

# **FIRST PREMIUM U.S. INCOME TRUST**

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

**Meeting to be held at 8:30 a.m.  
November 21, 2005  
1 First Canadian Place  
Suite 6300  
100 King Street West  
Toronto, Ontario**

## First Premium U.S. Income Trust

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

October 25, 2005

Dear Unitholders:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sincerely,



JOHN P. MULVIHILL  
President

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## NOTICE OF SPECIAL MEETING OF UNITHOLDERS

**TAKE NOTICE THAT** a Special Meeting (the “Meeting”) of the holders (“Unitholders”) of units (“Units”) of First Premium U.S. Income Trust (the “Trust”) will be held at 1 First Canadian Place, Suite 6300, 100 King Street West, Toronto, Ontario on November 21, 2005, at the hour of 8:30 a.m. (Toronto time) for the following purposes:

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

- amend the investment strategy and investment restrictions of the Trust. The Trust will invest exclusively in the six largest Canadian banks and the four largest Canadian life insurance companies by market capitalization (the “Financial Portfolio”);
- extend the termination date of the Trust to March 31, 2011 from January 1, 2007;
- change the capital structure of the Trust to a “split trust” structure. Under this proposal, existing Units would first be consolidated such that after giving effect to the consolidation, net asset value (“NAV”) per Unit would be approximately \$25.00 (Units are expected to be consolidated on an approximate 2.3 to 1 basis). Unitholders would receive for each Unit held: (i) one capital unit of the Trust (a “Capital Unit”) with an initial NAV of approximately \$12.50 and (ii) one preferred security of the Trust (a “Preferred Security”) with a principal amount of \$12.50;
- in connection with the Special Resolution, if approved, Mulvihill Fund Services Inc., as manager, and Mulvihill Capital Management Inc., as investment manager, will reduce their fees by approximately 37% from a total of 1.75% per annum of NAV to 1.10% per annum of the Trust’s total assets from and after the effective date of the Special Resolution and the Trust will change its name to Top 10 Split Trust to reflect better its new investment strategy;
- amend the investment objectives of the Trust. The Trust’s investment objectives for the Capital Units will be (i) to provide holders of Capital Units, upon redemption, with the benefit of any capital appreciation in the market price of the securities in the Financial Portfolio and (ii) to pay quarterly distributions to holders of Capital Units in an amount targeted to be 7.5% per annum of the NAV of the Trust. The Trust’s investment objectives for the Preferred Securities will be (i) to pay holders of Preferred Securities fixed quarterly cash interest payments at least equal to 6.00% per annum on the \$12.50 principal amount of a Preferred Security and (ii) to repay the principal amount of \$12.50 per Preferred Security on termination of the Trust on March 31, 2011;
- move the redemption right available to Unitholders at 100% of NAV per Unit from December 31, 2005 to November 30, 2005 in order to give Unitholders an opportunity to exit earlier should they wish not to participate in the Trust going forward. As a result of this change, there would be no December 31, 2005 redemption right for securityholders;
- permit the Trust to issue additional Capital Units and Preferred Securities on a non-dilutive basis; and
- provide for the payment of an annual service fee of 0.40% of the value of the Capital Units to investment dealers whose clients hold Capital Units if the Trust completes a public offering of additional Capital Units and Preferred Securities after the Special Resolution has been approved,

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

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

Dated at Toronto, Ontario this 25th day of October, 2005.

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

A handwritten signature in black ink, appearing to read "John Mulvihill". The signature is written in a cursive style with a large, looping initial "J".

JOHN P. MULVIHILL  
President

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

## 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 January 22, 1997, as amended from time to time (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 pursuant to an investment management agreement between the Trust and MCM dated January 22, 1997.

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

The Trust’s current investment objectives are: (i) to provide holders (“Unitholders”) of units (“Units”) of the Trust with a stable stream of quarterly distributions of at least \$0.50 per Unit (\$2.00 per annum); and (ii) to return the original issue price of the Units (\$25.00 per Unit) to Unitholders upon termination of the Trust on January 1, 2007.

On February 3, 1997, the Trust completed its initial public offering of 12,500,000 Units pursuant to a final prospectus dated January 22, 1997. The Trust will terminate on January 1, 2007 (the “Termination Date”) and its net assets will be distributed thereafter to Unitholders unless the term is extended as part of the proposal contemplated in this Management Information Circular. Units of the Fund are currently listed on the Toronto Stock Exchange under the symbol FPU.UN.

The Trust currently invests in a diversified portfolio (the “Current Portfolio”) consisting primarily 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.

To generate returns above the dividend income earned on the Current Portfolio, the Trust writes covered call options in respect of all or a part of the securities in the Current Portfolio from time to time. From time to time, the Trust may also hold a portion of its assets in cash equivalents, which may be used to provide cover in respect of the writing of cash covered put options in respect of securities in which the Trust is permitted to invest. The composition of the Current Portfolio, the securities that are subject to call options and the terms of such options vary from time to time based on MCM’s assessment of market conditions. MCM also hedges the Trust’s foreign currency exposure through the use of permitted derivatives.

From time to time, the Current Portfolio may include debt securities having a remaining term to maturity of less than one year issued or guaranteed by the government of Canada or a province or the government of the United States or short term commercial paper with a rating of at least R-1 (mid) by Dominion Bond Rating Service Limited or the equivalent rating from another approved rating organization.

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

## HISTORIC PERFORMANCE OF THE UNITS

Between February 3, 1997 and September 30, 2005, the Trust paid the holders of Units quarterly distributions totalling \$20.88 per Unit. The table below sets out in more detail information relating to the distributions paid to holders of Units.

| <u>Year</u>  | <u>Historical Distributions Per Unit</u> |
|--|--|
| 1997 <sup>(1)</sup> .....                            | \$ 2.58                                  |
| 1998 .....   | \$ 3.25                                  |
| 1999 .....   | \$ 4.50                                  |
| 2000 .....   | \$ 2.75                                  |
| 2001 .....   | \$ 2.00                                  |
| 2002 .....   | \$ 1.60                                  |
| 2003 .....   | \$ 1.40                                  |
| 2004 .....   | \$ 1.60                                  |
| 2005 <sup>(2)</sup> .....                            | <u>\$ 1.20</u>                           |
| <b>Total</b> .....                                   | <u>\$20.88</u>                           |
| <b>Annualized Distributions</b> <sup>(3)</sup> ..... | 9.64%                                    |

Notes:

- (1) Includes all distributions from February 3, 1997 to December 31, 1997.
- (2) Includes all distributions through September 30, 2005.
- (3) Based on the original issue price.

The Trust's second investment objective with respect to the Units is to return the original issue price of the Units on January 1, 2007. As at September 30, 2005, the net asset value ("NAV") per Unit was \$10.97. If the Special Resolution is approved (and after giving effect to the consolidation), the first distribution on the Capital Units is expected to be payable on December 31, 2005 and will consist of (i) the current regular \$0.40 per Unit distribution pro rated for the period from October 1, 2005 to the date the Capital Units and Preferred Securities are issued plus (ii) an amount equal to 7.5% per annum of NAV per Capital Unit from such date until December 31, 2005. The first distribution on the Preferred Securities is expected to be payable on December 31, 2005 at the rate of 6.00% per annum on the \$12.50 principal amount of a Preferred Security and will be pro rated from the date of issuance of the Preferred Securities until December 31, 2005. If the Capital Units and Preferred Securities are issued on December 5, 2005, the first distribution on the Capital Units is expected to be approximately \$0.723 per Capital Unit and the first interest payment on the Preferred Securities is expected to be approximately \$0.051 per Preferred Security.

The audited statement of investments of the Trust as at December 31, 2004, the statements of net assets as at December 31, 2004 and 2003, the statements of financial operations, of changes in net assets and of loss on sale of investments for the years then ended, as well as the auditors report thereon and the semi-annual unaudited statement of investments of the Trust as at June 30, 2005, the statements of net assets as at June 30, 2005 and 2004, the statements of financial operations, of changes in net assets and of loss on sale of investments for the periods then ended are hereby incorporated by reference into this Management Information Circular.

These financial statements of the Trust are also available on SEDAR at [www.sedar.com](http://www.sedar.com) and, upon request, the Trust will provide a copy of these financial statements free of charge to Unitholders.

## CURRENT PORTFOLIO

As of September 30, 2005, the top ten holdings of the Trust were:

- Exxon Mobil Corporation
- Proctor & Gamble Company
- Hewlett Packard Company
- Medtronic Inc.
- Amgen Inc.
- Merrill Lynch & Co. Inc.
- Citigroup Inc.
- Viacom Inc. Class B
- Johnson & Johnson Limited
- Morgan Stanley & Co. Inc.

As of September 30, 2005, the top ten holdings of the Trust represented the following:

|   |        |
|---|--------|
| % of Portfolio in Top Ten Holdings . . . . .              | 42.17% |
| % of Equity Portfolio Hedged with Put Options . . . . .   | 41.45% |
| % of Portfolio in Cash & Short Term Investments . . . . . | 10.44% |
| (Net of Cash Covered Put Options)                         |        |

### DETAILS OF THE PROPOSAL

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

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

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

- amend the investment strategy and investment restrictions of the Trust. The Trust will invest exclusively in the six largest Canadian banks and the four largest Canadian life insurance companies by market capitalization (the “Financial Portfolio”);
- extend the termination date of the Trust to March 31, 2011 from January 1, 2007;
- change the capital structure of the Trust to a “split trust” structure. Under this proposal, existing Units would first be consolidated such that after giving effect to the consolidation, net asset value (“NAV”) per Unit would be approximately \$25.00 (Units are expected to be consolidated on an approximate 2.3 to 1 basis). Unitholders would receive for each Unit held: (i) one Capital Unit with an initial NAV of approximately \$12.50 and (ii) one Preferred Security with a principal amount of \$12.50. The Trust will apply to list the Capital Units and the Preferred Securities on the Toronto Stock Exchange;
- in connection with the Special Resolution, if approved, Mulvihill Fund Services Inc., as manager, and Mulvihill Capital Management Inc., as investment manager, will reduce their fees by approximately 37% from a total of 1.75% per annum of NAV to 1.10% per annum of the Trust’s total assets from and after the effective date of the Special Resolution and the Trust will change its name to Top 10 Split Trust to reflect better its new investment strategy;
- amend the investment objectives of the Trust. The Trust’s investment objectives for the Capital Units will be (i) to provide holders of Capital Units, upon redemption, with the benefit of any capital appreciation in the market price of the securities in the Financial Portfolio and (ii) to pay quarterly distributions to holders of Capital Units in an amount targeted to be 7.5% per annum of the NAV of the Trust. The Trust believes this is a sustainable level for distributions on the Capital Units which should promote stability and growth in NAV consistent with the investment attributes of the new portfolio. The Trust’s investment objectives for the Preferred Securities will be (i) to pay holders of Preferred Securities fixed quarterly cash interest payments at least equal to 6.00% per annum on the \$12.50 principal amount of a Preferred Security and (ii) to repay the principal amount of \$12.50 per Preferred Security on termination of the Trust on March 31, 2011;
- move the redemption right available to Unitholders at 100% of NAV per Unit from December 31, 2005 to November 30, 2005 in order to give Unitholders an opportunity to exit earlier should they wish not to participate in the Trust going forward. As a result of this change, there would be no December 31, 2005 redemption right for securityholders;

- permit the Trust to issue additional Capital Units and Preferred Securities on a non-dilutive basis; and
- provide for the payment of an annual service fee of 0.40% of the value of the Capital Units to investment dealers whose clients hold Capital Units if the Trust completes a public offering of additional Capital Units and Preferred Securities after the Special Resolution has been approved.

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

If the Special Resolution is approved (and after giving effect to the consolidation), the first distribution on the Capital Units is expected to be payable on December 31, 2005 and will consist of (i) the current regular \$0.40 per Unit distribution pro rated for the period from October 1, 2005 to the date the Capital Units and Preferred Securities are issued plus (ii) an amount equal to 7.5% per annum of NAV per Capital Unit from such date until December 31, 2005. The first distribution on the Preferred Securities is expected to be payable on December 31, 2005 at the rate of 6.00% per annum on the \$12.50 principal amount of a Preferred Security and will be pro rated from the date of issuance of the Preferred Securities until December 31, 2005. If the Capital Units and Preferred Securities are issued on December 5, 2005, the first distribution on the Capital Units is expected to be approximately \$0.723 per Capital Unit and the first interest payment on the Preferred Securities is expected to be approximately \$0.051 per Preferred Security.

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

Further details relating to the Special Resolution are discussed below.

