

ANNUAL INFORMATION FORM

MCM SPLIT SHARE CORP.

Priority Equity Shares and Class A Shares

March 30, 2009

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THE FUND

MCM Split Share Corp. (the “Fund”) is a mutual fund corporation incorporated under the laws of the Province of Ontario on December 5, 1997. The Company operates under the name “Mulvihill Premium Split Share Fund”. The manager of the Fund is Mulvihill Fund Services Inc. (“Mulvihill” or the “Manager”) and the investment manager is Mulvihill Capital Management Inc. (“MCM” or the “Investment Manager”). Mulvihill is a wholly-owned subsidiary of MCM.

The principal office of the Fund, of Mulvihill and of MCM is located at 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario, M5H 3T9. The phone number, website address and e-mail address of Mulvihill is (416) 681-3900 or toll-free at 1-800-725-7172, www.mulvihill.com and hybrid@mulvihill.com.

Share Offerings and Reorganization

On February 13, 1998, the articles of incorporation of the Fund were amended to create the preferred shares (the “Preferred Shares”) and the class A shares (the “Class A Shares”) of the Fund. On February 24, 1998, the Fund completed its initial public offering of 4,750,000 Preferred Shares at a price of \$15.00 per Preferred Share and 4,750,000 Class A Shares at a price of \$15.00 per Class A Share. On November 30, 2004, the Fund completed a follow-on offering of 1,785,000 Preferred Shares at a price of \$15.65 per Preferred Share and 1,785,000 Class A Shares at a price of \$9.75 per Class A Share. The Fund’s articles were amended on July 30, 1999 to permit the Fund to write cash covered put options and on December 19, 2007 to effect a reorganization (the “Reorganization”) of the Fund. The Reorganization was approved at a meeting of holders of Preferred Shares and Class A Shares on December 12, 2007 and involved the following changes:

- (a) in respect of the Preferred Shares and the Class A Shares:
 - (i) the final redemption date for the Preferred Shares and the Class A Shares was extended to February 1, 2013 (the “Termination Date”);
 - (ii) the investment restrictions of the Fund were changed to permit it to invest up to a maximum of 40% of its net assets in common shares issued by companies selected from the S&P 100 Index and to eliminate the rating agency requirements with respect to portfolio investments;
 - (iii) holders of Preferred Shares and Class A Shares were provided with a special retraction right (the “Special Retraction Right”) to enable them to retract their shares on January 31, 2008 on the same terms that would have applied had the Fund redeemed all Preferred Shares and Class A Shares in accordance with their existing terms;
- (b) in respect of the Preferred Shares:
 - (i) the name of the Preferred Shares was changed to “Priority Equity Shares”;
 - (ii) the Fund adopted the Priority Equity Portfolio Protection Plan (described below), a portfolio protection plan for holders of the Priority Equity Shares;
 - (iii) the dividend rate on the Priority Equity Shares was set at 5.50% per annum on the \$15.00 original issue price and the capital gains gross-up portion of the dividend entitlement was eliminated; and
 - (iv) in connection with the Special Retraction Right, to maintain the same number of Class A Shares and Priority Equity Shares outstanding, the Fund was given the ability to redeem such shares on a pro rata basis; and
- (c) in respect of the Class A Shares:
 - (i) the Fund amended its investment objectives to pay dividends on the Class A Shares in an amount initially targeted to be approximately 10% of the net asset value (“NAV”) of a Class A Share;

- (ii) the Fund agreed to pay a service fee on the Class A Shares of 0.40% per annum of the value of the Class A Shares; and
- (iii) in connection with the Special Retraction Right, to maintain the same number of Class A Shares and Priority Equity Shares outstanding, the Fund was authorized to consolidate the Class A Shares.

The outstanding Priority Equity Shares and Class A Shares are listed on the Toronto Stock Exchange (“TSX”) under the symbols MUH.PR.A and MUH.A, respectively.

INVESTMENT OBJECTIVES AND STRATEGY

The Fund’s investment objectives are: (a) to provide holders of Priority Equity Shares of the Fund with cumulative preferential quarterly cash dividends in the amount of \$0.20625 per share; (b) to provide holders of Class A Shares of the Fund with quarterly dividends in an amount initially targeted to be 10% per annum of the NAV of the Class A Shares from time to time; and (c) to return the original issue price of the Priority Equity Shares and the Class A Shares to shareholders at the time of redemption of such shares on the Termination Date.

The Fund invests its net assets in a diversified portfolio consisting principally of common shares issued by some or all of a group of corporations selected from among those included in the S&P/TSX 60 Index (the “Canadian Universe”). In addition, the Fund may invest up to 40% of its net assets in common shares issued by corporations selected from the S&P 100 Index (the “U.S. Universe”). The shares selected and held by the Fund from among the Canadian Universe and the U.S. Universe are collectively referred to as the “Portfolio”.

To generate additional returns above the dividend income earned on the Portfolio, the Fund, from time to time, writes covered call options in respect of all or part of the securities in the Portfolio and cash covered put options on securities in which the Fund is permitted to invest. The writing of call and put options is managed by MCM in a manner consistent with the investment objectives of the Fund. 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. Additionally, the Fund may use put options to preserve the value of the Portfolio where appropriate.

The Fund may also, from time to time, utilize cash equivalents to provide cover in respect of cash covered put options, which is intended to generate additional returns and reduce the net cost of acquiring the securities subject to the put options.

MCM may hedge its foreign currency exposure to protect the Fund’s NAV from a decline in value as a result of such currency exposure. MCM has the discretion to determine from time to time the extent to which the Fund’s exposure to such foreign currencies is hedged.

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 United States or other cash equivalents with a rating of at least R-1 (mid) by DBRS or the equivalent rating from another approved rating organization.

STATUS OF THE FUND

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

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

DESCRIPTION OF SHARE CAPITAL

Issue of Priority Equity Shares, Class A Shares and Class B Shares

The Fund is authorized to issue an unlimited number of Class A Shares, an unlimited number of Priority Equity Shares and 1,000 Class B Shares.

