

FIRST PREMIUM U.S. INCOME TRUST

NOTICE OF SPECIAL MEETING OF UNITHOLDERS AND MANAGEMENT INFORMATION CIRCULAR

Meeting to be held at 12:00 p.m.

July 28, 1999

TSE Conference Centre

The Exchange Tower

130 King Street West

Toronto, Ontario

NOTICE OF SPECIAL MEETING OF UNITHOLDERS

TAKE NOTICE THAT a Special Meeting (the "Meeting") of the holders of units of First Premium U.S. Income Trust (the "Trust") will be held at the TSE Conference Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario on July 28, 1999, at the hour of 12:00 p.m. (Toronto time) for the following purposes:

1. To consider and, if thought advisable, approve a special resolution (the "Special Resolution") amending the Trust Agreement of the Trust to permit the Trust to write cash covered put options in accordance with the provisions of National Policy Statement No. 39 of the Canadian Securities Administrators, as more fully described in the accompanying Management Information Circular.
2. To transact such further and other business as may properly come before the Meeting or any adjournment or adjournments thereof.

A copy of the Special Resolution is attached as Appendix I to the Management Information Circular which accompanies this Notice.

Dated at Toronto, Ontario this 28th day of June, 1999.

By Order of the Board of Directors of the Manager of
the Trust



JOHN P. MULVIHILL
President and Chief Executive Officer

Note: If you are unable to attend the Meeting in person you are requested to complete, date and sign the enclosed form of proxy and return it in the envelope provided. Proxies should either be mailed, using the envelope provided, to Montreal Trust Company of Canada or, alternatively, delivered by hand to Montreal Trust Company of Canada at 151 Front Street West, 8th Floor, Toronto, Ontario, M5J 2N1. To be used at the Meeting, proxies must be received by no later than 5:00 p.m. (Toronto time) on the day before the day of the Meeting or any adjournment thereof or may be deposited 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.

FIRST PREMIUM U.S. INCOME TRUST

First Premium U.S. Income Trust (the “Trust”) is an investment trust established under the laws of the Province of Ontario pursuant to a trust agreement dated as of January 22, 1997 (the “Trust Agreement”) between Mulvihill Fund Services Inc. (“Mulvihill”) as Manager, and The Royal Trust Company (the “Trustee”) as trustee. Mulvihill is a wholly owned subsidiary of Mulvihill Capital Management Inc. (“MCM”), the Trust’s investment manager. The principal office of each of the Trust, Mulvihill and MCM is located at 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario, M5H 3T9.

A glossary of terms is attached as Appendix II to this Information Circular.

For further information relating to the Trust, see “Appendix III – Additional Information”.

DETAILS OF THE PROPOSED AMENDMENT

Background

The Trust invests in a diversified portfolio (the “Portfolio”) consisting principally of common shares issued by corporations that rank in the top 50 of the Standard & Poor’s 100 Index on the basis of market capitalization. The securities comprising the Portfolio may also include instalment receipts for common shares and securities convertible into or exchangeable for common shares. To generate additional returns above the dividend income earned on the Portfolio, the Trust writes covered call options in respect of all or a part of the securities in the Portfolio from time to time.

In addition to writing covered call options, and to the extent permitted by Canadian securities regulators from time to time, the Trust is permitted to purchase call options with the effect of closing out existing call options written by the Trust. The Trust is also permitted to purchase put options in order to protect the Trust from declines in the market prices of the individual securities in its investment portfolio or in the value of the investment portfolio as a whole. The Trust may also enter into trades to close out positions in such permitted derivatives.

The Trust is currently permitted to use derivatives permitted under NP 39 to hedge the Trust’s foreign currency exposure. Such permitted derivatives may include clearing corporation options, futures contracts, options on futures, over-the-counter options and forward contracts.

As the Trust may also, from time to time, hold a portion of its assets in cash equivalents, it is proposed that the Trust utilize such cash equivalents to write cash covered put options. As the Trust is not presently permitted to write cash covered put options pursuant to the Trust Agreement and original prospectus document, the approval of unitholders is required in order to write cash covered put options as described herein. The writing of cash covered put options is a permitted activity under National Policy Statement No. 39 of the Canadian Securities Administrators (“NP 39”) and would complement the Trust’s current practice of writing cash covered call options.

The Proposal

Unitholders are being asked to pass a special resolution in the form attached hereto as Appendix I (the “Special Resolution”) amending the Trust Agreement to permit the Trust to write cash covered put options in accordance with NP 39. Put options would only be written in respect of a security if, so long as the options are exercisable, the Trust continues to hold cash equivalents sufficient to acquire the securities underlying the options at the aggregate strike price of such options and the Trust would not reduce the total amount of cash equivalents held by the Trust to an amount less than the aggregate strike price of all outstanding put options written by the Trust.

