

Note to Reader
Premium Income Corporation
Annual Information Form

Please be advised that the attached annual information form dated January 22, 2025 (the “**Annual Information Form**”) supersedes the annual information form filed on January 29, 2025 (the “**Original AIF**”). The Original AIF inadvertently included a Note to Draft mention under the subsection entitled “Canadian Federal Income Tax Considerations”, to which such mention has been removed in the attached Annual Information Form. The Annual Information Form has therefore been filed to correct this, and the issuer confirms that no other changes have been made to the contents of the Annual Information Form.

ANNUAL INFORMATION FORM

PREMIUM INCOME CORPORATION

Preferred Shares and Class A Shares

January 22, 2025

TABLE OF CONTENTS

	Page
FORWARD-LOOKING STATEMENTS	1
THE FUND	2
INVESTMENT OBJECTIVES AND STRATEGY	4
STATUS OF THE FUND	5
DESCRIPTION OF SHARE CAPITAL.....	5
Preferred Shares	5
Class A Shares	7
Suspension of Retractions or Redemptions	9
Class B Shares	10
BOOK-ENTRY ONLY SYSTEM.....	10
SHAREHOLDER MATTERS.....	11
Meetings of Shareholders	11
Acts Requiring Shareholder Approval.....	11
Reporting to Shareholders.....	12
INVESTMENT RESTRICTIONS	12
Use of Other Derivative Instruments	13
CALCULATION OF NET ASSET VALUE AND NET ASSET VALUE PER UNIT	13
RESPONSIBILITY FOR OPERATIONS	14
The Manager	14
Directors and Officers of the Manager	15
The Investment Manager	16
Investment Management Agreement	16
CONFLICTS OF INTEREST	17
Principal Holders of Securities	17
FUND GOVERNANCE	17
Independent Review Committee.....	17
Directors and Officers of the Fund	17
Proxy Voting Policy.....	19
BROKERAGE ARRANGEMENTS	20
CUSTODIAN	21
REGISTRAR AND TRANSFER AGENT.....	21
AUDITORS	21

TABLE OF CONTENTS
(continued)

Page

FEES AND EXPENSES.....	21
Management and Investment Management Fees.....	21
Operating Expenses	21
CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	22
Tax Treatment of the Fund	22
Tax Treatment of Shareholders.....	23
Eligibility for Investment.....	24
Exchange of Tax Information	25
RISK FACTORS	25
Concentration Risk.....	25
Risks Associated with an Investment in Bank Shares	26
Performance of the Fund’s Portfolio.....	26
No Assurances of Achieving Investment Objectives.....	26
Changes in Legislation and Regulatory Risk.....	26
Greater Volatility of the Class A Shares.....	26
Interest Rate Fluctuations	26
Trading at a Discount.....	26
Use of Options and Other Derivative Instruments.....	27
Reliance on the Manager	27
Significant Retractions.....	27
Conflicts of Interest.....	27
Tax Changes	27
Tax Treatment of Proceeds of Disposition and Option Premiums	27
Recent and Future Market Conditions	28
Accrued Gains.....	28
Cyber Security Risk.....	28
MATERIAL CONTRACTS	28
ADDITIONAL INFORMATION.....	29

FORWARD-LOOKING STATEMENTS

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

THE FUND

Premium Income Corporation (the “Fund”) is a mutual fund corporation incorporated under the laws of the Province of Ontario on August 27, 1996. The outstanding preferred shares (“Preferred Shares”) and class A shares (“Class A Shares”) of the Fund are listed on the Toronto Stock Exchange (the “TSX”) under the symbols PIC.PR.A and PIC.A, respectively.

On October 18, 1996, the articles of incorporation of the Fund were amended to create the Preferred Shares and the Class A Shares. The Fund’s articles were amended on July 30, 1999 to permit the Fund to write cash-covered put options and on May 16, 2003 to extend the mandatory redemption date of the Preferred Shares and the Class A Shares to November 1, 2010. On September 29, 2010, the articles of incorporation of the Fund were amended to further extend the redemption date of the Preferred Shares and the Class A Shares to November 1, 2017 and, thereafter, to allow for the automatic extension of the Fund for an additional seven years, as well as to provide a special retraction right, to allow shareholders who do not wish to continue their investment upon any such automatic extension to redeem their shares, to change the monthly retraction prices so that such prices are calculated by reference to market price in addition to NAV, to permit the issuance of additional classes of shares of the Fund issuable in series, and to permit the Fund to make return of capital distributions on the Preferred Shares and the Class A Shares. On September 1, 2017, the Fund announced that its term was being automatically extended for an additional seven year period beyond November 1, 2017 to November 1, 2024 as provided for in its articles of incorporation. On September 4, 2024, the Fund announced the extension of its term for a further seven-year period from November 1, 2024 to November 1, 2031.

On October 25, 2024, the Fund announced that in connection with the retraction of Preferred Shares and Class A Shares for November 1, 2024, each Class A Share would be consolidated into approximately 0.67 of a Class A Share effective at the opening of trading on or about November 12, 2024. The Fund also announced that distributions paid on the Class A Shares would, commencing in November 2024, be paid on a monthly rather than quarterly basis and that monthly distributions on the Class A Shares are expected to be \$0.08 per Class A Share or \$0.96 per Class A Share per annum (compared to the previously rate of \$0.81276 per annum).

The manager and investment manager of the Fund is Mulvihill Capital Management Inc. (formerly Strathbridge Asset Management Inc.) (“Mulvihill”, “Manager” or “Investment Manager”). Strathbridge Asset Management Inc. became the manager of the Fund on September 1, 2010 as successor by amalgamation with Mulvihill Fund Services Inc. Subsequently, on January 1, 2022, Strathbridge Asset Management Inc. changed its name to Mulvihill.

The principal offices of the Fund and of Mulvihill are located at 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9. The phone numbers, website address and e-mail address of Mulvihill are (416) 681-3966 (toll-free at 1-800-725-7172), www.mulvihill.com and info@mulvihill.com, respectively.

Share Offerings

On October 30, 1996, the Fund completed its initial public offering of 4,000,000 Preferred Shares at a price of \$15.00 per Preferred Share and 4,000,000 Class A Shares at a price of \$10.00 per Class A Share. On September 29, 2003, the Fund completed a follow-on offering of 8,500,000 Preferred Shares at a price of \$15.65 per Preferred Share and 8,500,000 Class A Shares at a price of \$11.00 per Class A Share. On October 7, 2003, the over-allotment option in respect of that offering closed, resulting in the issuance of 160,000 Preferred Shares and 160,000 Class A Shares on the same terms. On September 30, 2004, the Fund completed an additional follow-on offering of 6,487,846 Preferred Shares at a price of \$15.65 per Preferred Share and 6,487,846 Class A Shares at a price of \$11.23 per Class A Share. In connection with the special redemption right approved by shareholders at a special meeting on September 29, 2010, the Class A Shares were consolidated on November 1, 2010 on the basis of 0.738208641 new shares for each old share resulting in a higher Class A net asset value per share. This was done in order to maintain an equal number of Preferred Shares and Class A Shares outstanding subsequent to the special redemption.

On May 6, 2011, the Fund completed an offering (the “Warrant Offering”) of warrants (the “Warrants”) to holders of its Class A Shares (the “Class A Shareholders”). The Fund issued 9,523,493 Warrants to subscribe for and purchase an aggregate of approximately 4,761,746 Units (as defined below). Each Class A Shareholder received one transferable Warrant for each Class A Share held. The warrants expired on December 15, 2011 and no warrants were exercised.

On November 5, 2012, the Fund filed a short form prospectus relating to an offering of rights (“Rights”) to holders

(“Shareholders”) of its Class A Shares and Preferred Shares. Each Shareholder of record on November 13, 2012 received one Right for each Class A Share or Preferred Share. Two Rights entitled the holder to acquire one Class A Share and one Preferred Share upon payment of the subscription price of \$20.88. The Rights expired on December 11, 2012 and 463,724 Rights were exercised.

On October 31, 2014, the Fund filed a final short form prospectus relating to a treasury offering of Preferred Shares and Class A Shares. The offering price was \$24.52 per Unit (consisting of one Class A Share at a price of \$8.92 and one Preferred Share at a price of \$15.60) and corresponded to the most recently calculated net asset value per Unit on the date of the pricing of the issue in order to be non-dilutive. The Fund issued 900,000 Class A Shares and 900,000 Preferred Shares for gross proceeds of \$22.1 million pursuant to the offering, which closed on November 10, 2014.

On October 26, 2018, the Fund filed a prospectus supplement to its short form base shelf prospectus dated August 8, 2018, relating to a treasury offering of Preferred Shares and Class A Shares. The offering price was \$21.60 per Unit (consisting of one Class A Share at a price of \$6.60 and one Preferred Share at a price of \$15.00) and corresponded to the most recently calculated net asset value per Unit on the date of the pricing of the issue in order to be non-dilutive. The Fund issued 795,000 Class A Shares and 795,000 Preferred Shares for gross proceeds of approximately \$17.2 million pursuant to the offering which closed on November 2, 2018.

