvested for an income earning purpose. Counsel are of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence and the anticipated nature of income trust distributions, the CRA's position should not adversely affect the Trust's ability to deduct interest on money borrowed to acquire income trusts in the Portfolio. If the CRA's view were to prevail and apply to the Trust, part of the interest payable by the Trust on money borrowed under the Leverage Transactions to acquire certain income trusts in the Portfolio could be non-deductible, increasing the net income of the Trust for tax purposes and the taxable component of distributions to Unitholders. Income of the Trust that is not distributed to Unitholders would be subject to non-refundable income tax in the Trust.

In determining the income of the Trust, gains or losses realized upon dispositions of Portfolio securities of the Trust will constitute capital gains or capital losses of the Trust in the year realized unless the Trust is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Trust has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. The Manager has advised counsel that the Trust will purchase the Portfolio securities with the objective of earning distributions and income thereon and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. In addition, the Manager has advised counsel that the Trust will elect in accordance with the Tax Act to have each of its "Canadian securities" (as defined in the Tax Act) treated as capital property. Such election will ensure that gains or losses realized by the Trust on the disposition of Canadian securities, including most units of income trusts structured as mutual fund trusts, are taxed as capital gains or capital losses.

The Portfolio may include securities that are not denominated in Canadian dollars. Proceeds of disposition of securities, distributions, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars at the exchange rate prevailing at the time of the transaction. The Trust may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

The Trust may derive income or gains from investments in countries other than Canada and, as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the Trust's income, the Trust may designate a portion of its foreign source income in respect of a Unitholder so that such income and a portion of the foreign tax paid by the Trust may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent that such foreign tax paid by the Trust exceeds 15% of the amount included in the Trust's income from such investments, such excess may generally be deducted by the Trust in computing its income for the purposes of the Tax Act.

The Tax Act provides for a special tax on designated income of certain trusts that have designated beneficiaries. This special tax does not apply to a trust for a taxation year if the trust is a mutual fund trust throughout such year. Accordingly, provided that the Trust qualifies, or is deemed to qualify, as a mutual fund trust throughout a taxation year, it will not be subject to the special tax for such taxation year.

On October 31, 2003 the Department of Finance announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Trust, deductions for interest on money borrowed to acquire securities in the Portfolio and other amounts that would otherwise reduce the Trust's taxable income could effectively be denied, with after-tax returns to Unitholders reduced as a result.

Taxation of Unitholders

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Trust's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Units) in the taxation year. The non-taxable portion of the Trust's net realized capital gains paid or payable to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Trust's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units, except to the extent such amount is the non-taxable portion of a capital gain of the Trust the taxable portion of which was designated to the Unitholder.

Provided that appropriate designations are made by the Trust, such portion of (i) the net realized taxable capital gains of the Trust, (ii) dividends received on shares of taxable Canadian corporations, and (iii) the foreign source income of the Trust and foreign taxes eligible for the foreign tax credit, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply. Any loss of the Trust for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, the Unitholders.

Under the Tax Act, the Trust is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Trust to utilize, in a taxation year, losses from prior years without affecting the ability of the Trust to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Trust will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units will be reduced by such amount. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain.

The NAV per Unit will reflect any income and gains of the Trust that have accrued at the time Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Trust that accrued before the Units were acquired notwithstanding that such amounts will have been reflected in the price paid by the Unitholder for the Units.

If the Trust designates an amount in respect of deemed income of the Trust arising as a result of a designation of an amount under subsection 104(29) of the Tax Act by an oil and gas royalty trust included in the Portfolio, the Unitholder would be required to include in income the Unitholder's share of the amount designated by the Trust. See "Taxation of the Trust". On the disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (other than any amount payable by the Trust which represents an amount that is otherwise required to be included in the Unitholder's income as described above) exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. If the Trust distributes property *in specie* on the termination of the Trust, a Unitholder's proceeds of disposition would generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received, less any capital gain realized by the Trust on the disposition. For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property immediately before that time.

