

This short form base shelf prospectus has been filed under legislation in each of the provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities, except in cases where an exemption from such delivery requirement is available.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be offered for sale and therein only by persons permitted to sell such securities.

Information has been incorporated by reference in this short form base shelf prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Mulvihill Capital Management Inc., the manager of the issuer, at 121 King Street West, Suite 2600, P.O. Box 113, Toronto, Ontario, M5H 3T9 or info@Mulvihill.com or by calling 416.681.3966, toll-free at 1.800.725.7172 and are also available electronically at www.sedarplus.com.

New Issue

SHORT FORM BASE SHELF PROSPECTUS

August 7, 2024

PREMIUM INCOME CORPORATION

\$350,000,000

Preferred Shares and Class A Shares

During the 25-month period that this short form base shelf prospectus, including any amendments hereto, remains effective, Premium Income Corporation (the “Fund”) may from time to time offer and issue preferred shares (“Preferred Shares”) and class A shares (“Class A Shares”) in an aggregate principal amount of up to \$350,000,000. Preferred Shares and Class A Shares may be offered in such amount as may be determined in light of market conditions. The specific terms of the Preferred Shares and Class A Shares in respect of which this short form base shelf prospectus is being delivered will be set forth in one or more prospectus supplements (each a “Prospectus Supplement”) to be delivered to purchasers together with this short form base shelf prospectus, except in cases where an exemption from such delivery requirement is available, and may include, where applicable, the aggregate offered amount, the number of Preferred Shares and Class A Shares offered, the issue price, the dividend rate, the dividend payment dates and any terms for redemption at the option of the Fund or the holder. Each such Prospectus Supplement will be incorporated by reference into this short form base shelf prospectus for the purposes of securities legislation as of the date of each such Prospectus Supplement and only for the purposes of the distribution of Preferred Shares and Class A Shares to which such Prospectus Supplement pertains.

Preferred Shares and Class A Shares are generally issued on the basis that an equal number of Preferred Shares and Class A Shares will be outstanding. The Fund is a mutual fund corporation incorporated under the laws of the Province of Ontario. The Fund invests in a portfolio (the “Portfolio”) consisting principally of common shares of Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, The Toronto-Dominion Bank (collectively, the “Banks”) and National Bank of Canada.

The Fund may sell Preferred Shares and Class A Shares to or through underwriters or dealers or directly to investors or through agents. The Prospectus Supplement relating to the Preferred Shares and Class A Shares offered by the Fund will identify each person who may be deemed to be an underwriter with respect to such Preferred Shares and Class A Shares and will set forth the terms of the offering of such Preferred Shares and Class A Shares, including, to the extent applicable, the offering price, the proceeds to the Fund, the underwriting commissions and any other fees, discounts or concessions to be allowed or reallocated to dealers. The sale of Preferred Shares and Class A Shares may be effected from time to time in one or more transactions at non-fixed prices pursuant to transactions that are deemed to be “at-the-market distributions” as defined in National Instrument 44-102 – *Shelf Distributions* (“NI 44-102”), including sales made directly on the Toronto Stock Exchange (the “TSX”) or other existing trading markets for the Preferred Shares and Class A Shares, and as set forth in a Prospectus Supplement for such purpose. The lead underwriter or lead agent or underwriters or agents with respect to the Preferred Shares and Class A Shares sold to or through underwriters or agents will be named in the related Prospectus Supplement. Subject to applicable laws, in connection with any

offering of Preferred Shares and Class A Shares, other than in an “at-the-market distribution” of Preferred Shares and Class A Shares, the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Preferred Shares and/or Class A Shares offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See “*Plan of Distribution*”.

Sales of Preferred Shares and Class A Shares under an “at-the-market distribution”, if any, will be made pursuant to an accompanying Prospectus Supplement. Sales of Preferred Shares and Class A Shares under any “at-the-market” program will be made in transactions that are deemed to be “at-the-market distributions” as defined in NI 44-102. The volume and timing of any “at-the-market distributions” will be determined at the Fund’s sole discretion.

No underwriter or agent involved in an “at-the-market distribution”, no affiliate of such an underwriter or agent and no person or company acting jointly or in concert with such an underwriter or agent may over-allot Preferred Shares or Class A Shares in connection with the distribution or may effect any other transactions that are intended to stabilize or maintain the market price of the Preferred Shares or Class A Shares in connection with an “at-the-market distribution”.

The Fund’s outstanding Preferred Shares and Class A Shares are listed on the TSX under the symbols PIC.PR.A and PIC.A, respectively. On August 2, 2024, the closing price on the TSX of the Preferred Shares was \$14.81 and of the Class A Shares was \$3.67. As at July 31, 2024 (the last date prior to the date hereof on which the net asset value of the Fund was calculated), the NAV per Unit (as defined herein) was \$17.88.

An investment in the Preferred Shares or the Class A Shares involves a degree of risk. It is important for prospective purchasers to consider the risk factors described in this short form base shelf prospectus. See “*Risk Factors*”.

All shelf information permitted under applicable law to be omitted from this short form base shelf prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this short form base shelf prospectus, except in cases where an exemption from such delivery requirement is available. Each Prospectus Supplement will be incorporated by reference into this short form base shelf prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Preferred Shares and Class A Shares to which the Prospectus Supplement pertains.

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GLOSSARY OF TERMS

In this short form base shelf prospectus, the following terms have the meanings set forth below, unless otherwise indicated. Unless otherwise indicated, all references to dollar amounts in this short form base shelf prospectus are to Canadian dollars.

“**1933 Act**” means the United States *Securities Act of 1933*, as it may be amended from time to time.

“**Banks**” means collectively, Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada and The Toronto-Dominion Bank.

“**Bank Shares**” means common shares of the Banks.

“**Board of Directors**” means the board of directors of the Fund.

“**Business Day**” means any day on which the TSX is open for business.

“**cash equivalents**” means, and for the purposes of “cash cover” and “cash covered put option”, “cash” as used therein means:

- (a) cash on deposit at the Fund’s custodian;
- (b) an evidence of indebtedness that has a remaining term to maturity of 365 days or less and that is issued, or fully and unconditionally guaranteed as to principal and interest, by:
 - (i) any of the federal or provincial Governments of Canada;
 - (ii) the Government of the United States; or
 - (iii) a Canadian financial institution;provided that, in the case of (ii) and (iii), such evidence of indebtedness has a rating of at least R-1 (mid) by DBRS Limited or the equivalent rating from another designated rating organization; or
- (c) other cash cover as defined in NI 81-102.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDS Participant**” means a participant in CDS.

“**Class A Market Price**” means the weighted average trading price of the Class A Shares on the principal stock exchange on which the Class A Shares are listed (or, if the Class A Shares are not listed on any stock exchange, on the principal market on which the Class A Shares are quoted for trading) for the 10 trading days immediately preceding the applicable Valuation Date.

“**Class A Share**” means a transferable, redeemable class A share of the Fund.

“**Class B Share**” means a transferable, redeemable class B share of the Fund.

“**CRA**” means the Canada Revenue Agency.

