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This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold in the United States or to U.S. persons except in compliance with the registration requirements of the U.S. Securities Act and applicable state securities laws or under exemptions from those laws. Accordingly, the securities will only be offered or sold within the United States pursuant to Rule 144A under the U.S. Securities Act and thereafter may only be reoffered or resold in the United States or to a U.S. person pursuant to the registration requirements of the U.S. Securities Act and applicable state securities laws or an exemption therefrom. See "Plan of Distribution".

Short Form Prospectus

New Issue

January 6, 2005



Connors Bros. Income Fund

\$110,070,000

6,115,000 Units

Connors Bros. Income Fund (the "Fund") is hereby qualifying for distribution (the "Offering") 6,115,000 ordinary trust units (the "Units") of the Fund. The Fund is a limited purpose trust established under the laws of Ontario that indirectly holds, through its subsidiaries, approximately an 84% interest in Clover Leaf Seafoods, L.P. ("Clover Leaf Seafoods") and Bumble Bee Seafoods, LLC ("Bumble Bee Seafoods"). Together, these two operating companies comprise North America's largest branded seafood company (the combined businesses of Clover Leaf Seafoods and Bumble Bee Seafoods are referred to herein as "Connors"). Connors offers a full line of canned tuna, salmon, sardine and specialty products, marketed under leading brands including *Clover Leaf*[®], *Bumble Bee*[®], *Brunswick*[®] and *Beach Cliff*[®]. The proceeds of the Offering will be used by certain of the Fund's subsidiaries to acquire all of the shares of Castleberry/Snow's Brands Inc. and its subsidiaries (collectively "Castleberry's") pursuant to an agreement and plan of merger dated December 22, 2004 (the "Merger Agreement"), to purchase or license substantially all of the assets comprising the shelf-stable chicken, beef and pork business (the "Sweet Sue/Bryan Business") from Sara Lee Corporation, Sara Lee Foods, Inc. and Bryan Foods, Inc. (collectively, "Sara Lee") pursuant to an asset purchase agreement dated December 22, 2004 (the "Purchase Agreement") and to pay certain transaction expenses. Castleberry's is a U.S. based manufacturer and marketer of regionally prominent, shelf-stable frozen and prepared foods. Castleberry's has the leading national position for canned clams, clam juice and hot dog chili sauce, the second largest market share for its branded beef stew, and holds the number three position in the clam chowder category. Castleberry's sells products in every major market in the U.S. and has a national distribution network. The Sweet Sue/Bryan Business is Sara Lee's canned and pouched chicken, beef and pork products manufacturing and distributing business. These products are distributed primarily under the *Sweet Sue*[®] and *Bryan*[®] brands in the United States. The *Sweet Sue*[®] brand is a leader in the chicken and dumpling category and chicken pouched categories and *Bryan*[®] is a leader in canned meat products in several regions of the United States. The acquisition of Castleberry's and the acquisition of the Sweet Sue/Bryan Business are scheduled to close on January 14, 2005. In this prospectus, unless the context indicates otherwise, references to Connors include Castleberry's and the Sweet Sue/Bryan Business following their acquisition by subsidiaries of the Fund.

The return on an investment in Units is not comparable to the return on an investment in a fixed-income security. The recovery of an investor's initial investment in Units is at risk and the anticipated return on such investment is based on many performance assumptions. Although the Fund intends to make equal monthly cash distributions of its available cash to holders of Units ("Unitholders"), these cash distributions may be reduced from the current level or suspended. The actual amount distributed will depend on various factors including the operating and financial performance of Connors, obligations under credit facilities, fluctuations in working capital, capital expenditure requirements and the deductibility for tax purposes of interest payments on the inter-company debt of the Fund's subsidiaries. In addition, the market value of the Units may decline if the Fund is unable to meet its cash distribution targets in the future, and that decline may be material.

It is important for an investor to consider the particular risk factors that may affect the industries in which Connors operates and therefore the stability of the distributions. See for example "Commodity Price Fluctuation", "Competition", "Customers and Retail Consolidation" and "Resource Supply" under the section "Risk Factors". This section also describes the Fund's assessment of those risk factors, as well as the potential consequences to a Unitholder if a risk should materialize.

The after-tax return to Unitholders from an investment in Units will depend, in part, on the composition for income tax purposes of distributions paid by the Fund, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital. That composition may change over time, thus affecting a Unitholder's after-tax return. Returns on capital are generally taxed as ordinary income or as dividends in the hands of a Unitholder. Returns of capital are generally tax-deferred (and reduce a Unitholder's cost base in the unit for tax purposes). See "Certain Canadian Federal Income Tax Considerations".

Price: \$18.00 per Unit

	<u>Price to the Public</u>	<u>Underwriters' Fees</u>	<u>Proceeds to the Fund (1)</u>
Per Unit	\$18.00	\$0.90	\$17.10
Total Offering ⁽²⁾	\$110,070,000	\$5,503,500	\$104,566,500

(1) Before deducting the expenses of this Offering (other than the Underwriters' fees) estimated at \$600,000, which will be paid by the Fund or its subsidiaries. See "Use of Proceeds".

(2) The Fund has granted to the Underwriters an over-allotment option, exercisable in whole or in part for a period of up to 30 days following the closing of the Offering, to purchase up to 305,750 additional Units on the same terms as above, solely to cover over-allotments, if any, and for market stabilization purposes (the "Over-Allotment Option"). If the Over-Allotment Option is exercised in full the total "Price to the Public", "Underwriters' Fees" and "Proceeds to the Fund" will be \$115,573,500, \$5,778,675 and \$109,794,825 respectively. This short form prospectus qualifies the distribution of the Over-Allotment Option and the issuance of Units upon the exercise of the Over-Allotment Option. See "Plan of Distribution".

The Units are listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol "CBF.UN". On January 5, 2005, the closing price of the Units on the TSX was \$18.02 per Unit. The TSX has conditionally approved the listing of the Units distributed under this short form prospectus. The listing is subject to the Fund fulfilling all the requirements of the TSX on or before March 21, 2005.

CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc. and First Associates Investments Inc. (the "Underwriters"), as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the Fund and delivered to and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement (as defined herein) referred to under "Plan of Distribution" and subject to approval of certain legal matters on behalf of the Fund by Torsys LLP, Toronto, Ontario, and New York, New York, and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP, Toronto, Ontario.

The offering price of the Units has been established through negotiation between the Fund and the Underwriters with reference to the prevailing market price of the Units. In certain circumstances, the Underwriters may decrease and further change the price at which the Units are sold to investors. See "Plan of Distribution".

A Canadian chartered bank affiliate of CIBC World Markets Inc. has provided a bridge loan commitment to a subsidiary of the Fund. Consequently, the Fund may be considered a connected issuer of CIBC World Markets Inc. under applicable securities laws in certain Canadian provinces and territories. See "Plan of Distribution".

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Book-entry only certificates representing the Units will be issued in registered form to The Canadian Depository for Securities Limited ("CDS") or its nominee as registered global securities and will be deposited with CDS on the date of issue of the Units, which is expected to occur on January 13, 2005 or such later date as the Fund and the Underwriters may agree, but in any event not later than February 17, 2005. Holders of Units will not be entitled to receive physical certificates representing their ownership. See "Details of the Offering — Book-Entry Only System". Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail on the open market. See "Plan of Distribution".

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EXCHANGE RATES

In this short form prospectus, all dollar amounts are expressed in Canadian dollars (“\$”), unless otherwise indicated. The following table reflects the low and high rates of exchange for one U.S. dollar (“U.S.\$”), expressed in Canadian dollars, during the periods noted, the rates of exchange at the end of such periods and the average of such exchange rates on the last business day of each month during such periods, based on the Bank of Canada noon spot rate of exchange.

On January 5, 2005, the Bank of Canada closing rate of exchange was U.S.\$1.00 = \$1.2261.

	Nine Months Ended September 30,			Year Ended December 31,		
	2004	2003	2002	2003	2002	2001
Low for the period	\$1.2639	\$1.3342	\$1.5110	\$1.2924	\$1.5110	\$1.4936
High for the period	\$1.3968	\$1.5747	\$1.6132	\$1.5747	\$1.6132	\$1.6021
Rate at the end of the period	\$1.2639	\$1.3504	\$1.5858	\$1.2924	\$1.5796	\$1.5926
Average noon spot rate for the period	\$1.3280	\$1.4295	\$1.5705	\$1.4015	\$1.5704	\$1.5484

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Fund, at 80 Tiverton Court, Suite 102, Markham, Ontario, L3R 0G4, telephone (905) 474-5787. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Secretary of the Fund at the above-mentioned address and telephone number.

The following documents, filed with the securities commissions or similar authorities in the provinces and territories of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (1) the renewal annual information form of the Fund dated May 19, 2004;
- (2) the management information circular of the Fund dated May 13, 2004 (except for the sections entitled “Corporate Governance”, “Report on Executive Compensation” and “— Performance Graph”) distributed in connection with the annual meeting of the Fund held on June 16, 2004;
- (3) the management information circular of the Fund dated February 20, 2004 distributed in connection with the special meeting of Unitholders of the Fund held on March 19, 2004, including the audited consolidated balance sheet of Bumble Bee Holdings, L.P. and subsidiaries (Successor) as of May 25, 2003 and the related consolidated statements of income, partners’ equity and cash flows for the period of May 20, 2003 through May 25, 2003, the audited consolidated balance sheet of Bumble Bee Seafoods Inc. (Predecessor) as of May 26, 2002, the related consolidated statements of income, shareholder’s equity and cash flows for the period May 27, 2002 through May 19, 2003 and the year ended May 26, 2002, together with the notes thereto and the auditors’ report thereon; the unaudited consolidated balance sheets of Bumble Bee Holdings, L.P. and subsidiaries as of August 24, 2003 and November 23, 2003 and the related consolidated statements of operations, partners’ equity and cash flows for the three months ended August 24, 2003 and August 25, 2002 and for the six months ended November 23, 2003 and November 24, 2002;
- (4) the audited consolidated comparative financial statements of the Fund for the year ended December 31, 2003, together with the notes thereto and the auditors’ report thereon;
- (5) the management’s discussion and analysis of financial condition and results of operation of the Fund for the year ended December 31, 2003;
- (6) the material change report of the Fund dated February 13, 2004 relating to the announcement of the transaction wherein the Fund’s two operating companies combined to form Connors (the “Bumble Bee Transaction”);
- (7) the material change report of the Fund dated May 4, 2004 relating to the completion of the Bumble Bee Transaction;
- (8) the material change report of the Fund dated September 14, 2004 relating to the announcement of an offering of Units to the public, the proceeds of which were used by the Fund to finance the acquisition of an additional interest in Connors from the parties who retained an interest therein after the Bumble Bee Transaction;
- (9) the unaudited financial statements of the Fund as of and for the three and nine month periods ended September 25, 2004 and September 30, 2003;
- (10) the management’s discussion and analysis of financial condition and results of operation of the Fund for the three and nine month periods ended September 25, 2004; and
- (11) the material change report of the Fund dated December 29, 2004 relating to the announcement of the acquisition of Castleberry’s and the acquisition of the Sweet Sue/Bryan Business.

Any material change reports (excluding confidential reports), interim financial statements, annual financial statements and the auditors’ report thereon, management’s discussion and analysis of financial condition and results of operations in respect of the periods covered by such interim or annual financial statements, and information circulars (excluding those portions that are not required pursuant to National Instrument 44-101 of the Canadian Securities Administrators to be incorporated by reference herein) filed by the Fund with the securities commissions or similar authorities in the provinces and territories of Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances

in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

DEFINITION OF EBITDA, DISTRIBUTABLE CASH AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

References in this short form prospectus to “EBITDA” are to earnings before interest, income taxes, depreciation and amortization, after giving effect to foreign currency gains or losses. References in this short form prospectus to “Canadian GAAP” mean generally accepted accounting principles in Canada, and references in this short form prospectus to “U.S. GAAP” mean generally accepted accounting principles in the United States. Management of Connors believes that, in addition to net earnings, EBITDA is a useful complementary measure of cash available for distribution prior to debt service, capital expenditures and income taxes. However, EBITDA is not a recognized measure under Canadian GAAP or U.S. GAAP and does not have a standardized meaning prescribed by Canadian GAAP or U.S. GAAP. Investors are cautioned that EBITDA should not be construed as an alternative to net earnings determined in accordance with Canadian GAAP or U.S. GAAP, as an indicator of performance or cash flows from operating, investing and financing activities or as a measure of liquidity. The Fund’s method of calculating EBITDA may differ from the methods used by other entities and, accordingly, its EBITDA may not be comparable to similarly titled measures used by other entities. The Fund’s presentation of net earnings and EBITDA also permits Unitholders to assess the performance of Connors on the same basis as management and senior lenders under Connors’ credit facilities. Under these credit facilities, EBITDA determined with reference to net earnings is the sole operating metric used to evaluate the performance of Connors.

Distributable cash is not a recognized measure under Canadian GAAP or U.S. GAAP, and the Fund’s method of calculation may differ from methods used by other entities. Accordingly, distributable cash as presented may not be comparable to similar measures presented by other entities. The Fund and management of Connors believe that the method of determining distributable cash presented in this short form prospectus is comparable to cash flow from operating activities before changes in non-cash working capital, future income taxes and one-time gains/losses. In addition, the Fund’s method of determining distributable cash is derived directly from net earnings, which is a measure recognized under Canadian GAAP and U.S. GAAP and is a measure of operating performance understood by Unitholders. The Fund’s method of determining distributable cash is also consistent with the Fund’s historical disclosure and consistent with management’s discussion and analysis of financial condition and results of operations as publicly disclosed to Unitholders. Management believes that consistent disclosure enhances the comparability of the information presented in and incorporated by reference in this short form prospectus with results of the Fund on a stand-alone basis for prior periods. This method presents cash that will be distributable to the Unitholders based on the results of the relevant period, after adjusting for non-cash depreciation, the direct payment of interest and taxes and after adjusting for maintenance capital expenditures.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference into this short form prospectus, constitute forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Fund believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this short form prospectus should not be unduly relied upon. These statements speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference into this short form prospectus, as the case may be.

In particular, this short form prospectus, and the documents incorporated by reference, contain forward-looking statements pertaining to distributable cash and distributions per Unit. The actual results could differ materially from those anticipated in these forward-looking statements as a result of, among other things, the risk factors set out in this short form prospectus or incorporated by reference herein. The Fund does not undertake any obligation to publicly update or revise any forward-looking statements.

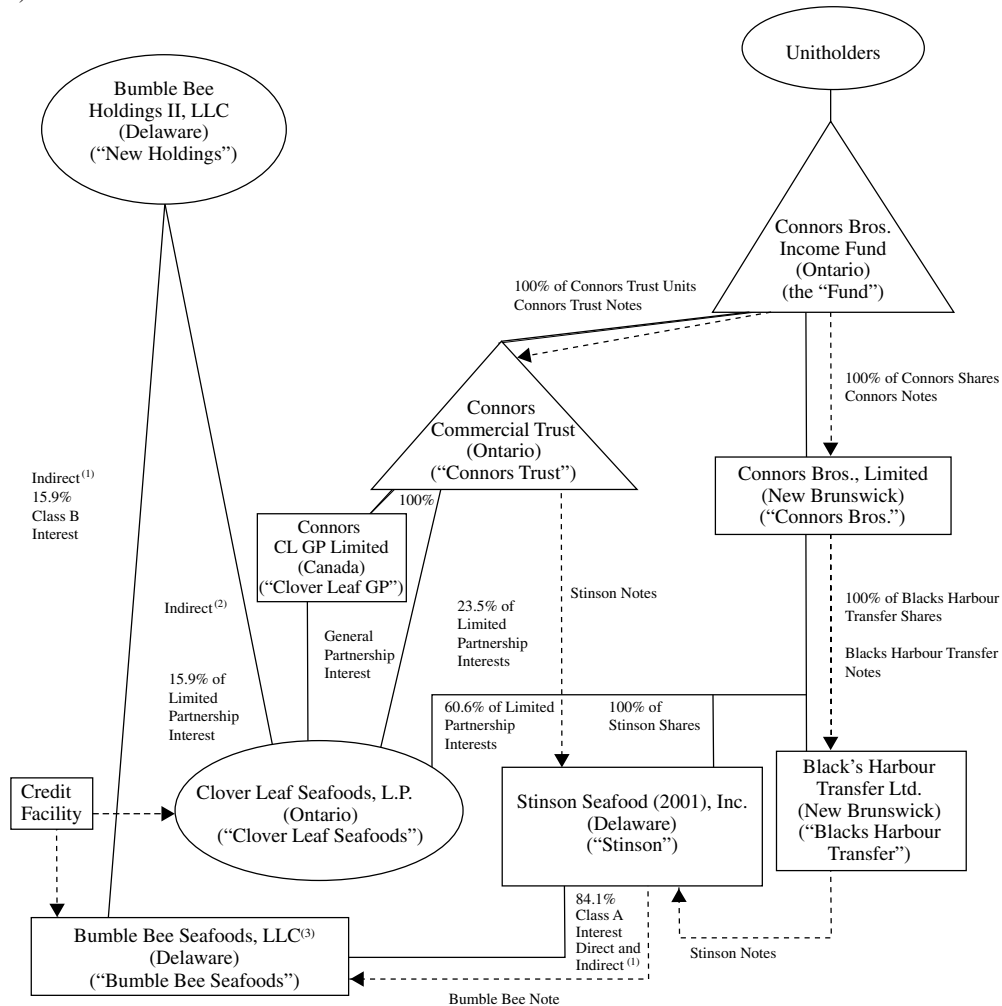
CONNORS BROS. INCOME FUND

Name and Incorporation

The Fund is an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated September 24, 2001, as amended October 25, 2001, as amended and restated on April 30, 2004 and as amended and restated on September 30, 2004 (the “Declaration of Trust”). The principal office of the Fund is located at 80 Tiverton Court, Suite 102, Markham, Ontario, L3R 0G4.

Intercorporate Relationships

The following diagram sets out the current structure of the Fund prior to giving effect to the Acquisitions (as defined herein).



- (1) New Holdings currently holds its indirect interest in Bumble Bee Seafoods through a 51% interest in Bumble Bee Seafoods, L.P. Stinson owns the remaining 49% interest in Bumble Bee Seafoods, L.P. which provides it with an indirect interest in the Class B Interest of Bumble Bee Seafoods. Bumble Bee Seafoods, L.P. holds its indirect interest in the Class B Interests of Bumble Bee Seafoods through Bumble Bee Holdings LLC. Bumble Bee Holdings LLC holds its indirect interest in the Class B Interests of Bumble Bee Seafoods through Bumble Bee Seafoods Holdings, LLC.
- (2) New Holdings holds its indirect interest in the limited partnership interests of Clover Leaf Seafoods through CL (Luxembourg) SARL and five Nova Scotia unlimited liability companies. New Holdings also holds an indirect interest in CL GP (Bumble Bee) Inc. which together with Connors CL GP Limited acts as the general partner of Clover Leaf Seafoods. An indirect wholly-owned subsidiary of New Holdings holds a general partnership interest in Clover Leaf Seafoods that entitles it to exercise all rights associated with the Class A Units of the Fund owned by Clover Leaf Seafoods, including voting rights, appointment rights for certain trustees of the Fund, and the right to approve fundamental changes to the Fund.
- (3) Bumble Bee Seafoods owns, directly or indirectly, all of the outstanding securities of Bumble Bee International (PR), Inc., BB Acquisition (PR), L.P., Bumble Bee Properties (CA), LLC, Bumble Bee International (Cayman), Inc., MWTC Holdings, Inc., Mayaguez Water Treatment Company, Inc., Connors Brunswick LLC and 50% of the outstanding ownership interests of Kent Warehouse LLC.
- (4) Clover Leaf Seafoods owns, directly or indirectly, all of the outstanding securities of BPM Servicios S.A. de C.V. and Brunswick Pescados y Mariscos, S.A. and certain other holding companies.

The Fund, Connors Bros. Limited (“Connors Bros.”), Connors Commercial Trust (“Connors Trust”), Black’s Harbour Transfer Ltd. (“Blacks Harbour Transfer”), Stinson Seafood (2001), Inc. (“Stinson”), Bumble Bee Seafoods L.P., Connors CL GP Limited (“Clover Leaf GP”), CL GP (Bumble Bee) Inc., Clover Leaf Seafoods, Bumble Bee Seafoods and certain specified members of senior management of Bumble Bee Seafoods have entered into an agreement relating to governance matters (the “Securityholders’ Agreement”).

DESCRIPTION OF THE CONNORS BUSINESS

The Fund was established in 2001 to hold securities of Connors Bros. and its subsidiaries which were acquired from George Weston Limited and its affiliates concurrently with the closing of the Fund’s initial public offering in November 2001.

On April 30, 2004, the Fund and certain of its subsidiaries completed the Bumble Bee Transaction which provided for, among other things, the combination of the business carried on by Connors Bros. and its subsidiaries with the canned seafood and related businesses carried on by Clover Leaf Seafoods and Bumble Bee Seafoods and their respective subsidiaries. In connection with the closing of the Bumble Bee Transaction, Connors Bros. Canadian and international operations were transferred to Clover Leaf Seafoods and its U.S. operations were transferred to Bumble Bee Seafoods. Following the completion of the Bumble Bee Transaction, Connors became North America’s largest branded seafood company.

Connors participates in virtually all product lines of the Canadian and U.S. canned seafood markets, including canned albacore tuna, lightmeat tuna, sockeye salmon, pink salmon and a variety of specialty seafoods, including canned sardines and herring. The *Clover Leaf*[®] brand is the leader in the Canadian canned seafood market, with leading positions in the canned tuna, salmon and many specialty seafood product lines and *Clover Leaf*[®] is also a leading brand of refrigerated surimi (crab and lobster-flavoured seafood) in Canada. Connors is the leading U.S. producer of canned albacore tuna, holds the number two position in the overall U.S. canned tuna category and holds the number one position in the U.S. in both the canned salmon and the canned specialty seafood categories. In addition, Connors’ branded canned sardines and herring are the leaders in market share in both Canada and the United States and have developed industry-leading market share positions in several international markets, including Australia, New Zealand and the Caribbean. Connors sells its products under several leading brand names, including *Bumble Bee*[®], *Clover Leaf*[®], *Brunswick*[®], *Beach Cliff*[®], *Orleans*[®] and *King Oscar*[®].

PROPOSED ACQUISITIONS OF CASTLEBERRY’S AND THE SWEET SUE/BRYAN BUSINESS

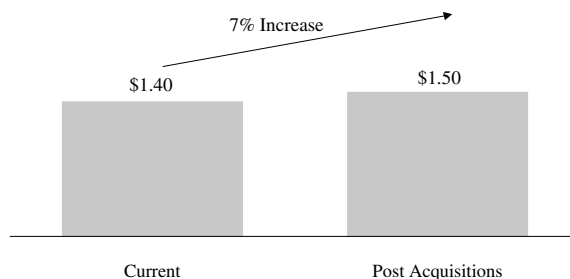
Rationale for the Acquisitions

On December 22, 2004, Bumble Bee Seafoods, Masters Mergeco Inc. (“MergerSub”), Castleberry’s and certain stockholders of Castleberry’s entered into the Merger Agreement pursuant to which MergerSub, a newly formed subsidiary of Bumble Bee Seafoods, agreed to acquire all of the outstanding stock of Castleberry’s through a merger transaction, with Castleberry’s being the surviving entity (the “Castleberry’s Acquisition”). On December 22, 2004, Sara Lee and Bumble Bee Seafoods entered into the Purchase Agreement pursuant to which Bumble Bee Seafoods agreed to purchase the Sweet Sue/Bryan Business (the “Sweet Sue/Bryan Acquisition”). Bumble Bee Seafoods may assign its rights under the Purchase Agreement to any of its direct or, indirect subsidiaries, provided that Bumble Bee Seafoods remains primarily liable for the obligations thereunder. The closing of the Castleberry’s Acquisition and the closing of the Sweet Sue/Bryan Acquisition are expected to occur on or about January 14, 2005. Connors has received the necessary approvals from the U.S. Department of Justice (“Department of Justice”) to complete the Castleberry’s Acquisition. Notification to the Department of Justice under the United States Hart-Scott Rodino Antitrust Improvements Act of 1976 is not required with respect to the Sweet Sue/Bryan Acquisition.

Management of Connors believes that the Castleberry’s Acquisition and the Sweet Sue/Bryan Acquisition (collectively, the “Acquisitions”) are consistent with the Fund’s objectives of growing sustainable distributable cash per Unit. The Acquisitions will enable Connors to continue to build an increasingly more profitable branded food products company with attractive growth potential. Castleberry’s and the Sweet Sue/Bryan Business offer complementary canned seafood and protein products, which will allow Connors to leverage its existing distribution network and sales force that currently service many of Castleberry’s and the Sweet Sue/Bryan Business’ customers. Management believes that the Acquisitions will strengthen Connors’ position as a brand leader in quality seafood and canned protein products.

The Acquisitions are expected to be accretive to Connors' distributable cash and will provide opportunities for further growth in cash flow through identifiable cost savings and an enhanced platform for future growth. On this basis the trustees of the Fund have approved an increase in its annual distribution rate to \$1.50 per Unit following the closing of the Acquisitions.

The Fund's Expected Annualized Monthly Cash Distributions Per Unit



Management believes that the Acquisitions will provide significant cost-saving opportunities and other synergies for Connors, including, the immediate reduction of certain general and administrative expenses, consolidation of distribution and storage facilities and enhanced purchasing power in packaging materials. Management expects to achieve near-term synergies in its manufacturing processes given the diversity and excess capacity available at Castleberry's Augusta, Georgia plant, and the fact that the Sweet Sue/Bryan Business already outsources a substantial portion of its manufacturing to Castleberry's. Additional synergies are expected to be realized in sales and marketing expenses, as the companies utilize some of the same food broker networks and similar sales forces. The Acquisitions should also strengthen Connors' ability to solidify many of its existing customer relationships, increase distribution of its product lines into certain geographical areas where it has not had a strong historical presence and introduce complementary products into its existing product lines. Finally, Connors foresees growing revenue through new product and packaging initiatives and leveraging its existing products and packaging with similar Castleberry's and Sweet Sue/Bryan Business products.

Financing the Acquisitions

In order to complete the Acquisition, the Fund and its subsidiaries will implement the following steps. Bumble Bee Seafoods will borrow under its existing U.S. credit facility with Fleet Capital Corporation (together with its Canadian credit facility, the "Credit Facility") and will lend U.S.\$50 million to MergerSub and pay transaction expenses. The net proceeds of the Offering (including proceeds from the exercise of the Over-Allotment Option, if any) will be used by the Fund to subscribe for additional common shares in Connors Bros. and to make a U.S.\$50 million loan to MergerSub (the "Castleberry's Note"). Connors Bros. will use the proceeds it receives from the Fund to subscribe for additional Stinson common shares and Stinson will, in turn, subscribe for additional Class A interests in Bumble Bee Seafoods. Bumble Bee Seafoods will use those proceeds and a portion of the borrowings under the U.S. portion of the Credit Facility to subscribe for shares of MergerSub. MergerSub will then have the U.S.\$93 million necessary to consummate the Castleberry's Acquisition and U.S.\$2.5 million to pay related expenses. MergerSub and Castleberry's will then merge with Castleberry's being the surviving entity. Castleberry's will subscribe for U.S.\$45 million of shares of Sweet Sue Acquisition LLC, a newly formed subsidiary to which Bumble Bee Seafoods intends to assign its rights under the Purchase Agreement to acquire the Sweet Sue/Bryan Business. Bumble Bee Seafoods will assign its rights under the Purchase Agreement to Sweet Sue Acquisition LLC and Sweet Sue Acquisition LLC will use such amount to purchase the Sweet Sue/Bryan Business. If the Over-Allotment Option is not exercised, or the Canadian dollar depreciates significantly relative to the U.S. dollar from the exchange rate assumed here (U.S.\$1.00 = \$1.2261), the amount of borrowing under the U.S. portion of the Credit Facility may increase and/or Clover Leaf Seafoods may borrow additional amounts under the Canadian portion of the Credit Facility or use available cash on hand to effect the transactions contemplated hereby.

