



## PROFIT BOOKING BLUE CHIP TRUST

**\$75,000,000 (MAXIMUM) (7,500,000 UNITS)**

Profit Booking Blue Chip Trust (the “Trust”), is an investment trust established under the laws of the Province of Ontario which proposes to issue transferable, redeemable units (the “Units”) of the Trust (the “Offering”) at an offering price of \$10.00 per Unit (the “Offering Price”).

The Trust’s investment objectives (the “Investment Objectives”) are: (i) to provide the holders of Units (the “Unitholders”) with a stable stream of monthly distributions targeted to be \$0.06 per Unit (\$0.72 per annum or 7.2% of the Offering Price); and (ii) to preserve and potentially enhance the net asset value of the Trust in order to return at least the Offering Price to Unitholders upon the Termination Date (as hereinafter defined) of the Trust.

In order to meet its Investment Objectives, the Trust will adopt the following strategies:

- 1) **Investment Strategy:** The Trust will invest the net proceeds of the Offering in a highly diversified equally weighted portfolio of equity securities (the “Blue Chip Portfolio”) which is expected to be comprised of the securities of approximately 40 different issuers. Each issuer whose securities are included in the Blue Chip Portfolio will have a market capitalization of at least \$1 billion at the time of investment and meet the other investment criteria of the Trust. See “The Blue Chip Portfolio — Indicative Portfolio”. To generate additional returns, the Trust may, from time to time, write covered call options in respect of individual securities held in the Blue Chip Portfolio.
- 2) **Profit Booking:** If and when the value of any security held in the Blue Chip Portfolio exceeds the original acquisition value by at least 10% (the “Threshold Value”), the Trust will lock in that 10% or greater gain by using its Profit Booking strategy (as hereinafter described). The net proceeds of any disposition of securities (after providing for distributions to Unitholders) will be invested in a portfolio of High Quality Fixed Income Securities (as hereinafter defined) (the “Profit Booking Portfolio”) maturing on or about the Termination Date of the Trust.

Prospective purchasers may purchase Units either by: (a) cash payment; or (b) an exchange (the “Exchange Option”) of freely tradeable securities of any Exchange Eligible Issuer (as hereinafter defined) for Units of an equivalent value. **The Exchange Option does not constitute, and is not to be construed as, a take-over bid for any Exchange Eligible Issuer.** The number of Units issuable in exchange for the securities of an Exchange Eligible Issuer deposited by a prospective purchaser pursuant to the Exchange Option is determined by dividing: (i) the volume weighted average trading price of such securities on the principal stock exchange on which such securities are traded on April 28, 2004 as adjusted to reflect distributions declared by any Exchange Eligible Issuer that will not be received by the Trust; by (ii) \$10.00.

Prospective purchasers under the Exchange Option are required to have deposited Eligible Securities with the Exchange Agent (as hereinafter defined) through CDS (as hereinafter defined) prior to 5:00 p.m. (Toronto time) on April 28, 2004. All prospective purchasers (whether subscribing for Units by cash payment or through the Exchange Option) will be entitled to withdraw their purchase on or before midnight on the second business day after receipt or deemed receipt of this prospectus and any amendment in accordance with applicable securities law. See “Details of the Exchange Option” and “Purchasers’ Statutory Rights”.

Crown Hill Capital Corporation (the “Manager”) has been retained to act as manager of the Trust. The Manager will provide all administrative services required by the Trust. See “Management of the Trust — The Manager”. The Manager will retain Tower Asset Management Inc. (the “Investment Advisor”) as investment advisor to the Trust. See “Management of the Trust — The Investment Advisor”. The Investment Advisor will be responsible for execution of the Trust’s investment strategy.

The Toronto Stock Exchange has conditionally approved the listing of the Units, subject to fulfillment by the Trust of the requirements of such exchange on or before July 26, 2004, including distribution to a minimum number of Unitholders.

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

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	<u>Price to Public<sup>(1)</sup></u>	<u>Agents’ Fee</u>	<u>Net Proceeds to the Trust<sup>(2)</sup></u>
Per Unit .....	\$10.00	\$0.525	\$9.475
Minimum Offering <sup>(3)</sup> .....	\$ 20,000,000	\$ 1,050,000	\$ 18,950,000
Maximum Offering <sup>(4)</sup> .....	\$ 75,000,000	\$ 3,937,500	\$ 71,062,500

- (1) The Offering Price was established by negotiation between the Manager and the Agents.
- (2) Before deducting the expenses of offering which are estimated to be \$730,000, which together with the Agents’ fee will be paid out of the proceeds of the Offering.
- (3) There will be no Closing unless at least 2,000,000 Units are issued (either for cash consideration or in exchange of securities tendered under the Exchange Option (as defined herein)). If subscriptions for a minimum of 2,000,000 Units have not been received within 90 days following the issuance of a final receipt for this prospectus, the Offering may not continue without the consent of the securities authorities and those who have subscribed for Units on or before such date.
- (4) The Trust has granted the Agents an option (the “Over-Allotment Option”) exercisable in whole or in part for a period of 30 days from the Closing of the Offering, to offer 15% of the aggregate number of Units issued at the Closing on the same terms as set forth above. If the Over-Allotment Option is exercised in full, the Maximum Offering, the Agents’ Fees and Net Proceeds to the Trust, before deducting the expenses of the Offering, estimated to aggregate \$730,000, will be \$86,250,000, \$4,528,125 and \$81,721,875, respectively. This prospectus also qualifies both the grant of the Over-Allotment Option and the issuance of the Units upon the exercise of such Option.

**There is no guarantee that the Trust will achieve its Investment Objectives or that an investment in the Trust will earn any positive return in the short or long term nor is there any guarantee that the Net Asset Value per Unit (as hereinafter defined) will be enhanced or preserved. An investment in the Trust is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of a distribution not being made in any period. There are certain risk factors associated with an investment in Units. See “Risk Factors”.**

**There is currently no market through which the Units may be sold and purchasers may not be able to resell securities purchased under the prospectus.** The terms of the Offering were established through negotiation between the Agents and the Manager on behalf of the Trust. In order to achieve the targeted monthly distribution of \$0.06 per Unit, the Trust will need to generate an average annual return of approximately 8.6%.

Units may be surrendered for redemption during normal business hours on the first five Business Days of May in each year, commencing in 2005, subject to the Trust’s right to suspend redemptions. Units surrendered for redemption during this period will be redeemed on the Redemption Date (as hereinafter defined) and the Unitholder will receive payment on or before the 15th Business Day following such Redemption Date. On redemption, Unitholders will receive a redemption price per Unit equal to 100% of the NAV per Unit determined as of such Redemption Date in the manner set out under “Valuation — Net Asset Value of the Trust”. See “Redemption of Units”.

National Bank Financial Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, Dundee Securities Corporation, First Associates Investments Inc., Raymond James Ltd., Wellington West Capital Inc., Desjardins Securities Inc. and Berkshire Securities Inc. (collectively, the “Agents”), as agents, conditionally offer the Units for sale on a best efforts basis, subject to prior sale, if, as and when issued by the Trust and accepted by the Agents in accordance with the conditions contained in the

Agency Agreement referred to under “Plan of Distribution” and subject to approval of certain legal matters on behalf of the Trust and the Manager by McMillan Binch LLP and on behalf of the Agents by Stikeman Elliott LLP.

Following the Closing, the Trust intends to enter into a Loan Facility (as hereinafter defined) with one or more lenders that are expected to be Canadian chartered bank affiliates of one or more of the Agents. Accordingly, the Trust may be considered to be a “connected issuer” to such Agents. See “Plan of Distribution”.

Subscriptions for Units will be received subject to acceptance or rejection in whole or in part and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about June 1, 2004, but no later than August 12, 2004. Registrations and transfers of Units will be effected only through the book-entry only system administered by The Canadian Depository for Securities Limited (“CDS”). A purchaser of Units will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which Units are purchased. See “Plan of Distribution” and “Description of Units — Book-Entry Only System”.

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

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## GLOSSARY OF TERMS

In this prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated.

“**Additional Distribution**” means a distribution that will, if necessary, be made in each year to Unitholders of record on December 31 in order that the Trust will generally not be liable to pay income tax.

“**Agency Agreement**” means the agency agreement dated as of May 19, 2004 among the Manager, on behalf of the Trust, the Manager and the Agents.

“**Agents**” means, collectively, National Bank Financial Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, Dundee Securities Corporation, First Associates Investments Inc., Raymond James Ltd., Wellington West Capital Inc., Desjardins Securities Inc. and Berkshire Securities Inc.

“**Annual Redemption**” means a redemption of Units pursuant to the procedures described under “Redemption of Units — Annual Redemption”.

“**Blue Chip Portfolio**” means the highly diversified equally weighted portfolio of equity securities in which the net proceeds of the Offering are invested.

“**Book-Entry Only System**” means the book-based system administered by CDS.

“**Business Day**” means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading.

“**call option**” means the right, but not the obligation, of the option holder to buy a security from the seller of the option at a specified price at any time during a specified time period or at expiry.

“**CDS**” means The Canadian Depository for Securities Limited.

“**CDS Participant**” means a participant in the CDS depository system.

“**Closing**” means the closing of the Offering.

“**Closing Date**” means the date of the Closing, which is expected to be on or about June 1, 2004, or such later date as the Trust and the Agents may agree, but in any event not later than August 12, 2004.

“**covered call option**” means a call option entered into in circumstances where the seller of the call option holds through the term of the option, the underlying security.

“**Custodial Agreement**” means the custodial agreement to be entered into on or prior to the Closing Date between the Trust, the Manager, the Custodian and certain of the Custodian’s affiliates, as it may be amended, supplemented or restated from time to time.

“**Custodian**” means Canadian Imperial Bank of Commerce, in its capacity as custodian under the Custodial Agreement.

“**Declaration of Trust**” means the declaration of trust dated as of May 19, 2004, as it may be amended from time to time.

“**Demand Redemption**” means a redemption of Units pursuant to the procedures described under “Redemption of Units — Demand Redemption”.

“**Demand Redemption Date**” with respect to particular Units means the date on which the Units were surrendered for a Demand Redemption.

**“Demand Redemption Price”** means the lesser of:

- (a) 90% of the “market price” (as defined under Redemption of Units — Demand Redemption) 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 Demand Redemption Date; and
- (b) 100% of the “closing market price” (as defined) on the principal market on which the Units are quoted for trading on the Demand Redemption Date.

**“Distribution(s)”** means the distribution(s) which are paid by the Trust to Unitholders in cash or, in some cases, additional Units.

**“Distribution Record Date”** means the last Business Day of each calendar month prior to the Termination Date, commencing no later than July 30, 2004.

**“Distribution Payment Date”** means the date on which cash or other distributions are paid by the Trust, such date to be on or about the 15th Business Day after the applicable Distribution Record Date.

**“Eligible Securities”** means units or common shares of Exchange Eligible Issuers tendered and accepted in exchange for Units pursuant to the Exchange Option.

**“Exchange Agent”** means CIBC Mellon Trust Company.

**“Exchange Eligible Issuer”** means each of the issuers set forth in this prospectus under the heading “Details of the Exchange Option — Exchange Eligible Issuers”.

**“Exchange Option”** means an option to purchase Units by an exchange of freely tradable securities of any Exchange Eligible Issuer as described under “Details of the Exchange Option”.

**“Exchange Price”** means, in respect of the units of an Exchange Eligible Issuer, the volume weighted average trading price of the securities of such Exchange Eligible Issuer on the principal stock exchange on which such securities are traded on April 28, 2004 as adjusted to reflect any dividends or distributions declared by such Exchange Eligible Issuer that will not be received by the Trust.

**“Exchange Ratio”** means the number of Units issuable for each Exchange Security of an Exchange Eligible Issuer, equal to the quotient obtained by dividing (i) the Exchange Price of such security; by (ii) \$10.00.

**“Extraordinary Resolution”** means a resolution passed by the affirmative vote of at least 66 $\frac{2}{3}$ % of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of approving such resolution.

**“High Quality Fixed Income Securities”** means (i) obligations issued or guaranteed by the Government of Canada or any province of Canada or any agency or instrumentality thereof; (ii) obligations issued or guaranteed by any Canadian chartered bank or other financial institution, the short term debt or deposits of which have been rated at least A by Standard & Poor’s Corporation, Moody’s Investors Service, Inc. or Dominion Bond Rating Service Limited; (iii) term deposits, guaranteed investment certificates, certificates of deposit or bankers’ acceptances of or guaranteed by any Canadian chartered bank or other financial institution, the short-term debt or deposits of which have been rated at least investment grade by Standard & Poor’s Corporation, Moody’s Investors Service, Inc. or Dominion Bond Rating Service Limited, in each case either maturing within 365 days after the date of acquisition or for which the Investment Advisor believes that there will be a liquid market for the resale thereof within such 365 day period; and (iv) a preferred security issue by Canadian chartered bank, other Canadian financial institution or publicly traded corporation, where said security is rated at least Pfd-2 by Dominion Bond Rating Service Limited.

**“Income Trust”** means a trust, limited partnership or other entity formed to own debt and/or equity, or entitled to a royalty on revenues, of an underlying company or other entity, carrying on directly or indirectly an active business that generally makes regular and predictable distributions of substantially all its distributable cash flow to holders of its securities.

**“Indicative Portfolio”** means the indicative portfolio comprised of equity securities of the issuers that have been selected by the Investment Advisor as potential investments for the Trust as listed under the heading “The Blue Chip Portfolio – Indicative Portfolio”.

**“in-the-money”** means in relation to a call option, a call option with a strike price less than the current market price of the underlying security.

**“Investment Advisor”** means Tower Asset Management Inc. or such other investment advisor as may be appointed from time to time by the Manager.

**“Investment Advisory Agreement”** means the agreement entered into between the Manager and the Investment Advisor relating to the provision of investment advice and portfolio management services to the Trust.

**“Investment Objectives”** means the investment objectives of the Trust set forth in the Declaration of Trust, as described under “Investment Objectives”.

**“Investment Restrictions”** means the investment restrictions of the Trust set forth in the Declaration of Trust restricting the investment activities of the Trust as described under “Investment Guidelines and Investment Restrictions — Investment Restrictions”.

**“Investment Strategy”** means the investment strategy to be followed by the Manager in respect of the Trust set forth in the Declaration of Trust, as described under “Investment Strategy”.

**“Loan Facility”** means the loan facility that the Trust intends to enter into with one or more Canadian chartered banks following the Closing, as more fully described under “Investment Guidelines and Investment Restrictions — Borrowing”.

**“Management Fee”** means the management fee payable to the Manager, equal to 0.60% per annum of the Net Asset Value of the Trust, as more fully described under “Fees and Expenses — Management Fees and Administration Fees”.

**“Manager”** means Crown Hill Capital Corporation in its capacity as manager and administrator of the Trust or, if applicable, its successor.

**“Maximum Ownership Level”** means the number of Eligible Securities of an issuer which constitutes 9.9% of the outstanding Eligible Securities of such issuer.

**“Net Asset Value of the Trust”** or **“NAV of the Trust”** means the net asset value of the Trust, as determined by subtracting the Total Liabilities from the Total Assets as more fully described under “Valuation”.

**“Net Asset Value per Unit”** or **“NAV per Unit”** means the Net Asset Value divided by the total number of Units outstanding, in each case on the date on which the calculation is made.

**“Offering”** means the offering of a minimum of 2,000,000 Units and a maximum of 7,500,000 Units at the Offering Price pursuant to this prospectus.

**“Offering Price”** means \$10.00 per Unit.

**“option premium”** means the purchase price of an option.

**“Ordinary Resolution”** means a resolution passed by the affirmative vote of at least 50% of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of approving such resolution.

**“Original Value”** means the initial acquisition cost of individual Portfolio Securities to the Trust.

**“out-of-the-money”** means a call option with a strike price greater than the current market price of the underlying security.

**“Over-Allotment Option”** means the option granted by the Trust to the Agents, exercisable for a period of 30 days from Closing, to offer additional Units at the Offering Price, solely for the purpose of covering over-allotments, in an amount not exceeding 15% of the aggregate number of Units sold on the Closing.

**“Plan Agent”** means the entity appointed as agent under the Reinvestment Plan.

“**Plan Participants**” means Unitholders who are participants in the Reinvestment Plan.

“**Portfolio Securities**” means the securities which comprise the Blue Chip Portfolio.

“**Profit Booking Portfolio**” means the portfolio consisting of High Quality Fixed Income Securities in which the proceeds from Profit Booking activities are invested.

“**Redemption Date**” means the last Business Day in May of each year, commencing in May, 2005.

“**Redemption Payment Date**” means the date on or before the 15th Business Day following (i) the Redemption Date in the case of an Annual Redemption or (ii) the Demand Redemption Date in the case of a Demand Redemption.

“**Reinvestment Plan**” means the Trust’s Distribution Reinvestment Plan, as amended from time to time.

“**Reinvestment Plan Agency Agreement**” means the Reinvestment Plan Agency Agreement to be entered into on or prior to the Closing Date among the Trustee, on behalf of the Trust, the Manager and the Plan Agent, establishing the Reinvestment Plan, as it may be amended from time to time.

“**REIT**” means a real estate investment trust or other entity that invests in real property to generate a consistent stream of rental income.

“**S&P**” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. and its successors.