Description of Units

The Priority Equity Shares and Class A Shares are issued on the basis that there will be one Class A Share outstanding for every Priority Equity Share outstanding (together notionally considered a “Unit”). The number of Units outstanding at any time is equal to the sum of the number of Priority Equity Shares and Class A Shares outstanding divided by two.

Priority Equity Shares

Dividends

The investment objectives of the Fund are to pay a cumulative preferential quarterly dividend of \$0.20625 per share to holders of Priority Equity Shares on the last day of January, April, July and October in each year (a “Dividend Payment Date”). In the event that dividends earned by the Fund on the Portfolio are not sufficient on any Dividend Payment Date to cover the full amount of the dividends payable to holders of Priority Equity Shares on that date, the balance of the dividends payable will be paid as capital gains dividends out of net realized capital gains and option premiums (other than option premiums in respect of options outstanding at year end) earned by the Fund on the Portfolio.

All dividends are paid by cheque and are mailed to such shareholders at their addresses listed in the register of shareholders to be maintained by the Fund’s registrar and transfer agent or paid in such other manner as may be agreed to by the Fund. See “Book-Entry Only System”. Each holder of Priority Equity Shares is mailed annually, no later than February 28, information necessary to enable such shareholder to complete an income tax return with respect to amounts paid or payable by the Fund in respect of the preceding calendar year.

Redemptions

All Priority Equity Shares outstanding on the Termination Date will be redeemed by the Fund on such date. The redemption price payable by the Fund for a Priority Equity Share on that date will be equal to the lesser of: (a) \$15.00; and (b) the NAV of the Fund on that date divided by the total number of Priority Equity Shares then outstanding.

Notice of redemption will be given to CDS Participants (as defined below) holding Priority Equity Shares on behalf of the beneficial owners thereof at least 30 days prior to the Termination Date.

Priority Equity Portfolio Protection Plan

The Fund has adopted a strategy (the “Priority Equity Portfolio Protection Plan”) to protect holders of the Priority Equity Shares by assisting the Fund with the payment of the original issue price of \$15.00 per share (the amount so required to effect such payment from time to time being the “Priority Equity Share Repayment Amount”) on the Termination Date.

The Priority Equity Portfolio Protection Plan provides that if the NAV of the Fund declines below a specific level, the Fund will liquidate a portion of its portfolio and use the net proceeds to acquire (a) qualifying debt securities or (b) certain securities and enter into a forward agreement (collectively, the “Permitted Repayment Securities”) to cover the Priority Equity Share Repayment Amount in the event of further declines in the NAV of the Fund. To qualify as Permitted Repayment Securities, debt securities must have a remaining term to maturity of less than one year and be issued or guaranteed by the government of Canada or a province or the government of the United States, or be other cash equivalents with a rating of at least R-1 (mid) by DBRS or the equivalent rating from another rating organization.

Under the Priority Equity Portfolio Protection Plan, the amount of the Fund's net assets, if any, to be allocated to Permitted Repayment Securities (the "Required Amount") will be determined such that (a) the NAV of the Fund, less the value of the Permitted Repayment Securities held by the Fund, is at least 110% of (b) the Priority Equity Share Repayment Amount, less the amount anticipated to be received by the Fund in respect of its Permitted Repayment Securities on the Termination Date.

The Fund may unwind the Priority Equity Portfolio Protection Plan by selling Permitted Repayment Securities and using the net proceeds from such sale to purchase additional portfolio shares if, and then only to the extent, the value of the Permitted Repayment Securities exceeds the Required Amount. The Fund may also implement the Priority Equity Portfolio Protection Plan at an earlier stage than called for by the plan.

If the Fund enters into a forward agreement (a "Forward Agreement") in connection with the Priority Equity Portfolio Protection Plan, the counterparty to such agreement (the "Counterparty") will agree to pay the Fund on the Redemption Date an amount (the "Forward Amount") in exchange for the Fund agreeing to deliver to the Counterparty on the Termination Date certain equity securities agreed upon by the Fund and the Counterparty (all of which constitute "Canadian securities" as defined in subsection 39(6) of the *Income Tax Act* (Canada) (the "Tax Act")) and purchased by the Fund with the net proceeds of the sale of portfolio shares held by the Fund. The Counterparty to a Forward Agreement is expected to be a Canadian chartered bank or an affiliate thereof. The long-term debt of the Counterparty, or of a guarantor of its obligations to the Fund will be rated at least A by DBRS or will have an equivalent rating from another major rating organization. In connection with any such Forward Agreement, the Fund will either pledge to the Counterparty the securities sold to the Counterparty under the Forward Agreement or deposit other acceptable securities with the Counterparty as security for the obligations of the Fund under the Forward Agreement in accordance with industry practice for this type of transaction. The Forward Agreement will provide for partial dispositions of the Permitted Repayment Securities subject to the Forward Agreement so as to permit the Fund to unwind the Priority Equity Portfolio Protection Plan when permitted to do so by its terms or in the case of retractions of Priority Equity Shares and Class A Shares occurring prior to the Termination Date.

Retraction Privileges

Priority Equity Shares may be surrendered at any time for retraction to Computershare Investor Services Inc., the Fund's registrar and transfer agent, but will be retracted only on the monthly Valuation Date (as defined below). Priority Equity Shares surrendered for retraction by a shareholder at least five business days prior to the last day of a month (a "Valuation Date") will be retracted on such Valuation Date and the shareholder will receive payment on or before the eighth business day following such Valuation Date (the "Retraction Payment Date"). If a shareholder makes such surrender after 5:00 p.m. (Toronto time) on the fifth business day immediately preceding a Valuation Date, such shares will be retracted on the Valuation Date in the following month and the shareholder will receive payment for the retracted shares on the Retraction Payment Date in respect of such Valuation Date.

Except as noted below, holders of Priority Equity Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share (the "Priority Equity Share Retraction Price") equal to 96% of the lesser of (a) the NAV per Unit determined as of such Valuation Date less the cost to the Fund of the purchase of a Class A Share in the market for cancellation, and (b) \$15.00. For this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share, and commission and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Class A Share. Any declared and unpaid dividends payable on or before a Valuation Date in respect of Priority Equity Shares tendered for retraction on such Valuation Date will also be paid on the Retraction Payment Date.

