

First Premium U.S. Income Trust

121 King Street West
Standard Life Centre
Suite 2600
Toronto, Ontario
M5H 3T9

October 25, 2005

Dear Unitholders:

You are invited to a special meeting (the “Meeting”) of holders (“Unitholders”) of units (“Units”) of First Premium U.S. Income Trust (the “Trust”) to be held on November 21, 2005 at 8:30 a.m. (Toronto time) at 1 First Canadian Place, Suite 6300, 100 King Street West, Toronto, Ontario.

The Trust was formed on January 22, 1997 and is currently scheduled to terminate on January 1, 2007. Since its inception, the Trust has accumulated approximately \$45 million of capital losses for which it would receive no value if the Trust ceased to operate.

The purpose of the Meeting is to consider and vote upon a special resolution (the “Special Resolution”) to reposition the Trust to enable it to grow in size and increase in value as well as to extend the term of the Trust in order to enable it to utilize its existing tax losses. Accordingly, management is proposing to reposition the Trust’s investment portfolio and to issue new securities consisting of capital units (the “Capital Units”) and preferred securities (the “Preferred Securities”) in order to enable the Trust to continue with a new “split trust” structure going forward. Distributions on the Capital Units would constitute return of capital distributions to holders of Capital Units, which generally are not subject to tax, but which would reduce the adjusted cost base of Capital Units. Interest paid on the Preferred Securities would be fully taxable. The Preferred Securities have been provisionally rated Pfd-2 (low) by Dominion Bond Rating Service Limited. Management is also proposing to significantly reduce the fees payable to the manager and investment manager as a part of the restructuring of the Trust as described below.

To implement the restructuring, Unitholders are being asked to approve the Special Resolution to reposition the Trust and its portfolio in the following respects:

- amend the investment strategy and investment restrictions of the Trust. The Trust will invest exclusively in the six largest Canadian banks and the four largest Canadian life insurance companies by market capitalization (the “Financial Portfolio”);
- extend the termination date of the Trust to March 31, 2011 from January 1, 2007;
- change the capital structure of the Trust to a “split trust” structure. Under this proposal, existing Units would first be consolidated such that after giving effect to the consolidation, net asset value (“NAV”) per Unit would be approximately \$25.00 (Units are expected to be consolidated on an approximate 2.3 to 1 basis). Unitholders would receive for each Unit held: (i) one Capital Unit with an initial NAV of approximately \$12.50 and (ii) one Preferred Security with a principal amount of \$12.50. The Trust will apply to list the Capital Units and the Preferred Securities on the Toronto Stock Exchange;
- in connection with the Special Resolution, if approved, Mulvihill Fund Services Inc., as manager, and Mulvihill Capital Management Inc., as investment manager, will reduce their fees by approximately 37% from a total of 1.75% per annum of NAV to 1.10% per annum of the Trust’s total assets from and after the effective date of the Special Resolution and the Trust will change its name to Top 10 Split Trust to reflect better its new investment strategy;
- amend the investment objectives of the Trust. The Trust’s investment objectives for the Capital Units will be (i) to provide holders of Capital Units, upon redemption, with the benefit of any capital appreciation in the market price of the securities in the Financial Portfolio and (ii) to pay quarterly distributions to holders of Capital Units in an amount targeted to be 7.5% per annum of the NAV of the Trust. The Trust believes this is a sustainable level for distributions on the Capital Units which should promote stability and growth in NAV consistent with the investment attributes of the new portfolio. The Trust’s investment objectives for the

Preferred Securities will be (i) to pay holders of Preferred Securities fixed quarterly cash interest payments at least equal to 6.00% per annum on the \$12.50 principal amount of a Preferred Security and (ii) to repay the principal amount of \$12.50 per Preferred Security on termination of the Trust on March 31, 2011;

- move the redemption right available to Unitholders at 100% of NAV per Unit from December 31, 2005 to November 30, 2005 in order to give Unitholders an opportunity to exit earlier should they wish not to participate in the Trust going forward. As a result of this change, there would be no December 31, 2005 redemption right for securityholders;
- permit the Trust to issue additional Capital Units and Preferred Securities on a non-dilutive basis; and
- provide for the payment of an annual service fee of 0.40% of the value of the Capital Units to investment dealers whose clients hold Capital Units if the Trust completes a public offering of additional Capital Units and Preferred Securities after the Special Resolution has been approved.

As a result of the proposed Special Resolution and the other items discussed above, the Trust expects to be in a position to continue its operation with an extended term, a new “split trust” structure and a new investment portfolio going forward permitting it to grow in size, increase in value and utilize the Trust’s existing tax losses through to the new termination date, while at the same time permitting current Unitholders to exit at 100% of NAV per Unit should they choose not to participate going forward.

The Trust expects that following the implementation of the Special Resolution it will offer additional Capital Units and Preferred Securities to the public by prospectus in order to increase its asset base going forward. Pending completion of the offering and until no later than March 31, 2006, the Trust will hold its assets in cash and cash equivalents. There is no assurance that any such offering, if made, will be successful or completed.

In order to become effective, the Special Resolution must be approved by a two-thirds majority of the holders of Units represented at the Meeting.

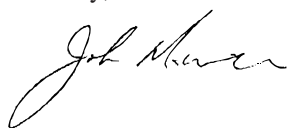
Attached is a Notice of Special Meeting of Unitholders and a Management Information Circular which contain important information relating to the Special Resolution. You are urged to read the Management Information Circular carefully. If you require clarification or further details regarding the proposal described in the Management Information Circular, you should consult your financial advisor.

If you are a holder of Units and wish to approve the proposals listed above, you should contact your broker and submit the enclosed voting instruction form voting in favour of the Special Resolution, as soon as possible, and in any event no later than 5:00 p.m. (Toronto time) on November 18, 2005. All holders of Units are encouraged to attend the Meeting.

If you are a holder of Units and wish to redeem your Units on the November 30, 2005 redemption date should the Special Resolution be approved at the Meeting, you should contact your broker and submit your Units for redemption as soon as possible, and in any event no later than 5:00 p.m. (Toronto time) on November 23, 2005. Units submitted for redemption on or before November 23, 2005 will be redeemed on November 30, 2005 at 100% of NAV per Unit and payment for such Units will be made by December 7, 2005 should the Special Resolution be approved. As a result of this November 30, 2005 redemption opportunity, there will be no December 31, 2005 redemption right available to securityholders.

The Trust’s Advisory Board and the Board of Directors of Mulvihill Fund Services Inc., the manager of the Trust, have determined that the Special Resolution is in the best interests of the Trust and its Unitholders. Accordingly, the Advisory Board and the Board of Directors recommend that Unitholders of the Trust vote in favour of the Special Resolution.

Sincerely,



JOHN P. MULVIHILL
President