“**Service Fee**” means the fee that the Trust will pay to the Manager (calculated quarterly and paid as soon as practicable following the end of each calendar quarter) of 0.40% per annum of the Net Asset Value of the Units outstanding at the end of the relevant quarter, plus applicable taxes. The Service Fee will be applied by the Manager to pay a service fee to certain registered dealers based on the number of Units held by clients of such dealers at the end of the relevant quarter. All full service dealers that provide investment advice will receive 0.40% per annum of the Net Asset Value of Units held by their clients.

“**Tax Act**” means the *Income Tax Act* (Canada), as now or hereafter amended, or successor statutes, and shall include regulations promulgated thereunder.

“**Termination Date**” means May 31, 2011 unless Unitholders determine to continue the Trust by Ordinary Resolution at a meeting called for such purpose as more fully described under “Termination of the Trust”.

“**Threshold Value**” means the amount which is equal to 110% of the Original Value.

“**Total Assets**” means the aggregate value of the assets of the Trust determined in accordance with the terms of the Declaration of Trust.

“**Total Liabilities**” means the aggregate value of the liabilities of the Trust determined in accordance with the terms of the Declaration of Trust including without limitation liabilities under short sale financing transactions, leverage and borrowing, and deferred fees owed to the Manager.

“**Trustee**” means Crown Hill Capital Corporation, in its capacity as Trustee under the Declaration of Trust.

“**Trust**” means the Profit Booking Blue Chip Trust, an investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust.

“**TSX**” means the Toronto Stock Exchange.

“**Units**” means the transferable, redeemable units of the Trust, each of which represents an equal, undivided beneficial interest in the net assets of the Trust.

“**Unitholders**” means holders of Units.

“**Valuation Date**” means each Business Day.

## **INFORMATION REGARDING PUBLIC ISSUERS**

Certain information contained in this prospectus relating to publicly-traded securities and the issuers of such securities is taken from and is based solely upon information published by those issuers. None of the Manager, the Trust or the Agents have independently verified the accuracy or completeness of any such information or assume any responsibility for the completeness or accuracy of such information.

## **FORWARD LOOKING STATEMENTS**

Certain statements included in this prospectus constitute forward looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Trust or the Manager. These forward looking statements are not historical facts but reflect the Trust’s current expectations regarding future results or events. These forward looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters described under “Risk Factors” and in other sections of this prospectus.

## PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used, but not defined, in this summary are defined in the “Glossary of Terms”.

**Issuer:** Profit Booking Blue Chip Trust, an investment trust established under the laws of the Province of Ontario which invests its assets in accordance with the investment objectives and strategy described under “Investment Objectives” and “Investment Strategy”.

**Offering:** The offering consists of transferable, redeemable Units of the Trust.

**Maximum Issue:** \$75,000,000 (7,500,000 Units).

**Minimum Issue:** \$20,000,000 (2,000,000 Units).

**Offering Price:** \$10.00 per Unit.

**Minimum Subscription:** \$1,000 (100 Units).

**Cash and Exchange Option:** At the election of a purchaser, the price for each Unit purchased may be paid either by cash or by an exchange of freely tradeable common shares or units of any Exchange Eligible Issuer at the applicable Exchange Ratio, subject to the Trust reaching the Maximum Ownership Level for any Exchange Eligible Issuer and certain other conditions.

In order to utilize the Exchange Option, a prospective purchaser must have deposited Eligible Securities with the Exchange Agent through CDS by no later than 5:00 p.m. (Toronto time) on April 28, 2004. Such deposit must be made by way of a book-entry deposit through a CDS Participant. CDS Participants may have an earlier deadline for receiving instructions from their clients to make deposits into the Exchange Option.

**Investment Objectives:** The Trust’s investment objectives (the “Investment Objectives”) are: (i) to provide Unitholders with a stable stream of monthly distributions targeted to be \$0.06 per Unit (\$0.72 per annum or 7.2% of the Offering Price); and (ii) to preserve and potentially enhance the Net Asset Value of the Trust in order to return at least the Offering Price to Unitholders upon the Termination Date.

**Investment Strategy:** In order to meet its Investment Objectives, the Trust will adopt the following strategies: (i) the Trust will invest the net proceeds of the Offering in a highly diversified equally weighted portfolio of equity securities (see “The Blue Chip Portfolio - Indicative Portfolio”) which is expected to be comprised of the securities of approximately 40 different issuers. Each issuer whose securities are included in the Blue Chip Portfolio will have market capitalization of at least \$1 billion at the time of investment and meet the other investment criteria of the Trust and, to generate additional returns, the Trust may, from time to time, write covered call options in respect of individual securities held in the Blue Chip Portfolio; and (ii) if and when the value of any security held in the Blue Chip Portfolio meets or exceeds the Threshold Value, the Trust will lock in such gain using its Profit Booking strategy (see “The Blue Chip Portfolio - Profit Booking”). In no event will covered call options be written in respect of more than 50% of the securities held in the Blue Chip Portfolio however, in the normal course, the actual percentage of securities subject to covered call options is expected to be substantially less, in accordance with the Investment Strategy.

In selecting Portfolio Securities, the Investment Advisor will use both quantitative and qualitative criteria. The Blue Chip Portfolio will be highly diversified by selecting issuers from ten major industry groups. Within each industry group, Portfolio Securities will be selected on the basis of market capitalization (at least \$1 billion), positive earnings record for the past 5 years, positive earnings growth, low volatility in earnings (discounting seasonal effects), consistent record for payment of dividends, dividend growth and credit quality (as supplied by a recognized credit agency), and will be filtered according to financial ratios and a series of valuation models. Issuers who qualify based on the

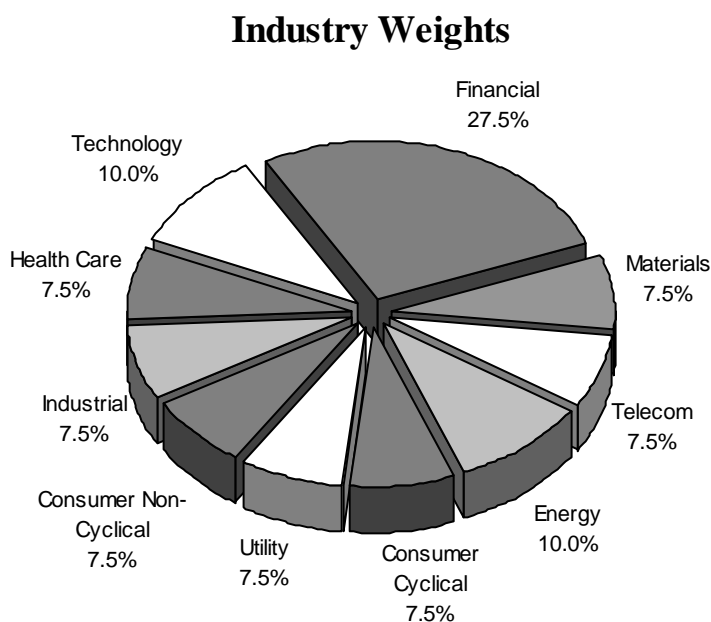
foregoing criteria will then be ranked. In order to maintain its status as an RRSP eligible investment, the Trust will give preference to Canadian companies. In the event that there are insufficient Canadian companies in a particular industry that meet the Investment Advisor's selection criteria, a United States based issuer will be selected that has a strong presence in Canada. The issuers in the resulting list will then be evaluated using qualitative factors including the quality of management and franchise strength.

**Profit Booking:**

Gains resulting from the increase in value of individual Portfolio Securities will be realized using a disciplined profit booking ("Profit Booking") strategy. In the event that the value of Portfolio Securities for any issuer meets or exceeds the Threshold Value, the Trust will sell a sufficient number of Portfolio Securities of that issuer such that the total value of the Portfolio Securities of that issuer remaining in the Blue Chip Portfolio will be equivalent to the Original Value. The Trust will use the net proceeds of the sale of Portfolio Securities (after providing for Distributions) to purchase a portfolio of High Quality Fixed Income Securities whose maturity is on or about the Termination Date (the "Profit Booking Portfolio"). The Profit Booking Portfolio will be used for the purposes of making future Distributions to Unitholders as well as to preserve and potentially enhance the Net Asset Value of the Trust.

**Diversification:**

The investment strategy of the Trust is designed to promote broad diversification in the Blue Chip Portfolio by reducing the Trust's concentration in any one issuer, security or industry. The Trust will employ an equal weighting approach in its investment strategy pursuant to which the value of the securities of each issuer included in the Blue Chip Portfolio would be limited to approximately 2.5% of the value of the Blue Chip Portfolio. The Trust will also use an industry allocation approach in its investment strategy which is designed to ensure that the Blue Chip Portfolio's industry concentration is more reflective of the broader Canadian economy than if a float capitalization approach (based solely on an issuer's market capitalization) were used. The following pie chart with associated weights is indicative of the industry allocation approach intended for the Blue Chip Portfolio.



**Indicative Portfolio:**

The following table contains the names of the issuers whose securities have been selected by the Investment Advisor as being illustrative of the securities which are likely to be included in the Blue Chip Portfolio. The indicated market capitalization is as at March 23, 2004.

**INDICATIVE PORTFOLIO**

<u>Issuer</u>	<u>Percent Holdings</u>	<u>Market Capitalization</u> (in Cdn\$1,000,000)	<u>Industrial Sector</u>
Alcan Inc.	2.5	20,965	Materials
Aliant Inc.	2.5	4,184	Telecom
Bank of Montreal	2.5	26,880	Financial
The Bank of Nova Scotia	2.5	35,795	Financial
BCE Inc.	2.5	25,633	Telecom
Canadian Imperial Bank of Commerce	2.5	25,293	Financial
Canadian Oil Sands Trust	2.5	3,815	Energy
Canadian Tire Corporation Limited	2.5	3,576	Consumer Cyclical
Canadian Utilities Limited	2.5	2,569	Utility
Cascades Inc.	2.5	964	Materials
Dofasco Inc.	2.5	2,611	Materials
Emera Incorporated	2.5	2,080	Utility
Enbridge Inc.	2.5	9,350	Utility
EnCana Corporation	2.5	25,756	Energy
Finning International Inc.	2.5	2,345	Industrial
General Electric Company	2.5	392,063	Industrial
Great-West Lifeco Inc.	2.5	22,062	Financial
Hewlett-Packard Company	2.5	86,956	Technology
The Home Depot, Inc.	2.5	109,754	Consumer Cyclical
International Business Machines Corporation	2.5	206,745	Technology
Imperial Oil Limited	2.5	21,011	Energy
Intel Corporation	2.5	225,970	Technology
Investors Group Inc.	2.5	9,507	Financial
Johnson & Johnson Inc.	2.5	196,304	Health Care
Loblaw Companies Limited	2.5	17,452	Consumer Non-Cyclical
Manitoba Telecom Services Inc.	2.5	2,916	Telecom
Manulife Financial Corporation	2.5	21,821	Financial
MDS Inc.	2.5	3,151	Health Care
Microsoft Corporation	2.5	347,284	Technology
3M Company	2.5	83,098	Industrial
Molson Inc.	2.5	3,343	Consumer Non-Cyclical
National Bank of Canada	2.5	8,022	Financial
Petro-Canada	2.5	14,848	Energy
Pfizer Inc.	2.5	346,798	Health Care
RioCan Real Estate Investment Trust	2.5	2,909	Financial
Royal Bank of Canada	2.5	41,001	Financial
Saputo Inc.	2.5	3,287	Consumer Non-Cyclical
Sun Life Financial Inc.	2.5	20,842	Financial
The Thomson Corporation	2.5	26,217	Consumer Cyclical
The Toronto-Dominion Bank	2.5	30,484	Financial
	<b>Total</b>	<b>Median</b>	
<b>Total Blue Chip Portfolio</b>	<b>100%</b>	<b>20,988</b>	

**Monthly Distributions:** The Trust intends to make monthly cash Distributions to Unitholders of record as of the Distribution Record Date. Distributions will be paid to eligible Unitholders on or about the Distribution Payment Date. The monthly cash Distributions are targeted to be \$0.06 per Unit. This is equal to \$0.72 per annum or a yield of 7.2% per annum based on the Offering Price. In order to achieve the targeted monthly Distribution of \$0.06 per Unit, the Trust will need to generate an average annual return of approximately 8.6%.

The initial cash Distribution is anticipated to be payable on August 15, 2004 for Unitholders of record on July 30, 2004 which, if the Closing takes place on June 1, 2004 will be in the amount of \$0.06 per Unit. The amount of the monthly Distributions may fluctuate from month to month and there can be no assurance that the Trust will make any Distributions in any particular month or months. See “Distributions and Reinvestment — Monthly Distributions”, “Investment Objectives” and “Risk Factors”.

If, in any calendar year after the completion of monthly Distributions, there would remain in the Trust additional net income or net realized capital gains, the Trust intends, between December 14 and December 31 of such year, to distribute such portion of the net income and net realized capital gains as is necessary to ensure that the Trust will not be liable for income tax under the Tax Act.

In the near term, the Manager expects that approximately 50% of Distributions by the Trust will be taxed as dividend income or as a capital gain in the hands of Unitholders and that the majority of the balance will be a return of capital. A return of capital is not immediately taxable but reduces the adjusted cost base of a Unitholder’s Units, thereby increasing the capital gain realized on the disposition of the Units. The adjusted cost base of Units purchased under the Offering is therefore expected to be less than \$10.00 per Unit on the Termination Date. The actual components of Distributions for tax purposes may vary from time to time as market conditions warrant and the range of available securities changes. See “Distributions and Reinvestment – Monthly Distributions” and “Canadian Federal Income Tax Considerations – Taxation of Unitholders.”

**Distribution Reinvestment Plan:** Subject to obtaining all necessary regulatory approvals, the Trust intends to provide Unitholders with the opportunity to elect to reinvest monthly cash Distributions made by the Trust in additional Units through participation in the Reinvestment Plan of the Trust described under “Distributions and Reinvestment — Distribution Reinvestment Plan”.

**Annual Redemption:** Units may be surrendered for redemption on an annual basis during normal business hours on the first five Business Days of May of each year, commencing in 2005, subject to the Trust’s right to suspend redemptions. Units surrendered for redemption during this period will be redeemed on the Redemption Date and the Unitholder will receive payment on or before the 15th Business Day following such Redemption Date. Unitholders will receive a redemption price per Unit equal to 100% of the NAV per Unit determined as of such Redemption Date in the manner set out under “Valuation — Net Asset Value of the Trust”. See “Redemption of Units”.

**Demand Redemption:** In addition to the annual redemption right, Units are redeemable at any other time on demand by the holders thereof at a price per Unit equal to the lesser of:

(i) 90% of the market price (as defined under Redemption of Units — Demand Redemption) 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 Demand Redemption Date; and

(ii) 100% of the closing market price (as defined under Redemption of Units – Demand Redemption) on the principal market on which the Units are quoted for trading on the Demand Redemption Date. See “Redemption of Units - Demand Redemption”.

**Repurchase of Units:** The Declaration of Trust provides that, subject to applicable law, the Trust has the right (but not the obligation), exercisable in its sole discretion, from time to time, to purchase (in the open market or by invitation for tenders) Units for cancellation, up to a maximum in any twelve month period of 5% of the number of Units outstanding (or 10% of the Trust’s “public float” as defined in the TSX Company Manual whichever is greater), in all cases at a price per Unit not exceeding the Net Asset Value per Unit on the Valuation Date immediately prior to the date of any such purchase of Units. See “Repurchase of Units”.

**Book-Entry Only System:** The Units will be evidenced by a single global certificate held by CDS, or its nominee on its behalf, as registered Unitholder of the Units. Registration of the interests in and transfers of the Units will be made only through the book-entry only system of CDS. No Unitholder will be entitled to a certificate or other instrument from the transfer agent for Units or CDS evidencing the ownership thereof.

**Manager:** Crown Hill Capital Corporation (the “Manager”) will perform the management functions for the Trust. The Manager will provide all administrative services required by the Trust and will supervise the activities of the Investment Advisor. See “Management of the Trust — The Manager”.

**Investment Advisor:** The Manager will retain Tower Asset Management Inc. (the “Investment Advisor”) as investment advisor to the Trust. The Investment Advisor will be responsible for execution of the Trust’s investment strategy, which includes selecting and actively monitoring the securities of, and the risk associated with, the Blue Chip Portfolio. See “Management of the Trust — The Investment Advisor”.

**Trustee:** The Manager is the trustee of the Trust. See “The Trustee”.

**Custodian:** Canadian Imperial Bank of Commerce will be the custodian of the Trust. See “Auditors, Valuation Agent, Transfer Agent, Registrar and Custodian”.

**Termination:** The Trust will be terminated on or about the Termination Date unless the Unitholders determine to continue the Trust by Ordinary Resolution at a meeting of Unitholders called for such purpose. On termination, Unitholders will receive their *pro rata* share of the net assets of the Trust. See “Termination of the Trust”.

**Loan Facility:** The Trust is authorized to borrow money for the purpose of making investments in accordance with its investment objectives and restrictions, and to pledge its assets to secure the borrowings. Following the Closing, the Trust intends to enter into a Loan Facility with one or more Canadian chartered banks. The Loan Facility will add leverage to the Blue Chip Portfolio and will permit the Trust to borrow an amount not exceeding 10% of the value of the gross proceeds of the Offering. The interest rate, fees and expenses under the Loan Facility are expected to be typical of similar credit facilities available in the commercial marketplace.