Holders of Priority Equity Shares also have an annual retraction right under which they may concurrently retract one Priority Equity Share and one Class A Share on the January Valuation Date. The price paid by the Fund for such a concurrent retraction will be equal to the NAV per Unit.

Where the holder of Priority Equity Shares tendered for retraction has not withheld his consent thereto in the manner provided in the Retraction Notice (as defined below) delivered to CDS Clearing and Depository Services Inc. ("CDS") through a participant in the CDS book-entry only system (a "CDS Participant"), the Fund may, but is not obligated to, require the Recirculation Agent (as defined below) to use its best efforts to find purchasers for any

Priority Equity Shares tendered for retraction prior to the relevant Retraction Payment Date pursuant to the Recirculation Agreement (as defined below). In such event, the amount to be paid to the holder of the Priority Equity Shares on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Priority Equity Shares less any applicable commission. Such amount will not be less than the Priority Equity Share Retraction Price described above. Holders of Priority Equity Shares are free to withhold their consent to such treatment and to require the Fund to retract their Priority Equity Shares in accordance with their terms.

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

The retraction right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described under "Book-Entry Only System". Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Priority Equity Shares which are not retracted by the Fund on the relevant Retraction Payment Date.

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

Resale of Priority Equity Shares Tendered for Retraction

The Fund has entered into an agreement (the "Recirculation Agreement") with RBC Dominion Securities Inc. (the "Recirculation Agent") dated February 12, 1998, whereby the Recirculation Agent has agreed to use its best efforts to find purchasers for any Priority Equity Shares tendered for retraction prior to the relevant Retraction Payment Date, provided that the holder of the Priority Equity Shares so tendered has not withheld consent thereto. The Fund is not obligated to require the Recirculation Agent to seek such purchasers but may elect to do so. In the event that a purchaser for such Priority Equity Shares is found in this manner, the amount to be paid to the holder of the Priority Equity Shares on the relevant Retraction Payment Date will be an amount equal to the proceeds of the sale of the Priority Equity Shares less any applicable commission. Such amount will not be less than the applicable Priority Equity Share Retraction Price described above.

Priority

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

Class A Shares

Dividends

The policy of the Board of Directors of the Fund with respect to the payment of dividends on the Class A Shares is to pay out in each year to holders of Class A Shares all net realized capital gains, dividends and option premiums (other than option premiums in respect of options outstanding at year end) earned on the Portfolio, net of applicable expenses, taxes and any available loss carry-forwards, that are in excess of the amount of dividends paid to holders of Priority Equity Shares. The Fund will endeavour to declare and pay quarterly dividends to holders of Class A Shares in an amount initially targeted to be 10% per annum of the net asset value of the Class A Shares from time to time, on the last day of April, July and October and to pay the balance, if any, by way of a special year end dividend on the last day of January in each year. However, there can be no assurance that the Fund will be able to pay dividends to holders of Class A Shares and no dividends will be paid on the Class A Shares as long as the dividends on the Priority Equity Shares are in arrears.

The amount of dividends in any particular calendar quarter will be determined by the Board of Directors of the Fund on the advice of Mulvihill, as manager, having regard to the investment objectives of the Fund, the net income and

net realized capital gains of the Fund during the calendar quarter and in the year to date, the net income and net realized capital gains of the Fund anticipated in the balance of the year and dividends paid in previous calendar quarters.

All dividends are paid by cheque and are mailed to such shareholders at their addresses listed in the register of shareholders to be maintained by the Fund's registrar and transfer agent or paid in such other manner as may be agreed to by the Fund. Each holder of Class A Shares is mailed annually, no later than February 28, information necessary to enable such shareholder to complete an income tax return with respect to amounts paid or payable by the Fund in respect of the preceding calendar year.

Redemptions

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

Notice of redemption will be given to CDS Participants holding Class A Shares on behalf of the beneficial owners thereof at least 30 days prior to the Termination Date.

Retraction Privileges

Class A Shares may be surrendered at any time for retraction to Computershare Investor Services Inc., the Fund's registrar and transfer agent, but will be retracted only on the monthly Valuation Date. Class A Shares surrendered for retraction by a shareholder at least five business days prior to the monthly Valuation Date will be retracted on such Valuation Date and the shareholder will receive payment on or before the eighth business day following such Valuation Date. If a shareholder makes such surrender after 5:00 p.m. (Toronto time) on the fifth business day immediately preceding a Valuation Date, the shares will be retracted on the Valuation Date in the following month and the shareholder will receive payment for the retracted shares on the Retraction Payment Date in respect of such Valuation Date.

Except as noted below, holders of Class A Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share ("Class A Share Retraction Price") equal to 96% of the difference between (a) the NAV per Unit determined as of such Valuation Date, and (b) the cost to the Fund of the purchase of a Priority Equity Share in the market for cancellation. For this purpose, the cost of the purchase of a Priority Equity Share will include the purchase price of the Priority Equity Share, commission and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Priority Equity Share. Any declared and unpaid dividends payable on or before a Valuation Date in respect of Class A Shares tendered for retraction on such Valuation Date will also be paid on the Retraction Payment Date.

Holders of Class A Shares also have an annual retraction right under which they may concurrently retract one Class A Share and one Priority Equity Share on the January Valuation Date. The price paid by the Fund for such a concurrent retraction will be equal to the NAV per Unit.

Where the holder of Class A Shares tendered for retraction has not withheld his consent thereto in the manner provided in the Retraction Notice delivered to CDS through a CDS Participant, the Fund may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Payment Date pursuant to the Recirculation Agreement. In such event, the amount to be paid to the holder of the Class A Shares on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Class A Shares less any applicable commission. Such amount will not be less than the Class A Share Retraction Price described above. Holders of Class A Shares are free to withhold their consent to such treatment and to require the Fund to retract their Class A Shares in accordance with their terms.

