

# **PRO-AMS TRUST**

## **NOTICE OF SPECIAL MEETING OF UNITHOLDERS AND MANAGEMENT INFORMATION CIRCULAR**

**Meeting to be held at 8:30 a.m.  
May 10, 2006  
1 First Canadian Place  
Suite 6300  
100 King Street West  
Toronto, Ontario**

**Pro-AMS Trust**

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

April 6, 2006

Dear Unitholders:

You are invited to a special meeting (the "Meeting") of holders ("Unitholders") of units ("Units") of Pro-AMS Trust (the "Trust") to be held on May 10, 2006 at 8:30 a.m. (Toronto time) at 1 First Canadian Place, Suite 6300, 100 King Street West, Toronto, Ontario.

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 increase the price per Unit to be paid to Unitholders on termination of the Trust on December 31, 2012 (the "Termination Date") from \$25.00 to at least \$25.75 and improve the credit quality of its investments from a bank credit to government credits. In this regard, the Trust proposes to settle its currently existing forward agreement and use the proceeds to acquire a portfolio of zero coupon debt securities ("Zero Coupon Bonds") issued by Canadian provincial governments and/or the Government of Canada.

By settling the forward agreement and acquiring Zero Coupon Bonds, the Trust will no longer have to pay forward fees which will result in annual savings of approximately \$0.11 per Unit or approximately \$0.73 per Unit over the remaining term of the Trust and the interest income which will be deemed to accrue annually on the Zero Coupon Bonds should not result in any tax liability for the Trust or Unitholders.

In addition, in connection with the Special Resolution, if approved, the Trust will change its name to Government Strip Bond Trust to reflect better its new investment strategy and, in order to facilitate the restructuring of the Trust, Mulvihill Capital Management Inc., as investment manager, will reduce its investment management fee from 1.15% of the Trust's net asset value ("NAV") to 0.50% of the Trust's NAV from and after the effective date of the Special Resolution until the Termination Date. This fee reduction will replace the voluntary fee deferral arrangement agreed to by the investment manager when distributions on the Units were reduced.

As a result of the proposed Special Resolution and other items discussed above, the Trust expects to be in a position to increase the price per Unit paid to Unitholders on the Termination Date to at least \$25.75 through lower cost, higher credit investments and utilize the Trust's existing non-capital tax losses for the benefit of Unitholders through to the Termination Date.

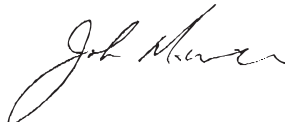
In order to become effective, the Special Resolution must be approved by a two-thirds majority of the holders of Units represented at the Meeting.

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 are a holder of Units and wish to approve the proposals listed above, you should 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 May 8, 2006. All holders of Units are encouraged to attend the Meeting.

**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

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## NOTICE OF SPECIAL MEETING OF UNITHOLDERS

**TAKE NOTICE THAT** a Special Meeting (the “Meeting”) of the holders of Units of Pro-AMS Trust (the “Trust”) will be held at 1 First Canadian Place, Suite 6300, 100 King Street West, Toronto, Ontario on May 10, 2006, at the hour of 8:30 a.m. (Toronto time) for the following purposes:

To consider and, if thought advisable, approve a special resolution (the “Special Resolution”) to:

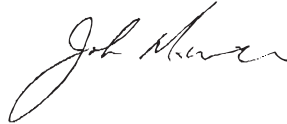
- permit the Trust to settle its currently existing forward agreement and use the proceeds to acquire a portfolio of zero coupon debt securities (“Zero Coupon Bonds”) issued by Canadian provincial governments and/or the Government of Canada;
- amend the investment strategy and investment restrictions of the Trust. The Trust will invest in the Zero Coupon Bonds and will also hold cash and cash equivalents in an amount sufficient to cover all costs and expenses of the Trust until the Termination Date; and
- amend the investment objectives of the Trust to provide that the Trust’s investment objective will be to return at least \$25.75 per Unit to Unitholders upon termination of the Trust on December 31, 2012.

all as more fully described in the accompanying Management Information Circular.

A copy of the Special Resolution is attached as Appendix I to the accompanying Management Information Circular.

Dated at Toronto, Ontario this 6th day of April, 2006.

By Order of the Board of Directors of  
Mulvihill Fund Services Inc., as Manager of the Trust



JOHN P. MULVIHILL  
President

**Note:** Reference should be made to the accompanying Management Information Circular for details of the above matters. If you are unable to be present in person at the Meeting you are requested to complete and sign the enclosed voting instruction form and to return it in the enclosed envelope provided for that purpose.