The use of leverage in the Blue Chip Portfolio to enhance returns to the Unitholders may result in capital losses or a decrease in distributions to Unitholders. It may also require liquidation of investments to comply with the terms of the Loan Facility, which may adversely affect the returns earned by the Trust. See “Investment Guidelines and Investment Restrictions — Borrowing”.

**Use of Proceeds:** The Trust intends to use the proceeds from the sale of Units as follows:

	<u>Maximum Offering</u>	<u>Minimum Offering</u>
Gross proceeds to the Trust .....	\$75,000,000	\$20,000,000
Agents’ fee .....	\$3,937,500	\$1,050,000
Expenses of issue .....	\$730,000	\$730,000
Net proceeds to the Trust .....	<u>\$70,332,500</u>	<u>\$18,220,000</u>

The Trust will use the net proceeds of the Offering to acquire the Blue Chip Portfolio in accordance with the Investment Objectives and the Investment Strategy and subject to the

Investment Restrictions. See “Use of Proceeds”.

**Eligibility for Investment:**

In the opinion of McMillan Binch LLP, counsel to the Trust, and Stikeman Elliott LLP, counsel to the Agents, provided that the Trust qualifies as a “mutual fund trust” or is a “registered investment” for the purposes of the Tax Act, the Units offered hereby will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (collectively, “Deferred Plans”) and registered education savings plans. Provided that the Trust is a “mutual fund trust” and complies with the ownership restrictions on foreign property, or is a “registered investment” within the meaning of the Tax Act, the Units will not constitute “foreign property” for Deferred Plans and other entities subject to Part XI of the Tax Act. See “Canadian Federal Income Tax Considerations” and “Eligibility for Investment”.

**Risk Factors:**

There are risks associated with an investment in Units that should be considered by prospective purchasers, including:

- (i) there is no assurance that the Trust will be able to achieve its targeted monthly distributions, enhance or preserve the Net Asset Value per Unit;
- (ii) because the Profit Booking strategy locks in returns, the Trust may forgo potential returns under certain market conditions;
- (iii) there is no assurance that the value of the securities acquired by the Trust will not be adversely affected by a number of underlying factors including, without limitation, changes in interest rates and commodity prices;
- (iv) there can be no assurance that the Units will trade at a price equal to Net Asset Value per Unit;
- (v) that the market price of the Units and the Net Asset Value per Unit will be affected by interest rate fluctuations;
- (vi) there will be fluctuations in Net Asset Value per Unit and funds available for Distributions;
- (vii) the leverage associated with the Loan Facility;
- (viii) counterparty risks associated with securities lending;
- (ix) the Trust’s lack of operating history and the current absence of a public trading market for Units;
- (x) reliance on the Manager, the Investment Advisor and key personnel;
- (xi) possible changes in tax or other legislation;
- (xii) the potential liability of Unitholders;
- (xiii) potential conflicts of interest;
- (xiv) potential taxation of the Trust;
- (xv) the possible loss of investment;
- (xvi) the status of the Trust for securities law purposes;
- (xvii) foreign currency exposure;
- (xviii) foreign market exposure;

- (xix) the possibility of the Trust being unable to dispose of illiquid securities;
- (xx) possible suspension of redemptions; and
- (xxi) liquidity and counterparty risks associated with the writing of covered call options.

## SUMMARY OF FEES AND EXPENSES

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

<b><u>Type of Charge</u></b>	<b><u>Description</u></b>
<b>Fees payable to the Agents for selling Units:</b>	\$0.525 per Unit.
<b>Expenses of issue:</b>	The Trust will pay all expenses incurred in connection with the Offering, which are estimated to be \$730,000.
<b>Management Fees and Administration Fees:</b>	The Manager will receive an annual fee of 0.60% of the NAV of the Trust, calculated and payable monthly, plus applicable taxes. In addition, the Trust will also pay to the Manager an amount equal to the Service Fee which will be paid to registered dealers as described below.
<b>On-Going expenses of the Trust:</b>	The Trust will pay all expenses incurred in connection with its operation and administration, estimated to be \$230,000 per annum (assuming an offering size of approximately \$75 million). See “Fees and Expenses — On-Going Expenses”. The Trust will also be responsible for its other costs of portfolio transactions and any extraordinary expenses which may be incurred from time to time.
<b>Service Fee:</b>	The Manager will pay to registered dealers a Service Fee (calculated and paid at the end of each calendar quarter) equal to 0.40% annually of the NAV per Unit for each Unit held by clients of the registered dealer.

## RISK FACTORS

There are risks associated with an investment in Units that should be considered by prospective purchasers, including: (i) there is no assurance that the Trust will be able to achieve its targeted monthly distributions, enhance or preserve the Net Asset Value per Unit; (ii) because the Profit Booking strategy locks in returns, the Trust may forgo potential returns under certain market conditions; (iii) there is no assurance that the value of the securities acquired by the Trust will not be adversely affected by a number of underlying factors including, without limitation, changes in interest rates and commodity prices; (iv) there can be no assurance that the Units will trade at a price equal to Net Asset Value per Unit; (v) that the market price of the Units and the Net Asset Value per Unit will be affected by interest rate fluctuations; (vi) there will be fluctuations in Net Asset Value per Unit and funds available for Distributions; (vii) the leverage associated with the Loan Facility; (viii) counterparty risks associated with securities lending; (ix) the Trust’s lack of operating history and the current absence of a public trading market for Units; (x) reliance on the Manager, the Investment Advisor and key personnel; (xi) possible changes in tax or other legislation; (xii) the potential liability of Unitholders; (xiii) potential conflicts of interest; (xiv) potential taxation of the Trust; (xv) the possible loss of investment; (xvi) the status of the Trust for securities law purposes; (xvii) foreign currency exposure; (xviii) foreign market exposure; (xix) the possibility of the Trust being unable to dispose of illiquid securities; (xx) possible suspension of redemptions; and (xxi) liquidity and counterparty risks associated with the writing of covered call options.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

A prospective purchaser who holds Eligible Securities as capital property and acquires Units pursuant to the Exchange Option generally will realize a capital gain (or a capital loss) in the taxation year of the Unitholder in which the disposition of the securities of an Exchange Eligible Issuer occurs to the extent that that proceeds of disposition of the securities of the Exchange Eligible Issuer, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such securities to the Unitholder. For this purpose, the proceeds of disposition of the securities of the Exchange Eligible Issuer will be equal to the aggregate of the fair market value of the Units received and the amount of any cash received in lieu of fractional Units on the exchange.

A Unitholder who is resident in Canada will generally be required to include in computing income for a taxation year that part of the net income, and the taxable portion of the net realized capital gains, of the Trust, if any, that is paid or becomes payable to the Unitholder by the Trust in that year. To the extent that amounts payable to a Unitholder who is an individual are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules relating to the taxation of those dividends will apply to the Unitholder. To the extent that amounts payable to a Unitholder are designated as taxable capital gains, those amounts will be treated as taxable capital gains realized by the Unitholder.

Distributions by the Trust to a Unitholder in excess of the Unitholder's share of the Trust's net income and net realized capital gains will reduce the adjusted cost base of the Unitholder's Units. Distributions classified as return of capital fall into this category. The adjusted cost base of Units purchased under the Offering is therefore expected to be less than \$10.00 per Unit on the Termination Date. To the extent that the adjusted cost base of a Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to that negative amount. A Unitholder who disposes of Units held as capital property (on redemption or otherwise) will realize a capital gain (capital loss) to the extent that the proceeds of disposition net of any reasonable costs of disposition exceed (or are less than) the adjusted cost base of the Units. See "Canadian Federal Income Tax Considerations".

**Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Units by obtaining advice from his or her tax advisor.**

## THE TRUST

Profit Booking Blue Chip Trust is an investment trust established under the laws of Ontario pursuant to the Declaration of Trust. The principal office of the Trust is 177 Redpath Avenue, Suite 1407, Toronto, Ontario M4P 2W3. The fiscal year-end of the Trust is December 31.

The beneficial interest in the net assets and net income of the Trust is divided into transferable, redeemable Units. Each Unit is entitled to one vote at meetings of Unitholders and to participate equally with all other Units with respect to all payments made to Unitholders out of the Trust's assets and net income. See "Description of Units". Unitholders will have no voting rights in respect of the Portfolio Securities held by the Trust. From time to time, the Manager will determine whether or not to exercise the voting rights attached to the Portfolio Securities and, if so, how such securities will be voted.

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

## INVESTMENT OBJECTIVES

The Trust's Investment Objectives are: (i) to provide Unitholders with a stable stream of monthly distributions targeted to be \$0.06 per Unit (\$0.72 per annum or 7.2% of the Offering Price); and (ii) to preserve and potentially enhance the Net Asset Value of the Trust in order to return at least the Offering Price to Unitholders upon the Termination Date.

## INVESTMENT STRATEGY

In order to meet its Investment Objectives, the Trust will adopt the following strategies: (i) the Trust will invest the net proceeds of the Offering in the Blue Chip Portfolio (see "The Blue Chip Portfolio — Indicative Portfolio") which is to be comprised of the securities of approximately 40 different issuers. Each issuer whose securities are included in the Blue Chip Portfolio will have market capitalization of at least \$1 billion at the time of investment and meet the other investment criteria of the Trust and, to generate additional returns, the Trust may, from time to time, write covered call options in respect of individual securities held in the Blue Chip Portfolio; and (ii) if and when the value of any security held in the Blue Chip Portfolio meets or exceeds the Threshold Value, the Trust will lock in such gain using its profit booking ("Profit Booking") strategy (see "The Blue Chip Portfolio — Profit Booking").

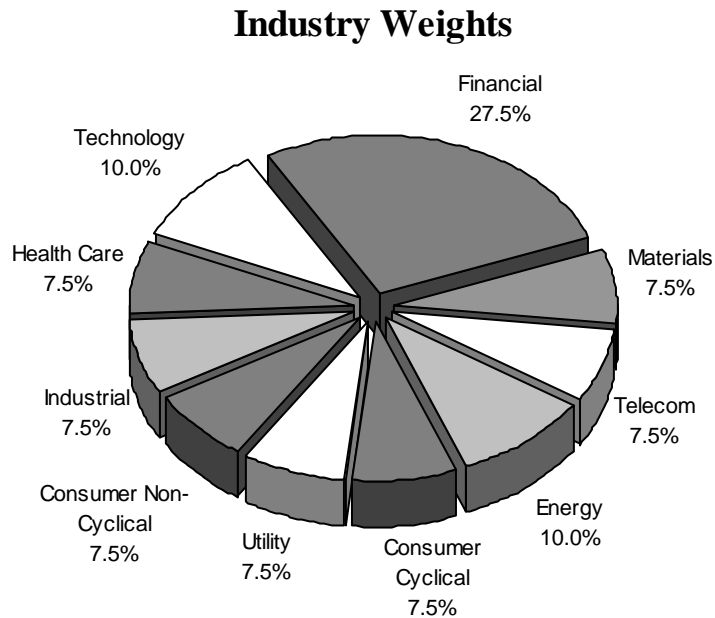
In selecting Portfolio Securities, the Investment Advisor will use both quantitative and qualitative criteria. The Blue Chip Portfolio will be highly diversified by selecting issuers from ten major industry groups. Within each industry group securities will be selected on the basis of market capitalization (at least \$1 billion), positive earnings record for the past 5 years, positive earnings growth, low volatility in earnings (discounting seasonal effects), consistent record for payment of dividends, dividend growth and credit quality (as supplied by a recognized credit agency), and will be filtered according to financial ratios and a series of valuation models. Issuers who qualify based on the foregoing criteria will then be ranked. In order to maintain its status as an RRSP eligible investment, the Trust will give preference to Canadian companies. In the event that there are insufficient Canadian companies in a particular industry that meet the Investment Advisor's selection criteria, a United States based issuer will be selected that has a strong presence in Canada. The issuers in the resulting list will then be evaluated using qualitative factors including the quality of management and franchise strength.

## THE BLUE CHIP PORTFOLIO

The Trust will use the net proceeds of the Offering to construct the Blue Chip Portfolio (see “Indicative Portfolio”). It is intended that the Blue Chip Portfolio will be comprised of the securities of approximately 40 different issuers. Each issuer whose securities are included in the Blue Chip Portfolio will have a market capitalization of at least \$1 billion at the time of investment and meet the other investment criteria of the Trust discussed under “Investment Strategy” above. It is also intended that the Blue Chip Portfolio will be diversified by issuer, security and industry (see “The Blue Chip Portfolio — Diversification”).

### Diversification

The investment strategy of the Trust is designed to promote broad diversification in the Blue Chip Portfolio by reducing the Trust’s concentration in any one issuer, security or industry. The Trust will employ an equal weighting approach in its investment strategy pursuant to which the value of the securities of each issuer included in the Blue Chip Portfolio would be limited to approximately 2.5% of the value of the Blue Chip Portfolio. The Trust will also use an industry allocation approach in its investment strategy which is designed to ensure that the Blue Chip Portfolio’s industry concentration is more reflective of the broader Canadian economy than if a float capitalization approach (based solely on an issuer’s market capitalization) were used. The following pie chart with associated weights is illustrative of the industry allocation approach intended for the Blue Chip Portfolio.



## Indicative Portfolio

The following is a sample of the issuers whose securities have been selected by the Investment Advisor as being potential investments for the Trust (the “Indicative Portfolio”). The actual Blue Chip Portfolio following completion of the Offering may vary based on the Investment Advisor’s assessment of the issuers listed below relative to the investment strategy selection criteria at the time of investment. The indicated market capitalization is as at March 23, 2004.

<u>Issuer</u>	<u>Percent Holdings</u>	<u>Market Capitalization</u> (in Cdn\$1,000,000)	<u>Industrial Sector</u>
Alcan Inc.	2.5	20,965	Materials
Aliant Inc.	2.5	4,184	Telecom
Bank of Montreal	2.5	26,880	Financial
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Canadian Tire Corporation Limited	2.5	3,576	Consumer Cyclical
Canadian Utilities Limited	2.5	2,569	Utility
Cascades Inc.	2.5	964	Materials
Dofasco Inc.	2.5	2,611	Materials
Emera Incorporated	2.5	2,080	Utility
Enbridge Inc.	2.5	9,350	Utility
EnCana Corporation	2.5	25,756	Energy
Finning International Inc.	2.5	2,345	Industrial
General Electric Company	2.5	392,063	Industrial
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Hewlett-Packard Company	2.5	86,956	Technology
The Home Depot, Inc.	2.5	109,754	Consumer Cyclical
International Business Machines Corporation	2.5	206,745	Technology
Imperial Oil Limited	2.5	21,011	Energy
Intel Corporation	2.5	225,970	Technology
Investors Group Inc.	2.5	9,507	Financial
Johnson & Johnson Inc.	2.5	196,304	Health Care
Loblaw Companies Limited	2.5	17,452	Consumer Non-Cyclical
Manitoba Telecom Services Inc.	2.5	2,916	Telecom
Manulife Financial Corporation	2.5	21,821	Financial
MDS Inc.	2.5	3,151	Health Care
Microsoft Corporation	2.5	347,284	Technology
3M Company	2.5	83,098	Industrial
Molson Inc.	2.5	3,343	Consumer Non-Cyclical
National Bank of Canada	2.5	8,022	Financial
Petro-Canada	2.5	14,848	Energy
Pfizer Inc.	2.5	346,798	Health Care
RioCan Real Estate Investment Trust	2.5	2,909	Financial
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Saputo Inc.	2.5	3,287	Consumer Non-Cyclical
Sun Life Financial Inc.	2.5	20,842	Financial
The Thomson Corporation	2.5	26,217	Consumer Cyclical
The Toronto-Dominion Bank	2.5	30,484	Financial
	<b>Total</b>	<b>Median</b>	
<b>Total Blue Chip Portfolio</b>	<b>100%</b>	<b>20,988</b>	

## **Profit Booking**

Gains resulting from the increase in value of individual Portfolio Securities will be realized using a disciplined Profit Booking strategy. In the event that the value of the Portfolio Securities for any issuer meets or exceeds the Threshold Value, then the Trust will sell a sufficient number of Portfolio Securities of that issuer such that the total value of the Portfolio Securities of that issuer remaining in the Blue Chip Portfolio will be equivalent to the Original Value. The Trust will use the net proceeds of the sale of these Portfolio Securities (after providing for Distributions) to purchase a portfolio of High Quality Fixed Income Securities whose maturity is on or about the Termination Date (the “Profit Booking Portfolio”). The Profit Booking Portfolio will be used for the purposes of making future Distributions to Unitholders as well as to preserve and potentially enhance the Net Asset Value of the Trust.

## **Distributions**

The Trust intends to make equal monthly cash Distributions to Unitholders (see “Distributions and Reinvestment — Monthly Distributions”). It is expected that monthly cash Distributions from the Trust will be derived from dividends, distributions and interest income received on investments, premiums from writing covered call options and from net realized capital gains from the disposition of investments (and net realized capital gains attributable to covered call options, if any, written by the Trust).

In the near term, the Manager expects that approximately 50% of Distributions by the Trust will be taxed as dividend income or as a capital gain in the hands of Unitholders and that the majority of the balance will be a return of capital (see “Canadian Federal Income Tax Considerations”).