On January 15, 2019, the Fund filed a prospectus supplement to its short form base shelf prospectus dated August 8, 2018, relating to a treasury offering of Preferred Shares and Class A Shares. The offering price was \$21.00 per Unit (consisting of one Class A Share at a price of \$6.40 and one Preferred Share at a price of \$14.60) and corresponded to the most recently calculated net asset value per Unit on the date of the pricing of the issue in order to be non-dilutive. The Fund issued 694,000 Class A Shares and 694,000 Preferred Shares for gross proceeds of approximately \$14.6 million pursuant to the offering which closed on January 22, 2019.

On June 4, 2019, the Fund filed a prospectus supplement to its short form base shelf prospectus dated August 8, 2018, relating to a treasury offering of Preferred Shares and Class A Shares. The offering price was \$21.20 per Unit (consisting of one Class A Share at a price of \$6.45 and one Preferred Share at a price of \$14.75) and corresponded to the most recently calculated net asset value per Unit on the date of the pricing of the issue in order to be non-dilutive. The Fund issued 625,000 Class A Shares and 625,000 Preferred Shares for gross proceeds of approximately \$13.25 million pursuant to the offering which closed on June 11, 2019.

On August 21, 2019, the Fund filed a prospectus supplement to its short form base shelf prospectus dated August 8, 2018, relating to a treasury offering of Preferred Shares and Class A Shares. The offering price was \$20.80 per Unit (consisting of one Class A Share at a price of \$6.10 and one Preferred Share at a price of \$14.70) and corresponded to the most recently calculated net asset value per Unit on the date of the pricing of the issue in order to be non-dilutive. The Fund issued 1,335,100 Class A Shares and 1,335,100 Preferred Shares for gross proceeds of approximately \$27.77 million pursuant to the offering which closed on August 28, 2019.

On July 2, 2021, the Fund filed a prospectus supplement to its short form base shelf prospectus dated August 7, 2020, relating to a distribution of Preferred Shares and Class A Shares by way of “at-the-market-distributions” (the “2021 ATM”). Under the 2021 ATM, the Fund qualified for issuance of Class A Shares having an aggregate market value of up to \$16,800,000 and Preferred Shares having an aggregate market value of up to \$33,200,000.

On September 7, 2022, the Fund filed a prospectus supplement to its short form base shelf prospectus dated August 23, 2022, relating to a distribution of Preferred Shares and Class A Shares by way of “at-the-market-distributions” (the “2022 ATM”). Under the 2022 ATM, the Fund may issue Class A Shares having an aggregate market value of up to \$15,700,000 and Preferred Shares having an aggregate market value of up to \$34,300,000.

On January 30, 2023, the Fund filed a notice of intention to make a normal course issuer bid to purchase up to 1,350,429 Class A Shares and 1,350,999 Preferred Shares representing approximately 10% of the public float of 13,504,291 Class A Shares and 13,509,991 Preferred Shares, as at January 18, 2023. Purchases under the normal course issuer bid in any 30-day period are limited to 270,085 Class A Shares and 270,199 Preferred Shares, which is approximately 2% of the shares of each class issued and outstanding as at January 18, 2023.

On January 8, 2024, the Fund filed a prospectus supplement to its short form base shelf prospectus dated August 23,

2022, relating to a distribution of Preferred Shares and Class A Shares by way of “at-the-market-distributions” (the “January 2024 ATM”). Under the January 2024 ATM, the Fund may issue Class A Shares having an aggregate market value of up to \$22,000,000 and Preferred Shares having an aggregate market value of up to \$58,000,000.

On August 8, 2024, the Fund filed a prospectus supplement to its short form base shelf prospectus dated August 7, 2024, relating to a distribution of Preferred Shares and Class A Shares by way of “at-the-market-distributions” (the “August 2024 ATM”). Under the August 2024 ATM, the Fund may issue Class A Shares having an aggregate market value of up to \$40,000,000 and Preferred Shares having an aggregate market value of up to \$110,000,000.

On October 30, 2024, the Fund filed a prospectus supplement to its short form base shelf prospectus dated August 7, 2024, relating to a treasury offering of Preferred Shares. The Fund issued 4,350,000 Preferred Shares for gross proceeds of 65,250,000 which closed on November 6, 2024.

INVESTMENT OBJECTIVES AND STRATEGY

The Fund’s investment objectives are:

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

Commencing November 1, 2024, the Preferred Share distribution rate for the fiscal year beginning November 1, 2024, increased to 8.50% from 5.75% on the \$15.00 Preferred Share redemption value and the Fund moved to paying a monthly distribution from a quarterly distribution. Monthly distributions are \$0.10625 per share or \$1.275 per Preferred Share per annum. In addition, distributions on the Class A Shares are expected to be paid monthly instead of quarterly commencing in November 2024 and in an amount equal to \$0.08 per share or \$0.96 per share per annum (compared to the previous rate of \$0.81276 per annum).

To achieve its investment objectives, the Fund invests in a portfolio (the “Portfolio”) consisting principally of common shares of:

- (a) Bank of Montreal,
- (b) The Bank of Nova Scotia,
- (c) Canadian Imperial Bank of Commerce,
- (d) Royal Bank of Canada,
- (e) The Toronto-Dominion Bank (collectively, the “Banks”) and
- (f) National Bank of Canada.

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

On January 2, 2015, the Manager announced that shareholders of the Fund had approved a proposal to change the Fund’s investment strategy so that the Fund may also invest in common shares of National Bank of Canada. For further details of the proposal, see “Investment Restrictions”.

STATUS OF THE FUND

While the Fund may technically be considered to be a mutual fund under the securities legislation of certain provinces of Canada, the Fund is not a conventional mutual fund and has obtained exemptions from certain requirements of Canadian securities laws relating to mutual funds.

The Fund differs from conventional mutual funds in a number of respects, most notably as follows: (a) while the Preferred Shares and the Class A Shares of the Fund may be surrendered at any time for retraction, the retraction price is payable monthly whereas the securities of most conventional mutual funds are retractable daily; (b) the Preferred Shares and the Class A Shares of the Fund have a stock exchange listing whereas the securities of most conventional mutual funds do not; and (c) unlike most conventional mutual funds, the Preferred Shares and the Class A Shares are not offered on a continuous basis.

DESCRIPTION OF SHARE CAPITAL

Issue of Preferred Shares, Class A Shares and Class B Shares

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

Description of Units

The Preferred Shares and Class A Shares were issued on the basis that there will be one Preferred Share outstanding for every Class A Share outstanding (together notionally considered a “Unit”).

Preferred Shares

Distributions

One of the Fund’s investment objectives is to pay a cumulative preferential quarterly distribution of \$0.215625 per share to holders of Preferred Shares on the last day of January, April, July and October in each year (a “Dividend Payment Date”). In the event that dividends earned by the Fund on the Portfolio are not sufficient on any Dividend Payment Date to cover the total amount of the distributions payable to holders of Preferred Shares on that date, the balance of the distributions payable will be paid as capital gains dividends out of net realized capital gains and option premiums (other than option premiums in respect of options outstanding at year end) earned by the Fund on the Portfolio and may include a return of capital. Commencing with each seven-year period starting November 1, 2024, the Board of Directors of the Fund shall determine the dividend rate in respect of the Preferred Shares for such period, provided that any such new rate is announced by way of press release. The new dividend amount will accrue from November 1 and the first dividend payment shall become payable commencing on January 31 of the following year. Dividends payable on the Preferred Shares may take the form of ordinary dividends, capital gains dividends or distributions representing a return of capital or any combination thereof. Commencing November 2024, distributions paid on the Preferred Shares will be paid on a monthly basis rather than a quarterly basis and will increase to 8.50% per annum (\$0.10625 per share monthly).

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

Redemptions

All Preferred Shares outstanding on the Redemption Date will be redeemed by the Fund on such date. The “Redemption Date” of the Fund is the Potential Redemption Date that is determined by the Board of Directors of the Corporation as the date on which all of the then outstanding shares of any class or series of shares of the Corporation shall be redeemed. A “Potential Redemption Date” is November 1, 2024 and, thereafter, the day that is the seventh year anniversary date of the immediately preceding potential date of redemption. The redemption price payable by the Fund for a Preferred Share on the Redemption Date will be equal to the lesser of (a) \$15.00 and (b) the NAV (as defined below) on that date divided by the total number of Preferred Shares then outstanding.

Notice of redemption will be given to CDS Participants (as defined below) holding Preferred Shares on behalf of the beneficial owners thereof at least 60 days prior to the Redemption Date.

Retraction Privileges

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

(A) the sum of (1) 96% of the lesser of (i) NAV per Unit as of the applicable Valuation Date less the cost to the Fund of purchasing a Class A Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (ii) \$15.00 and (2) any accrued and unpaid dividends thereon; and

(B) the sum of (1) 96% of the lesser of (i) the Unit Market Price as of the applicable Valuation Date less the cost to the Fund of purchasing a Class A Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (ii) \$15.00 and (2) any accrued and unpaid dividends thereon.

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

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

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

The "Unit Market Price" is the sum of the Class A Market Price and the Preferred Market Price.