## PRO-AMS TRUST

Pro-AMS Trust (the “Trust”) is an investment trust established under the laws of the Province of Ontario pursuant to a trust agreement dated as of February 15, 2001 (the “Trust Agreement”). Mulvihill Fund Services Inc. (“Mulvihill”) is the manager of the Trust and RBC Dexia Investor Services Trust (the “Trustee”) is the trustee of the Trust. Mulvihill is a wholly-owned subsidiary of Mulvihill Capital Management Inc. (“MCM”), the Trust’s investment manager pursuant to an investment management agreement (the “Investment Management Agreement”) between the Trust and MCM dated February 15, 2001.

For further information relating to the Trust, see “Appendix II — Additional Information”.

The Trust’s current investment objectives are: (i) to return at least the original issue price of the Units (\$25.00 per Unit) to Unitholders upon termination of the Trust on December 31, 2012 (the “Termination Date”); (ii) to provide Unitholders with a stable stream of monthly distributions targeted to be at least \$0.1823 per Unit (\$2.1875 per annum or 8.75% on the original issue price); and (iii) to preserve the value of the Trust’s managed portfolio (the Managed Portfolio described below), which will provide Unitholders with capital appreciation above the original issue price.

On March 2, 2001, the Trust completed its initial public offering of 42,000,000 Units pursuant to a final prospectus dated February 15, 2001. The Trust will terminate on the Termination Date and its net assets will be distributed thereafter to Unitholders.

To provide the Trust with the means to return the original issue price of the Units on termination, the Trust entered into a forward purchase and sale agreement (the “Forward Agreement”) with Royal Bank of Canada (“RBC”) pursuant to which RBC agreed to pay to the Trust an amount equal to \$25.00 in respect of each Unit outstanding on the Termination Date in exchange for the Trust agreeing to deliver to RBC equity securities which the Trust acquired with approximately 52.2% of the gross proceeds of its initial public offering (the “Fixed Portfolio”). The Forward Agreement is a direct obligation of RBC. The balance of the net proceeds of the initial public offering were invested in a diversified portfolio (the “Managed Portfolio”) consisting principally of equity securities of companies selected from the S&P/TSX 60 Index and of companies with a market capitalization in excess of US\$5.0 billion selected from the S&P 500 Index. The Trust currently holds the Managed Portfolio in cash and cash equivalents.

To generate returns above the dividend income earned on the Managed Portfolio, the Trust writes covered call options in respect of all or a part of the securities in the Managed Portfolio from time to time. From time to time, the Trust may also hold a portion of its assets in cash equivalents, which may be used to provide cover in respect of the writing of cash covered put options in respect of securities in which the Trust is permitted to invest.

**The Advisory Board of the Trust and the Board of Directors of Mulvihill have determined that the proposal described below under “Details of the Proposal” is in the best interests of the Trust and its Unitholders and unanimously recommend that holders of Units vote in favour of such proposal.**

## HISTORIC PERFORMANCE OF THE UNITS

Between March 2, 2001 and March 31, 2006, the Trust paid the holders of Units monthly distributions totalling \$5.54 per Unit. This represents a yield from inception of 4.36% per annum based on the original issue price of \$25.00. Distributions on the Units have generally been characterized and treated as returns of capital to holders of the Units. The table below sets out in more detail information relating to the distributions paid to holders of Units.

<u>Year</u>	<u>Historical Distributions Per Unit</u>
2001 <sup>(1)</sup> .....	\$1.81
2002 .....	\$1.61
2003 .....	\$1.00
2004 .....	\$0.88
2005 .....	<u>\$0.24</u>
<b>Total</b> .....	<u>\$5.54</u>
<b>Annualized Distributions</b> <sup>(2)</sup> .....	4.36%

Notes:

(1) Includes all distributions from March 2, 2001 to December 31, 2001.

(2) Based on the original issue price.

On May 4, 2005 distributions on the Units were reduced to zero. As at March 31, 2006 the NAV per Unit was \$20.56 which consisted primarily of the value of the Forward Agreement.