The dividends and distributions received by the Trust from issuers whose securities are included in the Blue Chip Portfolio may vary from month to month and certain issuers whose securities are included in the Blue Chip Portfolio may pay dividends and distributions less frequently than monthly, with the result being that the monthly cash available to the Trust for distribution to Unitholders could vary substantially. In the event that there are insufficient funds available to the Trust from its Profit Booking activities and the receipt of dividends, distributions and interest income to meet its monthly distribution target, the Manager intends to raise the necessary funds by: (i) selling bonds or other fixed income instruments from previous Profit Booking activities, (ii) utilizing the Loan Facility, (iii) reducing the Threshold Value level to the Original Value, and (iv) reducing the amount distributed. **At no point will the Investment Advisor sell a Portfolio Security at a loss for the purposes of meeting a monthly distribution.**

## **INVESTMENT GUIDELINES AND INVESTMENT RESTRICTIONS**

### **Investment Guidelines**

The Investment Advisor will adhere to the following guidelines regarding the investments to be included in the Blue Chip Portfolio:

- (a) each issuer will:
  - (i) have a minimum market capitalization of at least \$1 billion at the time of investment;
  - (ii) be listed for trading on the TSX, the New York Stock Exchange or the NASDAQ; and
- (b) the Blue Chip Portfolio will, at the time of acquisition, be approximately equally weighted based on the Total Assets of the Trust divided by the number of securities included in the Blue Chip Portfolio.

### **Borrowing**

The Declaration of Trust authorizes the Trust to borrow money for the purpose of making investments in accordance with its Investment Objectives and Investment Restrictions, and to pledge Trust Assets to secure the borrowings. Following the Closing, the Trust intends to enter into a Loan Facility with one or more Canadian chartered banks. The Loan Facility will add leverage to the Blue Chip Portfolio and will permit the Trust to borrow an amount

not exceeding 10% of the value of the gross proceeds of the Offering. The interest rate, fees and expenses under the Loan Facility are expected to be typical of similar credit facilities available in the commercial marketplace.

### **Covered Call Option Writing**

In order to generate additional returns, the Trust may, from time to time, write covered call options in respect of individual securities held in the Blue Chip Portfolio. The writing of call options by the Trust will involve the selling of call options in respect of such securities. Such call options may be either exchange-traded options or over-the-counter options. The investment restrictions of the Trust require call options to be covered at all times. Call options may only be written in respect of securities held by the Trust and the Trust is prohibited from disposing of any security that is subject to a call option. In no event will covered call options be written in respect of more than 50% of the securities held in the Blue Chip Portfolio however, in the normal course, the actual percentage of securities subject to covered call options is expected to be substantially less, in accordance with the Investment Strategy.

The holder of a call option may exercise the option to purchase from the Trust the securities underlying the option at the strike price per security. Depending on the terms of the agreement, a covered call option is exercisable either at any time during a specified time period or at expiry of the option. By selling call options, the Trust will receive option premiums, which are generally paid within one Business Day of the writing of the option. If, during the time the option is exercisable, the market price of the underlying securities is above the strike price, the holder of the option may exercise the option and the Trust will be obligated to sell the securities to the holder at the strike price per security. Alternatively, the Trust may repurchase a call option which is in-the-money by paying the market value of the call option. However, if at expiration of the call option, the option is out-of-the-money, the holder of the option will likely not exercise the option and the option will expire. In each case, the Trust will retain the option premium.

The amount of option premium depends, among other factors, upon the volatility of the price of the underlying security. The higher the volatility, the higher the option premium. In addition, the amount of the option premium will depend on the difference between the strike price of the option and the market price of the underlying security at the time the option is written. The smaller the positive difference (or the larger the negative difference), the more likely the option will be in-the-money during the term and, accordingly, the greater the option premium.

The table below illustrates the sensitivity of annualized option premiums from writing call options on a hypothetical portfolio of securities to the average volatility of the individual securities comprising the hypothetical portfolio and to the excess of the strike price over the market price of the underlying securities expressed as a percentage of such market price at the time the options on the securities in the hypothetical portfolio are written (or percentage out-of-the money). The option premiums are expressed as a percentage of the asset value of the portfolio and have been calculated using a Black-Scholes Model (modified to include dividends) based on the following assumptions:

1. all call options are exercisable at maturity and are written at the same percentage out-of-the-money;
2. all securities in the portfolio are subject to 60 day call options throughout the relevant period (note that this assumption is for illustrative purposes only and is not indicative of the extent to which covered call options will or are intended to be written by the Trust);
3. the risk-free or benchmark interest rate is 2.50%;
4. the average return from the dividends paid on the securities in the portfolio is 2.00% (after the payment of U.S. withholding taxes);
5. there are no changes in the value of the U.S. dollar or other foreign currencies relative to the Canadian dollar throughout the relevant period; and
6. there are no realized capital gains or losses on the securities in the portfolio for any of the periods during which the call options are outstanding.

The range of percentage out-of-the-money shown in the table below is based on the range generally expected to be utilized by the Manager in writing call options.

**Annualized Premiums from Covered Call Option Writing  
(measured as a % return)**

**Average Volatility of the Individual Securities in the Blue Chip Portfolio**

<u>% out of the money</u>	<u>10%</u>	<u>12%</u>	<u>14%</u>	<u>16%</u>	<u>18%</u>	<u>20%</u>	<u>22%</u>	<u>24%</u>	<u>26%</u>	<u>28%</u>	<u>30%</u>
4%.....	2.3%	3.7%	5.2%	6.8%	8.6%	10.3%	12.1%	14.0%	15.8%	17.7%	19.6%
2%.....	5.2%	7.0%	8.8%	10.7%	12.6%	14.5%	16.5%	18.4%	20.3%	22.3%	24.2%
0%.....	10.0%	12.0%	14.0%	15.9%	17.9%	19.8%	21.8%	23.8%	25.7%	27.7%	29.6%

**The information set forth above is provided for illustrative purposes only and should not be construed as a forecast or projection. In practice, actual option premiums are determined in the marketplace and may not necessarily reflect the figures shown in this table. No assurance can be given that the returns shown in this sensitivity analysis will be realized.**

If a call option is written on a security held in the Blue Chip Portfolio, the amounts that the Trust will be able to realize on the security during the term of the call option will be limited to any dividends received during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In essence, the Trust will forgo potential returns resulting from any price appreciation of the security underlying the option above the strike price in favour of the certainty of receiving the option premium.

**Securities Lending**

In order to generate additional returns, the Trust may lend Portfolio Securities to borrowers acceptable to the Trust pursuant to the terms of a securities lending agreement between the Trust and any such borrower (each, a “Securities Lending Agreement”). Under a Securities Lending Agreement: (i) the borrower will pay to the Trust a negotiated securities lending fee and will make compensation payments to the Trust equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act; and (iii) the Trust will receive prescribed collateral security.

**Investment Restrictions**

The Trust will be subject to certain Investment Restrictions which are set out in the Declaration of Trust. The Investment Restrictions may not be changed without the prior approval of Unitholders by way of an Extraordinary Resolution, unless such change or changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed from time to time by applicable regulatory authorities. See “Unitholder Matters — Meetings of Unitholders”.

The Investment Restrictions provide that the Trust will not:

- (a) purchase any security unless it meets the Investment Guidelines referred to above;
- (b) own more than 9.9% of the outstanding equity securities of an issuer or purchase the securities of an issuer for the purpose of exercising control over management of that issuer;
- (c) make or retain any investment that would result in the Trust failing to qualify as a “unit trust” within the meaning of paragraph 108(2)(b) of the Tax Act. Under the current definition of “unit trust” in the Tax Act, the Trust must satisfy among other requirements:
  - (i) at all times at least 80% of the property of the Trust must consist of a combination of shares; property that, under the terms or conditions of which or under an agreement, is convertible into, exchangeable for, or confers a right to acquire shares; bonds, debentures, mortgages, hypothecary claims, notes and other similar obligations; marketable securities; cash; real property situated in Canada and interests in real property situated in Canada; or rights to and

interests in any rental or royalty computed by reference to the amount or value of production from a natural accumulation of petroleum or natural gas in Canada, from an oil or gas well in Canada or from a mineral resource in Canada;

- (ii) not less than 95% of the Trust's income (determined without reference to subsections 49(2.1) and 104(6) of the Tax Act) for each year must be derived from, or from the disposition of, investments described in (i) above; and
  - (iii) at no time may more than 10% of the Trust's property consist of bonds, securities or shares in the capital stock of any one corporation or debtor other than Her Majesty in Right of Canada or a province or a Canadian municipality;
- (d) make or retain any investment that would result in the Trust failing to qualify as a "mutual fund trust" within the meaning of the Tax Act;
  - (e) invest in or hold "foreign property" if the "cost amount" (as those terms are defined in the Tax Act) to the Trust of all foreign property held by it would cause the Trust to be subject to tax under Part XI of the Tax Act or would cause Units to be foreign property under the Tax Act or engage in any other transaction that would cause the Trust to be liable to tax under section 206.1 of Part XI of the Tax Act;
  - (f) with the exception of securities of the Trust's own issue, purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager, or any of its respective affiliates, any officer, director or shareholder of any of them, any person, trust, firm or corporation managed by the Manager, or any of its respective affiliates or any firm or corporation in which any officer, director or shareholder of the Manager or the Investment Advisor may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless, with respect to any purchase or sale of securities, either: (i) any such transaction is effected through normal market facilities, and the purchase price approximates the prevailing market price; or (ii) such purchase or sale is approved by a majority of the Manager's or Investment Advisor's independent directors;
  - (g) write a call option in respect of any security unless such security is held by the Trust at the time the option is written;
  - (h) dispose of any security that is subject to a call option written by the Trust except on the exercise of such option or after the option has either terminated or expired;
  - (i) invest in or hold the securities of any non-resident corporation or trust or other non-resident entity if the Trust would be required to mark its investment in such securities to market in accordance with proposed section 94.2 of the Tax Act or to include any significant amounts in income pursuant to proposed section 94.1 or 94.3 of the Tax Act, as set forth in the proposed amendments to the Tax Act dealing with foreign investment entities released on October 30, 2003 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);
  - (j) invest in the securities of any issuer upon the Manager or Investment Advisor becoming aware of any steps or proceedings under any federal or provincial bankruptcy or insolvency legislation taken by or against such issuer whose securities are included in the Blue Chip Portfolio or any announcement of any such steps; or
  - (k) act as an underwriter except to the extent that the trust may be deemed to be an underwriter in connection with the sale of Portfolio Securities.

If a percentage restriction on investment or use of assets set forth above as an Investment Restriction is adhered to at the time of the transaction, later changes to the market value of any Portfolio Securities will not be considered a violation of the Investment Restrictions (except for the restrictions in paragraphs (c), (d) and (e) above which must be complied with at all times and which may necessitate the selling of the Portfolio Securities from time to time) or require the elimination of any Portfolio Security. If the Trust receives from an issuer subscription rights to purchase securities

of that issuer, and if the Trust exercises those subscription rights at a time when the Trust's Blue Chip Portfolio holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the Investment Restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, the Trust has sold at least as many securities of the same class and value as would result in the restriction being complied with.

## DETAILS OF THE EXCHANGE OPTION

### Available Options to Purchase Units

Prospective purchasers may acquire Units either by: (a) cash payment; or (b) an exchange (the "Exchange Option") of Eligible Securities of any of the issuers which are listed below under the heading "Exchange Eligible Issuers", subject to the Trust not exceeding the Maximum Ownership Level and subject to acceptance or rejection in whole or in part by the Manager. The Investment Advisor has chosen the Exchange Eligible Issuers based on the investment criteria of the Trust described above under "Investment Strategy". **The Exchange Option does not constitute, and is not to be construed as, a take-over bid for any Exchange Eligible Issuer.** To the extent the Maximum Ownership Level has been achieved in respect of the Eligible Securities of any one Exchange Eligible Issuer, and an excess of Eligible Securities of such Exchange Eligible Issuer above the Maximum Ownership Level has been deposited and not withdrawn, then the Eligible Securities of such Issuer will be accepted by the Manager up to the Maximum Ownership Level and the balance will be re-credited to the applicable purchaser's account through CDS.

### Procedure for Exchange Option

A prospective purchaser of Units who elects to pay for such Units by using the Exchange Option must do so by means of an Exchange Option Election through CDS. Prospective purchasers intending to utilize the Exchange Option must ensure an Exchange Option Election was received by the Exchange Agent through CDS prior to 5:00 p.m. (Toronto time) on April 28, 2004. CDS Participants may have an earlier deadline for receiving instructions from their clients to deposit Eligible Securities into the Exchange Option. Once submitted to the Exchange Agent through CDS, a deposit of Eligible Securities of an Exchange Eligible Issuer under the Exchange Option (including the transfers authorized thereby) is, subject to the completion of the Offering, irrevocable unless withdrawn as described below under the heading "Withdrawal of Exchange Option Elections". By authorizing a deposit of Eligible Securities of an Issuer under the Exchange Option through CDS, a prospective purchaser authorizes the transfer to the Trust of each of such Eligible Securities and represents and warrants that the prospective purchaser has full right and authority to transfer such Eligible Securities and is the beneficial owner of such Eligible Securities, that such Eligible Securities have not previously been conveyed, that the transfer of such Eligible Securities is not prohibited by laws applicable to the prospective purchaser and that such Eligible Securities are free and clear of all liens, encumbrances and adverse claims. Such representations and warranties will survive the issuance of Units in exchange for such Eligible Securities. The Trust's interpretation of the terms and conditions of the Exchange Option will be final and binding. The Trust reserves the right to waive any conditions of the Exchange Option other than the Maximum Ownership Level and to accept or reject, in whole or in part, any deposit of Eligible Securities made pursuant to the Exchange Option. **The Trust also reserves the right to accept or reject any Eligible Security under the Exchange Option for any reason including, without limitation, an unfavourable relationship between the Exchange Ratio, as described below under "Determination of Exchange Ratios", and the market price or the net asset value, as applicable, of an Eligible Security at the Closing of the Offering. None of the Trust, the Agents or the Exchange Agent shall be under any duty to notify a prospective purchaser of irregularities related to its Exchange Option Election and will not incur any liability for failure to give such notification.**

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

### Determination of Exchange Ratios

The number of Units issuable for each Eligible Security of an Exchange Eligible Issuer (the "Exchange Ratio") will be determined by dividing (i) the volume weighted average trading price of the Eligible Securities on the principal stock exchange on which such securities are traded on April 28, 2004 as adjusted to reflect distributions declared by an Exchange Eligible Issuer that will not be received by the Trust; by (ii) \$10.00 (being the Offering Price). Holders of

Eligible Securities who deposited such securities pursuant to the Exchange Option will continue to be holders of record up to the date of Closing of the Offering of the Units contemplated by this prospectus and will be entitled to receive dividends or distributions in respect of such Eligible Securities that have a record date prior to the Closing.

After the close of business on April 29, 2004, the Trust issued a press release announcing the Exchange Ratio for the Eligible Securities of each Exchange Eligible Issuer. The Exchange Ratios were rounded down to four decimal places. If a prospective purchaser of Units has deposited Eligible Securities of one or more Exchange Eligible Issuers pursuant to the Exchange Option, and if the exchange of such Eligible Securities for Units would otherwise result in the issuance of a fractional Unit, the Trust will, after all applicable withdrawal periods have expired, forward a cash payment to such prospective purchaser equal to \$10.00 multiplied by such fraction of a Unit, in lieu of issuing a fractional Unit. Allocation of cash in respect of fractional Units to purchasers who have authorized the deposit of Exchange Option Elections through CDS will be at the discretion of the CDS Participant.

### **Withdrawal of Exchange Option Elections**

Each prospective purchaser who has authorized the deposit of Exchange Option Election through CDS will have the right to withdraw such Exchange Option Election by notifying such prospective purchaser's CDS Participant who effected the deposit. To be effective, a written notice of withdrawal must be either delivered in person or by courier to such CDS Participant within the specified time, who in turn will direct CDS to notify the Exchange Agent of such withdrawal. In addition, prospective purchasers under the Exchange Option will be entitled to withdraw or rescind their purchase by providing a written notice of withdrawal or rescission to such prospective purchaser's CDS Participant who effected the deposit. To be effective the notice must be received by the CDS Participant on or before midnight on the second Business Day after receipt or deemed receipt of this prospectus and any amendment. Each such notice must be signed by the person who authorized the deposit under the Exchange Option.

### **Maximum Offering**

The maximum offering, comprised of the aggregate cash subscriptions and Eligible Securities (based on the applicable Exchange Ratios and excluding that number of Eligible Securities deposited and not acquired) shall not be more than \$75,000,000. If the maximum offering is exceeded, the Trust will accept cash subscriptions first and will then accept Eligible Securities on a *pro rata* basis or such other reasonable basis that it determines appropriate until the maximum offering size of \$75,000,000 is achieved, subject to the conditions set forth above under the heading "Available Options to Purchase Units".

### **Exchange Eligible Issuers**

The following table indicates the name of the Exchange Eligible Issuers for purposes of the Exchange Option. Only common shares or units of Exchange Eligible Issuers will be accepted for the Exchange Option.