One-half of any capital gain realized on the disposition of Units will be included in the Unitholder's income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

A Unitholder who disposes of Exchange Eligible Securities held as capital property ("Exchanged Units") pursuant to the Exchange Option generally will realize a capital gain (or a capital loss) in the taxation year of the Unitholder in which the disposition of Exchanged Units takes place to the extent that the proceeds of disposition for such Exchanged Units, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Exchanged Units to the Unitholder. For this purpose, the proceeds of disposition to the Unitholder will equal the aggregate of the fair market value of the Units received and the amount of any cash received in lieu of fractional Units. The cost to a Unitholder of Units so acquired will be equal to the fair market value at the time of disposition of the Exchanged Units disposed of in exchange for such Units less any cash received in lieu of fractional Units, which amount would generally be equal to or would approximate the fair market value of the Units received as consideration for the Exchanged Units. To the extent that a Unitholder has received distributions on Exchanged Units which were in excess of the Unitholder's share of the net income and net realized capital gains of the relevant issuer, those distributions will generally result in a reduction of the holder's adjusted cost base of the Exchanged Units. In computing the adjusted cost base of a Unit acquired by a Unitholder pursuant to the Exchange Option, the cost of such Unit must be averaged with the adjusted cost base of any other Units then held by that Unitholder as capital property.

In general terms, net income of the Trust paid or payable to a Unitholder that is designated as taxable dividends received on shares of taxable Canadian corporations, or net realized taxable capital gains or taxable capital gains realized on the disposition of Units, may increase the Unitholder's liability for alternative minimum tax.

ELIGIBILITY FOR INVESTMENT

In the opinion of McMillan Binch LLP, counsel to the Trust, and Osler, Hoskin & Harcourt LLP, counsel to the Agents, provided that the Trust qualifies as a "mutual fund trust" for the purposes of the Tax Act, Units offered hereby will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (collectively, "Deferred Plans") and registered education savings plans. Provided that the Trust qualifies as a mutual fund trust and complies with the restrictions on the ownership of foreign property under the Tax Act, or is a registered investment, Units will not be foreign property for Deferred Plans and other entities subject to tax under Part XI of the Tax Act.

Tax Proposals tabled in the House of Commons on March 23, 2004 by the Minister of Finance (Canada) (the "Budget Proposals") included a proposal to amend the Tax Act to subject certain taxpayers, generally trusts governed by registered pension plans, pension corporations and various tax-exempt pension investment corporations, to a penalty tax if, at the end of any month, such taxpayer held more than 1% of the cost amount to it of all its assets in "restricted investment property" which would include certain direct and indirect investments in income trusts. For the purposes of this proposal, Units might be "restricted investment property". On May 18, 2004, the Minister of Finance (Canada) announced that the implementation of this proposed amendment has been suspended pending further consultation with interested parties, following which further legislative proposals will be announced. It cannot yet be determined whether such further legislative proposals will have an effect on Units.

USE OF PROCEEDS

The Trust will use the proceeds from the sale of Units as follows:

	Maximum Offering	Minimum Offering
Gross proceeds to the Trust.....	\$125,000,000	\$40,000,000
Agents' fees	\$6,562,500	\$2,100,000
Expenses of issue	\$605,000	\$535,000
Net proceeds to the Trust.....	\$117,832,500	\$37,365,000

The Trust will use the net proceeds of the offering (including any net proceeds from the exercise of the Over-Allotment Option (defined below)) to invest in securities in accordance with the investment objectives, strategy and restrictions of the Trust as described herein (see “Investment Guidelines”) as soon as possible after closing.

PLAN OF DISTRIBUTION

Pursuant to an agreement dated as of November 29, 2004 (the “Agency Agreement”) between Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, First Associates Investments Inc., Raymond James Ltd., Richardson Partners Financial Limited and Wellington West Capital Inc. (collectively, the “Agents”), the Manager and the Trust, the Agents have agreed to offer the Units for sale, as agents of the Trust, on a best efforts basis, if, as and when issued by the Trust. The Agents will receive a fee equal to \$0.525 for each Unit sold and will be reimbursed for 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 the Units offered hereby, the Agents will not be obligated to purchase Units which are not sold.

The Trust has granted the Agents an option (the “Over-Allotment Option”), exercisable for a period of 30 days from the closing of the offering, to offer up to 15% of the aggregate number of Units issued at the closing of the Offering on the same terms set forth above. This prospectus qualifies the distribution of the Over-Allotment Option, and the Units issuable on the exercise thereof. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30th day following the closing of this offering. To the extent that the Over-Allotment Option is exercised, the additional Units will be offered at the offering prices hereunder and the Agents will be entitled to a fee of \$0.525 per Unit purchased.

