Initial Public Offering January 22, 1997

FIRST PREMIUM
U.S. Income Trust

C$312,500,000 (Maximum)
12,500,000 Trust Units (Maximum)

First Premium U.S. Income Trust (the "Trust"), an investment trust established under the laws of Ontario, proposes to issue transferable, redeemable trust units (the "Units"). The Trust's principal investment objective is to provide unitholders of the Trust (the "Unitholders") with a stable stream of quarterly distributions of at least $0.50 per Unit ($2.00 per annum).

The Trust will invest the net proceeds from this offering in a diversified portfolio (the "Portfolio") consisting primarily of common shares issued by corporations that rank in the top 50 of the Standard & Poor's 100 Index on the basis of market capitalization. See "Portfolio Investments". To generate additional returns above the dividend income generated by the Portfolio, the Trust will from time to time write covered call options in respect of all or part of the securities in the Portfolio. The Portfolio will be managed by the Trust's investment manager, Mulvihill Capital Management Inc.

The Trust will terminate on January 1, 2007 (the "Termination Date") and its net assets will be distributed thereafter to Unitholders, unless Unitholders determine to continue the Trust.

The Toronto Stock Exchange and the Montreal Stock Exchange have conditionally approved the listing of the Units, subject to fulfilment by the Trust of the requirements of such exchanges on or before April 16, 1997, including the distribution of the Units to a minimum number of Unitholders.

See "Risk Factors" for a discussion of certain factors that should be considered by prospective investors in Units.

In the opinion of counsel, provided that the Trust qualifies as a mutual fund trust within the meaning of the *Income Tax Act* (Canada), the Units will be qualified investments for trusts governed by registered retirement savings plans, deferred profit sharing plans and registered retirement income funds. The Units will be foreign property for such plans.

Price: C$25.00 per Unit
Minimum Purchase: 100 Units

	Price to the Public (1)	Agents' Fees	Net Proceeds to the Trust (2)
Per Unit	$25.00	$1.25	$23.75
Total Minimum Offering (3)	$100,000,000	$5,000,000	$95,000,000
Total Maximum Offering (4)	$312,500,000	$15,625,000	$296,875,000

Notes:
(1) The offering price was established by negotiation between the manager of the Trust and the Agents.
(2) Before deducting the expenses of issue estimated at $500,000 which, together with the Agents' fees, will be paid out of the proceeds of this offering.
(3) If subscriptions for a minimum of 4,000,000 Units have not been received within 60 days following the date of issuance of a final receipt for this prospectus, the offering may not continue without the consent of the securities authorities and of those who have subscribed on or before such date. If such consents are not obtained or for any reason the closing of the offering does not occur, subscription proceeds received will be promptly returned to subscribers without interest or deduction.
(4) The Trust has granted the Agents an option (the "Over-Allotment Option"), exercisable for a period of 30 days from the closing of this offering, to offer up to 1,000,000 additional Units on the same terms set forth above, which additional Units are qualified for sale hereunder. If the Over-Allotment Option is exercised in full, the total price to the public under the maximum offering will be $337,500,000, the Agents' fee will be $16,875,000 and the net proceeds to the Trust will be $320,625,000. See "Plan of Distribution".

First Premium U.S. Income Trust is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction as it does not carry on business as a trust company. The Trust is a mutual fund trust which offers and sells its Units to the public. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

RBC Dominion Securities Inc., Nesbitt Burns Inc., CIBC Wood Gundy Securities Inc., ScotiaMcLeod Inc., Midland Walwyn Capital Inc., TD Securities Inc., Lévesque Beaubien Geoffrion Inc. and Trilon Securities Corporation (collectively, the "Agents") conditionally offer the Units, subject to prior sale on a best efforts basis, if, as and when issued by the Trust and accepted by the Agents in accordance with the conditions contained in the Agency Agreement, and subject to the approval of certain legal matters by Osler, Hoskin & Harcourt, Toronto, on behalf of the Trust, and Blake, Cassels & Graydon, Toronto, on behalf of the Agents. See "Plan of Distribution".

Subscriptions will be received for the Units offered hereby, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time. Closing of these offerings is expected to occur on or about February 3, 1997, but no later than March 21, 1997. Registrations and transfers of Units will be effected only through the book-based system administered by The Canadian Depository for Securities Limited. Beneficial owners of Units will not have the right to receive physical certificates evidencing their ownership.

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GLOSSARY

Black-Scholes Model	a widely used option pricing model developed by Fischer Black and Myron Scholes in 1973. The model can be used to calculate the value of an option based on the current price of the underlying security, the strike price and term of the option, prevailing interest rates and the volatility of the price of the underlying security.
business day	any day other than a Saturday or Sunday on which the chartered banks are open for business in Toronto, Ontario.
call option	the right, but not the obligation, of the option holder to buy a security from the seller of the option at a specified price at any time during a specified time period.
covered call option	a call option entered into in circumstances where the seller of the call option holds the underlying security throughout the term of the option.
in-the-money	in relation to a call option, means a call option with a strike price less than the current market price of the underlying security.
Net Asset Value or NAV	the net asset value of the Trust which on any date will be equal to the difference between the aggregate value of the assets of the Trust and the aggregate value of the liabilities of the Trust on that date. (See "Details of the Offering — Net Asset Value and NAV Per Unit")
NAV per Unit	the NAV divided by the number of Units outstanding on the date of calculation
NP 39	National Policy Statement No. 39 of the Canadian Securities Administrators.
option premium	the purchase price of an option.
out-of-the-money	in relation to a call option, means a call option with a strike price greater than the current market price of the underlying security.
probability	a numerical measure, generally expressed as a percentage, of the likelihood that an event will occur.
Standard & Poor's 100 Index	The Standard & Poor's 100 Index comprises the shares of 100 large corporations whose shares are publicly traded in the U.S. The corporations in the Index represent a cross-section of the most important segments of the U.S. economy and are generally the largest corporations in their respective industries.
strike price	the price specified in a call option that must be paid by the option holder to acquire the underlying security.
volatility	in respect of the price of a security, is a numerical measure of the tendency of the price to vary over time.
$	means Canadian dollars unless otherwise indicated.

PROSPECTUS SUMMARY

The following is a summary only and is qualified in its entirety by and should be read in conjunction with the more detailed information appearing elsewhere in this prospectus.

The Trust

First Premium U.S. Income Trust (the "Trust") is an investment trust established under the laws of the Province of Ontario on January 22, 1997. The manager of the Trust is Mulvihill Fund Services Inc. ("Mulvihill") and the Trust's investment manager is Mulvihill Capital Management Inc. ("MCM").

The Offering

Offering: The offering consists of transferable, redeemable trust units (the "Units") of the Trust.

Amount: Maximum: $312,500,000 (12,500,000 Units)
Minimum: $100,000,000 (4,000,000 Units)

Price: $25.00 per Unit

Minimum Purchase: 100 Units ($2,500)

Eligibility for Investment: In the opinion of counsel, provided that the Trust qualifies as a mutual fund trust, the Units will be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds or deferred profit sharing plans. The Units will be foreign property for such plans.

Investment Objectives: The Trust's investment objectives are (i) to provide Unitholders with a stable stream of quarterly distributions of at least $0.50 per Unit ($2.00 per annum); and (ii) to maximize the likelihood of returning the original issue price of the Units ($25.00 per Unit) to Unitholders upon termination of the Trust.

Investment Strategy: The Trust intends to achieve its investment objectives by investing the net proceeds from this offering in a diversified portfolio (the "Portfolio") consisting primarily of common shares issued by corporations that rank in the top 50 of the Standard & Poor's 100 Index on the basis of market capitalization.

To generate additional returns above the dividend income earned on the Portfolio, the Trust will from time to time write covered call options in respect of all or part of the securities in the Portfolio. Options in respect of the shares of all corporations in the Standard & Poor's 100 Index are currently listed on the Chicago Board Options Exchange. The composition of the Portfolio, the securities that are subject to call options and the terms of such options will vary from time to time based on MCM's assessment of market conditions. See "Investments of the Trust" and "Covered Call Option Writing".

MCM may also hedge the Trust's foreign currency exposure through the use of permitted derivatives. See "Investments of the Trust — Use of Other Derivative Instruments".

Manager: Mulvihill is the Manager of the Trust and is responsible for providing or arranging for the provision of administrative services required by the Trust. See "Management of the Trust".

Investment Manager: MCM has been retained to act as investment manager of the Trust in accordance with the investment objectives, strategy and criteria of the Trust. MCM has taken the initiative in founding and organizing the Trust and is a promoter of the Trust within the meaning of applicable securities legislation. See "Promoter".

Trustee:	The Royal Trust Company is the trustee of the Trust, acts as custodian of the assets of the Trust and is responsible for certain aspects of the day-to-day administration of the Trust. See "Trustee".
Distributions:	The Trust will endeavour to make quarterly distributions of net income, net realized capital gains and option premiums to Unitholders of at least $0.50 per Unit ($2.00 per annum) on the last day of March, June, September and December in each year. The initial distribution is anticipated to be $0.83 per Unit and will be payable on June 30, 1997. There can be no assurance that the Trust will be able to make distributions at such rate. If in any year after such distributions there would otherwise remain in the Trust additional net income or net realized capital gains, the Trust intends on December 31 of that year to make a special distribution of such portion of the remaining net income and net realized capital gains as is necessary to ensure that the Trust will not be liable for income tax thereon under the *Income Tax Act* (Canada).
Distribution Reinvestment Plan:	Unitholders may elect to reinvest distributions received from the Trust in additional Units. See "Distribution Reinvestment Plan".
Termination:	The Trust will terminate on January 1, 2007 (the "Termination Date") and its net assets will be distributed thereafter to Unitholders unless Unitholders determine to continue the Trust by a majority vote at a meeting called for such purpose. See "Termination of the Trust".
Redemptions:	Units may be surrendered at any time for redemption but will be redeemed only on the monthly Valuation Date (as defined below). Units surrendered for redemption by a Unitholder at least five business days prior to the last day of a month (a "Valuation Date") will be redeemed on such Valuation Date and the Unitholder will receive payment on or before the fifth business day following such Valuation Date. Unitholders whose Units are redeemed on the December Valuation Date in a year will be entitled to receive a redemption price per Unit equal to the NAV per Unit determined as of such Valuation Date. Unitholders whose Units are redeemed on any other Valuation Date will be entitled to receive a redemption price per Unit equal to the NAV per Unit determined as of such other Valuation Date, less the lesser of (i) 4% of such NAV per Unit and (ii) $1.00.