RECENT DEVELOPMENTS

Amendments to Credit Facility

In connection with the closing of the Acquisitions, the U.S. portion of the Credit Facility will be amended and restated to extend the term by one year to April 30, 2010, increase the amount of available funds and address certain other technical requirements required to complete the Acquisitions and accommodate certain other non-significant dispositions. See “— Resolution of U.S. Department of Justice Anti-trust Investigation”. In connection with the closing of the Acquisitions the Canadian portion of the Credit Facility will be amended to extend the term by one year to April 30, 2010 and address certain other technical requirements required to accommodate certain other non-significant dispositions. See “— Resolution of U.S. Department of Justice Anti-trust Investigation”.

Resolution of U.S. Department of Justice Anti-trust Investigation

On August 31, 2004, the Fund announced that the Antitrust Division of the Department of Justice filed its proposed final judgment with the United States District Court for the District of Columbia, concluding the anti-trust investigation under the United States Hart-Scott Rodino Antitrust Improvements Act of 1976 which arose in connection with the Bumble Bee Transaction. On December 1, 2004, the Fund announced that Bumble Bee Seafoods had entered into a definitive sales agreement for the sale of *Port Clyde*[®], *Commander*[®] and several smaller sardine brands. The sale also included the *Neptune*[®] brand of canned clams, but did not include the sardine processing facilities in either Bath, Maine or Grand Manan, New Brunswick. On December 14, 2004, the Department of Justice indicated that it did not object to the proposed buyer for the assets, and the transaction was completed on December 15, 2004. On an unaudited basis, the combined pro forma net sales of the brands divested were U.S.\$6.2 million for the 12 months ended September 25, 2004, which is less than 1.0% of total revenues for that period. Management of Connors does not anticipate that the sale of these brands will have a material effect on earnings or distributable cash per Unit for 2005 or for future periods.

Closure of Grand Manan New Brunswick Facility

On December 13, 2004, the Fund announced that, as it had previously indicated, Connors Bros. would not re-open the sardine factory in Grand Manan, New Brunswick. The plant is currently closed for the winter season. Due to the strength of the Canadian dollar and competition in the marketplace, management of Connors felt that it was imperative to reduce manufacturing costs. The operations which were carried on at the Grand Manan facility will be consolidated into the Blacks Harbour facility which currently has excess capacity.

Reduction of Non-Controlling Interest

During September 2004, the trustees of the Fund approved amendments to an exchange agreement made between certain holders of a non-controlling interest (the “Non-Controlling Interest”) in Connors (the “Exchange Agreement”) and approved a request to exchange a portion of New Holdings’ ownership of Bumble Bee Seafoods, L.P., Bumble Bee Seafoods and Clover Leaf Seafoods for cash and Units. In order to pay for these interests, on September 29, 2004 the Fund issued 5,610,000 Units for cash proceeds in a public offering and an additional 1,535,775 Units were delivered to New Holdings. The Units delivered to New Holdings were transferred to certain members of management of Connors and other partners in New Holdings. After giving effect to that offering and the exchange by New Holdings, the Fund indirectly held an approximate 84.1% interest in Connors.

Increase in Cash Distribution Unit

On August 10, 2004, the Fund increased distributions on an annualized basis from \$1.35 to 1.40 per Unit. On December 20, 2004, the trustees of the Fund approved an increase in its cash distributions, on an annualized basis, to \$1.50 per Unit following the closing of the Acquisitions.

Proposition 65 Lawsuit

On June 21, 2004, the Attorney General of California filed a lawsuit under *The Safe Drinking Water and Toxic Enforcement Act of 1986*, commonly known as Proposition 65, against the U.S. tuna industry. The complaint, which has been consolidated with an existing lawsuit filed by a private group, seeks an injunction and civil penalties for the alleged failure of tuna producers and distributors to provide consumer warnings required under Proposition 65. Bumble Bee Seafoods is a member of the U.S. Tuna Foundation, a trade organization representing the major U.S. processors and harvesters of tuna that is coordinating the industry’s response to the lawsuit. Management of Connors is of the view

that canned tuna is a safe and healthy food and does not violate Proposition 65. A trial date has been announced for May 2005, but management of Connors believes that the trial will be postponed to a later date. Management believes that the case will be settled prior to going to trial but that the tuna industry would prevail in a court case. Management does not currently believe that the lawsuit will have a material impact on the business or earnings for 2005. See “Risk Factors — Methylmercury — Proposition 65”.

Classification of Freight Expense

Effective January 1, 2004, the Fund implemented the provisions of EIC 141 — Revenue Recognition and accordingly changed its method of recording freight expense. The expense, which was previously recorded as a reduction of revenue, is now included in cost of goods sold. Had this provision been effective for the year ended December 31, 2003, the Fund’s revenues and cost of sales would have been approximately \$7.0 million greater, approximately \$7.6 million greater for the year ended December 31, 2002 and approximately \$1.2 million greater for the year ended December 31, 2001.

Classification of Slotting Costs

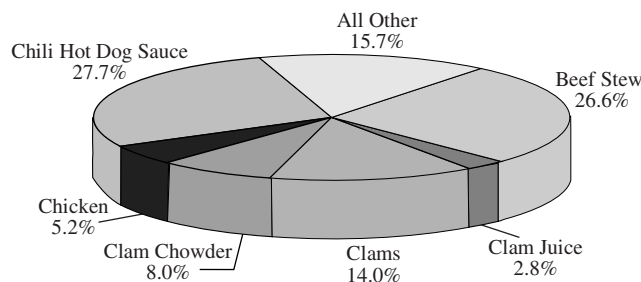
Due to the acquisition of Bumble Bee and its material impact on the financial statements, the Fund determined that it should adopt the policy of Bumble Bee Seafoods and Clover Leaf Seafoods and record costs for the slotting of products as a reduction of sales, not as a component of selling, general and administrative expense. Historically, costs incurred by the Fund for product slotting had been recognized as a prepaid expense and subsequently amortized and recognized in the statement of earnings over the estimated life of the slotting contract. Subsequent to the acquisition of Bumble Bee Seafoods and Clover Leaf Seafoods, the Fund began accruing for product slotting as the product is delivered and invoiced to the customer. This change in the timing of the recognition of slotting expense does not materially impact any of the financial statements incorporated by reference into this prospectus.

THE CASTLEBERRY’S BUSINESS

Overview

Castleberry’s is a manufacturer and marketer of regionally prominent, shelf-stable prepared meat and seafood products in the United States. Castleberry’s core product lines have leading market positions in their respective categories and core U.S. regional markets. Castleberry’s has several regional and national labels in the United States including *Castleberry’s*®, *Snow’s*®, *Doxsee*®, *Cattle Drive*®, and *Bunker Hill*®. Castleberry’s has the highest market share in the United States for its retail canned clams, clam juice, and hot dog chili sauce, has the second largest market share for its branded beef stew and has the third highest market share for its clam chowder. Castleberry’s sells its products in every major market in the U.S. and has developed a national distribution network. Castleberry’s will provide Connors with a platform to enter into the canned meat market, with a leading position in several niche categories. Castleberry’s had revenues of U.S.\$134.5 million and EBITDA of U.S.\$12.1 million for the twelve months ended October 17, 2004.

Castleberry’s revenue by product line



Castleberry’s data for the twelve months ended October 17, 2004.

Competitive Strengths

Strong Position in Both Canned Seafood and Canned Meat

Castleberry’s products are leaders in their respective categories and have developed a loyal customer following. Castleberry’s leads the canned, chopped and minced clam and clam juice markets, with approximately 80% and 73% share of the U.S. market, respectively, while *Snow’s*® clam chowder is one of the leading brands of clam chowder in New England and the third highest position for clam chowder in the United States. Castleberry’s has a distinct advantage over its competitors in the canned clam market because of its clam sourcing capabilities. Castleberry’s owns, directly or indirectly, approximately 22% of the available federal licences to harvest ocean quahog clams in the United States.

Within the canned meat category, Castleberry’s markets the second most popular brand of beef stew with approximately 22% market share in the United States. Castleberry’s also has the leading U.S. market share in the hot dog chili category. Castleberry’s various clam product offerings will strengthen Connors’ position in the canned seafood market and its beef product offerings will allow Connors to establish a position in the canned meat market.

<u>Product Line</u>	<u>National Ranking</u>	<u>National Market Share</u>
Canned Minced and Chopped Clams (1)	#1	79.8%
Clam Juice (1)	#1	73.4%
Hot Dog Chili (2)	#1	56.0%
Beef Stew (2)	#2	21.8%
Clam Chowder (3)	#3	4.7%

- (1) Data from AC Nielsen Scantrack US Food \$2 Million 52 Weeks Ending September 18, 2004.
- (2) Data from AC Nielsen Scantrack US Food \$2 Million 52 Weeks Ending March 20, 2004.
- (3) Data from AC Nielsen Scantrack US Food Drug Mass 52 Weeks Ending June 12, 2004.

Efficient Manufacturing Operations

Castleberry’s production capabilities allow it to manufacture and process a variety of prepared foods with meat, seafood, poultry, and vegetables in shelf-stable or frozen packaging. Castleberry’s owns manufacturing sites in Cape May, New Jersey (primarily clam and soup products), and Augusta, Georgia (primarily meat and poultry products). Castleberry’s food processing operations in both these facilities are approved by the United States Department of Agriculture (“USDA”) and the United States Food and Drug Administration (“FDA”). Capital investments over the past five years have added further capabilities, flexibility, and efficiencies to Castleberry’s operations, as these facilities produce a wide variety of products while maximizing production capacity. This flexibility allows Castleberry’s to minimize its use of co-packers, as it is able to process and package most of its own products. Management of Connors believes Castleberry’s facilities are capable of meeting the increased production requirements which will result from growth in its businesses, entry into new geographic markets, introduction of new products, and integration of the Acquisitions, in a manner that will enhance profitability and efficiency.

Established Sales Distribution Network

Castleberry’s combination of organic growth and strategic acquisitions has enabled it to achieve a national presence in the U.S. through trade marketing, customer relationships and a network of food brokers. Historically, Castleberry’s was most active in the southeast region of the United States. Following the acquisition of Snow’s/ Dorse Inc. and its national distribution system in 1994, Castleberry’s expanded its distribution of canned meats and prepared foods throughout the U.S. Castleberry’s groups the distribution of its products into three categories: retail, custom brands and foodservice-frozen.

Retail. Castleberry’s marketing efforts have historically been focused on the retail segment. Castleberry’s has achieved solid growth in retail sales over the past three years through new products and line extensions, targeted geographic expansion and aggressive marketing to alternative channels such as mass merchandisers, dollar stores, warehouse clubs and drugstores.

Custom Brands. Castleberry’s has an established track record of successful strategic partnerships with a number of prominent, national branded food marketers, including Sara Lee (See “The Sweet Sue/Bryan Business”).

Management of Connors believes that Castleberry's has a strategic advantage in securing custom brands manufacturing business because it is a full line supplier with the capacity to produce large volumes, has research and development capabilities to implement large projects quickly, and has a record for high standard sanitation and manufacturing practices.

Foodservice — Frozen. Castleberry's is a foodservice supplier of frozen barbeque meat products in the southeast United States and management of Connors believes that it is well-positioned for growth as it has the ability to meet custom specifications and cost parameters for foodservice distributors and customers. Utilizing this experience, Castleberry's has developed a line of branded products that can be sold to deli departments in major grocery chains for use in prepared foods. New packaging capabilities are also currently under development for additional retail channel products to leverage Castleberry's expertise in frozen food technology.

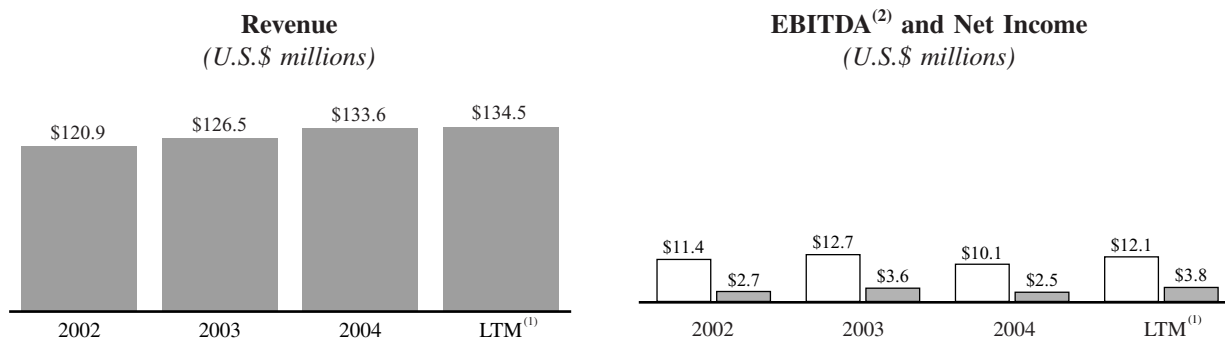
Long Term Customer and Supplier Relationships

Castleberry's management has many long-standing relationships with a broad range of customers and raw material suppliers. Castleberry's maintains numerous sources of supply for most of its raw material needs and actively manages these relationships to ensure its standards for quality of supply are met at an acceptable cost. Castleberry's has had relationships with the majority of its top ten customers for well over a decade, with shorter relationships typically resulting from new product introductions.

Track Record of Stable and Growing Financial Results

Castleberry's has delivered stable earnings and consistent cash flow generation for the past several years. Castleberry's management has implemented a highly focused strategy and has spent the last five years preparing the company for the next level of growth. Castleberry's strategic focus has been on updating manufacturing facilities, building infrastructure, consolidating facilities, maximizing efficiencies and exploiting growth opportunities in alternative channels. A supply chain initiative, implemented in the last two years, has generated greater operating efficiencies and cost savings. Management of Connors believes that the recent investment by Castleberry's will positively impact Connors' future performance.

From the fiscal year ended July 28, 2002 to the twelve month period ended October 17, 2004, Castleberry's has increased revenues from U.S.\$120.9 million to U.S.\$134.5 million. EBITDA has remained flat during this period at approximately U.S.\$11.6 million despite fluctuating commodity costs. Management of Connors believes that Castleberry's investment in infrastructure and facility improvements positions it well for future sales and cash flow growth.



(1) Information is presented for the twelve months ended October 17, 2004.

(2) For a reconciliation of EBITDA to GAAP measures, see "Reconciliation of Historical GAAP Measures to EBITDA".

Experienced Management Team

Castleberry's management is skilled and experienced in the prepared foods industry. Certain members of management have worked together as a team for over 30 years, and have built numerous brands while driving profitability, lowering operating expenses and optimizing distribution. Nearly all of this management team is expected to remain in place through the integration of the Acquisitions.

Employees

As of July 25, 2004, Castleberry's had a workforce of 589 employees, of which 361 were hourly employees, 146 were salaried employees and 82 were independent contractors. The number of independent contractors typically ranges from a low of approximately 50 persons in the late spring/early summer to a high of more than 100 in the winter. Castleberry's facilities in Augusta, Georgia and Cape May, New Jersey are both unionized and Castleberry's has three collective bargaining agreements with its hourly employees at these facilities. Management of Connors believes that Castleberry's relationship with its employees in both facilities is satisfactory.

Safety, Environmental Record and Other Regulatory Matters

Castleberry's principal facilities in Augusta and Cape May have received superior sanitation rankings from the independent American Institute of Baking ("AIB") inspection service which examines and evaluates overall sanitation, housekeeping, quality control, record keeping, and process controls of food processors. Castleberry's has participated in the AIB food safety program for 12 years. The Augusta facility has achieved the AIB's highest rating of "superior" in each of the last 10 years and is designated as a USDA "Total Quality Control" manufacturer, a status achieved by only a handful of food processors.

THE SWEET SUE/BRYAN BUSINESS

Overview

The Sweet Sue/Bryan Business is Sara Lee's canned and pouched chicken, beef and pork products manufacturing and distribution business. These products are distributed primarily under the *Sweet Sue*® and *Bryan*® brands in the United States to the retail and foodservice marketplaces. Most of the Sweet Sue/Bryan Business sales are generated from retail customers in the midwest and southeast United States, which are principally mass merchandisers, grocery stores and dollar stores. All the canned chicken broth, chunked chicken, chicken and dumplings and pouched products are produced by the Sweet Sue/Bryan Business at one manufacturing facility in Athens, Alabama. The remainder of the Sweet Sue/Bryan Business products are outsourced to co-packers, including a substantial portion to Castleberry's. Based on a review of internal unaudited financial statements of the Sweet Sue/Bryan Business, management of Connors estimates revenues and EBITDA from the Sweet Sue/Bryan Business to be U.S.\$79.4 million and U.S.\$8.5 million, respectively, for the twelve months ended October 2, 2004.

Competitive Strengths

Market Leader with Strong Brands and a Diverse Product Offering

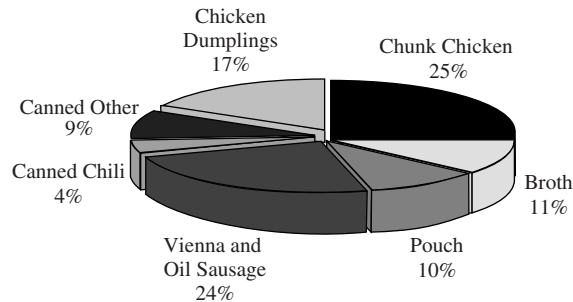
The Sweet Sue/Bryan Business is comprised of a portfolio of quality products and leading brands. The business sells the majority of its volume under the *Sweet Sue*® and *Bryan*® brand names. It also manufactures products under the *Prairie Belt*®, *Picnic*®, and *Savoy*® brands as well as private labels. *Sweet Sue*® is the leading brand in the canned chicken and dumpling and pouched chicken categories with 48.0% and 58.6% of the U.S. market share, respectively. The *Bryan*® brand has established a reputation for premium taste and quality and is well-recognized by consumers as one of the top brands in the southeast United States. Sara Lee will license to Connors the use of the *Bryan*® brand and related trademarks in connection with the manufacture, sale, import, export and distribution of shelf-stable chicken, beef, pork, turkey and seafood products bearing the *Bryan*® brand in North America, Central America and the Caribbean. See "Sweet Sue/Bryan Business Purchase Agreement".

<u>Product Line</u>	<u>National Ranking</u>	<u>National Market Share</u>
Chicken Dumplings (1)	1	48.0%
Chicken Pouch (1)	1	58.6%
Turkey, Ham Pouch (1)	1	100.0%

(1) Source of Data: AC Nielsen Scantrack US Food Drug Mass 52 Weeks Ending October 2004.

The Sweet Sue/Bryan Business' product offerings fall into three primary product categories: canned chicken, canned beef and pork, and pouched products.

Net Sales by Category (Fiscal 2004)
US\$78.2 million



Sara Lee data for the twelve months ended July 3, 2004.

Canned Chicken Products. The Sweet Sue/Bryan Business' fully cooked canned products are marketed primarily under the *Sweet Sue*[®] brand and include canned chicken and dumplings, canned chicken broth and canned chicken breast. Products are marketed in several sizes ranging from 5-ounce to 50-ounce cans and are prepared in various formulations, including 99% fat free, reduced sodium and premium varieties.

Canned Beef and Pork Products. The Sweet Sue/Bryan Business' beef and pork products include Vienna sausage, oil sausage, canned chili, potted meat, corned beef hash, lunch meats, canned beef, tamales, beef stew and pureed meat. These canned beef and pork products are marketed primarily under the *Bryan*[®], *Prairie Belt*[®] and *Picnic*[®] brands in several sizes ranging from 3-ounce to 24-ounce cans. A substantial portion of the Sweet Sue/Bryan Business' canned meat products are co-packed by Castleberry's.

Pouched Products. To differentiate and establish the *Sweet Sue*[®] brand in higher-margin, value-added products, the Sweet Sue/Bryan Business introduced a line of pouched products featuring premium chicken, oven roasted turkey breast and premium chunk ham in 2003. With the recent completion of a separate production line, the Sweet Sue/Bryan Business now manufactures and markets pouched products in multiple packaging configurations such as a single-serving three-ounce package and a multi-serving seven-ounce package. In 2003, its first full year of distribution, the pouched product line realized approximately U.S.\$7.0 million in revenues. Driven by the convenience and improved product qualities of the pouch technology, management of Connors intends to increase sales outside of traditional selling channels and distribute pouched products in new geographic areas. *Sweet Sue*[®] has a 58.6% share of the pouched chicken category in the U.S. national market, and is currently the only manufacturer of pouched turkey and ham products.

Efficient Manufacturing Facility

The Sweet Sue/Bryan Business' manufacturing facility is located in Athens, Alabama. The facility encompasses approximately 70,000 square feet of production lines, with an additional 150,000 square feet of available warehouse space. Processing, packaging and distribution functions for all chicken broth, chunked chicken, chicken and dumplings, and pouched products takes place in the Athens facility.

The Athens facility recently installed a stein cooker, which substantially reduces direct labour requirements for chicken processing. Additionally, a U.S.\$2.3 million state-of-the-art pouch-packaging production line was completed in 2004, which is currently used to produce pouched chicken, ham, and turkey products. Management of Connors believes this pouch-packaging production line could be expanded to produce other items as well.

Established Distribution Channels

The majority of the Sweet Sue/Bryan Business' sales are currently derived from an internal direct sales management team. Four regional managers operate under the direction of a director of sales and marketing, enabling the business to benefit from integrated planning and coordinated marketing and selling efforts. These sales personnel are dedicated to selling shelf-stable meat products to both the retail and foodservice markets. Historically, the majority of the Sweet Sue/Bryan Business' retail sales and marketing efforts have been focused in the southeast and midwest regions of the United

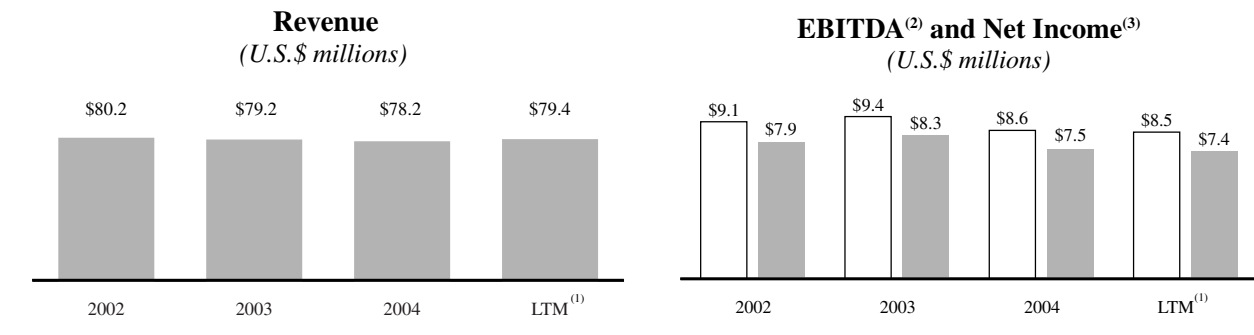
States. With the introduction of the pouch technology, the Sweet Sue/Bryan Business has expanded its sales efforts beyond those markets, and has recently commenced marketing and selling efforts in the west, pacific northwest and midwest regions of the United States. The Sweet Sue/Bryan Business also uses a retail broker for national distribution.

Long Term Customer and Supplier Relationships

Most of the Sweet Sue/Bryan Business’ sales are generated from retail customers in the midwest and southeast regions of the United States, including mass merchandisers such supermarkets, independent grocery stores and dollar stores. The Sweet Sue/Bryan Business also sells directly to the institutional foodservice market, which supplies end users such as schools, healthcare facilities, and restaurant chains.

Track record of stable and growing financial results

The Sweet Sue/Bryan Business has experienced relatively stable revenue and EBITDA results despite increased competition and declining volumes in the foodservice market. For the twelve months ended October 2, 2004, the Sweet Sue/Bryan Business had unaudited net revenues of U.S.\$79.4 million, EBITDA of U.S.\$8.5 million and net income of \$7.4 million.



(1) Information is presented for the twelve months ended October 2, 2004.
(2) For a reconciliation of EBITDA to GAAP measures, see “Reconciliation of Historical GAAP Measures to EBITDA”.
(3) Net income of the Sweet Sue/Bryan Business does not include interest or taxes as those charges were absorbed by its parent.

USE OF PROCEEDS

The net proceeds of the Fund from the Offering (including proceeds from the exercise of the Over-Allotment Option, if any) will be used by certain of the Fund’s subsidiaries to acquire Castleberry’s, to purchase the Sweet Sue/Bryan Business and to pay certain transaction expenses. If one or both of the Acquisitions do not close, part or all of the net proceeds of the Offering will be used to repay outstanding indebtedness under the Credit Facility and to pay certain transaction expenses. Management of Connors believes that the risk that the Acquisitions will not close is remote. See “Risk Factors — Failure of Acquisitions to Close.” A more detailed description of the flow of funds is as follows:

- the Fund will use a portion of the proceeds of the Offering to subscribe for additional shares of Connors Bros.;
- the Fund will loan U.S.\$50 million to MergerSub (referred to above as the Castleberry’s Note);
- Connors Bros. will use the funds received from the Fund to subscribe for additional common shares of Stinson;
- Stinson will, in turn, subscribe for additional Class A interests in Bumble Bee Seafoods;
- Bumble Bee Seafoods will use such amounts to subscribe for shares of MergerSub;
- Bumble Bee Seafoods will borrow under the U.S. portion of the Credit Facility and will lend U.S.\$50 million to MergerSub, subscribe for additional shares of MergerSub and retain a portion of the borrowings for transaction expenses;
- MergerSub will merge into Castleberry’s with Castleberry’s being the surviving entity and its shareholders receiving U.S.\$93 million; and
- Castleberry’s will subscribe for U.S.\$45 million of shares of Sweet Sue Acquisition LLC, which will use such amount to purchase the Sweet Sue/Bryan Business. Castleberry’s will be left with U.S.\$2.5 million to pay other Castleberry’s expenses.

If the Over-Allotment Option is not exercised, or the Canadian dollar depreciates significantly relative to the U.S. dollar from the exchange rate assumed here (\$U.S.1.00 = \$1.2261), the amount of borrowing under the U.S. portion of the Credit Facility may increase and/or Clover Leaf Seafoods may borrow additional amounts under the Canadian portion of the Credit Facility or use available cash on hand to effect the transactions contemplated hereby.

As a result of these transactions, the Fund's indirect interest in Bumble Bee Seafoods will increase from approximately 84% to 87% and New Holding's indirect interest (excluding the interest it holds on behalf of certain members of management of Connors) in Bumble Bee Seafoods will decrease from approximately 16% to approximately 13%. The Fund's indirect interest in Clover Leaf Seafoods will remain approximately 84% and New Holding's indirect interest (excluding the interest it holds on behalf of certain members of management of Connors) in Clover Leaf Seafoods will remain approximately 16%.

CASTLEBERRY'S MERGER AGREEMENT

Pursuant to the Merger Agreement, MergerSub has agreed to acquire all of the outstanding common stock of Castleberry's from its stockholders by way of a reverse merger. MergerSub will then merge with and into Castleberry's with Castleberry's being the surviving entity. The closing of the Castleberry's Acquisition is expected to occur on or about January 14, 2005, and is subject to several conditions as described below.