The Toronto Stock Exchange has conditionally approved the listing of the Units, subject to fulfillment by the Trust of the requirements of such exchange on or before February 17, 2005, including distribution to a minimum number of Unitholders.

If subscriptions for a minimum of Units 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 those who have subscribed on or before such date. 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. In the event the minimum offering is not achieved by the Trust 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. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing of the Offering will take place on December 15, 2004 or such later date as may be agreed upon by the Trust and the Agents that is on or before February 25, 2005.

Pursuant to policy statements of certain Canadian securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Units. 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 Units. 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 and 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 this offering, the Agents may over-allot or effect transactions in connection with their over-allotted position. Such transactions, if commenced, may be discontinued at any time.

FEES AND EXPENSES

Initial Expenses

The expenses of the offering (including the costs of creating and organizing the Trust, the costs of printing and preparing this prospectus, legal expenses of the Trust, marketing expenses and legal and other out-of-pocket expenses incurred by the Agents and certain other expenses) will, together with the Agents' fees, be paid by the Trust from the gross proceeds of the Offering. The Offering expenses are estimated to be \$605,000 in the case of the maximum offering and \$535,000 in the case of the minimum offering.

Fees and Other Expenses

Pursuant to the terms of the Trust Agreement, the Manager is entitled to an annual fee of 1.10% of the NAV, plus applicable taxes. The Manager will also be paid the amount of the Service Fee, plus any applicable taxes, to be paid by the Manager to dealers. Fees payable to the Manager (but not the Service Fee portion) will accrue daily and be payable monthly in arrears based on the NAV as at the last Valuation Date of each month. The Investment Manager will be remunerated by the Manager out of the management fee.

The Trust will pay for all ordinary 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 Unitholders and other Unitholder communications including marketing and advertising expenses; fees payable to Computershare Investor Services Inc. for acting as registrar, transfer agent and distribution agent and performing certain financial, record-keeping, reporting and general administrative services; fees payable to the Trustee for acting as trustee of the Trust, any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their on-going obligations to the Trust; any additional fees payable to the Manager for performance of extraordinary services on behalf of the Trust; fees payable to the auditors and legal advisors; regulatory filing, stock exchange and licensing fees; any expenditures incurred upon the termination of the Trust; and fees payable to the independent members of the Advisory Board. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager is entitled to indemnity by the Trust. See "Management of the Trust". The aggregate annual amount of these fees and expenses is estimated to be \$135,000. The Trust will also be responsible for any debt service and costs relating to the Leverage Transactions, fees associated with interest hedging activities and any extraordinary expenses which it may incur from time to time.

A Service Fee will be paid by the Manager to each dealer whose clients hold Units. The Service Fee will accrue daily and be paid at the end of each calendar quarter and will be equal to 0.40% annually of the NAV of the Units held by clients of the dealer, plus any applicable taxes.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager will receive the fees described under "Fees and Expenses" for its services to the Trust and will be reimbursed by the Trust for all expenses incurred in connection with the operation and administration of the Trust.

RISK FACTORS

The following are certain considerations relating to an investment in Units which prospective investors should consider before purchasing such shares:

No Assurances on Achieving Objectives

There is no assurance that the Trust will be able to achieve its total return or distribution objectives, nor that the NAV per Unit will be preserved or any capital appreciation attained. There is no assurance that the Trust will be able to pay monthly distributions in the short or long term.

Fluctuations in Net Asset Value

The NAV per Unit and the funds available for distribution will vary according to, among other things, the net asset value of the securities held in the Portfolio and the distributions paid thereon. Fluctuations in the market values of the securities held in the Portfolio may occur for a number of reasons beyond the control of the Manager or the Trust.

Performance of the Portfolio

The NAV per Unit will vary as the value of the securities in the Portfolio varies. The Trust has no control over the factors that affect the value of the securities in the Portfolio, including factors that affect all the debt and equity markets generally such as general economic and political conditions and fluctuations in interest rates, and factors unique to each issuer included in the Portfolio, such as changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution policies and other events that may affect the value of its securities.