Risk Factors

An investment in Units is subject to certain risk factors, including (i) the fact that the amount of dividends and option premiums received by the Trust and the value of the securities comprising the Portfolio will be influenced by factors beyond the Trust's control; (ii) fluctuations in the value of the U.S. dollar relative to the Canadian dollar; (iii) fluctuations in prevailing interest rates; (iv) liquidity and counterparty risks associated with the writing of covered call options; (v) the Trust's reliance on its investment manager, MCM; (vi) the Trust's lack of operating history and the current absence of a public trading market for the Units; (vii) the fact that the Trust is relying on Revenue Canada's published administrative practice regarding the manner in which the Trust will treat the dispositions of securities and option transactions for tax purposes and that no advance income tax ruling in respect thereof has been requested or received. See "Risk Factors".

Canadian Federal Income Tax Considerations

A Unitholder will generally be required to include in computing income for a year the amount of income of the Trust for tax purposes, including net taxable capital gains, if any, paid or payable to the Unitholder by the Trust in the year. The Trust will generally be required to pay U.S. withholding tax on its U.S. source dividend income. A taxable Unitholder will generally be entitled to foreign tax credits in respect of U.S. taxes paid by the Trust on the Unitholder's share of U.S. source dividend income of the Trust designated in respect of the Unitholder, under and subject to the general foreign tax credit rules under the *Income Tax Act* and depending upon other foreign source income or loss of and foreign taxes paid by the Unitholders. In determining its income for tax purposes, the Trust intends, in accordance with Revenue Canada's published administrative practice, to treat gains and losses realized on the disposition of securities in the Portfolio, option premiums received on the writing of covered call options and any losses sustained on closing out options, as capital gains and capital losses. A Unitholder who disposes of Units held as capital property (on redemption or otherwise) will realize a capital gain to the extent that the proceeds of disposition exceed the adjusted cost base of the Units and any reasonable costs of disposition.

For a detailed explanation of the Canadian federal income tax considerations, see "Canadian Federal Income Tax Considerations".

Summary Of Fees And Expenses Payable By The Trust

The following table contains a summary of the fees and expenses payable by the Trust. For further particulars see "Fees and Expenses".

Type of Charge	Description
Fees payable to the Agents for selling Units	$1.25 per Unit
Expenses of issue	The Trust will pay the expenses incurred in connection with the offering of Units by the Trust, estimated to be $500,000.
Fee payable to MCM for acting as investment manager of the Trust	Annual rate of 1.65% of the Trust's NAV calculated and payable monthly, plus applicable taxes.
Fee payable to Mulvihill for acting as manager of the Trust	Annual rate of 0.10% of the Trust's NAV calculated and payable monthly, plus applicable taxes.
Operating expenses of the Trust	The Trust will pay all ordinary expenses incurred in connection with the operation and administration of the Trust, estimated to be $225,000 per annum. The Trust will also be responsible for commissions and other costs of Portfolio transactions and any extraordinary expenses of the Trust which may be incurred from time to time.

THE TRUST

First Premium U.S. Income Trust (the "Trust") is an investment trust established under the laws of the Province of Ontario pursuant to a Trust Agreement dated as of January 22, 1997 (the "Trust Agreement") between Mulvihill Fund Services Inc. ("Mulvihill"), as manager, and The Royal Trust Company (the "Trustee"), as trustee. Mulvihill is a wholly-owned subsidiary of Mulvihill Capital Management Inc. ("MCM"), the Trust's investment manager.

The principal office of each of the Trust, Mulvihill and MCM is located at 110 Yonge Street, Suite 300, Toronto, Ontario, M5C 1T4.

Status of the Trust

While the Trust is technically considered to be a mutual fund under the securities legislation of certain provinces of Canada, it is not a conventional mutual fund and has been exempted from certain requirements of NP 39.

The Trust differs from a conventional mutual fund in a number of respects most notably as follows: (i) the units of the Trust (the "Units") are redeemable monthly whereas the securities of most conventional mutual funds are redeemable daily; (ii) the Units are to have stock exchange listings whereas the securities of most conventional mutual funds do not; and (iii) the Units will not be offered on a continuous basis, unlike most conventional mutual funds.

INVESTMENTS OF THE TRUST

Investment Objectives

The Trust's investment objectives are:

(i) to provide holders (the "Unitholders") of Units of the Trust with a stable stream of quarterly distributions of at least $0.50 per Unit ($2.00 per annum); and

(ii) to return the original issue price of the Units ($25.00 per Unit) to Unitholders upon termination of the Trust on January 1, 2007.

Investment Strategy

The Trust intends to achieve its investment objectives by investing the net proceeds from this offering in a diversified portfolio (the "Portfolio") consisting primarily of common shares issued by corporations that rank in the top 50 of the Standard & Poor's 100 Index on the basis of market capitalization. The securities comprising the Portfolio may also include instalment receipts for common shares and securities convertible into or exchangeable for common shares. The Portfolio will be managed by MCM to enhance returns to the Trust.

To generate additional returns above the dividend income earned on the Portfolio, the Trust will from time to time write covered call options in respect of all or part of the securities in the Portfolio. Options in respect of the shares of all corporations in the Standard & Poor's 100 Index are currently listed on the Chicago Board Options Exchange. The writing of covered call options will be managed by MCM in a manner consistent with the investment objectives of the Trust. The individual securities within the Portfolio which are subject to call options and the terms of such options will vary from time to time based on MCM's assessment of the market. See "Covered Call Option Writing".

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

Investment Criteria

The Trust is subject to certain investment criteria that, among other things, limit the common shares and other securities the Trust may acquire to comprise the Portfolio. The Trust's investment criteria may not be changed without the approval of Unitholders by a two-thirds majority vote at a meeting called for such purpose. See

"Unitholder Matters — Acts Requiring Unitholder Approval". The Trust's investment criteria provide that the Trust may not:

(a) except as provided in paragraphs (b) and (e), purchase securities of an issuer unless:

 (i) such securities are common shares or are instalment receipts for common shares or are convertible into or exchangeable for or carry the right to purchase common shares of the issuer; and

 (ii) the common shares of the issuer rank in the top 50 in the Standard & Poor's 100 Index on the basis of market capitalization;

(b) 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 the government of the United States or are short term commercial paper with a rating of at least R-1 (mid) by Dominion Bond Rating Service or the equivalent rating from another approved rating organization;

(c) write a call option in respect of any security unless such security is actually held by the Trust at the time the option is written;

(d) dispose of any security included in the Portfolio that is subject to a call option written by the Trust unless such option has either terminated or expired; or

(e) purchase call options or put options except as specifically permitted under NP 39.

In addition, but subject, to these investment criteria, the Trust has adopted the standard investment restrictions and practices set forth in NP 39 (as it may be amended from time to time). A copy of such standard investment restrictions and practices will be provided by the Manager to any person on request.

Use of Other Derivative Instruments

In addition to writing covered call options and to the extent permitted by Canadian securities regulators from time to time, the Trust may purchase call options with the effect of closing out existing call options written by the Trust and may also purchase put options in order to protect the Trust from declines in the market of the securities in the Portfolio. The Trust may enter into trades to close out positions in such permitted derivatives.

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

PORTFOLIO INVESTMENTS

The Trust will endeavour, as soon as possible after closing, to invest the net proceeds of this offering in accordance with the Trust's investment objectives, strategy and criteria. To enhance returns to the Trust, MCM may adjust the composition of, and relative weightings within, the Portfolio from time to time. See "Investments of the Trust".

The following table sets out for each corporation whose shares are included in the top 50 of the Standard & Poor's 100 Index the following information: the closing price of the shares as at January 17, 1997, dividend yield expressed as a percentage of the closing price, the average annual growth in the price of the shares in the period from December 31, 1991 to December 31, 1996 and the average annual growth in dividends for the period from December 31, 1991 to December 31, 1996:

Company	Closing Price Jan. 17, 1997 (U.S.$)	Dividend Yield	Average Annual Price Growth Dec. 31, 1991-Dec. 31, 1996	Average Annual Dividend Growth Dec. 31, 1991-Dec. 31, 1996
American Express Company	$ 59.63	1.51%	22.48%	1.37%
American International Group	$114.38	0.35%	19.88%	12.29%
Ameritech Corporation	$ 60.63	3.73%	13.81%	4.67%
Amoco Corporation	$ 85.25	3.28%	10.42%	3.79%
AT&T Corporation	$ 38.25	3.45%	2.08%	0.00%
Atlantic Rich Company	$137.00	4.01%	4.42%	0.00%
BankAmerica Corporation	$106.88	2.02%	22.69%	12.47%
Bell Atlantic Corporation	$ 66.75	4.31%	6.06%	2.71%
Bristol-Myers Squibb Company	$123.13	2.47%	4.31%	3.87%
Burlington Northern Santa Fe	$ 87.63	1.37%	16.36%	0.00%
Chrysler Corporation	$ 34.25	4.67%	41.22%	36.08%
Cisco Systems Inc.	$ 72.63	0.00%	72.71%	0.00%
Citicorp	$108.13	1.66%	58.26%	19.14%
Coca Cola Company	$ 58.75	0.85%	21.27%	15.81%
Colgate-Palmolive Company	$ 95.88	1.96%	13.55%	13.01%
Columbia/HCA Healthcare Corporation	$ 39.13	0.20%	29.17%	—
Dow Chemical Company	$ 82.88	3.62%	7.84%	2.90%
Du Pont (E.I.) De Nemours	$111.63	2.04%	15.08%	5.83%
Eastman Kodak Company	$ 85.25	2.06%	10.71%	0.23%
Exxon Corporation	$103.00	3.07%	9.99%	3.09%
First Chicago NBD Corporation	$ 54.50	2.94%	12.56%	9.27%
Ford Motor Company	$ 33.13	4.65%	18.06%	9.07%
General Electric Company	$104.00	2.00%	20.92%	12.81%
General Motors Corporation	$ 60.00	2.67%	14.06%	0.00%
H.J. Heinz Company	$ 41.38	2.80%	6.64%	10.30%
Hewlett-Packard Company	$ 54.13	0.89%	28.67%	29.73%
Intel Corporation	$144.00	0.14%	60.61%	—
International Business Machines Corporation	$165.13	0.85%	11.23%	(23.12)%
MCI Communications Corporation	$ 35.13	0.14%	24.57%	3.55%
Johnson & Johnson	$ 51.25	1.48%	2.69%	14.57%
McDonalds Corporation	$ 46.50	0.65%	21.23%	10.03%
Merck & Company Inc.	$ 86.00	1.86%	7.49%	13.28%
Merrill Lynch & Company	$ 83.00	1.45%	22.49%	18.33%
Minnesota Mining & Manufacturing Corporation	$ 85.88	2.28%	11.75%	4.65%
Mobil Corporation	$131,13	3.05%	12.49%	4.66%
Monsanto Company	$ 38.88	1.54%	23.42%	7.01%
Northern Telecom Ltd.	$ 72.38	0.72%	6.58%	9.34%

Company	Closing Price Jan. 17, 1997 (U.S.$)	Dividend Yield	Average Annual Price Growth Dec. 31, 1991-Dec. 31, 1996	Average Annual Dividend Growth Dec. 31, 1991-Dec. 31, 1996
NYNEX Corporation	$ 50.13	4.71%	3.57%	0.69%
Oracle Corporation	$ 41.50	0.00%	66.92%	0.00%
Pepsico Inc.	$ 30.63	1.50%	11.55%	14.11%
Pharmacia & Upjohn Inc. (1)	$ 40.88	2.64%	—	—
Rockwell International Corporation	$ 62.50	1.86%	17.33%	5.80%
Schlumberger Ltd.	$115.50	1.30%	9.87%	4.56%
Sears Roebuck & Company	$ 49.75	1.85%	26.64%	4.28%
Southern Company	$ 23.00	5.48%	5.65%	3.32%
The Boeing Company	$106.63	1.05%	17.40%	2.29%
The Walt Disney Company	$ 70.00	0.63%	19.50%	20.22%
United Technologies Corporation	$ 68.13	1.61%	19.55%	4.10%
Wal-Mart Stores Inc.	$ 23.38	0.90%	(5.02)%	19.77%
Xerox Corporation	$ 58.13	2.00%	18.17%	3.01%
Average		2.05%	18.75%	7.51%

Note:
(1) No average growth data available because of a merger of the two predecessor corporations.

The information contained in the above section is historical and is not intended to be, nor should it be construed to be, an indication as to the future trading or dividend levels of the securities in the Portfolio.

COVERED CALL OPTION WRITING

General

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

The Trust will write covered call options principally in the U.S. options market. Options in the U.S. are traded on five securities exchanges: the Chicago Board Options Exchange ("CBOE"), the American Stock Exchange, the New York Stock Exchange, the Pacific Stock Exchange and the Philadelphia Stock Exchange. Of the five exchanges, the CBOE is the largest. In 1973 the CBOE created the first standardized trading market for listing options, which had previously been traded over-the-counter. Today, the CBOE is the world's largest options exchange and captures the largest share of the U.S. listed options market by trading an average of over 700,000 options contracts daily, or in excess of 185 million contracts in 1995. Trades on the CBOE account for over 47 percent of trading in listed equity options, over 95 percent of trading in listed index options and over 65 percent of all listed options trading in the United States.

The holder of a call option will have the option, exercisable during a specific time period, to purchase the securities underlying the option from the Trust at the strike price per security. By selling call options, the Trust will receive option premiums, which are generally paid within one business day of the writing of the option. If at any time during the term of a call option, the market price of the underlying securities is above the strike price, the holder of the option may exercise the option and the Trust will be obligated to sell the securities to the holder at the strike price per security. Alternatively, the Trust may repurchase a call option which is in-the-money by paying the market value of the call option. However, if at expiration of the call option, the option is out-of-the-money, the holder of the option will likely not exercise the option and the option will expire. In each case, the Trust will retain the option premium. See "Option Pricing".

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

If a call option is written on a security in the Portfolio, the amounts that the Trust will be able to realize on the security during the term of the call option will be limited to the dividends received during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In essence, the Trust will forgo potential returns resulting from any price appreciation of the security underlying the option above the strike price in favour of the certainty of receiving the option premium.

Option Pricing

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

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

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

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

1. the range of volatility shown in the table encompasses the range of the historical average volatility of the securities that may be included in the Portfolio between January 1, 1991 and October 31, 1996;
2. all call options are exercisable at any time during their term and are written at the same percentage out-of-the-money;
3. all securities comprising the portfolio are subject to 90 day call options throughout the relevant period (for illustrative purposes only — this assumption is not necessarily indicative of the extent to which covered call options will be written by the Trust);
4. the risk-free or benchmark interest rate equals 5.01%; and
5. the average return from the dividends paid on the securities comprising the hypothetical portfolio is 1.74% after the payment of U.S. withholding tax.

Annualized Premiums from Covered Call Option Writing (measured as a % return) (1)

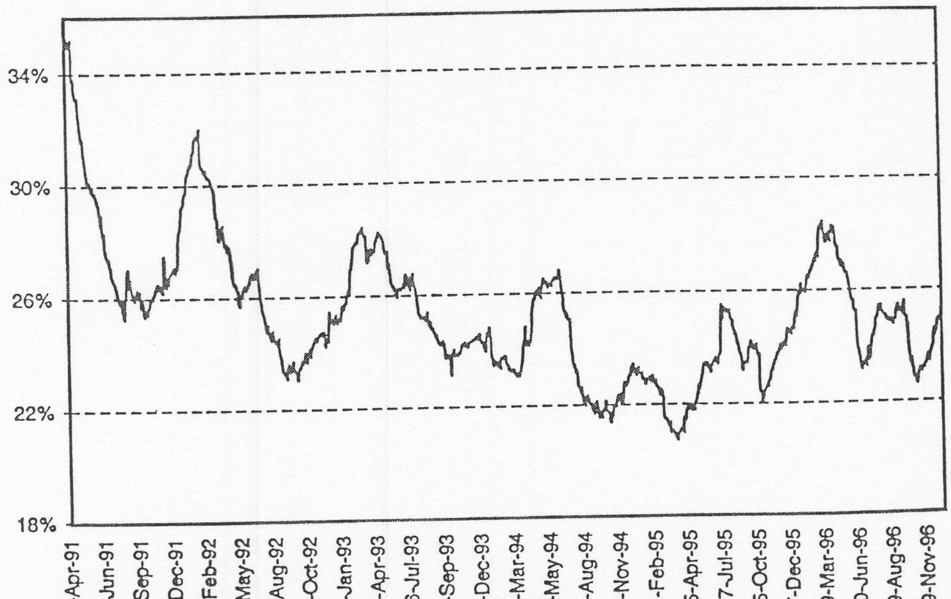
	Average Volatility of the Individual Common Shares in the Portfolio										
Out-Of-the-Money	16%	18%	20%	22%	24%	26%	28%	30%	32%	34%	36%
5%	6.1%	7.6%	9.0%	10.5%	12.0%	13.5%	15.1%	16.6%	18.1%	19.7%	21.3%
4%	7.3%	8.8%	10.3%	11.9%	13.4%	15.0%	16.5%	18.1%	19.6%	21.2%	22.8%
3%	8.7%	10.3%	11.8%	13.4%	14.9%	16.5%	18.1%	19.6%	21.2%	22.8%	24.4%
2%	10.3%	11.9%	13.4%	15.0%	16.6%	18.2%	19.7%	21.3%	22.9%	24.5%	26.1%
1%	12.1%	13.6%	15.2%	16.8%	18.4%	19.9%	21.5%	23.1%	24.7%	26.2%	27.8%

Note:
(1) Measured as a percentage return on the asset value of the hypothetical portfolio.

The information set forth above is provided for illustrative purposes only and should not be construed as a forecast or projection. No assurance can be given that the returns shown in this sensitivity analysis would ever be available or realized. The range of percentage out-of-the-money shown in the above table is based on the range generally utilized by MCM in writing call options.