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

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

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

The retraction right must be exercised by providing written notice within the notice periods and in the manner described under "Book-Entry Only System". Such surrender will be irrevocable upon the delivery of notice to CDS

through a CDS Participant, except with respect to those Preferred Shares that are not retracted by the Fund on the relevant Retraction Payment Date.

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

Special Retraction Privileges

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

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

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

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

On or prior to the special retraction payment date, the Fund shall pay or cause to be paid to or to the order of the registered holders of the Preferred Shares an amount per Preferred Share being redeemed equal to the Preferred Share Redemption Price as of the Special Retraction Date. For purposes of calculating such Preferred Share Redemption Price, the NAV per Unit shall be the NAV per Unit on the applicable Special Retraction Date.

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

Resale of Preferred Shares Tendered for Retraction

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

Priority

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

Class A Shares

Distributions

Currently, the Fund is paying monthly cash distributions on the Class A Shares of \$0.08 per Class A Share (\$0.96 per year) subject to the prior rights of holders of Preferred Shares to receive cumulative, fixed, preferential dividends. The amount of distributions in any particular calendar quarter will be determined by the Board of Directors of the Fund on the advice of Mulvihill, as Manager, having regard to the investment objectives of the Fund, the net income and net realized capital gains of the Fund during the calendar quarter and in the year to date, the net income and net realized capital gains of the Fund anticipated in the balance of the year and distributions made in previous calendar quarters.

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

Redemptions

All Class A Shares outstanding on the Redemption Date will be redeemed by the Fund on such date. The redemption price payable by the Fund for a Class A Share on that date will be equal to the greater of (a) the NAV per Unit on that date minus \$15.00, and (b) nil.

Notice of redemption will be given to CDS Participants holding Class A Shares on behalf of the beneficial owners thereof at least 60 days prior to the Redemption Date.

Retraction Privileges

Class A Shares may be surrendered at any time for retraction to Computershare Investor Services Inc., but will be retracted only on a monthly Valuation Date. Class A Shares surrendered for retraction by a shareholder at least ten business days prior to a monthly Valuation Date will be retracted on such Valuation Date and the shareholder will receive payment on or before the tenth business day following such Valuation Date. Except as noted below, holders of Class A Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share (the “Class A Share Retraction Price”) equal to the lesser of:

(A) the sum of (1) 96% of the difference between (i) the NAV per Unit as of the applicable Valuation Date and (ii) the cost to the Fund of purchasing a Preferred Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (2) any accrued and unpaid dividends thereon; and (B) the sum of (1) 96% of the difference between (i) the Unit Market Price as of the applicable Valuation Date and (ii) the cost to the Fund of purchasing a Preferred Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (2) any accrued and unpaid dividends thereon.

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

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

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

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

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

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

Special Retraction Privileges

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

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

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

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

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

Resale of Class A Shares Tendered for Retraction

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

Priority

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

Suspension of Retractions or Redemptions

The Fund may suspend the retraction or redemption of Preferred Shares and Class A Shares or payment of retraction or redemption proceeds (a) during any period when normal trading is suspended on the TSX; or (b) with the prior permission of the Ontario Securities Commission, for any period not exceeding 120 days during which the Fund determines that conditions exist that render impractical the sale of assets of the Fund or that impair the ability of the Fund to determine the value of the assets of the Fund. The suspension may apply to all requests for retraction 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 Preferred Shares and Class A Shares making such requests shall be advised by the Fund of the suspension and that the retraction will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such shareholders shall have and shall be advised that they have the right to withdraw their requests for retraction. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Fund shall be conclusive.

Class B Shares

The holders of Class B Shares are not entitled to receive dividends. The holders of the Class B Shares are entitled to one vote per share. The Class B Shares are retractable at a price of \$1.00 per share. The Class B Shares rank subsequent to both the Preferred Shares and the Class A Shares with respect to distributions on the dissolution, liquidation or winding-up of the Fund.

Mulvihill is the owner of record of all of the 1,000 outstanding Class B Shares. The Class B Shares have been escrowed with RBC Investor Services Trust, as successor to The Royal Trust Company, pursuant to an escrow agreement dated October 17, 1996, as amended on September 29, 2003.

BOOK-ENTRY ONLY SYSTEM

Registration of interests in and transfers of the Preferred Shares and Class A Shares will be made only through a book-entry only system administered by CDS subject to applicable corporate law provisions. Preferred Shares and Class A Shares must be purchased, transferred and surrendered for retraction or redemption through a CDS Participant. All rights of an owner of Preferred Shares or Class A Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Preferred Shares or Class A Shares. Upon purchase of any Preferred Shares or Class A Shares, the owner will receive only the customary confirmation. References to a holder of Preferred Shares or Class A Shares means, unless the context otherwise requires, the owner of the beneficial interest in such shares.

The ability of a beneficial owner of Preferred Shares or Class A Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

An owner of Preferred Shares or Class A Shares who wishes to exercise retraction privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice of the owner's intention to retract shares, no later than 5:00 p.m. (EST) on the relevant notice date. An owner who wishes to retract Preferred Shares or Class A Shares should ensure that the CDS Participant is provided with notice (the "Retraction Notice") of his intention to exercise his retraction privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. The Retraction Notice will be available from a CDS Participant or Computershare Investor Services Inc. Any expense associated with the preparation and delivery of retraction notices will be borne by the owner exercising the retraction privilege.

By causing a CDS Participant to deliver to CDS a notice of the owner's intention to retract shares, an owner shall be deemed to have irrevocably surrendered his shares for retraction and appointed such CDS Participant to act as his exclusive settlement agent with respect to the exercise of the retraction privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any retraction notice that CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect, and the retraction privilege to which it relates shall be considered for all purposes not to have been exercised. A failure by a CDS Participant to exercise retraction privileges or to give effect to the settlement thereof in accordance with the owner's instructions will not give rise to any obligations or liability on the part of the Fund to the CDS Participant or the owner.

The Fund has the option to terminate registration of the Preferred Shares or Class A Shares through the book-entry only system in which case certificates for Preferred Shares and Class A Shares in fully registered form would be issued to beneficial owners of such shares, or their nominees.

SHAREHOLDER MATTERS

Meetings of Shareholders

Except as required by law or set out below, holders of Preferred Shares and Class A Shares will not be entitled to receive notice of, to attend or to vote at any meeting of shareholders of the Fund.

Acts Requiring Shareholder Approval

The following matters require the approval of the holders of Preferred Shares and Class A Shares, each voting separately as a class, by a two-thirds majority vote (other than items (c) and (f) which require approval of a simple majority vote) at a meeting called and held for such purpose:

- (a) a change in the fundamental investment objectives and strategy of the Fund;
- (b) a change in the investment criteria of the Fund;
- (c) the entering into by the Fund of transactions involving derivatives other than the writing of covered call options, cash-covered put options, the purchase of call options or put options and the entering into of trades by the Fund to close out positions in such permitted derivatives;
- (d) any introduction of, or change in the basis of calculating, fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund;
- (e) a change of the manager of the Fund, other than a change resulting in any affiliate of such person assuming such position or, except as described herein, a change in the investment manager of the Fund, other than a change resulting in an affiliate of such person assuming such position;
- (f) a decrease in the frequency of calculating the NAV;
- (g) certain material reorganizations with, or transfers of assets to or from, another mutual fund or a reorganization that results in the Fund becoming a non-redeemable investment fund or no longer being an investment fund;
- (h) a termination of the Investment Management Agreement (as defined below) (except as described under “Investment Management Agreement”); and
- (i) an amendment, modification or variation in the provisions or rights attaching to the Preferred Shares, Class A Shares or Class B Shares.

Each Preferred Share and each Class A Share will have one vote at such a meeting. Ten percent of the outstanding Preferred Shares and Class A Shares, respectively, represented in person or by proxy at the meeting will constitute a quorum. If no quorum is present, the holders of Preferred Shares and Class A Shares then present will constitute a quorum at an adjourned meeting.

The Fund may change the auditors of the Fund without obtaining the prior approval of shareholders. In such circumstances, the independent review committee of the Fund would be required to approve the change and shareholders will be sent a written notice at least 60 days before the effective date of the change.

The Fund may undertake a reorganization with, or transfer its assets to, another mutual fund, without the prior approval of shareholders subject to corporate law requirements. Pre-approval of shareholders would not be required under applicable securities law if: (a) the Fund ceases to continue after the reorganization or transfer of assets; and (b) the transaction results in shareholders of the Fund becoming securityholders of the other mutual fund, provided that the independent review committee of the Fund approves the transaction pursuant to National Instrument 81-107 – *Independent Review Committee for Investment Funds* (“NI 81-107”), the reorganization or transfer complies with certain requirements of NI 81-107 and National Instrument 81-102 – *Investment Funds* (“NI 81-102”), shareholders are sent a written notice at least 60 days before the effective date of the change and shareholders have the ability to retract their shares at the NAV of such shares prior to such transaction.

Reporting to Shareholders

The Fund will deliver to each shareholder annual and semi-annual financial statements of the Fund.