“**CRS Rules**” has the meaning given to such term under “*Exchange of Tax Information*”.

“**Dividend Payment Date**” means the last day of January, April, July and October in each year.

“**Fund**” means Premium Income Corporation, a mutual fund corporation incorporated under the laws of the Province of Ontario.

“**IRC**” means the independent review committee of the Fund.

“**Investment Management Agreement**” means the investment management agreement dated October 17, 1996, as amended on September 29, 2003 and October 8, 2010 between Mulvihill and the Fund.

“**Investment Objectives**” means the investment objectives of the Fund described under “*The Fund – Investment Objectives*” in this short form base shelf prospectus.

“**Investment Restrictions**” means the investment restrictions of the Fund, including without limitation those described under “*The Fund – Investment Restrictions*” in this short form base shelf prospectus.

“**Investment Strategies**” means the investment strategies of the Fund described under “*The Fund – Investment Strategies*” in this short form base shelf prospectus.

“**Manager**” means Mulvihill Capital Management Inc., in its capacity as manager and investment manager of the Fund.

“**Management Agreement**” means the management agreement dated October 17, 1996, as amended on September 29, 2003 and October 8, 2010, between Mulvihill (as successor by amalgamation with Mulvihill Fund Services Inc. on September 1, 2010) and the Fund.

“**Management Fee**” has the meaning given to such term under “*Fees and Expenses – Management Fee*”.

“**NAV**” means net asset value.

“**NAV of the Fund**” means (i) the aggregate value of the assets of the Fund, less (ii) the aggregate value of the liabilities of the Fund (the Preferred Shares will not be treated as liabilities for these purposes), including any distributions declared and not paid that are payable to Shareholders on or before such date, less (iii) the stated capital of the Class B Shares (\$1,000) as described in the current annual information form of the Fund.

“**NAV per Unit**” means the NAV of the Fund divided by the number of Units then outstanding.

“**NI 81-102**” means National Instrument 81-102 – *Investment Funds*.

“**October Valuation Date**” means the last business day of October.

“**Portfolio**” means the Fund’s investment portfolio.

“**Potential Redemption Date**” means November 1, 2024 and thereafter a day that is the seventh year anniversary date of the immediately preceding potential date of redemption.

“**Preferred Market Price**” means the weighted average trading price of the Preferred Shares on the principal stock exchange on which the Preferred Shares are listed (or, if the Preferred Shares are not listed on any stock exchange, on the principal market on which the Preferred Shares are quoted for trading) for the 10 trading days immediately preceding the applicable Valuation Date.

“**Preferred Share**” means a transferable, redeemable preferred share of the Fund.

“**Prospectus Supplement**” means a prospectus supplement to be delivered to purchasers together with this short form base shelf prospectus, except in cases where an exemption from such delivery requirement is available and may include, where applicable, the aggregate offered amount, the number of Preferred Shares and Class A Shares offered, the issue price, the dividend rate, the dividend payment dates and any terms for redemption at the option of the Fund or the holder.

“**Recirculation Agent**” has the meaning given to such term under “*Description of the Shares of the Fund – Preferred Shares – Resale of Preferred Shares Tendered for Retraction*”.

“**Recirculation Agreement**” has the meaning given to such term under “*Description of the Shares of the Fund – Preferred Shares – Resale of Preferred Shares Tendered for Retraction*”.

“**Redemption Date**” means November 1, 2024, subject to extension for successive terms of up to seven years as determined by the Board of Directors. See “*The Fund – Redemption Date*”.

“**Registered Plan**” means a trust governed by a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered disability savings plan, a registered education savings plan, a tax-free savings account, and a first home savings account.

“**Reportable Jurisdictions**” has the meaning given to such term under “*Exchange of Tax Information*”.

“**Retraction Date**” means the last Business Day of a month.

“**Retraction Payment Date**” means the day that is on or before the tenth Business Day following a Valuation Date.

“**Shareholder**” means a holder of a Class A Share or a Preferred Share of the Fund.

“**Special Retraction Date**” means each Potential Redemption Date.

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

“**Unit**” means a notional unit consisting of one Preferred Share and one Class A Share.

“**Unit Market Price**” means the sum of the Class A Market Price and the Preferred Market Price.

“**United States**” means the United States of America, its territories and possessions.

“**U.S. person**” has the meaning given to such term in Regulation S under the 1933 Act.

“**Valuation Date**” means the last day of a month in any year, on which Class A Shares or Preferred Shares surrendered for retraction will be retracted.

“**\$**” means Canadian dollars unless otherwise indicated.

FORWARD LOOKING STATEMENTS

Certain of the statements in this short form base shelf prospectus are 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 Fund or the Manager. Forward-looking statements are not historical facts but reflect the current expectations of the Fund and the Manager regarding future results or events. Such forward-looking statements reflect the Fund’s and the Manager’s current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations. Some of these risks, uncertainties and other factors are described in this short form base shelf prospectus under the heading “Risk Factors”. Although the forward-looking statements contained in this short form base shelf prospectus are based upon assumptions that the Fund and the Manager believe to be reasonable, neither the Fund nor the Manager can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing investors with information about the Fund and may not be appropriate for other purposes. Neither the Fund nor the Manager assumes any obligation to update or revise them to reflect new events or circumstances, except as required by law.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the annual information form of the Fund dated January 22, 2024 for the year ended October 31, 2023;
- (b) the annual financial statements of the Fund, together with the accompanying report of the auditor dated January 22, 2024, for the fiscal year ended October 31, 2023;
- (c) the management report of fund performance related to the annual financial statements of the Fund for the fiscal year ended October 31, 2023;
- (d) the interim financial statements of the Fund dated June 27, 2024 for the six-months ended April 30, 2024; and
- (e) the management report of fund performance of the Fund related to the interim financial statements for the six-months ended April 30, 2024.

Any of the documents of the type referred to above, including any material change reports (excluding confidential material change reports), annual information forms, interim and annual financial statements and related management reports of fund performance, designated news releases (within the meaning of Companion Policy 44-102CP to NI 44-102), business acquisition reports and information circulars filed by the Fund with a securities commission or similar authority in Canada after the date of this short form base shelf prospectus and prior to the termination of an offering of Preferred Shares and Class A Shares, will be deemed to be incorporated by reference in this short form base shelf prospectus.

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

Upon a new annual information form, semi-annual or annual financial statements and management report on fund performance being filed with and, where required, accepted by the applicable securities regulatory authorities during the currency of this short form base shelf prospectus, the previous annual information form, semi-annual or annual financial statements and management report on fund performance and all material change reports filed prior to the commencement of the then current fiscal year will be deemed no longer to be incorporated into this short form base shelf prospectus for purposes of future offers and sales of Preferred Shares and Class A Shares hereunder.

A Prospectus Supplement containing the specific terms of an offering of Preferred Shares and Class A Shares will be delivered to purchasers of such Preferred Shares and Class A Shares together with this short form base shelf prospectus, except in cases where an exemption from such delivery requirements is available. Each Prospectus Supplement will be deemed to be incorporated into this short form base shelf prospectus as of the date of such Prospectus Supplement but only for purposes of the offering of Preferred Shares and Class A Shares covered by that Prospectus Supplement.