The historical average of the trailing 90 day volatility (expressed in percentage terms on an annualized basis) of all securities currently included in the top 50 of the Standard & Poor's 100 Index on the basis of market capitalization based on prices from January 1, 1991 to December 31, 1996, ranged from a low of 20.7% to a high of 35.3% with an average of 25.3%, as illustrated below:

Average Price Volatility of All Securities in the Top 50 of the S & P 100 Index as of January 17, 1997



Sensitivity Analysis

The table below represents an assessment of the sensitivity of the net return to Unitholders from dividends and option premiums of the Trust (excluding any gains or losses on Portfolio investments, dividend increases or decreases and any amounts paid to close out in-the-money options) to (i) the average volatility of the individual securities that may comprise the Portfolio; and (ii) the excess of the strike price over the market price of the securities expressed as a percentage of such market price at the time the option is written (or percentage out-of-the-money) using a modified Black-Scholes Model based on the following assumptions:

1. the gross proceeds from this offering are $312,500,000 and are fully invested in equal amounts in the securities of the top 50 corporations in the Standard & Poor's 100 Index on the basis of market capitalization;
2. the range of volatility shown in the table encompasses the range of the historical average volatility of the securities in the Portfolio;
3. all call options are exercisable at any time during their term and are written at the same percentage out-of-the-money;
4. all securities comprising the Portfolio are subject to 90 day call options throughout the relevant period (for illustrative purposes only — this assumption is not necessarily indicative of the extent to which covered call options will be written by the Trust);
5. the risk-free or benchmark interest rate equals 5.01%;
6. the average return from the dividends paid on the securities in the Portfolio is 1.74% after the payment of withholding tax by the Trust (for illustrative purposes only);
7. there are no changes in the value of the U.S. dollar relative to the Canadian dollar throughout the relevant period;
8. there are no capital gains or losses on the securities in the Portfolio for the period during which the call options are outstanding; and
9. annual expenses of the Trust (ordinary and extraordinary) are $225,000 plus the fees payable to MCM and Mulvihill totalling 1.75% of the NAV of the Trust plus applicable tax.

This information is provided for illustrative purposes only and should not be construed as a forecast or projection. No assurance can be given that the returns shown in this sensitivity analysis will ever be available or realized. The range of percentage out-of-the-money shown in the following table is based on the range generally utilized by MCM in writing call options.

Return (Net of Expenses) on Units from Option Premiums and Dividends (annualized %)

	Average Volatility of the Individual Securities in the Portfolio										
% Out-Of-the-Money	16%	18%	20%	22%	24%	26%	28%	30%	32%	34%	36%
5%	5.6%	7.0%	8.4%	9.8%	11.2%	12.6%	14.1%	15.5%	17.0%	18.5%	20.0%
4%	6.8%	8.2%	9.6%	11.1%	12.5%	14.0%	15.5%	16.9%	18.4%	19.9%	21.4%
3%	8.1%	9.5%	11.0%	12.5%	14.0%	15.5%	16.9%	18.4%	19.9%	21.4%	22.9%
2%	9.6%	11.1%	12.6%	14.0%	15.5%	17.0%	18.5%	20.0%	21.5%	23.0%	24.5%
1%	11.2%	12.7%	14.2%	15.7%	17.2%	18.7%	20.2%	21.7%	23.2%	24.7%	26.2%

MANAGEMENT OF THE TRUST

The Manager

Pursuant to the Trust Agreement, Mulvihill is the manager of the Trust and, as such, is responsible for providing or arranging for required administrative services to the Trust including, without limitation: authorizing the payment of operating expenses incurred on behalf of the Trust; preparing financial statements, financial and accounting information as required by the Trust; ensuring that Unitholders are provided with financial statements (including semi-annual and annual financial statements) and other reports as are from time to time required by applicable law; ensuring that the Trust complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Trust's reports to Unitholders and the Canadian securities regulatory authorities; providing the Trustee with information and reports necessary for it to fulfil its fiduciary responsibilities; determining the amount of distributions to be made by the Trust; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

Mulvihill is a wholly-owned subsidiary of MCM.

Mulvihill shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of Unitholders, 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 Unitholders and the Trust or such lesser notice as the Trustee may accept. If Mulvihill resigns it may appoint its successor, but its successor must be approved by Unitholders unless it is an affiliate of Mulvihill. If Mulvihill commits certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Trust Agreement and such breach or default has not been cured within 30 days after notice of same has been given to Mulvihill, the Trustee shall give notice thereof to Unitholders and the Unitholders may remove Mulvihill and appoint a successor manager. Except as described above, Mulvihill cannot be terminated as manager of the Trust.

Mulvihill is entitled to fees for its services under the Trust Agreement as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by Mulvihill on behalf of the Trust. In addition, Mulvihill and each of its directors, officers, employees and agents will be indemnified by the Trust for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against Mulvihill or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from Mulvihill's willful misconduct, bad faith, negligence or breach of its obligations under the Trust Agreement.

The management services of Mulvihill under the Trust Agreement are not exclusive and nothing in the Trust 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 Trust) or from engaging in other activities.

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

John P. Mulvihill Toronto, Ontario	President, Secretary and Director
David N. Middleton Toronto, Ontario	Treasurer and Director
John H. Simpson Toronto, Ontario	Director

The Investment Manager

MCM will manage the Trust's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Trust pursuant to an investment management agreement (the "Investment Management Agreement") made between Mulvihill as manager and on behalf of the Trust and MCM dated January 22, 1997.

MCM 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. During 1995, MCM also established a wealth management division headed by John H. Simpson, who joined the firm from Fidelity Investments Canada Limited.

Directors and Officers of MCM

The name and municipality of residence of the Director and each of the officers of MCM are as follows:

John P. Mulvihill Toronto, Ontario	Chairman, President, Secretary, Treasurer and Director
John A. Boyd Toronto, Ontario	Vice President
S. Wayne Finch Bramalea, Ontario	Vice President
Alan C. Leach Scarborough, Ontario	Vice President

David N. Middleton .... Toronto, Ontario	Vice President, Finance
Robert K. Ross .... Mississauga, Ontario	Vice President
John H. Simpson .... Toronto, Ontario	Senior Vice President
Michael F. Walsh .... Burlington, Ontario	Vice President, Marketing and Sales

Except as indicated below, each of the foregoing has held his current office or has held a similar office in MCM during the five years preceding the date hereof.

Prior to joining MCM, S. Wayne Finch was a Portfolio Manager, Treasury, Canada Trust, Toronto, Ontario from November, 1989 to August, 1994. David N. Middleton was Manager of Finance, Creson Corporation, Toronto, Ontario from March, 1990 to March, 1995. John H. Simpson was President of Fidelity Investments Canada Limited, Toronto, Ontario from July, 1992 to March, 1995. Prior to becoming President, Mr. Simpson was Executive Vice President and Vice President Marketing of Fidelity Investments Canada Limited from September, 1987 to July, 1992. Prior to joining MCM in May, 1996, Michael F. Walsh spent nine years as Director of Research and Investment Marketing for Edgecombe Group Inc.

The team of individuals responsible for investment management at MCM all have significant experience in managing investment portfolios. The officers of MCM who will primarily be responsible for the management of the Portfolio will be John P. Mulvihill and S. Wayne Finch.

John P. Mulvihill, Chairman of MCM, is the senior portfolio manager of MCM and has over 25 years of investment management experience. Prior to purchasing CTIC from The Canada Trust Company, 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.

S. Wayne Finch, Vice President of MCM, has extensive experience in managing portfolios similar to that proposed for the Trust. Prior to joining MCM, Mr. Finch was a portfolio manager in the treasury operations of The Canada Trust Company where he managed corporate equity portfolios.

Messrs. Mulvihill and Finch are the portfolio managers of First Premium Income Trust, which completed an offering of $165,000,000 of Units pursuant to a prospectus dated June 21, 1996, and Premium Income Corporation, which completed an offering of $100,000,000 of Preferred Shares and Class A Shares pursuant to a prospectus dated October 17, 1996. Both First Premium Income Trust and Premium Income Corporation employ similar investment strategies to that of the Trust.

Ownership of MCM

MCM is controlled by John P. Mulvihill.

Investment Management Agreement

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

Under the Investment Management Agreement, MCM is required to act at all times on a basis which is fair and reasonable to the Trust, to act honestly and in good faith with a view to the best interests of the Unitholders of the Trust and, in connection therewith, 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 MCM shall not be liable in any way for any default, failure or defect in any of the securities comprising the Portfolio, nor shall it be liable if it has satisfied the duties and standard of care, diligence and skill set forth above. However, MCM will incur liability in cases of willful misfeasance, bad faith, negligence or breach of its obligations under the Investment Management Agreement.

Investment Management Agreement, unless terminated as described below, will continue in effect until mination of the Trust on January 1, 2007. The Trustee may terminate the Investment Management ement if MCM has committed certain events of bankruptcy or insolvency or is in material breach or default of provisions thereof and such breach has not been cured within 30 days after notice thereof has been given to MCM. Except as described above, MCM cannot be terminated as investment manager of the Trust.

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

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

MCM is entitled to fees for its services under the Investment Management Agreement as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by MCM on behalf of the Trust. In addition, MCM and each of its directors, officers, employees and agents will be indemnified by the Trust for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against MCM or any of its officers, directors, employees or agents in the exercise of its duties as investment manager, except those resulting from MCM's willful misconduct, bad faith, negligence or breach of its obligations under the Investment Management Agreement.

Conflicts of Interest

MCM is engaged in a wide range of investment management, investment advisory and other business activities. The services of MCM under the Investment Management Agreement are not exclusive and nothing in the Investment Management Agreement prevents MCM or any of its affiliates from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies and policies are similar to those of the Trust) or from engaging in other activities. MCM's investment decisions for the Trust will be made independently of those made for its other clients and independently of its own investments. However, on occasion, MCM may make the same investment for the Trust and for one or more of its other clients. If the Trust and one or more of the other clients of MCM are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

The Advisory Board

The Trust may establish an advisory board (the "Advisory Board") consisting of up to five members appointed by Mulvihill to assist Mulvihill in performing its services under the Trust Agreement. All fees and expenses of the Advisory Board will be paid by the Trust and have been included in the Trust's estimated annual operating expenses of $225,000.

The Trustee

The Royal Trust Company is the trustee of the Trust under the Trust Agreement. It will act as custodian of the assets of the Trust and is responsible for certain aspects of the day-to-day administration of the Trust as described in the Trust Agreement, including executing instruments on behalf of the Trust, processing redemptions, calculating NAV, net income and net realized capital gains of the Trust and maintaining the books and records of the Trust.