INVESTMENT RESTRICTIONS

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

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

- (a) except as provided in paragraphs (c) and (f), purchase securities other than common shares of the Banks ("Bank Shares") and National Bank of Canada or public investment funds (including exchange traded funds and other Mulvihill funds (provided that no more than 15% of the NAV of the Fund may be invested in securities of other Mulvihill funds)), that provide exposure to such common shares;
- (b) at any time invest (i) in the common shares of fewer than four Banks provided that not more than 33⅓% or less than 10% of the NAV may at any time be invested in the common shares of each of such four Banks and (ii) less than 75% of its NAV in Bank Shares or more than 25% of its NAV in common shares of National Bank of Canada;
- (c) purchase debt securities unless such securities have a remaining term to maturity of less than one year and are issued or guaranteed by the Government of Canada or a province or are short-term commercial paper issued by one or more of the Banks;
- (d) write a call option in respect of any common share unless such common share is actually held by the Fund at the time the option is written;
- (e) dispose of a common share included in the Portfolio that is subject to a call option written by the Fund unless such option has either terminated or expired;
- (f) write put options in respect of any security unless (i) the Fund is permitted to invest in such security, and (ii) so long as the options are exercisable, the Fund continues to hold cash equivalents sufficient to acquire the security underlying the options at the aggregate strike price of such options;
- (g) purchase call options or put options except as specifically permitted under NI 81-102;
- (h) make or retain investments that render the Preferred Shares or Class A Shares "foreign property" under Part XI of the Income Tax Act (Canada) (the "Tax Act") or, if the Fund is a registered investment within the meaning of the Tax Act, that render it liable to tax under Part XI of the Tax Act; or
- (i) enter into any arrangement (including the acquisition of common shares for the Portfolio and the writing of covered call options in respect thereof) where the main reason for entering into the arrangement is to enable the Fund to receive a dividend on such shares in circumstances where, under the arrangement, someone other than the Fund bears the risk of loss or enjoys the opportunity for gain or profit with respect to such shares in any material respect.

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

In addition, as a mutual fund the Fund is subject to certain restrictions and practices contained in securities legislation, including NI 81-102, which are designed in part to ensure the investment of the Fund are diversified and relatively liquid and to ensure the proper administration of the Fund. The Fund obtained an exemption from section 2.1 of NI 81-102 and section 2.04(1)(a) of National Policy Statement No. 39 to permit it to invest in the Bank Shares as described above. A copy of the standard investment restrictions and practices in NI 81-102 will be provided by the Fund to any

person on request.

The Fund has also obtained exemptions from the following requirements:

- (a) section 11.05 of National Policy Statement No. 39 - to permit it to calculate NAV as described below;
- (b) section 10.3 of NI 81-102 - to permit it to calculate retraction payments for its shares in accordance with the provisions of its shares;
- (c) section 10.4(1) of NI 81-102 - to permit it to make retraction payments for its shares in accordance with the provisions of its shares;
- (d) section 12.1(1) of NI 81-102 - to relieve it from the requirement to file the prescribed compliance report; and
- (e) section 14.1 of NI 81-102 - to relieve it from the requirement relating to setting the record date for the payment of dividends and other distributions, provided that it complies with the requirements of the TSX.

Use of Other Derivative Instruments

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 Fund may purchase options with the effect of closing out existing options written by the Fund and may also purchase put options to protect the Fund from declines in the market prices of the securities in the Portfolio. The Fund may enter into trades to close out positions in such permitted derivatives.

CALCULATION OF NET ASSET VALUE AND NET ASSET VALUE PER UNIT

The net asset value of the Fund ("NAV") on a particular date will be equal to (a) the aggregate value of the assets of the Fund, less (b) the aggregate value of the liabilities of the Fund, including any distributions declared and not paid that are payable to shareholders on or before such date, less (iii) the stated capital of the Class B Shares (\$1,000). The Preferred Shares will not be treated as liabilities for these purposes.

The "NAV per Unit" on any day is obtained by dividing the NAV of the Fund on such day by the number of Units outstanding on that day. In the last week of the month, the NAV per Unit will be calculated on the last business day of the month at the close of business. Valuation information will be provided by the Fund to shareholders on request and will also be available on Mulvihill's website at www.mulvihill.com.

In determining the NAV of the Fund at any time:

- (a) the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount, unless the Fund determines that any such deposit or call loan is not worth the face amount, in which event the value shall be deemed to be such value as the Fund determines to be the fair value;
- (b) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a valuation date at such times as the Fund, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;
- (c) the value of any security, index futures or index options that is listed on any recognized exchange shall be determined by the closing sale price at the valuation time or, if there is no closing sale price, the average between the closing bid and the closing asked price on the day on which the NAV is being determined, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;
- (d) the value of any security, the resale of which is restricted or limited, shall be the lesser of the value based on reported quotations in common use and that percentage of the market value of securities of the same class,

the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;

- (e) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value;
- (f) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit that shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV. The securities, if any, which are the subject of a written clearing corporation option, or over-the-counter option shall be valued at their then current market value;
- (g) the value of a futures contract or a forward contract shall be the gain or loss that would be realized if, at the valuation time, the position in the futures contract or the forward contract were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;
- (h) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (i) all expenses or liabilities of the Fund shall be calculated on an accrual basis; and
- (j) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Fund to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Fund shall make such valuation as it considers fair and reasonable. The discretion to deviate from the foregoing rules has not been exercised within the past three years.

The above principles are used to calculate NAV for all purposes other than financial statement reporting. With respect to financial reporting, International Financial Reporting Standards require that portfolio securities in an active market be valued based on a price within the bid-ask spread. The Fund uses the last traded market price (closing sale price) for both financial assets and financial liabilities where the last traded price falls within the day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

RESPONSIBILITY FOR OPERATIONS

The Manager

Mulvihill was incorporated in 1984 by The Canada Trust Company under the name CT Investment Counsel Inc. ("CTIC") to manage the institutional pension fund business of The Canada Trust Company. In 1985, The Canada Trust Company and The Canada Permanent Trust Company amalgamated resulting in all of the pension assets managed by The Canada Permanent Trust Company being transferred to CTIC management. In addition, the investment professionals of The Canada Permanent Trust Company joined the CTIC team.

In February 1995, John P. Mulvihill purchased 100% of CTIC from The Canada Trust Company and changed CTIC's name to Mulvihill Capital Management Inc.

Pursuant to an agreement (the "Management Agreement") dated October 17, 1996, as amended on September 29, 2003 and October 8, 2010, between Mulvihill (as successor by amalgamation with Mulvihill Fund Services Inc. on September 1, 2010) and the Fund, Mulvihill is the Manager of the Fund and, as such, is responsible for providing or arranging for required administrative services to the Fund including: authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements, financial and accounting information as required by the Fund; ensuring that shareholders are provided with annual and semi-annual financial statements and other reports as are from time to time required by applicable law; ensuring that the Fund complies with regulatory requirements and applicable

stock exchange listing requirements; preparing the Fund's reports to shareholders and the Canadian securities regulatory authorities; determining the amount of dividends to be paid by the Fund; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

Mulvihill is entitled to a fee for its services as Manager under the Management Agreement at an annual rate of 0.10% of the NAV. The fee payable to Mulvihill is calculated and payable monthly based on the NAV as at the Valuation Date of each month.

Mulvihill shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of shareholders, and in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances.

Mulvihill may resign upon 60 days' notice to shareholders and the Fund or such lesser notice as the Fund may accept. If Mulvihill resigns it may appoint its successor, but its successor must be approved by shareholders unless it is an affiliate of Mulvihill. If Mulvihill commits certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Management Agreement and such breach or default has not been cured within 30 days after notice of the same has been given to Mulvihill, the Fund shall give notice thereof to shareholders and the shareholders may remove Mulvihill and appoint a successor manager. Except as described above, Mulvihill cannot be terminated as manager of the Fund.

In addition to the management fee Mulvihill receives from the Fund, it is also entitled to be reimbursed for all reasonable costs and expenses incurred by Mulvihill on behalf of the Fund. Further, Mulvihill and each of its directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against 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 Management Agreement.

The management services of Mulvihill under the Management Agreement are not exclusive and nothing in the Management Agreement prevents Mulvihill from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities.

Directors and Officers of the Manager

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

Name and Municipality of Residence	Principal Occupation
John P. Mulvihill Toronto, Ontario	Chairman, Chief Executive Officer, Secretary and Director
John P. Mulvihill Jr. Toronto, Ontario	President and Director
John D. Germain Toronto, Ontario	Senior Vice-President, Chief Financial Officer and Director
Peggy Shiu Toronto, Ontario	Vice-President – Chief Compliance Officer
Jack Way Georgetown, Ontario	Vice-President – Portfolio Manager
Jeff Dobson Milton, Ontario	Vice-President – Portfolio Manager

Each of the officers and directors listed above has been employed by Mulvihill or an affiliate during the five years preceding the date hereof.

As of January 19, 2024, John P. Mulvihill owned of record and beneficially 4,040 Class 1 Preferred shares and 100 Class 2 Preferred shares (99.9%) and The Dunedin Trust owned of record and beneficially 100 common shares of Mulvihill Capital Management Inc.