Purchase Price

MergerSub will acquire Castleberry's from its existing stockholders for a purchase price of U.S.\$93.0 million, which is payable in cash on the closing of the Castleberry's Acquisition, subject to certain adjustments relating to working capital, payments in respect of outstanding indebtedness, taxes and amounts to be paid by Bumble Bee Seafoods in respect of certain stock option and bonus plans of Castleberry's. A portion of the purchase price will also be placed in escrow to satisfy any indemnification obligations of Castleberry's and certain of Castleberry's stockholders under the Merger Agreement.

Representations and Warranties

The Merger Agreement includes representations and warranties from certain of the selling stockholders and from Castleberry's which are customary in a transaction of this nature, including representations and warranties from Castleberry's with respect to authority, approvals, absence of conflicts, absence of certain developments, title to and condition of properties, tax matters, contracts and commitments, intellectual property, litigation, consents, employee benefit plans, insurance, environmental matters, compliance with laws, product warranties, liabilities and recalls, liabilities and indebtedness, customers and suppliers, employees and compensation, banking matters, inventory, fishing vessels, fishing licenses and the sufficiency of assets. The representations and warranties will survive for a period of 18 months following the closing of the Castleberry's Acquisition, except for: (i) the representations and warranties of the indemnifying stockholders, which will survive indefinitely; (ii) certain corporate representations and warranties made by Castleberry's relating to authorization, enforceability, conflicts, title to shares, capitalization, affiliate transactions and brokers which will survive indefinitely; (iii) certain representations and warranties made by Bumble Bee Seafoods and MergerSub with respect to organization and corporate power, authorization of government authorities and brokers which will survive indefinitely; and (iv) representations and warranties relating to taxes, which will survive until the date that is six months after the expiration of any applicable statute of limitations.

Covenants

The parties to the Merger Agreement have made certain covenants relating to the closing of the Castleberry's Acquisition and certain post-closing matters. In particular, Castleberry's agreed that, until the closing of the Castleberry's Acquisition, the Castleberry's business will be conducted in the ordinary course and consistent with past practice, subject to certain exceptions. The controlling stockholder of Castleberry's has also agreed not to: (i) engage in any activity or business or establish any new business, that would be competitive with the Castleberry's present business or (ii) solicit any employees of Castleberry's, in each case for a period of two years from the closing of the Castleberry's Acquisition.

Indemnities

The parties to the Merger Agreement have agreed to indemnify each other with respect to claims or losses relating to, among other matters: (i) the breach of any representation or warranty contained in the Merger Agreement or the escrow agreement; and (ii) the failure by a party to perform any covenant under the Merger Agreement. Castleberry's has agreed to indemnify Bumble Bee Seafoods in respect of any claims or losses suffered by Bumble Bee Seafoods resulting from the exercise by any stockholders of dissent rights in connection with the merger of Castleberry's. In the case of claims or losses by Bumble Bee Seafoods against Castleberry's or its current stockholders, Castleberry's will not be liable to pay any amounts arising from or relating to a breach of representation or warranty (other than in respect of income tax matters under the indemnity provisions until the amount of claims or losses for such breaches in aggregate exceeds U.S.\$0.5 million and up to a maximum of U.S.\$8.5 million. The parties to the Merger Agreement have also agreed that, at the closing of the Castleberry's Acquisition, they will enter into an escrow agreement wherein U.S.\$5.0 million of the purchase price will be held in escrow, U.S.\$3.5 million of which will be released one year following the closing of the Castleberry's Acquisition and the remainder of which will be released six months thereafter, in each case to the extent not previously distributed to satisfy any indemnity claims of Bumble Bee Seafoods.

Closing Conditions

The obligation of each of the parties to complete the Castleberry's Acquisition is subject to customary closing conditions including: (i) the accuracy in material respects of the representations and warranties made by the other parties to the Merger Agreement and compliance in all material respects by the other parties to the Merger Agreement with all of its obligations provided for in the Merger Agreement; (ii) the absence of any proceedings prohibiting the closing of the Castleberry's Acquisition; (iii) the execution of the escrow agreement; (iv) the payment of certain indebtedness of Castleberry's; (v) the receipt of consents to the assignment of certain material contracts; (vi) the receipt of all consents and approvals required to be obtained to permit the closing of the Castleberry's Acquisition; and (vii) the absence of the occurrence of any event which could reasonably be expected to have a material adverse effect on Castleberry's or the capital markets generally.

Termination of the Castleberry's Acquisition

The Merger Agreement may be terminated, and each party will be released from its obligations thereunder, as follows: (i) by the mutual written consent of the parties at any time; or (ii) by either party to the Merger Agreement if the closing of the Castleberry's Acquisition has not been completed by February 22, 2005, provided that a party will not be released from its obligations under the Merger Agreement where the other party can show the first-named party is the cause of such failure to close.

SWEET SUE/BRYAN BUSINESS PURCHASE AGREEMENT

Pursuant to the Purchase Agreement, Bumble Bee Seafoods has agreed to purchase the assets comprising the Sweet Sue/Bryan Business from Sara Lee. The closing of the Sweet Sue/Bryan Acquisition is expected to occur on or about January 14, 2005, and is subject to several conditions as described below.

Purchase Price

Bumble Bee Seafoods will acquire the Sweet Sue/Bryan Business from Sara Lee for a purchase price of U.S.\$45.0 million plus the assumption of certain liabilities with respect to the Sweet Sue/Bryan Business. The purchase price will be payable in cash at the closing of the Sweet Sue/Bryan Acquisition, subject to certain adjustments relating to working capital.

Representations and Warranties

The Purchase Agreement includes certain representations and warranties from Sara Lee relating to the Sweet Sue/Bryan Business which are customary in a transaction of this nature, including representations and warranties with respect to authority, approvals, absence of conflicts, absence of certain developments, title to and condition of properties, tax matters, contracts and commitments, intellectual property, litigation, consents, employee agreements and benefit plans, environmental matters, compliance with laws, assumed liabilities, customers and suppliers, product recalls and liabilities, investments, insurance, inventory and the sufficiency of assets. The representations and warranties

will survive for a period of 18 months following the closing of the Sweet Sue/Bryan Acquisition, except for: (i) certain corporate representations and warranties and representations and warranties with respect to title of properties, each of which will survive indefinitely; (ii) representations and warranties relating to taxes, which will survive for six years following the closing of the Sweet Sue/Bryan Acquisition; and (iii) representations and warranties relating to environmental matters, which will survive for five years following the closing of the Sweet Sue/Bryan Acquisition.

Covenants

The parties to the Purchase Agreement have made covenants relating to the closing of the Sweet Sue/Bryan Acquisition and related matters. In particular, Sara Lee has agreed that, until the closing of the Sweet Sue/Bryan Acquisition, the Sweet Sue/Bryan Business will be conducted in the ordinary course and consistent with past practice, subject to certain exceptions. Sara Lee has also agreed: (i) not to engage in any activity or business or establish any new business anywhere in North America that would be competitive with the Sweet Sue/Bryan Business, subject to certain customary exceptions; and (ii) not to solicit or hire any employees of the Sweet Sue/Bryan Business, in each case for a period of two years from the closing of the Sweet Sue/Bryan Acquisition.

Indemnities

The parties to the Purchase Agreement have agreed to indemnify each other with respect to claims or losses relating to, among other matters: (i) the breach of any representation or warranty contained in the Purchase Agreement; and (ii) the failure by a party to perform any covenant under the Purchase Agreement. Sara Lee has also agreed to indemnify Bumble Bee Seafoods with respect to claims or losses relating to: (i) certain outstanding product recalls; (ii) the operation by Sara Lee of the Sweet Sue/Bryan Business prior to the closing of the Sweet Sue/Bryan Business Acquisition; and (iii) any other liabilities other than those expressly assumed under the Purchase Agreement. Bumble Bee Seafoods has also agreed to indemnify Sara Lee with respect to any claims or losses relating to: (i) the operation of the Sweet Sue/Bryan Business following the closing; and (ii) the other liabilities expressly assumed by Bumble Bee Seafoods under the Purchase Agreement. In the case of claims or losses by Bumble Bee Seafoods against Sara Lee, Sara Lee will not be liable to pay any amounts for a breach of representation or warranty (other than in respect of certain corporate representations and warranties and representations and warranties in relation to title to property) under the indemnity provisions until the amount of claims or losses for such breaches in aggregate exceeds U.S.\$0.3 million and up to a maximum of U.S.\$18.0 million.

Related Agreements

The Purchase Agreement requires that Sara Lee and Bumble Bee Seafoods enter into a license agreement and a transition services agreement at the closing of the Sweet Sue/Bryan Acquisition. Pursuant to the license agreement, Sara Lee will grant Bumble Bee Seafoods an exclusive license to use the *Bryan*[®] brand and related trademarks in connection with the manufacture, sale, import, export and distribution of shelf-stable chicken, beef, pork, turkey and seafood products bearing the *Bryan*[®] label in North America, Central America and the Caribbean. The license will be perpetual, subject to certain conditions and will require the payment of a royalty fee.

Pursuant to transition services agreement, Sara Lee will provide certain services to Bumble Bee Seafoods until June 30, 2005 (unless extended for a further 90 days at the option of Bumble Bee Seafoods) for a fee.

Closing Conditions

The obligation of each of the parties to complete the Sweet Sue/Bryan Acquisition is subject to customary closing conditions including: (i) the accuracy in all material respects of the representations and warranties made by the other party to the Purchase Agreement and compliance in all material respects by the other party with all of its obligations provided for in the Purchase Agreement to be performed at or prior to closing; (ii) the absence of any proceedings prohibiting the closing of the Sweet Sue/Bryan Acquisition; (iii) the receipt of consents to the assignment of certain material contracts; (iv) the receipt of all regulatory and other consents and approvals required to be obtained to permit the closing of the Sweet Sue/Bryan Acquisition; (v) the execution of the trademark license agreement and transition services agreement; and (vi) the absence of the occurrence of any event which could reasonably be expected to have a material adverse effect on the Sweet Sue/Bryan Business or the capital markets generally.

Termination of the Sweet Sue/Bryan Acquisition

The Purchase Agreement may be terminated, and each party will be released from its obligations thereunder: (i) by the mutual written consent of the parties at any time; or (ii) by either party to the Purchase Agreement if the closing of the Sweet Sue/Bryan Acquisition has not been completed by February 14, 2005, provided that a party will not be released from its obligations under the Purchase Agreement where the other party can show that the first-named party is the cause of such failure to close.

CONSOLIDATED CAPITALIZATION OF THE FUND

The following table (presented in thousands other than Unit amounts) sets forth the consolidated capitalization of the Fund as at December 31, 2003, both prior to and after giving effect to the Bumble Bee Transaction (which was completed on April 30, 2004) and the reduction in the Non-Controlling Interest (which was completed on September 29, 2004), and as at September 25, 2004, both prior to and after giving effect to this Offering (but without giving effect to the Acquisitions).

Designation (Authorized)	As at	As at	As at	As at
	December 31, 2003 (prior to giving effect to the Bumble Bee Transaction)	December 31, 2003 (after giving effect to the Bumble Bee Transaction and the reduction of the Non-Controlling Interest)	September 25, 2004 (after the reduction of the Non-Controlling Interest but prior to giving effect to the Offering)	September 25, 2004 (after giving effect to the Offering)
Cash and cash equivalents	\$ 7,260	\$ —	\$ 3,534	\$ 108,101 (7)
Short-term debt	\$ 9,154	\$ 199	\$ 49	\$ 49
Long-term debt	\$ —	\$ 105,470 (1)	\$ 130,926	\$ 130,926
Equity value of Units issued (2)	\$ 145,465	\$ 501,107 (3)	\$ 501,107	\$ 605,674 (5)
Units issued (unlimited)	15,540,000 Units	45,048,942 Units (4)	45,048,942 Units (4)	51,163,942 Units (6)

- (1) Represents drawings under the U.S. portion of the Credit Facility by Clover Leaf Seafoods and Bumble Bee Seafoods concurrently with the completion of the Bumble Bee Transaction.
- (2) The Fund had a deficit of \$3,186 and \$19,086 as of December 31, 2003 and September 25, 2004, respectively.
- (3) During 2004, the Fund determined that the Non-Controlling Interest, previously presented in the pro forma consolidated financials as of December 31, 2003 as a component of Unitholders' equity, should be separately presented as a Non-Controlling Interest. This amounted to \$198.4 million at December 31, 2003.
- (4) Represents Units issued and outstanding following the Bumble Bee Transaction and at September 25, 2004, including for this purpose Units that may be acquired by New Holdings as a result of its exercise of the Non-Controlling Interest Exchange Right (as defined herein).
- (5) Equity value of Units issued and outstanding at September 25, 2004 after giving effect to the \$93.4 million offering of Units to the public and an issuance of \$25.6 million of Units to investors of New Holdings through the exchange of the Non-Controlling Interest Exchange Right less expenses of \$5.2 million which occurred on September 29, 2004, and after giving effect to this Offering less estimated expenses of approximately \$5.5 million.
- (6) Represents Units issued and outstanding at September 25, 2004, including for this purpose Units that may be acquired by New Holdings as a result of its exercise of the Non-Controlling Interest Exchange Right, and Units issued pursuant to this Offering.
- (7) Includes net proceeds from the Offering which, along with borrowings under the Credit Facilities, will be used to purchase Castleberry's and the Sweet Sue/Bryan Business. See "Use of Proceeds".

PRICE RANGE AND TRADING VOLUME OF THE UNITS

The outstanding Units are listed on the TSX under the trading symbol “CBF. UN”. The following table sets forth the trading price range and trading volume of the Units as reported by the TSX from January 1, 2003.

	<u>High</u>	<u>Low</u>	<u>Volume</u>
2003			
January	\$14.00	\$13.40	433,030
February	\$14.41	\$13.53	549,672
March	\$14.25	\$13.76	736,399
April	\$14.20	\$13.72	618,248
May	\$14.20	\$13.31	728,660
June	\$14.90	\$13.45	592,951
July	\$14.80	\$13.99	1,303,278
August	\$14.40	\$13.20	1,211,591
September	\$13.89	\$13.15	1,517,473
October	\$14.30	\$13.29	700,815
November	\$14.37	\$13.30	1,122,657
December	\$14.73	\$13.75	514,642
2004			
January	\$15.09	\$14.25	920,679
February	\$18.22	\$14.50	1,742,768
March	\$17.94	\$17.30	3,168,242
April	\$17.76	\$15.43	2,177,075
May	\$16.05	\$14.90	1,992,529
June	\$16.80	\$15.31	1,880,283
July	\$16.68	\$15.77	1,606,765
August	\$17.08	\$15.95	1,453,547
September	\$17.25	\$16.10	3,319,030
October	\$16.50	\$15.52	1,882,962
November	\$17.25	\$15.91	1,973,988
December	\$19.00	\$16.96	2,074,374
2005			
January 1 to 5	\$18.65	\$18.00	349,059

On January 5, 2005, the closing price of the Units on the TSX was \$18.02 per Unit.

SUMMARY OF PRO FORMA DISTRIBUTABLE CASH

The following table presents the Fund’s pro forma EBITDA and distributable cash for the nine months ended September 25, 2004 and for the twelve months ended September 25, 2004, based on the Fund’s results for those periods and assuming that the Bumble Bee Transaction (which was completed on April 30, 2004), and the Castleberry’s Acquisition (which is expected to be completed on or about January 14, 2005) and this Offering had been in effect, in each case, for the entire period presented. As such, the information presented should not be considered as indicative of the results of operations that would have occurred if the Bumble Bee Transaction, the Castleberry’s Acquisition and this Offering had been completed prior to those periods. This table should be reviewed in conjunction with the pro forma consolidated statement of earnings and the notes thereto, appearing in the Fund’s management’s discussion and analysis of financial condition and results of operation for the three and nine month periods ended September 25, 2004 and the unaudited financial statements of the Fund for those periods, incorporated by reference in this short form prospectus. This table does not give effect to the Sweet Sue/Bryan Acquisition.

During the nine and twelve months ended September 25, 2004, before allocation of pro forma distributable cash to the Non-Controlling Interest holders, the Fund generated pro forma distributable cash of \$48.6 million and \$77.3 million, respectively. The nine months and twelve months ended September 25, 2004 were negatively impacted by certain items related to the combination of the businesses following the completion of the Bumble Bee Transaction,

including a \$15.3 million depletion of the inventory step-up on acquired inventory and \$2.8 million of charges related to the termination of employees, the closure of Stinson's U.S. sales office and the retention of key executives. Additionally, on a pro forma basis, the Fund experienced significant mark-to-market adjustments in the value of its foreign currency contracts, which positively impacted the prior year's period. The following displays a reconciliation from pro forma earnings before income taxes to pro forma distributable cash and to adjusted pro forma distributable cash, which is presented to illustrate the impact of these items (in thousands):

	Twelve Months Ended September 25, 2004	Nine Months Ended September 25, 2004
PRO FORMA EBITDA and PRO FORMA DISTRIBUTABLE CASH:		
Pro forma EBITDA (1)	92,424	60,967
Less: Maintenance capital expenditures	4,717	3,990
Interest paid	7,800	6,820
Taxes paid (2)	<u>2,622</u>	<u>1,546</u>
Pro forma distributable cash before Non-Controlling Interest	77,285	48,611
Pro forma distributable cash available to the Non-Controlling Interest	<u>(10,797)</u>	<u>(6,791)</u>
Pro forma distributable cash available for Fund Unitholders	<u>\$ 66,488</u>	<u>\$ 41,820</u>
ADJUSTED PRO FORMA EBITDA and ADJUSTED PRO FORMA DISTRIBUTABLE CASH:		
Pro forma EBITDA	\$ 92,424	\$ 60,967
Plus: Impact of inventory fair value step-up (3)	15,284	15,284
Foreign exchange mark-to-market contract losses (gains) (4)	2,092	2,762
Restructuring and other charges (5)	<u>2,830</u>	<u>2,830</u>
Adjusted pro forma EBITDA	112,630	81,843
Less: Maintenance capital expenditures	4,717	3,990
Interest paid	7,800	6,820
Taxes paid (2)	<u>2,622</u>	<u>1,546</u>
Adjusted pro forma distributable cash before Non-Controlling Interest	97,491	69,487
Adjusted pro forma distributable cash available to the Non-Controlling Interest	<u>(13,620)</u>	<u>(9,707)</u>
Adjusted pro forma distributable cash available for Fund Unitholders	<u>\$ 83,871</u>	<u>\$ 59,780</u>
Outstanding Units (6)	44,018,166	44,018,166
Pro forma distributable cash per Unit	\$ 1.51	\$ 0.95
Pro forma distributable cash payout ratio (7)	99.3%	118.4%
Adjusted pro forma distributable cash per Unit	\$ 1.91	\$ 1.36
Adjusted pro forma distributable cash payout ratio (6)	78.7%	82.8%

(1) For a reconciliation of pro forma EBITDA to GAAP measures see "Reconciliation of GAAP Measures to Pro Forma EBITDA".

(2) The 2003 taxes paid reflect tax expense recognized by Bumble Bee Seafoods and indirectly paid by its former parent, ConAgra Foods.

(3) As required by purchase accounting rules, the finished goods inventory of the Bumble Bee Seafoods and Clover Leaf Seafoods businesses were marked up to reflect its fair market value as of the Bumble Bee Transaction date. The markup totaled \$15.3 million and the inventory to which it relates was sold within three months. Thus, the \$15.3 million mark-up negatively impacted the results for the nine months ended September 25, 2004. A similar adjustment of approximately \$11.5 million from the purchase of Bumble Bee Seafoods from ConAgra Foods in May 2003 negatively impacted the results for the nine months ended September 30, 2003.

(4) Mark-to-market adjustments occurred during certain periods presented as the Fund revalued its foreign currency contracts to the rates at the end of those periods. In the prior year, the Fund recorded significant gains on its foreign currency contracts as the Canadian dollar weakened and the Fund did not meet the criteria for hedge accounting under CICA AcG 13, "Hedging Relationships". During the second quarter of 2004, the Fund determined that it met the criteria for hedge accounting and subsequently began deferring unrealized gains and losses on its foreign currency contracts.

(5) As a result of the combination of the Connors Bros.', Bumble Bee Seafoods' and Clover Leaf Seafoods' businesses, the Fund incurred approximately \$2.8 million of costs in the nine months ended September 25, 2004, respectively, to terminate employees, eliminate certain marketing assets and close the Stinson sales office as well as retain key executives.

- (6) Outstanding Units consist of the Units outstanding as of September 25, 2004, giving effect to the September 29, 2004 reduction of the Non-Controlling Interest and the Offering to the beginning of each period presented.
- (7) The pro forma and adjusted pro forma distributable cash payout ratio is calculated by dividing the proposed annual distribution per unit of \$1.50 by the pro forma or adjusted pro forma distributable cash per unit for the pro forma periods (nine or twelve months) presented.

Giving effect to the Sweet Sue/Bryan Acquisition, pro forma net revenues for the twelve months ended September 25, 2004 would have been \$1,136.7 million, while adjusted pro forma EBITDA before the Non-Controlling Interest and adjusted distributable cash before the Non-Controlling Interest would have been \$126.3 million and \$105.7 million, respectively. After giving effect to the Non-Controlling Interest, this results in adjusted pro forma distributable cash per unit of \$2.07 and an adjusted pro forma payout ratio of 72.6%.

Distributable cash is not a recognized measure under Canadian GAAP or U.S. GAAP, and the Fund's method of calculation may differ from methods used by other entities. Accordingly, distributable cash as presented may not be comparable to similar measures presented by other entities. The Fund and management of Connors believe that the method of determining distributable cash presented in this short form prospectus is comparable to cash flow from operating activities before changes in non-cash working capital, future income taxes and one-time gains/losses. In addition, the Fund's method of determining distributable cash is derived directly from net earnings, which is a measure recognized under Canadian GAAP and U.S. GAAP and is a measure of operating performance understood by Unitholders. The Fund's method of determining distributable cash is also consistent with the Fund's historical disclosure and consistent with management's discussion and analysis of financial condition and results of operations as publicly disclosed to Unitholders. Management believes that consistent disclosure enhances the comparability of the information presented in this short form prospectus with results of the Fund on a stand-alone basis for prior periods. This method presents cash that will be distributable to the Unitholders based on the results of the relevant period, after adjusting for non-cash depreciation, the direct payment of interest and taxes and after adjusting for maintenance capital expenditures. The Fund's presentation of net earnings and EBITDA also permits Unitholders to assess the performance of Connors on the same basis as management and senior lenders under the Credit Facility. Under the Credit Facility, EBITDA determined with reference to net earnings is the sole operating metric used to evaluate the performance of Connors.

The foregoing analysis has been prepared by management to assist a reader of this short form prospectus. The analysis is not a forecast or projection of future results of the Fund. The actual results of operations of the Fund for any period will vary from the amounts set forth in such analysis, and such variations may be material.

Reconciliation of GAAP Measures to Pro Forma EBITDA

The following displays a reconciliation from Earnings before Non-Controlling Interest to Pro Forma EBITDA before Non-Controlling Interest for the twelve months ended September 25, 2004 and the nine months ended September 25, 2004.

	Connors Bros. Historical Twelve Months Ended September 25, 2004	Bumble Bee Historical Seven Months Ended April 29, 2004	Castleberry's Historical Twelve Months Ended October 17, 2004	Combined	(1) Adjustments	Consolidated Pro forma Twelve Months Ended September 25, 2004
Earnings before Non-Controlling Interest . .	\$16,458	\$35,941	\$ 5,063	\$57,462	\$(6,241)	\$51,221
Add:						
Income taxes	1,422	438	2,729	4,589	11,335	15,924
Net interest expense	2,631	9,685	2,290	14,606	(5,295)	9,311
Depreciation and amortization	7,652	2,514	5,932	16,098	(130)	15,968
EBITDA before Non-Controlling Interest . .	<u>28,163</u>	<u>48,578</u>	<u>16,014</u>	<u>92,755</u>	<u>(331)</u>	<u>92,424</u>

(1) For more information regarding pro forma adjustments, see "Notes to Unaudited Pro Forma Consolidated Financial Statements".

	Connors Bros. Historical Nine Months Ended September 25, 2004	Bumble Bee Historical Four Months Ended April 29, 2004	Castleberry's Historical Nine Months Ended July 25, 2004	Combined	(1) Adjustments	Consolidated Pro forma Nine Months Ended September 25, 2004
Earnings before Non-Controlling Interest	\$13,176	\$19,133	\$ 3,277	\$35,586	\$ (3,703)	\$31,883
Add:						
Income taxes	1,108	277	1,703	3,088	6,546	9,634
Net interest expense	2,390	5,788	1,798	9,976	(2,923)	7,053
Depreciation and amortization	6,245	1,398	4,674	12,317	80	12,397
EBITDA before Non-Controlling Interest	<u>\$22,919</u>	<u>\$26,596</u>	<u>\$11,452</u>	<u>\$60,967</u>	<u>\$ —</u>	<u>\$60,967</u>

(1) For more information regarding pro forma adjustments, see “Notes to Unaudited Pro Forma Consolidated Financial Statements”.

Reconciliation of Historical GAAP Measures to EBITDA

The following chart presents a reconciliation of historical EBITDA to applicable GAAP measures for Castleberry's. The audited and unaudited financial information presented below has been derived from historical financial statements, due diligence reports and other financial information provided by Castleberry's (U.S.\$ millions).

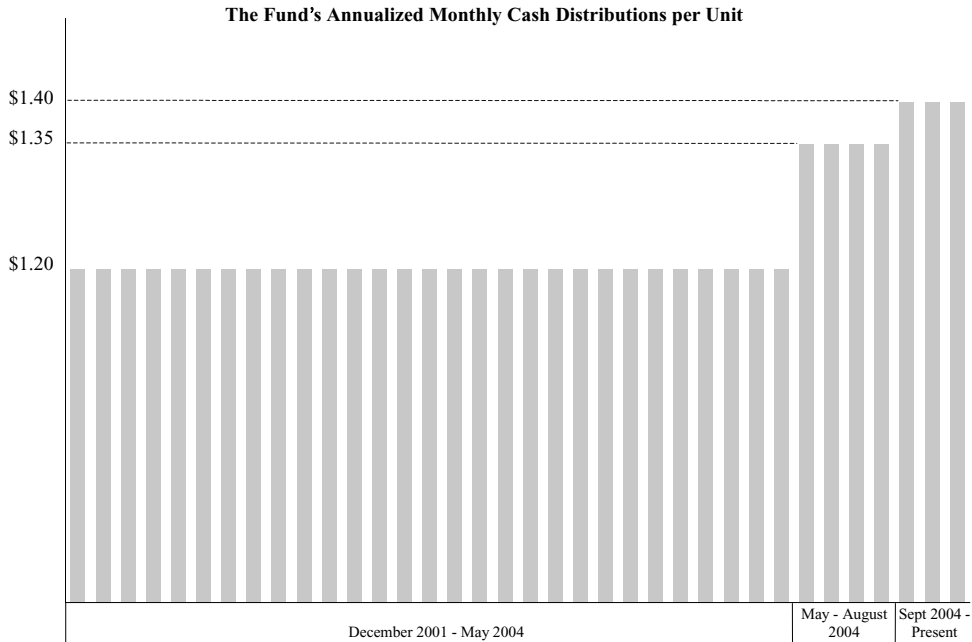
	Twelve Months Ended July 28, 2002	Twelve Months Ended July 27, 2003	Twelve Months Ended July 25, 2004	Twelve Months Ended October 17, 2004
Net revenues	\$120.9	\$126.5	\$133.6	\$134.5
Cost of goods sold	<u>97.2</u>	<u>99.3</u>	<u>108.2</u>	<u>107.9</u>
Gross profit	23.7	27.2	25.4	26.6
SG&A	<u>17.6</u>	<u>19.4</u>	<u>19.7</u>	<u>19.0</u>
Income from operations	6.1	7.8	5.7	7.6
Interest expense and other	<u>3.5</u>	<u>2.1</u>	<u>1.8</u>	<u>1.8</u>
Earnings before taxes	2.6	5.7	3.9	5.8
Provision (benefit) for income taxes	<u>(0.1)</u>	<u>2.1</u>	<u>1.4</u>	<u>2.0</u>
Net earnings	\$ 2.7	\$ 3.6	\$ 2.5	\$ 3.8
Depreciation and amortization	5.3	4.9	4.4	4.5
Interest expense and other	3.5	2.1	1.8	1.8
Provision for taxes	<u>(0.1)</u>	<u>2.1</u>	<u>1.4</u>	<u>2.0</u>
EBITDA	<u>\$ 11.4</u>	<u>\$ 12.7</u>	<u>\$ 10.1</u>	<u>\$ 12.1</u>

The following chart presents a reconciliation of historical EBITDA to applicable GAAP measures for the Sweet Sue/Bryan Business. The audited and unaudited financial information presented below has been derived from historical financial statements, due diligence reports and other financial information provided by the Sweet Sue/Bryan Business (U.S.\$ millions).