### **Change to a “Split Trust” Structure**

Unitholders are being asked to permit the Trust to amend its capital structure to a “split trust” structure. Under this proposal, existing Units would first be consolidated such that after giving effect to the consolidation NAV would be approximately \$25.00 (Units are expected to be consolidated on an approximate 2.3 to 1 basis). Unitholders would receive for each Unit held: (i) one Capital Unit with an initial NAV of approximately \$12.50 and (ii) \$12.50 which will be automatically invested in one Preferred Security with a principal amount of \$12.50. The Preferred Securities have been provisionally rated Pfd-2 (low) by Dominion Bond Rating Service Limited.

Based upon the existing capital loss carry forwards of approximately \$45 million available to the Trust, and because the Trust will be able to deduct the interest on the Preferred Securities, the Trust expects that all of the quarterly cash distributions payable by it to holders of Capital Units over the remaining life of the Trust will be return of capital distributions that are generally not subject to tax, but which would reduce the adjusted cost base of Capital Units.

The Trust will apply to list the Capital Units and the Preferred Securities on the Toronto Stock Exchange.

The attributes of the Capital Units and the Preferred Securities are set out below under “Details of the Capital Units and Preferred Securities”. Unitholders are urged to carefully read this section of the Management Information Circular as it describes the rights and privileges of both the Capital Units and Preferred Securities. Such rights and privileges differ from the attributes of the Units currently outstanding. See “Risk Factors”. The following is a summary of the attributes of the Capital Units and the Preferred Securities:

### **Capital Units**

#### **Distributions:**

The Trust intends to provide holders with the opportunity to receive quarterly cash distributions. The Trust will endeavour to pay quarterly cash distributions to holders of Capital Units in an amount targeted to be 7.5% per annum of NAV of the Trust.

Distributions will be payable to holders on the last business day of March, June, September and December in each year. The Trust expects that the initial distribution will be paid on or about December 31, 2005.

See “Details of the Capital Units and the Preferred Securities — Certain Provisions of the Capital Units — Distributions.”

**Retractions:**

A holder may surrender at any time (a “Regular Monthly Retraction”) commencing in January 2006 a Capital Unit for retraction (either alone or together with the surrender of a Preferred Security for repayment), to Computershare Investor Services Inc. (in the manner described below) at least five (5) business days prior to the last business day in the month (the “Retraction Date”) for retraction, subject to the Trust’s right to suspend retractions or to postpone payment of retraction proceeds in certain circumstances described under “Details of the Capital Units and the Preferred Securities — Suspension of Retractions and Repayments”. Capital Units and Preferred Securities surrendered for retraction and repayment in this manner will be retracted on the Retraction Date. A holder will receive payment therefor on or before the fifth business day following such Retraction Date (the “Retraction Payment Date”).

*Regular Monthly Retraction:* A holder of Capital Units retracting Capital Units under a Regular Monthly Retraction (without surrendering a corresponding Preferred Security) will receive the amount, if any, by which 95% of the Combined Value exceeds the aggregate of (i) the price paid by the Trust for one Preferred Security in the market; and (ii) \$0.50.

*Concurrent Retraction:* A holder who surrenders a Capital Unit together with a Preferred Security will receive an amount equal to 95% of the Combined Value less \$0.50.

*Special Annual Retraction:* A holder who surrenders a Capital Unit for retraction on the last business day in December (commencing in December 2006) (a “Special Annual Retraction”) (without surrendering a corresponding Preferred Security for repayment) will receive an amount equal to the Combined Value minus the price paid by the Trust for one Preferred Security in the market.

A holder of Capital Units who surrenders one Capital Unit and one Preferred Security under a Special Annual Retraction will receive an amount equal to the Combined Value.

See “Details of the Capital Units and the Preferred Securities — Certain Provisions of the Capital Units — Retraction and Redemption.”

**Redemption Upon Termination of the Trust:**

Any outstanding Capital Units will be redeemed by the Trust on the termination date and each holder of Capital Units will be entitled to receive for each Capital Unit so redeemed the amount, if any, described under the heading “Details of the Capital Units and the Preferred Securities — Certain Provisions of the Capital Units — Retraction and Redemption.”

**Ranking:**

The payment of interest on the Preferred Securities will be made in priority to any distributions on the Capital Units. Distributions on the Capital Units are conditional upon the Trust being current in its obligation to pay interest on the Preferred Securities in accordance with the terms of the Trust Indenture.

See “Details of the Capital Units and the Preferred Securities — Certain Provisions of the Capital Units — Distributions.”

**Preferred Securities**

**Credit Rating:**

The Preferred Securities have been provisionally rated Pfd-2 (low) by Dominion Bond Rating Service Limited.

See “Details of the Capital Units and the Preferred Securities — Certain Provisions of the Preferred Securities — Credit Rating.”

**Interest Payments:**

The Trust will pay holders of Preferred Securities cash interest payments at least equal to 6.00% per annum on the \$12.50 principal amount of a Preferred Security (the “Preferred Security Interest Amount”), which will be paid, net of applicable non-resident withholding tax, quarterly in arrears on the last day of each of March, June, September and December of each year up to and including the Maturity Date (or if the last day is not a business day, no later than the following business day). If the Special Resolution is approved, interest on the Preferred Securities will be payable at a rate of 6.00% per annum until the earlier of the closing of a new issue of the Trust’s securities and March 31, 2006 (the “Initial Period”) and after the Initial Period and until the repayment date at a rate per annum equal to the greater of 6.00% and a rate, if any, which the Manager may fix to reflect the current market conditions existing prior to the end of the Initial Period. Interest will accrue on all unpaid interest amounts.

See “Details of the Capital Units and the Preferred Securities — Certain Provisions of the Preferred Securities — Interest Payments.”

**Payment on Maturity:**

The Preferred Securities will mature on March 31, 2011, or automatically on such earlier date upon which the Trust terminates (any such date being the “Maturity Date”), at which date the Repayment Price of each Preferred Security will be payable by the Trust, by payment by the Trust of such amount to the Indenture Trustee.

See “Details of the Capital Units and the Preferred Securities — Certain Provisions of the Preferred Securities — Payment on Maturity.”

**Concurrent Retraction:**

A holder of Preferred Securities may surrender a Preferred Security for repayment together with a Capital Unit under a Regular Monthly Retraction or a Special Annual Retraction of Capital Units. See “Details of the Capital Units and the Preferred Securities — Certain Provisions of the Capital Units — Retraction and Redemption” and “Details of the Capital Units and the Preferred Securities — Certain Provisions of the Preferred Securities — Suspension of Retractions and Repayments”.

**Investment Objectives**

Unitholders are being asked to permit the Trust to amend its investment objectives. The Trust’s proposed investment objectives are:

- (i) **Capital Units** — (A) to provide holders of Capital Units, upon redemption, with the benefit of any capital appreciation in the market price of the securities in the Financial Portfolio; and (B) to pay quarterly distributions to holders of Capital Units in an amount targeted to be 7.5% per annum of the NAV of the Trust; and
- (ii) **Preferred Securities** — (A) to pay holders of Preferred Securities fixed quarterly cash interest payments at least equal to 6.00% per annum on the \$12.50 principal amount of a Preferred Security; and (B) to repay the principal amount of \$12.50 per Preferred Security on termination of the Trust on March 31, 2011. Interest on the Preferred Securities will be payable at a rate of 6.00% per annum until the earlier of the closing of a new issue of the Trust’s securities and March 31, 2006 (the “Initial Period”) and after the Initial Period and until the repayment date at a rate per annum equal to the greater of 6.00% and a rate, if any, which the Manager may fix to reflect the current market conditions existing prior to the end of the Initial Period.

**New Portfolio/Investment Strategy**

Unitholders are also being asked to permit the Trust to amend its investment strategy. The Trust’s new proposed investment strategy will be to invest exclusively in: (i) the six (6) largest Canadian banks and (ii) the four (4) largest Canadian life insurance companies (the “Financial Portfolio”). The Trust will generally invest not less than 5% and not more than 15% of the Trust’s assets in each of the companies in the Financial Portfolio.

The tables below set out, as at September 30, 2005, the following information for each entity whose securities would currently be included in the Financial Portfolio: name, market capitalization, dividend yield, the average 30-day volatility and the 5-year price compound annual growth rate.

|  | <u>Market<br/>Capitalization</u><br>(SCAD<br>Million) | <u>Dividend Yield</u> | <u>30-Day Price<br/>Volatility</u> | <u>5-Year Price<br/>CAGR</u> |
|--|---|-----------------------|------------------------------------|------------------------------|
| <b>Banks</b>   |   |                       |                                    |                              |
| Bank of Montreal . . . . .   | 28,367.13   | 3.43%                 | 12.37%                             | 11.09%                       |
| The Bank of Nova Scotia . . . . .                                    | 41,664.05   | 3.21%                 | 11.40%                             | 14.68%                       |
| Canadian Imperial Bank of Commerce . . . . .                         | 23,809.75   | 3.79%                 | 12.88%                             | 7.96%                        |
| National Bank of Canada . . . . .                                    | 9,736.17  | 3.00%                 | 14.85%                             | 20.38%                       |
| Royal Bank of Canada . . . . .                                       | 53,907.70   | 3.05%                 | 15.58%                             | 13.63%                       |
| The Toronto-Dominion Bank . . . . .                                  | 40,104.66   | 2.95%                 | 13.88%                             | 5.33%                        |
| <b>Life Insurance Companies</b>                                      |   |                       |                                    |                              |
| Great-West Lifeco Inc. . . . .                                       | 25,131.90   | 2.96%                 | 14.56%                             | 13.86%                       |
| Industrial Alliance Insurance and Financial<br>Services Inc. . . . . | 2,273.57  | 1.75%                 | 18.02%                             | 12.90%                       |
| Manulife Financial Corporation . . . . .                             | 48,268.25   | 1.97%                 | 15.92%                             | 14.42%                       |
| Sun Life Financial Inc. . . . .                                      | 24,499.18   | 2.40%                 | 17.40%                             | 7.05%                        |

To generate additional returns above the dividend income earned on the Financial Portfolio, the Trust will, from time to time, write covered call options in respect of all or part of the securities in the Financial Portfolio. In addition, the Trust 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 Trust is permitted to invest. The Financial Portfolio will be managed by the Trust's investment manager, MCM. The composition of the Financial Portfolio, the securities which are subject to call options and put options and the terms of such options will vary, from time to time, based upon MCM's assessment of market conditions.

#### ***Covered Option Writing***

The writing of call options by the Trust will involve the selling of call options in respect of some or all of the securities in the Financial Portfolio. Such call options may be either exchange traded options or over-the-counter options. Because call options will be written only in respect of securities that are in the Financial Portfolio and because the proposed investment restrictions of the Trust prohibit the sale of securities subject to an outstanding option, the call options will be covered at all times.

The holder of a call option purchased from the Trust will have the option, exercisable during a specific time period or at expiry, to purchase the securities underlying the option from the Trust at the strike price per security. By selling call options, the Trust will receive option premiums, which are generally paid within one business day of the writing of the option. If at any time during the term of a call option or at expiry, the market price of the underlying securities is above the strike price, the holder of the option may exercise the option and the Trust will be obligated to sell the securities to the holder at the strike price per security. Alternatively, the Trust may repurchase a call option which is in-the-money by paying the market value of the call option. If, however, the option is out-of-the-money at expiration of the call option, 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. See "— Call Option Pricing" below.

The amount of option premium depends upon, among other factors, the volatility of the price of the underlying security. The higher the volatility, the higher the option premium. In addition, the amount of the option premium will depend upon the difference between the strike price of the option and the market price of the underlying security at the time the option is written. The smaller the positive difference (or the larger the negative difference), the more likely it is that the option will become in-the-money during the term and, accordingly, the greater the option premium. See "— Call Option Pricing" below.

**If a call option is written on a security in the Financial Portfolio, the amounts that the Trust will be able to realize on the security during the term of the call option will be limited to the dividends received during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In**

essence, the Trust will forgo potential returns resulting from any price appreciation of the security underlying the option above the strike price in favour of the certainty of receiving the option premium.

### *Call Option Pricing*

Many investors and financial market professionals price call options based on the Black-Scholes Model. In practice, however, actual option premiums are determined in the marketplace and there can be no assurance that the values generated by the Black-Scholes Model can be attained in the market.