Subject to the Fund's right to require the Recirculation Agent to use its best efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Payment Date, any and all Class A Shares which have been surrendered to the Fund for retraction are deemed to be outstanding until (but not after) the close of

business on the relevant Retraction Payment Date, unless not retracted thereon, in which event such Class A Shares will remain outstanding.

Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Class A Shares which are not retracted by the Fund on the relevant Retraction Payment Date. If any Class A Shares are tendered for retraction and are not resold, the Fund has directed the Recirculation Agent to purchase for cancellation on behalf of the Fund that number of Priority Equity Shares which equals the number of Class A Shares so retracted. Any Priority Equity Shares so purchased for cancellation will be purchased in the market.

Resale of Class A Shares Tendered for Retraction

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

Priority

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

Suspension of Retractions or Redemptions

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

Normal Course Issuer Bids

Under the terms of a normal course issuer bid that expired on November 12, 2008, the Fund could purchase up to a maximum of 426,762 Priority Equity Shares and up to a maximum of 426,762 Class A Shares, together in Units. No Priority Equity Shares and no Class A Shares were purchased by the Fund pursuant to the bid. Near the middle of November, 2008, the Fund made another normal course issuer bid. Pursuant to the bid, the Fund can purchase, if it considers advisable, up to a maximum of 196,678 Priority Equity Shares and up to a maximum of 196,678 Class A Shares (representing approximately 10% of the Fund's public float as of October 30, 2008), together in Units. The Fund may not purchase more than 39,986 of its Units (representing approximately 2% of the Fund's 1,999,279 issued and outstanding Priority Equity Shares and approximately 2% of the Fund's 1,999,279 issued and outstanding Class A Shares, both as of October 30, 2008) in any 30-day period under the bid. The bid will remain in effect until the earlier of November 12, 2009, the termination of the bid by the Fund or the Fund purchasing the maximum number of Units permitted under the bid. As at March 30, 2009, no Priority Equity Shares and no Class A Shares had been purchased by the Fund pursuant to the bid.

Class B Shares

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

MCM owns, beneficially and as of record, all 1,000 issued and outstanding Class B Shares. The Class B Shares have been escrowed with Computershare Trust Company of Canada pursuant to an escrow agreement dated February 12, 1998.

BOOK-ENTRY ONLY SYSTEM

Registration of interests in and transfers of the Priority Equity Shares and the Class A Shares are made only through a book-entry only system administered by CDS (the “book-entry only system”). Priority Equity Shares and Class A Shares must be purchased, transferred and surrendered for retraction or redemption through a CDS Participant. All rights of an owner of Priority Equity Shares or Class A Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by CDS or the CDS Participant through which the owner holds such Priority Equity Shares or Class A Shares. Upon purchase of any Priority Equity Shares or Class A Shares, the owner will receive only the customary confirmation. References in this annual information form to a holder of Priority Equity Shares or Class A Shares means, unless the context otherwise requires, the owner of the beneficial interest in such shares.

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

An owner of Priority Equity Shares or Class A Shares who desires to exercise retraction 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 retract shares, no later than 5:00 p.m. (Toronto time) on the relevant notice date. An owner who desires to retract Priority Equity Shares or Class A Shares should ensure that the CDS Participant is provided with notice (the “Retraction Notice”) of the owner’s intention to exercise the owner’s retraction privilege sufficiently in advance of the relevant notice date to permit the CDS Participant to deliver notice to CDS by the required time. The Retraction Notice will be available from a CDS Participant or Computershare Investor Services Inc. Any expense associated with the preparation and delivery of Retraction Notices will be for the account of the owner exercising the retraction privilege.

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

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

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

SHAREHOLDER MATTERS

Meetings of Shareholders

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

Acts Requiring Shareholder Approval

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

- (a) a change in the fundamental investment objectives and strategy of the Fund as described under “Investment Objectives and Strategy”;
- (b) a change in the investment criteria of the Fund as described under “Investment Restrictions”;
- (c) the entering into by the Fund of transactions involving derivatives other than the writing of covered call options, cash covered put options, the purchase of call options or put options and the entering into of trades by the Fund to close out positions in such permitted derivatives;
- (d) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund;
- (e) a change of the manager of the Fund, other than a change resulting in an affiliate of such person assuming such position or, except as described herein, a change in the investment manager of the Fund, other than a change resulting in an affiliate of such person assuming such position;
- (f) a decrease in the frequency of calculating NAV;
- (g) a change of the auditors of the Fund;
- (h) a reorganization with, or transfer of assets to another mutual fund, if:
 - (i) the Fund ceases to continue after the reorganization or transfer of assets; and
 - (ii) the transaction results in shareholders becoming securityholders of the other mutual fund;
- (i) a reorganization with, or acquisition of assets of, another mutual fund, if:
 - (i) the Fund continues after the reorganization or acquisition of assets;
 - (ii) the transaction results in the securityholders of the other mutual fund becoming shareholders of the Fund; and
 - (iii) the transaction would be a material change to the Fund;
- (j) a termination of the Investment Management Agreement (except as described under “Investment Management Agreement”); and
- (k) an amendment, modification or variation in the provisions or rights attaching to the Priority Equity Shares, Class A Shares or Class B Shares.

Each Priority Equity Share and each Class A Share will have one vote at such a meeting. Ten percent of the outstanding Priority Equity Shares and Class A Shares, respectively, represented in person or by proxy at the

meeting will constitute a quorum. If no quorum is present, the holders of Priority Equity Shares and Class A Shares then present will constitute a quorum at an adjourned meeting.