Alcan Inc.	EnCana Corporation	Manulife Financial Corporation
Aliant Inc.	Finning International Inc.	MDS Inc.
Bank of Montreal	General Electric Company	Microsoft Corporation
The Bank of Nova Scotia	Great-West Lifeco Inc.	3M Company
BCE Inc.	Hewlett-Packard Company	Molson Inc.
Canadian Imperial Bank of Commerce	The Home Depot, Inc.	National Bank of Canada
Canadian Oil Sands Trust	International Business Machines Corporation	Petro-Canada
Canadian Tire Corporation Limited	Imperial Oil Limited	Pfizer Inc.
Canadian Utilities Limited	Intel Corporation	RioCan Real Estate Investment Trust
Cascades Inc.	Investors Group Inc.	Royal Bank of Canada
Dofasco Inc.	Johnson & Johnson Inc.	Saputo Inc.
Emera Incorporated	Loblaw Companies Limited	Sun Life Financial Inc.
Enbridge Inc.	Manitoba Telecom Services Inc.	The Thomson Corporation
		The Toronto-Dominion Bank

## MANAGEMENT OF THE TRUST

### The Manager

Crown Hill Capital Corporation will perform the management functions for the Trust and is the trustee of the Trust. The Manager was incorporated under the *Business Corporations Act* (Ontario), as amended, on December 8, 2003, and is 100% owned by First Paladin Inc. (“First Paladin”) incorporated under the *Canada Business Corporations Act*, on December 20, 1999.

The Manager, in performing the management functions of the Trust, will be entitled to receive an annual fee as compensation for services rendered to the Trust and is responsible for the payment of the investment management fees of the Investment Advisor. See “Fees and Expenses”.

### Duties and Services to be Provided by the Manager

Pursuant to the Declaration of Trust, the Manager has exclusive authority to manage the operations and affairs of the Trust, to make all decisions regarding the business of the Trust and to bind the Trust. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Trust to do so. Among other restrictions imposed on the Manager, the Manager may not dissolve the Trust or wind up the Trust’s affairs except in accordance with the provisions of the Declaration of Trust.

The Manager’s duties will include maintaining accounting records for the Trust; authorizing the payment of operating expenses incurred on behalf of the Trust; calculating the amount and determining the frequency of Distributions by the Trust; preparing financial statements, income tax returns and financial and accounting information as required by the Trust; ensuring that Unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Trust complies with regulatory requirements; preparing the Trust’s reports to Unitholders and to the Canadian securities regulators; providing the Trustee with information and reports necessary for it to fulfil its fiduciary responsibilities; administering the redemption of Units; arranging for any payment required on or about the Termination Date; dealing and communicating with Unitholders and negotiating contracts with third-party providers of services, including, but not limited to, custodians, transfer agents, auditors and printers. The Manager will provide facilities and personnel to carry out these services, together with clerical services which are not furnished by the custodian, valuation agent or transfer agent of the Trust.

The Manager will ensure that the Investment Advisor selects the Blue Chip Portfolio. In addition, the Manager will monitor the Trust’s investment strategy to ensure compliance with the Investment Guidelines and Investment Restrictions and that the net proceeds of the Offering are invested as described under “Use of Proceeds”.

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

The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Trust and the Unitholders and to exercise the care, diligence and skill of a prudent and qualified person in similar circumstances. The Declaration of Trust provides that the Manager will not be liable in any way for any default, failure or defect in any of the Portfolio Securities if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence, disregard of the Manager’s standard of care or by any material breach or default by it of its obligations under the Declaration of Trust.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager until the termination of the Trust. The Manager may resign if the Trust is in breach or default of the provisions of the Declaration of Trust and, if capable of being cured, any such breach or default has not been cured within 20 Business Days’ notice of such breach or default to the Trust and the Manager is deemed to have resigned if the Manager becomes bankrupt or insolvent or in the event the Manager ceases to be resident in Canada for the purposes of the Tax Act. The Manager may not be removed by the Trustee other than by an Ordinary Resolution of the Unitholders in the event that the Manager is in material breach or default (defaults under the Declaration of Trust include, among other things, cases

of wilful misconduct, bad faith, disregard of the Manager’s standard of care or negligence) of the provisions of the Declaration of Trust and, if capable of being cured, any such breach or default has not been cured within 20 Business Days’ notice of such breach or default to the Manager, or if the Manager becomes bankrupt or insolvent.

In the event that the Manager resigns or is removed as provided above, the Trustee shall promptly appoint a successor manager to carry out the activities of the Manager until a meeting of the Unitholders is held to confirm such appointment by a majority of the votes cast. The removal or resignation of the Manager shall only become effective upon the appointment of a replacement manager. If within 90 days from the notice of resignation or removal of the Manager the Trustee has not appointed a replacement manager, the Trust shall be terminated.

The Manager and each of its directors, officers and employees will be indemnified by the Trust for all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Manager or any of its officers, directors or employees in the exercise of its duties as manager, except those resulting from such person’s wilful misconduct, bad faith, negligence, disregard of such person’s standard of care or material breach or default of duty to the Trust in relation to the matter in respect of which indemnification is claimed.

**Accounting and Reporting**

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

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

**Officers and Directors of the Manager**

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

<u>Name and Municipality</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
WAYNE L. PUSHKA..... Toronto, Ontario	President, Chief Executive Officer and Director	Chief Executive Officer of Crown Hill Capital Corporation
JAMES M. WERRY..... Toronto, Ontario	Director	Private Investor
GARY K. OSTOICH..... Toronto, Ontario	Director	Partner, McMillan Binch LLP
ANDREW MACLEAN ..... Toronto, Ontario	Senior Vice President	Senior Vice President of Crown Hill Capital Corporation
ADRIAN ISAACS ..... Toronto, Ontario	Chief Financial Officer	A. Isaacs Consulting Ltd.

**Wayne L. Pushka** is the President, Chief Executive Officer and Director of the Manager. He has 14 years of experience in the financial industry with a focus on risk management and portfolio construction. He is currently President of Hollister Capital Corporation, the manager of the \$75 million Investment Grade Trust. He has held various consultant and advisory roles at ScotiaMcLeod, BARRA International (one of the world's premiere financial risk management consulting firms) and Canada Mortgage and Housing Corporation. He has advised on and constructed numerous domestic and international bond, equity and derivative portfolios for pension funds, banks and insurance companies in Canada and across Asia. Mr. Pushka holds a B.Sc. (Physics) from McMaster University, a M.Sc. (Theoretical Physics) from Carleton University, a M.B.A. from Queen's University and is a Chartered Financial Analyst charterholder.

**James M. Werry** has over 26 years of experience in the financial services business. Mr. Werry spent the majority of his career at ScotiaMcLeod (Scotia Capital) where he held progressively more senior positions; most recently as Managing Director and head of ScotiaMcLeod and President and CEO of Scotia Discount Brokerage. In this capacity he oversaw the management of in excess of \$45 billion of private client assets. Prior to joining ScotiaMcLeod he was with Wood Gundy. Mr. Werry is a graduate of the University of Western Ontario Business School (now Ivey) where he obtained an H.B.A degree in 1977.

**Gary K. Ostoich** is a partner in the derivatives and structured products group of the law firm of McMillan Binch LLP in Toronto. Called to the bar in 1987, he has been practicing law for 17 years. Mr. Ostoich acts for a broad range of intermediaries and end-users in the markets including financial institutions, domestic and foreign investment dealers, governments, large corporations, pension funds, commodity pools and hedge funds. He sits on the advisory board of a number of funds in the marketplace and is also a director of several companies that create structured products. Mr. Ostoich is included in LEXPERT's Guide to the Leading 500 Lawyers in Canada. He has an L.L.B. from Queen's University.

**Andrew MacLean** is a Senior Vice President of the Manager. He has 14 years of industry experience with 8 of those spent in equity research & sales. His experience includes analysis of US and international equities, development and marketing of portfolio strategies, and retail equity strategy. He has held various positions at ScotiaCapital prior to which he spent 4 years in various roles including working as an economist at Statistics Canada. Mr. MacLean has a B.A. (Economic and Political Science) from the University of Ottawa and is a Chartered Financial Analyst charterholder.

**Adrian Isaacs** is the Chief Financial Officer of the Manager. He has over 16 years of industry experience, is a Chartered Accountant and also holds a restructuring designation ("CIRP"). Mr. Isaacs has spent the last ten years advising both companies and lenders on a broad range of restructuring and turnaround issues. He has diverse experience in a variety of industries, including automotive, manufacturing, construction, retail, food & beverage, entertainment, technology and health care. Mr. Isaacs holds a B.Comm. from the University of the Witwatersrand, Johannesburg, South Africa and obtained his Chartered Accountant designation in Canada in 1992.

### **Conflict of Interest – Manager**

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

The Declaration of Trust acknowledges that the Trustee may provide services to the Trust in other capacities, provided that the terms of any such arrangements are no less favourable to the Trust than those which would be obtained from parties which are at arm's length for comparable services. The Trustee may act as trustee of, and provide services to, issuers in which the Trust has invested or may invest.

### **The Investment Advisor**

Tower Asset Management Inc. (the "Investment Advisor") was incorporated under the laws of the Province of Ontario on June 24, 2002. The Investment Advisor currently carries on business at 2 Ostrander Boulevard, Brampton, Ontario, L6V 3N2. The name, municipality of residence, position with the advisor and principal occupation of each of the directors and officers of the advisor are set out below:

<u>Name and Municipality</u>	<u>Position with the Investment Advisor</u>	<u>Principal Occupation</u>
MARK MAXWELL ..... Brampton, Ontario	Director, Chief Executive Officer and Portfolio Manager	Chief Executive Officer of Tower Asset Management Inc.
WAYNE L. PUSHKA..... Toronto, Ontario	Vice President and Portfolio Manager	Chief Executive Officer of Crown Hill Capital Corporation
ELAINE MAXWELL..... Brampton, Ontario	Director, Chief Financial Officer and Secretary	Secretary, Tower Asset Management Inc.

**Mark L. Maxwell** has over 17 years of financial industry experience. Previously to launching Tower Asset Management Inc., Mr. Maxwell was the President and Director of Rockwater Asset Management and prior to that he was President and Director of Georgian Capital Partners with \$4.6 billion under management. He has had extensive experience in corporate treasury, fixed income analysis and risk management, as well as ten years of experience as an equity analyst on the financial services industry while employed at Dean Witter, as a partner at Gordon Capital and a Managing Director at CIBC World Markets. A dual US/Canadian citizen born in Nigeria, West Africa, Mr. Maxwell earned a M.B.A. in Finance from Baylor University in Waco, Texas in 1984, a B.A. at Trinity Western University in Langley, B.C. in 1981, and completed his CFA designation in 1991.

**Wayne L. Pushka** See “Officers and Directors of the Manager”.

**Elaine Maxwell** is the majority shareholder, as well as a Director, Chief Financial Officer and Secretary of Tower Asset Management Inc., where she has served since the company’s inception. She has been actively involved in the community and with several charities, including Everyday Miracles International, a charity which she chairs, aimed at helping disadvantaged children and orphans around the world. She earned a B.Sc. from the University of Toronto in 1991.

#### **Services to be Provided by the Investment Advisor**

The Investment Advisor will provide investment advisory and portfolio management services to the Trust subject to the terms of the Investment Advisory Agreement. See “The Investment Advisory Agreement”.

It is currently contemplated that Wayne L. Pushka will be the portfolio manager of the Investment Advisor who will be primarily responsible for implementing the investment strategy of the Trust pursuant to the Investment Advisory Agreement. In the event that Mr. Pushka were to cease employment with the Investment Advisor and subsequently be employed by another investment advisor, the Manager intends to terminate the Investment Advisory Agreement in accordance with the terms set forth below under “The Investment Advisory Agreement” and retain the investment advisor which employs Mr. Pushka as the successor investment advisor to the Trust.

The Manager, as manager of the Trust, is responsible for ensuring that the provisions of the Investment Advisory Agreement are consistent with the Investment Guidelines and Investment Restrictions of the Trust and that the Investment Guidelines and Investment Restrictions comply with applicable Canadian federal and provincial laws. The Manager is also responsible for analyzing all provisions of applicable Canadian federal and provincial laws and interpretations of such laws (and any changes thereto) referenced in the Investment Guidelines and Investment Restrictions relating to the Trust. See “Investment Guidelines and Investment Restrictions”.

#### **The Investment Advisory Agreement**

The Investment Advisory Agreement between the Manager on behalf of the Trust, the Manager and the Investment Advisor, unless terminated as described below, will continue until the termination of the Trust. The Manager may terminate the Investment Advisory Agreement: (i) upon 60 days’ notice; (ii) in the event that the Investment Advisor is in material breach of the Investment Advisory Agreement, which breach has or will have a material adverse effect on the Trust (a “Material Breach”), and the Material Breach has not been cured within 20 Business Days’ notice thereof to the Investment Advisor; (iii) in the event that Wayne L. Pushka ceases to be employed by the Investment Advisor; (iv) if, for any reason, the ability of the Investment Advisor to fulfill its duties is impaired; (v) if there is a dissolution and commencement of winding-up of the Investment Advisor; (vi) if the Investment Advisor becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in

respect of the Investment Advisor or a substantial portion of its assets; (vii) if the assets of the Investment Advisor become subject to seizure or confiscation by any public or governmental organization; (viii) if the Investment Advisor has lost any registration, license or other authorization required by it to perform the services delegated to it hereunder; or (ix) if the Investment Advisor has acted with wilful misconduct or negligence and as a result of such action there has been a material adverse effect on the Trust.

The Investment Advisory Agreement will not be subject to termination under clause (ii) above if the Material Breach cannot be cured within 20 Business Days' notice thereof but the Investment Advisor commences the cure within the 20 Business Day period and completes the cure of the Material Breach within 45 days of such notice. In addition, if the Investment Advisor purchases or sells a Portfolio Security or takes any other action with respect to the Trust Assets that violates any Investment Guideline or Investment Restriction set forth in the Investment Advisory Agreement and the violation has or will have a material adverse effect on the Trust, then it will not be considered a Material Breach for purposes of the termination right in (ii) above if the Investment Advisor takes action that returns the Trust to compliance with such Investment Guideline or Investment Restriction within the 20 Business Day cure period described above, as the same may be extended.

The Investment Advisor may terminate the Investment Advisory Agreement, without payment of any penalty, in the event that: (i) the Trust is in material breach or default of the provisions thereof and, if capable of being cured, such material breach or default has not been cured within 20 Business Days' notice of such breach or default to the Manager, as manager of the Trust; (ii) there is a material change in the Investment Guidelines or Investment Restrictions; (iii) if there is a dissolution and commencement of winding-up of the Trust; or (iv) if the Trust becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Trust or a substantial portion of its assets.

In the Investment Advisory Agreement, the Investment Advisor covenants to act at all times on a basis which is fair and reasonable to the Trust, to act honestly and in good faith with a view to the best interests of the Unitholders and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Investment Advisory Agreement provides that the Investment Advisor will not be liable in any way for any default, failure or defect in any of the securities comprising the assets of the Trust if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Investment Advisory Agreement also requires the Trust to indemnify the Investment Advisor and its officers, directors and employees (collectively, "Indemnified Persons"), out of the assets of the Trust only, against all liabilities, losses and expenses incurred by any of them in connection with any matter relating to the Trust, unless an Indemnified Person is finally adjudicated to have committed an act or omission involving wilful misconduct or gross negligence.

In the event that the Investment Advisory Agreement is terminated as provided above, the Manager, as manager of the Trust, shall promptly appoint a successor investment advisor to carry out the activities of the Investment Advisor.

The Manager, in its capacity as manager of the Trust, is responsible for the payment of the fees of the Investment Advisor related to the Trust. See "Fees and Expenses".

#### **Conflict of Interest – Investment Advisor**

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

#### **THE TRUSTEE**

Crown Hill Capital Corporation has been appointed the trustee of the Trust pursuant to the provisions of the Declaration of Trust. The Trustee is responsible for certain aspects of the day-to-day administration of the Trust as described in the Declaration of Trust.

The Trustee or any successor trustee may resign upon 60 days' written notice to Unitholders and the Manager or may be removed with the approval of a majority of the votes cast at a meeting of Unitholders called for such purpose with two or more persons present in person or by proxy representing not less than 5% of Units then outstanding. Any such resignation or removal shall become effective only on the acceptance of appointment by a successor trustee. If the Trustee resigns or is removed by Unitholders, its successor must be approved by Unitholders. If, after the resignation or removal of the Trustee, no successor has been appointed within 60 days, the Trustee, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee.

The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases of wilful misconduct, bad faith, negligence or disregard of its obligations and duties or in cases where the Trustee fails to act honestly and in good faith with a view to the best interests of the Unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

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

## **DISTRIBUTIONS AND REINVESTMENT**

### **Monthly Distributions**

The Trust intends to make equal monthly cash Distributions to Unitholders of record as of the Distribution Record Date and pay such cash Distributions on or about the Distribution Payment Date. The monthly cash Distributions are targeted to be \$0.06 per Unit. The initial cash Distribution is anticipated to be payable on August 15, 2004 for Unitholders of record on July 30, 2004 which, if the Closing takes place on June 1, 2004 will be in the amount of \$0.06 per Unit. The amount of the monthly Distributions may fluctuate from month to month and there can be no assurance that the Trust will make any Distributions in any particular month or months.