THE FUND

Premium Income Corporation (the “Fund”) is a mutual fund corporation incorporated under the laws of the Province of Ontario on August 27, 1996. The principal office of the Fund is located at 121 King Street West, Suite 2600, Toronto, Ontario M5H 3T9.

The manager and investment manager of the Fund is Mulvihill Capital Management Inc. (“Mulvihill”, or the “Manager”).

The Preferred Shares and Class A Shares are listed on the TSX under the symbols PIC.PR.A and PIC.A, respectively.

Investment Objectives

The Fund’s investment objectives are:

- (a) to provide holders of Preferred Shares with cumulative preferential quarterly cash distributions in the amount of \$0.215625 per share (resulting in distributions on the initial public offering price of 5.75% per annum);
- (b) to provide holders of Class A Shares with quarterly cash distributions equal to the amount, if any, by which the net realized capital gains, dividends and option premiums (other than option premiums in respect of options outstanding at year-end) earned on the Portfolio (as defined below) in any year, net of expenses and loss carry-forwards, exceed the amount of the distributions paid on the Preferred Shares; and
- (c) to return the issue price on the initial public offering of the Preferred Shares and Class A Shares to holders of both Preferred Shares and Class A Shares at the time of redemption of such shares.

Investment Strategies

To achieve its investment objectives, the Fund invests in a portfolio (the “Portfolio”) consisting principally of common shares of Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, The Toronto-Dominion Bank (collectively, the “Banks”) and National Bank of Canada.

The Fund may also from time to time hold short-term debt instruments issued by the Government of Canada or a province of Canada or by one or more of the Banks. To generate additional returns above the dividend income earned on the Portfolio, the Fund may, from time to time, write covered call options in respect of all or part of the common shares in the Portfolio. The Fund may 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 Fund is permitted to invest. The composition of the Portfolio, the common shares that are subject to call options and put options and the terms of such options will vary, from time to time, based on the Manager’s assessment of market conditions.

Investment Restrictions

The Fund is subject to certain investment criteria that, among other things, limit the equity shares and other securities the Fund may acquire for the Portfolio. The Fund’s investment criteria may not be changed without the separate approval of the holders of the Preferred Shares and the Class A Shares by a two-thirds majority vote of such holders who attend and vote at a meeting called for such purpose.

The Fund’s investment criteria provide that the Fund may not:

- (a) except as provided in paragraphs (c) and (f) below, purchase securities other than common shares of the Banks (the “Bank Shares”) and National Bank of Canada or public investment funds (including exchange traded funds and other Mulvihill funds (provided that no more than 15% of the NAV of the Fund may be invested in securities of other Mulvihill funds), that provide exposure to such common shares;
- (b) at any time invest (i) in the common shares of fewer than four Banks provided that not more than 33 1/3% or less than 10% of the NAV may at any time be invested in the common shares of each of such four Banks and

- (ii) less than 75% of its NAV in Bank Shares or more than 25% of its NAV in common shares of National Bank of Canada;
- (c) purchase debt securities unless such securities have a remaining term to maturity of less than one year and are issued or guaranteed by the Government of Canada or a province or are short-term commercial paper issued by one or more of the Banks;
- (d) write a call option in respect of any common share unless such common share is actually held by the Fund at the time the option is written;
- (e) dispose of a common share included in the Portfolio that is subject to a call option written by the Fund unless such option has either terminated or expired;
- (f) write put options in respect of any security unless (i) the Fund is permitted to invest in such security, and (ii) so long as the options are exercisable, the Fund continues to hold cash equivalents sufficient to acquire the security underlying the options at the aggregate strike price of such options;
- (g) purchase call options or put options except as specifically permitted under NI 81-102;
- (h) make or retain investments that render the Preferred Shares or Class A Shares “foreign property” under Part XI of the *Income Tax Act* (Canada) (the “Tax Act”) or, if the Fund is a registered investment within the meaning of the Tax Act, that render it liable to tax under Part XI of the Tax Act; or
- (i) enter into any arrangement (including the acquisition of common shares for the Portfolio and the writing of covered call options in respect thereof) where the main reason for entering into the arrangement is to enable the Fund to receive a dividend on such shares in circumstances where, under the arrangement, someone other than the Fund bears the risk of loss or enjoys the opportunity for gain or profit with respect to such shares in any material respect.

Notwithstanding the investment criteria listed above, the Manager may, in its discretion, invest the Fund’s Portfolio entirely in cash or cash equivalents, denominated in Canadian dollars.

The Fund obtained an exemption from the concentration restrictions of NI 81-102 and its predecessor rule to permit it to invest in the Bank Shares as described above.

In addition, but subject to investment criteria listed above, the Fund has adopted the standard investment restrictions and practices set forth in NI 81-102 (as it may be amended from time to time) other than in respect of exemptions therefrom that it has obtained.

Redemption Date

The date on which the Fund will redeem all of the Preferred Shares and Class A Shares is November 1, 2024, subject to extension for successive terms of up to seven years as determined by the Board of Directors.

Current Portfolio

The following table presents unaudited information relating to the allocation of the Fund’s Portfolio as of July 31, 2024:

Bank	Percentage of Net Asset Value
The Toronto-Dominion Bank	11.5%
The Bank of Nova Scotia	13.2%
Mulvihill Canadian Bank Enhanced Yield ETF	14.9%
Cash and Short Term Investments	60.4%
Total:	100%

DESCRIPTION OF THE SHARES OF THE FUND

The following description sets forth certain general terms and provisions of the Preferred Shares and Class A Shares. The particular terms and provisions of the Preferred Shares and Class A Shares offered by a Prospectus Supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in such Prospectus Supplement.

Preferred Shares

Distributions

One of the Fund's investment objectives is to pay a cumulative preferential quarterly distribution of \$0.215625 per share to holders of Preferred Shares on the last day of January, April, July and October in each year (a "Dividend Payment Date") until November 1, 2024. In the event that dividends earned by the Fund on the Portfolio are not sufficient on any Dividend Payment Date to cover the total amount of the distributions payable to holders of Preferred Shares on that date, the balance of the distributions payable will be paid as capital gains dividends out of net realized capital gains and option premiums (other than option premiums in respect of options outstanding at year end) earned by the Fund on the Portfolio.

Commencing with each seven-year period starting November 1, 2024, the Board of Directors shall determine the dividend rate in respect of the Preferred Shares for such period, provided that any such new rate is announced by way of press release. The new dividend amount will accrue from November 1 and the first dividend payment shall become payable commencing on January 31 of the following year. Dividends payable on the Preferred Shares may take the form of ordinary dividends, capital gains dividends or distributions representing a return of capital or any combination thereof.

Each holder of Preferred Shares will be mailed annually, no later than February 28, information necessary to enable such shareholder to complete an income tax return with respect to amounts paid or payable by the Fund in respect of the preceding calendar year.