The Trustee may resign upon 60 days' notice to Unitholders and Mulvihill or such lesser notice as Mulvihill may accept. The Trustee may be removed with the approval of a two-thirds majority vote cast at a meeting of Unitholders called for such purpose or by Mulvihill in the event the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Trust Agreement which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns or is removed by Mulvihill, its successor may be appointed by Mulvihill. The successor must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 60 days, the Trustee or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor.

The Trust Agreement provides that the Trustee shall not be liable in carrying out its duties under the Trust Agreement except in cases of willful misfeasance, breach of its obligations under the Trust Agreement or where the Trustee fails to act honestly and in good faith with a view to the best interests of Unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Trust Agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

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

The Trustee is entitled to receive fees from the Trust as described under "Fees and Expenses" and to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Trust.

DESCRIPTION OF THE UNITS

The Trust is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Trust.

All Units have equal rights and privileges. Each whole Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Trust, including distributions of net income and net realized capital gains, and distributions upon the termination of the Trust. Units are issued only as fully paid and are non-assessable. Fractions of Units are proportionately entitled to all of these rights except voting rights.

The provisions or rights attaching to the Units may only be modified, amended or varied with the consent of Unitholders given in accordance with provisions contained in the Trust Agreement as described herein under the heading "Unitholder Matters — Acts Requiring Unitholder Approval".

The Trust does not currently intend to issue additional Units following completion of this offering, except on reinvestment of distributions, by way of rights offerings to existing Unitholders or with the approval of Unitholders. See "Distribution Reinvestment Plan".

DISTRIBUTIONS

In accordance with the Trust's investment objectives and to the extent the undistributed net income and net realized capital gains of the Trust permit, the Trust will endeavour to make quarterly distributions to Unitholders of at least $0.50 per Unit ($2.00 per annum) on the last day of March, June, September and December in each year (a "distribution date"). The initial distribution is anticipated to be $0.83 per Unit and will be payable on June 30, 1997. Based on the current level of dividends, option premiums available under current market conditions and the anticipated expenses of the Trust, it is believed that such quarterly distributions are sustainable. However, there can be no assurance that the Trust will be able to make distributions at such rate.

The amount of distributions in any particular calendar quarter will be determined by Mulvihill, as manager, having regard to the investment objectives of the Trust, the net income and net realized capital gains of the Trust during the calendar quarter and in the year to date, the net income and net realized capital gains of the Trust anticipated in the balance of the year and distributions made in previous calendar quarters.

If in any year after such distributions there would otherwise remain in the Trust additional net income or net realized capital gains, the Trust intends on December 31 of that year to make a special distribution of such portion of the remaining net income and net realized capital gains as is necessary to ensure that the Trust will not be liable for income tax thereon under the *Income Tax Act* (Canada), except to the extent that any tax payable on net realized capital gains of the Trust for a year that are retained by the Trust would be recoverable by it in such year.

Distributions will be payable to Unitholders of record at 5:00 p.m. (Toronto time) on the distribution date. All distributions not reinvested pursuant to the Trust's distribution reinvestment plan will be paid by cheque to Unitholders proportionately based on their respective holdings of Units and will be mailed to Unitholders at their addresses listed in the register of Unitholders to be maintained by the Trust's registrar and transfer agent or paid in such other manner as may be agreed to by the Trustee.

Each Unitholder will be mailed annually, no later than March 31, information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the Trust in respect of the preceding taxation year of the Trust. See "Canadian Federal Income Tax Considerations".

DISTRIBUTION REINVESTMENT PLAN

Subject to obtaining any necessary regulatory approvals to permit the issuance of Units under the Trust's distribution reinvestment plan (the "Plan") and resale thereof without a prospectus and compliance by the Trust with all applicable legal and regulatory requirements, a Unitholder may elect to reinvest distributions received from the Trust in additional Units by notifying the Trust's transfer agent that the Unitholder wishes to participate in the Plan. All distributions will be automatically reinvested on behalf of those Unitholders electing to participate in the Plan.

Distributions payable to participants in the Plan (the "Participants") will be paid to Montreal Trust Company of Canada in its capacity as agent under the Plan (the "Plan Agent") and applied to purchase Units. Such purchases will either be made from the Trust through the purchase of new Units or in the market. If the closing market-price plus applicable commissions or brokerage charges (collectively, the "Market Price") of the Units on the distribution date is less than the NAV (as defined below under "Redemption of Units — Net Asset Value") per Unit as at that date, the Plan Agent will apply the distribution to purchase Units in the market. If the Market Price of the Units on the applicable distribution date is greater than the NAV per Unit, the Plan Agent will apply the distribution to purchase Units from the Trust through the issue of new whole Units at a price per Unit equal to the greater of (i) NAV per Unit on the distribution date; and (ii) 95% of such Market Price on the distribution date.

Purchases in the market will be made during the 15 business day period next following the distribution date at such times as the Market Price of the Units is less than the NAV per Unit as at the distribution date. Upon the expiration of such period, the unused part, if any, of the distribution attributable to the Plan Participants will be used to purchase Units from the Trust on the basis set forth above. The Units purchased in the market or from the Trust will be allocated to the Plan Participants in proportion to their share of the distribution. The Plan Agent will furnish to each participant a report of the Units purchased for the Participant's account in respect of each distribution and the cumulative total of all Units purchased for that account. The Plan Agent's charges for administering the Plan will be paid by the Trust. The reinvestment of distributions under the Plan will not relieve participants of any income tax applicable to such distributions. See "Canadian Federal Income Tax Considerations".

Plan Participants may terminate their participation in the Plan at any time by written notice to the Plan Agent and thereafter distributions payable to such Plan Participants will be made in cash. The Trustee may terminate the Plan, in its sole discretion, upon not less than thirty days' notice to the Plan Participants.

REDEMPTION OF UNITS

Units may be surrendered at any time for redemption to Montreal Trust Company of Canada, the Trust's registrar and transfer agent, but will be redeemed only on the monthly Valuation Date (as defined below). Units surrendered for redemption by a Unitholder at least five business days prior to the last day of a month (a "Valuation Date") will be redeemed on such Valuation Date and the Unitholder will receive payment on or before the fifth business day following such Valuation Date (the "Redemption Payment Date"). If a Unitholder makes such surrender after 5:00 p.m. (Toronto time) on the fifth business day immediately preceding a Valuation Date, the Units will be redeemed on the Valuation Date in the following month and the Unitholder will receive payment for the Units on the Redemption Payment Date in respect of such Valuation Date.

Unitholders whose Units are redeemed on the December Valuation Date in a year will be entitled to receive a redemption price per Unit (the "Unit Redemption Price") equal to the NAV per Unit determined as of such Valuation Date. Unitholders whose Units are redeemed on any other Valuation Date will be entitled to receive a redemption price per Unit equal to the NAV per Unit determined as of such other Valuation Date, less the lesser of (i) 4% of the NAV per Unit as of such other Valuation Date and (ii) $1.00. Any unpaid distribution payable on or before a Valuation Date in respect of Units tendered for redemption on such Valuation Date will also be paid on the Redemption Payment Date.

The redemption right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described under "Details of the Offering — Book-Based System". Such surrender will be irrevocable upon the delivery of notice to The Canadian Depository For Securities Limited ("CDS") through a participant in the CDS book-based system (a "CDS Participant"), except with respect to those Units which are not redeemed by the Trust on the relevant Redemption Payment Date.

Resale of Units Tendered for Redemption

Where the holder of Units tendered for redemption has not withheld his consent thereto in the manner provided in the redemption notice delivered to CDS through a CDS Participant, the Trust may, but is not obligated to, require the Recirculation Agent (as defined below) to use its best efforts to find purchasers for any Units tendered for redemption prior to the relevant Redemption Payment Date pursuant to the Recirculation Agreement (as defined below). In such event, the amount to be paid to the Unitholder on the Redemption Payment Date will be an amount equal to the proceeds of the sale of the Units less any applicable commission. Such amount will not be less than the Unit Redemption Price described above. Unitholders are free to withhold their consent to such treatment and to require the Trust to redeem their Units in accordance with their terms.

Subject to the Trust's right to require the Recirculation Agent to use its best efforts to find purchasers for any Units tendered for redemption prior to the relevant Valuation Date, any and all Units which have been surrendered to the Trust for redemption are deemed to be outstanding until (but not after) the close of business on the relevant Valuation Date, unless not redeemed thereon, in which event such Units will remain outstanding.

Resale of Units Tendered for Redemption

The Trust has entered into an agreement (the "Recirculation Agreement") with RBC Dominion Securities Inc. (the "Recirculation Agent") whereby the Recirculation Agent has agreed to use its reasonable efforts to find purchasers for any Units tendered for redemption prior to the relevant Valuation Date, provided that the holder of the Units so tendered has not withheld consent thereto. The Trust 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 Units is found in this manner, the amount to be paid to the Unitholder on the relevant Redemption Payment Date will be an amount equal to the proceeds of the sale of the Unit less any applicable commission. Such amount will not be less than the applicable Unit Redemption Price described above.

Net Asset Value

The Net Asset Value of the Trust ("NAV") on a particular date will be equal to the aggregate value of the assets of the Trust, less the aggregate value of the liabilities of the Trust, including any income, net realized capital gains and other amounts payable to Unitholders on or before such date, in each case expressed in Canadian dollars at the applicable exchange rate on such date. The "NAV per Unit" on any day is obtained by dividing the NAV of the Trust on such day by the number of Units outstanding on that day.

The NAV per Unit will be calculated on the fifteenth day of each month and on each Valuation Date. Such information will be provided by Mulvihill to Unitholders on request.