## DETAILS OF THE PROPOSAL

As a result of the significant decline in the value of the Trust's portfolio since its initial public offering in March 2001, redemptions by Unitholders and ongoing expenses, the value of the Trust's Managed Portfolio has declined and distributions have been reduced to zero. In addition, the Trust has accumulated in excess of \$28 million of non-capital losses which are available to it to shelter deemed interest and ordinary income of the Trust for tax purposes, which will benefit the Trust and Unitholders. Unitholders are being asked to approve the Special Resolution to implement a proposal to reposition the Trust and its portfolio in the following respects:

- permit the Trust to settle its currently existing Forward Agreement and use the proceeds to acquire a portfolio of zero coupon debt securities ("Zero Coupon Bonds") issued by Canadian provincial governments and/or the Government of Canada. By settling the Forward Agreement, the Trust will no longer have to pay forward fees which will result in annual savings of approximately \$0.11 per Unit or approximately \$0.73 per Unit over the remaining term of the Trust. As a result, the Trust should be able to return at least \$25.75 per Unit to Unitholders on the Termination Date instead of \$25.00 per Unit under the Forward Agreement. In addition, by settling the Forward Agreement, the Trust will improve the credit of its investment from that of a Canadian chartered bank to a government credit. As a result of the Trust's accumulated non-capital losses, the accrual of interest income on the portfolio of Zero Coupon Bonds should not result in any tax liability for the Trust or Unitholders;
- amend the investment strategy and investment restrictions of the Trust. The Trust will invest in the Zero Coupon Bonds and will also hold cash and cash equivalents in an amount sufficient to cover all costs and expenses of the Trust until the Termination Date;
- amend the investment objectives of the Trust to provide that the Trust's investment objective will be to return at least \$25.75 per Unit to Unitholders upon termination of the Trust on December 31, 2012; and
- in connection with the Special Resolution, if approved, the Trust will change its name to Government Strip Bond Trust to reflect better its new investment strategy and, in order to facilitate the restructuring of the Trust, Mulvihill Capital Management Inc., as investment manager, will reduce its investment management fee from 1.15% of the Trust's net asset value ("NAV") to 0.50% of the Trust's NAV from and after the effective date

of the Special Resolution until the Termination Date. This fee reduction will replace the voluntary fee deferral arrangement agreed to by the investment manager when distributions on the Units were reduced.

As a result of the proposed Special Resolution and other items discussed above, the Trust expects to be in a position to increase the price per Unit paid to Unitholders on the Termination Date through lower cost, higher credit investments and utilize the Trust's existing non-capital tax losses for the benefit of Unitholders through to the Termination Date.

### **Replace Forward Agreement with Zero Coupon Bonds**

The Trust is proposing to settle the Forward Agreement and use the proceeds to acquire a portfolio of Zero Coupon Bonds issued by Canadian provincial governments and/or the Government of Canada. The Trust will select securities with maturity dates approximately equal to the Termination Date of the Trust. The Trust believes that the portfolio of Zero Coupon Bonds and the savings to the Trust resulting from settling the Forward Agreement should allow the Trust to exceed its original capital repayment objectives at a lower cost to the Trust.

The Trust is proposing to settle the Forward Agreement and acquire Zero Coupon Bonds in order to further reduce the costs borne by the Trust. Under the Forward Agreement, the Trust is currently paying RBC an annual fee of approximately 0.45% of an amount equal to the original issue price of the Units multiplied by the aggregate number of Units remaining outstanding. By settling the Forward Agreement and acquiring the Zero Coupon Bonds, the Trust will no longer have to pay forward fees which will result in annual savings of approximately \$0.11 per Unit or approximately \$0.73 per Unit over the remaining term of the Trust.

The Manager of the Trust believes that the amount of this fee reduction should allow the Trust to achieve its investment objective at a lower cost to the Trust.

The Trust will accrue deemed interest income on the Zero Coupon Bonds. However, the Trust has incurred non-capital losses since its inception and will continue to incur expenses for the remainder of its term to maturity. The Trust intends to apply such losses to offset the interest income accruing on the Zero Coupon Bonds. Accordingly, the Trust believes that interest income deemed to accrue annually on the portfolio of Zero Coupon Bonds should not result in any tax liability for the Trust or Unitholders.

### **Investment Objective**

Unitholders are being asked to permit the Trust to amend its investment objectives. The Trust's new proposed investment objective will be to return at least \$25.75 per Unit to Unitholders upon termination of the Trust on December 31, 2012. The Trust does not currently intend to pay distributions on Units prior to the Termination Date.

There is no assurance that the Trust will be able to achieve its investment objective. A decline in interest rates prior to the approval of the Special Resolution or the acquisition of the Zero Coupon Bonds may adversely effect the ability of the Trust to achieve its investment objective.

### **New Portfolio/Investment Strategy**

Unitholders are also being asked to permit the Trust to amend its investment strategy. The Trust will invest in the Zero Coupon Bonds and will also hold cash and cash equivalents in an amount sufficient to cover all costs and expenses of the Trust until the Termination Date.

The Trust will no longer invest in the Managed Portfolio which consisted of equity securities of companies selected from the S&P/TSX 60 Index and of companies with a market capitalization in excess of U.S.\$5.0 billion selected from the S&P 500 Index. The Trust currently holds the Managed Portfolio in cash and cash equivalents. In addition, the Trust will no longer write covered call options and cash covered put options.