Redemptions

All Preferred Shares outstanding on the Redemption Date will be redeemed by the Fund on such date. The redemption price payable by the Fund for a Preferred Share on the Redemption Date will be equal to the lesser of (a) \$15.00 and (b) the NAV on that date divided by the total number of Preferred Shares then outstanding. Notice of redemption will be given to CDS Participants holding Preferred Shares on behalf of the beneficial owners thereof at least 60 days prior to the Redemption Date.

Retraction Privileges

Preferred Shares may be surrendered at any time for retraction to Computershare Investor Services Inc., the Fund's registrar and transfer agent, but will be retracted only on a monthly Valuation Date (as defined below). Preferred Shares surrendered for retraction by a Shareholder at least ten business days prior to the last day of a month (a "Valuation Date") will be retracted on such Valuation Date and the Shareholder will receive payment on or before the tenth business day following such Valuation Date (the "Retraction Payment Date"). Except as noted below, holders of Preferred Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share (the "Preferred Share Retraction Price") equal to the lesser of:

- (a) the sum of (i) 96% of the lesser of (A) NAV per Unit as of the applicable Valuation Date less the cost to the Fund of purchasing a Class A Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (B) \$15.00 and (ii) any accrued and unpaid dividends thereon; and
- (b) the sum of (i) 96% of the lesser of (A) the Unit Market Price (as defined herein) as of the applicable Valuation Date less the cost to the Fund of purchasing a Class A Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (B) \$15.00 and (ii) any accrued and unpaid dividends thereon.

For purposes of the calculation noted above, the cost to the Fund of purchasing a Class A Share in the market for cancellation may include the purchase price of such Class A Share, commissions and such other costs, if any, related to the liquidation of any part of the Portfolio to fund such purchase; and the NAV per Unit shall be the NAV per Unit as of the applicable Valuation Date.

Holder of Preferred Shares also have an annual retraction right under which they may concurrently retract an equal number of Class A Shares and Preferred Shares on the last business day of October (the "October Valuation Date"). The price paid by the Fund for such a concurrent retraction will be equal to the NAV per Unit on that date.

The Fund may, but is not obligated to, require the Recirculation Agent (as defined below) to use its best efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date pursuant to the Recirculation Agreement (as defined below). In such event, the amount to be paid to the holder of the Preferred Shares on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Preferred Shares less any applicable commission. Such amount will not be less than the Preferred Share Retraction Price described above.

Subject to the Fund's right to require the Recirculation Agent to use its best efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date, any and all Preferred Shares that have been surrendered to the Fund for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Payment Date, unless not retracted thereon, in which event such Preferred Shares will remain outstanding.

The retraction right must be exercised by providing written notice within the notice periods and in the manner described under "Book-Entry Only System" in the Fund's annual information form. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Preferred Shares that are not retracted by the Fund on the relevant Retraction Payment Date.

If any Preferred Shares are tendered for retraction and are not resold, the Fund has directed the Recirculation Agent to purchase for cancellation on behalf of the Fund that number of Class A Shares which equals the number of Preferred Shares so retracted. Any Class A Shares so purchased for cancellation will be purchased in the market.

Special Retraction Privileges

Holder of Preferred Shares may retract such shares (the "Special Retraction Right") on each Special Retraction Date. The "Special Retraction Date" is each Potential Redemption Date, other than the Redemption Date.

Retraction payments for Preferred Shares tendered pursuant to the Special Retraction Right will be made no later than ten business days after the Special Retraction Date, provided that such shares were surrendered for retraction on or prior to 5:00 p.m. (EST) on October 15 in each year in which there is a Special Retraction Date. Preferred Shares will be considered irrevocably surrendered for such retraction upon delivery of written notice to CDS through a CDS Participant.

The retraction price per share to be received by a holder of Preferred Shares under the Special Retraction Right will be equal to the lesser of: (a) \$15.00; and (b) the NAV of the Fund divided by the number of Preferred Shares outstanding on the Special Retraction Date. Any declared and unpaid distributions payable on or before the Special Retraction Date in respect of Preferred Shares tendered for retraction on the Special Retraction Date will also be paid on the retraction payment date.

To the extent that the number of Class A Shares retracted on the Special Retraction Date exceeds the number of Preferred Shares retracted on the Special Retraction Date, the Preferred Shares shall be redeemable at the option of the Fund on each Special Retraction Date. Any such Preferred Shares shall be redeemed by the Fund on the Special Retraction Date on the payment by the Fund of the Preferred Share Redemption Price as of the Special Retraction Date, calculated as set out above, in respect of each Preferred Share to be redeemed. If less than all of the outstanding Preferred Shares are to be redeemed, the Preferred Shares to be so redeemed shall be redeemed pro rata or in such other manner as the Board of Directors in its sole discretion shall by resolution determine.

On or prior to the retraction payment date, the Fund shall pay or cause to be paid to or to the order of the registered holders of the Preferred Shares an amount per Preferred Share being redeemed equal to the Preferred Share

Redemption Price as of the Special Retraction Date. For purposes of calculating such Preferred Share Redemption Price, the NAV per Unit shall be the NAV per Unit on the applicable Special Retraction Date.

The Special Retraction Right will replace the annual concurrent retraction right for each year in which a Special Retraction Date occurs, pursuant to which a holder would have been permitted to retract both a Class A Share and Preferred Share together in a Unit for the NAV per Unit. An additional special retraction right will be granted to holders of Preferred Shares in connection with each additional extension of the term of the Fund.

Resale of Preferred Shares Tendered for Retraction

The Fund entered into an agreement (the “Recirculation Agreement”) dated September 29, 2003 with RBC Dominion Securities Inc. (the “Recirculation Agent”) whereby the Recirculation Agent has agreed to use its best efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date. The Fund is not obligated to require the Recirculation Agent to seek such purchasers but may elect to do so. In the event that a purchaser for such Preferred Shares is found in this manner, the amount to be paid to the holder of the Preferred Shares on the relevant Retraction Payment Date will be an amount equal to the proceeds of the sale of the Preferred Shares less any applicable commission. Such amount will not be less than the applicable Preferred Share Retraction Price described above.

Priority

The Preferred Shares rank in priority to the Class A Shares and the Class B Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding up of the Fund.

Class A Shares

Distributions

Currently, the Fund pays quarterly cash distributions on the Class A Shares of \$0.20319 per Class A Share (\$0.81276 per year) subject to the prior rights of holders of Preferred Shares to receive cumulative, fixed, preferential dividends. The Fund bases the distributions it pays in such circumstances on the NAV of a Class A Share in order to better facilitate the preservation and enhancement of the Fund’s NAV and to enable holders of Class A Shares to benefit from any increases in the NAV of the Class A Shares through the resulting increased distributions. The quarterly distributions will be determined using the last published NAV prior to the declaration date for the distribution.

The amount of distributions in any particular calendar quarter will be determined by the Board of Directors on the advice of the Manager having regard to the Fund’s Investment Objectives, the net income and net realized capital gains of the Fund during the calendar quarter and in the year to date, the net income and net realized capital gains of the Fund anticipated in the balance of the year and distributions made in previous calendar quarters.