Income Trusts

The yields on income trusts are not assured. Income trusts depend ultimately on the financial performance of the related operating company and may also be subject to general risks associated with industry, business cycles, commodity prices, interest rates and other economic factors. The market value of income trusts in which the Trust invests may materially decline if such income trusts are unable to meet their cash distribution targets in the future. Some of the income trusts in the Portfolio will have limited operating histories. There is a risk that the rules in the Tax Act may change, which could negatively affect the yields of income trust securities in the Portfolio. Unitholders of income trusts do not receive the protection of statutorily mandated limited liability, as in the case of shareholders of most Canadian corporations, and thus there is no guarantee that unitholders, such as the Trust, could not be made party to legal actions in connection with the income trust.

Within the income trust sector, investments in REITs are subject to the general risks associated with real property investments. Real property investments are affected by various factors including changes in general economic conditions (such as the availability of long-term mortgage funds) and in local conditions (such as oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from other available space and various other factors.

Use of Leverage

One element of the Trust's investment strategy is the utilization of borrowings and a variety of additional leverage strategies, including through the use of derivative instruments, under the Leverage Transactions to make additional investments. The obligations under the Leverage Transactions are expected to be secured by the securities held by the Trust. By adding additional leverage, these strategies have the potential to enhance returns but also involve additional risks. There can be no assurance that the leveraging strategy employed for the Trust will enhance returns. The use of leverage may result in a capital loss or decrease in net cash distributions to Unitholders. If the securities in the Portfolio suffer a substantial decrease in value, the leverage component will cause a decrease in the NAV in excess of that which would otherwise be experienced.

In addition, if the aggregate amount of borrowings and other leverage under the Leverage Transactions exceed at any time 15% of the total assets of the Trust at the time of borrowing as a result of redemptions or other decrease in the number of Units, the Trust will be required to redeem or sell securities or enter into other transactions in order to reduce the aggregate amount of borrowings and other leverage to such 15% level. Such transactions may be required to be effected at prices or on terms that may adversely affect the NAV of the Trust. However, the Trust will not be required to reduce borrowings or other leverage as a result of decreases in the total assets of the Trust occurring otherwise than as a result of redemptions or other decrease in the number of Units outstanding. If the total assets of the Trust decreases otherwise than as a result of redemptions or other decrease in the number of Units outstanding, the percentage of leverage in the Trust's investment portfolio may constitute more than 15% of the total assets of the Trust. If Leverage Transactions are called by the Lender or counterparty, the Trust may have to redeem or dispose of securities in the Portfolio to pay back debt at a time when market conditions are not favourable, resulting in a loss to the Trust.

The interest expense and banking fees incurred in respect of the Leverage Transactions may exceed the incremental capital gains/losses and income generated by the incremental investments in securities in the Portfolio. In addition, the Trust may not be able to renew the Leverage Transactions on acceptable terms. It is expected that the Trust will utilize leverage and may utilize the maximum amount of leverage permitted by the investment restrictions.

There is a possibility that some of the interest paid on the Leverage Transactions may not be deductible by the Trust for tax purposes.

Reliance on the Manager and the Portfolio Advisors of the Investment Manager

Unitholders of Units will be dependent on the administration of the Manager, who will manage the Trust in a manner consistent with the investment objectives, strategy and restrictions of the Trust. Performance of the investments in the Portfolio will be dependent on the Investment Manager, which provides investment advisory and portfolio management services with respect to the Trust.

There is no certainty that the individuals who are principally responsible for providing investment advisory and portfolio management services will continue to be employed by the Investment Manager while it provides investment advisory and portfolio management services to the Trust in respect of the Portfolio.

Sensitivity to Interest Rates

The market price of the Units may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the NAV resulting from an increase in interest rates may also negatively affect the market price of the Units. Unitholders will therefore be exposed to the risk that NAV per Unit or the market price of the Units may be negatively affected by interest rate fluctuations.

Use of Derivatives

The Trust may utilize derivatives for hedging purposes to offset fluctuations in interest rates and for purposes of adding leverage to the Portfolio. Derivative instruments will only be used in ways that are consistent with the Investment Guidelines. Counterparty risk arising from derivative transactions will be limited to credits rated "A" or better. Such instruments may include but are not limited to futures, forwards, options, swaps and structured notes.