	Twelve Months Ended June 25, 2002	Twelve Months Ended June 28, 2003	Twelve Months Ended July 3, 2004	Twelve Months Ended October 2, 2004
Net revenues	\$80.2	\$79.2	\$78.2	\$79.4
Cost of goods sold	<u>65.6</u>	<u>63.3</u>	<u>62.3</u>	<u>63.7</u>
Gross profit	14.6	15.9	15.9	15.7
SG&A	<u>6.7</u>	<u>7.6</u>	<u>8.4</u>	<u>8.3</u>
Income from operations	7.9	8.3	7.5	7.4
Interest expense and other	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Earnings before taxes	7.9	8.3	7.5	7.4
Provision for taxes	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net earnings	\$ 7.9	\$ 8.3	\$ 7.5	\$ 7.4
Depreciation and amortization	1.2	1.1	1.1	1.1
Interest expense and other	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Provision for taxes	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
EBITDA	<u>\$ 9.1</u>	<u>\$ 9.4</u>	<u>\$ 8.6</u>	<u>\$ 8.5</u>

RECORD OF CASH DISTRIBUTIONS AND DISTRIBUTION POLICY

The Fund paid monthly cash distributions of \$0.10 per Unit in each month from its inception to the distribution in respect of the month of April 2004 (except for its initial distribution of \$0.077 for a partial month). Following the completion of the Bumble Bee Transaction, the Fund increased its annual distribution rate from \$1.20 per Unit to \$1.35 per Unit, resulting in an increase in the monthly distribution to \$0.1125 per Unit in respect of the months of May through August 2004. In September 2004, the Fund increased its annual distribution rate to \$1.40 per Unit. The following table shows the Fund distributions since its creation.



On December 20, 2004, the trustees of the Fund approved an increase in the Fund's annual distribution rate to \$1.50 per Unit following the completion of the Acquisitions.

Monthly distributions are payable to Unitholders of record on the last business day of each month and are paid within 30 days following each month end. The Fund's declaration and payment of cash distributions is at the discretion of its trustees. See "Cash Distributions" in the Fund's annual information form dated May 19, 2004, incorporated by reference in this short form prospectus.

DETAILS OF THE OFFERING

The following is a summary of the material attributes and characteristics of the Units. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to the terms of the Declaration of Trust. Concurrently with the closing of the Offering the Declaration of Trust will be amended to make certain technical amendments required as a result of the Acquisitions.

Units and Class A Units

The beneficial interests in the Fund are divided into interests of two classes, described and designated as Units and Class A Units (the holders of the Units and Class A Units are collectively referred to as, the "Voting Unitholders"). The Declaration of Trust provides that the Units and Class A Units or rights to acquire the Units and Class A Units may be issued to the persons, for the consideration, and on the terms and conditions that the trustees of the Fund may determine. The number of Units and Class A Units which are authorized and may be issued under the Declaration of Trust is unlimited.

Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund, other than any distribution payable to holders of the Class A Units. All Units of

a class rank among themselves equally and rateably without discrimination, preference or priority. The Units are not subject to future calls or assessments, and entitle the holder thereof to one vote for each whole Unit held at all meetings of Unitholders. Except as set out under “— Redemption of Units” below, the Units have no conversion, retraction, redemption or pre-emptive rights.

Each Class A Unit is entitled to one vote at all meetings of Voting Unitholders. The Class A Units generally vote together with Units at all Unitholder meetings. The holders of Class A Units are entitled to only nominal amounts on distributions or upon a liquidation.

The Class A Units are all held by Clover Leaf Seafoods, but a wholly-owned subsidiary of New Holdings as a general partner of Clover Leaf Seafoods has the authority to vote the Class A Units and to cause Clover Leaf Seafoods to sell, pledge or otherwise transfer the Class A Units subject to any limitation thereon set forth in the amended and restated agreement of limited partnership of Clover Leaf Seafoods (the “Partnership Agreement”).

Consolidation of Units

The Declaration of Trust provides that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. However, if amounts so distributed represent income, then non-resident holders will be subject to withholding tax thereon and the consolidation will not result in those non-resident Unitholders holding the same number of Units.

Cash Distributions

The amount of cash to be distributed monthly per Unit to the Unitholders is equal to a *pro rata* share of interest and principal repayments on the Castleberry’s Note, the 13% subordinated notes of Connors Bros. (the “Connors Notes”) and the 4.5% subordinated notes of Connors Trust (the “Connors Trust Notes”), dividends or distributions on or in respect of the common shares of Connors Bros. (the “Connors Shares”) and the trust units of Connors Trust (the “Connors Trust Units”) owned by the Fund and all other dividends, interest, returns of capital, repayments of indebtedness and proceeds of disposition of securities held by the Fund less: (i) administrative expenses and other obligations of the Fund; (ii) amounts which may be paid by the Fund in connection with any cash redemptions of Units; (iii) any interest expense incurred by the Fund between distributions; and (iv) any reserve that the trustees of the Fund may reasonably consider to be necessary to provide for the payment of costs expected to be incurred.

To the extent that cash of the Fund is applied to any cash redemptions of Units or is otherwise unavailable for cash distribution, the Fund’s income will be distributed to Unitholders in the form of additional Units. Such additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Redemption of Units

Units are redeemable at any time at the demand of the holders thereof. As the Units are issued in book-entry form, a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder’s investment dealer who will be required to deliver the completed redemption notice form to CDS. Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the “Redemption Price”) equal to the lesser of: (i) 90% of the “market price” of the Units on the principal market on which the Units are quoted for trading during the 10 trading day period commencing immediately subsequent to the date on which the Units were surrendered for redemption (the “Redemption Date”); and (ii) 100% of the “closing market price” on the principal market on which the Units are quoted for trading on the Redemption Date.

For the purposes of this calculation, “market price” will be an amount equal to the weighted average of the closing price of the Units for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Units traded on a particular day, the “market price” will be an amount equal to the weighted average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the ten trading days, the “market price” shall be the weighted

average of the following prices established for each of the ten trading days: the weighted average of the last bid and last asking prices of the Units for each day there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the weighted average of the highest and lowest prices of the Units for each day that there was trading if the market provides only the highest and lowest prices of Units traded on a particular day. The “closing market price” shall be an amount equal to the closing price of the Units if there was a trade on the date and the exchange or market provides a closing price; an amount equal to the weighted average of the highest and lowest prices of the Units if there was trading and the exchange or other market provides only the highest and lowest prices of Units traded on a particular day; the weighted average of the last bid and last asking prices of the Units if there was no trading on that date.

The aggregate Redemption Price payable by the Fund in respect of any Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment no later than the last day of the month following the month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the Fund in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$50,000, provided that the trustees of the Fund may, in their sole discretion, waive such limitation in respect of all Units tendered for redemption in any calendar month; (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the trustees of the Fund consider, in their sole discretion, provides representative fair market value prices for the Units; and (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10-day trading period commencing immediately after the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then each Unit tendered for redemption shall, subject to any applicable regulatory approvals, be redeemed by way of a distribution in specie of a *pro rata* number of securities of Connors Bros., Castleberry’s and Connors Trust (calculated on a fully diluted basis) held by the Fund. In such event, the Unitholder will receive its *pro rata* share of Connors Shares, the Castleberry’s Note and Connors Notes. In addition, such Unitholder’s *pro rata* share of Connors Trust Units and Connors Trust Notes, Series 1 (the “Series 1 Trust Notes”) will be redeemed by Connors Trust and, in consideration thereof, Connors Trust Notes, Series 2 (the “Series 2 Trust Notes”) and Connors Trust Notes, Series 3 (the “Series 3 Trust Notes”), respectively, will be issued, as provided in the Connors Trust Declaration of Trust and Connors Trust Note Indenture and such Series 2 Trust Notes and Series 3 Trust Notes will be distributed in specie by the Fund to the redeeming Unitholder in lieu of the *pro rata* share of Connors Trust Units and Series 1 Trust Notes, respectively. No fractional Connors Shares or Connors Trust Units, or Connors Notes, the Castleberry’s Note or Connors Trust Notes in integral multiples of less than \$100 in principal amount, will be distributed, and where the number of securities of Connors Bros. or Connors Trust to be received by a Unitholder includes a fraction or a multiple less than \$100, such number shall be rounded to the next lowest whole number or integral of \$100. The Fund shall be entitled to all interest paid on the Connors Notes, the Castleberry’s Note and Connors Trust Notes and the distributions paid on the Connors Shares and Connors Trust Units on or before the date of the distribution in kind. Where the Fund makes a distribution in kind of a *pro rata* number of securities of Connors Bros., Castleberry’s and Connors Trust on the redemption of Units of a Unitholder, the Fund currently intends to allocate to that Unitholder any capital gain or income realized by the Fund as a result of the exchange and distribution of such securities to the Unitholder. See “Certain Canadian Federal Income Tax Considerations”.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Securities of Connors Bros., Castleberry’s and Connors Trust which may be distributed in kind to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in securities of Connors Bros. and Connors Trust and they may be subject to resale restrictions under applicable securities laws or security interests in favour of secured creditors of the Fund and its affiliates. Securities of Connors Bros., Castleberry’s and Connors Trust so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time. See “Certain Canadian Federal Income Tax Considerations”.

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a mutual fund trust under the *Income Tax Act* (Canada) (the “Tax Act”), the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of more than 49.9% of the Units then-outstanding (calculated on both a non-diluted basis and a fully diluted basis, including all Units issuable upon the exercise of the exchange rights of Connors Bros. (the “Exchange Rights”) and assuming such Units have been transferred to New Holdings in exchange for its Non-Controlling Interest (the “Non-Controlling Interest Exchange Rights”). The trustees of the Fund may require declarations as to the jurisdictions in which beneficial owners of Units or Class A Units are resident. If the trustees of the Fund become aware that the beneficial owners of 49.9% of the Units (calculated on both a non-diluted basis and a fully diluted basis, including all Units issuable upon the exercise of all Exchange Rights and assuming such Units have been transferred to New Holdings pursuant to its Non-Controlling Interest Exchange Rights) are, or may be, non-residents or that such a situation is imminent, the trustees of the Fund shall direct the transfer agent and registrar to make a public announcement thereof and shall not accept a subscription for Units or Class A Units from or issue or register a transfer of Units or Class A Units to a person unless the person provides a declaration that it is not a non-resident and does not and will not hold Units or Class A Units on behalf of or for the benefit of any non-resident person and will not be subject to the instructions or influence of any non-resident person with respect to the voting of any Units or Class A Units. If, notwithstanding the foregoing, the trustees of the Fund determine that a majority of the Units (calculated on both a non-diluted basis and a fully diluted basis, including all Units issuable upon the exercise of all Exchange Rights and assuming such Units have been transferred to New Holdings pursuant to its Non-Controlling Interest Exchange Rights) are held by non-residents, the trustees of the Fund may send a notice to non-resident holders of Units or Class A Units, chosen in inverse order to the order of acquisition or registration or in such manner as the trustees of the Fund may consider equitable and practicable, requiring them to sell their Units or Class A Units to a Canadian resident, or a portion thereof, within a specified period of not less than 60 days; provided that for this purpose, New Holdings, pursuant to their Non-Controlling Interest Exchange Rights, shall be deemed to own all the Units that may be issued upon exercise of the Exchange Rights held by Connors Bros. and of the Non-Controlling Interest Exchange Rights held by it upon the earlier of: (i) immediately prior to the issuance to any other non-resident of any Units in connection with the Bumble Bee Transaction, and (ii) its acquisition of the Non-Controlling Interest Exchange Rights. If the Voting Unitholders receiving such notice have not sold the specified number of Units or Class A Units or provided the trustees of the Fund with satisfactory evidence, within such period, that they are not non-residents and that they do not and will not hold Units or Class A Units on behalf of or for the benefit of any non-resident person and that they are not and will not be subject to the instructions or influence of any non-resident person with respect to the voting of the Units or Class A Units, the trustees of the Fund may, on behalf of such Voting Unitholders, sell such Units or Class A Units and, in the interim, shall suspend the voting and distribution rights attached to such Units or Class A Units. Upon such sale, the affected holders shall cease to be holders of the Units or Class A Units and their rights shall be limited to receiving the net proceeds of such sale.

Amendments to the Declaration of Trust

The provisions of the Declaration of Trust, except where specifically provided otherwise, may only be amended by the trustees of the Fund with the consent of the holders of Units and Class A Units, voting as a single class by a resolution, passed by a majority of not less than 66% of votes cast, either in person or by proxy (a “Special Resolution”) provided that the trustees of the Fund may at any time and from time to time without the consent, approval or ratification of the holders of either Units or Class A Units or any other person at any time for the purpose of:

- ensuring continuing compliance with applicable laws (including the Tax Act), regulations, requirements or policies of any governmental authority having jurisdiction over the trustees of the Fund or the Fund (including ensuring that the Fund continues to qualify as a “unit trust” and a “mutual fund trust” and the Units and the Class A Units do not constitute “foreign property”, each within the meaning of the Tax Act);
- making amendments which, in the opinion of counsel to the trustees of the Fund, provide additional protection or added benefits for the holders of either Units or Class A Units;
- removing any conflicts or inconsistencies in the Declaration of Trust or making minor changes or corrections, including corrections or rectifications of any ambiguities, defective provisions, errors, mistakes or omissions

which are, in the opinion of the trustees of the Fund, necessary or desirable and not prejudicial to the holders of the Units or Class A Units; or

- making amendments which, in the opinion of the trustees of the Fund, are necessary or desirable as a result of changes in taxation laws or policies of any governmental authority having jurisdiction over the trustees of the Fund or the Fund.

Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Units and not less than 90% of the Units outstanding on a fully diluted basis, including the Units that could at the time be delivered pursuant to the Exchange Agreement if the Non-Controlling Interest Exchange Rights and the Exchange Rights were exercised in full (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror), are taken up and paid for by the offeror, the offeror will be entitled to require the Fund to require the full exercise of the Exchange Rights by Connors Bros. and, in turn, New Holdings will exercise the Non-Controlling Interest Exchange Rights in full, in each case, in accordance with the terms of the Declaration of Trust and the Exchange Agreement, and to otherwise acquire the Units held by Unitholders who did not accept the take-over bid on the terms offered by the offeror.

New Holdings has entered into a trust agreement with Computershare Trust Company of Canada (as trustee for the holders of the Units) and the Fund (the “Trust Agreement”). The Trust Agreement provides, among other things, that New Holdings has agreed not to sell any Class A Units and/or Non-Controlling Interest Exchange Rights, directly or indirectly, pursuant to a take-over bid, unless a concurrent bid is made to all holders of Units. The concurrent offer must be: (i) for the same percentage of Units as the percentage of Class A Units and/or Non-Controlling Interest Exchange Rights offered to be purchased from New Holdings (assuming that the Non-Controlling Interest Exchange Rights have been exercised, that Connors Bros. has elected to make payments in Units with the same effective date as the date of the proposed sale and that New Holdings would in effect be selling Units in the proposed sale); and (ii) the same in all material respects as the offer for the Class A Units and/or Non-Controlling Interest Exchange Rights.

Rights of Unitholders

The Declaration of Trust includes provisions intended to limit the liability of Unitholders for liabilities and other obligations of the Fund, although no statutory provisions historically confirmed the limited liability status of Unitholders in a manner comparable to shareholders of a Canada Business Corporation Act (“CBCA”) corporation. However, on December 16, 2004, the Ontario Trust Beneficiaries’ Liability Act, 2004 was enacted. That Act provides that Unitholders of the Fund are not liable, as beneficiaries of a trust, for any act, default, obligation or liability of the Fund or the trustees of the Fund, with reference to activities or obligations of the Fund or the trustees of the Fund occurring or arising after December 16, 2004. That Act has not yet been judicially considered and it is possible that reliance on the Act by a Unitholder could be successfully challenged on jurisdictional or other grounds.

Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of a CBCA corporation and to elect trustees and auditors. The Declaration of Trust also includes provisions modeled after comparable provisions of the CBCA dealing with the calling and holding of meetings of shareholders and trustees, the quorum for and procedures at such meetings and the right of investors to participate in the decision-making process where certain fundamental actions are proposed to be undertaken. The matters in respect of which Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation, but effectively extend to certain fundamental actions that may be undertaken by the Fund’s subsidiary entities. These Unitholder approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are “reporting issuers” or the equivalent or listed on the TSX (for example, approval requirements relating to related party or other transactions that are subject to Ontario Securities Commission Rule 61-501 and Policy Statement No. Q-27 of L’Agence nationale d’encadrement du secteur financier du Québec).

Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting (i) the business or

businesses that the corporation can carry on, or (ii) the issue, transfer or ownership of shares). As an alternative, Unitholders seeking to terminate their investment in the Fund are entitled to receive their pro rata share of the Fund's net assets through the exercise of the redemption rights provided by the Declaration of Trust, as described under "— Redemption of Units". Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregarding the interests of securityholders and certain other parties. Shareholders of a CBCA corporation may also apply to a court to order the liquidation and dissolution of the corporation in those circumstances, whereas Unitholders could rely only on the general provisions of the Declaration of Trust which permit the winding up of the Fund with the approval of a Special Resolution of the Unitholders. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Declaration of Trust allows for the appointment of an inspector to investigate the trustees' of the Fund performance of their responsibilities and duties, upon the request of holders of 25% of the outstanding Voting Units, but this process would not be subject to court oversight or assure the other investigative procedures, rights and remedies available under the CBCA. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right of the Unitholders to commence or participate in legal proceedings with respect to the Fund.

Exercise of Certain Voting Rights Attached to Securities of Connors Bros. and Connors Trust

The Declaration of Trust provides that the Fund shall not vote any securities forming part of the assets of the Fund, including the Connors Shares, the Connors Trust Units or, where applicable, the Connors Notes and the Connors Trust Notes to authorize:

- any sale, lease or other disposition of all or substantially all of the assets of the Fund, except in conjunction with *bona fide* pledges or mortgages in the ordinary course of business or in connection with guarantees of Connors Bros. or Connors Trust or a charge, pledge or lien of Connors Bros. or Connors Trust or except as part of an internal reorganization of the direct or indirect assets of the Fund as a result of which the Fund has the same interest, whether direct or indirect, in the assets as the interest, whether direct or indirect, that it had prior to the reorganization;
- any amalgamation, arrangement or other merger of Connors Bros. or Connors Trust with any other entity, except in conjunction with an internal reorganization;
- the winding-up or dissolution of Connors Trust prior to the end of the term of the Fund, except in conjunction with an internal reorganization of Connors Trust;
- any material amendment to the note indenture providing for the issuance of Connors Notes other than in contemplation of a future issuance of Connors Notes or to the note indenture of Connors Trust providing for the issuance of the Connors Trust Notes other than in contemplation of a future issuance of Connors Trust Notes;
- any material amendment to the constating documents of Connors Bros. or Connors Trust to change the authorized share capital thereof in a manner which may be prejudicial to the Fund; or
- any action prohibited by the Securityholders' Agreement;

without the approval of the holders of the Class A Units and Units by a Special Resolution at a meeting of the holders of the Class A Units and Units called for that purpose.

Book-Entry Only System

Registration of interests in and transfers of Units are made only through the book-entry only system. Units must be purchased, transferred and surrendered for redemption through a CDS participant. Upon purchase of any Units, the Unitholders will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which the Units are purchased. References in this short form prospectus to a Unitholder means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

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

The Fund has the option to terminate registration of the Units through the book-entry only system. At all times, in the case of Class A Units and upon the termination of the book-entry only system in the case of Units, each holder of Class A Units or Units or its duly authorized agent nominee will be entitled to receive certificates representing such Class A Units or Units in fully registered form.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the “Underwriting Agreement”) dated January 6, 2005 between the Fund, Connors Bros., Connors Trust and CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc. and First Associates Investment Inc., the Fund has agreed to issue and sell an aggregate of 6,115,000 Units to the Underwriters, and the Underwriters have agreed to purchase from the Fund, as principal, such Units on January 13, 2005, or on such other date as may be agreed upon among the parties to the Underwriting Agreement, but in any event not later than February 17, 2005. Delivery of the Units is conditional upon payment in cash on closing by the Underwriters to the Fund of \$18.00 per Unit for a total consideration of \$110,070,000. The Underwriting Agreement provides that the Fund will pay or cause to be paid to the Underwriters a fee of \$5,503,500 (\$0.90 per Unit) in consideration of services provided by the Underwriters in connection with the Offering.

The Fund has granted to the Underwriters an over-allotment option, exercisable in whole or in part for a period of 30 days following the closing of the Offering, to purchase up to 305,750 additional Units on the same terms as set out above, solely to cover over-allotments, if any, and for market stabilization purposes (the “Over-Allotment Option”). If the Over-Allotment Option is exercised in full, the total “Price to the Public”, “Underwriters’ Fees” and “Proceeds to the Fund” will be \$115,573,500, \$5,778,675 and \$109,794,825 respectively. This short form prospectus qualifies the distribution of the Over-Allotment Option and the issuance of Units upon the exercise of the Over-Allotment Option.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several) and may be terminated at their discretion upon the occurrence of certain stated events. If an Underwriter fails to purchase the Units which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase any Units. The Underwriters, however, are obligated to take up and pay for all Units if any Units are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Fund will indemnify the Underwriters and their directors, officers, agents and employees against certain liabilities and expenses.

The Underwriters propose to offer the Units initially at the public offering price on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all the Units offered by this short form prospectus at the price specified herein, the offering price may be decreased, and further changed from time to time, and the compensation realized by the Underwriters will accordingly also be reduced. The Fund has been advised by the Underwriters that, in connection with the Offering, the Underwriters may effect transactions which stabilize or maintain the market price of Units which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Fund has agreed that, subject to certain exceptions, it will not issue or agree to issue, or otherwise sell any equity securities or securities convertible into or exchangeable for equity securities for a period of 90 days subsequent to the closing of the Offering without the prior consent of the Underwriters, which consent may not be unreasonably withheld. New Holdings will enter into a similar agreement with CIBC World Markets Inc. restricting any sale or agreement to sell such securities. In addition, certain members of management of Connors will agree that they will not issue or agree to issue, or otherwise sell any equity securities, or other securities convertible into equity securities, without the prior consent of CIBC World Markets Inc. for a period of 90 days following the closing of the Offering, such consent not to be unreasonably withheld.

In connection with the Offering, the Fund may be considered a “connected issuer” of CIBC World Markets Inc. under applicable securities laws in certain Canadian provinces and territories. The Canadian chartered bank affiliate of CIBC World Markets Inc. has provided a bridge loan commitment to Connors Trust (a subsidiary of the Fund). The total amount of the commitment is U.S.\$70 million and no amounts are currently outstanding. As of the date hereof Connors Trust is in compliance with the material terms and conditions of the commitment. The decision of CIBC World Markets Inc. to participate in this Offering was made independently of its affiliated bank.

The TSX has conditionally approved the listing of these securities. Listing is subject to the Fund fulfilling all of the requirements of the TSX on or before March 21, 2005.

The Units have not been and will not be registered under the U.S. Securities Act or any state securities laws and, subject to certain exemptions, may not be offered or sold or otherwise transferred or disposed of in the United States or to U.S. persons. The Underwriters have agreed that they will not offer or sell the Units within the United States except to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) or to institutional accredited investors in accordance with the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of Units within the United States by a dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP, Canadian counsel to the Fund, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the following is, as of the date of this short form prospectus, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a subscriber who acquires Units in this Offering and who, for purposes of the Tax Act and at all relevant times, is resident in Canada, and deals at arm's length and is not affiliated with the Fund and holds the Units as capital property. Generally, the Units would be considered to be capital property to a holder provided that the holder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have Units treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to a holder that is a financial institution (as defined in the Tax Act for purposes of the mark-to-market rules), a specified financial institution or a holder an interest in which is a tax shelter investment (all as defined in the Tax Act).

This summary is based upon the facts set out in this short form prospectus and certificates of the Fund, Connors Bros., Connors Trust, Clover Leaf GP and others noted below as to certain factual matters, the provisions of the Tax Act and the regulations under the Tax Act in force at the date of this short form prospectus and counsel's understanding of the current published administrative and assessing practices of the Canada Revenue Agency and takes into account all specific proposals to amend the Tax Act and the regulations under the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this short form prospectus ("Tax Proposals"). There can be no assurance that any Tax Proposals will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this short form prospectus.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the holder's particular circumstances, including the province or territory or provinces or territories in which the holder 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 prospective holder of Units. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in the Units based on their particular circumstances.

Status of the Fund

Mutual Fund Trust

This summary is based on the assumption that the Fund qualifies as a "mutual fund trust", as defined in the Tax Act, at the time of the Offering and will continuously qualify as a mutual fund trust at all relevant times. This assumption is based on certificates of the Fund, Computershare Investor Services Inc. and the Underwriters as to certain factual matters. If the Fund does not qualify as a mutual fund trust, the income tax considerations described below would, in some respects, be materially different.

Qualified Investment

If issued on the date hereof, the Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, each as defined in the Tax Act (the "Plans"), subject to the specific provisions of any particular Plan. If the Fund ceases to qualify as a mutual fund trust, the Units would cease to be qualified investments for those Plans.

Securities of Connors Bros., Castleberry's or Connors Trust received as a result of a redemption of Units may not be qualified investments for a Plan which could give rise to adverse consequences to the Plan or the annuitant under the Plan. Accordingly, Plans that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units.

Foreign Property

Based in part on certificates of the Fund, Connors Bros., Clover Leaf GP and Connors Trust as to factual matters, the Units would not, if issued on the date hereof, constitute foreign property for Plans (other than registered education savings plans), registered pension plans or other persons subject to tax under Part XI of the Tax Act. Trusts governed by registered education savings plans are not subject to the foreign property rules.

Taxation of the Fund

The taxation year of the Fund is the calendar year. In each taxation year, the Fund will be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Fund or if the Unitholder is entitled in that year to enforce payment of the amount. Counsel has been advised that the Fund intends to make sufficient distributions in each year of its net income for tax purposes and net realized taxable capital gains so that the Fund will generally not be liable in that year for income tax under Part I of the Tax Act.