Under the Black-Scholes Model (modified to include dividends), the primary factors which affect the option premium received by the seller of a call option are the following:

|  |   |
|--|---|
| <i>the volatility of the price of the underlying security</i>  | the volatility of the price of a security measures the tendency of the price of the security to vary during a specified period. The higher the price volatility, the more likely that the price of that security will fluctuate (either positively or negatively) and the greater the option premium. Price volatility is generally measured in percentage terms on an annualized basis, based on price changes during a period of time immediately prior to or “trailing” the date of calculation. |
| <i>the difference between the strike price and the market price of the underlying security at the time the option is written</i> | the smaller the positive difference (or the larger the negative difference), the greater the option premium.  |
| <i>the term of the option</i>  | the longer the term, the greater the call option premium.   |
| <i>the “risk-free” or benchmark interest rate in the market in which the option is issued</i>                                    | the higher the risk-free interest rate, the greater the call option premium.  |
| <i>the dividends expected to be paid on the underlying security during the relevant term</i>                                     | the greater the dividends, the lower the call option premium.   |

### *Sensitivity Analysis Relating to the Option Premium*

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

1. the range of volatility shown in the table approximates the range of the historical average volatility of securities in the Financial Portfolio;
2. all options are exercisable at maturity and are written at the same percentage out-of-the-money;
3. all options have a term of 30-days (for illustrative purposes only — this assumption is not necessarily indicative of the extent to which options will be written by the Trust);
4. the Canadian risk-free or benchmark interest rate equals 2.75%; and
5. the average return from the dividends paid on the securities comprising the Financial Portfolio is 2.85%.

### **ANNUALIZED PREMIUMS FROM WRITING COVERED CALL OPTIONS (MEASURED AS A % RETURN)**

|                          |           | Average Volatility Of The Individual Stocks In The Financial Portfolio |       |       |       |       |       |       |       |       |       |       |
|--------------------------|-----------|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                          |           | 10%  | 12%   | 14%   | 16%   | 18%   | 20%   | 22%   | 24%   | 26%   | 28%   | 30%   |
| % Out-Of-The-Money . . . | <b>2%</b> | 4.9%   | 7.1%  | 9.5%  | 12.0% | 14.5% | 17.1% | 19.7% | 22.3% | 25.0% | 27.6% | 30.3% |
|                          | <b>1%</b> | 8.5%   | 11.1% | 13.7% | 16.4% | 19.1% | 21.8% | 24.5% | 27.2% | 29.9% | 32.6% | 35.3% |
|                          | <b>0%</b> | 13.6%  | 16.3% | 19.1% | 21.8% | 24.5% | 27.3% | 30.0% | 32.7% | 35.4% | 38.2% | 40.9% |

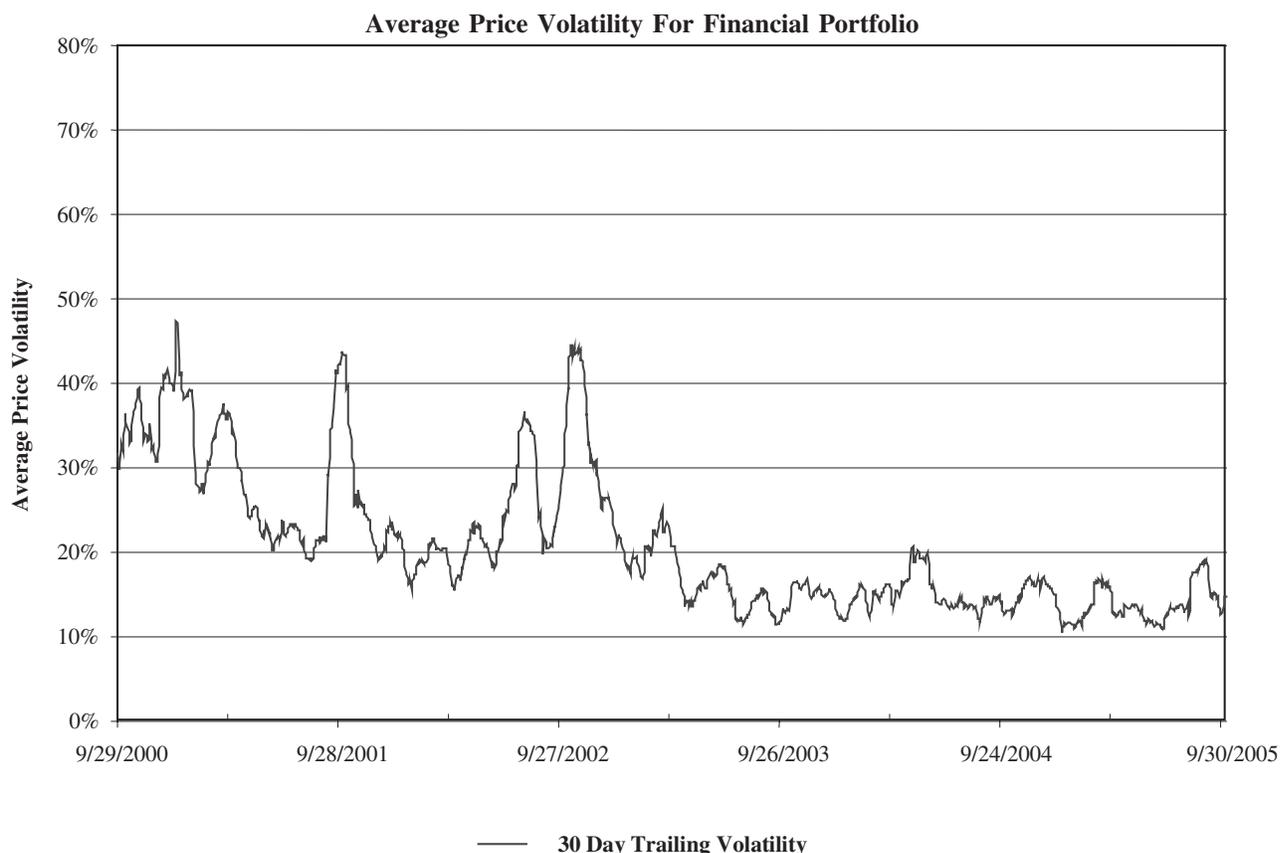
The information set forth above is provided for illustrative purposes only and should not be construed as a forecast or projection. No assurance can be given that the returns shown in this sensitivity analysis would ever be available or

realized. The range of percentage out-of-the-money shown in the above table is based on the range generally utilized by MCM in writing call options.

**Volatility History**

The historical average, low, high and current value of the trailing 30-day volatility (expressed in percentages on an annualized basis) for all of the securities in the Financial Portfolio for the 5 years ended September 30, 2005 is as follows:

|                               | 5 Year Volatility |        |        |         |
|-------------------------------|-------------------|--------|--------|---------|
|                               | Average           | Low    | High   | Current |
| Financial Portfolio . . . . . | 20.81%            | 10.43% | 47.29% | 14.69%  |



**The information set forth above is historical and is not intended to be, nor should it be construed as, an indication as to future volatility levels of the securities in the Financial Portfolio.**

**Sensitivity Analysis Relating to Volatility**

Based on the assumptions set out below, and maintenance of a constant Financial Portfolio NAV by assuming no gains or losses in the underlying Financial Portfolio securities at the expiration of the option, the following represents the percentage of the Trust’s Financial Portfolio against which covered call options would need to be written at different volatility levels to make interest payments of 6.00% per annum on the \$12.50 subscription price of the Preferred Securities and to pay the targeted distribution of 7.5% per annum on the current NAV of the Trust:

1. upon implementation of the Special Resolution, the Trust’s current NAV will be \$25.00 per Combined Security;
2. interest payments are 6.00% per Preferred Security on the \$12.50 subscription price and distributions are 7.5% per annum on the initial NAV of the Trust on the Capital Units;

3. the range of volatility shown in the table approximates the range of the historical average volatility of the securities in the Financial Portfolio;
4. all call options are exercisable at maturity and are written at the same percentage out-of-the-money;
5. all securities comprising the Financial Portfolio are subject to 30-day call options throughout the relevant period (for illustrative purposes only — this assumption is not necessarily indicative of the extent to which covered call options will be written by the Trust);
6. the Canadian risk-free or benchmark interest rate equals 2.75%;
7. the average return from the dividends paid on the securities in the Financial Portfolio is 2.85%;
8. annual expenses (ordinary and extraordinary) for the Trust are \$200,000, plus the fees payable to MCM and Mulvihill, which total 1.10% of total assets of the Trust, plus applicable tax.

**% OF PORTFOLIO REQUIRED TO BE WRITTEN TO ACHIEVE INTEREST PAYMENTS AND  
TARGET DISTRIBUTIONS  
(NET OF FEES AND EXPENSES)**

|                        |           | Average Volatility Of The Individual Stocks In The Portfolio |       |       |       |       |       |       |       |       |       |       |
|------------------------|-----------|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                        |           | 10%  | 12%   | 14%   | 16%   | 18%   | 20%   | 22%   | 24%   | 26%   | 28%   | 30%   |
| % Out-Of-The-Money . . | <b>2%</b> | 108.4%   | 84.0% | 67.9% | 56.6% | 48.3% | 42.1% | 37.2% | 33.3% | 30.2% | 27.5% | 25.3% |
|                        | <b>1%</b> | 74.2%  | 60.3% | 50.7% | 43.7% | 38.3% | 34.1% | 30.7% | 28.0% | 25.6% | 23.7% | 22.0% |
|                        | <b>0%</b> | 51.0%  | 43.7% | 38.3% | 34.0% | 30.7% | 27.9% | 25.6% | 23.6% | 21.9% | 20.5% | 19.2% |

***Utilization of Cash Equivalents***

The Trust may, from time to time, hold a portion of its assets in cash equivalents. The Trust may also, from time to time, utilize such cash equivalents to provide cover in respect of the writing of cash covered put options, which is intended to generate additional returns and to reduce the net cost of acquiring the securities subject to the put options. Such cash covered put options will only be written in respect of securities in which the Trust is permitted to invest.

The holder of a put option purchased from the Trust 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. If, however, the option is out-of-the-money at the expiration of the put option, 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.

**Investment Restrictions**

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

- (i) purchase securities of an issuer only if such securities are common equity securities of issuers selected from the Financial Portfolio. The Trust will generally invest not less than 5% and not more than 15% of the Trust's assets in the securities of each issuer in the Financial Portfolio;
- (ii) not purchase equity securities of issuers other than those permitted under paragraph (i) and may only purchase debt securities if such securities are cash equivalents;
- (iii) write a call option in respect of any security only if such security is actually held by the Trust at the time the option is written;
- (iv) not dispose of any security included in the Financial Portfolio that is subject to a call option written by the Trust unless such option has either terminated or expired;

- (v) write put options in respect of any security only if (a) the Trust is permitted to invest in such security, and (b) 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;
- (vi) reduce the total amount of cash equivalents held by the Trust, only if the total amount of cash equivalents held by the Trust remains an amount not less than the aggregate strike price of all outstanding put options written by the Trust;
- (vii) not enter into any arrangement (including the acquisition of securities for the Financial Portfolio and the writing of covered call options in respect thereof) where the result is a dividend rental arrangement for the purposes of the Income Tax Act (Canada) (the “Tax Act”);
- (viii) purchase put options on individual securities in the Financial Portfolio or exchange-listed index put options and purchase call options and put options with the effect of closing out existing call options and put options written on the Trust;
- (ix) not make or hold any investment that would result in more than 10% (by fair market value) of the Trust’s property being “taxable Canadian property” or other “specified property” as described in proposed amendments to the Tax Act released by the Minister of Finance (Canada) on September 16, 2004; and
- (x) not make or hold any investments that would result in the Trust failing to qualify as a “mutual fund trust” or a “unit trust” within the meaning of the Tax Act.

#### ***Use of Other Derivative Instruments***

The Trust may purchase put options on individual securities in the Financial Portfolio or exchange-traded indexed put options in order to protect the Trust from declines in the market prices of the individual securities in the Financial Portfolio or in the value of the Financial Portfolio as a whole. The Trust may enter into trades to close out positions in such permitted derivatives. In addition to writing covered call options and cash covered put options, and to the extent permitted by Canadian securities regulators from time to time, the Trust may purchase call options and put options with the effect of closing out existing call options and put options written by the Trust.

#### ***Securities Lending***

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

#### **Extension of Term**

Unitholders are being asked to permit the Trust to extend the termination date of the Trust to March 31, 2011 from January 1, 2007.

The Trust proposes to extend the termination date to March 31, 2011 in order to continue to provide Unitholders with the opportunity to remain Unitholders of the Trust and participate in the performance of the Financial Portfolio and to attempt to fully utilize the Trust’s accumulated capital losses.