The use of derivative instruments involves risks different from and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Risks associated with the use of derivatives include: (i) hedging to reduce risk does not guarantee that there will not be a loss or that there will be a gain; (ii) there is no guarantee that a market will exist when the Trust wants to complete the derivative contract, which could prevent the Trust from reducing a loss or making a profit; (iii) securities exchanges may impose trading limits on options and futures contracts, and these limits may prevent the Trust from completing the derivative contract; (iv) the Trust could experience a loss if the other party to the derivative contract is unable to fulfill its obligations; (v) if the Trust has an open position in an option, a futures contract or a forward contract with a dealer who goes bankrupt, the Trust could experience a loss and, for an open futures or forward contract, a loss of margin deposits with that dealer; and (vi) if a derivative is based on a stock market index and trading is halted on a substantial number of stocks in the index or there is a change in the composition of the index, there could be an adverse effect on the derivative. In circumstances where there is an interest rate hedge employed, total return on the Portfolio may be higher with the hedge than without it when interest rates rise significantly, but total return may be lower than it otherwise would be in a stable to falling interest rate environment.

Securities Lending

The Trust may engage in securities lending, repurchase and reverse repurchase transactions as described under "Investment Guidelines – Securities Lending". A borrower of securities from the Trust must maintain with a qualified agent collateral having a market value equal to at least 102% of the market value of the securities borrowed, and must provide the Trust with a right to sell the collateral if the borrower defaults on its obligations under the transaction. The Trust will provide to the borrower a right to sell the securities if the Trust defaults on its obligations under the

transaction. The value of the collateral and the securities will be monitored daily and collateral will be adjusted appropriately on each business day. There is a risk that a borrower may default, become insolvent or otherwise be unable to complete the transaction. There are also risks of delay in recovery or loss of rights where a counterparty fails to close the transaction. In addition, a loan may be over- or under-collateralized and may create a need for the counterparty to transfer additional securities or return cash. If the Trust must liquidate its security immediately, the proceeds may be less than the amount owing by the defaulting party.

Trading Price of Units

Units may trade in the market at a premium or discount to the NAV per Unit and there can be no guarantee that Units will trade at prices that reflect their net asset value.

Status of the Trust for Securities Law Purposes

The Trust is not a “mutual fund” for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Units and restrictions imposed on mutual funds under Canadian securities laws, including NI 81-102, do not apply to the Trust. See “Investment Guidelines - Investment Restrictions”.

Liability of Unitholders

Under proposed legislation in Ontario, beneficiaries of a trust that is a reporting issuer under the *Securities Act* (Ontario) and that is governed by the laws of Ontario are not liable for any act, default, obligation or liabilities of the trust or any of its trustees. However, there can be no assurance that such proposed legislation will come into force.

The Trust is a unit trust and, as such, the Unitholders do not receive the protection of statutorily mandated limited liability as in the case of shareholders of most Canadian corporations or under the proposed legislation referred to above. There is no guarantee, therefore, that Unitholders could not be made party to legal action in connection with the Trust. However, the Trust Agreement will provide that no Unitholder, in its capacity as such, will be subject to any personal liability whatsoever, in tort, contract or otherwise, to any person in connection with the Trust’s property or the obligations or the affairs of the Trust and all such persons shall look solely to the Trust’s property for satisfaction of claims of any nature arising out of or in connection therewith and the Trust’s property only shall be subject to levy or execution. Pursuant to the Trust Agreement, the Trust will indemnify out of the Trust’s assets and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having limited liability.

The Trust Agreement provides that the Manager shall use reasonable means to cause the Trust’s operations to be conducted in such a way as to minimize any such risk and, in particular, where feasible, to cause every written contract or commitment of the Trust to contain an express disavowal of liability of Unitholders.

In any event, it is considered that the risk of any personal liability of Unitholders is minimal in view of the anticipated equity of the Trust, and the nature of its activities. In the event that a Unitholder should be required to satisfy any obligation of the Trust, such Unitholder will be entitled to reimbursement from any available assets of the Trust.

Potential Conflicts of Interest

The Manager and the Investment Manager, their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of any other account, fund or trust which invests primarily in the securities held by the Trust.

Although officers, directors and professional staff of the Manager and the Investment Manager will devote as much time to the Trust as is deemed appropriate to perform its duties, the staff of the Manager and the Investment Manager may have conflicts in allocating their time and services among the Trust and the other funds managed by the Manager and the Investment Manager.