Reporting to Shareholders

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

INVESTMENT RESTRICTIONS

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

- (a) except as provided in paragraphs (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;
 - (ii) such securities are issued by corporations selected from the Canadian Universe or the U.S. Universe;
 - (iii) not more than 10% of the NAV of the Fund is, at any time, invested in the securities of any one corporation; and
 - (iv) not more than 40% of the NAV of the Fund is, at any time, invested in securities issued by corporations selected from the U.S. Universe;
- (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 the Rating Agency 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 Fund at the time the option is written;
- (d) dispose of a security included in the Portfolio that is subject to a call option written by the Fund unless such option has either terminated or expired;
- (e) write put options in respect of any security unless (i) the Fund is permitted to invest in such security, and (ii) so long as the options are exercisable, the Fund continues to hold cash equivalents sufficient to acquire the security underlying the options at the aggregate strike price of such options;
- (f) purchase call options or put options except as specifically permitted under National Instrument 81-102 - *Mutual Funds* ("NI 81-102");
- (g) make or retain investments which, if the Fund is a registered investment within the meaning of the Tax Act, render it liable to tax under Part XI of such Tax Act; or
- (h) enter into any arrangement (including the acquisition of securities for the Portfolio and the writing of covered call options in respect thereof) where the main reason for entering into the arrangement is to enable the Fund to receive a dividend on such securities in circumstances where, under the arrangement, someone other than the Fund bears the risk of loss or enjoys the opportunity for gain or profit with respect to such securities in any material respect.

In addition, but subject to, these investment criteria, the Fund has adopted the standard investment restrictions and practices set forth in NI 81-102. A copy of such standard investment restrictions and practices will be provided by the Fund to any person on request.

The Fund has obtained an exemption from certain of the provisions of NI 81-102 including:

- (a) Section 10.3 – to permit the Fund to calculate the retraction price per share in the manner described in this annual information form and on the applicable Valuation Date;
- (b) Section 10.4 – to permit the Fund to make retraction payments within eight business days following the applicable Valuation Date;
- (c) Subsection 12.1(1) – to relieve the Fund from the requirement to file the prescribed compliance reports; and
- (d) Section 14.1 – to relieve the Fund from the requirement relating to the record date for the payment of distributions of the Fund, provided that it complies with the applicable requirements of the TSX.

The Fund obtained an exemption from certain of the provisions of National Policy Statement No. 39, including section 11.05, to permit the Fund to calculate its NAV monthly. As discussed below in “Calculation of Net Asset Value and Net Asset Value per Unit”, the Fund now calculates its NAV weekly.

Use of Other Derivative Instruments

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

The Fund may also use derivatives permitted under NI 81-102 to hedge the Fund’s foreign currency exposure. Such permitted derivatives may include clearing corporation options, futures contracts, options on futures, over-the-counter options and forward contracts.

CALCULATION OF NET ASSET VALUE AND NET ASSET VALUE PER UNIT

The NAV of the Fund on a particular date will be equal to (a) the aggregate value of the assets of the Fund, less (b) the aggregate value of the liabilities, excluding Priority Equity Shares, of the Fund, including any dividends declared and not paid that are payable to shareholders on or before such date, less (c) the stated capital of the Class B Shares (\$1,000). The “NAV per Unit” on any day is obtained by dividing the NAV of the Fund on such day by the number of Units outstanding on that day.

The NAV per Unit will be calculated once each week at the close of business. In the last week of the month, the NAV per Unit will be calculated on the last day of the month at the close of business. Such information will be provided by the Fund to shareholders on request.

In determining the NAV of the Fund at any time:

- (a) 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 Fund or, if no such sale price is available at that time, the closing price quoted for the security provided that where bid and ask quotes are available, at the average of the bid and the asked price instead of at the quoted closing price;
- (b) an option premium received by the Fund 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 of the Fund;

- (c) 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 Fund 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 Fund determines to be the fair value thereof;
- (d) money-market instruments shall be valued at cost plus accrued interest at the calculation time;
- (e) if a Valuation Date or the fifteenth day of any month is not a business day, then the securities comprising the Portfolio and other Fund property will be valued as if such Valuation Date or the fifteenth day of any month was the preceding business day; and
- (f) if an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Fund to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Fund shall make such valuation as it considers fair and reasonable. The discretion to deviate from the foregoing rules has not been exercised within the past three years.

The above principles are used to calculate the net asset value of the Fund for all purposes other than financial reporting. This valuation policy differs from the valuation method required for financial statement reporting purposes under the Canadian Institute of Chartered Accountants Handbook (the "CICA Handbook"). The CICA Handbook requires that portfolio securities in an active market be valued using the latest available bid price. The primary differences between the valuation policy of the Fund and the approach in the CICA Handbook is that the Fund will generally determine the fair value of its equity securities traded on a stock exchange by using the closing price on the exchange. For bonds, debentures and other debt obligations (excluding money-market instruments), the Fund will generally use the average of the bid and ask prices to determine the fair value.

RESPONSIBILITY FOR OPERATIONS

The Manager

Pursuant to a management agreement made between the Fund and Mulvihill dated February 12, 1998 (the "Management Agreement"), Mulvihill is the manager of the Fund and, as such, is responsible for providing or arranging for required administrative services to the Fund including, without limitation: authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements, financial and accounting information as required by the Fund; ensuring that shareholders are provided with 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 Fund complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Fund's reports to shareholders and the Canadian securities regulatory authorities; determining the amount of dividends to be paid by the Fund; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

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

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

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

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

The Investment Manager

MCM manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an investment management agreement made between the Fund and MCM dated February 12, 1998 (the "Investment Management Agreement").

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.

Investment Management Agreement

The services provided by MCM pursuant to the Investment Management Agreement include the making of all investment decisions for the Fund and managing the Fund's call and put option writing, all in accordance with the investment objectives, strategy and criteria of the Fund. Decisions as to the purchase and sale of securities within the Portfolio and as to the execution of all portfolio and other transactions are made by MCM. In the purchase and sale of securities for the Fund and the writing of option contracts, MCM seeks 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 that is fair and reasonable to the Fund, to act honestly and in good faith with a view to the best interests of the shareholders of the Fund and, 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 in the Portfolio, nor shall it be liable if it has satisfied the duties and standard of care, diligence and skill set forth above. However, MCM will incur liability in cases of wilful misfeasance, bad faith, negligence or breach of its obligations under the Investment Management Agreement.