#### **Amendment to Redemption Rights**

Unitholders are being asked to permit the Trust to move the redemption right available to Unitholders at 100% of NAV per Unit from December 31, 2005 to November 30, 2005.

The redemption right will allow Unitholders who do not wish to participate in the Trust after the effective date of the Special Resolution to exit on November 30, 2005 at 100% of NAV per Unit.

As a result of this change, there would be no December 31, 2005 redemption right for securityholders.

#### **Issuance of Additional Securities**

Unitholders will be asked to consider an amendment to permit the Trust to issue additional Capital Units and Preferred Securities on the basis that any such issuance is not dilutive to then current securityholders. This means that

the net proceeds per Combined Security issued must be at least equal to the most recently calculated Combined Value at the time the subscription price for the Capital Units and Preferred Securities is being determined. This amendment will permit the Trust to issue additional Capital Units and Preferred Securities if considered appropriate and will bring the Trust in line with similar rights contained in more recently offered funds.

### **Service Fee**

Unitholders are also being asked to approve a service fee (calculated and paid as soon as practicable after the end of each calendar quarter) equal to 0.40% per annum of the value of the Capital Units plus applicable taxes to investment dealers on a pro rata basis based on the respective number of Capital Units held by clients of the sales representatives of such dealers. The service fee would only be payable if the Trust completes a public offering of additional Capital Units and Preferred Securities after the Special Resolution has been approved.

The service fee will provide representatives of dealers with compensation for the ongoing services they provide to their clients who hold Capital Units of the Trust including administrative matters relating to clients' accounts and for monitoring the performance of their clients' investments in Capital Units of the Trust.

## **DETAILS OF THE CAPITAL UNITS AND PREFERRED SECURITIES**

### **Net Asset Value**

The NAV of the Trust and the NAV per Capital Unit will be calculated on each Valuation Date. The NAV on a particular Valuation Date will be equal to the aggregate value of the assets of the Trust, less the aggregate value of the liabilities of the Trust, including any income, net realized capital gains or other amounts made payable to holders on or before such Valuation Date. The liabilities of the Trust will include the obligation to repay the original subscription price of, and any accrued and unpaid interest on, the Preferred Securities. A "Valuation Date" is one Business Day every week (any day on which the Toronto Stock Exchange is open for trading is hereinafter referred to as a "Business Day"), December 31 of each year and the Termination Date (as hereinafter defined), as well as any other date on which the Manager elects, in its discretion, to calculate the NAV of the Trust and the NAV per Capital Unit.

### **NAV per Capital Unit**

The NAV per Capital Unit is the amount obtained by dividing the NAV of the Trust on a particular Valuation Date by the total number of Capital Units outstanding on that date. The NAV per Capital Unit determined on any Valuation Date will remain in effect until the next time NAV per Capital Unit is determined.

### **Repayment Price**

The "Repayment Price" is the amount, in respect of a Preferred Security, equal to the original subscription price, together with any accrued and unpaid interest thereon.

### **Combined Value**

A "Combined Security" is considered to consist of one Preferred Security and one Capital Unit. The "Combined Value" is the amount equal to the NAV per Capital Unit plus the Repayment Price.

### **Publication of Information**

The NAV per Capital Unit, the Repayment Price and the Combined Value will be made available through the Internet at [www.mulvihill.com](http://www.mulvihill.com).

### **Certain Provisions of the Capital Units**

#### ***General***

The Trust will be authorized to issue an unlimited number of transferable, redeemable trust units of one class, each representing an equal, undivided beneficial interest in the net assets of the Trust. All Capital Units have equal rights and privileges. Each whole Capital Unit is entitled to one vote at all meetings of holders of Capital Units and is entitled to participate equally with respect to any and all distributions made by the Trust, including distributions of net income and net realized capital gains, and any distributions upon the termination of the Trust after payment of debts and liabilities, including, without limitation, the aggregate Repayment Price of the Preferred Securities, and liquidation expenses of

the Trust. Capital Units are issued only as fully paid and are non-assessable. Fractions of Capital Units are proportionately entitled to all of these rights except voting rights.

### ***Distributions***

The Trust intends to provide holders with the opportunity to receive quarterly cash distributions. The Trust will endeavour to pay quarterly cash distributions to holders of Capital Units in an amount targeted to be 7.5% per annum of NAV of the Trust.

Distributions will be payable to holders on the last Business Day of March, June, September and December in each year. The Trust expects that the initial distribution will be paid on or about December 31, 2005.

The payment of interest on the Preferred Securities will be made in priority to any distributions on the Capital Units. Distributions on the Capital Units are conditional upon the Trust being current in its obligation to pay interest on the Preferred Securities in accordance with the terms of the Trust Indenture.

If, in any year after payment of the aggregate Preferred Security Interest Amount and any distributions paid on the Capital Units, there would otherwise remain in the Trust additional net income or net realized capital gains, the Trust intends on or before December 31 of that year to make a special distribution of such portion of the remaining net income and net realized capital gains as is necessary to ensure that the Trust will not be liable for income tax thereon under Part I of the Tax Act. If the Trust does not have sufficient cash available to fund all of such additional distributions, additional Capital Units having a net asset value equal to the deficiency will be issued. Immediately after such issuance, the number of outstanding Capital Units will be consolidated such that each holder will hold after the consolidation the same number of Capital Units as the holder held before the issuance of the additional Capital Units.

The Trust intends that the aggregate distributions of net income and net realized capital gains made in each year will be sufficient to ensure that the Trust will not be liable for ordinary income tax thereon under the Tax Act, except to the extent that any tax payable on net realized capital gains of the Trust for a year that are retained by the Trust would be recoverable by it in such year.

### ***Retraction and Redemption***

A holder may surrender at any time (a “Regular Monthly Retraction”) commencing in January 2006 a Capital Unit for retraction (either alone or together with the surrender of a Preferred Security for repayment), to Computershare Investor Services Inc. (in the manner described below) at least five (5) Business Days prior to the last Business Day in the month (the “Retraction Date”) for retraction and repayment on the Retraction Date, subject to the Trust’s right to suspend retractions or the payment of retraction proceeds in certain circumstances described below under “— Suspension of Retractions and Repayments”. Capital Units and Preferred Securities surrendered for retraction and repayment in this manner will be retracted on the Retraction Date (unless the Trust elects to re-circulate those Capital Units and Preferred Securities and the holder has not withheld its consent to such re-circulation; see “— Resale”). A holder who retracts Capital Units (with or without Preferred Securities) will receive payment therefor on or before the fifth Business Day following such Retraction Date (the “Retraction Payment Date”).

*Regular Monthly Retraction:* A holder of Capital Units retracting a Capital Unit under a Regular Monthly Retraction (without surrendering a corresponding Preferred Security) will receive the amount, if any, by which 95% of the Combined Value exceeds the aggregate of (i) the price paid by the Trust for one Preferred Security in the market; and (ii) \$0.50.

*Concurrent Retraction:* A holder who surrenders a Capital Unit together with a Preferred Security will receive an amount equal to 95% of the Combined Value less \$0.50.

*Special Annual Retraction:* A holder who surrenders a Capital Unit for retraction on the last Business Day in December (commencing in December 2006) (a “Special Annual Retraction”) (without surrendering a corresponding Preferred Security for repayment) will receive an amount equal to the Combined Value minus the price paid by the Trust for one Preferred Security in the market.

A holder of Capital Units who surrenders one Capital Unit and one Preferred Security under a Special Annual Retraction will receive an amount equal to the Combined Value.

Any unpaid distribution payable on or before the Retraction Date in respect of Capital Units tendered for retraction on a Retraction Date will be paid on the distribution payment date. **The NAV per Capital Unit may be lower than the initial NAV per Capital Unit. The NAV per Capital Unit will vary depending on a number of**

**market factors, including interest rates, volatility in the equity and debt markets and the volatility of the Financial Portfolio securities.**

The retraction proceeds paid by the Trust in connection with the retraction of a Combined Security shall be allocated as follows: (i) as to the portion of such value equal to the original subscription price of, and any accrued and unpaid interest on, the Preferred Security, as a repayment in full of such Preferred Security, and (ii) as to the remainder of such value, as the proceeds of retraction of the Capital Unit.

The retraction right and, as applicable, the repayment right must be exercised by causing written notice to be given to Computershare Investor Services Inc. and the Trust not later than 5:00 p.m. (Toronto time) on the fifth Business Day prior to a Retraction Date. The surrender of Capital Units and Preferred Securities will be irrevocable upon the delivery of notice to Computershare Investor Services Inc., except with respect to those Capital Units or Preferred Securities which are not paid for by the Trust on the relevant Retraction Payment Date.

Any Capital Units outstanding on the termination date will be redeemed by the Trust on such date. On such redemption, each holder will receive for each Capital Unit redeemed the amount, if any, equal to a pro rata share of the net assets of the Trust remaining after payment or accrual of all debts and liabilities (including the aggregate Repayment Price and contingent expenses) and liquidation expenses of the Trust.

***Market Purchases***

The Trust may at any time, in its discretion, and subject to the receipt of any necessary regulatory approvals, purchase Capital Units offered in the market provided that, at the time of any such purchase, the Trust must concurrently purchase an equal number of Preferred Securities and the aggregate of the market price per Preferred Security and the market price per Capital Unit at such time must be less than the Combined Value at such time.

**Certain Provisions of the Preferred Securities**

***General***

The Preferred Securities will be direct unsecured debt obligations issued by the Trust and will not be secured by any mortgage, pledge, hypothec or other charge. See “— Subordination” below. The Preferred Securities will be issuable only in denominations of \$12.50 and integral multiples thereof.

***Interest Payments***

The Trust will pay holders of Preferred Securities cash interest payments at least equal to 6.00% per annum on the \$12.50 principal amount of a Preferred Security (the “Preferred Security Interest Amount”), which will be paid, net of applicable non-resident withholding tax, quarterly in arrears on the last day of each of March, June, September and December of each year up to and including the Maturity Date (or if the last day is not a Business Day, no later than the following Business Day). If the Special Resolution is approved, interest on the Preferred Securities will be payable at a rate of 6.00% per annum until the earlier of the closing of a new issue of the Trust’s securities and March 31, 2006 (the “Initial Period”) and after the Initial Period and until the repayment date at a rate per annum equal to the greater of 6.00% and a rate, if any, which the Manager may fix to reflect the current market conditions existing prior to the end of the Initial Period. Interest will accrue on all unpaid interest amounts.

***Payment on Maturity***

The Preferred Securities will mature on March 31, 2011, or automatically on such earlier date upon which the Trust terminates (any such date being the “Maturity Date”), at which date the Repayment Price of each Preferred Security will be payable by the Trust, by payment by the Trust of such amount to the Indenture Trustee. The Maturity Date also may be extended by holders of Capital Units and Preferred Securities as described under “— Modification”.

Notice of repayment will be given to CDS Participants on behalf of the beneficial owners of Preferred Securities at least 45 days prior to the Maturity Date.

***Concurrent Retraction***

A holder of Preferred Securities may surrender a Preferred Security for repayment together with a Capital Unit under a Regular Monthly Retraction or a Special Annual Retraction of Capital Units. See “Certain Provisions of the Capital Units — Retraction and Redemption” and “— Suspension of Retractions and Repayments”.

Preferred Securities which have been surrendered to the Trust for repayment in the manner described above are, subject to the Trust's right to recirculate Capital Units and Preferred Securities described under the heading "— Resale", deemed to be outstanding until (but not after) the close of business on the Retraction Date, unless not repaid on or before the Retraction Payment Date in which event such Preferred Securities will remain outstanding.

### ***Subordination***

The payment of the principal of, and interest on, the Preferred Securities will be subordinated in right of payment, as set forth in the trust indenture governing the Preferred Securities (the "Trust Indenture"), to the prior payment in full of all "Senior Indebtedness" of the Trust, which will be defined in the Trust Indenture as the principal of and premium, if any, and interest on, and other amounts in respect of, all indebtedness of the Trust (whether outstanding as at the date of the Trust Indenture or thereafter incurred, and including, without limitation, indebtedness to trade creditors of the Trust and ordinary and extraordinary liabilities), other than indebtedness evidenced by the Preferred Securities, and all other existing and future notes or other instruments of the Trust which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to rank *pari passu* with, or subordinate in right of payment to, the Preferred Securities.

The Trust Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relating to the Trust, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Trust, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Trust, then those holders of Senior Indebtedness, including any indebtedness to trade creditors, will receive payment in full before the holders of Preferred Securities will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Preferred Securities or any accrued and unpaid interest thereon. The Trust Indenture also will provide that the Trust will not make any payment, and the holders of Preferred Securities will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including without limitation by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Preferred Securities (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Preferred Securities, or (b) at any time when an event of default has occurred under the Senior Indebtedness and is continuing and the notice of such event of default has been given by or on behalf of the holders of Senior Indebtedness to the Trust, unless the Senior Indebtedness has been repaid in full.