## **Investment Restrictions**

Unitholders are being asked to permit the Trust to amend its investment restrictions. The following investment restrictions will replace the current investment restrictions of the Trust such that the Trust may:

- (i) purchase securities of an issuer only if such securities are zero coupon debt securities issued by Canadian provincial governments and/or the Government of Canada;
- (ii) hold its assets in cash and cash equivalents;
- (iii) not enter into any arrangement (including the acquisition of securities) where the result is a dividend rental arrangement for the purposes of the Tax Act;
- (iv) purchase derivatives or enter into derivatives or other transactions to facilitate achieving the investment objectives of the Trust;
- (v) not invest in the securities of any non-resident corporation or trust or other non-resident entity if the Trust would be required to mark its investment in such securities to market in accordance with proposed section 94.2 of the Tax Act or to include any significant amounts in income pursuant to proposed sections 94.1 or 94.3 of the Tax Act nor invest in any interest in a non-resident trust other than an "exempt trust" as defined in proposed section 94 of the Tax Act, as set forth in the revised draft amendments to the Tax Act released by the Minister of Finance (Canada) on July 18, 2005 (or such proposals as amended or enacted, or successor provisions thereto);
- (vi) not make or hold any investment that would result in more than 10% (by fair market value) of the Trust's property being "taxable Canadian property" or other "specified property" as described in proposed amendments to the Tax Act released by the Minister of Finance (Canada) on September 16, 2004; and
- (vii) not make or hold any investments that would result in the Trust failing to qualify as a "mutual fund trust" or a "unit trust" within the meaning of the Tax Act.

## **RECOMMENDATION OF THE ADVISORY BOARD AND THE BOARD OF DIRECTORS OF THE MANAGER**

**The Trust's Advisory Board and the Board of Directors of the Manager of the Trust have determined that the Special Resolution is in the best interests of the Trust and its Unitholders and unanimously recommend that holders of Units vote in favour of such Special Resolution.**

In arriving at such determination, consideration was given to the following factors:

- Settlement of the Forward Agreement and the acquisition of Zero Coupon Bonds will allow the Trust to increase the amount provided to Unitholders on the Termination Date to at least \$25.75 from \$25.00 per Unit;
- Settlement of the Forward Agreement and the acquisition of Zero Coupon Bonds provides a higher credit, lower-cost means of achieving the Trust's new investment objective;
- The anticipated availability of the Trust's existing non-capital losses and future expenses to fully offset deemed interest income on the portfolio of Zero Coupon Bonds for tax purposes;
- The Trust will have enough cash and cash equivalents set aside to cover all the Trust's operating costs and expenses until the Termination Date; and
- MCM will agree to reduce its investment management fee to 0.50% of the Trust's NAV.

## **EXPENSES OF THE PROPOSAL**

Whether or not the Special Resolution is approved, all costs associated with the Special Resolution will be borne by the Trust and therefore, in effect, by the holders of Units. Such costs are estimated to be \$125,000.



## TERMINATION OF THE PROPOSAL

The Special Resolution may, at any time before or after the holding of the special meeting of holders of Units (the “Meeting”) (but prior to the entering into of an amendment to the Trust Agreement giving effect to the Special Resolution) be terminated by the Advisory Board without further notice to, or action on the part of, holders of Units if the Advisory Board determines in its sole judgment that it would be inadvisable for the Trust to proceed.

## INTEREST OF MANAGEMENT AND OTHERS IN THE PROPOSAL

Mulvihill is the manager of the Trust and MCM is the investment manager of the Trust.

Mulvihill receives a management fee and MCM receives an investment management fee as described in “Appendix II — Additional Information”. However, if the Special Resolution is approved, MCM has agreed to reduce its investment management fee to 0.50% of NAV of the Trust for the period from the date of the adoption of the Special Resolution to its termination date of December 31, 2012. As disclosed in Appendix II, MCM will be paid the outstanding amount of the investment management fees owed to MCM pursuant to the Investment Management Agreement, the collection of which MCM voluntarily deferred following the reduction of distributions on the Units in May 2005.