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

Except as set out below, MCM may not terminate the Investment Management Agreement or assign the same except to an affiliate of MCM, without shareholder approval. MCM may terminate the Investment Management Agreement if the Fund 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 Fund or if there is a material change in the fundamental investment objectives, strategy or criteria of the Fund.

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

MCM is entitled to fees for its services under the Investment Management Agreement at an annual rate of 1.15% of the NAV of the Fund. The fee payable to MCM is calculated and payable monthly based on the NAV of the Fund as at the Valuation Date of each month. The Fund will be reimbursed for all reasonable costs and expenses incurred by MCM on behalf of the Fund. In addition, MCM and each of its directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claims that are made against MCM or any of its officers, directors, employees or agents in the exercise of its duties as investment manager, except those resulting from MCM's wilful misconduct, bad faith, negligence or breach of its obligations under the Investment Management Agreement.

Independent Review Committee

National Instrument 81-107 – *Independent Review Committee for Investment Funds* (“NI 81-107”) requires all publicly offered investment funds, including the Fund, to establish an independent review committee to whom the manager of the fund must refer all conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of those matters and provide assistance to the independent review committee in carrying out its functions. The independent review committee is required to conduct regular assessments and provide reports to the manager and securityholders in respect of its activities.

The members of the independent review committee (the “IRC”) of the Fund and the other Mulvihill funds are Michael M. Koerner, Robert W. Korthals and Robert G. Bertram. Mr. Bertram replaced C. Edward Medland as a member of the IRC effective January 1, 2009, following the passing of the latter. The aggregate compensation paid by the Fund to the members of the IRC for the year ended January 31, 2008 was \$4,266.75.

Directors and Officers of the Fund

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

<i>Name and Municipality of Residence</i>	<i>Position with the Fund</i>	<i>Principal Occupation</i>
John P. Mulvihill Toronto, Ontario	President, Secretary and Director	Chairman and President, MCM
Michael M. Koerner ⁽¹⁾⁽²⁾ Toronto, Ontario	Director, IRC Member	Corporate Director
Robert W. Korthals ⁽¹⁾⁽²⁾ Toronto, Ontario	Director, IRC Member	Corporate Director
Robert G. Bertram ⁽¹⁾ Aurora, Ontario	Director, IRC Member	Corporate Director
Sheila Szela ⁽²⁾ Toronto, Ontario	Chief Financial Officer and Director	Vice-President, Finance and Chief Financial Officer, MCM

(1) Independent director.

(2) Member of the Audit Committee.

During the past five years all of the directors and officers have held the principal occupations noted opposite their respective names, or other occupations with their current employer or a predecessor company with the exception of Robert G. Bertram, who served as Executive Vice President of the Ontario Teachers Pension Plan Board from 1990 until 2008. The independent directors of the Fund are paid an annual fee of \$5,000 and a fee for each board meeting attended of \$300.

Each of the directors, other than Mr. Koerner, Ms. Szela and Mr. Bertram, has served as a director of the Fund since its initial public offering. Mr. Koerner was elected a director on June 16, 2000, Ms. Szela was elected a director on November 23, 2004 and Mr. Bertram was elected a director on January 1, 2009. Each of the directors has been elected to serve until the next annual meeting of shareholders or until his or her successor is appointed.

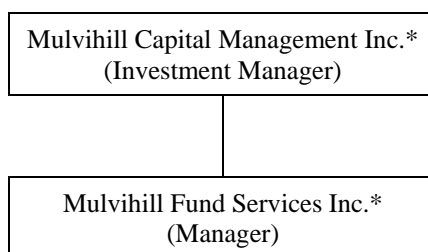
Directors and Officers of the Manager

The name and municipality of residence, position held with Mulvihill and current principal occupation of each of the directors and officers of Mulvihill are as follows:

<i>Name and Municipality of Residence</i>	<i>Office or Position with Mulvihill</i>	<i>Principal Occupation</i>
John P. Mulvihill Toronto, Ontario	Chairman, President and Director	Chairman and President, MCM
Sheila Szela Toronto, Ontario	Chief Financial Officer and Director	Vice-President, Finance and Chief Financial Officer, MCM

Mr. Mulvihill has held his current positions with Mulvihill and MCM for the past five years. Ms. Szela was appointed as Chief Financial Officer and a director of Mulvihill in November, 2004. She joined MCM in June 2002 as Vice-President, Finance and was appointed to the position of Chief Financial Officer in November 2004.

MCM owns the sole outstanding share of Mulvihill, as shown below.



* Fees received by these entities from the Fund are disclosed in the audited financial statements of the Fund.

As of March 26, 2009, John P. Mulvihill owned of record and beneficially 95,073 shares (100%) of MCM Group Holdings Inc., the sole shareholder of MCM.

Directors and Officers of the Investment Manager

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

<i>Name and Municipality of Residence</i>	<i>Office or Position with MCM</i>
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<i>Name and Municipality of Residence</i>	<i>Office or Position with MCM</i>
John P. Mulvihill Toronto, Ontario	Chairman, President, Chief Executive Officer, Secretary and Director
Donald Biggs Ancaster, Ontario	Senior Vice-President
John Germain Toronto, Ontario	Vice-President
Supriya Kapoor Toronto, Ontario	Vice-President
Peggy Shiu Toronto, Ontario	Vice-President
Sheila Szela Toronto, Ontario	Vice-President, Finance and Chief Financial Officer
Jack Way Toronto, Ontario	Vice-President

Except as indicated below, each of the foregoing has held his or her current office or has held a similar office in MCM during the five years preceding the date hereof. Prior to joining MCM in October 2004, Ms. Kapoor was Director, Compliance Operations from October 2002 to October 2004 for Assante Advisory Services and Manager, Regulatory Affairs & Compliance from October 2000 to October 2002 for BMO Investments Inc.

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

John P. Mulvihill, Chairman of MCM, is the senior portfolio manager of MCM and has over 30 years of investment management experience. Prior to purchasing CTIC from The Canada Trust Company in 1995, Mr. Mulvihill had been Chairman of CTIC since 1988. At CTIC he had primary responsibility for the asset allocation and portfolio management of CTIC's pension and mutual fund assets.