### ***Priority Over Capital Unit Distributions***

The payment of interest on the Preferred Securities will be made in priority to any distributions on the Capital Units.

The Trust will fund the repayment to the holders of Preferred Securities on the Maturity Date of the aggregate Repayment Price with the proceeds from the sale or redemption of the Financial Portfolio securities and any other net assets of the Trust in priority to any distribution of assets of the Trust on the Capital Units.

The Preferred Securities will not represent interests in or obligations of the indenture trustee appointed under the Trust Indenture (the "Indenture Trustee") (other than in its capacity as the Indenture Trustee), The Royal Trust Company (other than in its capacity as the Trustee), the Manager, the beneficiaries of the Trust or any affiliate or any of the foregoing. As such, recourse under the Preferred Securities is limited to the assets of the Trust. A Securityholder will have no recourse against the Indenture Trustee or the Trustee in their respective personal capacities or to the assets of the Indenture Trustee or the Trustee other than the assets of the Trust, nor any recourse to holders of Preferred Securities or their assets.

### ***Events of Default***

The Trust Indenture will provide that an event of default ("Event of Default") in respect of the Preferred Securities will occur if any one or more of the following described events has occurred and is continuing with respect to the Preferred Securities: (a) failure to pay the Preferred Security Interest Amount for more than four calendar quarters after such amount becomes due; (b) failure to pay the Repayment Price of the Preferred Securities, whether at maturity, by declaration or otherwise (other than pursuant to a redemption when a suspension is in effect); (c) certain events of bankruptcy, insolvency or reorganization of the Trust; or (d) default in the observance or performance of any material covenant or condition of the Trust Indenture and the continuance of such default for a period of 30 days after

notice in writing has been given by the Indenture Trustee to the Trust specifying such default and requiring the Trust to rectify the same. If an Event of Default has occurred and is continuing, the Indenture Trustee may, in its discretion, and must upon request of holders of Preferred Securities holding not less than 25% of the number of Preferred Securities then outstanding (subject to receipt of an appropriate indemnity), declare the aggregate original subscription price of, and interest on, all outstanding Preferred Securities to be immediately due and payable. In certain cases, the holders of Preferred Securities holding a majority of the number of the Preferred Securities then outstanding may, on behalf all holders of Preferred Securities, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders of Preferred Securities prescribe.

### ***Modification***

The rights of the holders of Preferred Securities, as well as holders of any other series of securities that may be issued under the Trust Indenture, may be modified in accordance with the terms of the Trust Indenture. For that purpose, among others, the Trust Indenture will contain certain provisions that will make binding on all holders of Preferred Securities resolutions passed at meetings of holders of Preferred Securities by votes cast thereat by holders of Preferred Securities holding not less than 66<sup>2</sup>/<sub>3</sub>% of the number of Preferred Securities present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of Preferred Securities holding not less than 66<sup>2</sup>/<sub>3</sub>% of the number of Preferred Securities (an “Extraordinary Securityholder Resolution”). In addition, the Maturity Date also may be extended by holders of Preferred Securities by a majority vote. Quorum for a meeting of holders of Preferred Securities will consist of two or more holders of Preferred Securities present in person or by proxy representing not less than 10% of the number of Preferred Securities then outstanding.

In addition, the Trust Indenture will provide that where the Indenture Trustee determines, on the advice of counsel, that any modification to the Trust Indenture that requires the approval of holders of Preferred Securities would affect the timeliness or priority of payments to holders of Preferred Securities, or otherwise materially adversely affects the holders of Preferred Securities as a class, such change may not be made to the Declaration of Trust unless (i) the Indenture Trustee has determined, on the advice of counsel, that such modification does not require the approval of holders of Preferred Securities, or (ii) holders of Preferred Securities have approved such modification as required under the Trust Indenture.

### ***Limitation on Issuance of Additional Debt Securities***

The Trust Indenture will provide that the Trust shall not issue additional debt securities ranking in preference to the Preferred Securities. The Trust will only issue additional Preferred Securities on the basis that, immediately following such issuance, an equal number of Preferred Securities and Capital Units will be outstanding.

### ***Market Purchases***

The Trust may at any time, in its discretion, and subject to the receipt of any necessary regulatory approvals, purchase Preferred Securities offered in the market; provided, however, that if any such purchase is not made in conjunction with the redemption of Capital Units, the Trust will not purchase Preferred Securities unless it at the same time purchases an equal number of Capital Units and the aggregate of the market price per Preferred Security and the market price per Capital Unit is less than the Combined Value at such time.

### ***Credit Rating***

The Preferred Securities have been provisionally rated Pfd-2 (low) by Dominion Bond Rating Service Limited (“DBRS”). Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. DBRS’ rating of the Preferred Securities is on a preferred security rating scale that ranges from Pfd-1 to Pfd-5, which represents the range from highest to lowest quality of such securities rated. Securities rated in the Pfd-2 rating category by DBRS are in the second highest category of the relevant scale and are considered by DBRS to be of satisfactory credit quality. The credit ratings accorded to the Preferred Securities are not recommendations to purchase, hold or sell the Preferred Securities. There can be no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised by a rating agency at any time.

### ***Suspension of Retractions and Repayments***

The Trust may suspend the retraction of Capital Units and the repayment of Preferred Securities or the payment of retraction proceeds: (i) during any period when normal trading is suspended on a market where more than 50% of the

securities in the Financial Portfolio (in terms of dollar value) trade and, if those securities are not traded on any other exchange that represents a reasonably practical alternative for the Trust; (ii) with the permission of the securities regulatory authorities (if required), for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Trust or which impair the ability of the Trustee to determine the value of the assets of the Trust, or (iii) subject to any regulatory approval, if the Trust would be insolvent or otherwise unable to pay its liabilities as they become due after giving effect to such retractions (and repayment, if applicable). The suspension shall apply to all requests for retraction or repayment received prior to the suspension date but for which payment has not been made, as well as to all requests received while the suspension is in effect. All Capital Unitholders or Preferred Securityholders making such requests will be advised by the Manager of the suspension and that the retraction or repayment will be effected at a price determined following the resumption of retractions and repayments. All such Capital Unitholders and Preferred Securityholders will have, and will be advised that they have, the right to withdraw their requests for retraction or repayment if such requests were submitted prior to a suspension and payment has not been made, or if such requests were submitted during a period of suspension. Retractions and repayments will resume in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other circumstances under which a suspension is authorized then exists. To the extent it is not inconsistent with rules and regulations promulgated by any government body having jurisdiction over the Trust, any declaration of suspension made by the Manager will be conclusive.

### ***Resale***

The Trust will enter into an agreement (a “Recirculation Agreement”) with RBC Dominion Securities Inc. (the “Recirculation Agent”) whereby the Recirculation Agent will agree to use commercially reasonable efforts to find purchasers for any Capital Units and Preferred Securities properly surrendered for retraction or repayment, provided that the holder of the Capital Units so surrendered has not withheld consent thereto. The Trust may from time to time appoint additional dealers to act as recirculation agents for any Capital Units and Preferred Securities surrendered for retraction or repayment. The Trust may, but will not be obligated to, require the Recirculation Agent to seek such purchasers and, in such event, the amount to be paid to the holder on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Capital Units less any applicable commission and the amount to be received for Preferred Securities will be an amount equal to the proceeds of sale of the Preferred Securities less any applicable commission. Such amounts will not be less than the retraction proceeds otherwise payable for such Capital Units and the Repayment Price otherwise payable for such Preferred Securities, respectively.

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

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

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

- Restructuring of the Trust and extending the term will permit the Trust to be in a better position to grow in size, increase NAV and to utilize all the existing tax losses for the benefit of Unitholders on a going forward basis.
- The manager and investment manager will reduce their fees from and after the effective date of the Special Resolution from a total of 1.75% per annum of NAV to 1.10% per annum of the Trust’s total assets.
- Current Unitholders are being provided with an opportunity to redeem their Units at 100% of NAV per Unit for the November 30, 2005 redemption date should they choose not to participate by continuing to hold Units if the Special Resolution is approved.

## **EXPENSES OF THE PROPOSAL**

Whether or not the Special Resolution is approved, the costs and expenses relating to the preparation, printing and delivery of this Management Information Circular and the calling and holding of the Meeting (collectively, the “Meeting Expenses”), estimated to be \$100,000, will be borne by the Trust and therefore, ultimately by Unitholders.

In addition, the Trust has retained RBC Dominion Securities Inc. (“RBC DS”) to form and manage a soliciting dealer group to solicit votes in favour of the Special Resolution. A fee of \$150,000 (the “RBC DS Fee”) will be paid by the Trust to RBC DS after the date the Meeting is held and will be payable whether or not the Special Resolution is approved. Further, a solicitation fee equal to \$0.08 per Unit voted in favour of the Special Resolution will be paid by the Trust to properly designated soliciting brokers if the Special Resolution is approved. The solicitation fee payable in respect of any single beneficial owner of Units who votes in favour of the Special Resolution will not be less than \$100.00 and will not be more than \$1,500.00.

In addition, in consideration of assisting in developing the proposal and providing related financial advisory services, RBC DS will be paid a fee equal to \$450,000 if (i) the Special Resolution is approved and (ii) a public offering of additional Capital Units and Preferred Securities is completed on or before December 31, 2006.

Therefore, if the Special Resolution is approved, Unitholders who redeem their Units for the November 30, 2005 redemption date will effectively only bear their pro rata share of the Meeting Expenses. The additional fees and expenses described above will be borne by the continuing securityholders and any new securityholders unless the Special Resolution is not approved, in which case the Trust and therefore, in effect, Unitholders will bear the total estimated cost in such case of approximately \$250,000 (consisting of the Meeting Expenses and the RBC DS Fee).

## **TERMINATION OF THE PROPOSAL**

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

## **INTEREST OF MANAGEMENT AND OTHERS IN THE PROPOSAL**

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

Mulvihill receives a management fee and MCM receives investment management fees as described in “Appendix II — Additional Information”. However, if the Special Resolution is approved, Mulvihill and MCM have agreed to reduce their fees from a total of 1.75% per annum of NAV to 1.10% per annum of the Trust’s total assets for the period from the date of the adoption of the Special Resolution to its new termination date of March 31, 2011.

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

## **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Trust, the following is a summary of the principal Canadian federal income tax considerations relating to the Special Resolution that are generally applicable to Unitholders, who are individuals (other than trusts) and who at all relevant times for purposes of the Tax Act hold Units, and any Capital Units and Preferred Securities acquired as a result of the Special Resolution, as capital property and deal at arm’s length with and are not affiliated with the Trust. Certain Unitholders to whom such securities might not otherwise be capital property may be entitled to make the irrevocable election in the circumstances permitted by subsection 39(4) of the Tax Act to deem such securities (and all other Canadian securities owned by the holder) to be capital property. Units, Capital Units or Preferred Securities held by certain “financial institutions” (as defined in the Tax Act) will generally not be capital property to such holders and will be subject to special rules in the Tax Act applicable to securities held by financial institutions. These rules are not discussed in this summary and Unitholders to whom these rules may be relevant should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the “Regulations”), all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”), and counsel’s understanding of the current

administrative practices of the Canada Revenue Agency (“CRA”). This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not anticipate any changes in law, nor does it take into account, provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

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

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

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

In determining the income of the Trust, premiums received by the Trust on covered call options and cash covered put options written by the Trust (and which are not exercised prior to the end of the year) will constitute capital gains of the Trust in the year received, and gains or losses realized upon dispositions of securities of the Trust (whether upon the exercise of call options written by the Trust or otherwise) will constitute capital gains or capital losses of the Trust in the year realized unless the Trust is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Trust has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. The Trust will purchase the Financial Portfolio with the objective of earning dividends thereon over the life of the Trust including dividends on securities acquired upon the exercise of cash covered put options written by the Trust, will write covered call options with the objective of increasing the yield on the Financial Portfolio beyond the dividends received on the Financial Portfolio and will write cash covered put options to increase returns and to reduce the net cost of purchasing securities subject to put options. In accordance with CRA’s published administrative practice, transactions undertaken by the Trust in respect of covered options and shares will be treated and reported for purposes of the Act on capital account and designations by the Trust with respect to its income and capital gains, as described below, will be made and reported to holders of Capital Units on this basis. 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. Premiums received by the Trust on covered call (or cash covered put) options which are exercised in the taxation year in which the option is written by the Trust are added in computing the proceeds of disposition (deducted in computing the adjusted cost base) to the Trust of the securities disposed of (acquired by) the Trust on exercise of such call (put) options.