Taxation of the Trust

On October 31, 2003 the Department of Finance announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under the Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Trust, deductions for interest on money borrowed to acquire securities for the Portfolio and other amounts that would otherwise reduce the Trust's taxable income could effectively be denied, with after-tax returns to Unitholders reduced as a result.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust may be reduced on a *pro rata* basis in respect of distributions from the income trust that are a return of capital and which are not reinvested for an income earning purpose. Counsel are of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence and the anticipated nature of income trust distributions, the CRA's view should not affect the Trust's ability to deduct interest on money borrowed to acquire units of income trusts included in the Portfolio securities. If the CRA's view were to apply to the Trust, part of the interest payable by the Trust in connection with money borrowed to acquire certain Portfolio securities could be non-deductible, increasing the net income of the Trust for tax purposes and the taxable component of distributions to Unitholders. Income of the Trust which is not distributed to Unitholders would be subject to non-refundable income tax in the Trust.

Operating History

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

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Units:

- (a) the Trust Agreement described under "The Trust Agreement and Description of Units";
- (b) the Agency Agreement described under "Plan of Distribution"; and
- (c) the Investment Management Agreement described under "The Investment Manager".

Copies of the agreements referred to above after the execution thereof may be inspected during business hours at the principal office of the Trust during the course of distribution of the Units offered hereby.

PROMOTER

The Manager may be considered a promoter of the Trust within the meaning of the securities legislation of certain provinces or territories of Canada by reason of its initiative in organizing the Trust. The promoter will not receive any benefits, directly or indirectly, from the issuance of securities offered hereunder other than as described under "Fees and Expenses".

LEGAL MATTERS

The matters referred to under "Eligibility for Investment" and "Canadian Federal Income Tax Considerations" and certain other legal matters relating to the securities offered hereby will be passed upon on behalf of the Trust and the Manager by McMillan Binch LLP, and on behalf of the Agents by Osler, Hoskin & Harcourt LLP.

AUDITORS, TRANSFER AGENT, REGISTRAR AND CUSTODIAN

The auditors of the Trust are PricewaterhouseCoopers LLP, Chartered Accountants, Toronto, Ontario.

Pursuant to the registrar, transfer agency and distribution agency agreement to be dated as of the date of the closing of the Offering, Computershare Investor Services Inc., at its principal offices in Toronto, will be appointed the registrar, transfer agent and distribution agent for the Units.

The Trustee will act as the custodian of the assets of the Trust and is responsible for processing redemptions, calculating NAV, net income and net realized capital gains of the Trust and maintaining the books and records of the Trust. See “The Trustee”.

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 that the 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.

AUDITORS' CONSENT

We have read the prospectus of Connor, Clark & Lunn Conservative Income Fund (the "Trust") dated November 29, 2004 relating to the sale and issuance of units of the Trust. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the inclusion in the above-mentioned prospectus of our report to the trustee of the Trust on the statement of financial position of the Trust as at November 29, 2004. Our report is dated November 29, 2004.

Toronto, Ontario
November 29, 2004

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants

AUDITORS' REPORT

To the Trustee of
Connor, Clark & Lunn Conservative Income Fund

We have audited the statement of financial position of Connor, Clark & Lunn Conservative Income Fund (the "Trust") as at November 29, 2004. This financial statement is the responsibility of the Trust'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 statement of financial position presents fairly, in all material respects, the financial position of the Trust as at November 29, 2004 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
November 29, 2004

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants

**CONNOR, CLARK & LUNN CONSERVATIVE INCOME FUND
STATEMENT OF FINANCIAL POSITION**

November 29, 2004

	<u>Actual</u>
ASSETS	
Cash	\$ 10
Total	<u>\$ 10</u>
 UNITHOLDERS' EQUITY (Note 1)	
Unitholders' equity (1 Unit):	<u>\$ 10</u>

Approved by the Manager:

(Signed) W. NEIL MURDOCH
Chief Executive Officer

(Signed) PHILIP K. GOW
Chief Financial Officer

The accompanying notes are an integral part of this Statement of Financial Position.

NOTES TO STATEMENT OF FINANCIAL POSITION

November 29, 2004

1. Units Authorized and Outstanding

Establishment of the Trust and Authorized Units

Connor, Clark & Lunn Conservative Income Fund (the "Trust") was established under the laws of the Province of Ontario on November 29, 2004 by a trust agreement (the "Trust Agreement") between Connor, Clark & Lunn Capital Markets Inc. (the "Manager") in its capacity as manager and The Royal Trust Company (the "Trustee") as trustee of the Trust. The Trust is authorized to issue an unlimited number of Units. On November 29, 2004 the Trust issued 1 unit for \$10 cash.