Each holder of Class A Shares will be mailed annually, no later than February 28, information necessary to enable such shareholder to complete an income tax return with respect to amounts paid or payable by the Fund in respect of the preceding calendar year.

Redemptions

All Class A Shares outstanding on the Redemption Date will be redeemed by the Fund on such date. The redemption price payable by the Fund for a Class A Share on that date will be equal to the greater of (a) the NAV per Unit on that date minus \$15.00, and (b) nil. Notice of redemption will be given to CDS Participants holding Class A Shares on behalf of the beneficial owners thereof at least 60 days prior to the Redemption Date.

Retraction Privileges

Class A Shares may be surrendered at any time for retraction to Computershare Investor Services Inc. but will be retracted only on a monthly Valuation Date. Class A Shares surrendered for retraction by a Shareholder at least ten business days prior to a monthly Valuation Date will be retracted on such Valuation Date and the Shareholder will

receive payment on or before the tenth business day following such Valuation Date. Except as noted below, holders of Class A Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share (the “Class A Share Retraction Price”) equal to the lesser of:

- (a) the sum of (i) 96% of the difference between (A) the NAV per Unit as of the applicable Valuation Date and (B) the cost to the Fund of purchasing a Preferred Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (ii) any accrued and unpaid dividends thereon; and
- (b) the sum of (i) 96% of the difference between (A) the Unit Market Price as of the applicable Valuation Date and (B) the cost to the Fund of purchasing a Preferred Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (ii) any accrued and unpaid dividends thereon.

For purposes of the calculation noted above, the cost to the Fund of purchasing a Preferred Share in the market for cancellation may include the purchase price of such Preferred Share, commissions and such other costs, if any, related to the liquidation of any part of the Portfolio to fund such purchase; and the NAV per Unit shall be the NAV per Unit as of the applicable Valuation Date.

Holders of Class A Shares also have an annual retraction right under which they may concurrently retract an equal number of Preferred Shares and Class A Shares on the October Valuation Date. The price paid by the Fund for such a concurrent retraction will be equal to the NAV per Unit on that date.

The Fund may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Payment Date pursuant to the Recirculation Agreement. In such event, the amount to be paid to the holder of the Class A Shares on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Class A Shares less any applicable commission. Such amount will not be less than the monthly Class A Share Retraction Price described above.

Subject to the Fund’s right to require the Recirculation Agent to use its best efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Payment Date, any and all Class A Shares that have been surrendered to the Fund for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Payment Date, unless not retracted, in which event such Class A Shares will remain outstanding.

The retraction right must be exercised by providing written notice within the notice periods and in the manner described under “Book-Entry Only System” in the Fund’s annual information form. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Class A Shares that are not retracted by the Fund on the relevant Retraction Payment Date.

If any Class A Shares are tendered for retraction and are not resold, the Fund has directed the Recirculation Agent to purchase for cancellation on behalf of the Fund that number of Preferred Shares which equals the number of Class A Shares so retracted. Any Preferred Shares so purchased for cancellation will be purchased in the market.

Special Retraction Privileges

Holders of Class A Shares may retract such shares (the “Special Retraction Right”) on each Special Retraction Date. The “Special Retraction Date” is each Potential Redemption Date, other than the Redemption Date.

Retraction payments for Class A Shares tendered pursuant to the Special Retraction Right will be made no later than ten business days after the Special Retraction Date, provided that such shares were surrendered for retraction on or prior to 5:00 p.m. (EST) on October 15 in each year in which there is a Special Retraction Date. Class A Shares will be considered irrevocably surrendered for such retraction upon delivery of written notice to CDS through a CDS Participant.

The retraction price per share to be received by a holder of Class A Shares under the Special Retraction Right will be equal to the greater of: (a) the NAV per Unit on the Special Retraction Date less \$15.00; and (b) nil. Any declared and unpaid distributions payable on or before the Special Retraction Date in respect of Class A Shares tendered for retraction on the Special Retraction Date will also be paid on the retraction payment date.

To the extent that the number of Preferred Shares retracted on a Special Retraction Date exceeds the number of Class A Shares retracted on the Special Retraction Date, the Class A Shares will be automatically consolidated on the Special Retraction Date or as soon as practicable thereafter such that the number of Class A Shares outstanding will be equal to the number of Preferred Shares outstanding after giving effect to the redemption of Preferred Shares.

The Special Retraction Right will replace the annual concurrent retraction right for each year in which a Special Retraction Date occurs, pursuant to which a holder would have been permitted to retract both a Class A Share and Preferred Share together in a Unit for the NAV per Unit. An additional special retraction right will be granted to holders of Class A Shares in connection with each additional extension of the term of the Fund.

Resale of Class A Shares Tendered for Retraction

Pursuant to the Recirculation Agreement, the Recirculation Agent has agreed to use its best efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Payment Date. The Fund is not obligated to require the Recirculation Agent to seek such purchasers but may elect to do so. In the event that a purchaser for such Class A Shares is found in this manner, the amount to be paid to the holder of the Class A Shares on the relevant Retraction Payment Date will be an amount equal to the proceeds of the sale of the Class A Shares less any applicable commission. Such amount will not be less than the applicable Class A Share Retraction Price described above.

Priority

The Class A Shares rank subsequent to the Preferred Shares but in priority to the Class B Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding up of the Fund.

DESCRIPTION OF SHARE CAPITAL

The Fund is authorized to issue an unlimited number of Preferred Shares, an unlimited number of Class A Shares and 1,000 Class B Shares. In addition, the Fund is authorized to issue an unlimited number of class C shares, class D shares, class E shares, class C preferred shares, class D preferred shares and class E preferred shares, each such class of shares issuable in series.

The Preferred Shares and the Class A Shares are generally issued on the basis that an equal number of shares of each class will be issued and outstanding. As at July 31, 2024, there were 19,900,691 Preferred Shares and 19,383,591 Class A Shares issued and outstanding.

The holders of Class B Shares are not entitled to receive dividends and are entitled to one vote per Class B Share. The Class B Shares are retractable at a price of \$1.00 per Class B Share. The Class B Shares rank subsequent to both the Preferred Shares and the Class A Shares with respect to distributions on the dissolution, liquidation or winding-up of the Fund. There are 1,000 Class B Shares issued and outstanding. The Manager is the owner of record of all of the outstanding Class B Shares. The Class B Shares have been escrowed with RBC Investor Services Trust, as successor

to The Royal Trust Company, pursuant to an escrow agreement dated October 17, 1996, as amended on September 29, 2003.

USE OF PROCEEDS

Unless otherwise indicated in a Prospectus Supplement, the net proceeds from the sale of Preferred Shares and Class A Shares will be used to fund the purchase of securities for the Portfolio in accordance with the Fund's Investment Objectives, Investment Strategies and Investment Restrictions.

PLAN OF DISTRIBUTION

The Fund may sell Preferred Shares and Class A Shares to or through underwriters, dealers or agents and also may sell Preferred Shares and Class A Shares directly to purchasers or through agents. The sale of Preferred Shares and Class A Shares may be effected from time to time in one or more transactions at non-fixed prices pursuant to transactions that are deemed to be "at-the-market distributions", including sales made directly on the TSX or other existing trading markets for the Preferred Shares and Class A Shares, and as set forth in the Prospectus Supplement for such purpose.