In determining the NAV of the Trust at any time:

(i) the value of common shares and other securities will be the last board lot sale price of such common shares or other securities on the principal stock exchange on which they are traded prior to the determination of the NAV of the Trust or if no such sale price is available at that time, the closing price quoted for the security but if bid and ask quotes are available, at the average of the bid and the asked price, rather than the quoted closing price;

(ii) where a covered clearing corporation option, option on futures or over-the-counter option is written, the option premium received by the Trust will, so long as the option is outstanding, be reflected as a deferred credit which will be valued at an amount equal to the current market value of an option which would have the effect of closing the position; any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV;

(iii) the value of any cash on hand or on deposit, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount thereof unless the Trustee determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Trustee determines to be the fair value thereof;

(iv) the value of a futures contract, or a forward contract, shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the futures contract, or the forward contract, as the case may be, 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;

(v) 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;

(vi) notes, money market instruments and other debt securities shall be valued by taking the bid price at the calculation time;

(vii) if a Valuation Date is not a business day, then the securities comprising the Portfolio and other Trust property will be valued as if such Valuation Date was the preceding business day;

(viii) if an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Trustee to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Trustee shall make such valuation as it considers fair and reasonable; and

(ix) the value of all assets of the Trust quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Trust in foreign currency and the value of all liabilities and contractual obligations payable by the Trust in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the date as of which the NAV is computed.

Book-Based System

Registration of interests in and transfers of the Units will be made only through a book-based system administered by CDS (the "book-entry only system"). On or about February 3, 1997 (the "Closing Date"), but no later than March 21, 1997, the Trustee will deliver to CDS certificates evidencing the aggregate Units subscribed for under this offering. Units must be purchased, transferred and surrendered for retraction or redemption through a CDS Participant. All rights of an owner of Units 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 Units. Upon purchase of any Units, the owner will receive only the customary confirmation. References in this prospectus to a holder of Units means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

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

An owner of Units who desires to exercise redemption privileges thereunder 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 redeem units, no later than 5:00 p.m. (Toronto time) on the relevant notice date. An owner who desires to redeem Units should ensure that the CDS Participant is provided with notice (the "Redemption Notice") of his intention to exercise his redemption 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 Redemption Notice will be available from a CDS Participant or Montreal Trust Company of Canada, the Trust's registrar and transfer agent. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the owner exercising the redemption privilege.

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

Any Redemption Notice which 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 redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption 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 Trust to the CDS Participant or the owner.

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

Suspension of Redemptions

Mulvihill may direct the Trustee to suspend the redemption of Units or payment of redemption proceeds (i) during any period when normal trading is suspended on either The New York Stock Exchange or the Chicago Board Options Exchange; or (ii) with the prior permission of the Ontario Securities Commission, for any period not exceeding 120 days during which Mulvihill determines that conditions exist which render impractical the sale of assets of the Trust or which impair the ability of the Trustee to determine the value of the assets of the Trust. The suspension may apply to all requests for redemption 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 Units making such requests shall be advised by Mulvihill of the suspension and that the redemption will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. 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 Trust, any declaration of suspension made by Mulvihill shall be conclusive.

Purchase for Cancellation

Subject to applicable law, the Trust may at any time or times purchase Units for cancellation at prices not exceeding the NAV per Unit on the Valuation Date immediately prior to such purchase.

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders may be convened by Mulvihill or the Trustee at any time and must be convened if requisitioned by the holders of not less than 10% of the Units then outstanding by a written requisition specifying the purpose of the meeting. Not less than 21 days notice will be given of any meeting of Unitholders. The quorum at any such meeting is two Unitholders present in person or by proxy and representing not less than 10% of the Units then outstanding. If no quorum is present at such meeting when called, the meeting will be terminated if called on the requisition of Unitholders and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any such meeting, each Unitholder will be entitled to one vote for each whole Unit registered in the Unitholder's name.

The Trust does not intend to hold annual meetings of Unitholders.

Acts Requiring Unitholder Approval

Pursuant to the Trust Agreement, the following matters require the approval of Unitholders by a two-thirds majority vote (other than items (iii), (vi) and (vii) which require approval by a simple majority vote) at a meeting called and held for such purpose:

(i) a change in the fundamental investment objectives and strategy of the Trust as described under "Investments of the Trust — Investment Objectives" and "Investment Strategy";

(ii) a change in the investment criteria of the Trust as described under "Investments of the Trust — Investment Criteria";

(iii) the entering into by the Trust of transactions involving derivatives other than the writing of covered call options, the purchase of call options or put options and the entering into of trades by the Trust to close out positions in such derivatives and the use of derivatives permitted under NP 39 to hedge the Trust's foreign exchange exposure;

(iv) any change in the basis of calculating fees or other expenses that are charged to the Trust which could result in an increase in charges to the Trust;

(v) a change of the manager of the Trust, other than a change resulting in an affiliate of such person assuming such position or, except as described herein, a change in the investment manager or trustee of the Trust, other than a change resulting in an affiliate of such person assuming such position;

(vi) a decrease in the frequency of calculating the NAV per Unit or of redeeming Units;

(vii) a change of the auditors of the Trust;

(viii) a termination of the Investment Management Agreement (except as described under "Investment Management Agreement");

(ix) a termination of the Trust prior to the Termination Date or an extension of the Trust beyond the Termination Date; and

(x) an amendment, modification or variation in the provisions or rights attaching to the Units.

Mulvihill and the Trustee may, without the approval of or notice to Unitholders, amend the Trust Agreement for certain limited purposes specified therein, including to:

(i) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law or regulation applicable to or affecting the Trust;

(ii) make any change or correction in the Trust Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;

(iii) bring the Trust Agreement into conformity with NP 39 or other applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities industry, provided that any such amendment does not adversely affect the pecuniary value of the interest of any Unitholder;

(iv) maintain the status of the Trust as a "mutual fund trust" for the purposes of the *Income Tax Act* (Canada); or

(v) provide added protection to Unitholders.

Except for changes to the Trust Agreement which require the approval of Unitholders or changes described above which do not require approval or prior notice to Unitholders, the Trust Agreement may be amended from time to time by Mulvihill and the Trustee upon not less than 30 days prior written notice to Unitholders.

Reporting to Unitholders

The Trust will deliver to each Unitholder annual and semi-annual financial statements of the Trust.

TERMINATION OF THE TRUST

The Trust will terminate on January 1, 2007 (the "Termination Date") unless Unitholders determine to continue the Trust by a majority vote at a meeting called for such purpose. Immediately prior to the Termination Date, MCM will, to the extent possible, convert the Portfolio to cash and the Trustee shall, after paying or making adequate provision for all of the Trust's liabilities, distribute the net assets of the Trust to Unitholders as soon as practicable after the Termination Date.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt, Toronto, counsel to the Trust, and Blake, Cassels & Graydon, Toronto, counsel to the Agents, the following is a summary of the principal Canadian federal income tax considerations generally relevant to prospective purchasers acquiring Units pursuant to this Prospectus who are individuals (other than trusts) and who, for purposes of the *Income Tax Act* (Canada) (the "Act"), are resident in Canada, deal at arm's length with the Trust and hold their Units as capital property (each a "Unitholder"). This summary is based upon the facts set out in this Prospectus, the current provisions of the Act, the regulations thereunder, and counsel's understanding of the current administrative practices of Revenue Canada and the specific proposals to amend the Act and regulations thereunder 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 also based on the assumption that the Trust was not established and will not be maintained primarily for the benefit of non-residents of Canada for purposes of the Act. This summary is also based on the assumption that the issuers of securities in the Portfolio will not be foreign affiliates of the Trust or of any Unitholder.**

This summary is not exhaustive of all possible 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 summarized herein.

This summary is of a general nature only and does not constitute legal or tax advice to any particular investor. Prospective investors are advised to consult their own tax advisors with respect to the tax consequences to them of a prospective investment in Units in their individual circumstances.

Status of the Trust

Provided that the Trust meets certain prescribed conditions ("minimum distribution requirements") relating to the number of Unitholders, dispersal of ownership of Units and public trading of its Units at such time and provided that its sole undertaking is and continues to be the investing of its funds in property (other than real property or an interest in real property) as described in this Prospectus, the Trust will qualify at a particular time as a "mutual fund trust" as defined in the Act. This summary assumes that the Trust will satisfy the minimum distribution requirements on closing, so that it may elect to be deemed to be a mutual fund trust from the date that it was established to and including the date of closing, and that it will continuously satisfy the minimum distribution requirements thereafter. If the Trust were not to so qualify as a mutual fund trust, the income tax consequences described below would in some respects be materially different.

Taxation of the Trust

The Trust is subject to tax in each taxation year under Part I of the Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. Income tax paid by the Trust on any net realized capital gains not paid or payable to Unitholders is recoverable by the Trust to the extent and in the circumstances provided in the Act.

In determining the income of the Trust, premiums received by the Trust on call options written by the Trust will constitute capital gains of the Trust in the year received, and gains or losses realized upon dispositions of securities of the Trust (whether upon the exercise of call options written by the Trust or otherwise) will constitute capital gains or capital losses of the Trust in the year realized unless the Trust is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Trust has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. The Trust will purchase the Portfolio with the objective of earning dividends thereon over the life of the Trust and will write covered call options with the objective of increasing the yield on the Portfolio beyond the dividends received on the Portfolio. In accordance with Revenue Canada's published administrative practice, transactions undertaken by the Trust in respect of options and shares will be treated and reported for purposes of the Act on capital account and designations by the Trust with respect to its income and capital gains, as described below, will be made and reported to Unitholders on this basis.

The Portfolio and the premium and strike price under covered call options will primarily be denominated in U.S. dollars. The call premiums, cost and proceeds of disposition of shares, dividends received and all other amounts will be determined for the purposes of the Act in Canadian dollars converted at the exchange rate prevailing at the time of the transaction. The Trust may realize gains or losses by virtue of the fluctuation in the value of U.S. dollars relative to Canadian dollars.