If, contrary to CRA’s published administrative practice and the advice of counsel or as a result of a change of law, some or all of the transactions undertaken by the Trust in respect of covered options and securities in the Financial Portfolio were treated on income rather than capital account, after-tax returns to holders of Capital Units could be reduced and the Trust may be subject to non-refundable income tax from such transactions.

In computing its income for tax purposes, the Trust may deduct reasonable expenses incurred to earn income, including interest on Preferred Securities.

On October 31, 2003, Tax Proposals were released by the Department of Finance for public comment which propose that the Tax Act be amended to require, for taxation years commencing after 2004, that there be a “reasonable expectation of cumulative profit” from a business or property in order for a taxpayer to deduct any loss incurred by the taxpayer from the business or property, and would provide that profit, for this purpose, does not include capital gains. The October 31, 2003 Tax Proposals could potentially have an adverse effect on the deductibility by the Trust of certain otherwise deductible expenses. On February 23, 2005, the Department of Finance announced it has developed an alternative proposal to the October 31 Tax Proposals which it intends at an early opportunity to release for comment. There can be no assurance that such alternative proposal will not adversely affect the Trust.

The Trust will designate to the extent permitted by the Act the portion of the net income distributed to holders of Capital Units, whether received in cash or reinvested in additional Capital Units as may reasonably be considered to consist of net realized taxable capital gains of the Trust net of realized capital losses and net capital loss carry-forwards, and the taxable dividends received, or deemed to be received, by the Trust on shares of taxable Canadian corporations.

Any such designated amount will be deemed for purposes of the Act to be received or realized by holders of Capital Units in the year as a taxable capital gain or taxable dividend from a taxable Canadian corporation, as the case may be. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply. Any loss of the Trust for purposes of the Tax Act cannot be allocated to, and cannot be treated as the loss of, a unitholder of the Trust.

Under the Tax Act, a trust is permitted to deduct in computing its income an amount which is less than the amount of its distributions. This will enable the Trust to utilize, in a particular year, losses from prior years without affecting the ability of the Trust to distribute its income annually. The amount distributed to a holder of Capital Units but not deducted by the Trust will not be required to be included in the income of such holder. However, unless such amount relates to the non-taxable portion of capital gains, the taxable portion of which has been allocated to such holder, the adjusted cost base of such holder's Capital Units would be reduced by such amount.

Holders of Preferred Securities will be required to include in computing income for a taxation year all interest on the Preferred Securities that is received or receivable by such holder in that taxation year (depending upon the method regularly followed by such holder in computing income), to the extent that the interest was included in such holder's income for a preceding taxation year.

On a disposition or deemed disposition of a Preferred Security, including a redemption, payment on maturity or purchase for cancellation, a holder of such security will generally be required to include in computing its income for the taxation year in which the disposition occurs the amount of interest that has accrued on the Preferred Security to that time except to the extent that such interest has otherwise been included in such holder's income for the year or a preceding taxation year.

The changes set forth in the Special Resolution will result in a disposition of Units by Unitholders for proceeds of disposition equal to the sum of (i) cash received by the Unitholder, and (ii) the fair market value, as at the time of acquisition, of any Capital Units acquired by such Unitholder. As a result, a Unitholder generally will realize a capital gain (or capital loss) to the extent that such proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the Unitholder of his or her Units and any reasonable costs of disposition. The cost to a Unitholder of Preferred Securities acquired as a result of the changes set forth in the Special Resolution will be \$12.50. The cost to a Unitholder of a Capital Unit acquired as a result of the changes set forth in the Special Resolution will be equal to the fair market value of a Capital Unit at the time of acquisition. The Trust has determined that the fair market value of each Capital Unit at that time will be approximately \$12.50 and the fair market value of each Preferred Security at that time will be \$12.50. However, there can be no assurance that these amounts will be accepted by the CRA. For the purpose of determining the adjusted cost base of Capital Units or Preferred Securities, as the case may be, the cost of such securities acquired, whether on a reinvestment of distributions or otherwise, will be averaged with the adjusted cost base of all other Capital Units and Preferred Securities, respectively, held by the holder as capital property at such time.

On the disposition or deemed disposition of a Capital Unit (whether on a sale, redemption or otherwise), a holder will realize a capital gain (or capital loss) to the extent that the holder's proceeds of disposition (other than any amount payable by the Trust which represents an amount that is otherwise required to be included in the holder's income as described above) exceed (or are less than) the aggregate of the adjusted cost base of the Capital Unit and any reasonable costs of disposition.

A disposition or deemed disposition of a Preferred Security by a holder will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any amount included in the holder's income as interest, exceed (or are less than) the aggregate of the holder's adjusted cost base thereof and any reasonable costs of disposition.

One-half of a capital gain is included in computing income as a taxable capital gain and one-half of a capital loss may be deducted against taxable capital gains to the extent and under the circumstances prescribed in the Tax Act.

Net income of the Trust payable or payable to a holder of Capital Units that is designated as taxable dividends from taxable Canadian corporations or as net taxable capital gains, and capital gains realized on the disposition of Capital Units, may increase such holder's liability for alternative minimum tax. Capital gains realized on the disposition of Preferred Securities by a holder may increase such holder's liability for alternative minimum tax.

On September 8, 2005, the Department of Finance released a consultation paper and launched public consultations on tax and other issues related to publicly listed flow-through entities ("FTEs"). The focus of the paper is to, among

other things, assess whether the tax system should be modified. In the consultation paper, the Department of Finance identified three possible policy responses to issues relating to FTEs: (i) limiting deductibility of interest expense by operating entities, (ii) taxing FTEs in a manner similar to corporations, or (iii) making the tax system more neutral with respect to all forms of business organization by better integrating the personal and corporate tax system. The Department of Finance indicated that this was not an exhaustive list of the possible policy responses. It is possible that no changes will be made to the tax system as a result of the consultation paper and the public consultations. It is unclear whether changes, if any, made to the Canadian tax system to implement a particular policy response would apply to mutual fund trusts such as the Trust. It cannot yet be determined whether any such changes will result in the income tax considerations outlined above being materially different in certain respects.

### ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Trust, provided that the Trust qualifies as a “mutual fund trust” for the purposes of the Tax Act and the Regulations, Capital Units acquired as a result of the changes set forth in the Special Resolution will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans or registered education savings plans (collectively, the “Plans”). Provided the Trust qualifies as a mutual fund trust for the purposes of the Tax Act and the Capital Units are listed on a prescribed stock exchange in Canada (which includes the TSX), the Preferred Securities will be qualified investments under the Tax Act for Plans.

### UNITS AND PRINCIPAL HOLDERS

As of September 30, 2005 there were 7,733,754 Units outstanding.

As of September 30, 2005, to the knowledge of the directors and officers 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 Depository for Securities Limited which holds all of the Units as registered owner for various brokers and other persons on behalf of their clients and others and the names of the beneficial owners of such Units are not known to the Trust.

### CAPITALIZATION OF THE TRUST

The following table (presented in thousands of dollars other than the number of Units, Capital Units and Preferred Securities) sets forth the capitalization of the Trust as at December 31, 2004 and at September 30, 2005, before giving effect to the Special Resolution and as at September 30, 2005 after giving affect to the Special Resolution and assuming no October or November 2005 redemptions.

|                                       | <u>Authorized</u> | <u>As at<br/>December 31,<br/>2004</u><br>(audited) | <u>As at<br/>September 30,<br/>2005</u><br>(unaudited) | <u>As at<br/>September 30, 2005<br/>after giving effect<br/>to the Special Resolution<br/>and Assuming no<br/>October 31 or<br/>November 30, 2005<br/>Redemptions</u><br>(unaudited) |
|---------------------------------------|-------------------|---|--|--|
| <b>Liabilities</b>                    |                   |   |  |  |
| Preferred Securities . . . . .        | unlimited         | —   | —  | \$42,431,875.50<br>(3,394,550 Preferred Securities)  |
| <b>Unitholders Equity</b>             |                   |   |  |  |
| Units . . . . .                       | unlimited         | \$98,903,397<br>(8,014,935 Units)                   | \$84,863,751<br>(7,733,754 Units)                      | —  |
| Capital Units . . . . .               | unlimited         | —   | —  | \$42,431,875.50<br>(3,394,550 Capital Units)   |
| <b>Total Capitalization</b> . . . . . |                   | <u>\$98,903,397</u>                                 | <u>\$84,863,751</u>                                    | <u>\$84,863,751</u>  |

## RISK FACTORS

The following are certain considerations relating to the Financial Portfolio and to owning Capital Units and Preferred Securities which Unitholders should consider before voting on the Special Resolution:

### Performance of the Financial Portfolio

NAV per Capital Unit will vary as the value of the securities in the Financial Portfolio varies. The Trust has no control over the factors that affect the value of the securities in the Financial Portfolio, including factors that affect all of the issuers in the Financial Portfolio such as fluctuations in interest rates and factors unique to each issuer such as changes in its management, changes in its strategic direction, achievement of its strategic goals, mergers, acquisitions and divestitures, changes in its dividend policies and other events that may affect the value of its equity securities.

### Concentration Risk

The Financial Portfolio will consist only of securities of the companies in the financial services and life insurance industries and, as a result, the Trust's holdings will not be diversified and the NAV may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time in response to economic conditions and regulatory changes that specifically affect the provision of financial services or life insurance. This may have a negative impact on the value of the Capital Units.

### No Assurances on Achieving Objectives

There is no assurance that the Trust will be able to achieve its objectives, including being able to pay the interest on, and repay the principal amount of, the Preferred Securities, or being able to pay the anticipated distributions on the Capital Units or provide holders of Capital Units, upon redemption, with the benefit of any capital appreciation on the market price of the securities in the Financial Portfolio. Furthermore, there can be no assurance that the Trust's NAV will be preserved.

The Trust expects to pay the interest on the Preferred Securities from distributions from the Financial Portfolio securities. **There is no guarantee that distributions sufficient to fund the interest on the Preferred Securities will be received by the Trust in respect of Financial Portfolio securities. If sufficient distributions are not received by the Trust, interest payments on the Preferred Securities may require the liquidation of some or all of the Financial Portfolio securities, and the ability of the Trust to achieve its objectives may be significantly reduced.**

The Trust intends to make quarterly cash distributions on the Capital Units. However, such distributions are conditional upon the Trust being current in its obligation to pay interest on the Preferred Securities in accordance with the terms of the Trust Indenture.

There is no assurance that the Trust will be able to pay any quarterly cash distributions to holders of Capital Units. The funds available for distribution to holders of Capital Units will vary according to, among other things, the dividends and distributions paid on all of the securities comprising the Financial Portfolio, the level of option premiums received and the value of the securities comprising the Financial Portfolio. As the dividends and distributions received by the Trust will not be sufficient to meet the objectives of the Trust in respect of the payment of cash distributions to holders of Capital Units, the Trust 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.

An investment in the Trust is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of no distributions (in respect of Capital Units) or interest (in respect of Preferred Securities) being paid in any given period.

### Interest Rate Fluctuations

It is anticipated that the market price of the Capital Units and the Preferred Securities will at any time be affected by the level of interest rates prevailing at such time. A rise or decline in interest rates may have a negative effect on the market price of the Capital Units and the Preferred Securities.

## **Use of Options and Other Derivative Instruments**

The Trust is subject to the risk of its investment position in the securities comprising the Financial Portfolio, including those securities that are subject to outstanding call options, and those securities underlying put options written by the Trust, should the market price of such securities decline. In addition, the Trust will not participate in any gain on the securities that are subject to outstanding call options above the strike price of the options.

There can be no assurance that a liquid exchange or over-the-counter market will exist to permit the Trust to write covered call options or cash covered put options on desired terms or to close out option positions should MCM desire to do so. The ability of the Trust to close out its positions may also be affected by exchange imposed daily trading limits on options or the lack of a liquid over-the-counter market. If the Trust is unable to repurchase a call option which is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires. In addition, 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 purchasing call or put options, the Trust is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments, or other third party in the case of over-the-counter instruments) may be unable to meet its obligations.

## **Trading at a Discount**

The Trust cannot predict whether Capital Units will trade above, at or below NAV per Capital Unit.

## **Reliance on the Investment Manager**

MCM will manage the Trust in a manner consistent with the investment objectives, strategy and criteria of the Trust. The officers of MCM who will be primarily responsible for the management of the Financial Portfolio have extensive experience in managing investment portfolios. There is no certainty that such individuals will continue to be employees of MCM throughout the term of the Trust.