The Fund will include in its income for each taxation year all interest on the Connors Notes, the Castleberry's Note and Connors Trust Notes that accrues to the Fund to the end of the year, or that 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 addition, the Fund will include in its income any dividends or other distributions of an income nature received on the Connors Shares and Connors Trust Units. The Fund will generally not be subject to tax on any amounts received as distributions on the Connors Trust Units that are in excess of the income of Connors Trust that is paid or payable, or deemed to be paid or payable, by Connors Trust to the Fund in a year, which amounts will generally reduce the adjusted cost base of the Connors Trust Units to the Fund. Where the adjusted cost base of the Connors Trust Units would otherwise be a negative amount, the Fund will be deemed to realize a capital gain equal to such negative amount in that year, and its adjusted cost base of the Connors Trust Units will immediately thereafter be nil. Any amount paid to the Fund in respect of the Connors Shares (other than an amount that is a return of capital for purposes of the Tax Act) will generally constitute a dividend to the Fund. Any amount paid to the Fund on a repurchase of the Connors Shares that is in excess of the paid-up capital of those shares will also be deemed to be a dividend to the Fund. Provided that such amounts are distributed to Unitholders and appropriate designations are made by the Fund, amounts which would otherwise be included in its income as dividends received on the Connors Shares will be treated as dividends received by the Unitholders rather than by the Fund.

In computing its income, the Fund may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income. The Fund may also deduct from its income for the year a portion of the reasonable expenses, if any, incurred by the Fund to issue Units pursuant to this Offering. The portion of such issue expenses deductible by the Fund in a taxation year is 20% of such issue expenses.

A distribution by the Fund of securities of Connors Bros., Castleberry's and Connors Trust upon a redemption of Units will be treated as a disposition by the Fund of the securities so distributed for proceeds of disposition equal to their fair market value. The Fund's proceeds from the disposition of the Connors Notes, the Castleberry's Note and Connors Trust Notes will be reduced by any accrued but unpaid interest in respect of those Connors Notes, the Castleberry's Note and Connors Trust Notes, which interest will generally be included in the Fund's income in the year of disposition to the extent it was not included in the Fund's income in a previous year. The Fund will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition. Any such income or capital gain will be treated as having been designated and paid to the redeeming Unitholder so that the Fund will not be taxable on such income or capital gain.

Under the Declaration of Trust and pursuant to the distribution policy of the Fund, an amount equal to the income of the Fund and net realized taxable capital gains, together with the non-taxable portion of any net capital gain realized by the Fund, but excluding income or capital gains arising on a distribution in specie of securities of Connors Bros.,

Castleberry's or Connors Trust on redemption of Units which are designated by the Fund to redeeming Unitholders, will be payable in the year to the Unitholders by way of cash distributions, subject to the exceptions described below. To the extent that cash of the Fund is applied to fund redemptions of Units for cash or is otherwise unavailable for cash distributions, the Fund's income will be distributed to Unitholders in the form of additional Units. Income of the Fund payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Fund in computing its taxable income.

The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year. In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Fund's tax liability for that taxation year arising as a result of the distribution of securities of Connors Bros., Castleberry's or Connors Trust on the redemption of Units. The Declaration of Trust provides that the taxable portion of any capital gain realized by the Fund as a result of that redemption may, at the discretion of the trustees of the Fund, be treated as income paid to, and designated as a taxable capital gain of, the redeeming Unitholders. Any amount so designated must be included in the income of the redeeming Unitholders and will be deductible by the Fund.

Taxation of Connors Trust

The taxation year of Connors Trust is the calendar year. In each taxation year, Connors Trust will be subject to tax under Part I of the Tax Act on its income for the year, which will include: (i) its allocated share of the taxable income of Clover Leaf Seafoods for the fiscal period of Clover Leaf Seafoods ending on or before the year end of Connors Trust; (ii) all interest on the 13.25% unsecured, subordinated notes of Stinson (the "Stinson Notes"), that accrues to the end of the year or becomes receivable or is received by Connors Trust before the end of the year, except to the extent that interest was included in computing its income for a preceding taxation year; and (iii) all dividends or other distributions of an income nature received on Connors Trust's shares in Clover Leaf GP. In computing its income, Connors Trust may deduct amounts paid or payable or deemed to be paid or payable in such year to the Fund, as well as expenses incurred to earn such income, provided such expenses are reasonable and otherwise deductible, subject to the relevant provisions of the Tax Act. Counsel has been advised that Connors Trust intends to make distributions in each year to the Fund in an amount sufficient to ensure that Connors Trust will generally not be liable for tax under Part I of the Tax Act.

Taxation of Clover Leaf Seafoods

Clover Leaf Seafoods is not subject to tax under the Tax Act. Generally, each partner of Clover Leaf Seafoods is required to include in computing its income for a particular taxation year the partner's share of the income or loss of Clover Leaf Seafoods for the fiscal year of Clover Leaf Seafoods ending in the partner's taxation year, or ending concurrently with, the partner's taxation year end, whether or not any of that income is distributed to the partner in the taxation year. For this purpose, the income or loss of Clover Leaf Seafoods will be computed for each fiscal year as if Clover Leaf Seafoods were a separate person resident in Canada. In computing the income or loss of Clover Leaf Seafoods, deductions may be claimed in respect of reasonable administrative costs and other expenses incurred by Clover Leaf Seafoods for the purpose of earning income, subject to the detailed provisions of the Tax Act.

The income or loss of Clover Leaf Seafoods for a fiscal year will be allocated to the partners of Clover Leaf Seafoods on the basis of their respective share of that income or loss as provided in the Partnership Agreement, subject to the detailed rules in the Tax Act in that regard. Generally, distributions to partners in excess of the income of Clover Leaf Seafoods for a fiscal year are treated as a return of capital, which will not be included in each partner's income but which will reduce each partner's respective adjusted cost base of its units in Clover Leaf Seafoods. If, as a result, a partner's adjusted cost base at the end of a taxation year of its units in Clover Leaf Seafoods would otherwise be a negative amount, such partner will be deemed to realize a capital gain in such amount for that year, and its respective adjusted cost base at the beginning of the next taxation year of its units in Clover Leaf Seafoods will be nil. If Clover Leaf Seafoods were to incur losses for tax purposes, the ability of a partner to deduct its share of such losses may be limited by certain rules under the Tax Act.

Taxation of Unitholders

Fund Distributions

A Unitholder will generally be required to include in income for a particular taxation year the portion of the net income of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable to the Unitholder in the particular taxation year, whether that amount is received in cash, additional Units or otherwise.

Provided that appropriate designations are made by the Fund, that portion of its taxable dividends received or deemed to be received from taxable Canadian corporations, net realized taxable capital gains and foreign source income earned or deemed to have been earned, by the Fund, 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 in respect of foreign source income earned, or deemed to have been earned, by the Fund, Unitholders may be entitled to claim a foreign tax credit for foreign taxes paid by, or deemed to have been paid by, the Fund.

An additional refundable 6²/₃% tax will be payable by Unitholders that are Canadian-controlled private corporations in certain circumstances.

To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit provisions will be applicable in respect of Unitholders who are individuals, the refundable tax under Part IV of the Tax Act will be payable by Unitholders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts), and the deduction in computing taxable income will generally be available to Unitholders that are corporations.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in that year will not generally be included in the Unitholder's income for the year; however, where such an amount is paid or payable to a Unitholder (other than as proceeds in respect of the redemption of Units), the Unitholder will be required to reduce the adjusted cost base of the Units by that amount. Where reductions to a Unitholder's adjusted cost base of Units at any time in a year would result in the adjusted cost base becoming a negative amount, such amount will be treated as a capital gain realized by the Unitholder in that year and the Unitholder's adjusted cost base of the Units will be nil immediately thereafter.

The cost to a Unitholder of additional Units received in lieu of a cash distribution of income will be the amount of income distributed by the issue of those Units. For the purpose of determining the adjusted cost base to a Unitholder of Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before that acquisition. A consolidation of Units of the Fund will not be considered to result in a disposition of Units by Unitholders. The aggregate adjusted cost base to a Unitholder of all of the Unitholder's Units of the Fund will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Acquisition of Units

The price paid for a Unit may take into account unrealized capital gains and undistributed income of the Fund at the time that the Units are issued. A Unitholder will be required to include the amount of such distributions in income, in the manner described above, notwithstanding that a portion of such distributions may reflect amounts included in determining the purchase price of the Units.

Dispositions of Units

On the disposition or deemed disposition of a Unit whether on a redemption or otherwise, the Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Any such capital gain or loss will be subject to the general rules relating to the taxation of capital gains described below.

Where the redemption proceeds of Units are paid by the transfer of securities of Connors Bros., Castleberry's or Connors Trust by the Fund to the redeeming Unitholder, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the securities of Connors Bros., Castleberry's or Connors Trust so transferred less

any capital gain or income realized by the Fund in connection with such redemption which has been allocated by the Fund to the redeeming Unitholder. Where the Fund has allocated such capital gain or income to a redeeming Unitholder, the Unitholder will be required to include in income the taxable portion of the capital gain and the income so allocated.

The cost of any securities of Connors Bros., Castleberry's or Connors Trust transferred by the Fund to a Unitholder upon a redemption of Units will be equal to the fair market value of those securities at the time of the transfer less, in the case of Connors Notes, the Castleberry's Note or Connors Trust Notes, any accrued interest on the Connors Notes, the Castleberry's Note or Connors Trust Notes. The Unitholder will thereafter be required to include in income interest on any Note so acquired in accordance with the provisions of the Tax Act, and may deduct in computing its income for the year in which such distribution occurred, any accrued but unpaid interest in respect of such Connors Notes, the Castleberry's Note or Connors Trust Notes to the extent that such amount was included as interest in computing its income for the year.

Capital Gains and Capital Losses

One half of any capital gain (a "taxable capital gain") realized by a Unitholder and the amount of any net taxable capital gains distributed and designated by the Fund in respect of a Unitholder will be included in the Unitholder's income as a taxable capital gain. One half of any capital loss realized by a Unitholder may generally be deducted only from taxable capital gains realized or considered to be realized by the Unitholder, subject to and in accordance with the provisions of the Tax Act.

Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, the Unitholder's capital loss from the disposition will generally be reduced by the amount of dividends on Connors Shares previously designated by the Fund to the Unitholder except to the extent that a loss on a previous disposition of a Unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

An additional refundable 6²/₃% tax will be payable by Unitholders that are Canadian-controlled private corporations in certain circumstances on taxable capital gains.

Alternative Minimum Tax

In general terms, net income of the Fund paid or payable to a Unitholder who is an individual, including most trusts, that is designated as taxable dividends or as net realized taxable capital gains and capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

New Rules Regarding Restricted Investment Entities

On March 23, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion in the House of Commons which included certain proposed amendments to the Tax Act (the "Budget Proposals"). The Budget Proposals were originally scheduled to apply commencing after 2004. On May 18, 2004, the Minister of Finance (Canada) announced that the application of the Budget Proposals was suspended to allow further consultations. This position was reiterated by the Minister of Finance (Canada) in the press release that accompanied the release of the draft amendments for the Budget Proposals dated September 16, 2004.

If the Budget Proposals were to be enacted as originally proposed, a "designated taxpayer" would be subject to a monthly penalty tax in respect of each month ending after 2004 where, at the end of that month, the designated taxpayer holds "restricted investment property" and, in general terms, the cost amount to the designated taxpayer of all such property exceeds 1% of the cost amount to it of all of its properties. The monthly tax would be 1% of such excess. For this purpose, restricted investment property includes units and debt of a "business income trust" (other than an "exempt trust") and interests in (or debts of) certain entities that hold units or debt of business income trusts.

The Budget Proposals also propose to subject a designated taxpayer to a monthly penalty tax where, in general terms, at the end of that month the designated taxpayer, and entities with which it does not deal at arm's length, hold units of any class of a business income trust with a fair market value in excess of 5% of the fair market value of all units of such class. The monthly tax payable by a particular designated taxpayer would be 1% of its share (as determined under the Budget Proposals) of the excess holding of units by the designated taxpayer and such non-arm's length entities.

For the purpose of these Budget Proposals, a “designated taxpayer” includes registered pension plans and funds and pension corporations as described in paragraphs 149(1)(o) to (o. 2) of the Tax Act (but does not include Plans).

The Fund would be a “business income trust” other than an exempt trust and the Units would constitute “restricted investment property”. Prospective purchasers who are designated taxpayers, or an entity an interest in which (or debt of which) may become restricted investment property as a result of holding Units, should consult their own tax advisors regarding the potential application of the Budget Proposals as a result of an acquisition of Units.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP, counsel to the Fund (“U.S. Tax Counsel”), the following discussion describes, as of the date of this short form prospectus, the material U.S. federal income tax considerations applicable to non-U.S. Unitholders of the purchase, ownership and disposition of Units. This summary is directed only to prospective purchasers of Units offered by this short form prospectus. This summary is not exhaustive of all possible U.S. federal income tax considerations applicable to an investment in Units. This summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units. In addition to the following summary, see “Risk Factors — Risks Relating to an Investment in the Units — Income Tax Matters”.

This summary is based on the United States Internal Revenue Code of 1986, as amended (the “Code”), Treasury regulations (including final, temporary and proposed regulations) promulgated thereunder, Internal Revenue Service (“IRS”) rulings and official pronouncements, judicial decisions, and the U.S.-Canada Income Tax Convention (the “Canadian Treaty”), all as in effect on the date of this short form prospectus and all of which are subject to change, possibly with retroactive effect, or different interpretations, which could affect the accuracy of the statements and conclusions set forth below and the U.S. federal income tax consequences to the Unitholders. No ruling from the IRS has been or will be sought on any of the issues discussed below. As a result, there can be no assurance that the IRS will not successfully challenge the conclusions reached in this summary. This summary is also based on certain certifications and determinations made by Connors Trust, Blacks Harbour Transfer, Stinson and an independent financial advisor.

Further, this summary does not address all aspects of U.S. federal income taxation that may be relevant to Unitholders in light of their personal circumstances. This summary does not address the U.S. federal income taxation of Unitholders whose income from the ownership or disposition of Units is effectively connected with the conduct of a trade or business within the United States under the Code, nor does this summary address the U.S. federal income taxation of Unitholders subject to special treatment under U.S. federal income tax laws, such as financial institutions, broker-dealers, life insurance companies and tax-exempt organizations. Also, this summary does not address the U.S. federal, state, or local income tax rules applicable to U.S. Unitholders or the U.S. state or local income tax rules applicable to any Unitholders. This information is directed only to prospective purchasers who purchase Units in the initial distribution of the Units and who are not United States persons under the Code.

For purposes of this summary, a “non-U.S. Unitholder” means any Unitholder that is not: (i) a citizen or individual resident in the United States for U.S. federal tax purposes; (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the United States or a political subdivision thereof; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if a court within the United States is able to exercise primary supervision over the trust’s administration and one or more United States persons have the authority to control all of its substantial decisions. A “U.S. Unitholder” means any Unitholder that is not a non-U.S. Unitholder.

This discussion is for general information only and is not intended to be tax advice to any purchaser of Units. Investors should consult their own tax advisors in determining the application to them of the U.S. federal income tax consequences set forth below and any other U.S. federal, state, local, foreign or other tax consequences to them of the purchase, ownership and disposition of Units. Investors should note that no rulings have been or will be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below and no assurance can be given that the IRS will not take positions contrary to the conclusions stated below.

Taxation of Non-U.S. Unitholders

Non-U.S. Unitholders will generally not be subject to U.S. federal income tax with respect to any distributions received from the Fund, or with respect to any gain realized on the sale, exchange, or other disposition of a Unit, unless

(i) the non-U.S. Unitholder is an individual who is present in the United States for a period or periods aggregating 183 or more days in the taxable year of the disposition, and certain other conditions are met, or (ii) the non-U.S. Unitholder is subject to tax pursuant to the provisions of United States tax law applicable to certain United States expatriates.

Taxation of the Fund

The Fund elected to be treated as a corporation for U.S. federal income tax purposes. Under the Code, a foreign corporation is generally subject to U.S. federal income taxation only to the extent that the foreign corporation earns income from U.S. sources or earns income that is effectively connected to a U.S. trade or business. It is anticipated that the Fund's assets will consist primarily of debt and equity of Connors Bros. and Connors Trust and debt of Castleberry's. As a result, the Fund will receive interest and dividend income from Connors Trust, which elected to be treated as a Canadian corporation for U.S. federal income tax purposes, and from Connors Bros. which is also a Canadian corporation and interest from Castleberry's, a U.S. corporation. As a result, a 10% U.S. withholding tax under the Canadian Treaty will apply to the interest payments received on the Castleberry's Note. In addition, the Fund intends to operate in a manner that will not cause it to be treated as engaged in a U.S. trade or business. On this basis, the Fund does not expect to be required to pay U.S. corporate income tax (other than the withholding tax on the interest payments received on the Castleberry's Note) with respect to such investments and does not intend to file U.S. federal income tax returns.

Taxation of Bumble Bee Seafoods

For U.S. federal income tax purposes, Bumble Bee Seafoods will be treated as a partnership (assuming Bumble Bee Seafoods L.P. or any of its affiliates retains an indirect interest in Bumble Bee Seafoods other than through Stinson). As such, Bumble Bee Seafoods will not itself be subject to U.S. federal income tax. Rather, it will compute its income under U.S. tax rules and will allocate that income to its partners, including Stinson, generally in accordance with their percentage membership interests. Thus, each of its members (including Stinson) will be required to separately take into account such member's distributive share of Bumble Bee Seafoods income, gains, losses, deductions and credits. Bumble Bee Seafoods' income will consist primarily of revenues connected with the operation of its business (including interest and dividends received from Castleberry's) and its deductions will similarly consist of expenses related thereto. If neither Bumble Bee Seafoods L.P. nor its affiliates retain an interest in Bumble Bee Seafoods (other than through Stinson), and as a result Bumble Bee Seafoods became a single member limited liability company owned by Stinson, Bumble Bee Seafoods will be disregarded as an entity separate from Stinson for U.S. federal income tax purposes.

Taxation of Stinson

Stinson will be treated as a U.S. corporation for U.S. federal income tax purposes and will generally be subject to U.S. federal income tax on its taxable income at graduated rates. As discussed above, Stinson also will be required to separately take into account its direct and indirect distributive share of Bumble Bee Seafoods' income, gains, losses, deductions and credits and interest received from Bumble Bee Seafoods on certain notes. In addition, it is anticipated that Stinson will claim interest deductions with respect to the Stinson Notes.

Stinson's ability to deduct interest paid on the Stinson Notes assumes that the Stinson Notes are characterized as debt for U.S. federal income tax purposes and that the interest rate is an arm's-length rate. In addition, the earning stripping rules of Code section 163(j) may limit Stinson's ability to deduct the full amount of interest payments on the Stinson Notes. Any limitation of Stinson's ability to deduct its interest expense may increase Stinson's U.S. federal income tax liability and thereby reduce the after-tax funds available for payment of dividends on Stinson's common stock, and thereby reduce the amount of funds available for distribution by the Fund to the Unitholders. See "Risk Factors — Income Tax Matters — United States".

Taxation of Castleberry's

Castleberry's will be treated as a U.S. corporation for U.S. federal income tax purposes and will generally be subject to U.S. federal income tax on its taxable income at graduated rates (which will include the income or loss of Sweet Sue Acquisition LLC, a disregarded entity for U.S. federal income tax purposes). As part of this Offering, Castleberry's will issue the U.S.\$50 million Castleberry's Note. Castleberry's ability to deduct interest paid on the Castleberry's Note assumes that the Castleberry's Note is characterized as debt for U.S. federal income tax purposes and that the interest rate is an arm's-length rate. (See "Risk Factors — Income Tax Matters — United States"). In

addition, the earning stripping rules of Code section 163(j) may limit Castleberry's ability to deduct the full amount of interest payments on the Castleberry's Note. Any limitation of Castleberry's ability to deduct its interest expense may increase Castleberry's U.S. federal income tax liability and thereby reduce the after-tax funds available for payment of dividends on Castleberry's common stock, and thereby reduce the amount of funds available for distribution by the Fund to the Unitholders.

RISK FACTORS

An investment in Units involves a number of risks in addition to those described under "Special Note Regarding Forward-Looking Statements" and in the Fund's management's discussion and analysis of financial condition and results of operation for the year ended December 31, 2003 and for the three and nine month periods ended September 25, 2004, incorporated by reference in this short form prospectus. Before investing, prospective purchasers of Units should carefully consider, in light of their own financial circumstances, the factors set out below, as well as other information contained or incorporated by reference in this short form prospectus.

Risks Related to Connors

Commodity Price Fluctuation

The price of chicken, beef and pork are affected by global demand and by variables such as mad cow disease and avian flu. The price of wholesale tuna is affected by things such as global demand, fishing activity and regional climatic changes and has historically been relatively volatile in the lightmeat tuna sector, while albacore tuna has remained more stable. Although Connors, Castleberry's and Sara Lee have historically been able to pass raw materials price increases through to retailers, and management of Connors believes that Castleberry's has expertise in purchasing these commodities, there can be no assurance that in the future Connors will be able to do so without suffering reduced volume, revenue and profit margins which may have a material adverse effect on Connors' financial condition and results of operations.

Competition

The entry into the canned meat category brings new competitors to Connors, with the most notable competitive brands being *Hormel* (Hormel Foods), *Armour* (Dial Corporation) and *Libby's* (ConAgra Foods). As with canned seafood, the canned meat industry is characterized by relatively low margins and high levels of competition. Some of the competitors in the canned meat and canned seafood industry may have greater economic resources than Connors and may be better able to withstand volatility within the industry and throughout the economy, as a whole, while retaining greater operating and financial flexibility. These competitors may be able to institute and sustain price wars which could result in a reduction of Connors' share of the market and reduced price levels and profits margins. There can be no assurance that Connors will be able to compete successfully against these or future competitors or that such competition will not have a material adverse effect on the Connors' financial condition and results of operations.

Financial History of the Sweet Sue/Bryan Business

As a small carve-out of a large division within a multi-national food, apparel and personal and home care products conglomerate, the Sweet Sue/Bryan Business does not have audited financial statements. The Purchase Agreement does not include a representation and warranty that the financial statement of the Sweet Sue/Bryan Business are presented in accordance with U.S. GAAP. While management of Connors believes that it has conducted adequate due diligence on the financial history, including the use of outside accounting and financial analysts, there can be no assurance that the financial information provided to Connors in respect of the Sweet Sue/Bryan Business is accurate.

Customer and Retail Consolidation

Connors' top 10 customers in Canada and the United States accounted for a large portion of its total revenue. As a result of the continuing retail consolidation, Connors' retail customers grow larger and become more sophisticated enabling them to demand lower pricing and increased promotional programs. Generally, Connors does not have long-term agreements with its customers. Accordingly, a customer may, on relatively short notice, decide that it wishes to cease purchasing products from Connors. The loss of a significant customer may have a material adverse effect on Connors' financial condition and results of operations.

Resource Supply

Connors depends on a continuing supply of product that meet its quality and quantity requirements. While the overall global supply of tuna is relatively stable, there are some fisheries that are at or close to their maximum sustainable yields. If effective management measures are not applied to those stocks that are fully exploited, over fishing could substantially reduce the biomass of certain tuna stock, decreasing future maximum sustainable yields and lowering projected catch rates.

The supply of herring is dependent on the biomass of the stocks being fished and the ability to procure the required portion of the biomass. Herring have historically been an extremely prolific and fertile species and, depending on spawning conditions, the overall population is subject to significant inter-year variations that do not necessarily affect the long-term stability of the resource.

Failure of Acquisitions to Close

There is a risk that one or both of the Acquisitions will not close, in which case part or all of the net proceeds of the Offering will be used to repay outstanding indebtedness under the Credit Facility and to pay certain transaction expenses. If this occurs, the Fund will not receive part or all of the additional cash expected from its investment in the Castleberry's business and Sweet Sue/Bryan Business and part or all of the anticipated annual increase in cash distribution from \$1.40 to \$1.50 per Unit may not be realized. The market value of the Units may decline if the Fund is unable to achieve the anticipated increase in annual cash distribution and the decline may be material.

Leverage and Restrictive Covenants

The ability of the Fund's subsidiaries to make distributions, pay dividends or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those entities. The degree to which these entities are leveraged could have important consequences to the Unitholders including: the ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; a significant portion of cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; some of the borrowings are subject to variable rates of interest, which exposes the business to the risk of increased interest rates; and Connors may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors may increase the sensitivity of distributable cash to interest rate variations.

Connors will need to refinance its indebtedness in the future, including on the expiry of, the Credit Facility or other debt, and there can be no assurance that it will be able to do so or be able to do so on terms as favourable as those presently in place. If Connors is unable to refinance the Credit Facility or other debt, or is only able to refinance the Credit Facility or other debt on less favourable and/or more restrictive terms, this may have a material adverse effect on Connors' financial position which may result in a reduction or suspension of cash distributions to Unitholders. In addition, the terms of any new credit facility or debt may be less favourable or more restrictive than the terms of the existing credit facilities or other debt, which may indirectly limit or negatively impact the ability of the Fund to pay cash distributions to Unitholders.

Previously, leverage was a factor in the sale of the assets of the Clover Leaf Seafoods and Bumble Bee Seafoods businesses in 1997. Prior to that transaction, those businesses had been carried on by a predecessor which operated with a significant amount of debt and high interest costs which adversely impacted the earnings and the growth potential of the business. This led to the restructuring and sale of the predecessor, which was facilitated through a filing under Chapter 11 of the United States Bankruptcy Code completed at the time of the sale in 1997.

Future and Pending Litigation

Some of the lawsuits currently pending against Connors, as well as litigation that may be filed in the future, could require Connors to pay significant damages which could have a material adverse effect on its business, results of operations or financial condition.

The Connors facilities in Bath and Prospect Harbor, Maine experienced a production shortfall for the 12-month period ending March 31, 2004, relative to the targets established by a consent decree entered into with the State of Maine which established certain investment and production commitments with respect to the two facilities (the "Consent Decree"). Management has entered into discussions with the Attorney General for the State of Maine to obtain a reduction in such production commitments for this period. It is possible that in order to obtain a waiver of the

production shortfall and variation of the Consent Decree to reduce the annual production commitment, Connors will be required to make additional investments in its facilities in the State of Maine, and to extend the term of the Consent Decree.

Uninsured and Underinsured Losses

The Declaration of Trust authorizes the trustees of the Fund to arrange for insurance coverage in respect of potential liabilities of the Fund on such terms as they consider appropriate. Management believes that the comprehensive property and casualty insurance coverages and amounts that they maintain are sufficient to repair or replace any assets physically damaged or destroyed, including coverage for resultant business interruption losses, or extra expenses sustained, and to cover claims for bodily injury or property damage arising out of assets or operations. However, not all risk factors are covered by insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of Connors. A claim that is not covered by insurance or which exceeds the policy limit may have a material adverse effect on the financial condition and results of operations of Connors.

Labour Relations

Connors' success depends on a large number of employees, particularly during peak periods, employed at its fish and meat processing plants. The facilities in Athens, Alabama, Cape May, New Jersey and Augusta, Georgia are all unionized. The collective bargaining agreement for employees at the Athens facility expires in March 2005. Management of Connors believes that it will be able to negotiate a renewal or extension of this collective bargaining agreement. Any organized work stoppage or other similar job action at one of those plants may have a material adverse effect on Connors' financial condition and results of operations.

Pension and Benefits Funding

Connors maintains pension plans, either directly or through certain subsidiaries, that are not fully funded on an actuarial solvency basis. It is likely that Connors will have to make additional contributions to such plans. It is anticipated that any such contributions would be funded from operations or existing resources.

Foreign Exchange Exposure

In order to reduce exposures related to changes in foreign currency exchange rates, Connors may enter into forward exchange or option contracts for transactions denominated in a currency other than the applicable functional currency. This includes, but is not limited to, hedging against foreign currency risk in purchasing inventory, sales of finished goods, distributing cash to Unitholders and future settlement of foreign-denominated assets and liabilities.