The Investment Manager

Mulvihill manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an investment management agreement (the "Investment Management Agreement") made between the Fund and Mulvihill dated October 17, 1996, as amended on September 29, 2003 and October 8, 2010.

All the individuals on the team responsible for investment management at Mulvihill have significant experience in managing investment portfolios. The officers of Mulvihill who are primarily responsible for the management of the Fund's portfolio are John P. Mulvihill and John D. Germain. Also assisting in the management of the portfolio are Jeff Dobson, Peggy Shiu, Jack Way, Jeff Thompson and John P. Mulvihill Jr.

John P. Mulvihill, Chairman, Chief Executive Officer, Secretary and Director of Mulvihill, is the senior portfolio manager of Mulvihill and has over 52 years of investment management experience. Prior to purchasing CTIC from The Canada Trust Company in 1995, Mr. Mulvihill had been Chairman of CTIC since 1988. At CTIC he had primary responsibility for the asset allocation and portfolio management of CTIC's pension and mutual fund assets.

John P. Mulvihill Jr., President and Director of Mulvihill, has been with Mulvihill since April 2008. John's primary focus is on the development and implementation of the firm's various investment strategies within the Structured Products Group, while also assisting with product and business development in the High Net Worth division.

John D. Germain, Senior Vice-President, Chief Financial Officer and Director of Mulvihill, has been with Mulvihill since March 1997 and is responsible for the overall portfolio management with over 31 years of investment management experience. Prior to joining Mulvihill, he had been employed at Merrill Lynch Canada Inc. since 1992.

Jeff Dobson, Vice-President, joined Mulvihill in April 2001 after nearly 16 years at Scotia Capital. He brings extensive experience in portfolio management, especially in the use of equity options. His most recent position prior to joining Mulvihill involved managing a portfolio comprised of equity options, their underlying stocks, as well as equity index derivatives.

Peggy Shiu, Vice-President and Chief Compliance Officer of Mulvihill since 2011. She has been with Mulvihill since April 1995. She is a member of the investment management team and has extensive experience in the Canadian, U.S. and ADR equity markets.

Jack Way, Vice-President, has been with Mulvihill since August 1998 and brings an extensive background in asset management with over 52 years of experience as an investment manager during which he spent considerable time working in the U.S. market.

Jeff Thompson, Portfolio Manager, has been with Mulvihill since 1990 primarily working in the fixed income group. Since 2008, he has worked extensively on trading equity options and foreign currency hedging.

Investment Management Agreement

The services provided by Mulvihill pursuant to the Investment Management Agreement include the making of all investment decisions for the Fund and managing the Fund's call and put option writing, all in accordance with the investment objectives, strategy and criteria of the Fund. Decisions as to the purchase and sale of securities within the Portfolio and as to the execution of all portfolio and other transactions are made by Mulvihill. In the purchase and sale of securities for the Fund and the writing of option contracts, Mulvihill seeks to obtain overall services and prompt execution of orders on favourable terms.

Under the Investment Management Agreement, Mulvihill is required to act at all times on a basis that is fair and

reasonable to the Fund, to act honestly and in good faith with a view to the best interests of the shareholders of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Investment Management Agreement provides that Mulvihill shall not be liable in any way for any default, failure or defect in any of the securities in the Portfolio, nor shall it be liable if it has satisfied the duties and standard of care, diligence and skill set forth above. However, Mulvihill will incur liability in cases of wilful misfeasance, bad faith, negligence or breach of its obligations under the Investment Management Agreement.

The Investment Management Agreement, unless terminated as described below, will continue in effect until the redemption of the Preferred Shares and Class A Shares. The Fund may terminate the Investment Management Agreement if Mulvihill has committed certain events of bankruptcy or insolvency or is in material breach or default of the provisions thereof and such breach has not been cured within 30 days after notice thereof has been given to Mulvihill. Except as described above, Mulvihill cannot be terminated as investment manager of the Fund.

Except as set out below, Mulvihill may not terminate the Investment Management Agreement or assign the same except to an affiliate of Mulvihill, without shareholder approval. Mulvihill may terminate the Investment Management Agreement if the Fund is in material breach or default of its provisions and such breach or default has not been cured within 30 days of notice of the same to the Fund or if there is a material change in the fundamental investment objectives, strategy or criteria of the Fund.

If the Investment Management Agreement is terminated, the Board of Directors of the Fund will promptly appoint a successor investment manager to carry out the activities of Mulvihill until a meeting of shareholders of the Fund is held to confirm such appointment.

Mulvihill is entitled to a fee for its services as Investment Manager under the Investment Management Agreement at an annual rate of 0.80% of the NAV. The fee payable to Mulvihill is calculated and payable monthly based on the NAV of the Fund as at the Valuation Date of each month. The Fund will be reimbursed for all reasonable costs and expenses incurred by Mulvihill on behalf of the Fund. In addition, Mulvihill and each of its directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claims that are made against Mulvihill or any of its officers, directors, employees or agents in the exercise of its duties as investment manager, except those resulting from Mulvihill's wilful misconduct, bad faith, negligence or breach of its obligations under the Investment Management Agreement.

CONFLICTS OF INTEREST

Principal Holders of Securities

Mulvihill owns 100% of the 1,000 issued and outstanding Class B Shares of the Fund. The Class B Shares have been escrowed with RBC Investor Services Trust, as successor to The Royal Trust Company, pursuant to an escrow agreement dated October 17, 1996, as amended on September 29, 2003.

FUND GOVERNANCE

Independent Review Committee

Under NI 81-107, all publicly offered investment funds, including the Fund, are required to establish an independent review committee (the "IRC") to whom the manager of the fund must refer all conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of those matters and provide assistance to the independent review committee in carrying out its functions. The IRC is required to conduct regular assessments and provide reports to the manager and shareholders in respect of its activities.

The members of the IRC of the Fund and the other funds managed by Mulvihill are Robert G. Bertram, R. Peter Gillin and Robert Bell. The aggregate compensation paid by the Fund to the members of the IRC for the year ended October 31, 2023 was \$12,014.

Directors and Officers of the Fund

The following are the names, municipalities of residence, positions and principal occupations of the directors and

officers of the Fund:

<i>Name and Municipality of Residence</i>	<i>Position with the Fund</i>	<i>Principal Occupation</i>
John P. Mulvihill Toronto, Ontario	Chairman, President, Chief Executive Officer, Secretary and Director	Chairman, President, Chief Executive Officer, Secretary and Director, Mulvihill
Robert Bell ⁽¹⁾⁽²⁾ Toronto, Ontario	Director, IRC Member	Corporate Director
R. Peter Gillin ⁽¹⁾⁽²⁾ Toronto, Ontario	Director, IRC Member	Corporate Director
Robert G. Bertram ⁽¹⁾⁽²⁾ Aurora, Ontario	Director, IRC Member	Corporate Director
John D. Germain Toronto, Ontario	Chief Financial Officer and Director	Senior Vice-President, Chief Financial Officer and Director, Mulvihill

(1) Independent director.

(2) Member of the Audit Committee.

During the past five years all of the directors and officers have held the principal occupations noted opposite their respective names, or other occupations with their current employer or a predecessor company. The independent directors of the Fund are paid an annual fee of \$5,000 and a fee for each board meeting attended of \$300.

John P. Mulvihill has served as a director of the Fund since its initial public offering. Mr. Bertram was elected a director on January 1, 2009, Mr. Germain was elected a director on October 8, 2010, Mr. Gillin was elected a director on January 18, 2021 and Mr. Bell was elected a director on August 26, 2022. Each of the directors has been elected to serve until the next annual meeting of shareholders or until his successor is appointed.

The Board of Directors of the Fund is responsible for the overall stewardship of the Fund's business and affairs. Mulvihill administers, either directly or indirectly through third party service organizations, all functions associated with the operations of the Fund pursuant to the Management Agreement. Under this agreement, the Manager is responsible for the day to day operations of the Fund including the payment of distributions on its shares and attending to the retraction or redemption of its shares in accordance with their terms.

The Board consists of five directors, three of whom are independent of the Fund. The Board believes that the number of directors is appropriate for the Fund and only directors independent of the Fund are compensated. Amounts paid as compensation are reviewed for adequacy to ensure that they realistically reflect the responsibilities and risk involved in being an effective director. Individual directors may engage an outside advisor at the expense of the Fund in appropriate circumstances subject to the approval of the Board.

To assist the Board in its monitoring of the Fund's financial reporting and disclosure, the Board has established a committee of the Board known as the Audit Committee. The Audit Committee consists of three members, all of whom are independent of the Fund. The responsibilities of the Audit Committee include, but are not limited to, review of the annual financial statements and the annual audit performed by the external auditor, oversight of management's reporting on internal control and oversight of the Fund's compliance with tax and securities laws and regulations. The Audit Committee has direct communication channels with the external auditors of the Fund which it may use to discuss and review specific issues as appropriate.

The Board is responsible for developing the Fund's approach to governance issues and, together with the Investment Manager, has established a best practices governance procedure. The Fund maintains an Investor Relations line and website to respond to inquiries from shareholders.