## **Securities Lending**

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

## **Leverage**

Holders of Capital Units will be subject to a form of leverage such that any capital appreciation in the Capital Units after repaying the Preferred Securities and all accrued and unpaid interest thereon, and any other indebtedness of the Trust, and any other expenses and liabilities of the Trust will be for the benefit of the holders of Capital Units. In the event of a decrease in the value of the Financial Portfolio, this leverage will work to the disadvantage of holders of Capital Units, with the result that any net capital loss incurred by the Trust on its investment in the Financial Portfolio will effectively first be for the account of holders of Capital Units. Accordingly, any decrease in the value of the Financial Portfolio will result in a greater proportionate decrease in the value of the Capital Units. If, at the Termination Date, the total assets of the Trust are less than or equal to the amount of the aggregate of all liabilities of the Trust (including the aggregate principal amount of the Preferred Securities and all accrued and unpaid interest thereon and other indebtedness of the Trust), the Capital Units will have no value. There is no assurance that there will be any capital appreciation on the Capital Units.

## **Risks Specific to the Structure of the Trust**

Distributions on Financial Portfolio securities will be used to pay the expenses and other liabilities of the Trust and the Preferred Security Interest Amount. In addition to periodic interest on the Preferred Securities, the Repayment Price of the Preferred Securities must be repaid on the Maturity Date. The amount to be repaid depends on the aggregate principal amount of the Preferred Securities then outstanding, together with any accrued and unpaid interest thereon. A reduction in the total assets of the Trust does not change the amount that must be paid on account of the Preferred Securities. Due to this required repayment of the Preferred Securities, decreases in the total assets of the Trust will cause the value of a Capital Unit to decrease to a proportionately greater extent, as compared to the situation where the Trust did not issue Preferred Securities. There can be no assurance that the total assets of the Trust will not decrease.

There is a risk that the Preferred Securities may be repaid by the Trust prior to the Maturity Date. In such event, the aggregate amount of interest payable to a securityholder would be less than if Preferred Securities were held until the Maturity Date.

### **Status of Preferred Securities**

The Preferred Securities will be subordinate to all indebtedness of the Trust ranking senior to the Preferred Securities, including indebtedness to trade creditors of the Trust. The Preferred Securities will be direct unsecured debt obligations issued by the Trust. See “Details of the Capital Units and Preferred Securities — Certain Provisions of the Preferred Securities — Subordination”.

### **Change or Withdrawal of Rating on the Preferred Securities**

There can be no assurance that the provisional rating on the Preferred Securities of Pfd-2 (low) by DBRS will remain in effect or not be revised. If such rating is withdrawn or revised, there may be an adverse effect on the market price of the Preferred Securities.

### **Operating History and Marketability of Capital Units and Preferred Securities**

The Trust is a newly re-organized investment trust with no previous operating history in respect of the Capital Units and the Preferred Securities. There is currently no public market for the Capital Units or the Preferred Securities and there can be no assurance that an active public market will develop or be sustained after the Special Resolution is approved.

### **Potential Conflicts of Interest**

The Investment Advisor and its directors and officers and its affiliates and associates may engage in the promotion, management or investment management of one or more funds or trusts which invest primarily in securities similar to the Financial Portfolio securities.

Although none of the directors or officers of the Investment Advisor will devote his or her full time to the business and affairs of the Trust, each will devote as much time as is necessary to provide portfolio advice to the Trust.

### **Taxation of the Trust**

Currently, a trust will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released Tax Proposals which propose that a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships, or any combination thereof, is more than 50% of the aggregate fair market value of all units issued by the trust where, at that time or any previous time, more than 10% (based on fair market value) of the trust’s property is taxable Canadian property or certain other types of property (the “September 16th Tax Proposals”). If these circumstances applied to the Trust, the Trust would thereafter cease to be a mutual fund trust and the income tax considerations as described under “Canadian Federal Income Tax Considerations” would in some respects be materially different. The September 16th Tax Proposals do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Department of Finance tabled a Notice of Ways and Means Motion which did not include these proposed changes pending further consultation with interested parties.

In determining its income for tax purposes, the Trust will treat gains and losses realized on the disposition of securities in the Financial 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 CRA’s published administrative 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 and the advice of counsel or as a result of a change of law, some or all of the transactions undertaken by the Trust in respect of covered options and securities in the Financial Portfolio were treated on income rather than capital account, after-tax returns to holders of Capital Units could be reduced and the Trust may be subject to non-refundable income tax from such transactions.

On October 31, 2003, Tax Proposals were released by the Department of Finance for public comment which propose that the Tax Act be amended to require, for taxation years commencing after 2004, that there be a “reasonable expectation of cumulative profit” from a business or property in order for a taxpayer to deduct any loss incurred by the taxpayer from the business or property, and would provide that profit, for this purpose, does not include capital gains. The October 31, 2003 Tax Proposals could potentially have an adverse effect on the deductibility by the Trust of certain otherwise deductible expenses. On February 23, 2005, the Department of Finance announced it has developed an alternative proposal to the October 31 Tax Proposals which it intends at an early opportunity to release for comment. There can be no assurance that such alternative proposal will not adversely affect the Trust.

On September 8, 2005, the Department of Finance released a consultation paper and launched public consultations on tax and other issues related to FTEs. The focus of the paper is to, among other things, assess whether the tax system should be modified. In the consultation paper, the Department of Finance identified three possible policy responses to issues relating to FTEs: (i) limiting deductibility of interest expense by operating entities, (ii) taxing FTEs in a manner similar to corporations, or (iii) making the tax system more neutral with respect to all forms of business organization by better integrating the personal and corporate tax system. The Department of Finance indicated that this was not an exhaustive list of the possible policy responses. It is possible that no changes will be made to the tax system as a result of the consultation paper and the public consultations. It is unclear whether changes, if any, made to the Canadian tax system to implement a particular policy response would apply to mutual fund trusts such as the Trust. It cannot yet be determined whether any such changes will result in the income tax considerations outlined under the heading “Canadian Federal Income Tax Considerations” being materially different in certain respects.

## GENERAL PROXY INFORMATION

### Information Circular

This Management Information Circular is furnished in connection with the solicitation by management of the Trust of proxies to be used at the Meeting to be held at the time and place and for the purposes set out in the Notice of Special Meeting of Unitholders accompanying this Management Information Circular. The Meeting will be held on November 21, 2005 at 8:30 a.m. (Toronto time) at 1 First Canadian Place, Suite 6300, 100 King Street West, Toronto, Ontario. Sending notice of the Meeting and soliciting proxies for the Meeting will be paid by the Trust. Solicitation of proxies will be by mail and may be supplemented by telephone or other personal contact by agents of the Trust.

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

To be used at the Meeting, a proxy must be deposited with Computershare Trust Company of Canada at 100 University Avenue, Toronto, Ontario M5J 2Y1 (or if by facsimile sent to: 416-263-9524 or 1-866-249-7775) at any time up to 5:00 p.m. (Toronto time) on November 18, 2005 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 October 20, 2005 of Units will be entitled to vote in respect of the matters to be voted at the Meeting, or any adjournment thereof, including the Special Resolution.

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

Pursuant to the Trust Agreement, a quorum at the Meeting will consist of two or more Unitholders present in person or represented by proxy holding not less than 10% of the outstanding Units of the Trust. If the quorum requirement is not satisfied within one-half hour of the scheduled time for the Meeting, then the Meeting will be adjourned by the Chairman of the Meeting. If adjourned, the Meeting will be rescheduled to 8:30 a.m. (Toronto time) on November 30, 2005. At the adjourned meeting, the business of the Meeting will be transacted by those holders of Units present in person or represented by proxy.

### Appointment of Proxy Holders

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

**management appointees named in the proxy form and deposited as provided in the Notice of Special Meeting of Unitholders, will be voted in favour of all matters identified in such Notice of Special Meeting of Unitholders.**

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

The proxy form confers discretionary authority upon the management appointees named therein with respect to such amendments or variations to the Special Resolution as, though not specifically set forth in the Notice of Special Meeting of Unitholders, may properly come before the Meeting. The Board of Directors and management does not know of any such amendments or variations which may be presented for consideration at the Meeting. However, if any such matter is presented, the proxy will be voted thereon in accordance with the best judgment of the management appointees named in the proxy form.

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

#### **Alternate Proxy**

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

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

#### **Revocation of Proxies**

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

#### **Solicitation of Proxies**

The cost of this solicitation of proxies will be borne by the Trust. The Trust will reimburse brokers, custodians, nominees and fiduciaries for the proper charges and expenses incurred in forwarding this Management Information Circular and related materials to beneficial owners of Units. In addition to solicitation by mail, officers and directors of the Trust may, without additional compensation, solicit proxies personally or by telephone.

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

The information set forth in this section is of significant importance to beneficial holders of Units, as the Units are held in the name of CDS & Co., the nominee of The Canadian Depositary for Securities Limited, and not in the name of the beneficial holders of the Units. The Trust utilizes the book-entry only system of registration and thus Unitholders do not hold their Units in their own name (“Beneficial Unitholders”). Beneficial Unitholders should note that only proxies deposited by Unitholders whose names appear on the records of the Trust as the registered holders of Units can be recognized and acted upon at the Meeting. Shares held by brokers or their nominees through CDS & Co. can only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, CDS & Co. and

brokers/nominees are prohibited from voting Units for their client(s). The Trust does not know for whose benefit the Units registered in the names of CDS & Co. are held. Therefore, Beneficial Unitholders cannot be recognized at the Meeting for purposes of voting their Units in person or by way of proxy unless they comply with the procedure designated below.

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

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

If you are a holder of Units and wish to approve the Special Resolution, you should submit a voting instruction form prior to 5:00 p.m. (Toronto time) on November 18, 2005 voting in favour of the Special Resolution.

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

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

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



JOHN P. MULVIHILL  
PRESIDENT

## APPENDIX I

### SPECIAL RESOLUTION OF THE UNITHOLDERS

#### BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The Trust Agreement is hereby amended by:

(a) deleting Section 2.4 and substituting the following:

“The Trust’s investment objectives for the Capital Units are (i) to provide holders of Capital Units with the benefit of any capital appreciation in the market price of the securities in the Financial Portfolio and (ii) to pay quarterly distributions to holders of Capital Units in an amount targeted to be 7.5% per annum of the Net Asset Value per Capital Unit. The Trust’s investment objectives for the Preferred Securities are (i) to pay holders of Preferred Securities fixed quarterly cash interest payments at least equal to 6.00% per annum on the \$12.50 principal amount of a Preferred Security and (ii) to repay the principal amount of \$12.50 per Preferred Security on termination of the Trust on March 31, 2011.

The Trust shall endeavour to achieve these objectives by investing its assets exclusively in the six largest Canadian banks and the four largest Canadian life insurance companies by market capitalization (the “Portfolio”).”;

(b) deleting Section 2.6 and substituting the following:

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

- (i) purchase securities of an issuer only if such securities are common equity securities of issuers selected from the Portfolio. The Trust will generally invest not less than 5% and not more than 15% of the Trust’s assets in the securities of each issuer in the Portfolio;
- (ii) not purchase equity securities of issuers other than those permitted under paragraph (i) and may only purchase debt securities if such securities are cash equivalents;
- (iii) write a call option in respect of any security only if such security is actually held by the Trust at the time the option is written;
- (iv) not dispose of any security included in the Portfolio that is subject to a call option written by the Trust unless such option has either terminated or expired;
- (v) write put options in respect of any security only if (a) the Trust is permitted to invest in such security, and (b) 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;
- (vi) reduce the total amount of cash equivalents held by the Trust, only if the total amount of cash equivalents held by the Trust remains an amount not less than the aggregate strike price of all outstanding put options written by the Trust;
- (vii) not enter into any arrangement (including the acquisition of securities for the Portfolio and the writing of covered call options in respect thereof) where the result is a dividend rental arrangement for the purposes of the Tax Act;
- (viii) purchase put options on individual securities in the Portfolio or exchange-listed index put options and purchase call options and put options with the effect of closing out existing call options and put options written by the Trust;
- (ix) purchase derivatives or enter into derivatives or other transactions to facilitate achieving the investment objectives of the Trust;
- (x) not make or hold any investment that would result in more than 10% (by fair market value) of the Trust’s property being “taxable Canadian property” or other “specified property” as described in proposed amendments to the Tax Act released by the Minister of Finance (Canada) on September 16, 2004; and
- (xi) not make or hold any investments that would result in the Trust failing to qualify as a “mutual fund trust” or a “unit trust” within the meaning of the Tax Act.