Certain of the officers and advisors of the Trust are also employees or officers of Mulvihill or MCM. See “Appendix II — Additional Information”.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Trust, the following is a summary of the principal Canadian federal income tax considerations relating to the Special Resolution that are generally applicable to Unitholders who are individuals (other than trusts) and who at all relevant times for purposes of the Tax Act are resident in Canada, hold Units as capital property and deal at arm’s length with and are not affiliated with the Trust. Certain Unitholders whose Units might not otherwise qualify as capital property may be entitled to make the irrevocable election in the circumstances permitted by subsection 39(4) of the Tax Act to deem Units (and all other Canadian securities owned by the holder) to be capital property.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the “Regulations”), all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Draft Amendments”), and counsel’s understanding of the current administrative practices of the Canada Revenue Agency (“CRA”). This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not anticipate any changes in law, nor does it take into account, provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Unitholder, and no representations with respect to the income tax consequences to any particular Unitholder are made. Accordingly, Unitholders should consult their own tax advisors for advice with respect to the tax consequences to them of the Special Resolution, including the application and effect of the income and other tax laws of any country, province, territory, state or local tax authority.**

The Trust currently meets and expects to continue to meet (including if the Special Resolution is approved) certain minimum requirements in respect of the public distribution of its Units. The Special Resolution will not affect the status of the Trust as a “mutual fund trust” under the Tax Act.

The Trust has made an election under subsection 39(4) of the Tax Act which deems all securities that are “Canadian securities” (as defined in the Tax Act) to be capital property to the Trust. The Fixed Portfolio is comprised entirely of “Canadian securities”.

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

In computing its income for tax purposes, the Trust may deduct reasonable expenses incurred to earn income, and may utilize, in a particular year, losses from prior years to reduce its taxable income in accordance with the Tax Act.

To the extent that the Trust distributes net income to Unitholders, such amounts may be deducted in computing income of the Trust and included in Unitholders' income. Distributed amounts designated by the Trust in respect of net realized capital gains and taxable dividends on shares of taxable Canadian corporations would be treated as taxable capital gains or taxable dividends on shares of taxable Canadian corporations, as the case may be, in the Unitholders' hands. However, the Trust does not currently intend to pay distributions on Units prior to the Termination Date.

The changes set forth in the Special Resolution will not constitute a disposition of Units if the Special Resolution is approved by Unitholders.

## **UNITS AND PRINCIPAL HOLDERS**

As of March 31, 2006 there were 7,051,234 Units outstanding.

As of March 31, 2006, to the knowledge of the trustees and officers, no person owns of record more than 10% of the outstanding Units of the Trust other than CDS & Co., the nominee of The Canadian Depository for Securities Limited which holds all of the Units as registered owner for various brokers and other persons on behalf of their clients and others and the names of the beneficial owners of such Units are not known to the Trust.

## **GENERAL PROXY INFORMATION**

### **Information Circular**

This Information Circular is furnished in connection with the solicitation by management of the Trust of proxies to be used at the Meeting to be held at the time and place and for the purposes set out in the Notice of Special Meeting of Unitholders accompanying this Management Information Circular. The Meeting will be held on May 10, 2006 at 8:30 a.m. (Toronto time) at 1 First Canadian Place, Suite 6300, 100 King Street West, Toronto, Ontario. Sending notice of the meeting and soliciting proxies for the meeting will be paid for by the Trust. Solicitation of proxies will be by mail and may be supplemented by telephone or other personal contact by agents of the Trust.

### **Voting Rights, Record Date, Quorum and Proxy Information**

To be used at the Meeting, a proxy must be deposited with Computershare Trust Company of Canada at 100 University Avenue, Toronto, Ontario M5J 2Y1 (or if by facsimile sent to: 416-263-9524 or 1-866-249-7775) at any time up to 5:00 p.m. (Toronto time) on May 8, 2006 or with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or the day of any adjournment of the Meeting.

Only holders of record at the close of business on April 10, 2006 of Units will be entitled to vote in respect of the matters to be voted at the Meeting, or any adjournment thereof, including the Special Resolution.

With respect to each matter properly before the Meeting, a Unitholder shall be entitled to one vote for each Unit registered in the name of such Unitholder.

Pursuant to the Trust Agreement, a quorum at the Meeting will consist of two or more Unitholders present in person or represented by proxy holding not less than 10% of the outstanding Units of the Trust. If the quorum requirement is not satisfied within one-half hour of the scheduled time for the Meeting, then the Meeting will be adjourned by the Chairman of the Meeting. If adjourned, the Meeting will be rescheduled to 8:30 a.m. (Toronto time) on May 22, 2006. At the adjourned meeting, the business of the Meeting will be transacted by those holders of Units present in person or represented by proxy.