Unitholders will be entitled to participate equally in respect of each Unit held with respect to any and all Distributions made by the Trust. The targeted monthly Distributions of \$0.06 per Unit is equal to a yield of 7.2% per annum based on the Offering Price of the Units. The Trust may make other Distributions at any time in addition to monthly Distributions, if the Manager considers it appropriate.

It is expected that monthly cash Distributions from the Trust will be derived from dividends, distributions and interest income received on investments, premiums from writing covered call options and from net realized capital gains from the disposition of investments (and net realized capital gains attributable to covered call options, if any, written by the Trust), less estimated expenses and estimated taxes payable by the Trust, if any. In the near term, the Manager expects that approximately 50% of Distributions by the Trust will be taxed as dividend income or as a capital gain in the hands of Unitholders and that the majority of the balance will be a return of capital. A return of capital is not immediately taxable but reduces the adjusted cost base of a Unitholder's Units, thereby increasing the capital gain realized on the disposition of the Units. The adjusted cost base of Units purchased under the Offering is therefore expected to be less than \$10.00 per Unit on the Termination Date. The actual components of Distributions for tax purposes may vary from time to time as market conditions warrant and the range of available securities changes. See "Canadian Federal Income Tax Considerations – Taxation of Unitholders."

The dividends and distributions received by the Trust from issuers whose securities are included in the Blue Chip Portfolio may vary from month to month and certain issuers whose securities are included in the Blue Chip Portfolio may pay dividends and distributions less frequently than monthly, with the result that the monthly cash available for distribution to Unitholders could vary substantially and there can be no assurance that the Trust will make any Distributions in any particular month or months. See "Risk Factors". If the monthly cash available for distribution to Unitholders is consistently higher or lower than \$0.06 per Unit, then the Manager on behalf of the Trust may re-evaluate its distribution policy. The Trust may also borrow to pay Distributions if it considers it appropriate.

In order to achieve the targeted monthly Distribution of \$0.06 per Unit, the Trust will need to generate an average annual return of approximately 8.6%. **There is no guarantee that the requisite 8.6% return will be achieved by the Trust. If such return is not achieved, targeted monthly Distributions may not be attained.**

The Trust will be subject to tax each year under Part I of the Tax Act on the amount of its net income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. Provided the Trust makes Distributions in each year of its net income and net realized capital gains, and provided the Trust deducts in computing its income the full amount available for deduction in each year, the Trust will generally not be liable for income tax under Part I of the Tax Act. In order to ensure this result, the Declaration of Trust provides that an Additional Distribution in cash will, if necessary, be automatically payable in each year to Unitholders of record on December 31. The Additional Distribution may be necessary where the Trust realizes income for tax purposes which is in excess of the monthly Distributions paid or made payable to Unitholders during the year. If the Trust does not have cash in an amount sufficient to pay the full amount of the Additional Distribution, the shortfall will be satisfied by the issuance of additional Units having a value equal to the cash shortfall.

Unitholders who are non-residents of Canada will be required to pay all withholding taxes payable in respect of any distributions by the Trust to the extent that they are considered to be payable from the income of the Trust determined in accordance with the Tax Act, excluding capital gains. Distributions that are payable out of net realized capital gains or from the capital of the Trust will not be subject to withholding tax.

Each Unitholder will be mailed annually, no later than March 31 of each year, the information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the Trust to the Unitholder in the preceding taxation year of the Trust. See “Canadian Federal Income Tax Considerations”.

### **Distribution Reinvestment Plan**

The Trust will adopt, on or prior to the Closing, the Reinvestment Plan which will provide, subject to obtaining all necessary regulatory approvals, that all Distributions may be automatically reinvested on each Unitholder’s behalf, at the election of each such Unitholder, in accordance with the provisions of the Reinvestment Plan Agency Agreement. Non-resident Unitholders may not participate in the Reinvestment Plan. **There is no guarantee that the Trust will receive the requisite regulatory approvals to effect reinvestment of Distributions or avoid resale restrictions in connection with the operation of the Reinvestment Plan. Such approvals may not be available, or may be conditional upon amendments being made to the Reinvestment Plan.** If necessary regulatory approvals in respect of the Reinvestment Plan cannot be obtained, the Trust will, to the extent permitted under applicable laws and stock exchange rules, use Distributions to acquire, through purchases in the market on behalf of each Unitholder that has elected to have his or her Distributions automatically reinvested, additional Units.

Distributions due to Plan Participants shall be applied, on behalf of Plan Participants, to purchase additional Units. Such purchases will either be made from the Trust or in the market. If the weighted average trading price on the TSX (or such other stock exchange on which the Units are listed, if the Units are not listed on the TSX) for the 10 trading days immediately preceding the relevant Distribution Payment Date (the “Market Price”) is less than the Net Asset Value per Unit on the Distribution Payment Date, the Plan Agent shall apply the Distributions either to purchase Units in the market or from treasury as follows: purchases in the market will be made by the Plan Agent on an orderly basis during the 10 trading day period following the Distribution Payment Date and the price paid for those Units will not exceed 115% of the Market Price of the Units. On the expiry of that period, the unused part, if any, of the Distributions attributable to the Plan Participants will be used to purchase Units from the Trust at the higher of (i) the Net Asset Value per Unit on the relevant Distribution Payment Date and (ii) 95% of the Market Price.

If the Market Price is equal to or greater than the Net Asset Value per Unit on the Distribution Payment Date, the Plan Agent shall apply the Distributions to purchase Units from the Trust through the issue of new Units at the higher of (i) the Net Asset Value per Unit on the relevant Distribution Payment Date and (ii) 95% of the Market Price on the relevant Distribution Payment Date.

If the Units are thinly traded, purchases in the market under the Reinvestment Plan may significantly affect the market price. Depending on market conditions, direct reinvestment of cash Distributions by Unitholders in the market may be more, or less, advantageous than the reinvestment arrangements under the Reinvestment Plan. The Units purchased in the market or from the Trust will be allocated on a pro rata basis to the Plan Participants. The Plan Agent will furnish to each Plan Participant a report of the Units purchased for the Plan Participant’s account in respect of each Distribution and the cumulative total purchased for that account. The Plan Agent’s charges for administering the Reinvestment Plan and all brokerage fees and commissions in connection with purchases in the market pursuant to the Reinvestment Plan will be paid by the Trust. The automatic reinvestment of Distributions under the Reinvestment Plan

will not relieve participants of any income tax applicable to those Distributions. See “Canadian Federal Income Tax Considerations”.

The Reinvestment Plan will also allow Plan Participants, to the extent permitted under applicable law and regulatory rulings obtained, to make cash payments (“Optional Cash Payments”) which will be invested in Units by the Plan Agent. Any Plan Participant may invest a minimum of \$100 per Optional Cash Payment up to a maximum amount as determined by the Manager from time to time. Optional Cash Payments will be invested on the same basis as Distributions. Optional Cash Payments must be received by the Plan Agent at least five Business Days prior to a Distribution Payment Date to be used to purchase Units immediately following such Distribution Payment Date. Optional Cash Payments received less than five Business Days prior to a Distribution Payment Date will be held by the Plan Agent and will not be used by the Plan Agent to purchase Units until the next Distribution Payment Date. A Plan Participant who wishes to make an Optional Cash Payment must ensure that the CDS Participant through which he or she holds his or her Units is provided with the notice of his or her intention to make such Optional Cash Payment and the Trusts to make such Optional Cash Payment sufficiently in advance of the Distribution Payment Date so as to permit the CDS Participant to deliver a notice and the Trusts to CDS by 5:00 p.m. (Toronto time) on the day which is five Business Days prior to the Distribution Payment Date.

A Unitholder may, after electing to participate in the Reinvestment Plan, terminate his or her participation in the Reinvestment Plan by written notice to the CDS Participant through which he or she holds his or her Units who will then appropriately instruct the Plan Agent. That notice, if actually received no later than five days prior to a Record Date, will have effect for the Distribution to be made on the following Distribution Payment Date. Thereafter, Distributions to those Unitholders will be by cheque. The Manager may terminate the Reinvestment Plan in its sole discretion on not less than 30 days notice to the Plan Participants. The Manager may also amend, modify or suspend the Reinvestment Plan at any time in its sole discretion, provided that it gives notice of that amendment, modification or suspension to Unitholders. The Trust is not required to issue Units into any jurisdiction where that issuance would be illegal.

#### **REPURCHASE OF UNITS**

The Declaration of Trust provides that, subject to applicable law, the Trust has the right (but not the obligation), exercisable in its sole discretion, from time to time, to purchase (in the open market or by invitation for tenders) Units for cancellation, up to a maximum in any twelve month period of 5% of the number of Units outstanding (or 10% of the Trust’s “public float” as defined in the TSX Company Manual, whichever is greater), in all cases at a price per Unit not exceeding the Net Asset Value per Unit on the Valuation Date immediately prior to the date of any such purchase of Units. It is expected that such purchases, if made, will be made as normal course issuer bids through the facilities and under the rules of the exchange or market on which the Units are listed, if applicable, as provided for in the Declaration of Trust or as otherwise permitted by applicable law.

Affiliates of the Manager may from time to time purchase Units in the market at prevailing market prices.

#### **DESCRIPTION OF UNITS**

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

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

The Trust does not currently intend to issue additional Units following completion of the Offering, except: (i) by way of rights offerings to existing Unitholders, private placements or public offerings where the net proceeds per Unit to be received by the Trust are not less than the NAV per Unit, (ii) on a distribution of Units or an automatic reinvestment of distributions (see “Distributions and Reinvestment — Distribution Reinvestment Plan”), or (iii) with the approval of Unitholders by Extraordinary Resolution. It is not anticipated that any additional Units will be issued

unless any new investors are provided with the same terms and conditions as Units offered hereunder. See “Unitholder Matters”.

### **Book-Entry Only System**

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

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

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

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

## **UNITHOLDER MATTERS**

### **Meetings of Unitholders**

A meeting of Unitholders may be convened by the Trustee at any time and must be convened if requisitioned by holders of not less than 10% of the Units then outstanding by a written requisition specifying the purpose of the meeting. Not less than 21 days’ and not more than 50 days’ notice will be given of any meeting of Unitholders. The quorum at any such meeting is two Unitholders present in person or represented by proxy except for the purpose of any meeting called to consider item (d) under “Unitholder Matters — Acts Requiring Unitholder Approval” in which case the quorum shall be Unitholders present in person or represented by proxy holding at least 15% of the outstanding Units. If no quorum is present at such meeting when called, the meeting, if called on the requisition of Unitholders or for the purpose of item (d), will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any such meeting, each Unitholder will be entitled to one vote for each Unit registered in the Unitholder’s name. The Trust does not intend to hold annual meetings of Unitholders.

### **Acts Requiring Unitholder Approval**

Pursuant to the Declaration of Trust, the following matters require the approval of the Unitholders by Extraordinary Resolution:

- (a) a change in the fundamental investment objectives of the Trust as described under “Investment Guidelines and Investment Restrictions”;
- (b) a change in the investment restrictions of the Trust as described under “Investment Guidelines and Investment Restrictions”;
- (c) any change in the basis of calculating fees or other expenses that are charged to the Trust which could result in an increase in charges to the Trust other than a fee or expense charged by a person or

company that is at arm's length to the Trust and for which Unitholders are sent a written notice of such change at least 60 days before the effective date of such change; and

- (d) a change of the manager of the Trust, other than a change resulting in an affiliate of such person assuming such position or, except as described herein, a change in the trustee of the Trust, other than a change resulting in an affiliate of such person assuming such position.

Pursuant to the Declaration of Trust, the following matters require the approval of the Unitholders by Ordinary Resolution:

- (a) change of the auditors of the Trust;
- (b) an extension of the Trust beyond the Termination Date;
- (c) an amendment, modification or variation in the provisions or rights attaching to the Units;
- (d) a reduction in the frequency of calculating the NAV per Unit; and
- (e) a termination of the Trust prior to the Termination Date.

The Trustee may, without the approval of or notice to Unitholders, amend the Declaration of Trust for certain limited purposes specified therein, including:

- (a) to remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Trust;
- (b) to make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) to bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities industry, provided that any such amendment does not adversely affect the rights, privileges or interests of the Unitholders;
- (d) maintain, or permit the Trustee to take such steps as may be desirable or necessary to maintain, the status of the Trust as a "mutual fund trust" and a "registered investment" for the purposes of the Tax Act; or
- (e) provide added protection to Unitholders.

Except for changes to the Declaration of Trust which require the approval of Unitholders or changes described above which do not require approval of or prior notice to Unitholders, the Declaration of Trust may be amended from time to time by the Trustee upon not less than 30 days' prior written notice to Unitholders.

### **Information and Reports to Unitholders**

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

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

### **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 (but not including any 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 acquire the Units held by the Unitholders who did not accept the take-over bid on the terms offered by the offeror.

## **TERMINATION OF THE TRUST**

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

## **REDEMPTION OF UNITS**

There are two methods to redeem Units.

### **Annual Redemption**

Subject to the Trust's right to suspend redemptions (described below), Units may be surrendered for redemption during normal business hours on the first five Business Days in May of each year (the "Redemption Notice Period"), beginning in 2005. Unitholders whose Units are redeemed will be entitled to receive a redemption price (the "Redemption Price") per Unit equal to 100% of the Net Asset Value per Unit determined as of the Redemption Date less out-of-pocket expenses, if any, directly incurred by the Manager to satisfy such redemptions, not to exceed 1% of the Net Asset Value per Unit, plus any Distribution payable to Unitholders of record on or before the Redemption Date and will receive payment on or before the fifteenth Business Day following such Redemption Date (the "Redemption Payment Date"). Any unpaid Distribution payable to Unitholders of record on or before the Redemption Date in respect of Units tendered for redemption will also be paid on the Redemption Payment Date.

The aggregate Redemption Price payable by the Trust in respect of any Units surrendered for Annual Redemption shall be satisfied by way of a cash payment on the Redemption Payment Date; provided that the entitlement of Unitholders to receive cash upon redemption of their Units is subject to the limitation that if the Manager determines in good faith, with the approval of the board of directors of the Manager, that satisfying redemptions with cash will be materially detrimental to the continuing Unitholders of the Trust, then redeeming Unitholders will receive, to the extent reasonably determined by the Manager to be necessary, any assets of the Trust other than cash. Such in specie payments may include units and/or undivided interests in High Quality Fixed Income Securities that the Trust holds.

### **Demand Redemption**

Units are redeemable at any other time on demand by the holders thereof. Upon receipt by the Trust of the redemption notice, the holder thereof shall be entitled to receive the Demand Redemption Price, equal to the lesser of:

- (a) 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 Demand Redemption Date; and
- (b) 100% of the "closing market price" on the principal market on which the Units are quoted for trading on the Demand 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" shall be an amount equal to the 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 5 of the 10 trading days, the "market price" shall be the average of the following prices established for each of the 10 trading days: the 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 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 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; or the average of the last bid and last asking prices of the Units if there was no trading on that date.

The Demand Redemption Price payable by the Trust in respect of any Units surrendered for Demand Redemption shall be satisfied by way of a cash payment on the Redemption Payment Date, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) 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 Trustee considers, in its sole discretion, provides representative fair market value prices for the Units; (ii) 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 Demand Redemption Date or for more than 5 trading days during the 10 day trading period commencing immediately after the Demand Redemption Date; and (iii) if the Manager determines in good faith, with the approval of the board of directors of the Manager, that satisfying redemptions with cash will be materially detrimental to the continuing Unitholders of the Trust, then redeeming Unitholders will receive, to the extent reasonably determined by the Manager to be necessary, any assets of the Trust other than cash (such in specie payments may include units and/or undivided interests in High Quality Fixed Income Securities that the Trust holds).

It is not expected that the Demand Redemption will be the primary mechanism for holders of Units to dispose of their Units.

### **Exercise of Redemption Right**

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder’s intention to redeem Units during the Redemption Notice Period, in the case of an Annual Redemption, and any other time, in the case of a Demand Redemption. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the Redemption Date or Demand Redemption Date deadline so as to permit the CDS Participant to deliver a notice to CDS prior to such deadline.

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

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed shall, for all purposes, be void and of no effect and the redemption privilege to which it relates shall be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder’s instructions will not give rise to any obligations or liability on the part of the Trust or the Manager to the CDS Participant or the Unitholder.

The aggregate Redemption Price payable by the Trust in respect of any Units surrendered for redemption shall be satisfied by way of a cash payment; provided that the entitlement of Unitholders to receive cash upon redemption of their Units is subject to the limitation that if the Manager determines in good faith, with the approval of the board of directors of the Manager, that satisfying redemptions with cash will be materially detrimental to the continuing Unitholders of the Trust, then redeeming Unitholders will receive, to the extent reasonably determined by the Manager to be necessary, any assets of the Trust other than cash. Such in specie payments may include units and/or undivided interests in High Quality Fixed Income Securities that the Trust holds.

### **Suspension of Redemptions**

The Manager may direct the Trustee to suspend the redemption of Units or payment of redemption proceeds (a) for the whole or any part of a period during which normal trading is suspended on one or more stock exchanges, options exchanges or futures exchanges on which more than 50% of the Portfolio Securities (by value) are listed and traded; or (b) for any period not exceeding 120 days during which the Manager determines that conditions exist which

render impractical the sale of assets of the Trust or which impair the ability of the Manager to determine the value of the assets of the Trust.