The distribution of Preferred Shares and Class A Shares may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers.

In connection with the sale of Preferred Shares and Class A Shares, underwriters or agents may receive compensation from the Fund (a portion of which may be paid by the Manager, in its sole discretion) or from purchasers of Preferred Shares and Class A Shares for whom they may act as agents in the form of concessions or commissions. Underwriters, dealers and agents that participate in the distribution of Preferred Shares and Class A Shares may be deemed to be underwriters and any commissions received by them from the Fund and any profit on the resale of Preferred Shares and Class A Shares by them may be deemed to be underwriting commissions. Any such person that may be deemed to be an underwriter with respect to Preferred Shares and Class A Shares will be identified in the Prospectus Supplement relating to such shares.

The Prospectus Supplement relating to the Preferred Shares and Class A Shares offered by the Fund will identify each person who may be deemed to be an underwriter with respect to such Preferred Shares and Class A Shares and will set forth the terms of the offering of such Preferred Shares and Class A Shares, including, to the extent applicable, the offering price, the proceeds to the Fund, the underwriting commissions and any other fees, discounts or concessions to be allowed or reallocated to dealers. The lead underwriter or lead agent or underwriters or agents with respect to the Preferred Shares and Class A Shares sold to or through underwriters will be named in the related Prospectus Supplement. The underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Preferred Shares and/or Class A Shares offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Under agreements which may be entered into by the Fund, underwriters, dealers and agents who participate in the distribution of Preferred Shares and Class A Shares may be entitled to indemnification by the Fund against certain liabilities, including liabilities under Canadian provincial securities legislation, or to contribution with respect to payments which those underwriters, dealers or agents may be required to make in respect thereof. Those underwriters, dealers and agents may be customers of, engage in transactions with or perform services for the Fund or its subsidiaries in the ordinary course of business.

Subject to applicable laws, in connection with any offering of Preferred Shares and Class A Shares, other than an "at-the-market distribution" of Preferred Shares and Class A Shares, the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Preferred Shares and/or Class A Shares offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Sales of Preferred Shares and Class A Shares under an "at-the-market distribution", if any, will be made pursuant to an accompanying Prospectus Supplement. Sales of Preferred Shares and Class A Shares under any "at-the-market"

program will be made in transactions that are deemed to be “at-the-market distributions” as defined in NI 44-102. The volume and timing of any “at-the-market distributions” will be determined at the Fund’s sole discretion.

No dealer or agent involved in an “at-the-market distribution”, no affiliate of such a dealer or agent and no person or company acting jointly or in concert with such a dealer or agent may over-allot Preferred Shares or Class A Shares in connection with the distribution or may effect any other transactions that are intended to stabilize or maintain the market price of the Preferred Shares or Class A Shares in connection with an “at-the-market distribution”.

The Preferred Shares and the Class A Shares will not be registered under the 1933 Act or any state securities laws and, subject to certain exemptions, may not be offered or sold within the United States or to U.S. persons.

ORGANIZATION AND MANAGEMENT OF THE FUND

Manager and Investment Manager

Pursuant to an agreement (the “Management Agreement”) dated October 17, 1996, as amended on September 29, 2003 and October 8, 2010, between Mulvihill (as successor by amalgamation with Mulvihill Fund Services Inc. on September 1, 2010) and the Fund, Mulvihill is the manager of the Fund and, as such, is responsible for providing or arranging for required administrative services to the Fund including: authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements, financial and accounting information as required by the Fund; ensuring that shareholders are provided with annual and semi-annual financial statements and other reports as are from time to time required by applicable law; ensuring that the Fund complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Fund’s reports to Shareholders and the Canadian securities regulatory authorities; determining the amount of dividends to be paid by the Fund; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers. In consideration for the services provided by the Manager to the Fund, the Fund pays a fee to the Manager equal to 0.10% per annum of the NAV of the Fund calculated and payable monthly in arrears plus applicable taxes. In addition to the management fee Mulvihill receives from the Fund, Mulvihill also manages the Fund’s investment portfolio in a manner consistent with the Fund’s Investment Objectives, Investment Strategies and Investment Restrictions pursuant to an investment management agreement (the “Investment Management Agreement”) dated October 17, 1996, as amended on September 29, 2003 and October 8, 2010 between Mulvihill and the Fund. The services provided by Mulvihill pursuant to the Investment Management Agreement include the making of all investment decisions for the Fund and managing the Fund’s call and put option writing, all in accordance with the investment objectives, strategy and criteria of the Fund. Decisions as to the purchase and sale of securities within the Portfolio and as to the execution of all portfolio and other transactions are made by Mulvihill. In the purchase and sale of securities for the Fund and the writing of option contracts, Mulvihill seeks to obtain overall services and prompt execution of orders on favourable terms. The Manager is paid a fee for its services as investment manager under the Investment Management Agreement equal to 0.80% per annum of the NAV of the Fund calculated and payable monthly in arrears plus applicable taxes.

The Manager is entitled to be reimbursed for all reasonable costs and expenses which it has incurred on behalf of the Fund. Further, the Manager and each of its directors, officers, employees and agents will be indemnified by the Fund 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 the Manager or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from the Manager’s wilful misconduct, bad faith, negligence or breach of its obligations under the Management Agreement or the Investment Management Agreement, as applicable.

Transfer Agent and Registrar

Computershare Investor Services Inc. is the registrar and transfer agent for the Class A Shares and Preferred Shares at its offices located in Toronto, Ontario.

Custodian and Securities Lending Agent

RBC Investor Services Trust is the Fund's custodian and is responsible for certain aspects of the day-to-day administration of the Fund and provides safekeeping and custodial services in respect of the Fund's assets. The address of the custodian is 155 Wellington Street West, Toronto, Ontario M5V 3L3.

Auditor

The auditor of the Fund is Deloitte LLP, Chartered Professional Accountants, Licensed Public Accountants at its offices located at Bay Adelaide Centre, East Tower, 8 Adelaide Street West, Suite 200, Toronto, Ontario M5H 0A9.

RISK FACTORS

Certain risk factors relating to the Fund, the Preferred Shares and Class A Shares are described below. Additional risks and uncertainties not currently known to the Fund, or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Fund and the ability of the Fund to make distributions on the Preferred Shares and Class A Shares, could be materially adversely affected.

Concentration Risk

The Fund was created to hold only Bank Shares and is not expected to have significant exposure to any other investments or assets. The Fund's holdings are concentrated in Bank Shares and they are not diversified.

Risks Associated with an Investment in Bank Shares

Investors should review carefully the continuous disclosure documentation of the Banks for a discussion of the risk factors that the Banks consider applicable to themselves and their shares.

At any time, the Banks may decide to decrease or discontinue the payment of dividends on Bank Shares. Any decrease in the dividends received by the Fund on its Bank Shares will decrease the distribution coverage ratio for the Preferred Shares. Such a decrease could reduce or result in the cessation of the distributions payable to holders of Preferred Shares or Class A Shares.