The Trust generally intends to deduct in computing its income in each taxation year for purposes of the Act the full amount available for deduction in each year (computed on the assumption that options outstanding after the year end will expire unexercised) and, therefore, provided the Trust makes distributions in each year of its net income including net realized capital gains as described under the heading "Distributions", it will generally not be liable in such year for income tax under Part I of the Act other than such tax on net realized capital gains that would be recoverable by it in such year.

The Act provides for a special tax on designated income of certain trusts which have designated beneficiaries. This special tax does not apply to a trust for a taxation year if the trust is a mutual fund trust throughout such year. Accordingly, provided that the Trust qualifies, or is deemed to qualify, as a mutual fund trust throughout a taxation year, it will not be subject to the special tax for such taxation year.

Taxation of Unitholders

A Unitholder will generally be required to include in the calculation of the Unitholder's income under the Act the net income including the net realized taxable capital gains of the Trust paid or payable to the Unitholder in the year, whether received in cash or reinvested in additional Units. To the extent that distributions by the Trust to a ıder in any year exceed the net income including net realized capital gains of the Trust for the year, such .outions generally will not be included in the calculation of the Unitholder's income for the year but will reduce , adjusted cost base of the Unitholder's Units.

The Trust will designate to the extent permitted by the Act the portion of the net income distributed to Unitholders as may reasonably be considered to consist of net realized taxable capital gains of the Trust. Any such designated amount will be deemed for purposes of the Act to be received or realized by Unitholders in the year as a taxable capital gain.

The Trust will also make designations in respect of its income from U.S. sources so that, for the purpose of computing any foreign tax credit or deduction to a Unitholder, the Unitholder will be deemed to have paid as tax to the government of the U.S. that portion of the U.S. dividend withholding taxes paid by the Trust to the government of the U.S. that is equal to the Unitholder's share of the Trust's income (calculated under the rules in the Act) from U.S. sources. A taxable Unitholder will generally be entitled to foreign tax credits in respect of such U.S. withholding taxes under and subject to the general foreign tax credit rules under the Act and depending upon other foreign source income or loss of and foreign taxes paid by the Unitholder. Unitholders will be informed each year of the amount of the Trust's net income, net realized taxable capital gains income from foreign sources and foreign taxes paid to enable the Unitholders to complete their income tax returns.

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

The NAV per Unit will reflect any income and gains of the Trust that have accrued or have been realized but not made payable at the time Units are acquired. Consequently, Unitholders that acquire additional Units including on the reinvestment of distributions may become taxable on their share of income and gains of the Trust that accrued or were realized before the Units are acquired and not made payable at such time.

Upon the actual or deemed disposition of a Unit, including on a sale or redemption, a capital gain (or capital loss) will generally be realized by the Unitholder to the extent that the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the Unitholder of the Unit and any reasonable costs of disposition. For the purpose of determining the adjusted cost base to a Unitholder of Units, when a Unit is acquired, whether on a reinvestment of distributions or otherwise, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property before that time. The cost to a Unitholder of Units received on the reinvestment of distributions of the Trust will be equal to the amount reinvested.

Three-quarters of any capital gains ("taxable capital gains") realized will be included in computing the income of a Unitholder and three-quarters of any capital loss realized may be deducted against taxable capital gains in accordance with the provisions of the Act.

Unitholders are generally subject to an alternative minimum tax. In general terms, net income of the Trust paid or payable to a Unitholder will not increase the Unitholder's liability under the Act for alternative minimum tax. Amounts designated as net realized capital gains paid or payable to a Unitholder by the Trust or realized on the disposition of Units by the Unitholder may increase the Unitholder's liability for alternative minimum tax.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt, Toronto, and Blake Cassels & Graydon, Toronto, provided that the Trust qualifies as a mutual fund trust within the meaning of the *Income Tax Act* (Canada) (the "Act"), Units will be qualified investments under such Act for trusts governed by registered retirement savings plans, registered retirement income funds or deferred profit sharing plans. As a result of the proposed investments of the Trust, Units will constitute "foreign property" (as defined by the Act) for purposes of the Act. In general, a trust governed by a registered retirement savings plan, registered retirement income fund or deferred profit sharing plan will be liable to pay tax under Part XI of the Act, if, at the end of any month, the cost to it of its foreign property exceeds the aggregate of 20% of the cost to it of all of its property and an amount computed by reference to its investment in "small business properties" as defined for these purposes. Accordingly, the acquisition of Units and the reinvestment of distributions may affect the liability of trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans to pay tax under the Act. It is the responsibility of each investor to monitor investments to ensure that tax is not so payable under Part XI of the Act.

USE OF PROCEEDS

The net proceeds from the issue of the Units offered hereby (after payment of the Agents' fee and expenses of the issue) are estimated to be $296,375,000 and will be used to purchase the Portfolio within a short period of time after closing. See "Portfolio Investments".

PLAN OF DISTRIBUTION

Pursuant to an agreement dated as of January 22, 1997 (the "Agency Agreement") between Mulvihill, MCM, the Trust and RBC Dominion Securities Inc., Nesbitt Burns Inc., CIBC Wood Gundy Securities Inc., ScotiaMcLeod Inc., Midland Walwyn Capital Inc., TD Securities Inc., Lévesque Beaubien Geoffrion Inc. and Trilon Securities Corporation, the Agents have agreed to offer the Units for sale, as agents of the Trust, on a best efforts basis, if, as and when issued by the Trust. The Agents will receive a fee equal to $1.25 for each Unit sold and will be reimbursed for out of pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase Units which are not sold.

The Trust has granted the Agents an option (the "Over-Allotment Option") to offer up to 1,000,000 additional Units, which additional Units are qualified for sale hereunder. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30th day following the closing of this offering. To the extent that the Over-Allotment Option is exercised, the additional Units will be offered at the offering price hereunder and the Agents will be entitled to a fee of $1.25 per Unit in respect of each Unit purchased.

Proceeds from subscriptions will be held by Montreal Trust Company of Canada in trust in a segregated account until the minimum amount of the offering has been attained. If subscriptions for a minimum of 4,000,000 Units have not been received within 60 days following the date of issuance of a final receipt for this prospectus, the offering may not continue without the consent of the securities authorities and those who have subscribed on or before such date. Under the terms of the Agency Agreement, the Agents may at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. In the event the minimum offering is not achieved and the necessary consents are not obtained or the closing does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing will take place on February 3, 1997 or such later date as may be agreed upon by the Trust and the Agents that is on or before March 21, 1997.

Pursuant to policy statements of certain securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with this offering, the Agents may over-allot or effect transactions which stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

FEES AND EXPENSES

Initial Expenses

The expenses of this offering (including the costs of creating and organizing the Trust, the costs of printing and preparing this prospectus and certificates representing the Units, legal expenses of the Trust, marketing expenses and legal and other out of pocket expenses incurred by the Agents and certain other expenses) will be paid by the rust out of the gross proceeds of this offering. In addition, the Agents' fee will be paid to the Agents from the gross proceeds as described under "Plan of Distribution".

Fees and Other Expenses

Pursuant to the terms of the Investment Management Agreement, MCM is entitled to a fee at an annual rate of 1.65% of the NAV of the Trust. Pursuant to the terms of the Trust Agreement, Mulvihill is entitled to a fee at an annual rate of 0.10% of the NAV of the Trust. Fees payable to MCM and Mulvihill will be calculated and payable monthly based on the NAV as at the Valuation Date of each month.

The Trust will pay for all expenses incurred in connection with the operation and administration of the Trust. It is expected that these expenses will include, without limitation: (a) mailing and printing expenses for periodic reports to Unitholders; (b) fees payable to the Trustee for acting as trustee and custodian of the assets of the Trust and performing certain administrative services under the Trust Agreement; (c) fees payable to Montreal Trust Company of Canada, as registrar and transfer agent with respect to Units; (d) fees payable to members of the Advisory Board; (e) any additional fees payable to Mulvihill for performance of extraordinary services on behalf of the Trust; (f) fees payable to the auditors and legal advisors of the Trust; (g) regulatory filing and stock exchange fees; and (h) expenditures incurred upon the termination of the Trust. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which Mulvihill or MCM is entitled to indemnity by the Trust. See "Management of the Trust". The Trust will also be responsible for all commissions and other costs of Portfolio transactions. All such expenses will be subject to an independent audit and report thereon to the Trustee and Mulvihill will provide reasonable access to its books and records for such purpose.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

MCM, Mulvihill and the Trustee will receive the fees described under "Fees and Expenses" for their respective services to the Trust and will be reimbursed by the Trust for all expenses incurred in connection with the operation and administration of the Trust.

In accordance with the requirements of the provincial securities regulatory authorities in connection with this offering, MCM has undertaken to file insider trading reports, as if the Trust was not a mutual fund, in accordance with applicable securities legislation, for itself and to cause its affiliates, its directors and senior officers and the directors and senior officers of its affiliates who might ordinarily receive knowledge of material facts or changes with respect to the Trust prior to the general disclosure of such facts and changes to file insider trading reports, as if the Trust was not a mutual fund, in accordance with applicable securities legislation in respect of trades made by them in Units. The foregoing undertakings shall remain in full force until such time as all the Units have been redeemed.

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Units:

(a) the Trust Agreement described under "The Trust";

(b) the Investment Management Agreement described under "Management of the Trust — Investment Management Agreement"; and

(c) the Agency Agreement described under "Plan of Distribution".

Copies of the foregoing agreements, after the execution thereof, may be inspected during business hours at the principal office of the Trust during the course of distribution of the Units offered hereby.