Mulvihill has adopted policies, procedures and guidelines concerning the governance of the Fund and to ensure the proper management of the Fund. These policies, procedures and guidelines aim to monitor and manage the business,

risks and internal conflicts of interest relating to the Fund, and to ensure compliance with regulatory and corporate requirements.

In addition, Mulvihill has an asset mix committee consisting of the following: John Mulvihill, John Germain, Jack Way, Peggy Shiu and John Mulvihill Jr. The investment process for the Fund begins at the asset mix committee. Members of this committee meet monthly to examine macro-economic variables and relationships among dominant economic factors. This process culminates in an outlook for the various capital markets around the world and provides the fundamental basis for Mulvihill's long-term market outlook. These views are integrated into the investment decision making process at the portfolio management level. The asset mix committee of Mulvihill oversees investment decisions made by the portfolio managers of the Fund and reports to John Mulvihill.

The Fund may use derivatives as permitted by the policies of Canadian securities authorities and consistent with the investment objectives and restrictions of the Fund and with the investment policies set by the asset mix committee of Mulvihill. Policies, procedures and guidelines regarding investing in derivatives, including objectives and goals for derivatives trading and the risk management procedures applicable to such trading are reviewed by Mulvihill on a regular basis. If the Fund uses derivatives, it will hold enough assets to cover any obligations it has under the derivative contracts. The exposure of the Fund to derivatives is monitored daily by senior management. Mulvihill also employs certain risk assessment tools including mark to market valuing of securities, reporting and monitoring of securities exposure and reconciliations of security transactions.

Because shareholders may only retract their Preferred Shares or Class A Shares on notice for payment not more frequently than monthly, they cannot engage in short-term trading of the Fund's securities with the Fund and the Fund has no policies and procedures in relation to such activities.

Proxy Voting Policy

The Fund has adopted the following proxy guidelines (the "Proxy Guidelines") with respect to the voting of proxies received by it relating to voting securities held by the Fund. The Proxy Guidelines establish standing policies and procedures for dealing with routine matters, as well as the circumstances under which deviations may occur from such standing policies. A general description of certain such policies is outlined below.

(a) Auditors

The Fund will generally vote for proposals to ratify auditors except where non-audit-related fees paid to such auditors exceed audit-related fees.

(b) Board of Directors

The Fund will vote for nominees of management on a case-by-case basis, examining the following factors: independence of the board and key board committees, attendance at board meetings, corporate governance positions, takeover activity, long-term company performance, excessive executive compensation, responsiveness to shareholder proposals and any egregious board actions. The Fund will generally withhold votes from any nominee who is an insider and sits on the audit committee or the compensation committee. The Fund will also withhold support from those individual nominees who have attended fewer than 75% of the board meetings held within the past year without a valid excuse for these absences.

(c) Compensation Plans

The Fund will vote on matters dealing with share-based compensation plans on a case-by-case basis. The Fund will review share-based compensation plans with a primary focus on the transfer of shareholder wealth. The Fund will generally vote for compensation plans only where the cost is within the industry maximum except where (i) participation by outsiders is discretionary or excessive or the plan does not include reasonable limits on participation or (ii) the plan provides for option re-pricing without shareholder approval. The Fund will generally also vote against any proposals to re-price options, unless such re-pricing is part of a broader plan amendment that substantially improves the plan and provided that (i) a value-for-value exchange is proposed; (ii) the top five paid officers are excluded; and (iii) exercised options do not go back into the plan or the company commits to an annual burn rate cap.

(d) Management Compensation

The Fund will vote on employee stock purchase plans ("ESPPs") on a case-by-case basis. The Fund will

generally vote for broadly based ESPPs where all of the following apply: (i) there is a limit on employee contribution; (ii) the purchase price is at least 80% of fair market value; (iii) there is no discount purchase price with maximum employer contribution of up to 20% of employee contribution; (iv) the offering period is 27 months or less; and (v) potential dilution is 10% of outstanding securities or less. The Fund will also vote on a case-by-case basis for shareholder proposals targeting executive and director pay, taking into account the issuer's performance, absolute and relative pay levels as well as the wording of the proposal itself. The Fund will generally vote for shareholder proposals requesting that the issuer expense options or that the exercise of some, but not all options be tied to the achievement of performance hurdles.

(e) *Capital Structure*

The Fund will vote on proposals to increase the number of securities of an issuer authorized for issuance on a case-by-case basis. The Fund will generally vote for proposals to approve increases where the issuer's securities are in danger of being de-listed or if the issuer's ability to continue to operate is uncertain. The Fund will generally vote against proposals to approve unlimited capital authorization.

(f) *Constituting Documents*

The Fund will generally vote for changes to constituting documents that are necessary and can be classified as "housekeeping". The following amendments will be opposed:

- (i) the quorum for a meeting of shareholders is set below two persons holding 25% of the eligible vote (this may be reduced in the case of a small organization where it clearly has difficulty achieving quorum at a higher level, but the Fund will oppose any quorum below 10%);
- (ii) the quorum for a meeting of the board of directors should not be less than 50% of the number of directors; and
- (iii) the chair of the board has a casting vote in the event of a deadlock at a meeting of directors if that chair is not an independent director.

The Proxy Guidelines also include policies and procedures pursuant to which the Fund will determine how to cause proxies to be voted on non-routine matters including shareholder rights plans, proxy contests, mergers and restructurings and social and environmental issues. The Proxy Guidelines apply to proxy votes that present a conflict between the interests of Mulvihill or an entity related thereto, on the one hand, and the interests of shareholders of the Fund, on the other.

The Fund has retained ISS Governance Services, a subsidiary of RiskMetrics Group to administer and implement the Proxy Guidelines for the Fund.

The Proxy Guidelines are available upon request at no cost by calling toll-free at 1-800-725-7172 or by e-mail at info@mulvihill.com.

The Fund maintains annual proxy voting records for the period beginning July 1 and ending June 30 of each year. These records are available after August 31 of each year at no cost by calling toll-free 1-800-725-7172 or on Mulvihill's website at www.mulvihill.com.

BROKERAGE ARRANGEMENTS

In evaluating the broker's capability to provide best execution, the portfolio managers consider the broker's financial responsibility, the broker's responsiveness, the commission rate involved and the range of services offered by the broker.

There are no ongoing contractual arrangements with any brokers with respect to securities transactions.

In addition to order execution goods and services, dealers or third parties may provide research goods and services, which include: (a) advice as to the value of securities and the advisability of effecting transactions in securities; and (b) analyses and reports concerning securities, issuers, industries, portfolio strategy or economic or political factors and trends that may have an impact on the value of securities. Such goods and services may be provided by the executing dealer directly (known as proprietary research) or by a party other than the executing dealer (known as third party research).

In the event of the provision of a good or service that contains an element that is neither research goods and services nor order execution goods and services (“mixed-use goods and services”), brokerage commissions will only be used to pay for such goods and services which would qualify as either research goods and services or order execution goods and services. The Manager would pay for the remainder of the costs of such mixed-use goods or services.

The portfolio managers make a good faith determination that the portfolio, on whose behalf it directs to a dealer any brokerage transactions involving client brokerage commissions in return for research and order execution goods and services, receives reasonable benefit, considering both the use of the goods and services and the amount of brokerage commissions paid.

There are policies and procedures in place to ensure that, over a reasonable period of time, all clients receive a fair and reasonable benefit in return for the commissions generated.

For a list of any other dealer, broker or third party which provides research goods and services and/or order execution goods and services, at no cost, shareholders can contact Mulvihill at 1-800-725-7172 or info@mulvihill.com.

CUSTODIAN

Pursuant to an agreement (the “Custodian Agreement”) dated May 17, 2007 with the Fund, RBC Investor Services Trust acts as the custodian (the “Custodian”) of the assets of the Fund and is responsible for processing redemptions, NAV calculations, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund. Pursuant to the terms of the Custodian Agreement, the assets of the Fund may also be held by sub-custodians. Either party may terminate the Custodian Agreement by giving the other party 30 days’ notice.

The address of the Custodian is 155 Wellington Street West, 2nd Floor, Toronto, Ontario, M5V 3L3. The Custodian is entitled to receive fees from the Fund and to be reimbursed for all expenses and liabilities which are properly incurred by the Custodian in connection with the activities of the Fund.

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc. at its principal offices in Toronto is the registrar and transfer agent for the Preferred Shares and the Class A Shares. The register of the Fund is kept in Toronto, Ontario.

AUDITORS

The auditors of the Fund are Deloitte LLP, Bay Adelaide Centre, East Tower, 8 Adelaide Street West, Suite 200, Toronto, Ontario, M5H 0A9.

FEES AND EXPENSES

Management and Investment Management Fees

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

The Fund pays the Manager an investment management fee equal to 0.80% per annum of the NAV, calculated and payable monthly, plus any applicable taxes.