An investment in the Preferred Shares or the Class A Shares does not constitute an investment in Bank Shares. Holders of the Fund's Preferred Shares or Class A Shares will not own the Bank Shares held by the Fund and will not have any voting or other rights with respect to such shares.

Performance of the Fund's Portfolio

NAV per Unit will vary primarily as the value of Bank Shares varies. The Fund has no control over the factors that affect the value of Bank Shares, such as fluctuations in interest rates, changes in Bank management or strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in Bank dividend policies and other events that may affect the value of Bank Shares.

No Assurances of Achieving Investment Objectives

There is no assurance that the Fund will be able to achieve its distribution objectives or the Fund's Investment Objective of returning the issue price to holders of Preferred Shares and Class A Shares on the Redemption Date.

There is no assurance that the Fund will be able to pay distributions. The funds available for distribution to holders of Preferred Shares and Class A Shares will vary according to, among other things, the dividends paid on Bank Shares, the level of option premiums received and the value of the securities in the Portfolio. As the dividends received by the Fund will not be sufficient to meet the objectives of the Fund in respect of the payment of distributions, the Fund will depend on the receipt of option premiums and the realization of capital gains to meet those objectives. Although many investors and financial market professionals price options based on the Black-Scholes Model, in practice actual option premiums are determined in the marketplace and there is no assurance that the premiums predicted by such a pricing model can be attained.

Changes in Legislation and Regulatory Risk

There can be no assurance that certain laws applicable to the Fund, including securities legislation, will not be changed in a manner which adversely affects the Fund or Shareholders. If such laws change, such changes could have a negative effect upon the value of the Fund, the Preferred Shares and Class A Shares and upon the investment opportunities available to the Fund.

Greater Volatility of the Class A Shares

An investment in the Class A Shares is a leveraged investment because the Preferred Shares have priority in payment of any distributions or any proceeds from the winding up of the Fund. This leverage amplifies the potential return to Class A Share investors in so far as returns in excess of the amounts payable to holders of Preferred Shares accrue first to the benefit of holders of Class A Shares. Conversely, any losses incurred on the Portfolio accrue to the detriment of holders of Class A Shares since the Preferred Shares rank prior to the Class A Shares in respect of distributions and proceeds upon the winding-up of the Fund.

Interest Rate Fluctuations

It is anticipated that the market price of the Preferred Shares and the Class A Shares will be affected by the prevailing level of interest rates. A rise in interest rates may have a negative effect on the market price of the Preferred Shares and the Class A Shares.

Trading at a Discount

The Fund cannot predict whether the Preferred Shares and the Class A Shares will trade above, at or below their NAV per share.

Use of Options and Other Derivative Instruments

The Fund is subject to the full risk of its investment position in the securities in its Portfolio, including those securities that are subject to outstanding call options and those securities underlying put options written by the Fund, should the market price of such securities decline. In addition, the Fund will not participate in any gain on 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 Fund to write covered call options or cash-covered put options on desired terms or to close out option positions should it desire to do so. The ability of the Fund 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 Fund is unable to repurchase a call option that 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 addition, upon the exercise of a put option, the Fund will be obligated to acquire a security at the strike price that may exceed the then current market value of such security.

In purchasing call or put options or entering into forward or future contracts, the Fund 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.

Reliance on the Manager

The Manager will manage the Portfolio in a manner consistent with the Fund's Investment Objectives, Investment Strategies, Investment Restrictions and criteria. The officers of the Manager who will be primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios, but there is no certainty that they will continue to be employees of Mulvihill over the entire life of the Fund.

Significant Retractions

The Preferred Shares and the Class A Shares are retractable annually and monthly for a price based on NAV per Unit (which represents the value that the Fund is able to obtain in the market when it sells portfolio securities to fund the retraction). The purpose of the retraction right is to prevent the Preferred Shares and the Class A Shares from trading at a substantial discount to their NAV per share and to provide Shareholders with the right to realize their investment

without any trading discount to such value. While the retraction right provides Shareholders the option of liquidity, there can be no assurance that it will reduce trading discounts. If a significant number of Preferred Shares and Class A Shares are retracted, the trading liquidity of the Preferred Shares and the Class A Shares could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Preferred Shares and Class A Shares, potentially resulting in lower NAV per Unit.

Conflicts of Interest

The Manager and its directors and officers and its respective affiliates and associates may engage in the promotion, management or investment management of any other fund or trust with similar investment objectives and/or similar investment strategies to those of the Fund. Although none of the directors or officers of the Manager devotes his or her full time to the business and affairs of the Fund, each devotes as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund and the Manager, as applicable.

Tax Changes

There can be no assurance that changes will not be made to the tax rules affecting the taxation of the Fund or the Fund's investments, or that such tax rules will not be administered in a way that is less advantageous to the Fund or its Shareholders.

Tax Treatment of Proceeds of Disposition and Option Premiums

In determining its income for tax purposes, the Fund will treat gains and losses realized on the disposition of securities in the Portfolio, option premiums received on the writing of covered call options and cash-covered put 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 or income and no advance income tax ruling has been applied for or received from CRA.

If, contrary to CRA's published administrative practice or as a result of a change of law, some or all of the transactions undertaken by the Fund in respect of covered options and securities in the Portfolio were treated on income rather than capital account, after-tax returns to holders of Preferred Shares and Class A Shares could be reduced and the Fund may be subject to non-refundable income tax in respect of income from such transactions, and the Fund may be subject to penalty taxes in respect of excessive capital gains dividends elections.

Tax amendments released on April 16, 2024 as part of the Federal Budget (the "April 2024 Proposed Amendments") would, for taxation years beginning after 2024, deem certain corporations not to be "mutual fund corporations" after a time at which (i) a person or partnership, or any combination of persons or partnerships that do not deal with each other at arm's length (known in the April 2024 Proposed Amendments as "specified persons") own, in the aggregate, shares of the capital stock of the corporation having a fair market value of more than 10% of the fair market value of all of the issued and outstanding shares of the capital stock of the corporation; and (ii) the corporation is controlled by or for the benefit of one or more specified persons. Having regard to the structure of the Fund, and the intention of the proposed amendments as described in materials accompanying the April 2024 Proposed Amendments, the Fund does not believe that it would cease to be a mutual fund corporation as a result of their application. The Fund will continue to monitor the progress of the April 2024 Proposed Amendments to assess the impact, if any, that these proposed amendments could have on the Fund.

Recent and Future Market Conditions

Global financial markets have experienced substantial volatility in recent years. Significant sources of this volatility have included the revaluation of assets on the balance sheets of international financial institutions resulting in a reduction in liquidity among financial institutions and generally reduced availability of credit, substantial intervention by central banks as well as global governments in financial markets, low economic growth in various markets and economies, substantial changes in currency valuations and commodity prices and concerns regarding both inflation and deflation. Further, continued concerns about global health risks or epidemics/pandemics, the European Sovereign debt crisis, uncertainty surrounding the implementation of the United States-Mexico-Canada Agreement, developments in the Middle East and North Korea, strained trade relations between and trade barriers instituted by the

U.S. and a number of other countries (including Canada), matters related to the United Kingdom's withdrawal from the EU, and matters related to the U.S. government debt limits, may adversely impact the global equity markets, which may adversely affect the prospects of the Fund and the value of the Fund. A substantial drop in the markets in which the Fund invests could be expected to have a negative effect on the value of the Preferred Shares and Class A Shares of the Fund.