Utilization of Cash Equivalents

The Trust is currently permitted to hold a portion of its assets in cash equivalents. If approved, the Special Resolution would enable the Trust to utilize such cash equivalents to provide cover in respect of the writing of cash covered put options.

Such cash covered put options are intended to generate additional returns and to reduce the net cost of acquiring the securities subject to the put options and will only be written in respect of securities in which the Trust is permitted to invest.

The writing of put options by the Trust will involve selling put options. Such options may be either exchange traded options or over-the-counter options. The holder of a put option will have the option, exercisable during a specific time period or at expiry, to sell the securities underlying the option to the Trust at the strike price per security. By selling put options, the Trust will receive option premiums, which are generally paid within one business day of the writing of the option. The Trust however, must maintain cash equivalents in an amount at least equal to the aggregate strike price of all securities underlying the outstanding put options which it has written. If at any time during the term of a put option or at expiry, the market price of the underlying securities is below the strike price, the holder of the option may exercise the option and the Trust will be obligated to buy the securities from the holder at the strike price per security. In such case, the Trust will be obligated to acquire a security at a strike price which may exceed the then current market value of such security. However, if at the expiration of the put option, the option is out-of-the-money, the holder of the option will likely not exercise the option and the option will expire. In each case, the Trust will retain the option premium.

The Trust is subject to the full risk of its investment position in the securities underlying put options written by the Trust, should the market price of such securities decline.

There can be no assurance that a liquid exchange or over-the-counter market will exist to permit the Trust to write cash covered put options on desired terms or to close out option positions should the investment manager desire to do so. In purchasing call or put options or entering into forward or future contracts, the Trust is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments, or other third party in the case of over-the-counter instruments) may be unable to meet its obligations. The ability of the Trust to close out its positions may also be affected by exchange imposed daily trading limits on options or the lack of a liquid over-the-counter market. Upon the exercise of a put option, the Trust will be obligated to acquire a security at the strike price which may exceed the then current market value of such security.

In determining its income for tax purposes, the Trust will treat gains and losses realized on the option premiums received on the writing of cash covered put options and any losses sustained on closing out options as capital gains and capital losses in accordance with Revenue Canada's published administrative practice. Revenue Canada'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 Revenue Canada. See "Canadian Federal Income Tax Considerations".

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

RECOMMENDATION OF THE MANAGER AND ADVISORY BOARD

The Manager of the Trust and the Trust's Advisory Board have determined that the proposed amendment contained in the Special Resolution is in the best interests of the Trust and the unitholders and recommend that unitholders vote in favour of the Special Resolution.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

Acceptance or rejection of the Special Resolution will not give rise to a disposition of units by unitholders or otherwise affect the status of the Trust or the units.

As noted above, the Trust proposes to write cash covered put options in order to generate additional returns beyond the dividend income earned on the Portfolio and to reduce the cost of securities acquired by the Trust upon exercise of the cash covered put options. In accordance with Revenue Canada's published administrative practice, the Trust intends to treat premiums received upon writing cash covered put options, any losses sustained upon closing out such options and any gains or losses realized on disposition of securities acquired by the Trust upon exercise of a put option as capital gains and losses. Such capital gains and losses will be subject to the same treatment as other capital gains and losses of the Trust. Revenue Canada'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 Revenue Canada.

VOTING SECURITIES AND PRINCIPAL HOLDERS

As of June 14, 1999, there were 11,891,954 units outstanding.

As of June 14, 1999, to the knowledge of the Manager, no person owns of record more than 10% of the outstanding units of the Trust other than CDS & Co., the nominee of The Canadian Depositary for Securities Limited which holds all of such 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 the Manager 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 Information Circular. 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 Manager.

Voting Rights, Record Date, Quorum and Proxy Information

To be used at the Meeting, a proxy must be deposited with Montreal Trust Company of Canada at its principal offices in Toronto at any time up to 5:00 p.m. (Toronto time) on the day before the day of the Meeting 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 June 28, 1999 of units will be entitled to vote in respect of the matters to be voted on at the Meeting, or any adjournment thereof, including the Special Resolution.