Donald Biggs, Senior Vice-President of MCM, has extensive experience in managing derivative instruments. Prior to joining MCM in 1997, Mr. Biggs was Vice-President, Bonds and Cash Management at OMERS where he had overall responsibility for Derivative Products.

Jack Way has been with MCM since August 1998 and brings an extensive background in asset management with over 23 years of experience as an investment manager during which he spent considerable time working in the U.S. market.

John Germain has been with MCM and the Structured Products Team since March 1997. Prior to joining MCM, he had been employed at Merrill Lynch Canada Inc. since 1992. For the last two years of his employment at Merrill Lynch Canada Inc., he was a member of the Fixed Income Trading Group.

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

Dylan D'Costa, Portfolio Manager, has been with MCM and the Structured Products Team since January 2001 where he has worked extensively on valuing, pricing and trading equity options. Prior to joining MCM, he had been employed at CIBC Mellon where he worked with the valuations group.

CORPORATE GOVERNANCE

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

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

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

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

Mulvihill has adopted policies, procedures and guidelines concerning the governance of the Fund and to ensure the proper management of the Fund. These policies, procedures and guidelines aim to monitor and manage the business, risks and internal conflicts of interest relating to the Fund, and to ensure compliance with regulatory and corporate requirements.

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

The Fund may use derivatives as permitted by the policies of Canadian securities authorities and consistent with the investment objectives and restrictions of the Fund and with the investment policies set by the asset mix committee of MCM. Policies, procedures and guidelines regarding investing in derivatives, including objectives and goals for derivatives trading and the risk management procedures applicable to such trading are reviewed by Mulvihill on a regular basis. If the Fund uses derivatives, it will hold enough assets to cover any obligations it has under the derivative contracts. The exposure of the Fund to derivatives is monitored daily by both senior management and the internal accounting group of Mulvihill.

Mulvihill and MCM also employ certain risk assessment tools including mark to market valuing of securities, reporting and monitoring of securities exposure and reconciliations of security transactions.

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

Proxy Voting Policy

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

(a) *Auditors*

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

(b) *Board of Directors*

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

(c) *Compensation Plans*

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

(d) *Management Compensation*

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

(e) *Capital Structure*

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

(f) *Constituting Documents*

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

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

The Proxy Guidelines also include policies and procedures pursuant to which the Fund will determine how to cause proxies to be voted on non-routine matters including shareholder rights plans, proxy contests, mergers and restructurings and social and environmental issues.

The Proxy Guidelines apply to proxy votes that present a conflict between the interests of Mulvihill, MCM or an entity related thereto, on the one hand, and the interests of the securityholders of the Fund, on the other.

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

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

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

BROKERAGE ARRANGEMENTS

The Investment Manager has been delegated authority to determine the brokerage arrangements of the Fund. Decisions that the Investment Manager may make as to the purchase and sale of portfolio securities and the execution of portfolio transactions for the Fund, including the selection of markets and dealers and the negotiation of commissions, are based on elements such as price, speed of execution, certainty of execution and total transactions costs.

During the year, certain companies provided investment decision-making services to the Manager and the Investment Manager. These included access to news wire services, real time and historical data, analyses and reports concerning various securities, company-specific research and opinions, quantitative and fundamental analyses, as well as trade execution and analyses through traditional and electronic trading platforms. The following companies provided such services: Bloomberg Tradebook Canada Company, BMO Capital Markets Corp., CIBC World Markets Inc., Citibank Canada Investment Funds Limited, International Strategy & Investment Group Inc., National Bank Financial Inc., RBC Capital Markets Corporation, Sanford C. Bernstein & Co., LLC, TD Securities Inc. and UBS Securities Canada Inc.

CUSTODIAN

Pursuant to an agreement (the "Custodian Agreement") dated February 12, 1998 with the Fund, RBC Dexia Investor Services Trust, as successor to The Royal Trust Company, acts as the custodian (the "Custodian") of the assets of the Fund and is also responsible for certain aspects of the day-to-day administration of the Fund, including executing instruments on behalf of the Fund, processing retractions or redemptions, calculating NAV, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund. Pursuant to the terms of the Custodian Agreement, the assets of the Fund may also be held by subcustodians. Either party may terminate the Custodian Agreement by giving the other party 30 days' notice.

The address of the Custodian is 77 King Street West, 7th Floor, Toronto, Ontario, M5W 1P9. The Custodian is entitled to receive fees from the Fund and to be reimbursed for all expenses and liabilities which are properly incurred by the Custodian in connection with the activities of the Fund.

REGISTRAR AND TRANSFER AGENT

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

AUDITORS

The auditors of the Fund are Deloitte & Touche LLP, Bay Wellington Tower - Brookfield Place, 181 Bay Street, Suite 1400, Toronto, Ontario, M5J 2V1.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations generally relevant to investors who, for purposes of the Tax Act, are resident in Canada, hold their Priority Equity Shares or their Class A Shares as capital property, and deal at arm's length with and are not affiliated with the Fund. This summary is based upon the facts set out in this annual information form, the current provisions of the Tax Act, the regulations thereunder, and the Fund's understanding of the current administrative practices and assessing policies of the Canada Revenue Agency (the "CRA") published prior to the date hereof. This summary is based on the assumption that the Class A Shares and the Priority Equity Shares will at all times be listed on the TSX. This summary is based on the assumption that the Fund was not established and will not be maintained primarily for the benefit of non-residents of Canada and that not more than 50% (based on fair market value) of the shares of the Fund will be held by non-residents of Canada or by partnerships that are not Canadian partnerships as defined in the Tax Act, or any combination of the foregoing. This summary is based upon the assumption that the investment objectives and permitted investments will at all relevant times be as set out under the heading "Investment Restrictions" and that the Fund will at all times comply with such investment objectives and hold only permitted investments. This summary is also based on the assumption that the Fund will not invest in securities of any entity that would be a controlled foreign affiliate of the Fund for purposes of the Tax Act. This summary also takes into account all specific proposals to amend the Tax Act announced prior to the date hereof by the Minister of Finance (Canada) (the "Proposed Amendments"). No assurances can be given that the Proposed Amendments will become law as proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations and does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, provincial or territorial income tax considerations, which might differ from the federal considerations. This summary does not apply to shareholders that are "financial institutions" as defined in section 142.2 of the Tax Act.