The outbreak of the respiratory disease designated as a novel coronavirus in December 2019 has caused substantial volatility and declines in global financial markets, which have caused losses for investors. The impact of this novel coronavirus pandemic, and other epidemics and pandemics that may arise in the future, may be short term or may last for an extended period of time, and in either case may result in a substantial economic downturn or recession.

Accrued Gains

The adjusted cost base to the Fund for tax purposes of shares of certain securities in the Portfolio may be less than their fair market value. Accordingly, all Shareholders may be liable for tax on capital gains attributable to such securities to the extent such capital gains tax is not refundable to the Fund and such capital gains are therefore distributed as a capital gains dividend.

Cyber Security Risk

Cyber security risk is the risk of harm, loss and liability resulting from a breach or failure of information technology systems. Breaches or failures of information technology systems ("Cyber Security Events") can result from deliberate attacks or unintentional events and may arise from external or internal sources. Deliberate cyber attacks include gaining unauthorized access to digital systems (through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, equipment or systems, or causing operational disruption. Deliberate cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users).

The primary risk to the Fund from the occurrence of Cyber Security Events include disruption in operations, reputational damage, disclosure of confidential information, regulatory penalties, additional compliance costs associated with corrective measures, and/or financial loss. The Fund's third party service providers (e.g., custodian, administrator, transfer agent or the issuers that the Fund invests in) may also be subject to a Cyber Security Event which could adversely affect the Fund and its operations. The Fund cannot control the cyber security plans and systems put in place by its service providers or any other third party whose operations may affect the Fund or its shareholders and they could be adversely affected as a result.

EXCHANGE OF TAX INFORMATION

Due diligence and reporting obligations in the Tax Act have been enacted to implement the Canada-United States Enhanced Tax Information Exchange Agreement. As long as Preferred Shares and Class A Shares continue to be registered in the name of CDS and to be regularly traded on the TSX, or any other established securities market, the Fund should not have any U.S. reportable accounts and, as a result, should not be required to provide information to the CRA in respect of its Shareholders. However, dealers through which Shareholders hold their Preferred Shares and Class A Shares are subject to due diligence and reporting obligations with respect to financial accounts they maintain for their clients. Shareholders, or their controlling persons, may be requested to provide information to their dealer to identify U.S. persons holding Preferred Shares and Class A Shares. If (a) it is determined that a Shareholder, or their controlling persons, is a "Specified U.S. Person" (including a U.S. citizen who is a resident of Canada), (b) no such determination has been made but the information provided includes an indication of U.S. status and sufficient evidence to the contrary is not timely provided, or (c) in certain circumstances a Shareholder does not provide the requested information and indicia of U.S. status are present, then Part XVIII of the Tax Act will generally require information about the Shareholder's investments held in the financial account maintained by the dealer to be reported to the CRA, unless the investments are held within a Registered Plan. The CRA will then provide that information to the U.S. Internal Revenue Service.

Reporting obligations in the Tax Act have been enacted to implement the Organization for Economic Co-operation and Development Common Reporting Standard (the "CRS Rules"). Pursuant to the CRS Rules, Canadian financial institutions are required to have procedures in place to identify accounts held by tax residents of foreign countries

(other than the U.S.) (“Reportable Jurisdictions”) or by certain entities any of whose “controlling persons” are tax residents of Reportable Jurisdictions. The CRS Rules provide that Canadian financial institutions must report certain account information and other personal identifying details of Shareholders (and, if applicable, of such controlling persons) who are tax residents of Reportable Jurisdictions to the CRA annually. Such information would generally be exchanged by the CRA on a reciprocal, bilateral basis with Reportable Jurisdictions in which the account holders or such controlling persons are tax resident under the provisions and safeguards of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters or the relevant bilateral tax treaty. Under the CRS Rules, Shareholders will be required to provide such information regarding their investment in the Fund to their dealer for the purpose of such information exchange, unless the investment is held within a Registered Plan. The CRA will then provide that information to the tax authorities of the relevant Reportable Jurisdictions.

FEES AND EXPENSES

Management Fee

The Manager receives an annual management fee (the “Management Fee”) from the Fund equal to 0.10% per annum of NAV, calculated and payable monthly in arrears, plus any applicable taxes for providing management and administrative services to the Fund. The Fund also pays the Manager an investment management fee equal to 0.80% per annum of the NAV, calculated and payable monthly, plus any applicable taxes for providing investment management services to the Fund.

The Manager manages the day-to-day business and operations of the Fund and provides all general management and administrative services including but not limited to providing portfolio management and investment advisory services, making investment decisions and making brokerage arrangements for the purchase and sale of securities including in respect of the Fund’s covered call writing program.

Ongoing Expenses

The Fund pays for all expenses incurred in connection with the operation and administration of the Fund. It is expected that these expenses will include, without limitation: (a) mailing and printing expenses for periodic reports to shareholders; (b) fees payable to the Transfer Agent; (c) fees payable to members of the IRC of the Fund; (d) fees payable to the auditor and legal advisors of the Fund; (e) regulatory filing, stock exchange and licensing fees; (f) website maintenance costs and other marketing costs; and (g) expenditures incurred upon the termination of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which Mulvihill is entitled to an indemnity by the Fund. The Fund will also be responsible for all commissions and other costs of securities transactions and any extraordinary expenses which may be incurred by it from time to time.

LEGAL MATTERS

Unless otherwise specified in the Prospectus Supplement, certain legal matters relating to any offering of Preferred Shares and Class A Shares will be passed upon by Osler, Hoskin & Harcourt LLP, Toronto, Ontario. As of the date hereof, the partners and associates of Osler, Hoskin & Harcourt LLP, as a group, own less than 1% of the outstanding Preferred Shares or Class A Shares of the Fund.

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 of Canada, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price 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.

CERTIFICATE OF THE FUND AND THE MANAGER

Dated: August 7, 2024

This short form base shelf prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada.

PREMIUM INCOME CORPORATION

(signed) “*John P. Mulvihill*”
Chief Executive Officer

(signed) “*John D. Germain*”
Chief Financial Officer

On behalf of the Board of Directors

(signed) “*Robert G. Bertram*”
Director

(signed) “*R. Peter Gillin*”
Director

**MULVIHILL CAPITAL MANAGEMENT INC.
(as Manager)**

(signed) “*John P. Mulvihill*”
Chief Executive Officer

(signed) “*John D. Germain*”
Chief Financial Officer

On behalf of the Board of Directors

(signed) “*John P. Mulvihill*”
Chief Executive Officer

(signed) “*John D. Germain*”
Chief Financial Officer

(signed) “*John P. Mulvihill Jr.*”
Director