To help mitigate the risk of a material financial statement impact, Connors incorporates a tiered hedging strategy whereby the closest quarter has the highest level of foreign currency exchange rate protection and each subsequent quarter has a lower level of coverage. Management believes this approach will help minimize the impact of any significant swings in the underlying foreign currency rate while giving the highest level of rate protection in the short-term. Connors monitors, on an ongoing basis, market conditions and the impact of exchange rate fluctuations on its forecasted foreign currency transactions. During the second quarter of 2004, Connors determined that it met the criteria for hedge accounting under CICA AcG 13, "Hedging Relationships" and thus began deferring unrealized gains and losses on its foreign currency contracts.

Interest Rate Risk

Connors' long-term asset-backed loan and security agreements for its Canadian and U.S. operations bear interest at variable rates based on applicable margins over a specific publicly announced rate. As such, Connors' net income is sensitive to movements in interest rates. To manage this risk, Connors may enter into interest rate swaps, caps or similar instruments based on anticipated exposure. Connors monitors, on an ongoing basis, market conditions and the impact of interest rate fluctuations on its floating rate debt.

U.S. Government Trade Policy

Connors benefits from U.S. trade policy that currently imposes a 12.5% import duty on most imports of canned tuna packed in water and a 35% import duty on imports of tuna packed in oil. There is no assurance that the United

States will retain these import duties and as free trade agreements are negotiated with countries that have low labour rates, the cost of competitiveness of Connors' tuna processing facilities may be threatened which may have a material adverse effect on Connors' financial condition and results of operations.

Product Liability

Connors is subject to potential product liabilities connected with its processing, canning and sale of canned seafood and protein and shelf-stable chicken, including liabilities and expenses associated with product defect and handling, such as the potential contamination of ingredients or products by bacteria and other external agents or the introduction of foreign objects. Connors takes, and will continue to take, precautionary measures to minimize those risks such as utilizing an FDA/HACCP plan as well as maintaining an ongoing program of rigorous self-inspection and third party inspection. It also maintains product liability insurance against potential claims, and requires its co-packers to maintain product liability insurance with Connors, as a co-insured. However, if a product liability claim were successful, Connors' insurance might not be adequate to cover all the related liabilities, and Connors might not be able to continue to maintain such insurance, or obtain comparable insurance at a reasonable cost, if at all. In addition, even if a product liability claim was not successful or was not fully pursued, the negative publicity surrounding any such assertion could harm Connors' reputation with its customers. The consequences of any of the foregoing events may have a material adverse effect on Connors' financial condition and results of operations.

Governmental Regulation

Connors is subject to extensive laws, rules, regulations and policies with respect to the production, processing, preparation, distribution, packaging and labelling of its food products. Such laws, rules, regulations and policies are administered by various federal, state, provincial, regional and local health agencies and other governmental authorities, including, without limitation, the Canadian Federal Department of Fisheries and Oceans, the Canadian Food Inspection Agency, the New England Fishery Management Council, the FDA and the USDA. Changes to any of the above laws, rules, regulations or policies, or more stringent enforcement thereof, could have a significant impact on Connors. There can be no assurance that Connors will be able to comply with any future laws, rules, regulations and policies. Failure by Connors to comply with applicable laws, rules, regulations and policies may subject Connors to civil or regulatory proceedings, including fines, injunctions, administrative orders, recalls or seizures, which may have a material adverse effect on Connors' financial condition and results of operations.

Environmental, Health and Safety Regulation

Connors is governed by a broad range of federal, state, provincial and local environmental, health and safety laws and regulations, permits, approvals, common law and other requirements that impose obligations relating to, among other things: worker health and safety; the release of substances into the natural environment; the production, processing, preparation, handling, storage, transportation, disposal, and management of substances (including liquid and solid, non-hazardous and hazardous wastes and hazardous materials); and the prevention and remediation of environmental impacts such as the contamination of soil and water (including groundwater). As a result of these requirements, Connors' operations and ownership, management and control of property carry an inherent risk of environmental liability (including potential civil actions, compliance or remediation orders, fines and other penalties), including with respect to the harvesting of fish, processing of fish, chicken, beef and pork, the disposal of waste and the ownership, management, control or use of fishing vessels, transport vehicles and real estate.

Compliance with all such laws and future changes to them is material to Connors. Connors incurs significant capital and operating expenditures to comply with such laws. As a result of its operations, Connors may occasionally be subject to orders, investigations, inquiries or other proceedings relating to environmental, health and safety matters, including issues of compliance with legislation, permits, historical contamination and other requirements. Changes in laws and regulations, or more rigorous enforcement, could result in additional material expenditures. Furthermore, no assurance can be given that additional environmental and workers' health and safety issues relating to presently known matters or identified sites, or to other matters or sites, will not require currently unanticipated liability or expenditures for investigation, assessment or remediation, or result in fines or other penalties. Future discovery of previously unknown environmental issues, including contamination of property underlying or in the vicinity of Connors' present or former properties or manufacturing facilities, could require Connors to incur material unforeseen expenses. All of these risks and related potential expenses may have a material adverse effect on Connors' financial condition and results of operations.

Safety and Quality of Products/Industry Practices

Demand for the Connors' products is subject to fluctuations resulting from nutritional and health-related concerns and public reaction to food spoilage or food contamination issues. In addition, Connors' food processing operations are subject to federal, state, provincial and local food processing controls, and may be impacted by consumer product liability claims, product tampering, and the possible unavailability and/or expense of liability insurance. A determination by applicable regulatory authorities that any of Connors' plants are not in compliance with any such controls in any material respect may have a material adverse effect on Connors' financial condition and results of operations. Connors could also be adversely affected if consumers in its principal markets lose confidence in the safety and quality of its products or the industry's fishing practices. Adverse publicity about these types of concerns, such as recent publicity regarding methylmercury levels in tuna, whether or not valid, may discourage consumers from buying Connors' products and could have a material adverse effect on Connors' financial condition and results of operations.

Methylmercury

Recently, a number of public health organizations have issued health warnings alleging that tuna and other seafood products contain certain mercury compounds, specifically methylmercury. Methylmercury is a toxin believed to cause damage to the human nervous system, especially in young children and developing fetuses. However, the level of methylmercury in fish that can be consumed safely by an individual is a heavily debated topic. Methylmercury levels are highest in long-lived fish at the top of the food chain, such as tilefish, shark and swordfish. Methylmercury levels in canned tuna are at the low end of the spectrum. It is possible that the actual or perceived health risks posed by mercury in seafood products generally, and in canned tuna, in particular, may have negative implications for the canned tuna industry, including the threat of lawsuits and potential exposure to liability, the possible imposition of additional government warnings or regulation and negative publicity.

U.S. Government Warnings

U.S. federal and state governmental agencies, including the FDA, have released consumption advisories warning that pregnant and nursing women and young children should avoid or limit consumption of seafood known to have higher levels of methylmercury content than other seafood. These groups of individuals are advised not to consume long-lived, larger fish, specifically shark, swordfish, king mackerel and tilefish, and to limit consumption of other fish to 12 ounces a week.

In their March, 2004 Advisory to Pregnant Women and Women of Child-bearing age the FDA and Environmental Protection Agency reiterated their guidance on limiting consumption of seafood to 12 ounces per week and avoiding the four named species completely. Additionally, the advisory highlighted canned light tuna as one of the five low-mercury choices in stating that "[f]ive of the most commonly eaten fish that are low in mercury are shrimp, canned light tuna, salmon, pollock and catfish". However, the advisory went on to state that "[a]nother commonly eaten fish, albacore ("white") has more mercury than canned light tuna. So, when choosing your two meals of fish and shellfish, you may eat up to six ounces (one average meal) of albacore tuna per week".

The March 2004 advisory received substantial publicity in the United States focusing on the new inclusion of advice on canned tuna. News reports also noted that recent FDA testing indicated that canned albacore tuna contains almost three times as much mercury as canned lightmeat tuna. There can be no assurance that this advisory and the publicity surrounding it will not materially adversely affect tuna consumption and Connors' financial condition and results of operations.

Proposition 65

California's *Safe Drinking Water and Toxic Enforcement Act of 1986*, commonly known as Proposition 65, requires manufacturers, distributors, and sellers of consumer goods to provide warnings if their products may cause exposure to one of several hundred chemicals (including methylmercury, mercury and mercury compounds) found on a government-maintained list of carcinogens and reproductive toxins. There are various exemptions to this warning requirement, including an exemption for chemicals that are naturally occurring in foods and for exposures to low levels of chemicals that will not cause a significant risk of cancer or reproductive harm.

A Proposition 65 lawsuit was filed against the three major tuna industry producers in December 2001 by the Public Media Center, a private non-profit group in San Francisco, California. The major tuna producers are being defended through the U.S. Tuna Foundation, an organization to which they all belong and support monetarily. The

defence put forth by the tuna producers was that at ordinary consumption levels, canned tuna is not in violation of even the 1,000-fold safety factor called for by Proposition 65; further, the mercury in canned tuna is naturally occurring and therefore is exempt from Proposition 65. The major canned tuna producers, including Bumble Bee Seafoods, have also provided supermarkets in California with an indemnity against potential liability in a related lawsuit brought by the State of California. That lawsuit does not directly allege failure to provide warnings with the sale of canned tuna, but does allege failure to provide warnings with the sale of certain fresh fish. In June 2004, the Attorney General of California filed a separate complaint under Proposition 65, which has been consolidated with the Public Media Centre lawsuit. A trial date has been announced for May 2005 but management believes that this trial will be postponed to a later date. See “Recent Developments — Proposition 65 Lawsuit”. Management of Connors believes that it has strong defences to the Proposition 65 litigation, and that its indemnity obligations to the supermarkets will not be triggered. However, there can be no assurance that final resolution of these matters would not result in material damage awards or payments, which could have a material adverse effect on Connors’ financial condition and results of operations or result in a requirement to include a mercury warning on tuna can labels which could materially adversely affect tuna consumption.

Risks Relating to an Investment in the Units

Cash Distributions Are Not Guaranteed and Will Fluctuate with the Performance of Connors

Although the Fund intends to distribute the interest and other income earned by the Fund, less amounts, if any, paid by the Fund in connection with the redemption of Units and Fund expenses, there can be no assurance regarding the amounts of income to be generated by Connors and indirectly paid to the Fund. The ability of the Fund to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of Connors, and will depend on various factors including Connors’ operating and financial performance, the demand for its products, its obligations under applicable credit facilities, fluctuations in its working capital, the sustainability of its margins, its capital expenditure requirements and the deductibility for tax purposes of interest payments on the inter-company debt of the Fund’s subsidiary entities. See “— Risks Related to Connors — Leverage and Restrictive Covenants”. The market value of the Units may deteriorate if the Fund is unable to meet its cash distribution targets in the future, and that deterioration may be material. In addition, the composition of cash distributions may change over time and may ultimately affect the after-tax return for investors. See “Certain Canadian Federal Income Tax Considerations”.

Nature of Units

Securities such as the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in Connors and should not be viewed by investors as interests in Bumble Bee Seafoods or Clover Leaf Seafoods. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions or rights of dissent. The Units represent a fractional interest in the Fund. The Fund’s primary assets are Connors Shares, Connors Notes, Connors Trust Units and Connors Trust Notes. The price per Unit is a function of anticipated distributable income of the Fund, which may change.

The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Distribution of Securities on Redemption or Termination of the Fund

Upon a redemption of Units or termination of the Fund, the trustees of the Fund may distribute Connors Shares, Connors Notes, Connors Trust Units and/or Connors Trust Notes directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for these securities, and they are not expected to be freely tradable or listed on any stock exchange. Securities so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time.

Unitholder Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever for obligations of the Fund to any person in connection with a holding of Units. However, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be held personally liable despite such statement in the Declaration of Trust, for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the affairs of the Fund will be conducted to seek to minimize such risk wherever possible.

Investment Eligibility and Foreign Property

There can be no assurance that the Units will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and registered education savings plans or that the Units will not be foreign property under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments and on excess holdings of foreign property. See “Certain Canadian Federal Income Tax Considerations” and “Eligibility for Investment”.

Restrictions on Certain Unitholders and Liquidity of Units

The Declaration of Trust imposes restrictions on non-resident Unitholders who are prohibited from beneficially owning more than 49.9% of the Units. This restriction may limit the rights of certain Unitholders, including non-residents of Canada, to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units held by the public. See “Details of the Offering — Limitation on Non-Resident Ownership”.

Future Sales of Units by New Holdings

New Holdings currently owns an approximately 15.9% interest in Connors. Pursuant to the Exchange Agreement, all or any part of this Non-Controlling Interest can be exchanged for cash (or, at the option of Connors Bros., Units) at any time, subject to certain conditions. New Holdings has also been granted certain registration rights by the Fund. If New Holdings were to liquidate substantial amounts of Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such an effect.

Income Tax Matters

Canada

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the holders of Units. Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act. Under the draft amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust’s property is taxable Canadian property or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of Units of the Fund were held by non-residents and partnerships other than Canadian partnerships, the Fund would thereafter cease to be a mutual fund trust. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Department of Finance tabled a Notice of Ways and Means Motion which did not include these proposed changes. It is counsel’s understanding that the Department of Finance has suspended implementation of the proposed changes pending further consultation with interested parties. If the Fund ceases to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations described under “Certain Canadian Federal Income Tax Considerations” would be materially and adversely different in certain respects.

The Declaration of Trust provides that a sufficient amount of the Fund’s net income and net realized capital gains shall be distributed each year to Unitholders in order to eliminate the Fund’s liability for tax under Part I of the Tax Act. Where such amount of net income and net realized capital gains of the Fund in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders are generally required to include an amount equal to the fair

market value of those Units in their taxable income, even in circumstances when they do not directly receive a cash distribution.

Income fund structures generally involve a significant amount of inter-company or similar debt, generating substantial interest expense, which serves to reduce earnings and therefore income tax payable. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed against Connors Bros., Blacks Harbour Transfer or Connors Trust, it could materially adversely affect the amount of distributable cash available. Management believes that the interest expense inherent in the structure of the Fund is supportable and reasonable in light of the terms of the indebtedness owing by Connors Bros. and Connors Trust to the Fund and by Blacks Harbour Transfer to Connors Bros. On October 31, 2003, the Department of Finance released, for public comment, proposed amendments to the Tax Act that relate to the deductibility of interest and other expenses for income tax purposes for taxation years commencing after 2004. In general, the proposed amendments may deny the realization of losses in respect of a business or property in a year if in the year it is not reasonable to expect that the taxpayer will realize a cumulative profit from that business or property for the period in which the taxpayer has carried on, and can reasonably be expected to carry on, that business, or has held, and can reasonably be expected to hold, that property. Management believes that it is reasonable to expect the Fund and its subsidiaries will realize a cumulative profit from their respective properties and businesses as the case may be.

There can be no assurance that the Budget Proposals will not be enacted in their current form even though the Minister of Finance (Canada) announced on May 18, 2004 that the application of the Budget Proposals originally scheduled to apply commencing after 2004 was suspended to allow 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 the Fund or on the status of the Units.

The Department of Finance has indicated that it will continue to evaluate the development of the income trust market as part of its ongoing monitoring and assessment of Canadian financial markets and the Canadian tax system. Accordingly, further changes in this area, in addition to those tabled in the Budget Proposals, are possible. Such changes could result in the income tax considerations described under the heading “Certain Canadian Federal Income Tax Considerations” being materially different in certain respects.

United States

There can be no assurance that U.S. federal income tax laws and IRS administrative policies respecting the U.S. tax consequences described herein will not be changed in a manner that adversely affects Unitholders. See “Certain United States Federal Income Tax Considerations”.

Stinson and Castleberry’s will claim interest deductions with respect to the Stinson Notes and the Castleberry’s Note, respectively, in computing their income for United States federal income tax purposes. Any limitation on the deductibility of such interest may increase the U.S. Federal income tax liability of Stinson or Castleberry’s, thereby reduce the after-tax funds available for payment of dividends on Stinson’s common stock, and thereby reduce the amount of dividends available for distribution by the Fund to the Unitholders.

In this connection, there is a risk that the IRS could successfully challenge Stinson’s or Castleberry’s position that the Stinson Notes and the Castleberry’s Note, respectively, should be treated as debt rather than equity for United States federal income tax purposes. In that case the otherwise deductible interest on the Stinson Notes and the Castleberry’s Note, as applicable, would be treated as non-deductible distributions.

The Fund has received an opinion from its U.S. Tax Counsel that the Castleberry’s Note should be debt for U.S. federal income tax purposes and interest paid on such notes should be deductible for such purposes. In addition, the Fund previously received the same opinions with respect to the Stinson Notes, and U.S. Tax Counsel is not aware of any facts that would alter such prior opinions. These opinions of U.S. Tax Counsel are based on an analysis of all the facts and circumstances relating to such notes, including the terms of such notes, the intent of the parties, the obligor’s debt to equity ratio, the ability of the issuers of the notes to meet their obligations under the notes based on their projected financial performance, and the fact that the holders of such notes directly or indirectly own a substantial portion of the equity of the issuers of such notes. In particular, the debt to equity ratio of Castleberry’s will initially be no more than 2.5 to 1. In providing its opinions, U.S. Tax Counsel has relied on certain determinations of an independent financial advisor and representations and determinations of the issuers and holders of such notes.

As a result, while there can be no assurance that the IRS will not take a contrary position, Stinson and Castleberry's believe their position should prevail in such circumstances. A successful challenge of this position would increase Castleberry's or Stinson's U.S. federal income tax liability, which could adversely affect the ability of Castleberry's or Stinson to make interest and principal payments on the Castleberry's Note or the Stinson Notes, respectively, or pay dividends, and thus could thereby have an adverse effect on the cash flow of the Fund available for distribution to Unitholders.

If the Stinson Notes or the Castleberry's Note are characterized for U.S. federal income tax purposes as equity rather than debt, then the otherwise deductible interest on the Stinson Notes or the Castleberry's Note would be treated as non-deductible distributions which, to the extent treated as dividends under the Code, would generally be subject to U.S. federal income withholding tax of 15% under the Canadian Treaty.

There is a risk that the IRS may challenge the interest rate on the Stinson Notes or the Castleberry's Note as being in excess of an arm's-length rate. The Fund has received advice from an independent financial advisor that the interest rate on these notes is commercially reasonable in the circumstances. However, such advice is not binding on the IRS. If the IRS were successful in challenging any of the interest rates, Stinson or Castleberry's, as applicable, would not be able to fully deduct interest paid on the Stinson Notes or the Castleberry's Note, as applicable, which could increase the U.S. federal income tax liability of Stinson or Castleberry's as applicable.

The earnings stripping rules under the Code, section 163(j), may limit the ability of Stinson or Castleberry's to deduct all or a portion of the interest paid on the Stinson Notes and the Castleberry's Note, respectively. Generally, under these rules, the ability of Stinson or Castleberry's to deduct interest paid on the Stinson Notes and the Castleberry's Note, respectively, will be limited to the extent that its net interest expense (the interest paid by Stinson and Castleberry's on all debt, including the Stinson Notes and the Castleberry's Note, respectively, less its interest income) exceeds 50% of its adjusted taxable income (generally, U.S. federal taxable income before net interest expense, depreciation, amortization and taxes). In addition, there can be no assurance that future changes to U.S. federal income tax provisions will not otherwise restrict or eliminate the ability of Stinson or Castleberry's to claim a deduction for U.S. federal income tax purposes for interest paid on the Stinson Notes and the Castleberry's Note, respectively. An additional restriction on or elimination of the ability of Stinson or Castleberry's to claim deductions for interest payments on the Stinson Notes or the Castleberry's Note, respectively, could increase the U.S. federal income tax liability of Stinson or Castleberry's, which would reduce the amount of the distributions which Connors Bros. would otherwise receive and thereby have an adverse effect on the cash flow of the Fund available for distribution to Unitholders.

ELIGIBILITY FOR INVESTMENT

Based on certificates regarding factual matters provided to counsel by the Fund, Connors Bros., Connors Trust, Clover Leaf GP, Computershare Investor Services Inc. and the Underwriters, and the assumptions set forth above under "Certain Canadian Federal Income Tax Considerations", it is the opinion of Torys LLP and Osler, Hoskin & Harcourt LLP that, for purposes of the Tax Act, (i) the Units, if issued on the date hereof, would be qualified investments for trusts governed by Plans; and (ii) the Units would not, if issued on the date hereof, constitute "foreign property" for Plans (other than registered education savings plans), registered investments and other tax exempt entities, including most registered pension plans, that are subject to tax under Part XI of the Tax Act. Trusts governed by registered education savings plans are not subject to the foreign property rules.

Subject to the outcome of an announcement of the Minister of Finance (Canada) made on May 18, 2004, the Fund would be a "business income trust" and the Units, if issued on the date hereof, would constitute "restricted investment property" as described in the Budget Proposals. On May 18, 2004, the Minister of Finance (Canada) announced that the application of the Budget Proposals originally scheduled for January 1, 2005 was suspended to allow further consultations with interested parties. If the Budget Proposals were to be enacted in their current form, certain investors, including trusts governed by registered pension plans and pension corporations, could be liable to penalty taxes if they hold restricted investment property in excess of the limits described in the Budget Proposals. The Budget Proposals indicate that Plans would not be subject to these penalty taxes. Counsel can provide no assurance as to whether the Budget Proposals will be enacted as proposed, in an amended form or at all. See "Certain Canadian Federal Income Tax Considerations" and "Risk Factors — Income Tax Matters — Canada".

INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Torys LLP, Toronto, Ontario and New York, New York, on behalf of the Fund, and by Osler, Hoskin & Harcourt LLP, Toronto, Ontario, on behalf of the Underwriters. As at the date hereof, the partners and associates of each of the foregoing firms beneficially own, directly or indirectly, less than one percent of the securities of the Fund and its associates and affiliates.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The current auditors of the Fund are Ernst & Young LLP.

KPMG LLP audited the consolidated comparative financial statements of the Fund for the year ended December 31, 2003.

The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

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, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, 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 province or territory in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENTS

We have read the short form prospectus of Connors Bros. Income Fund (the "Fund") dated January 6, 2005 relating to the issue and sale of 6,115,000 Units of the Fund. We have complied with Canadian generally accepted standards for auditors' involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the Unitholders of the Fund on the audited consolidated comparative financial statements of the Fund for the year ended December 31, 2003 prior to the adoption of the accounting policy changes referred to in Note 2 to the unaudited financial statements of the Fund for the three and nine months periods ended September 25, 2004 and September 30, 2003. Our report is dated February 6, 2004.

(Signed) KPMG LLP
Chartered Accountants

Saint John, Canada
January 6, 2005

We have read the short form prospectus of Connors Bros. Income Fund (the "Fund") dated January 6, 2005 relating to the issue and sale of 6,115,000 Units of the Fund. We have complied with Canadian generally accepted standards for auditors' involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the Board of Directors of Bumble Bee Holdings, L.P. and Subsidiaries on the consolidated balance sheet of Bumble Bee Holdings, L.P. and Subsidiaries (Successor) as of May 25, 2003 and the related consolidated statements of income, partners' equity, and cash flows for the period May 20, 2003 through May 25, 2003; and on the consolidated balance sheet of Bumble Bee Seafoods, Inc. (Predecessor) as of May 26, 2002, and the related consolidated statements of income, shareholder's equity, and cash flows for the period May 27, 2002 through May 19, 2003 and year ended May 26, 2002. Our report is dated January 26, 2004, except for Note 16, as to which the date is February 10, 2004.

(Signed) ERNST & YOUNG LLP
Certified Public Accountants

San Diego, California
January 6, 2005

We have read the short form prospectus of Connors Bros. Income Fund (the "Fund") dated January 6, 2005 relating to the issue and sale of Units of the Fund. 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 Stockholders of Castleberry/Snow's Brands, Inc. on the consolidated balance sheet of Castleberry/Snow's Brands, Inc. as of July 25, 2004, and the related consolidated statements of income, stockholders equity, and cash flows for the year then ended. Our report is dated October 13, 2004, except for Note 15, as to which the date is December 20, 2004.

(Signed) PRICEWATERHOUSECOOPERS LLP
Certified Public Accountants

Atlanta, Georgia
January 6, 2005

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**COMPILATION REPORT
ON UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS**

To the Trustees of the Connors Bros. Income Fund:

We have read the accompanying unaudited pro forma consolidated balance sheet of Connors Bros. Income Fund (the “Company”) as of September 25, 2004 and the unaudited pro forma consolidated statements of earnings for the nine months ended September 25, 2004 and the twelve months ended December 31, 2003, and have performed the following procedures.

1. Compared the figures in the columns captioned “Connors Bros. Historical” to the unaudited consolidated balance sheet of the Company as at September 25, 2004 and the unaudited consolidated statement of earnings for the nine months then ended, and the audited consolidated financial statements of the Company for the year ended December 31, 2003, respectively, and found them to be in agreement.
2. Compared the figures in the column captioned “Bumble Bee Historical Four Months Ended April 29, 2004” to internal financial statements of Bumble Bee Holdings, L.P. and subsidiaries (“Bumble Bee”), and found them to be in agreement. Recalculated the translation into Canadian dollars using the average exchange rate and found the calculation to be arithmetically correct. Bumble Bee’s financial statements for the four months ended April 29, 2004 included its results for the three months ended March 27, 2004, which previously had been included, after translation, in the Company’s unaudited pro forma consolidated statement of earnings for the three months ended March 31, 2004, as presented in the Fund’s management’s discussion and analysis filed on May 17, 2004.
3. Recalculated the figures in the column captioned “Bumble Bee Historical Twelve Months Ended November 23, 2003”, which have been calculated from the audited statements of income of Bumble Bee for the period of May 20, 2003 through May 25, 2003 and of Bumble Bee Seafoods Inc. (“Predecessor”) as of period May 27, 2002 through May 19, 2003, and the unaudited interim statements of income for the six months ended November 23, 2003 and November 24, 2002 of Bumble Bee and the Predecessor respectively, all of which have been translated into Canadian dollars using average exchange rates, and found them to be arithmetically correct.
4. Compared the figures in the column captioned “Castleberry’s Historical July 25, 2004” in the unaudited pro forma consolidated balance sheet to amounts in Canadian dollars represented by the translation of the audited consolidated balance sheet of Castleberry/Snow’s Brands Inc. (“Castleberry’s”) as at July 25, 2004 using the exchange rate as at such date, and found them to be in agreement. Recalculated the figures in the column captioned “Castleberry’s Historical Nine Months Ended July 25, 2004”, which have been calculated from the audited statement of income of Castleberry’s for the year ended July 25, 2004 and the unaudited interim statement of income for the quarter ended October 19, 2003, all of which have been translated into Canadian dollars using average exchange rates, and found them to be arithmetically correct. Recalculated the figures in the column captioned “Castleberry’s Historical Twelve Months Ended October 17, 2003”, which have been calculated from the audited statement of income of Castleberry’s for the year ended July 27, 2003 and the unaudited interim statements of income for the quarters ended October 19, 2003 and October 20, 2002, all of which have been translated into Canadian dollars using average exchange rates, and found them to be arithmetically correct.
5. Made enquiries of certain officials of the Company who have responsibility for financial and accounting matters about:
 - (a) the basis for determination of the pro forma adjustments; and
 - (b) whether the pro forma financial statements comply as to form in all material respects with Canadian securities legislation.

The officials:

- (a) described to us the basis for determination of the pro forma adjustments, and
- (b) stated that the pro forma financial statements comply as to form in all material respects with Canadian securities legislation.