Operating Expenses

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

and any extraordinary expenses which may be incurred by it from time to time.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations generally relevant to investors in Preferred Shares or Class A Shares who, for purposes of the Tax Act and at all relevant times, are resident or are deemed to be resident in Canada, hold their Preferred Shares or Class A Shares as capital property, deal at arm's length with and are not affiliated with the Fund, and have not entered into a "derivative forward agreement" as defined in the Tax Act with respect to Class A Shares or Preferred Shares. This summary is based upon the facts set out in this annual information form, the current provisions of the Tax Act, the regulations thereunder, and an understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"). This summary also takes into account all specific proposals to amend the Tax Act announced prior to the date hereof by the Minister of Finance (the "Proposed Amendments"). No assurances can be given that the Proposed Amendments will become law as proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations and does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with foreign or provincial income tax considerations, which might differ from the federal considerations. Accordingly, prospective investors are advised to consult their own tax advisors with respect to their individual circumstances.

This summary is based on the assumptions that:

- (a) the Preferred Shares and the Class A Shares are listed on the TSX;
- (b) the Fund was not established and will not be maintained primarily for the benefit of non-residents of Canada and at no time will the total fair market value of the shares of the Fund held by persons who are non-residents of Canada and/or partnerships (other than Canadian partnerships within the meaning of the Tax Act) exceed 50% of the fair market value of all of the outstanding shares of the Fund;
- (c) the issuers of securities held by the Fund will not be foreign affiliates of the Fund or any shareholder;
- (d) the investment objectives and investment restrictions will at all relevant times be as set out under "Investment Objectives and Strategy" and "Investment Restrictions", respectively, and the Fund will at all times comply with such investment objectives and hold only permitted investments.

This summary does not apply to a shareholder that is a "financial institution" as defined in section 142.2 of the Tax Act, to a shareholder that is a "specified financial institution" as defined in subsection 248(1) of the Tax Act, to a shareholder an interest in which is a "tax shelter investment" as defined in section 143.2 of the Tax Act, or to a shareholder to which the "functional currency" reporting rules in section 261 of the Tax Act apply.

Tax Treatment of the Fund

The Fund qualifies, and intends at all relevant times to qualify, as a "mutual fund corporation" as defined in the Tax Act. As a mutual fund corporation, the Fund is entitled in certain circumstances to a refund of tax paid by it in respect of its net realized capital gains. In certain circumstances where the Fund has recognized a capital gain in a taxation year, it may elect not to pay capital gains dividends in that taxation year and instead pay refundable capital gains tax, which may in the future be fully or partially refundable upon the payment of sufficient capital gains dividends and/or capital gains redemptions. Also, as a mutual fund corporation, the Fund maintains a capital gains dividend account in respect of capital gains realized by the Fund and from which it may elect to pay dividends ("capital gains dividends") that are treated as capital gains in the hands of the shareholders of the Fund (see "Tax Treatment of Shareholders" below).

The Fund will be required to include in computing its income all dividends received. In computing its taxable income, the Fund will generally be entitled to deduct all taxable dividends received on shares of taxable Canadian corporations. Dividends received by the Fund on other shares will, however, be included in computing the income of the Fund, and will not be deductible in computing its taxable income.

The Fund is a “financial intermediary corporation” (as defined in the Tax Act) and, as such, is not subject to tax under Part IV.1 of the Tax Act on dividends received by the Fund nor is it generally liable for tax under Part VI.1 of the Tax Act on dividends paid by the Fund on “taxable preferred shares” (as defined in the Tax Act). As a mutual fund corporation (which is not an “investment corporation” as defined in the Tax Act), the Fund will generally be subject to a refundable tax of 38½% under Part IV of the Tax Act on taxable dividends received during the year to the extent such dividends are deductible in computing taxable income of the Fund. This tax is fully refundable upon payment of sufficient dividends other than capital gains dividends (“Ordinary Dividends”) by the Fund.

The Fund has elected in accordance with the Tax Act to have each of its “Canadian securities” (as defined in subsection 39(6) of the Tax Act), including Bank Shares, treated as capital property. Such an election ensures that gains or losses realized by the Fund on dispositions of Canadian securities will be taxed as capital gains or capital losses.

In computing the adjusted cost base of any particular security, the Fund will generally be required to average the cost of that security with the adjusted cost base of all other identical securities owned by the Fund at the time of acquisition.

Premiums received on covered call options and cash covered put options written by the Fund which are not exercised prior to the end of the year will constitute capital gains of the Fund in the year received, unless such premiums are received by the Fund as income from a business or the Fund has engaged in a transaction or transactions considered to be an adventure in the nature of trade. The Fund has purchased the Portfolio with the objective of earning dividends thereon over the life of the Fund, will write covered call options with the objective of increasing the yield on the Portfolio beyond the dividends received on the Portfolio and will write cash covered put options to increase returns and to reduce the net cost of purchasing securities upon the exercise of put options. Having regard to the foregoing and in accordance with CRA’s published administrative practice, transactions undertaken by the Fund in respect of options on Bank Shares will be treated and reported on capital account.

Premiums received by the Fund on covered call (or cash covered put) options which are subsequently exercised will be added in computing the proceeds of disposition (or deducted in computing the adjusted cost base) to the Fund of the securities disposed of (or acquired) by the Fund upon the exercise of such call (or put) options. In addition, where the premium was in respect of an option granted in a previous year so that it constituted a capital gain of the Fund in the previous year, such capital gain may be reversed.

The policy of the Fund is to pay quarterly dividends and, in addition, to pay a special year-end dividend to holders of Class A Shares where the Fund has net taxable capital gains upon which it would otherwise be subject to tax (other than taxable capital gains realized on the writing of options that are outstanding at year end) where the Fund needs to pay a dividend in order to recover refundable tax not otherwise recoverable upon payment of quarterly dividends. While the principal sources of income of the Fund are expected to be dividends from taxable Canadian corporations and taxable capital gains, to the extent that the Fund earns income from other sources, including interest income upon interim investment of its reserves, the Fund will be subject to income tax on such income and no refund of such tax will be available.

Given the investment and dividend policy of the Fund and taking into account expenses, the Fund does not expect to be subject to any appreciable amount of non-refundable income tax.

Tax Treatment of Shareholders

Shareholders must include in income Ordinary Dividends received from the Fund. For individual shareholders, Ordinary Dividends (including eligible dividends) will be subject to the usual gross-up and dividend tax credit rules with respect to taxable dividends paid by taxable Canadian corporations under the Tax Act. Ordinary Dividends received by a corporation will normally be deductible in computing its taxable income.

Ordinary Dividends on Preferred Shares will generally be subject to a 10% tax under Part IV.1 of the Tax Act when such dividends are received by a corporation (other than a “private corporation” or a “financial intermediary corporation”, as defined in the Tax Act) to the extent that such dividends are deductible in computing the corporation’s taxable income.

A shareholder that is a private corporation for purposes of the Tax Act, or any other corporation controlled directly or

indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a 38½% refundable tax under Part IV of the Tax Act on Ordinary Dividends received on Preferred Shares or Class A Shares, to the extent that such dividends are deductible in computing the corporation's taxable income. Where Part IV.1 tax also applies to an Ordinary Dividend received by a particular corporation, the rate of Part IV tax otherwise payable by such corporation on such dividend is reduced by 10% of the amount of such Ordinary Dividend.

The amount of any capital gains dividend received by a shareholder from the Fund will be considered to be a capital gain of the shareholder from the disposition of capital property in the taxation year of the shareholder in which the capital gains dividend is received.

The policy of the Fund is to pay quarterly distributions and, in addition, to pay a special year-end dividend to holders of Class A Shares where the Fund has net taxable capital gains upon which it would otherwise be subject to tax (other than taxable capital gains in respect of options that are outstanding at year-end) or would not otherwise obtain a refund of refundable tax in respect of dividend income.

Having regard to the dividend policy of the Fund, a person acquiring shares may become taxable on income or capital gains accrued or realized before such person acquired such shares.

Upon the redemption, retraction or other disposition of a share, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of the share exceed (or are less than) the aggregate of the adjusted cost base of the share and any reasonable costs of disposition. If the holder is a corporation, any capital loss arising on the disposition of a share may in certain circumstances be reduced by the amount of any Ordinary Dividends received on the share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. For purposes of computing the adjusted cost base of each share of a particular class, a shareholder must average the cost of such share with the adjusted cost base of any shares of that class already held as capital property.

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. A shareholder that is a Canadian-controlled private corporation will be subject to an additional refundable tax on aggregate investment income, which includes an amount in respect of taxable capital gains. Proposed Amendments contained in Bill C-59 that are proposed to be effective for taxation years beginning on or after April 7, 2022 are intended to extend this additional tax and refund mechanism in respect of "aggregate investment income" (as defined in the Tax Act) to "substantive CCPCs" (as defined in the Proposed Amendments), in addition to introducing anti-avoidance rules that could deem certain corporations resident in Canada that do not otherwise qualify as "substantive CCPCs" to so qualify. Shareholders are advised to consult their own tax advisors regarding the possible implications of these Proposed Amendments in their particular circumstances.

Individuals (other than certain trusts) realizing net capital gains or receiving dividends may be subject to an alternative minimum tax under the Tax Act.