### **Appointment of Proxy Holders**

Unitholders who are unable to be present at the Meeting may still vote through the use of proxies. If you are a Unitholder, you should complete, execute and return the enclosed proxy form. By completing and returning the enclosed proxy form, you can participate in the Meeting through the person or persons named on the form. Please indicate the way you wish to vote on each item of business and your vote will be cast accordingly. **If you do not**

**indicate a preference, the Units represented by the enclosed proxy form, if the same is executed in favour of the management appointees named in the proxy form and deposited as provided in the Notice of Special Meeting of Unitholders, will be voted in favour of all matters identified in such Notice of Special Meeting of Unitholders.**

#### **Discretionary Authority of Proxies**

The proxy form confers discretionary authority upon the management appointees named therein with respect to such matters, including without limitation such amendment or variation to the Special Resolution, as, though not specifically set forth in the Notice of Special Meeting of Unitholders, may properly come before the Meeting. The Board of Directors and management does not know of any such matter which may be presented for consideration at the Meeting. However, if any such matter is presented, the proxy will be voted thereon in accordance with the best judgment of the management appointees named in the proxy form.

**On any ballot that may be called for at the Meeting, all Units in respect of which the management appointees named in the accompanying proxy form have been appointed to act will be voted in accordance with the specification of the Unitholder signing the proxy form. If no such specification is made, then the Units will be voted in favour of all matters identified in the Notice of Special Meeting of Unitholders.**

#### **Alternate Proxy**

**A Unitholder has the right to appoint a person other than the management appointees designated on the accompanying proxy form by crossing out the printed names and inserting the name of the person he or she wishes to act as proxy in the blank space provided, or by completing another proxy form. Proxy forms which appoint persons other than the management appointees whose names are printed on the form should be submitted to the Trust and the person so appointed should be notified. A person acting as proxy need not be a Unitholder.**

On any ballot that may be called for at the Meeting, all Units in respect of which the person named in a proxy form has been appointed to act shall be voted or withheld from voting in accordance with the specification of the Unitholder signing such proxy form. If no such specification is made, then the Units may be voted in accordance with the best judgment of the person named in the proxy form. Furthermore, the person named in the proxy form will have discretionary authority with respect to any amendments to the matters set forth in the Notice of Meeting and with respect to any other matters that may properly come before the Meeting, and will be voted on such amendments and other matters in accordance with the best judgment of the person named in such proxy form.

#### **Revocation of Proxies**

If the accompanying form of proxy is executed and returned, such proxy may nevertheless be revoked by an instrument in writing executed by the Unitholder or his or her attorney authorized in writing, as well as in any other manner permitted by law. Any such instrument revoking a proxy must either be deposited at the registered office of the Trust no later than 5:00 p.m. (Toronto time) on the day before the day of the Meeting or be deposited with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof. If the instrument of revocation is deposited with the Chairman on the day of the Meeting or any adjournment thereof, the instrument will not be effective with respect to any matter on which a vote has already been cast pursuant to such proxy.

#### **Solicitation of Proxies**

The cost of this solicitation of proxies will be borne by the Trust. In addition to solicitation by mail, officers and directors of the Manager of the Trust may, without additional compensation, solicit proxies personally or by telephone.

#### **Advice to Beneficial Holders**

The information set forth in this section is of significant importance to beneficial holders of Units, as the Units are held in the name of CDS & Co., the nominee of The Canadian Depository for Securities Limited, and not in the name of the beneficial holders of the Units. The Trust utilizes the book-entry only system of registration and thus Unitholders do not hold their Units in their own name (“Beneficial Unitholders”). Beneficial Unitholders should note that only proxies deposited by Unitholders whose names appear on the records of the Trust as the registered holders of Units can

be recognized and acted upon at the Meeting. Units held by brokers or their nominees through CDS & Co. can only be voted upon the instructions of the Beneficial Unitholder. Without specific instructions, CDS & Co. and brokers/nominees are prohibited from voting Units for their client(s). The Trust does not know for whose benefit the Units registered in the names of CDS & Co. are held. Therefore, Beneficial Unitholders cannot be recognized at the Meeting for purposes of voting their Units in person or by way of proxy unless they comply with the procedure designated below.

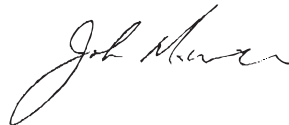
Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Unitholders in advance of unitholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Unitholders in order to ensure that their Units are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Unitholder by its broker is identical to that provided to registered Unitholders. However, its purpose is limited to instructing the registered Unitholders how to vote on behalf of the Beneficial Unitholders. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications ("ADP"). ADP typically prepares a voting instruction form which it mails to the Beneficial Unitholders and asks Beneficial Unitholders to complete and return directly to ADP. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Units to be represented at the Meeting. **A Beneficial Unitholder receiving a voting instruction form cannot use that form to vote Units directly at the Meeting; the voting instruction form must be returned to ADP well in advance of the Meeting in order to have the Units voted.**

**If you are a Beneficial Unitholder and wish to vote in person at the Meeting, please contact your broker or agent well in advance of the Meeting to determine how you can do so.**

If you are a holder of Units and wish to vote in favour of the proposed changes, you should submit a voting instruction form prior to 5:00 p.m. (Toronto time) on May 8, 2006 voting in favour of the Special Resolution.