The suspension may apply to all requests for redemption received prior to the suspension, but as for which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. Subject to applicable law, any declaration of suspension made by the Manager shall be conclusive.

## VALUATION

### Valuation of Assets

The Net Asset Value per Unit on any Valuation Date shall be calculated by CIBC Mellon Global Services Company (the "Valuation Agent"), as set forth below, by dividing the Net Asset Value of the Trust on such Valuation Date by the total number of Units outstanding on such Valuation Date (before giving effect to any issue or redemption of Units implemented on that date). The Manager will review and, if the valuation is satisfactory, approve the valuation and will, from time to time, consider the appropriateness of the valuation policies adopted by the Trust, as such policies are modified from time to time in the discretion of the Manager, acting reasonably, and in the best interests of Unitholders.

### Net Asset Value of the Trust

The NAV of the Trust will be calculated by the Valuation Agent on each NAV Valuation Date by subtracting the Total Liabilities of the Trust from the Total Assets of the Trust, as applicable. The Total Assets of the Trust will be valued as follows:

- (i) the value of any security which is listed or traded upon a stock exchange shall be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless, in the opinion of the Valuation Agent, such value does not reflect the value thereof and in which case the latest offer price or bid price should be used), as at the NAV Valuation Date on which the NAV is being determined, all as reported by any means in common use;
- (ii) the value of any cash on hand or on deposit, prepaid expenses, cash dividends received (or declared to Unitholders of record on a date before the NAV Valuation Date as of which the NAV is being determined and to be received) and interest accrued and not yet received, shall be deemed to be the face amount thereof unless the Valuation Agent has determined that any such asset is not otherwise worth the face amount thereof, in which case the value thereof shall be deemed to be such value as the Valuation Agent determines to be the fair value thereof;
- (iii) the value of any bonds, debentures and other debt obligations will be valued by taking the average of the bid and ask prices on the NAV Valuation Date at such times as the Valuation Agent, in its discretion, deems appropriate. Amounts drawn under a loan facility will be valued at par. Short-term investments, including notes and money market instruments, will be valued at cost plus accrued interest;
- (iv) if an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Valuation Agent to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Valuation Agent shall make such valuation as it considers fair and reasonable; and
- (v) the value of all assets quoted or valued in terms of foreign currency, the value of all Trusts on deposit and contractual obligations payable in foreign currency and the value of all liabilities and contractual obligations payable in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the date on which the net asset value is computed.

The NAV per Unit is the amount obtained by dividing the NAV of the Trust as of a particular date by the total number of Units outstanding on that date. The NAV per Unit will be calculated on a daily basis by the Valuation Agent on instruction from the Manager, shall be reviewed and, if satisfactory, approved by the Manager. Such information will be provided by the Manager to Unitholders on request by calling 416-488-3336 or through the Internet at www.crownhill.ca.

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

In discharging its valuation duties, the Valuation Agent shall be entitled to rely on reports prepared for it by the Manager.

### **Audit of Financial Statements**

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

### **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of McMillan Binch LLP, counsel to the Trust, and Stikeman Elliott LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a person who is an individual (other than a trust), who acquires Units pursuant to the Offering and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Trust and the Agents and holds the Units and any Eligible Securities as capital property. Generally, the Units and any Eligible Securities will be considered to be capital property to a purchaser provided that the purchaser does not hold such property in the course of carrying on a business of buying and selling securities and has not acquired such property in one or more transactions considered to be an adventure in the nature of trade. Certain purchasers who might not otherwise be considered to hold their Units and any Eligible Securities as capital property may, in certain circumstances, be entitled to have them (and all other Canadian securities) treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based upon the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "Tax Proposals"), and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"). This summary assumes that the Tax Proposals will be enacted as proposed. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial or foreign tax legislation or considerations.

This summary is based on the assumption that the Trust will qualify at all times as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act. In order to so qualify, the Trust must comply on a continuous basis with certain investment criteria referred to under "Investment Guidelines and Investment Restrictions —Investment Restrictions" and certain minimum distribution requirements relating to the Units. In addition, the Trust must not at any time be considered to be established or maintained primarily for the benefit of non-resident persons. The Manager has advised counsel that the Trust intends to make an election so that it will qualify under the Tax Act as a mutual fund trust from the commencement of its first taxation year. If the Trust were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially different.

This summary is also based on the assumption that none of the issuers of the securities comprising the Blue Chip Portfolio will be foreign affiliates of the Trust or of any Unitholder and that none of the securities comprising the Blue Chip Portfolio will be participating interests, other than exempt interests, in foreign investment entities or tracking entities under the proposals to amend the Tax Act released October 30, 2003 (or such proposals as amended or enacted or successor provisions thereto).

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of**

**Units will vary according to the status of the investor, the province or provinces in which the investor resides or carries on business and, generally, the investor's own particular circumstances. Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute advice to any particular investor. Prospective investors should consult their own tax advisors with respect to the income tax consequences of investing in Units, based upon the investor's particular circumstances.**

### **The Exchange Option**

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

### **Taxation of the Trust**

The Trust will be subject to tax under Part I of the Tax Act on the amount of its net income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Trust or the Unitholder is entitled in that year to enforce payment of the amount.

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

Upon the actual or deemed disposition of a Trust Investment held by the Trust, the Trust will realize a capital gain (or capital loss) to the extent that the proceeds of disposition net of any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such Trust Investment, provided such Trust Investment is capital property to the Trust. The Manager has advised counsel that the Trust intends to make an election under subsection 39(4) of the Tax Act so that all Portfolio Securities that are Canadian securities (as defined in the Tax Act) will be deemed to be capital property.

Premiums received on covered call options written by the Trust which are either not exercised or expire prior to the end of the year will constitute capital gains of the Trust in the year received, unless such premiums are received by the Trust as income from a business or the Trust has engaged in a transaction or transactions considered to be an adventure in the nature of trade. Premiums received by the Trust on covered call options which are exercised in the taxation year in which the option is written by the Trust will be added in computing the proceeds of disposition to the Trust of the securities disposed of by the Trust upon the exercise of such call options. The Trust has informed counsel that it will purchase the Portfolio Securities with the objective of earning dividends thereon over the life of the Trust and will write covered call options with the objective of increasing the yield on the Portfolio Securities beyond the dividends received on the Portfolio Securities. Thus, having regard to the foregoing and in accordance with the CRA's published administrative practices, transactions undertaken by the Trust in respect of shares comprising the Portfolio Securities and options on such shares will be treated and reported by the Trust as arising on capital account.

In computing its income for tax purposes, the Trust may generally deduct reasonable administrative and other expenses incurred to earn income, including interest on any borrowings generally to the extent borrowed funds are used to purchase Portfolio Securities. The Trust may deduct over a five-year period the Agents' fees and other costs and expenses of the Offering paid by the Trust and not reimbursed.

The Trust will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (“capital gains refund”).

The capital gains refund in a particular taxation year may not completely offset the tax liability of the Trust for such taxation year which may arise upon the sale of Portfolio Securities in connection with redemptions of Units.

The Tax Act provides for a special tax on designated income (which includes income from businesses carried on in Canada and net taxable capital gains from disposition of “taxable Canadian property”) of certain trusts which have designated beneficiaries. This special tax does not apply to a trust for a taxation year of the trust if the trust is a mutual fund trust throughout such year. Accordingly, provided that the Trust qualifies, or is deemed to qualify, as a mutual fund trust throughout a taxation year, it will not be subject to the special tax for such taxation year.

On October 31, 2003 the Department of Finance announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Trust, deductions that would otherwise reduce the Trust’s taxable income could be denied, with after-tax returns to Holders reduced as a result. It will be necessary for the Trust to monitor its activities and this Tax Proposal, which is proposed to apply to taxation years beginning after 2004.

#### **Taxation of Unitholders**

A Unitholder will generally be required to include in computing income for a particular taxation year of the Unitholder such portion of the net income, including the taxable portion of the net realized capital gains, of the Trust for a taxation year as is paid or becomes payable to the Unitholder in that particular taxation year, whether received in cash or reinvested in additional Units, including pursuant to the Reinvestment Plan. Provided that appropriate designations are made by the Trust, such portion of (a) the net realized taxable capital gains of the Trust and (b) the taxable dividends received by the Trust on shares of taxable Canadian corporations as is paid or becomes payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply. The non-taxable portion of net realized capital gains of the Trust that are paid or become payable to a Unitholder in a year will not be included in computing the Unitholder’s income for the year. Any other amount in excess of a Unitholder’s share of the net income and the net realized capital gains of the Trust for a taxation year that is paid or becomes payable to the Unitholder in such year will generally not be included in computing the Unitholder’s income for the year but will reduce the adjusted cost base of Units to the Unitholder. It is expected that the adjusted cost base of Units purchased by an investor under the Offering will be less than \$10.00 per Unit at the Termination Date. To the extent that the adjusted cost base of a Unit would be negative, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder’s adjusted cost base will be increased to nil.

The Net Asset Value per Unit will reflect any income and gains of the Trust that have accrued or been realized but have not been made payable at the time Units are acquired. A Unitholder who acquires additional Units, including on the reinvestment of distributions, may become taxable on such income and gains of the Trust.

Any additional Units acquired by a Unitholder on the reinvestment of distributions or on the investment of an Optional Cash Payment will generally have a cost equal to the amount reinvested or invested, as the case may be. If a Unitholder participates in the Reinvestment Plan and, because the Plan Agent is unable to purchase sufficient Units in the market to fully reinvest a distribution or invest an Optional Cash Payment, the Unitholder acquires a Unit from the Trust at a price that is less than the then fair market value of the Unit, it is the administrative position of the CRA that the Unitholder must include the difference in income and that the cost of the Unit will be correspondingly increased. 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 before that time.

## Capital Gains and Losses

Upon the disposition or deemed disposition by a Unitholder of a Unit, whether on a sale, redemption, repurchase or otherwise, a capital gain (or capital loss) will be realized by the Unitholder to the extent that the proceeds of disposition net of any reasonable costs of disposition exceed (or are less than) the adjusted cost base of the Unit to the Unitholder immediately before the disposition. If the Trust distributes Portfolio Securities in satisfaction of a portion of the Redemption Price of a Unit surrendered for redemption, the Unitholder's proceeds of disposition of the Unit will include the fair market value of such Portfolio Securities so distributed (net of any accrued capital gain in respect of such Portfolio Securities) and the Unitholder will be considered to have acquired each such Portfolio Securities at a cost equal to its fair market value.

One-half of any capital gain (a "taxable capital gain") realized by a Unitholder in a taxation year must be included in computing the income of the Unitholder for that year and one-half of any capital loss (an "allowable capital loss") realized by a Unitholder in a taxation year may be deducted from taxable capital gains realized by the Unitholder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year, against taxable capital gains realized in such year, to the extent and under the circumstances provided for in the Tax Act.

## Alternative Minimum Tax

In general terms, net income of the Trust paid or payable to a Unitholder (other than amounts designated as taxable dividends from taxable Canadian corporations or designated in respect of net capital gains) will not increase the Unitholder's liability for alternative minimum tax. Amounts designated as taxable dividends from taxable Canadian corporations and net realized capital gains paid or payable to a Unitholder by the Trust and designated in respect of a Unitholder or realized on the disposition of Units or Eligible Securities may increase the Unitholder's liability for alternative minimum tax.

## ELIGIBILITY FOR INVESTMENT

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

## USE OF PROCEEDS

The Trust intends to use the total proceeds from the sale of Units as follows:

	<u>Maximum Offering</u>	<u>Minimum Offering</u>
Gross proceeds to the Trust .....	\$75,000,000	\$20,000,000
Agents' fee .....	\$3,937,500	\$1,050,000
Expenses of issue .....	\$730,000	\$730,000
Net proceeds to the Trust .....	<u>\$70,332,500</u>	<u>\$18,220,000</u>

The Trust will use the net proceeds of the Offering to acquire the Blue Chip Portfolio in accordance with the Investment Objectives and the Investment Strategy and subject to the Investment Restrictions.

## PLAN OF DISTRIBUTION

Pursuant to an agency agreement (the "Agency Agreement") between National Bank Financial Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, Dundee Securities Corporation, First Associates Investments Inc., Raymond James Ltd., Wellington West Capital Inc., Desjardins Securities Inc. and Berkshire Securities Inc. (collectively, the "Agents"), the Trustee on behalf of the Trust

and the Manager, the Agents have agreed to offer Units for sale as agents of the Trust, on a best efforts basis, if, as and when issued by the Trust, in accordance with the terms and conditions of the Agency Agreement. Units will be offered at a price of \$10.00 per Unit. The Agents will receive a fee equal to \$0.525 for each Unit sold and will be reimbursed for reasonable out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell Units offered hereby, the Agents will not be obligated to purchase Units which are not sold.

The Trust has granted to the Agents the Over-Allotment Option, which is exercisable for a period of 30 days from the Closing and gives the Agents the right to offer additional Units in an amount up to 15% of the aggregate number of Units sold on Closing on the same terms as set forth above. To the extent that the Over-Allotment Option is exercised, the additional Units will be offered at \$10.00 hereunder and the Agents will be paid a fee of \$0.525 per Unit in respect of Units purchased pursuant to the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the price to the public, Agents' fee and net proceeds to the Trust (before expenses) will be \$86,250,000, \$4,528,125 and \$81,721,875 respectively. This prospectus qualifies the grant of the Over-Allotment Option as well as distribution of the Units issuable upon the exercise of the Over-Allotment Option.

The Toronto Stock Exchange has conditionally approved the listing of the Units, subject to fulfillment by the Trust of the requirements of such exchange on or before July 26, 2004, including distribution to a minimum number of Unitholders.

Proceeds from subscriptions will be held by the Agents in trust in a segregated account until the closing of the Offering. If subscriptions for a minimum of 2,000,000 Units have not been received within 90 days following the date of issuance of a receipt for this prospectus, the Offering may not continue without the consent of the Canadian securities regulators and those who have subscribed on or before such date. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement.

In the event the minimum Offering is not achieved and the necessary consents are not obtained or the closing of the Offering does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The decision to accept or reject the subscription will be made promptly, and in any event within two days of receipt of the subscription. In the event that a subscription is rejected, all monies received with the subscription will be refunded immediately. The right is reserved to close the subscription books at any time without notice. The closing of the Offering will take place on or about June 1, 2004 or such later date as may be agreed on by the Manager on behalf of the Trust and the Agents that is on or before August 12, 2004.

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

Following the Closing, the Trust will enter into the Loan Facility with one or more lenders that are anticipated to be Canadian chartered bank affiliates of one or more of the Agents. Accordingly, the Trust may be considered to be a "connected issuer" to such Agents. The decision of the Agents to participate in the Offering was made independently of the banks, and the Offering was not required or suggested by the banks. The terms of the distribution were made through negotiations between the Trust and the Agents. Other than as described above, none of the Agents or their affiliates will receive any benefit from the Offering except, the case of the Agents, their respective portions of the Agents' fee payable by the Trust.

## **FEES AND EXPENSES**

### **Initial Fees and Expenses**

The expenses of the Offering (including the costs of creating and organizing the Trust, the costs of printing and preparing the prospectus, legal expenses, marketing and advertising expenses and other reasonable out-of-pocket expenses) including those incurred by the Agents and other incidental expenses, which are estimated to be \$730,000 in the aggregate, will be paid out of the gross proceeds of the Offering. In addition, the Agents' fee will be paid to the Agents from the gross proceeds of the Offering as described under "Plan of Distribution".

### **Management Fees and Administration Fees**

The Manager will coordinate the organization of the Trust, will work with the Agents in developing and implementing all aspects of the Trust's communications, marketing and distribution strategies and will manage the on-going business and administrative affairs of the Trust. As compensation for management services rendered to and to pay certain administrative expenses of the Trust, the Manager will receive an annual fee in an amount equal to 0.60% of the Net Asset Value of the Trust, plus applicable taxes, payable monthly in arrears (0.05% per month, plus applicable taxes). Out of its annual fee, the Manager is responsible for the payment of the investment management fees of the Investment Advisor pursuant to the Investment Advisory Agreement.

### **On-Going Expenses**

The Trust will also pay for all expenses incurred in connection with its operation and administration. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders; fees payable to the Valuation Agent for performing certain valuation services; fees payable to the custodian for acting as custodian of the assets of the Trust; fees payable to the Transfer Agent and Registrar for performing certain financial, record-keeping, reporting and general administrative services; fees payable to the auditors and legal advisors; on-going regulatory filing fees and other fees; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their on-going obligations to the Trust; expenses relating to portfolio transactions; and any expenditures which may be incurred upon the termination of the Trust. The Manager estimates that administration and operating costs for the Trust will be approximately \$230,000 per annum (assuming an offering size of approximately \$75 million). The Trust will also be responsible for its other costs of portfolio transactions and any extraordinary expenses which may be incurred from time to time.

### **Service Fee**

The Trust will pay to the Manager a Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) of 0.40% per annum of the Net Asset Value of Units outstanding at the end of the relevant quarter, plus applicable taxes. The Service Fee will be applied by the Manager to pay a service fee to certain registered dealers based on the number of Units held by clients of such dealers at the end of the relevant quarter. All full service dealers that provide investment advice will receive 0.40% per annum of the Net Asset Value of Units held by their clients. Any portion of the Service Fee not applied by the Manager to pay a service fee to dealers will be retained by the Manager.