RISK FACTORS

The following are certain considerations relating to an investment in Units which prospective investors should consider before purchasing such securities:

Net Asset Value and Distributions

The NAV of the Trust and the funds available for distribution to Unitholders will vary according, among other things, to the value of the securities included in the Portfolio, the dividends paid thereon and the level of option premiums received. As the dividends received by the Trust will not be sufficient to meet the Trust's objectives in respect of the payment of distributions, the Trust will depend on the receipt of option premiums to meet those objectives. Although many investors and financial market professionals price call options based on the Black-Scholes Model, in practice actual option premiums are determined in the marketplace. There is no assurance that the Trust will be able to achieve its investment objectives of paying quarterly dividends.

Foreign Currency Exposure

As the Portfolio of the Trust will be comprised principally of securities and options denominated in U.S. dollars, the NAV of the Trust and the value of the dividends and option premiums received by the Trust will, when measured in Canadian dollars, be affected by fluctuations in the value of the U.S. dollar relative to the Canadian dollar.

Interest Rate Fluctuations

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

Use of Options and Other Derivative Instruments

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

In purchasing call or put options or entering into forward or future contracts, the Trust is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments, or other third party in the case of over-the-counter instruments) may be unable to meet its obligations. The ability of the Trust to close out its positions may also be affected by exchange imposed daily trading limits on options or the lack of a liquid over-the-counter market. If the Trust is unable to repurchase a call option which is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires.

Reliance on the Investment Manager

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

Operating History

The Trust is a newly organized investment trust with no previous operating history and there is currently no public market for the Units.

Treatment of Proceeds of Disposition and Option Premiums

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

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

LEGAL OPINIONS

The matters referred to under "Eligibility for Investment" and "Canadian Federal Income Tax Considerations" and certain other legal matters relating to the securities offered hereby will be passed upon by Osler, Hoskin & Harcourt, Toronto, on behalf of the Trust, and Blake Cassels & Graydon, Toronto, on behalf of the Agents.

CUSTODIAN

The Trustee is the custodian of the Trust, with the power to appoint sub-custodians.

PROMOTER

MCM has taken the initiative in organizing the Trust and accordingly may be considered to be a "promoter" of the Trust within the meaning of the securities legislation of certain provinces of Canada. MCM will receive fees from the Trust and will be entitled to reimbursement of expenses incurred in relation to the Trust as described under "Fees and Expenses".

AUDITORS

The auditors of the Trust are Deloitte & Touche, Toronto, Ontario.

REGISTRAR AND TRANSFER AGENT

Pursuant to a Registrar and Transfer Agency Agreement to be signed on or prior to closing, Montreal Trust Company of Canada, at its principal offices in Toronto and Montreal will be appointed the registrar and transfer agent for the Units.

PURCHASER'S STATUTORY RIGHTS

Securities legislation in several of the provinces of Canada provides a purchaser with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

AUDITORS' REPORT

To the Trustee of
FIRST PREMIUM U.S. INCOME TRUST:

We have audited the statement of financial position of First Premium U.S. Income Trust as at January 22, 1997. This statement of financial position is the responsibility of the Trust's management. Our responsibility is to express an opinion on this statement of financial position based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this statement of financial position presents fairly, in all material respects, the financial position of the Trust as at January 22, 1997 in accordance with generally accepted accounting principles.

Toronto, Canada
January 22, 1997

DELOITTE & TOUCHE
Chartered Accountants

COMPILATION REPORT

To the Trustee of
FIRST PREMIUM U.S. INCOME TRUST;

We have reviewed, as to compilation only, the accompanying pro forma statement of financial position of First Premium Income U.S. Trust as at January 22, 1997, which has been prepared for inclusion in the prospectus relating to the issue of Units of the Trust. In our opinion, the pro forma statement of financial position has been properly compiled to give effect to the transactions and assumptions described in the notes thereto.

Toronto, Canada
January 22, 1997

DELOITTE & TOUCHE
Chartered Accountants

FIRST PREMIUM U.S. INCOME TRUST

Statement of Financial Position
January 22, 1997

	Actual	Pro forma (Unaudited) (3)
ASSETS		
Cash	$25	$ —
Investment in portfolio securities	—	296,375,000
Total	$25	$296,375,000
UNITHOLDERS' EQUITY		
Unitholders' Equity (Notes 1 and 3):		
Units (Actual 1 Unit; pro forma 12,500,001 Units, net of issue costs)	$25	$296,375,000

Approved by the Manager:

(Signed) JOHN P. MULVHILL
Director

(Signed) DAVID N. MIDDLETON
Director

Notes

1. Units Authorized and Outstanding

Establishment of the Trust and Authorized Units

First Premium U.S. Income Trust (the "Trust") was established under the laws of the Province of Ontario on January 22, 1997 by a trust agreement (the "Trust Agreement") made between The Royal Trust Company and Mulvihill Fund Services Inc. ("Mulvihill"). The Trust is authorized to issue an unlimited number of Units. On January 22, 1997, the Trust issued 1 Unit for $25.00 cash.

2. Significant Accounting Policy

The Trust's investment in portfolio securities is presented at acquisition cost on a trade date basis.

3. Pro Forma Balance Sheet (unaudited)

The pro forma balance sheet gives effect, as at January 22, 1997 to the following transactions:

(a) The issue of 12,500,000 Units for total gross proceeds of $312,500,000.

(b) The payment of estimated costs relating to this offering of $16,125,000, which amount is comprised of the fee payable to the agents in this offering of $15,625,000 and issue costs of $500,000.

(c) The completion of the purchase of an investment portfolio at a cost of $296,375,000 comprised primarily of common shares issued by corporations that rank in the top 50 of the Standard & Poor's 100 Index on the basis of market capitalization.

4. Agency Agreement and Custodian

The Trust has engaged RBC Dominion Securities Inc., Nesbitt Burns Inc., CIBC Wood Gundy Securities Inc., Scotia McLeod Inc., Midland Walwyn Capital Inc., TD Securities Inc., Lévesque Beaubien Geoffrion Inc. and Trilon Securities Corporation to offer for sale to the public pursuant to a prospectus dated January 22, 1997, the shares described in Note 1.

Pursuant to the Trust Agreement, The Royal Trust Company acts as trustee and custodian of the assets of the Trust and is also responsible for certain aspects of the Trust's day-to-day operations. In consideration for the services provided by The Royal Trust Company, the Trust will pay a monthly fee to be agreed upon between The Royal Trust Company and Mulvihill.

5. Manager and Investment Manager

The Trust has retained Mulvihill to act as manager under the Trust Agreement and has retained Mulvihill Capital Management Inc. ("MCM") to act as investment manager under an Investment Management Agreement dated January 22, 1997. Pursuant to such agreements, Mulvihill and MCM are entitled to fees at the annual rates of 0.10% and 1.65%, respectively, of the Net Asset Value of the Trust. Such fees are calculated and payable monthly.

CERTIFICATE OF THE MANAGER AND THE PROMOTER

Dated: January 22, 1997

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, 1988 (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 63 of the *Securities Act* (Nova Scotia), by Section 13 of the *Securities Act* (New Brunswick) and the respective regulations thereunder, by Part XIV of *The Securities Act* (Newfoundland) and by Part II of the *Securities Act* (Prince Edward Island). This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

MULVIHILL FUND SERVICES INC.
(as Manager and on behalf of First Premium U.S. Income Trust)

(Signed) JOHN P. MULVIHILL
Chief Executive Officer and President

(Signed) DAVID N. MIDDLETON
Chief Financial Officer

On behalf of the Board of Directors
of Mulvihill Fund Services Inc.

(Signed) JOHN P. MULVIHILL
Director

(Signed) DAVID N. MIDDLETON
Director

(Signed) JOHN H. SIMPSON
Director

MULVIHILL CAPITAL MANAGEMENT INC.
(as Promoter)

(Signed) JOHN P. MULVIHILL

CERTIFICATE OF THE AGENTS

.ted: January 22, 1997

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, 1988 (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 64 of the *Securities Act* (Nova Scotia), by Section 13 of the *Securities Act* (New Brunswick) and the respective regulations thereunder, by Part XIV of *The Securities Act* (Newfoundland) and by Part II of the *Securities Act* (Prince Edward Island). To the best of our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

RBC DOMINION SECURITIES INC.

By: (Signed) GRAHAM C. MACMILLAN

NESBITT BURNS INC.

By: (Signed) EVAN W. SIDDALL

CIBC WOOD GUNDY SECURITIES INC.

By: (Signed) DANIEL J. MCCARTHY

SCOTIAMCLEOD INC.

By: (Signed) BRIAN D. MCCHESNEY

MIDLAND WALWYN CAPITAL INC.

By: (Signed) P. CLARE SELLERS

TD SECURITIES INC.

By: (Signed) PETER C. PERDUE

LÉVESQUE BEAUBIEN GEOFFRION INC.

By: (Signed) IAN D. MCPHERSON

TRILON SECURITIES CORPORATION

By: (Signed) TREVOR D. KERR

The following includes the names of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of:

RBC Dominion Securities Inc.: a wholly-owned subsidiary of RBC Dominion Securities Limited, a majority-owned subsidiary of a Canadian chartered bank;

Nesbitt Burns Inc.: The Nesbitt Burns Corporation Limited, a majority-owned subsidiary of a Canadian chartered bank;

CIBC Wood Gundy Securities Inc.: a wholly-owned subsidiary of The CIBC Wood Gundy Corporation, a majority-owned subsidiary of a Canadian chartered bank;

ScotiaMcLeod Inc.: a wholly-owned subsidiary of a Canadian chartered bank;

Midland Walwyn Capital Inc.: a wholly-owned subsidiary of Midland Walwyn Inc.;

TD Securities Inc.: a wholly-owned subsidiary of a Canadian chartered bank;

Lévesque Beaubien Geoffrion Inc.: a wholly-owned subsidiary of Lévesque, Beaubien and Company Inc., a majority-owned controlled subsidiary of a Canadian chartered bank; and

Trilon Securities Corporation: a wholly-owned subsidiary of Trilon Financial Corporation.

FIRST PREMIUM
U.S. Income Trust

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