#### **Approval of Information Circular**

The contents and mailing to Unitholders of this Management Information Circular have been approved by the Advisory Board and the Board of Directors of the Manager of the Trust.



JOHN P. MULVIHILL  
President

**APPENDIX I**  
**SPECIAL RESOLUTION OF THE UNITHOLDERS**

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The Trust Agreement is hereby amended by:

(a) deleting Section 2.4 and substituting the following:

“The Trust’s investment objective is to return at least \$25.75 per Unit to Unitholders upon termination of the Trust on December 31, 2012.

In order to achieve this objective, the Trust will invest in a portfolio of zero coupon debt securities (“Zero Coupon Bonds”) issued by Canadian provincial governments and/or the Government of Canada. The Trust may also hold cash and cash equivalents at any time and intends to hold cash and cash equivalents in an amount sufficient to cover all costs and expenses of the Trust until the Termination Date.”;

(b) deleting Section 2.6 and substituting the following:

“In investing the Trust Property, the Manager and the Investment Manager, if applicable, may:

(i) purchase Zero Coupon Bonds;

(ii) hold the Trust’s assets in cash and cash equivalents;

(iii) not enter into any arrangement (including the acquisition of securities) where the result is a dividend rental arrangement for the purposes of the Tax Act;

(iv) not make or hold any investments that would result in the Trust failing to qualify as a “mutual fund trust” or a “unit trust” within the meaning of the Tax Act;

(v) not invest in the securities of any non-resident corporation or trust or other non-resident entity if the Trust would be required to mark its investment in such securities to market in accordance with proposed section 94.2 of the Tax Act or to include any significant amounts in income pursuant to proposed sections 94.1 or 94.3 of the Tax Act nor invest in any interest in a non-resident trust other than an “exempt trust” as defined in proposed section 94 of the Tax Act, as set forth in the revised draft amendments to the Tax Act released by the Minister of Finance (Canada) on July 18, 2005 (or such proposals as amended or enacted, or successor provisions thereto);

(vi) purchase derivatives or enter into derivatives or other transactions to facilitate achieving the investment objectives of the Trust; and

(vii) not make or hold any investment that would result in more than 10% (by fair market value) of the Trust’s property being “taxable Canadian property” or other “specified property” as described in proposed amendments to the Tax Act released by the Minister of Finance (Canada) on September 16, 2004.”;

(c) deleting Section 2.7;

(d) deleting the first two sentences of the second paragraph of Section 3.3;

(e) deleting the reference “including the Forward Agreement” and the last phrase commencing on the ninth line of paragraph (e) of Section 3.6 from such paragraph;

(f) deleting paragraph (k) of Section 6.2;

(g) deleting paragraphs (g) and (u) of Section 7.2;

(h) deleting paragraph (iii) of Section 16.3; and

(i) deleting the definitions of “ADRs”, “Fixed Portfolio”, “Forward Agreement”, “Managed Portfolio”, “S&P 500 Index” and “S&P/TSE 60 Index” in Section 1.1 and adding the following new definition to Section 1.1:

“ “Zero Coupon Bonds” has the meaning ascribed thereto in Section 2.4;”.

2. Mulvihill Fund Services Inc. and RBC Dexia Investor Services Trust are hereby authorized and directed to take such action and to execute and deliver all such documentation as may be necessary or desirable for the implementation of this special resolution.
3. Notwithstanding the provisions hereof, the Advisory Board to Mulvihill Fund Services Inc., as Manager of the Trust, may revoke this special resolution at any time prior to the execution of an amendment to the Trust Agreement giving effect hereto without further approval of the Unitholders of the Trust.

**APPENDIX II**  
**ADDITIONAL INFORMATION**

**The Manager**

Pursuant to a trust agreement dated February 15, 2001 (the “Trust Agreement”), Mulvihill is the manager of the Trust and, as such, is responsible for providing or arranging for required administrative services to the Trust. Mulvihill is a wholly-owned subsidiary of MCM.