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

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

- (c) deleting the third and fourth sentences of Section 3.3 and substituting the following:

“Capital Units or other securities of the Trust shall be issued only:

- (i) in accordance with the Reinvestment Plan;
- (ii) pursuant to an offering of rights, warrants or options to existing holders of Capital Units or by way of private placement or public offering where the net proceeds per Capital Unit and Preferred Security received by the Trust is not less than the most recently calculated Combined Value prior to the date of setting of the subscription prices to be paid to the Trust; or
- (iii) with the approval of Unitholders.

Subject to the limitations set forth herein, such additional Capital Units and Preferred Securities may be issued at such times, to such Persons, at such subscription prices and on such other terms and conditions as the Manager may determine.”;

- (d) adding the following sentence at the end of Section 5.1:

“An equal number of Preferred Securities may also be surrendered to the Transfer Agent for repayment through a CDS Participant together with any Capital Units so surrendered hereunder.”;

- (e) deleting the first paragraph of Section 5.2 and substituting the following:

“Holders of Capital Units whose Capital Units are redeemed on the December Valuation Date in a year (commencing in December 2006) (a “Special Annual Retraction”) will be entitled to receive a redemption price per Capital Unit equal to the Combined Value determined as of such Valuation Date minus the price paid by the Trust for one Preferred Security in the market. A holder of Capital Units who surrenders one Preferred Security together with each Capital Unit redeemed under a Special Annual Retraction will be entitled to receive an amount per Combined Security equal to the Combined Value determined as of such Valuation Date.

Holders of Capital Units whose Capital Units are redeemed on any other Valuation Date (commencing in January 2006) (a “Regular Monthly Retraction”) will be entitled to receive a redemption price per Capital Unit equal to the amount, if any, by which 95% of the Combined Value determined as of such Valuation Date exceeds the aggregate of (i) the price paid by the Trust for one Preferred Security in the market and (ii) \$0.50. A holder of Capital Units who surrenders one Preferred Security together with each Capital Unit redeemed under a Regular Monthly Redemption will be entitled to receive an amount per Combined Security equal to 95% of the Combined Value determined as of such Valuation Date minus \$0.50.

Unitholders whose Units are redeemed on the November 2005 Valuation Date will be entitled to receive a redemption price per Unit equal to the Net Asset Value Per Unit determined as of such Valuation Date (prior to giving effect to the consolidation of Units set forth in paragraph 1(r) of this special resolution). In calculating Net Asset Value Per Unit for this purpose, the RBC DS Fee (as defined in the Trust’s Management Information Circular to which is special resolution is attached) shall not be included in the Trust’s liabilities.

Any redemption proceeds paid by the Trust in connection with the redemption of a Combined Security shall be allocated as follows: (i) as to the portion of such value equal to the original subscription price of the Preferred Security (being \$12.50), and any accrued and unpaid interest on the Preferred Security, as a repayment in full of such Preferred Security, and (ii) as to the remainder thereof, as the proceeds of redemption of the Capital Unit.”;

- (f) adding the following as a new second paragraph to Section 5.3:

“Notwithstanding any other provision in this Trust Agreement, the Manager may direct the Trustee to suspend the redemption of Capital Units (and Combined Securities) or the payment of redemption proceeds: (i) during any period when normal trading is suspended on a market where more than 50% of the securities in the Portfolio (in terms of dollar value) trade and if those securities are not traded on any other exchange that represents a reasonably practical alternative for the Trust; (ii) with the prior permission of applicable securities regulatory authorities (if required), for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Trust or which impair the ability of the Trustee to determine the value of the assets of the Trust; or (iii) subject to any regulatory approval, if the Trust would be insolvent or otherwise unable to pay its liabilities as they become due after giving effect to such redemption.

The suspension may, at the sole discretion of the Manager, apply to all requests for redemption or repayment received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All holders of Capital Units making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined following the termination of the suspension. All such holders of Capital Units shall have, and shall be advised that they have, the right to withdraw their requests for redemption.”;

- (g) deleting Section 5.4 and substituting the following:

“Subject to applicable law, the Trust may at any time or times purchase outstanding Capital Units from one or more holders thereof but only together with an equal number of Preferred Securities at such prices not exceeding the Combined Value on the last Valuation Date prior to purchase, and on such other terms and conditions as the Manager may determine. Capital Units which are purchased as aforesaid shall be cancelled.”;

- (h) adding the following paragraph as a new paragraph (o) to Section 6.2:

“to issue debt securities (including the Preferred Securities) and to enter into agreements and arrangements, including trust indentures relating to the terms of such securities, in furtherance thereof; and”;

- (i) adding the following as a new paragraph (d) to Section 7.2:

“to arrange for the issue, sale and distribution of Capital Units and Preferred Securities in accordance with applicable law, and in this respect, shall be responsible for and have the right to determine all matters relating thereto including the fees payable to any financial advisors or investment dealers in connection with any transaction or issuance thereof, receive all subscriptions therefor and approve or reject such subscriptions and to determine the terms and conditions of the Preferred Securities and enter into the Trust Indenture on behalf of the Trust in respect thereof;”;

- (j) deleting Section 8.2 and substituting the following:

“For all of its services under this Trust Agreement, the Manager is entitled to receive a fee payable out of the Trust Property at an annual rate equal to 0.10% of the total assets of the Trust, plus applicable taxes, which fee shall be calculated and payable monthly based on total assets of the Trust as at the Valuation Date of each month. In addition, the Manager shall be entitled to receive fees for any extraordinary services it renders to the Trust in amounts customarily charged for such services.”;

- (k) deleting Subsection 8.3 (a) and substituting the following:

“fees payable to any Investment Managers of up to a maximum annual aggregate rate of 1.00% of the total assets of the Trust calculated and payable monthly based on the total assets of the Trust as at the last day of each month, plus applicable taxes and related expenses, unless otherwise approved by holders of Capital Units in accordance with Section 16.3;”;

- (l) adding the following paragraph as a new paragraph (m) to Section 8.3:  
“if the Trust completes a public offering of Capital Units and Preferred Securities after November 30, 2005 a service fee (to be calculated and paid as soon as practicable after the end of each calendar quarter) equal to 0.40% per annum of the Net Asset Value per Capital Unit plus applicable taxes, to investment dealers on a pro rata basis based upon the respective number of Capital Units held by clients of the sales representatives of such dealers.”;
- (m) deleting Section 13.4 and substituting the following:  
“To the extent that the undistributed income and the net realized capital gains of the Trust for the relevant Fiscal Year permit, the Trust shall, consistent with its fundamental investment objectives set forth in Section 2.4, make distributions to holders of Capital Units on the Valuation Date in each of March, June, September and December of each Fiscal Year. Each quarterly distribution shall be in such an amount as the Manager determines and shall be paid to holders of Capital Units of record at the Valuation Time on such Valuation Date (before giving effect to redemptions and issuances of Capital Units to be implemented as of such Valuation Date and the reinvestment of amounts payable on such Valuation Date).”;
- (n) deleting Section 17.1 and substituting the following:  
“The Trust will terminate on March 31, 2011 unless Capital Unitholders determine to continue the Trust by a two-thirds majority vote at a meeting called for such purpose in which case the Trust will terminate on the date fixed at such meeting (March 31, 2011 or such other date, as the case may be, is herein referred to as the “Termination Date”).”;
- (o) deleting the definition of “Standard & Poor’s 100 Index” in Section 1.1 and adding the following new definitions to Section 1.1:  
““Combined Security” means one Capital Unit and one Preferred Security;  
“Combined Value” means the amount, as of any Valuation Date, equal to the Net Asset Value Per Capital Unit as of such Valuation Date and the Repayment Price as of the date of such calculation;  
“Indenture Trustee” mean the trustee appointed as indenture trustee for the Preferred Securities under the Trust Indenture;  
“Preferred Security” means a \$12.50 principal amount of preferred security of the Trust issued pursuant to the Trust Indenture;  
“Regular Monthly Retraction” has the meaning ascribed thereto in Section 5.2;  
“Repayment Price” means, with respect to each Preferred Security, \$12.50 plus all accrued and unpaid interest thereon;  
“Special Annual Retraction” has the meaning ascribed thereto in Section 5.2;  
“Trust Indenture” means the trust indenture to be entered into between the Trust and the Indenture Trustee pursuant to which the Trust may from time to time issue the Preferred Securities, as it may be amended from time to time;”;
- (p) unless the context otherwise requires, all references to “Units” in the Trust Agreement are deleted and substituted with a reference to “Capital Units”;
- (q) unless the context otherwise requires, all references to “Unitholders” in the Trust Agreement are deleted and substituted with a reference to “holders of Capital Units”;
- (r) all Units of the Trust issued and outstanding on the effective date of this special resolution (which for greater certainty will not include Units surrendered for redemption on the November 2005 Valuation Date) shall be consolidated such that, after giving effect to the consolidation, the Net Asset Value Per Unit shall be approximately \$25.00 (currently expected to be on an approximate 2.3 to 1 basis); and
- (s) after giving effect to the consolidation of Units on the basis set forth in paragraph 1(r) of this special resolution, all Units of the Trust then issued and outstanding shall thereupon be redeemed for a redemption price per Unit equal to the Net Asset Value Per Unit as of November 30, 2005 and the holders thereof shall for each Unit held (i) receive and thereupon be issued by the Trust one Capital Unit and (ii) receive \$12.50,

which will be automatically reinvested in one Preferred Security which shall thereupon be issued to such holder.

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

## APPENDIX II

### ADDITIONAL INFORMATION

#### The Manager

Pursuant to a trust agreement dated January 22, 1997, as amended from time to time (the “Trust Agreement”), Mulvihill is the manager of the Trust and, as such, is responsible for providing or arranging for required administrative services to the Trust. Mulvihill is a wholly-owned subsidiary of MCM.

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

|                             |                                   |
|-----------------------------|-----------------------------------|
| JOHN P. MULVIHILL . . . . . | President, Secretary and Director |
| Toronto, Ontario            |                                   |
| SHEILA S. SZELA . . . . .   | Treasurer and Director            |
| Toronto, Ontario            |                                   |
| JOHN H. SIMPSON . . . . .   | Director                          |
| Toronto, Ontario            |                                   |

Mulvihill currently 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. If the Special Resolution is approved, Mulvihill’s annual fee will be changed to 0.10% of the Trust’s total assets, calculated and payable monthly plus applicable taxes. Mulvihill is also entitled to receive fees for any extraordinary services it renders to the Trust in amounts customarily charged for such services. In addition, Mulvihill and each of its directors, officers, employees and agents will be indemnified by the Trust for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against Mulvihill or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from Mulvihill’s wilful misconduct, bad faith, negligence or breach of its obligations under the Trust Agreement.

Mulvihill may resign upon 60 days’ notice to Unitholders and the Trustee 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 Trust shall give notice thereof to Unitholders and the Unitholders may remove Mulvihill and appoint a successor manager, such appointment must be approved by two-thirds of the votes cast by Unitholders at a meeting called for such purpose.

#### The Investment Manager

MCM is the Trust’s investment manager. MCM is controlled by John P. Mulvihill. MCM manages the Trust’s investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Trust pursuant to an investment management agreement (the “Investment Management Agreement”) made between the Trust and MCM dated February 22, 1997.

The services provided by MCM pursuant to the Investment Management Agreement include determining the investment policies and practices of the Trust, the making of all investment decisions for the Trust and managing the Trust’s call and put option writing, all in accordance with the investment objectives, strategy and criteria of the Trust. Decisions as to the purchase and sale of securities comprising the Trust’s investment portfolio and as to the execution of all portfolio and other transactions are also made by MCM.

MCM currently 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. If the Special Resolution is approved, MCM has agreed to reduce this annual fee to 1.00% of the Trust’s total assets calculated and payable monthly plus applicable taxes. In addition, MCM and each of its directors, officers, employees and agents will be indemnified by the Trust for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against MCM or any of its officers, directors, employees or agents in the exercise of its duties as investment manager, except those resulting from MCM’s wilful misconduct, bad faith, negligence or breach of its obligations under the Investment Management Agreement.

## **The Advisory Board**

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

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

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

## **The Trustee**

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

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

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

## **The Auditors**

The auditors of the Trust are Deloitte & Touche LLP, BCE Place, 181 Bay Street, Suite 1400, Toronto, Ontario, M5J 2V1.

## **Additional Information**

Additional information relating to the Trust is available on SEDAR at [www.sedar.com](http://www.sedar.com).