6. Read the notes to the pro forma statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.
7. Recalculated the aggregate of the amounts in the columns captioned "Connors Bros. Historical" and "Castleberry's Historical" in the unaudited pro forma consolidated balance sheet and of the amounts in the columns captioned "Connors Bros. Historical", "Bumble Bee Historical" and "Castleberry's Historical" in the unaudited pro forma consolidated statements of earnings, and found the figures in the columns captioned "Combined" to be arithmetically correct. Recalculated the application of the pro forma adjustments to the columns captioned "Combined", and found the amounts in the columns captioned "Consolidated Pro forma" to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

(Signed) ERNST & YOUNG LLP

San Diego, California
January 6, 2005

CONNORS BROS. INCOME FUND
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
SEPTEMBER 25, 2004
(in thousands, CAD\$)

	<u>Connors Bros. Historical Sept. 25, 2004</u>	<u>Castleberry's Historical July 25, 2004</u>	<u>Combined</u>	<u>Pro forma Adjustments (Note 3)</u>	<u>Consolidated Pro forma</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 3,534	\$ 70	\$ 3,604	\$ 104,567 (a) 66,427 (c) (114,434)(d)	\$ 60,164 (g)
Accounts receivable	83,045	10,413	93,458		93,458
Income taxes recoverable	323	—	323		323
Inventories	246,403	33,461	279,864		279,864
Prepays and other assets	5,003	4,758	9,761		9,761
Assets held for sale	—	1,372	1,372		1,372
Future income taxes	<u>5,433</u>	<u>2,649</u>	<u>8,082</u>		<u>8,082</u>
	343,741	52,723	396,464		453,024
Property, plant and equipment, net	99,016	18,367	117,383		117,383
Other assets	8,071	3,218	11,289	(474)(b) 3,851 (c)	14,666
Intangible assets, net	437,459	4,452	441,911	474 (b) 59,405 (e)	501,790
Future income taxes	<u>1,395</u>	<u>—</u>	<u>1,395</u>		<u>1,395</u>
Total assets	<u>\$889,682</u>	<u>\$78,760</u>	<u>\$968,442</u>		<u>\$1,088,258</u>
Liabilities and unitholders' equity					
Current liabilities					
Cash distributions payable	\$ 3,460	\$ —	\$ 3,460		\$ 3,460
Accounts payable and accrued liabilities	157,268	16,736	174,004		174,004
Income taxes payable	833	1,059	1,892		1,892
Future income taxes	1,069	—	1,069		1,069
Long-term debt due within one year	<u>49</u>	<u>21,932</u>	<u>21,981</u>	(21,932)(b)	<u>49</u>
	162,679	39,727	202,406		180,474
Revolving credit facilities	130,926	—	130,926	70,278 (c)	201,204
Future income taxes	9,630	3,406	13,036		13,036
Foreign currency contracts and other long-term obligations	<u>4,206</u>	<u>2,530</u>	<u>6,736</u>		<u>6,736</u>
	144,762	5,936	150,698		220,976
Non-controlling interest	220,309	—	220,309	(113,807)(h)	106,502
Unitholders' equity					
Units issued/Paid in capital	387,300	5,932	393,232	104,567 (a) (5,932)(f) 113,807 (h)	605,674
Deficit	(19,086)	27,364	8,278	(27,364)(f)	(19,086)
Foreign currency translation adjustment	<u>(6,282)</u>	<u>(199)</u>	<u>(6,481)</u>	199 (f)	<u>(6,282)</u>
Total unitholders' equity	<u>361,932</u>	<u>33,097</u>	<u>395,029</u>		<u>580,306</u>
Total liabilities and unitholders' equity	<u>\$889,682</u>	<u>\$78,760</u>	<u>\$968,442</u>		<u>\$1,088,258</u>

CONNORS BROS. INCOME FUND
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS
NINE MONTHS ENDED SEPTEMBER 25, 2004
(in thousands, CAD\$)

	Connors Bros. Historical Nine Months Ended Sept. 25, 2004	Bumble Bee Historical Four Months Ended April 29, 2004	Castleberry's Historical Nine Months Ended July 25, 2004	Combined	Bumble Bee Pro forma Adjustments (Note 4)	Castleberry's Pro forma Adjustments (Note 4)	Consolidated Pro forma
Revenue	\$393,631	\$252,127	\$133,810	\$779,568			\$779,568
Cost of sales	<u>337,758</u>	<u>204,591</u>	<u>107,613</u>	<u>649,962</u>	\$ 80 (a)		<u>650,042</u>
Gross Profit	55,873	47,536	26,197	129,606			129,526
Selling, general and administrative costs	35,787	21,219	18,789	75,795			75,795
Restructuring and other transition costs	2,406	—	—	2,406			2,406
Foreign currency (gains) losses	945	—	—	945			945
Net interest and other expense	2,451	6,908	2,428	11,787	(5,982)(b) 1,556 (c)	\$(1,798)(b) 3,301 (c)	8,864
Earnings before taxes	<u>14,284</u>	<u>19,409</u>	<u>4,980</u>	<u>38,673</u>			<u>41,516</u>
Income taxes:							
Current provision	1,663	276	1,703	3,642	\$ 6,858 (d)	\$ (312)	10,188
Future provision	<u>(555)</u>	<u>—</u>	<u>—</u>	<u>(555)</u>			<u>(555)</u>
Earnings before non-controlling interest	13,176	19,133	3,277	35,586			31,883
Non-Controlling Interest							4,454
Net Earnings	<u>\$ 13,176</u>	<u>\$ 19,133</u>	<u>\$ 3,277</u>	<u>\$ 35,586</u>			<u>\$ 27,429</u>
Basic and diluted earnings per unit ..							\$ 0.62

CONNORS BROS. INCOME FUND
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS
TWELVE MONTHS ENDED DECEMBER 31, 2003
(in thousands, CAD\$)

	Connors Bros. Historical Twelve Months Ended Dec. 31, 2003	Bumble Bee Historical Twelve Months Ended Nov 23, 2003	Castleberry's Historical Twelve Months Ended October 19, 2003	Combined	Bumble Bee Pro forma Adjustments (Note 4)	Castleberry's Pro forma Adjustments (Note 4)	Consolidated Pro forma
Revenue	\$139,984	\$755,551	\$184,687	\$1,080,222			\$1,080,222
Cost of sales	<u>106,119</u>	<u>642,202</u>	<u>146,417</u>	<u>894,738</u>	\$ 650 (a)		<u>895,388</u>
Gross Profit	33,865	113,349	38,270	185,484			184,834
Selling, general and administrative costs	20,982	55,797	29,279	106,058	675 (e)		106,733
Restructuring and other transition costs	—	—	—	—			—
Foreign currency (gains) losses	(5,265)	—	—	(5,265)			(5,265)
Net interest and other expense	241	21,241	2,780	24,262	(21,241)(b) 5,121 (c)	\$(2,902)(b) 4,798 (c)	10,038
Earnings before taxes	<u>17,907</u>	<u>36,311</u>	<u>6,211</u>	<u>60,429</u>			<u>73,328</u>
Income taxes:							
Current provision	(389)	9,112	2,327	11,050	\$ (5,174)(d)	\$ (601)(d)	5,275
Future provision	<u>1,635</u>	<u>—</u>	<u>—</u>	<u>1,635</u>			<u>1,635</u>
Earnings before Non-Controlling Interest	16,661	27,199	3,884	47,744			66,418
Non-Controlling Interest							9,279
Net Earnings	<u>\$ 16,661</u>	<u>\$ 27,199</u>	<u>\$ 3,884</u>	<u>\$ 47,744</u>			<u>\$ 57,139</u>
Basic and diluted earnings per unit ..							\$ 1.30

CONNORS BROS. INCOME FUND
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The accompanying unaudited pro forma consolidated balance sheet and the unaudited pro forma consolidated statements of earnings of Connors Bros. Income Fund ("Fund") have been prepared in accordance with Canadian generally accepted accounting principles. The accompanying pro forma consolidated financial statements give effect to the issuance of units, the acquisition of the Castleberry's and the Bumble Bee Seafoods Business and the drawdown of new credit facilities. The pro forma consolidated financial statements do not give effect to the acquisition of the Sweet Sue/Bryan Business because the Fund and its advisors determined it was not a significant acquisition under Canadian securities legislation and is independent of the Castleberry's acquisition. The pro forma consolidated financial statements are based on certain assumptions related to the debt proceeds and equity proceeds that will be required to complete the Castleberry's Acquisition and the Sweet Sue/Bryan Acquisition.

The pro forma consolidated balance sheet has been prepared from information derived from the unaudited consolidated balance sheet of the Fund as at September 25, 2004 and the audited consolidated balance sheet of Castleberry's as at July 25, 2004 and the adjustments and assumptions outlined below. The pro forma consolidated statement of earnings for the nine months ended September 25, 2004 has been derived from the unaudited consolidated statement of earnings of the Fund for the nine months ended September 25, 2004, the unaudited consolidated statement of earnings of the Bumble Bee Seafoods Business from December 21, 2003 to April 29, 2004, and the unaudited consolidated statement of earnings of Castleberry's for the nine months ended July 25, 2004, which have been calculated from the audited statement of earnings of Castleberry's for the year ended July 25, 2004 and the unaudited interim statement of earnings for the quarter ended October 19, 2003. The pro forma consolidated statement of earnings for the twelve months ended December 31, 2003 has been derived from the audited consolidated statement of earnings of the Fund for the twelve months ended December 31, 2003, the unaudited consolidated statement of earnings of the Bumble Bee Seafoods Business for the twelve months ended November 23, 2003, which have been calculated from the audited statements of income of Bumble Bee Holdings, L.P. ("Successor") and subsidiaries for the period of May 20, 2003 through May 25, 2003 and of Bumble Bee Seafoods Inc. ("Predecessor") as of period May 27, 2002 through May 19, 2003, and the unaudited interim statements of income for the six months ended November 23, 2003 and November 24, 2002 of Bumble Bee Seafoods and the Predecessor respectively, and the unaudited consolidated statement of income of Castleberry's for the twelve months ended October 19, 2003, which have been calculated from the audited statement of income of Castleberry's for the year ended July 27, 2003 and the unaudited interim statements of income for the quarters ended October 19, 2003 and October 20, 2002.

The accounts of Castleberry's are translated using the current rate method. Assets and liabilities are translated at the exchange rate in effect at the balance sheet date of July 25, 2004 and revenue and expenses are translated using the average monthly rates for the applicable periods.

Certain of the accounting policies adopted by the Fund and Castleberry's may not be consistent. The pro forma consolidated balance sheet and statements of earnings have not been adjusted to reflect the differences in accounting policies as management of Connors has not been able to identify and quantify such differences.

The pro forma consolidated financial statements may not be indicative of the financial position and the results of operations that would have occurred if the transactions had been in effect on the dates indicated or of the financial position or operating results which may be obtained in the future.

The pro forma consolidated financial statements should be read in conjunction with the financial statements of the Fund for the year ended December 31, 2003, the consolidated financial statements of the Bumble Bee Seafoods Business for the six months ended November 23, 2003 and the audited financial statements of Castleberry's for the year ended July 25, 2004.

2. The Fund

The accompanying pro forma consolidated financial statements of the Fund have been prepared to reflect the following proposed transactions:

- (a) Based on an estimated price to the public of \$18.00 per unit and an estimated U.S. to Canadian dollar spot rate of exchange of \$1.2261, the Fund assumes it will issue 6,115,000 Units (the "Offering") for net proceeds of \$104.6 million on closing of the Offering after deducting the Underwriters' fees of approximately \$5.5 million.
- (b) The Fund will draw approximately \$70.3 million from its U.S. and Canadian credit facilities. Combined with cash received from the Offering, the Fund will pay acquisition and debt financing fees.

3. Pro Forma Consolidated Balance Sheet of the Fund

The pro forma consolidated balance sheet of the Fund as at September 25, 2004, is based on the consolidated balance sheet of the Fund as at September 25, 2004 and has been prepared as if the following proposed transactions had been completed as at September 25, 2004:

- (a) Record the issuance of 6,115,000 Units for net proceeds of \$104.6 million after deducting the Underwriters' fees of approximately \$5.5 million.
- (b) Castleberry's debt of \$21.9 million is repaid and \$0.5 million of deferred financing costs are charged off.
- (c) The Fund will draw down approximately \$70.3 million from its U.S. and Canadian credit facilities net of costs of \$3.9 million.
- (d) The acquisition of Castleberry's by the Fund for \$114.4 million including transaction costs is comprised of cash received from the Offering and the additional revolver borrowings.

- (e) The pro forma consolidation of the Fund and Castleberry's has been accounted for by the purchase method. The excess of the purchase price paid by the Fund over the underlying fair value of the net assets of Castleberry's has been determined as follows:

Purchase Price for Castleberry's (U.S.\$93.0 million)	\$114,027
Transaction costs associated with the acquisition	<u>407</u>
Total cost of acquisition	114,434
Castleberry's net assets after repayment of debt	<u>55,029</u>
Estimated unallocated purchase price premium, assumed to be goodwill and intangible assets	<u>\$ 59,405</u>

The above allocation of purchase price is preliminary. The actual calculation and allocation of the purchase price that will be reported in the consolidated financial statements of the Fund, after the acquisition of Castleberry's by the Fund, will be based on the fair value of the assets acquired and liabilities assumed at the time of acquisition. Accordingly, the purchase price will be adjusted subsequently on completion of the transaction and allocation process.

- (f) Consolidation of Castleberry's with the Fund.
- (g) Cash remaining after the acquisition of Castleberry's will be used for the acquisition of the Sweet Sue/Bryan Business for approximately \$56.5 million, including estimated expenses.
- (h) Recording the impact of the reduction of the Non-Controlling Interest completed on September 29, 2004.

4. Pro Forma Consolidated Statement of Earnings of the Fund

The pro forma consolidated statement of earnings of the Fund for the nine months ended September 25, 2004, and the year ended December 31, 2003 are based on the consolidated statement of earnings of the Fund for the nine months ended September 25, 2004, and the year ended December 31, 2003, respectively, for the effect of the following transactions referred to in Note 2 and have been prepared as if the transactions occurred on January 1, 2004 and January 1, 2003, respectively, as follows:

- (a) Record the impact of Bumble Bee Seafoods' Santa Fe Springs plant sale lease back. The pro forma adjustment related to the depreciation of this plant has been reclassified to cost of sales from selling, general and administrative costs as previously reported in the Fund's management information circular dated February 20, 2004, incorporated by reference herein.
- (b) Remove the interest expense and related debt fee amortization on existing debt repaid in the Bumble Bee and Castleberry's combinations with the Fund.
- (c) Additional interest expense and amortization of the deferred financing costs related to the new debt under the Bumble Bee Transaction and the additional amount drawn on the revolving credit facility.
- (d) Estimating income tax expense using a blended tax rate of 40% on Castleberry's and the Fund's effective tax rate as reflected in the Fund's Quarterly Reported for the three and nine months ended September 25, 2004.
- (e) The payment of management bonuses on successful completion of the Bumble Bee Transaction.

As of September 25, 2004, the allocation of the purchase price related to the Bumble Bee Transaction is preliminary and therefore no amortization of intangible assets has been recorded.

REPORT OF INDEPENDENT AUDITORS

To the Stockholders of
Castleberry/Snow's Brands, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Castleberry/Snow's Brands, Inc. at July 25, 2004, and the results of their operations and their cash flows for the year ended July 25, 2004, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's current Revolving Credit and Term Loan Agreement expires on December 31, 2004. Management's plans in regard to these matters are also described in Note 2. Although management fully expects to obtain a new financing facility prior to December 31, 2004, there can be no assurance in this regard. This condition raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

(Signed) PRICEWATERHOUSECOOPERS LLP
Atlanta, Georgia

October 13, 2004, except for Note 15 as to which the date is December 20, 2004

CASTLEBERRY/SNOW'S BRANDS, INC.

CONSOLIDATED BALANCE SHEET

JULY 25, 2004

(amounts in U.S.\$)

Assets

Current assets

Cash	\$ 52,628
Trade accounts receivable, less allowance for doubtful accounts of \$228,000	7,881,506
Inventories, net	25,326,511
Prepaid pension expense	1,910,152
Other prepaid expenses	435,240
Deferred tax asset	2,005,000
Assets held for sale	1,038,711
Other current assets	<u>1,255,758</u>
Total current assets	39,905,506
Property, plant and equipment, net	13,902,042
Transferable clam allocation rights	2,077,389
Goodwill	3,370,000
Debt issuance and other costs, net of accumulated amortization of \$1,058,333	<u>358,575</u>
Total assets	<u><u>\$59,613,512</u></u>

Liabilities and Stockholders' Equity

Current liabilities

Current maturities, long-term debt	\$16,600,000
Bank overdrafts	2,628,124
Accounts payable	6,194,371
Accrued expenses and other	3,846,645
Income taxes payable	<u>801,279</u>
Total current liabilities	30,070,419

Long-term debt, less current maturities

Deferred tax liability	2,578,000
Other long-term liabilities	<u>1,915,005</u>

Total liabilities	<u><u>34,563,424</u></u>
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Stockholders' equity

Preferred stock	1,398
Common stock	1,398
Common stock warrant	2,515,762
Additional paid-in capital	1,971,027
Accumulated other comprehensive loss	(150,715)
Retained earnings	<u>20,711,218</u>
Total stockholders' equity	<u>25,050,088</u>
Total liabilities and stockholders' equity	<u><u>\$59,613,512</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

CASTLEBERRY/SNOW'S BRANDS, INC.
CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED JULY 25, 2004
(amounts in U.S.\$)

Net sales	\$133,609,874
Cost of goods sold	<u>108,227,055</u>
Gross profit	25,382,819
Operating expenses	
Selling and marketing	11,743,741
Administrative	7,390,268
Amortization	<u>598,356</u>
Income from operations	5,650,454
Other (income) expense	
Interest expense	1,772,978
Other (income) expense	<u>41,351</u>
Income before income taxes	3,836,125
Provision (benefit) for income taxes	<u>1,316,000</u>
Net income	<u><u>\$ 2,520,125</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

CASTLEBERRY/SNOW'S BRANDS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
YEAR ENDED JULY 25, 2004
(amounts in U.S.\$)

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Common Stock Warrant</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Par Value</u>	<u>Shares</u>	<u>Par Value</u>					
Balance at July 27, 2003	139,675	\$1,398	139,675	\$1,398	\$1,370,000	\$1,971,027	\$ (611,809)	\$19,336,855	\$22,068,869
Adjustment to common stock warrant					1,145,762			(1,145,762)	—
Comprehensive income									
FAS 133 adjustment							461,094		461,094
Net income								2,520,125	<u>2,520,125</u>
Comprehensive income									<u>2,981,219</u>
Balance at July 25, 2004	<u>139,675</u>	<u>\$1,398</u>	<u>139,675</u>	<u>\$1,398</u>	<u>\$2,515,762</u>	<u>\$1,971,027</u>	<u>\$ (150,715)</u>	<u>\$20,711,218</u>	<u>\$25,050,088</u>

The accompanying notes are an integral part of these consolidated financial statements.

CASTLEBERRY/SNOW'S BRANDS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JULY 25, 2004
(amounts in U.S.\$)

Cash flows from operating activities	
Net income	\$ 2,520,125
Adjustments to reconcile net income to net cash provided by operating activities	
Deferred income taxes	(42,000)
Depreciation and amortization	4,760,754
Write-off of debt issuance costs	—
Changes in operating assets and liabilities	
Accounts receivable	(1,060,212)
Inventories	(2,213,778)
Income taxes receivable	—
Prepaid pension expenses	60,940
Other prepaid expenses	425,201
Accounts payable	(1,015,552)
Accrued expenses	(764,507)
Income taxes payable	336,776
Other long-term liabilities	<u>361,376</u>
Net cash provided from operating activities	<u>3,369,123</u>
Cash flows from investing activities	
Capital expenditures	(969,864)
Proceeds from sale of property, plant and equipment	—
Purchase of other current assets	<u>(836,841)</u>
Net cash used in investing activities	<u>(1,806,705)</u>
Cash flows from financing activities	
Redemption of debt	—
Proceeds from issuance of debt	—
(Repayments) borrowings on revolving credit facility	3,740,000
Repayment on debt	(6,040,000)
Debt issuance costs	—
Change in bank overdrafts	<u>752,717</u>
Net cash used in financing activities	<u>(1,547,283)</u>
Net increase (decrease) in cash	15,135
Cash at beginning of period	<u>37,493</u>
Cash at end of period	<u>\$ 52,628</u>

The accompanying notes are an integral part of these consolidated financial statements.

CASTLEBERRY/SNOW'S BRANDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 25, 2004
(amounts in U.S.\$)

1. Summary of Significant Accounting Policies

Castleberry/Snow's Brands, Inc. (the "Company") was incorporated in June 1994 and operates in a single industry segment; the manufacture and marketing of food products. The Company grants credit to customers, substantially all of whom are retail grocers, wholesalers, food service distributors or other food companies. No single customer accounted for more than 10% of sales in 2004.

Basic of Accounting

In accordance with accounting principles generally accepted in the United States of America, the accompanying financial statements are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

Sales are recorded at the time products are shipped to customers.

Trade Accounts Receivable

Accounts receivable consist primarily of amounts due from customers generated during the normal course of business. The Company uses the allowance method of reserving for accounts receivable estimated to be uncollectible.

Inventories

Inventories are stated at the lower of cost (last price paid, which approximates first-in, first-out) or market.

Statement of Cash Flows

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Depreciation and amortization includes depreciation of property, plant and equipment, and amortization of intangible assets and long-term sales agreements.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation is computed by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	30-40
Machinery and equipment	5-12
Vessels	18
Furniture and fixtures	5

Gains and losses related to retirements or other disposals are included in the statement of operations. Maintenance and repairs are charged to expense as incurred; renewals and betterments are capitalized.

Transferable Clam Allocation Rights

The Company adopted Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142") at the beginning of fiscal 2003. As a result, transferable clam allocation rights were not amortized beginning in fiscal 2003. Prior to fiscal 2003, transferable clam allocation rights were amortized by the straight-line method over 15 years.

Debt Issuance Costs

Debt issuance costs are amortized by the straight-line method, which approximates the effective interest method, over the term of the related debt.

Income Taxes

The Company accounts for income taxes using the liability method of computing deferred income taxes pursuant to Statement of Financial Accounting Standards No. 109. The recoverability of deferred income tax assets is evaluated at each balance sheet date and the need for a valuation allowance is determined. Changes in the valuation allowance are recognized in the period of change.

Goodwill

The Company evaluates goodwill and certain other intangible assets for impairment annually in conformity with SFAS No. 142. See Note 14 regarding implementation of SFAS No. 142.

Phantom Stock Plan

The Company has a Phantom Stock Plan IIA and Phantom Stock Plan III, approved in fiscal 2003, which provide for the future payout of its Phantom Stock Plan II and for the awarding of additional potential cash compensation to certain employees. The Plans will terminate on July 31, 2007, or earlier if one of certain events occur. Under the terms of the Plans, at termination, the amount of award will be determined based on the value of the Company, approved by the Board of Directors. Under the terms of the Plans, the Company estimates its liability to be \$1,686,000 at July 25, 2004.

Research and Development Costs

The Company has a research and development program primarily aimed at improving existing production processes, reformulating and improving existing products and developing new products. Costs are charged to operations as incurred.

Consumer Advertising and Promotion Costs

Advertising, including media advertisements, coupons, in-store demonstrations and other consumer promotion costs, are generally expensed when incurred. Consumer advertising and promotion costs for 2004 were \$3,830,000.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

2. Going Concern Considerations

The Company's current Revolving Credit and Term Loan Agreement (the "Agreement") expires on December 31, 2004. The Company has obtained a Commitment Letter from a bank that participates in the current Agreement to replace the existing Agreement with a new credit facility. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed above, although management fully expects that the Company will obtain a new credit facility prior to December 31, 2004, there can be no assurance that the new facility or other financing will be obtained. This condition raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

3. Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Interest	\$1,599,470
Income taxes	1,076,612

4. Inventories

Inventories at July 25, 2004 consist of the following:

Finished goods	\$19,199,980
Raw materials	6,126,531
	<u>\$25,326,511</u>

5. Assets Held for Sale

Assets held for sale consist of the following at July 25, 2004:

Land and improvements	\$ 143,881
Buildings	2,070,195
Furniture, machinery and equipment	1,068,897
	3,282,973
Less: accumulated depreciation	<u>1,183,262</u>
Net book value	2,099,711
Less: expected loss on disposition	<u>1,061,000</u>
Estimated market value	<u>\$1,038,711</u>

6. Other Current Assets

Other current assets at July 25, 2004 consist of the following:

Repair parts and supplies	\$ 669,954
Long-term sales agreements, net	209,046
Label design costs, net	376,758
Income tax receivable	—
	<u>\$1,255,758</u>

Repair parts and supplies include items with a cost in excess of \$100 per unit.

7. Property, Plant and Equipment

The major classifications of property, plant and equipment at July 25, 2004 are as follows:

Land and improvements	\$ 1,557,596
Buildings	6,104,062
Furniture, machinery and equipment	42,447,129
Vessels	1,825,549
	51,934,336
Less: accumulated depreciation	38,032,294
	<u>\$13,902,042</u>

The total depreciation expense included in the statement of operations was approximately \$3,818,000 for the year ended July 25, 2004.

8. Accrued Expenses

Accrued expenses at July 25, 2004 consist of the following:

Promotional allowances	\$1,417,020
Group insurance	225,000
Payroll and payroll taxes	920,726
Commissions	81,000
Sales and property taxes	200,540
Interest	172,436
Other	829,923
	<u>\$3,846,645</u>

9. Long-Term Debt

In December 2001, the Company entered into a Revolving Credit and Term Loan Agreement (the "Agreement") with a group of banks, consisting of a \$22,500,000 Revolving Credit Facility and a \$22,500,000 Term Loan. The Agreement matures on December 31, 2004. Amounts outstanding under the Agreement have been collateralized with all accounts receivable, inventory, equipment, vessels and clam allocation rights of the Company; the carrying value of these assets pledged as collateral is approximately \$49,187,000 at July 25, 2004. Proceeds from the borrowings were used to extinguish the former revolving credit agreement and term loan.

The Term Loan is due in \$1,000,000 quarterly installments commencing on April 30, 2002, with final maturity on December 31, 2004. Borrowings under the Term Loan bear interest at LIBOR plus the applicable margin or the Prime Rate plus applicable margin. The interest rate on the Term Loan at July 25, 2004 was 3.42%.

The amount of borrowings available under the Revolving Credit Facility is determined based on certain percentages of accounts receivable and inventory. Outstanding borrowings under the Revolving Credit Facility were \$6,140,000 at July 25, 2004. The additional amount available under the Revolving Credit Facility at July 25, 2004 was \$16,360,000. Borrowings under the Revolving Credit Facility bear interest at LIBOR plus applicable margin or the Prime Rate plus applicable margin. The average interest rate on these borrowings at July 25, 2004 was 3.63%.

The Agreement contains certain covenants, including a minimum ratio of funded debt to earnings before interest, income tax, depreciation and amortization, a minimum fixed charge coverage ratio, a minimum net worth requirement and a minimum net income requirement. At July 25, 2004, the Company was in compliance with these requirements.

The Company has received a Commitment Letter from a bank that participates in the existing Agreement to complete new financing arrangements prior to December 31, 2004 (see Note 2 for additional information).

The Company's long-term debt at July 25, 2004 is as follows:

Revolving Credit Facility, due December 2004	\$ 6,140,000
Term Loan, due December 2004	<u>10,460,000</u>
	16,600,000
Current maturities of long-term debt	<u>(16,600,000)</u>
Long-term debt	<u>\$ —</u>

Scheduled maturities of long-term debt are as follows:

Fiscal year 2005	<u>\$16,600,000</u>
------------------------	---------------------

In fiscal 2001, the Company entered a 3-year interest rate swap agreement covering \$5,000,000 of its LIBOR-based variable rate debt at a fixed rate of 5.52%. This swap matured on February 23, 2004.