All units of the Trust are registered in the name of CDS & Co., the nominee of The Canadian Depositary for Securities Limited, which holds a global certificate representing all such units. In order to ensure that units beneficially owned by a holder are voted at the Meeting, beneficial holders should ensure that all appropriate instructions regarding voting are given to their brokers or nominees. Typically, brokers now delegate the responsibility for obtaining such instructions from beneficial holders to Independent Investor Communications Corporation which provides beneficial holders with an instruction form. Beneficial holders of units should ensure that such an instruction form is completed or instructions are given to their broker or nominee in order to ensure that their units are voted.

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 at least two unitholders present in person or represented by proxy holding not less than 10% of the issued and 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 for 12:00 p.m. (Toronto time) on August 9, 1999. 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 Meeting, will be voted in favour of all matters identified in such Notice of Meeting.**

Discretionary Authority of Proxies

The proxy form confers discretionary authority upon the management appointees named therein with respect to such matters, including without limitation an amendment or variation to the Special Resolution, as, though not specifically set forth in the Notice of Meeting, may properly come before the Meeting. The Manager 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 Meeting.

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 Special 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 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 Manager 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.

Approval by the Board of Directors of the Manager and Advisory Board

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



JOHN P. MULVIHILL
President and Chief Executive Officer

APPENDIX I
FIRST PREMIUM U.S. INCOME TRUST
SPECIAL RESOLUTION OF THE UNITHOLDERS

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The entering into of an amending agreement (the “Amending Agreement”) amending the terms of the Trust Agreement dated January 22, 1997 between Mulvihill Fund Services Inc. and The Royal Trust Company providing that the Trust be permitted to write cash covered put options in accordance with National Policy Statement No. 39 of the Canadian Securities Administrators (in addition to transactions involving derivatives currently permitted under the Trust Agreement) is hereby authorized and approved.
2. Mulvihill Fund Services Inc. and The Royal Trust Company are authorized and directed to finalize and execute: (i) the Amending Agreement with such additions, deletions or other changes as they may approve and (ii) all such further documents as in their sole discretion, they deem desirable in order to give effect to this Special Resolution.

APPENDIX II

GLOSSARY

cash covered put option	means a put option entered into in circumstances where the seller of the put option holds cash equivalents sufficient to acquire the securities underlying the option at the strike price throughout the term of the option.
cash equivalents	means, and for the purposes of “cash cover” and “cash covered put option”, “cash” as used therein means, <ul style="list-style-type: none">(a) cash on deposit, or(b) treasury bills or other evidences of indebtedness issued, or fully guaranteed as to principal and interest, by:<ul style="list-style-type: none">(i) any of the Federal or Provincial Governments of Canada; or(ii) the Government of the United States; provided that such treasury bills or other evidences of indebtedness have a rating of at least R-1 (mid) by Dominion Bond Rating Service Limited or the equivalent rating from another approved rating organization and mature in less than one year; or(c) an evidence of deposit, maturing in less than one year, issued, or fully guaranteed as to principal and interest, by:<ul style="list-style-type: none">(i) a bank to which the <i>Bank Act</i> (Canada) applies; or(ii) a loan corporation or trust company registered under applicable federal or provincial legislation; provided that the short term debt instruments of such institution have a rating of at least R-1 (mid) by Dominion Bond Rating Service Limited or the equivalent rating from another approved rating organization.
out-of-the-money	in relation to a put option, means a put option with a strike price less than the current market price of the underlying security.
permitted derivative	means clearing corporation options, futures contracts, options on futures, over-the-counter options, and forward contracts.
put option	means the right, but not the obligation, of the option holder to sell a security to the seller of the option at a specified price at anytime during a specified time period or at expiry.
strike price	in relation to a put option, means the price at which the option holder may sell the underlying security.

APPENDIX III
ADDITIONAL INFORMATION
MANAGEMENT CONTRACTS

The Manager

Pursuant to the Trust Agreement, Mulvihill Fund Services Inc. (“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 Mulvihill Capital Management Inc. (“MCM”).

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

JOHN P. MULVIHILL	President, Secretary and Director
Toronto, Ontario	
DAVID N. MIDDLETON	Treasurer and Director
Toronto, Ontario	
JOHN H. SIMPSON	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 willful misconduct, bad faith, negligence or breach of its obligations under the Trust Agreement.

Mulvihill may resign upon 60 days notice to unitholders and the Trust or such lesser notice as the Trustee 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 Trustee 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 Mulvihill as manager and on behalf of the Trust and MCM dated January 22, 1997.

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 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.

MCM receives fees for its services under the Investment Management Agreement equal to an annual rate of 1.65% 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. 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 willful 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”) consisting of up to 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 Trustee

The Royal Trust Company is 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.