The name and municipality of residence of each of the directors and officers of Mulvihill are as follows:

JOHN P. MULVIHILL .....	Chairman, President, Secretary and Director
Toronto, Ontario	
SHEILA S. SZELA .....	Chief Financial Officer and Director
Toronto, Ontario	
JOHN H. SIMPSON .....	Senior Vice-President and Director
Toronto, Ontario	

Mulvihill receives fees for its services under the Trust Agreement equal to an annual rate of 0.10% of the Trust’s net asset value calculated and payable monthly, plus applicable taxes and is reimbursed for all reasonable costs and expenses incurred by Mulvihill on behalf of the Trust. In addition, Mulvihill and each of its directors, officers, employees and agents will be indemnified by the Trust for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against Mulvihill or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from Mulvihill’s wilful misconduct, bad faith, negligence or breach of its obligations under the Trust Agreement.

Mulvihill may resign upon 60 days’ notice to Unitholders, the Trust and the Trustee or such lesser notice as the Trust may accept. If Mulvihill resigns it may appoint its successor, but its successor must be approved by Unitholders unless it is an affiliate of Mulvihill. If Mulvihill is in material default of its obligations under the Trust Agreement and such default has not been cured within 30 days after notice of same has been given to Mulvihill, the Trust shall give notice thereof to Unitholders and the Unitholders may remove Mulvihill and appoint a successor manager.

**The Investment Manager**

MCM is the Trust’s investment manager. MCM is controlled by John P. Mulvihill. MCM manages the Trust’s investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Trust pursuant to an investment management agreement (the “Investment Management Agreement”) made between the Trust and MCM dated February 15, 2001.

The services provided by MCM pursuant to the Investment Management Agreement include the making of all investment decisions for the Trust and managing the Trust’s call and put option writing, all in accordance with the investment objectives, strategy and criteria of the Trust. Decisions as to the purchase and sale of securities comprising the Trust’s investment portfolio and as to the execution of all portfolio and other transactions are made by MCM. If the Special Resolution is approved, the services provided by MCM pursuant to the Investment Management Agreement will be amended to reflect the Trust’s new investment objective, investment strategy and investment restrictions.

MCM is entitled to receive fees for its services under the Investment Management Agreement equal to an annual rate of 1.15% of the Trust’s net asset value calculated and payable monthly, plus applicable taxes and is reimbursed for all reasonable costs and expenses incurred by MCM on behalf of the Trust. If the Special Resolution is approved, MCM has agreed to reduce its investment management fee to 0.50% per annum of the Trust’s net asset value calculated and payable monthly plus applicable taxes. This fee reduction will replace the voluntary fee deferral arrangement agreed to by the investment manager when distributions on the Units were reduced. If the Special Resolution is approved by Unitholders, MCM will be paid the remaining outstanding amount of approximately \$2.4 million in investment management fees owed to MCM pursuant to the Investment Management Agreement. This outstanding amount has been accrued by the Trust as a liability and has been reflected in the net asset value of the Trust.

In addition, MCM and each of its directors, officers, employees and agents will be indemnified by the Trust for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against MCM or any of its officers, directors, employees or agents in the exercise of its duties as investment manager, except those resulting from MCM’s wilful misconduct, bad faith, negligence or breach of its obligations under the Investment Management Agreement.

**The Advisory Board**

The Trust has established an advisory board (the “Advisory Board”) currently consisting of five members appointed by Mulvihill to assist Mulvihill in performing its services under the Trust Agreement. All fees and expenses of the Advisory Board are paid by the Trust.

The names, municipalities of residence and principal occupations of the members of the Advisory Board are as follows:

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>
JOHN P. MULVIHILL ..... Toronto, Ontario	Chairman, President, Chief Executive Officer, Secretary and Treasurer, MCM
MICHAEL M. KOERNER ..... Toronto, Ontario	Corporate Director
ROBERT K. KORTHALS ..... Toronto, Ontario	Corporate Director
C. EDWARD MEDLAND ..... Toronto, Ontario	President, Beauwood Investments Inc. (private investment company)
SHEILA S. SZELA ..... Toronto, Ontario	Vice President, Finance and Chief Financial Officer, MCM

**The Trustee**

RBC Dexia Investor Services Trust is the trustee (the “Trustee”) of the Trust under the Trust Agreement. It acts as custodian of the assets of the Trust and is responsible for certain aspects of the day-to-day administration of the Trust as described in the Trust Agreement, including executing instruments on behalf of the Trust, processing redemptions, calculating net asset value, net income and net realized capital gains of the Trust and maintaining the books and records of the Trust.

The address of the Trustee is 77 King Street West, 11th Floor, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario M5W 1P9.

The Trustee receives fees from the Trust for acting as trustee and custodian of the assets of the Trust and performing certain administrative services under the Trust Agreement and is reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Trust.