In fiscal 2002, the Company entered into a 3-year interest rate swap agreement with a bank, covering \$15,000,000 of its LIBOR-based variable rate debt, at a fixed rate of 7.43%. Five million of this swap matured on December 31, 2002.

The Company adopted Statement of Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133") in fiscal 2001, and has recorded the fair market value of the interest rate swap agreements at July 25, 2004, net of tax. Furthermore, in accordance with SFAS No. 133, the Company records the change in fair market value of the swaps as a part of other comprehensive income.

10. Income Taxes

The components of deferred income tax assets and liabilities at July 25, 2004 are as follows:

Deferred tax assets	
Promotional allowances	\$ 328,000
Accrued bonuses	869,000
Inventory overhead and reserves	209,000
Plant closing and sale of assets	254,000
Other	<u>345,000</u>
	2,005,000
Deferred tax liability	
Depreciation	(2,082,000)
Prepaid pension expense	<u>(496,000)</u>
Net deferred tax liability	<u>\$ (573,000)</u>

The components of the provision (benefit) for income taxes for the year ended July 25, 2004 are as follows:

Current taxes (benefit)	
Federal	\$1,206,000
State	<u>152,000</u>
	1,358,000
Deferred taxes (benefit)	
Federal	(37,400)
State	<u>(4,600)</u>
	(42,000)
	<u>\$1,316,000</u>

The difference between the expected federal income tax rate of 34% and the actual rate is due to non-deductible and non-taxable items offset, in 2002, by the resolution of other tax matters.

11. Leases

The Company leases copiers, fax machines and forklifts under operating leases with varying periods. The total minimum rental commitment at July 25, 2004, under these leases was as follows:

2005	\$314,000
2006	278,000
2007	250,000
2008	99,000
2009	<u>4,000</u>
	<u>\$945,000</u>

The total rental expense included in the statements of operations was approximately \$893,000 for the year ended July 25, 2004.

12. Benefit Plans

The Company has a profit sharing 401(k) savings plan covering substantially all salaried employees who meet eligibility requirements. The Company's contributions to the plan, which are subject to Board approval, was approximately \$292,000 for the year ended July 25, 2004.

The Company has two defined benefit pension plans covering substantially all hourly and salaried employees who meet eligibility requirements. The plans provide benefits based upon earnings and/or years of service. The Company's policy is to make contributions necessary to meet minimum funding requirements. Consistent with the Company's investment strategy for its defined benefit plans, Plan assets are invested in a broadly diversified portfolio consisting primarily of domestic common stocks and fixed income securities in order to achieve a high quality long-term rate of return while minimizing the risks associated with short term market volatility.

Plan assets were valued at April 30, 2004 for financial reporting requirements at July 25, 2004.

The following table sets forth the plans' funded status as of July 25, 2004 and the amounts recognized in the accompanying balance sheet at the period then ended:

	<u>Hourly Plan</u>	<u>Salaried Plan</u>
Change in benefit obligation		
Projected benefit obligation at end of prior year	\$1,560,885	\$4,522,246
Service cost	131,801	195,719
Interest cost	106,077	303,493
Actuarial (gain)/loss	(19,337)	(45,531)
Benefits paid	<u>(50,648)</u>	<u>(233,114)</u>
Projected benefit obligation at end of year	<u>\$1,728,778</u>	<u>\$4,742,813</u>
Change in plan assets		
Fair value of plan assets at end of prior year	\$1,593,478	\$4,234,916
Actual return on plan assets	100,514	295,652
Employer contributions	115,000	185,000
Benefits paid	<u>(50,648)</u>	<u>(233,114)</u>
Fair value of plan assets at end of year	<u>\$1,758,344</u>	<u>\$4,482,454</u>
Funded status	\$ 29,566	\$ (260,359)
Unrecognized prior service cost	10,709	—
Unrecognized net (gain)/loss	<u>887,126</u>	<u>1,243,110</u>
Prepaid pension expense	<u>\$ 927,401</u>	<u>\$ 982,751</u>
Accumulated benefit obligation	<u>\$1,728,778</u>	<u>\$4,423,466</u>
	<u>Hourly Plan</u>	<u>Salaried Plan</u>
Components of periodic pension cost		
Service cost	\$ 131,801	\$ 195,719
Interest cost	106,077	303,493
Expected return on assets	(148,689)	(391,026)
Amortization of prior service cost	1,785	—
Recognized net actuarial (gain)/loss	<u>75,231</u>	<u>86,549</u>
Net periodic pension cost	<u>\$ 166,205</u>	<u>\$ 194,735</u>
Other comprehensive income		
Increase (decrease) in unrecognized prior service cost	\$ —	\$ —
Increase (decrease) in additional minimum pension liability	<u>—</u>	<u>—</u>
Other comprehensive income	<u>\$ —</u>	<u>\$ —</u>
Weighted-average assumptions at end of the year		
Discount rate	6.92%	6.92%
Expected return on plan assets	9.50%	9.50%
Rate of compensation increase	N/A	3.0%

Pension expense for Company sponsored defined benefit plans was \$360,940 for the year ended July 25, 2004.

13. Stockholders' Equity

The Company has authorized 200,000 shares of 9% nonvoting, cumulative Preferred Stock. The Preferred Stock has a par value of \$.01 per share and a liquidation value of \$25 per share. Dividends are payable only if declared by the Board of Directors. At July 25, 2004, the cumulative undeclared preferred dividends were approximately \$4,841,000.

The Company has authorized 300,000 shares of Common Stock. The Common Stock has a par value of \$.01 per share and is entitled to one vote per share.

A Common Stock Purchase Warrant (“Warrant”) was granted to the former subordinated lender (“Holder”) entitling the Holder to purchase (for a nominal amount of cash) 7% of all issued and outstanding common shares of the Company after exercise. The Warrant expires on August 23, 2005. The Warrant includes certain put provisions, which permit the Holder to have the Company purchase the Warrant or any shares purchased under the Warrant. The put price is determined based upon the highest of three measurements. The three methods include the book value method, an independent appraisal method, and a calculation based upon a multiple (5 times) of operating cash flow less long term debt and preferred stock. In November 2003, the Holder exercised its put option. Under the provisions of the Warrant, the Warrant was valued and recorded at \$2,515,762 at July 25, 2004. This amount was paid to the Holder subsequent to July 25, 2004.

14. Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets* (“SFAS No. 142”). Under SFAS No. 142, goodwill and other indefinite lived intangible assets will no longer be amortized, but will be reviewed annually for impairment. Separate intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. The Company adopted the provisions of SFAS No. 142 in fiscal 2003. No impairment of goodwill or other intangible assets was recognized as a result of the adoption of SFAS No. 142.

15. Reconciliation to Canadian Generally Accepted Accounting Principles

The Company’s accounting policies as reflected in these consolidated financial statements do not materially differ from Canadian GAAP except for:

- (a) The Company uses interest rate derivatives to hedge interest rate risk associated with its variable rate term loan and revolving credit facility. For the year ending July 25, 2004 the fair market value of the interest rate derivatives was accounted for as a component of stockholders’ equity, and the change in value of the interest rate derivatives was accounted for as a component of other comprehensive income under U.S. GAAP. Under Canadian GAAP, the unrecognized value of interest rate derivatives is not recorded in the financial statements.

For the year ending July 25, 2004 there were no material differences between U.S. GAAP and Canadian GAAP that impacted net income. The differences did impact comprehensive income for U.S. GAAP, and the following table indicates the significant items in the consolidated balance sheets that would have been affected had the consolidated financial statements been prepared under Canadian GAAP:

	July 25, 2004		
	U.S. GAAP	Interest Rate Derivatives	Canadian GAAP
Other long-term liabilities	\$ 1,915,005	\$(150,715)	\$ 1,764,290
Stockholders’ equity			
Preferred stock	1,398		1,398
Common stock	1,398		1,398
Common stock warrant	2,515,762		2,515,762
Additional paid-in capital	1,971,027		1,971,027
Accumulated other comprehensive loss	(150,715)	150,715	—
Retained earnings	<u>20,711,218</u>		<u>20,711,218</u>
Total stockholders’ equity	<u>\$25,050,088</u>	<u>\$ 150,715</u>	<u>\$25,200,803</u>

CASTLEBERRY/SNOW'S BRANDS, INC.
CONSOLIDATED BALANCE SHEETS
OCTOBER 17, 2004 AND JULY 25, 2004
(amounts in U.S.\$)

	<u>October 17, 2004</u>	<u>July 25, 2004</u>
	(Unaudited)	(Derived from audited financial statements)
Assets		
Current assets		
Cash	\$ 45,178	\$ 52,628
Trade accounts receivable, less allowance for doubtful accounts of \$246,482 and \$228,482 at October 17, 2004 and July 25, 2004, respectively	13,093,388	7,881,506
Inventories, net	26,185,646	25,326,511
Prepaid pension expense	1,833,727	1,910,152
Prepaid expenses	581,203	435,240
Deferred tax asset	2,005,000	2,005,000
Assets held for sale	1,038,711	1,038,711
Other current assets	<u>1,293,193</u>	<u>1,255,758</u>
Total current assets	46,076,046	39,905,506
Property, plant & equipment, net	13,340,559	13,902,042
Transferable clam allocation rights, net of accumulated amortization of \$2,415,295 at October 17, 2004 and July 25, 2004, respectively	2,077,389	2,077,389
Goodwill, net of accumulated amortization of \$1,721,847 at October 17, 2004 and July 25, 2004	3,370,000	3,370,000
Debt issuance and other costs, net of accumulated amortization of \$1,107,607 and \$1,058,333 at October 17, 2004 and July 25, 2004, respectively	<u>309,301</u>	<u>358,575</u>
Total assets	<u>\$65,173,295</u>	<u>\$59,613,512</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Current maturities, long-term debt	\$19,400,000	\$16,600,000
Bank overdrafts	2,725,778	2,628,124
Accounts payable	8,679,738	6,194,371
Accrued expenses	4,919,746	3,846,645
Income taxes payable	<u>996,417</u>	<u>801,279</u>
Total current liabilities	36,721,679	30,070,419
Long-term liabilities		
Deferred tax liability	2,578,000	2,578,000
Other long-term liabilities	<u>1,916,490</u>	<u>1,915,005</u>
Total long-term liabilities	4,494,490	4,493,005
Total liabilities	<u>41,216,169</u>	<u>34,563,424</u>
Stockholders' equity		
Common stock	1,398	1,398
Preferred stock	1,398	1,398
Common stock warrant	—	2,515,762
Additional paid-in capital	1,971,027	1,971,027
Accumulated other comprehensive (loss)	(79,321)	(150,715)
Retained earnings	<u>22,062,624</u>	<u>20,711,218</u>
Total stockholders' equity	<u>23,957,126</u>	<u>25,050,088</u>
Total liabilities and stockholders' equity	<u>\$65,173,295</u>	<u>\$59,613,512</u>

The accompanying notes are an integral part of these consolidated financial statements.

CASTLEBERRY/SNOW'S BRANDS, INC.

**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)
 QUARTERS ENDED OCTOBER 17, 2004 AND OCTOBER 19, 2003**

(amounts in U.S.\$)

	For the Quarters Ending	
	October 17, 2004	October 19, 2003
Net sales	\$33,879,694	\$32,962,937
Cost of goods sold	26,953,847	27,284,499
Gross profit	6,925,847	5,678,438
Operating expenses		
Selling & marketing	2,646,331	3,361,903
Administrative	1,640,646	1,640,075
Amortization	131,820	158,775
Income from operations	2,507,050	517,685
Other (income) expense		
Interest expense	373,559	420,839
Other (income) expense	6,086	6,570
Income before income taxes	2,127,405	90,276
Provision for income taxes	776,000	35,000
Net income	1,351,405	55,276
Other comprehensive income		
FAS 133 adjustment	71,394	136,493
Comprehensive Income	\$ 1,422,799	\$ 191,769

The accompanying notes are an integral part of these consolidated financial statements.

CASTLEBERRY/SNOW'S BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE QUARTERS ENDED OCTOBER 17, 2004 AND OCTOBER 19, 2003
(amounts in U.S.\$)

	<u>For the Quarters Ending</u>	
	<u>October 17, 2004</u>	<u>October 19, 2003</u>
Cash flows from operating activities:		
Net income	\$ 1,351,405	\$ 55,276
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,083,939	1,152,638
Prepaid pension expense	76,425	68,850
Changes in operating assets and liabilities, net of acquisition of a business		
Accounts receivable	(5,211,882)	(5,818,391)
Inventories	(859,135)	(1,381,900)
Prepaid expenses	(145,963)	192,935
Accounts payable	2,485,367	1,625,473
Accrued expenses	1,073,101	1,431,651
Income taxes payable	195,138	(180,499)
Other long-term liabilities	72,880	106,245
Net cash provided by (used in) operating activities	<u>121,275</u>	<u>(2,747,722)</u>
Cash flows from investing activities:		
Capital expenditures	(341,362)	(246,363)
Purchase of other current assets	<u>(169,255)</u>	<u>(149,475)</u>
Net cash used in investing activities	<u>(510,617)</u>	<u>(395,838)</u>
Cash flows from financing activities:		
Borrowings on revolving credit facility	3,800,000	4,000,000
Repayments on debt	(1,000,000)	(1,000,000)
Distribution to warrant holder	(2,515,762)	—
Change in bank overdrafts	97,654	144,234
Net cash provided by financing activities	<u>381,892</u>	<u>3,144,234</u>
Net increase (decrease) in cash	(7,450)	674
Cash at beginning of period	<u>52,628</u>	<u>37,493</u>
Cash at end of period	<u>\$ 45,178</u>	<u>\$ 38,167</u>

The accompanying notes are an integral part of these consolidated financial statements.

CASTLEBERRY/SNOW'S BRANDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
OCTOBER 17, 2004
(amounts in U.S.\$)

1. Summary of Significant Accounting Policies

Castleberry/Snow's Brands, Inc. (the "Company") was incorporated in June 1994 and operates in a single industry segment; the manufacture and marketing of food products. The Company grants credit to customers, substantially all of whom are retail grocers, wholesalers, food service distributors or other food companies.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, the consolidated financial statements do not include all information and notes required by generally accepted accounting principles for complete financial statements. The accompanying consolidated financial statements should be read in conjunction with the annual consolidated financial statements and the notes thereto. In the opinion of management, all adjustments (consisting of normal recurring items) considered necessary for a fair presentation have been included. Operating results for the period from July 26, 2004 to October 17, 2004 are not necessarily indicative of the results of operations that may be expected for the year ending July 31, 2005. Operating results for the period ended October 19, 2003 are for the period from July 28, 2003 to October 19, 2003.

Basis of Accounting

In accordance with accounting principles generally accepted in the United States of America, the accompanying financial statements are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

Sales are recorded at the time products are shipped to customers.

Trade Accounts Receivable

Accounts receivable consist primarily of amounts due from customers generated during the normal course of business. The Company uses the allowance method of reserving for accounts receivable estimated to be uncollectible.

Inventories

Inventories are stated at the lower of cost (last price paid, which approximates first-in, first-out) or market.

Statement of Cash Flows

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Depreciation and amortization includes depreciation of property, plant and equipment, and amortization of intangible assets and long-term sales agreements.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation is computed by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	30-40
Machinery and equipment	5-12
Vessels	18
Furniture and fixtures	5

Gains and losses related to retirements or other disposals are included in the statement of operations. Maintenance and repairs are charged to expense as incurred; renewals and betterments are capitalized.

Transferable Clam Allocation Rights

The Company adopted Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142") at the beginning of fiscal 2003. As a result, transferable clam allocation rights were not amortized beginning in fiscal 2003.

Debt Issuance Costs

Debt issuance costs are amortized by the straight-line method, which approximates the effective interest method, over the term of the related debt.

Income Taxes

The Company accounts for income taxes using the liability method of computing deferred income taxes pursuant to Statement of Financial Accounting Standards No. 109. The recoverability of deferred income tax assets is evaluated at each balance sheet date and the need for a valuation allowance is determined. Changes in the valuation allowance are recognized in the period of change.

Goodwill

The Company adopted Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142") at the beginning of fiscal 2003. The Company evaluates goodwill and certain other intangible assets for impairment annually in conformity with SFAS No. 142.

Phantom Stock Plan

The Company has a Phantom Stock Plan IIA and Phantom Stock Plan III, approved in fiscal 2003, which provide for the future payout of its Phantom Stock Plan II and for the awarding of additional potential cash compensation to certain employees. The Plans will terminate on July 31, 2007, or earlier if one of certain events occur. Under the terms of the Plans, at termination, the amount of award will be determined based on the value of the Company, approved by the Board of Directors. Under the terms of the Plans, the Company estimates its liability to be \$1,762,000 at October 17, 2004 and \$1,686,000 at July 25, 2004.

Research and Development Costs

The Company has a research and development program primarily aimed at improving existing production processes, reformulating and improving existing products and developing new products. Costs are charged to operations as incurred.

Consumer Advertising and Promotion Costs

Advertising, including media advertisements, coupons, in-store demonstrations and other consumer promotion costs, are generally expensed when incurred. Consumer advertising and promotion costs were approximately \$712,000 and \$1,292,000 for the quarters ended October 17, 2004 and October 19, 2003, respectively.

2. Going Concern Considerations

The Company's current Revolving Credit and Term Loan Agreement (the "Agreement") expires on December 31, 2004. The Company has obtained a Commitment Letter from a bank that participates in the current Agreement to replace the existing Agreement with a new credit facility. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed above, although management fully expects that the Company will obtain a new credit facility prior to December 31, 2004, there can be no assurance that the new facility or other financing will be obtained. This condition raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

3. Inventories

Inventories consist of the following at:

	<u>October 17, 2004</u>	<u>July 25, 2004</u>
Finished goods	\$20,572,694	\$19,199,980
Raw material	5,612,952	6,126,531
	<u>\$26,185,646</u>	<u>\$25,326,511</u>

4. Assets Held for Sale

Assets held for sale consist of the following at:

	<u>October 17, 2004</u>	<u>July 25, 2004</u>
Land and improvements	\$ 143,881	\$ 143,881
Buildings	2,070,195	2,070,195
Furniture, machinery and equipment	<u>1,068,897</u>	<u>1,068,897</u>
	3,282,973	3,282,973
Less: accumulated depreciation	<u>1,183,262</u>	<u>1,183,262</u>
Net book value	2,099,711	2,099,711
Less: expected loss on disposition	<u>1,061,000</u>	<u>1,061,000</u>
Estimated market value	<u>\$1,038,711</u>	<u>\$1,038,711</u>

5. Other Current Assets

Other current assets consist of the following at:

	<u>October 17, 2004</u>	<u>July 25, 2004</u>
Repair parts and supplies	\$ 691,469	\$ 669,954
Long-term sales agreements, net	229,231	209,046
Label design costs, net	<u>372,493</u>	<u>376,758</u>
	<u>\$1,293,193</u>	<u>\$1,255,758</u>

Repair parts and supplies include items with cost in excess of \$100 per unit.

6. Property, Plant and Equipment

The major classifications of property, plant and equipment are as follows at:

	<u>October 17, 2004</u>	<u>July 25, 2004</u>
Land and improvements	\$ 1,557,596	\$ 1,557,596
Buildings	6,104,062	6,104,062
Furniture, machinery and equipment	42,788,491	42,447,129
Vessels	<u>1,825,549</u>	<u>1,825,549</u>
	52,275,698	51,934,336
Less: accumulated depreciation	<u>38,935,139</u>	<u>38,032,294</u>
	<u>\$13,340,559</u>	<u>\$13,902,042</u>

The total depreciation expense included in the statement of operations was approximately \$1,049,000 and \$968,000 for the quarters ended October 17, 2004 and October 19, 2003, respectively.

7. Accrued Expenses

Accrued expenses consist of the following at:

	<u>October 17, 2004</u>	<u>July 25, 2004</u>
Promotional allowances	\$2,574,714	\$1,417,020
Group insurance	200,887	225,000
Payroll and payroll taxes	1,261,929	920,726
Commissions	102,000	81,000
Sales and property taxes	17,382	200,540
Interest	58,699	172,436
Other	<u>704,135</u>	<u>829,923</u>
	<u>\$4,919,746</u>	<u>\$3,846,645</u>

8. Long-Term Debt

In December 2001, the Company entered into a Revolving Credit and Term Loan Agreement (the "Agreement") with a group of banks, consisting of a \$22,500,000 Revolving Credit Facility and a \$22,500,000 Term Loan. The Agreement matures on December 31, 2004. Amounts outstanding under the Agreement have been collateralized with all accounts receivable, inventory, equipment, vessels and clam allocation rights of the Company; the carrying value of these assets pledged as collateral is approximately \$54,697,000 at October 17, 2004. Proceeds from the borrowings were used to extinguish the former revolving credit agreement and term loan.

The Term Loan is due in \$1,000,000 quarterly installments commencing on April 30, 2002, with final maturity on December 31, 2004. Borrowings under the Term Loan bear interest at LIBOR plus the applicable margin or the Prime Rate plus applicable margin. The interest rate on the Term Loan at October 17, 2004 was 4.09%.

The amount of borrowings available under the Revolving Credit Facility is determined based on certain percentages of accounts receivable and inventory. Outstanding borrowings under the Revolving Credit Facility were \$9,940,000 at October 17, 2004. The additional amount available under the Revolving Credit Facility at October 17, 2004 was \$12,560,000. Borrowings under the Revolving Credit Facility bear interest at LIBOR plus applicable margin or the Prime Rate plus applicable margin. The average interest rate on these borrowings at October 17, 2004 was 4.51%.

The Agreement contains certain covenants, including a minimum ratio of funded debt to earnings before interest, income tax, depreciation and amortization, a minimum fixed charge coverage ratio, a minimum net worth requirement and a minimum net income requirement. At October 17, 2004, the Company was in compliance with these requirements.

The Company has received a Commitment Letter from a bank that participates in the existing Agreement to complete new financing arrangements prior to December 31, 2004 (see Note 2 for additional information).

The Company's long-term debt is as follows at:

	<u>October 17, 2004</u>	<u>July 25, 2004</u>
Revolving Credit Facility, due December 31, 2004	\$ 9,940,000	\$ 6,140,000
Term Loan, due December 31, 2004	<u>9,460,000</u>	<u>10,460,000</u>
	19,400,000	16,600,000
Current maturities of long-term debt	<u>(19,400,000)</u>	<u>(16,600,000)</u>
Long-term debt	<u>\$ —</u>	<u>\$ —</u>

Scheduled maturities of long-term debt are as follows:

Fiscal year 2005	<u>\$ 19,400,000</u>
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In fiscal 2001, the Company entered into a 3-year interest rate swap agreement covering \$5,000,000 of its LIBOR-based variable rate debt at a fixed rate of 5.52%. This swap matured on February 23, 2004.

In fiscal 2002, the Company entered into a 3-year interest rate swap agreement with a bank, covering \$15,000,000 of its LIBOR-based variable rate debt, at a fixed rate of 7.43%. Five million of this swap matured on December 31, 2002. The remaining \$10 million matures on December 31, 2004.

The Company adopted Statement of Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133") in fiscal 2001, and has recorded the fair market value of the interest rate swap agreements at October 17, 2004 and July 25, 2004, net of tax. Furthermore, in accordance with SFAS No. 133, the Company records the change in fair market value of the swaps as a part of other comprehensive income.

9. Stockholders' Equity

The Company has authorized 200,000 shares of 9% nonvoting, cumulative Preferred Stock. The Preferred Stock has a par value of \$.01 per share and a liquidation value of \$25 per share. At October 17, 2004, the cumulative unpaid preferred dividends were approximately \$5,015,000.

The Company has authorized 300,000 shares of Common Stock. The Common Stock has a par value of \$.01 per share and is entitled to one vote per share.

A Common Stock Purchase Warrant ("Warrant") was granted to the former subordinated lender ("Holder") entitling the Holder to purchase (for a nominal amount of cash) 7% of all issued and outstanding common shares of the Company after exercise. The Warrant expires on August 23, 2005. The Warrant includes certain put provisions, which permit the Holder to have the Company purchase the Warrant or any shares purchased under the Warrant. The put price is determined based upon the highest of three measurements. The three methods include the book value method, an independent appraisal method, and a calculation based upon a multiple (5 times) of operating cash flow less long term debt and preferred stock. In November 2003, the Holder exercised its put option. Under the provisions of the Warrant, the Warrant was valued and recorded at \$2,515,762 at July 25, 2004. This amount was paid to the Holder on July 26, 2004.

10. Reconciliation to Canadian Generally Accepted Accounting Principles

The Company's accounting policies as reflected in these consolidated financial statements do not materially differ from Canadian GAAP except for:

- (a) The Company uses interest rate derivatives to hedge interest rate risk associated with its variable rate term loan and revolving credit facility. For the year ending July 25, 2004 the fair market value of the interest rate derivatives was accounted for as a component of stockholders' equity, and the change in value of the interest rate derivatives was accounted for as a component of other comprehensive income under U.S. GAAP. Under Canadian GAAP, the unrecognized value of interest rate derivatives is not recorded in the financial statements.

For the quarters ending October 17, 2004 and the year ended July 25, 2004, there were no material differences between U.S. GAAP and Canadian GAAP that impacted net income. The differences did impact comprehensive income for U.S. GAAP, and the following table indicates the significant items in the consolidated balance sheets that would have been affected had the consolidated financial statements been prepared under Canadian GAAP:

	October 17, 2004		
	U.S. GAAP	Interest Rate Derivatives	Canadian GAAP
Other long-term liabilities	\$ 1,916,490	\$ (79,321)	\$ 1,837,169
Stockholders' equity			
Preferred stock	1,398		1,398
Common stock	1,398		1,398
Common stock warrant	—		—
Additional paid-in capital	1,971,027		1,971,027
Accumulated other comprehensive loss	(79,321)	79,321	—
Retained earnings	<u>22,062,624</u>		<u>22,062,624</u>
Total stockholders' equity	<u>\$23,957,126</u>	<u>\$ 79,321</u>	<u>\$24,036,447</u>

	July 25, 2004		
	U.S. GAAP	Interest Rate Derivatives	Canadian GAAP
Other long-term liabilities	\$ 1,915,005	\$(150,715)	\$ 1,764,290
Stockholders' equity			
Preferred stock	1,398		1,398
Common stock	1,398		1,398
Common stock warrant	2,515,762		2,515,762
Additional paid-in capital	1,971,027		1,971,027
Accumulated other comprehensive loss	(150,715)	150,715	—
Retained earnings	<u>20,711,218</u>		<u>20,711,218</u>
Total stockholders' equity	<u>\$25,050,088</u>	<u>\$ 150,715</u>	<u>\$25,200,803</u>

CERTIFICATE OF THE FUND

Dated: January 6, 2005

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

CONNORS BROS. INCOME FUND

By its Attorney

CONNORS BROS., LIMITED

By: (Signed) CHRISTOPHER LISCHEWSKI
President and Chief Executive Officer

By: (Signed) RONALD MILLER
Executive Vice President and Chief Financial Officer

By: (Signed) DOUGLAS YOUNG
Director and Chairman of the Board

By: (Signed) SCOTT PEREKSLIS
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: January 6, 2005

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

CIBC WORLD MARKETS INC.

By: (Signed) ANDREW H. FEDERER

BMO NESBITT BURNS INC. NATIONAL BANK FINANCIAL INC. TD SECURITIES INC.

By: (Signed) JAMES P. BOWLAND

By: (Signed) PETER JELLEY

By: (Signed) PETER GIACOMELLI

FIRST ASSOCIATES INVESTMENTS INC.

By: (Signed) A. G. RHIND



Connors Bros.
Income Fund