Redemption of Units

Units may be surrendered for redemption monthly, subject to certain conditions. Units surrendered for redemption by a unitholder no later than the 10th day of a month will be redeemed on the last business day of the month (a "Redemption Date"). For redemptions occurring on a Redemption Date other than in January of each year, the redemption price per Unit will generally be the lesser of (i) 95% of the prior 10 day weighted average trading price per Unit on the principal stock exchange on which the Units are listed, and (ii) the closing price per Unit on such exchange on the date on which the Units are tendered for redemption. For redemptions occurring on the January Redemption Date in each year, the redemption price will be equal to the net asset value per Unit of the Trust determined as of the relevant Redemption Date. The Manager may suspend redemptions of Units or the payment of redemption proceeds in certain circumstances. The net asset value per Unit of the Trust is determined by subtracting the total liabilities of the Trust from the total assets of the Trust and dividing by the total number of Trust Units outstanding at that time.

2. Agency Agreement

The Trust has engaged Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, First Associates Investments Inc., Raymond James Ltd., Richardson Partners Financial Limited and Wellington West Capital Inc. (the "Agents") to offer for sale to the public pursuant to a prospectus dated November 29, 2004 Units (the "Offering").

3. Commitments

As compensation for management and investment management services rendered to the Trust pursuant to the Trust Agreement, the Manager is entitled to receive an annual management fee payable by the Trust in an amount equal to 1.10% of the net asset value of the Trust accrued daily and payable monthly in arrears, together with the service fee (the "Service Fee") to be paid by the Manager to dealers, plus applicable taxes. The Service Fee is equal to 0.40% annually of the net asset value per Unit for Units held by clients of the dealers, and is payable quarterly.

CERTIFICATE OF THE TRUST AND THE PROMOTER

Dated: November 29, 2004

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), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part 6 of the *Securities Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by Part 3 of the *Securities Act* (Yukon Territory), by the *Securities Act* (Northwest Territories) and by 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 Capital Markets Inc.
as Manager and on behalf of Connor, Clark & Lunn Conservative Income Fund

(Signed) W. NEIL MURDOCH
Chief Executive Officer

(Signed) PHILIP K. GOW
Chief Financial Officer

On behalf of the Board of Directors of Connor, Clark & Lunn Capital Markets Inc.

(Signed) W. NEIL MURDOCH
Director

(Signed) PHILIP K. GOW
Director

(Signed) MICHAEL W. FREUND
Director

Connor, Clark & Lunn Capital Markets Inc., as Promoter

(Signed) W. NEIL MURDOCH
Director

CERTIFICATE OF THE AGENTS

Dated: November 29, 2004

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 the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of The *Securities Act*, 1988 (Saskatchewan), by Part VII of The *Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 64 of the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by Part II of the *Securities Act* (Prince Edward Island), by Part 3 of the *Securities Act* (Yukon Territory), by the *Securities Act* (Northwest Territories) and by 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 within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

SCOTIA CAPITAL INC.

CIBC WORLD MARKETS INC.

RBC DOMINION SECURITIES INC.

By: (Signed) BRIAN D. MCCHESENEY

By: (Signed) RONALD W.A. MITCHELL

By: (Signed) EDWARD V. JACKSON

BMO NESBITT BURNS INC.

NATIONAL BANK FINANCIAL INC.

TD SECURITIES INC.

By: (Signed) DAVID R. THOMAS

By: (Signed) MICHAEL D. SHUH

By: (Signed) J. DAVID BEATTIE

DESJARDINS SECURITIES INC.

HSBC SECURITIES (CANADA) INC.

By: (Signed) JEFFREY F. OLIN

By: (Signed) CATHERINE CODE

CANACCORD CAPITAL CORPORATION

FIRST ASSOCIATES INVESTMENTS INC.

RAYMOND JAMES LTD.

By: (Signed) DOUGLAS A. DOIRON

By: (Signed) CHARLES A. V. PENNOCK

By: (Signed) SARA MINATEL

RICHARDSON PARTNERS FINANCIAL LIMITED

WELLINGTON WEST CAPITAL INC.

By: (Signed) CLANCY ETHANS

By: (Signed) BRENT BOTTOMLEY

Connor, Clark & Lunn

CAPITAL MARKETS INC.

Connor, Clark & Lunn

INVESTMENT MANAGEMENT LTD.