## **INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS**

The Manager is 100% owned by First Paladin. The Manager is the promoter of the Trust and is also the Trustee of the Trust. Some directors and officers of First Paladin are also directors and/or officers of the Manager and the Investment Advisor. See "Management of the Trust".

## **RISK FACTORS**

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

## **No Assurance in Achieving Investment Objectives or Targeted Distributions**

There is no assurance that the Trust will be able to achieve its Investment Objectives of preserving the value of the Trust's assets and providing monthly cash Distributions to Unitholders that meet the targeted distribution of \$0.06 per month or 7.2% per annum based on the Offering Price of the Units. In order to achieve the targeted monthly Distribution of \$0.06 per Unit, the Trust will need to generate an average annual return of approximately 8.6%. There is no guarantee that the requisite 8.6% return will be achieved by the Trust. There is no assurance that the Trust will be able to pay monthly Distributions in the short or long term, nor is there any assurance that the Net Asset Value of the Trust will be preserved or any capital appreciation attained.

Changes in the relative allocations between the various types of securities and issuers making up the Blue Chip Portfolio can affect the overall yield to Unitholders. The distributions received by the Trust from issuers whose securities are held in the Blue Chip Portfolio may vary from month to month and certain of these issuers may pay dividends and distributions less frequently than monthly, with the result that the monthly cash available for Distributions to Unitholders could vary substantially. Since it is unlikely that dividends and distributions paid by issuers will be sufficient to meet the Trust's targeted Distributions, an important source of funds for Distributions will come from the sale of securities held by the Trust.

## **Profit Booking May Limit Returns**

In order to implement its Profit Booking strategy, the Trust will sell Portfolio Securities to lock in gains of 10% or more. As a result, the Trust will forgo potential returns to the extent a Portfolio Security continues to appreciate after the Trust has sold part of its holding of that security pursuant to its Profit Booking strategy. Under certain market conditions (such as a sustained rise in equities over the life of the Trust) the expected returns using the Profit Booking strategy would be expected to underperform the S&P/TSX Composite Total Return Index. The Trust will forgo these potential returns in favour of the increased certainty of locked in gains and foregone returns, if any, will be partially offset by returns on the Profit Booking Portfolio.

## **Performance of Securities Acquired by the Trust**

The Net Asset Value per Unit will vary in accordance with the value of the securities acquired by the Trust. The value of the securities acquired by the Trust will be affected by business factors and risks that are beyond the control of the Manager or the Trust. Some of these factors and risks include:

- (i) operational risks related to specific business activities of respective issuers;
- (ii) quality of underlying assets;
- (iii) financial performance of the respective issuers;
- (iv) volatility in the commodity prices;
- (v) environmental risks;
- (vi) political risks;
- (vii) fluctuations in exchange rates;
- (viii) fluctuations in interest rates; and
- (ix) changes in government regulations.

## **Trading Price of Units**

The Units may trade in the market at a premium or discount to the Net Asset Value per Unit and there can be no assurance that Units will trade at a price equal to Net Asset Value per Unit. This risk is separate and distinct from the risk that the Net Asset Value per Unit may decrease.

In recognition of the possibility that the Units may trade at a discount, the terms and conditions attaching to the Units have been designed to attempt to reduce a market value discount from Net Asset Value per Unit by way of annual redemptions and any repurchases described under “Repurchase of Units” and “Redemption of Units”. There can be no assurance that market purchases and redemptions of Units by the Trust will result in the Units trading at a price which is equal to the Net Asset Value per Unit.

The market price of the Units will be determined by, among other things, the relative demand for and supply of Units in the market, the Trust’s investment performance, the Unit’s yield and investor perception of the Trust’s overall attractiveness as an investment as compared with other investment alternatives.

### **Sensitivity to Interest Rates**

The market price of the Units may be affected by the level of interest rates prevailing from time to time. In addition, the Net Asset Value per Unit may be sensitive to interest rate fluctuations because the value of some Portfolio Securities will fluctuate based on interest rates. Further, any decrease in the Net Asset Value per Unit resulting from an increase in interest rates may also negatively affect the market price of the Units. Unitholders who wish to redeem or sell their Units will, therefore, be exposed to the risk that the Net Asset Value per Unit or the market price of the Units will be negatively affected by interest rate fluctuations.

### **Fluctuations in Net Asset Value**

The Net Asset Value per Unit and the funds available for Distributions will vary according to, among other things, the value of the Portfolio Securities acquired by the Trust and the dividends and distributions paid and interest earned thereon. Fluctuations in the market value of the Portfolio Securities in which the Trust invests may occur for a number of reasons beyond the control of the Manager or the Trust.

### **Loan Facility**

One element of the Trust’s investment strategy is the utilization of borrowings to invest in Portfolio Securities. The risk to Unitholders may increase if Portfolio Securities purchased with borrowed funds decline in value. The use of leverage may result in capital losses or a decrease in distributions to Unitholders. If the value of the Portfolio Securities decreases, the Trust may be required to sell investments in order to comply with the terms of the Loan Facility. Such sales may be required to be done at prices which may adversely affect the value of the Blue Chip Portfolio and the return to the Trust. The interest expense and banking fees incurred in respect of the Loan Facility may exceed the incremental capital gains/losses and income generated by the incremental investment of Portfolio Securities. In addition, the Trust may not be able to renew the Loan Facility on acceptable terms. There can be no assurance that the borrowing strategy employed by the Trust will enhance returns.

### **Securities Lending**

The Trust may engage in securities lending as described under “Investment Guidelines and Investment Restrictions – Securities Lending”. Although the Trust will receive collateral for the loans and such collateral is marked-to-market, the Trust will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

### **Operating History and Marketability of Units**

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

### **Reliance on Investment Advisor, Manager and Key Personnel**

The performance of the Blue Chip Portfolio will be dependent on the Manager, which acts as manager and Trustee of the Trust, and the Investment Advisor, which provides investment advisory and portfolio management services in respect of the Blue Chip Portfolio pursuant to the Investment Advisory Agreement. In the event that the Manager ceases to provide services to the Trust or key employees of the Investment Advisor cease to be employed by the Investment Advisor, the performance of the Blue Chip Portfolio may be adversely affected.

## **Changes in Legislation**

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

## **Liability of Unitholders**

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

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

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

## **Conflicts of Interest**

The Manager, its directors and officers and its affiliates and associates may, at any time, engage in the promotion, management or investment management of any other trust or entity (whether or not their investment objectives and policies are similar to those of the Trust).

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

## **Taxation of the Trust**

While the Trust has been structured so that the Trust will generally not be liable to pay income tax, the information available to the Trust and the Manager relating to the characterization, for tax purposes, of the distributions received by the Trust in any year from issuers of Portfolio Securities may be insufficient as at December 31 of that year to ensure that the Trust will make sufficient distributions in order that it will not be liable to pay income tax in respect of that year.

In determining its income for tax purposes, the Trust will treat option premiums received on the writing of covered call options and any losses sustained on closing out options as capital gains and capital losses in accordance with its understanding of CRA's published administrative and assessing practice. CRA's practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained.

If, contrary to CRA's published administrative practice, some or all of the transactions undertaken by the Trust in respect of options were treated on income rather than capital account, after-tax returns to Unitholders could be reduced.

## **Loss of Investment**

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

## **Status of the Trust**

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

## **Foreign Currency Exposure**

Certain of the investments in the Blue Chip Portfolio, at any time, will consist of securities denominated in U.S. dollars, Euros, Yen or currencies of other G7 countries and, accordingly, the NAV of the Trust will, when measured in Canadian dollars, be affected by fluctuations in the value of the U.S. dollar, Euro or Yen or applicable currencies of other G7 countries relative to the Canadian dollar.

## **Foreign Market Exposure**

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

## **Illiquid Securities**

There is no assurance that an adequate market will exist for the securities acquired by the Trust. In addition, if the Manager is unable, or determines that it is inappropriate, to dispose of some or all of the Portfolio Securities or securities which comprise the Profit Booking Portfolio prior to the Termination Date, Unitholders may, subject to applicable laws, receive distributions of securities in specie upon the termination of the Trust, for which there may be an illiquid market or which may be subject to resale restrictions of indefinite duration. Further, if the Manager determines that it is appropriate to acquire certain securities for the Trust, the Manager may be unable to acquire the number of such securities, or to acquire such securities at a price acceptable to the Manager, if the market for such securities is particularly illiquid.

## **Suspension of Redemptions**

The Manager may direct the Trustee to suspend the redemption of Units or payment of redemption proceeds (a) for the whole or any part of a period during which normal trading is suspended on one or more stock exchanges, options exchanges or futures exchanges on which more than 50% of the Portfolio Securities (by value) are listed and traded; or (b) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Trust or which impair the ability of the Manager to determine the value of the assets of the Trust. Unitholders may experience reduced liquidity in the event redemptions are suspended.

## **Use of Call Options**

The Trust is subject to the full risk of its investment position in the securities comprising the Portfolio, including those securities that are subject to outstanding call options. In addition, the Trust will not participate in any gain on the securities that are subject to outstanding call options above the strike price of the options.

There is no assurance that a liquid exchange or over-the-counter market will exist to permit the Trust to write covered call options on desired terms or to close out option positions should the Manager desire to do so. The ability of the Trust to close out its positions may also be affected by exchange imposed daily trading limits on options or the lack of a liquid over-the-counter market. If the Trust is unable to repurchase a call option which is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires.

In purchasing call options, the Trust is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations.

### **MATERIAL CONTRACTS**

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

- (i) the Declaration of Trust made by Crown Hill Capital Corporation as trustee of the Trust referred to under “The Trust” and “The Trustee”;
- (ii) the Agency Agreement made between the Manager on behalf of the Trust, the Manager, First Paladin and the Agents referred to under “Plan of Distribution”;
- (iii) the Custodial Agreement made between the Manager on behalf of the Trust, the Manager and the Custodian referred to under “Auditors, Valuation Agent, Transfer Agent, Registrar and Custodian”;
- (iv) the Investment Advisory Agreement made between the Manager on behalf of the Trust, the Manager and the Investment Advisor referred to under “Management of the Trust – The Investment Advisory Agreement”.

Copies of the contracts referred to above may be inspected during normal business hours at the offices of legal counsel to the Trust McMillan Binch LLP, Suite 4400, Bay-Wellington Tower, BCE Place, 181 Bay Street, Toronto, Ontario M5J 2T3 throughout the Offering period.

### **PROMOTERS**

First Paladin and the Manager may be considered promoters of the Trust by reason of their initiative in forming and establishing the Trust and taking the steps necessary for the public distribution of Units. The promoters will not receive any benefits, directly or indirectly, from the issuance of Units offered hereunder other than as described under “Fees and Expenses”.

### **LEGAL MATTERS**

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

### **AUDITORS, VALUATION AGENT, TRANSFER AGENT, REGISTRAR AND CUSTODIAN**

The auditors of the Trust are PricewaterhouseCoopers LLP.

CIBC Mellon Global Securities Services Company, as Valuation Agent, will perform certain valuation services for the Trust pursuant to a valuation services agreement.

CIBC Mellon Trust Company will act as Transfer Agent and Registrar for the Trust at its principal office in Toronto. In addition to performing registrar and transfer agency services, the Transfer Agent and Registrar will provide certain record-keeping, Unitholder reporting and general administration services pursuant to the registrar, transfer agency and distribution agency agreement to be dated as of the date of closing of the Offering.

Canadian Imperial Bank of Commerce will serve as Custodian of the Trust pursuant to an agreement to be dated as of the closing of the Offering.

### **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces 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, the securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor. See "Plan of Distribution".

## AUDITORS' CONSENT

We have read the prospectus of Profit Booking Blue Chip Trust (the "Trust") dated May 19, 2004 relating to the issue and sale of Units of the Trust. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report dated May 19, 2004 to the Trustee of the Trust on the statement of financial position of the Trust as at May 19, 2004.

Toronto, Canada  
May 19, 2004

(Signed) PRICEWATERHOUSECOOPERS LLP  
Chartered Accountants

## AUDITORS' REPORT

To the Trustee of  
**PROFIT BOOKING BLUE CHIP TRUST:**

We have audited the statement of financial position of Profit Booking Blue Chip Trust as at May 19, 2004. This financial statement is the responsibility of the Trust's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Trust as at May 19, 2004 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada  
May 19, 2004

(Signed) PRICEWATERHOUSECOOPERS LLP  
Chartered Accountants

**PROFIT BOOKING BLUE CHIP TRUST  
STATEMENT OF FINANCIAL POSITION**

May 19, 2004

	<b>Actual</b>
<b>ASSETS</b>	
Cash .....	\$10
Investment in portfolio securities .....	—
Total .....	\$10
 <b>UNITHOLDERS' EQUITY</b>	
Unitholders' equity (Note 1):	
Units (1 Unit) .....	\$10

Approved by the Manager:

(Signed) WAYNE L. PUSHKA  
Director

(Signed) GARY K. OSTOICH  
Director

Notes:

**1. Units Authorized and Outstanding**

*Establishment of the Trust and Authorized Units*

Profit Booking Blue Chip Trust (the "Trust") was established under the laws of the Province of Ontario on May 19, 2004 by a declaration of trust (the "Declaration of Trust") made by Crown Hill Capital Corporation (the "Manager") as trustee of the Trust. The Trust is authorized to issue an unlimited number of Units. On May 19, 2004 the Trust issued 1 Unit for \$10 cash.

**2. Agency Agreement and Custodian**

The Trust has engaged National Bank Financial Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, Dundee Securities Corporation, First Associates Investments Inc., Raymond James Ltd., Wellington West Capital Inc., Desjardins Securities Inc. and Berkshire Securities Inc. (collectively, the "Agents") to offer for sale to the public pursuant to a prospectus dated May 19, 2004 Units (the "Offering").

Pursuant to a custodial agreement, the Trust will retain Canadian Imperial Bank of Commerce to act as custodian of the assets of the Trust.

### **3. Commitments**

The Trust has retained the Manager to act as manager under the Declaration of Trust. As compensation for management services rendered to the Trust, the Manager will receive an annual fee of 0.60% of the net asset value of the Trust, calculated and payable monthly in arrears plus applicable taxes.

**CERTIFICATE OF THE TRUSTEE**

Dated: May 19, 2004

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of *The Securities Act, 1988* (Saskatchewan), Part VII of *The Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), Section 13 of the *Security Frauds Prevention Act* (New Brunswick), Section 63 of the *Securities Act* (Nova Scotia), Part II of the *Securities Act* (Prince Edward Island) and Part XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

**Crown Hill Capital Corporation  
as trustee of Profit Booking Blue Chip Trust**

(Signed) WAYNE L. PUSHKA  
Chief Executive Officer

(Signed) ADRIAN ISAACS  
Chief Financial Officer

**On Behalf of the Board of Directors of Crown Hill Capital Corporation**

(Signed) JAMES M. WERRY  
Director

(Signed) GARY K. OSTOICH  
Director

## **CERTIFICATE OF THE PROMOTERS**

Dated: May 19, 2004

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of *The Securities Act, 1988* (Saskatchewan), Part VII of *The Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), Section 13 of the *Security Frauds Prevention Act* (New Brunswick), Section 63 of the *Securities Act* (Nova Scotia), Part II of the *Securities Act* (Prince Edward Island) and Part XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

### **First Paladin Inc., as Promoter**

By: (Signed) WAYNE L. PUSHKA  
Chief Executive Officer

### **Crown Hill Capital Corporation, as Promoter**

By: (Signed) WAYNE L. PUSHKA  
Chief Executive Officer

**CERTIFICATE OF THE AGENTS**

Dated: May 19, 2004

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of *The Securities Act, 1988* (Saskatchewan), Part VII of *The Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), Section 13 of the *Security Frauds Prevention Act* (New Brunswick), Section 64 of the *Securities Act* (Nova Scotia), Part II of the *Securities Act* (Prince Edward Island) and Part XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. To the best of our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

**NATIONAL BANK FINANCIAL INC.**

**CIBC WORLD MARKETS INC.**

By: (Signed) Michael D. Shuh

By: (Signed) Ronald W.A. Mitchell

**SCOTIA CAPITAL INC.**

**TD SECURITIES INC.**

By: (Signed) Brian D. McChesney

By: (Signed) J. David Beattie

**HSBC SECURITIES (CANADA)  
INC.**

By: (Signed) Deborah J. Simkins

**CANACCORD  
CAPITAL  
CORPORATION**

**DUNDEE  
SECURITIES  
CORPORATION**

**FIRST ASSOCIATES  
INVESTMENTS INC.**

**RAYMOND JAMES  
LTD.**

**WELLINGTON  
WEST CAPITAL  
INC.**

By: (Signed) Douglas  
A. Doiron

By: (Signed) David  
G. Anderson

By: (Signed)  
Charles A.V.  
Pennock

By: (Signed) Sara  
Minatel

By: (Signed) Kevin  
M. Hooke

**DESJARDINS SECURITIES  
INC.**

**BERKSHIRE SECURITIES  
INC.**

By: (Signed) Jacques  
Lemay

By: (Signed) Lawrence  
W. Pimm