Eligibility for Investment

Provided that the Fund qualifies as a mutual fund corporation within the meaning of the Tax Act or if the Preferred Shares or the Class A Shares are listed on a designated stock exchange (which currently includes the TSX), such shares would be a qualified investment under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans ("RRSP"), registered retirement income funds ("RRIF"), deferred profit sharing plans, registered disability savings plans ("RDSP"), registered education savings plans ("RESP"), tax-free savings accounts ("TFSA") and first home savings accounts ("FHSAs").

Notwithstanding that the Preferred Shares or the Class A Shares may be qualified investments for a trust governed by a TFSA, FHSA, RRSP, RDSP, RESP or RRIF (collectively, the "Registered Plans"), the holder of a TFSA, FHSA or RDSP, the subscriber of a RESP or the annuitant of a RRSP or RRIF (a "controlling individual") will be subject to a penalty tax in respect of the Preferred Shares or the Class A Shares, as the case may be, held in the TFSA, FHSA, RESP, RDSP, RRSP or RRIF, as the case may be, if such shares are a "prohibited investment" within the meaning of the prohibited investment rules in the Tax Act. The Preferred Shares or the Class A Shares will not be a "prohibited investment" under the Tax Act for a TFSA, FHSA, RESP, RDSP, RRSP or RRIF provided the controlling individual

of the applicable Registered Plan deals at arm's length with the Fund and does not have a "significant interest" (within the meaning of the prohibited investment rules in the Tax Act) in the Fund. Holders, annuitants, and subscribers of Registered Plans should consult their own tax advisors to ensure that neither Preferred Shares nor Class A Shares would be a "prohibited investment" in their particular circumstances.

Notwithstanding the foregoing, if Units are a "prohibited investment" for a TFSA, FHSA, RESP, RDSP, RRSP, or RRIF that acquires Units, the holder, subscriber, or annuitant will be subject to a penalty tax as set out in the Tax Act. A "prohibited investment" includes a unit of a trust that does not deal at arm's length with the controlling individual. Controlling individuals of Registered Plans should consult with their tax advisors in this regard.

Exchange of Tax Information

The Fund is required to comply with due diligence and reporting obligations imposed under amendments to the Tax Act that implemented the Canada-United States Enhanced Tax Information Exchange Agreement. Dealers through which Shareholders hold their Preferred Shares and Class A Shares are subject to due diligence and reporting obligations with respect to financial accounts they maintain for their clients. Shareholders (and, if applicable, the controlling person of a Shareholder) may be requested to provide information to their dealer to identify U.S. persons holding Preferred Shares and Class A Shares. If a Shareholder, or its controlling person, is a "Specified U.S. Person" (including a U.S. citizen who is a resident of Canada) if no such determination has been made but the information provided includes indicia of U.S. status and sufficient evidence to the contrary is not timely provided, or if a Shareholder does not provide the requested information and indicia of U.S. status are present, Part XVIII of the Tax Act will generally require information about the Shareholder's investments held in the financial account maintained by the dealer to be reported to the CRA, unless the investments are held within a Registered Plan (other than a FHSA). The CRA will then provide that information to the U.S. Internal Revenue Service (the "IRS"). The tax legislation applicable to FHSAs does not currently address whether FHSAs would be treated in the same way as Registered Plans for these purposes. The CRA and the Department of Finance have engaged with the IRS in relation to the possibility of exempting FHSAs from the due diligence and reporting obligations imposed under Part XVIII of the Tax Act. It is too early to confirm that bilateral agreement has been reached on this matter.

In addition, reporting obligations in the Tax Act have been enacted to implement the Organization for Economic Co-operation and Development Common Reporting Standard (the "CRS Rules"). Pursuant to the CRS Rules, Canadian financial institutions are required to have procedures in place to identify accounts held by tax residents of foreign countries other than the U.S. ("Reportable Jurisdictions") or by certain entities any of whose "controlling persons" are tax residents of Reportable Jurisdictions. The CRS Rules provide that Canadian financial institutions must report certain account information and other personal identifying details of Shareholders (and, if applicable, of the controlling person of such Shareholder) who are tax residents of Reportable Jurisdictions to the CRA annually. Such information would generally be exchanged on a reciprocal, bilateral basis with Reportable Jurisdictions in which the account holders or such controlling persons are tax resident under the provisions and safeguards of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters or the relevant bilateral tax treaty. Under the CRS Rules, Shareholders will be required to provide such information regarding their investment in the Fund to their dealer for the purpose of such information exchange, unless the investment is held within a Registered Plan (other than a FHSA). The CRA will then provide that information to the IRS. The tax legislation applicable to FHSAs does not currently address whether FHSAs would be treated in the same way as Registered Plans for these purposes. The Department of Finance has released certain proposed amendments which would exempt FHSAs from the provisions of Part XIX of the Tax Act that implement the CRS; however, there can be no assurance that such proposed amendments will be enacted as proposed.

RISK FACTORS

For the purposes of these Risk Factors, Banks and Bank Shares includes National Bank of Canada and common shares of National Bank of Canada.

Concentration Risk

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

Risks Associated with an Investment in Bank Shares

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

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

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

Performance of the Fund's Portfolio

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

No Assurances of Achieving Investment Objectives

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

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

Changes in Legislation and Regulatory Risk

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

Greater Volatility of the Class A Shares

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

Interest Rate Fluctuations

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

Trading at a Discount

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

per share.

Use of Options and Other Derivative Instruments

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

There is no assurance that a liquid exchange or over-the-counter market will exist to permit the Fund to write covered call options or cash-covered put options on desired terms or to close out option positions should it desire to do so. The ability of the Fund to close out its positions may also be affected by exchange-imposed daily trading limits on options or the lack of a liquid over-the-counter market. If the Fund is unable to repurchase a call option that is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires. In addition, upon the exercise of a put option, the Fund will be obligated to acquire a security at the strike price that may exceed the then current market value of such security.

In purchasing call or put options or entering into forward or future contracts, the Fund is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations.

Reliance on the Manager

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

Significant Retractions

The Preferred Shares and the Class A Shares are retractable annually and monthly for a price based on NAV per Unit (which represents the value that the Fund is able to obtain in the market when it sells portfolio securities to fund the retraction). The purpose of the retraction right is to prevent the Preferred Shares and the Class A Shares from trading at a substantial discount to their NAV per share and to provide shareholders with the right to realize their investment without any trading discount to such value. While the retraction right provides shareholders the option of liquidity, there can be no assurance that it will reduce trading discounts. If a significant number of Preferred Shares and Class A Shares are retracted, the trading liquidity of the Preferred Shares and the Class A Shares could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Preferred Shares and Class A Shares, potentially resulting in lower NAV per Unit.

Conflicts of Interest

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

Tax Changes

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

Tax Treatment of Proceeds of Disposition and Option Premiums

In determining its income for tax purposes, the Fund will treat gains and losses realized on the disposition of securities in the Portfolio, option premiums received on the writing of covered call options and cash-covered put options and

any losses sustained on closing out options as capital gains and capital losses in accordance with its understanding of CRA's published administrative and assessing practice. CRA's practice is not to grant advance income tax rulings on the characterization of items as capital or income and no advance income tax ruling has been applied for or received from CRA.

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

Recent and Future Market Conditions

Global financial markets have experienced substantial volatility in recent years. Significant sources of this volatility have included the revaluation of assets on the balance sheets of international financial institutions resulting in a reduction in liquidity among financial institutions and generally reduced availability of credit, substantial intervention by central banks as well as global governments in financial markets, low economic growth in various markets and economies, substantial changes in currency valuations and commodity prices and concerns regarding both inflation and deflation. Further, continued concerns about global health risks or epidemics/pandemics, the European Sovereign debt crisis, uncertainty surrounding the implementation of the United States-Mexico-Canada Agreement, developments in the Middle East and North Korea, strained trade relations between and trade barriers instituted by the U.S. and a number of other countries (including Canada), matters related to the United Kingdom's withdrawal from the EU, and matters related to the U.S. government debt limits, may adversely impact the global equity markets, which may adversely affect the prospects of the Fund and the value of the Fund. A substantial drop in the markets in which the Fund invests could be expected to have a negative effect on the value of the shares of the Fund.

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

Accrued Gains

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

Cyber Security Risk

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

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

MATERIAL CONTRACTS

The following documents can reasonably be regarded as material to holders of Preferred Shares and Class A Shares:

- (a) the restated articles of incorporation of the Fund;
- (b) the Management Agreement;
- (c) the Investment Management Agreement; and
- (d) the Custodian Agreement.

Copies of the foregoing may be inspected during business hours at the principal office of the Fund.

ADDITIONAL INFORMATION

Additional information about the Fund is available in the Fund's management report of fund performance and financial statements.

You can get a copy of these documents at no cost by calling toll-free at 1-800-725-7172 or by e-mail at info@mulvihill.com.

These documents and other information about the Fund, such as information circulars and material contracts, are also available at www.sedarplus.ca.

Mulvihill Capital Management Inc.
121 King Street West, Suite 2600
P.O. Box 113
Toronto, Ontario
M5H 3T9
(416) 681-3966

PREMIUM INCOME CORPORATION