This summary is of a general nature only and does not constitute legal or tax advice to any particular investor and does not describe the income tax considerations relating to the deductibility of interest on any money borrowed by an investor to acquire shares of the Fund. Accordingly, investors are advised to consult their own tax advisors with respect to their individual circumstances.

Tax Treatment of the Fund

The Fund currently qualifies and intends at all relevant times to qualify as a "mutual fund corporation" as defined in the Tax Act. As a mutual fund corporation, the Fund is entitled in certain circumstances to a refund of tax paid by it in respect of its net realized capital gains. Also, as a mutual fund corporation, the Fund maintains a capital gains dividend account in respect of capital gains realized by the Fund and from which it may elect to pay dividends ("capital gains dividends") which are treated as capital gains in the hands of the shareholders of the Fund.

The Fund will be required to include in computing its income all dividends received but will generally be entitled to deduct all dividends received from taxable Canadian corporations in computing its taxable income. The Fund is a "financial intermediary corporation" (as defined in the Tax Act) and, as such, is not subject to tax under Part IV.1 of

the Tax Act on dividends received by the Fund nor is it generally liable to tax under Part VI.1 on dividends paid by the Fund on “taxable preferred shares” (as defined in the Tax Act). As a mutual fund corporation (which is not an “investment corporation” as defined in the Tax Act), the Fund will generally be subject to a refundable tax of 33¹/₃% under Part IV of the Tax Act on taxable dividends received during the year to the extent such dividends are deductible in computing taxable income of the Fund. This tax is fully refundable upon payment of sufficient dividends other than capital gains dividends (“Ordinary Dividends”) by the Fund.

Premiums received on call options written by the Fund will constitute capital gains of the Fund in the year received, and gains or losses realized upon dispositions of securities of the Fund (whether upon the exercise of call options written by the Fund or otherwise) will constitute capital gains or capital losses of the Fund in the year realized unless the Fund is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. The Fund has purchased the Portfolio with the objective of earning dividends thereon over the life of the Fund 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 the CRA’s published administrative practice, transactions undertaken by the Fund in respect of options and shares in the Portfolio will be treated and reported for purposes of the Tax Act on capital account and designations by the Fund with respect to its income and capital gains, as described below, will be made and reported to shareholders on this basis.

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

Given the investment and dividend policy of the Fund and taking into account expenses, the Fund does not expect to bear any appreciable non-refundable income tax other than income tax on dividends from corporations other than taxable Canadian corporations.

The Fund may acquire Permitted Repayment Securities in connection with the Priority Equity Portfolio Protection Plan. The holding of Permitted Repayment Securities may result in the Fund earning taxable income or gain.

The Fund may enter into one or more Forward Agreements in connection with the Priority Equity Portfolio Protection Plan. The Fund will not realize income, gain or loss as a result of entering into such a Forward Agreement. If the obligations of the Fund and the Counterparty under such a Forward Agreement are settled by making cash payments, a payment made or received by the Fund may be treated as an income outlay or receipt, as applicable. Gains or losses realized by the Fund on the sale or other disposition of the Permitted Repayment Securities subject to a Forward Agreement will be treated as capital gains or capital losses.

Upon maturity of such a Forward Agreement, if the Fund delivers underlying shares to the Counterparty and receives from the Counterparty the price stipulated in the Forward Agreement, then provided (a) all such shares are Canadian securities, as defined in subsection 39(6) of the Tax Act, and (b) the Fund files the election referred to above, any gains or losses realized by the Fund upon disposition of such shares will be treated as capital gains or capital losses.

Tax Treatment of Shareholders

Shareholders of the Fund must include in income Ordinary Dividends paid by the Fund. For individual shareholders, Ordinary Dividends will be subject to the usual gross-up and dividend tax credit rules with respect to taxable dividends paid by taxable Canadian corporations under the Tax Act including the enhanced gross-up and dividend tax credit rules applicable to any dividends designated by the Fund as eligible dividends in accordance with the

provisions of the Tax Act. Ordinary Dividends received by a corporation other than a “specified financial institution” (as defined in the Tax Act) will also normally be deductible in computing its taxable income.

The Fund may enter into a Forward Agreement in connection with the Priority Equity Portfolio Protection Plan. If the Counterparty under such an agreement is a specified financial institution, Ordinary Dividends received by a corporation following the entry into such Forward Agreement will not be deductible in computing the corporation’s taxable income.

In the case of a holder that is a specified financial institution, Ordinary Dividends received on a particular class of shares will be deductible in computing its taxable income only if either:

- (a) the specified financial institution did not acquire the shares in the ordinary course of its business, or
- (b) at the time of receipt of the dividend by the specified financial institution, dividends are received in respect of not more than 10% of the issued and outstanding shares of that class by:
 - (i) the specified financial institution, or
 - (ii) the specified financial institution and persons with whom it does not deal at arm’s length (within the meaning of the Tax Act).

For these purposes, a beneficiary of a trust will be deemed to receive the amount of any dividend received by the trust and designated to that beneficiary, effective at the time the dividend was received by the trust, and a member of a partnership will be considered to have received that partner’s share of a dividend received by the partnership, effective at the time the dividend was received by the partnership.

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

A shareholder which is a private corporation or any other corporation controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a 33¹/₃% refundable tax under Part IV of the Tax Act on Ordinary Dividends received on the shares to the extent that such dividends are deductible in computing the corporation’s taxable income. Where Part IV.1 tax also applies to a dividend received by a particular corporation on the dividend, the rate of Part IV tax payable by such corporation is reduced to 23¹/₃%.

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

The policy of the Fund is to pay quarterly dividends and, in addition, to pay a special year-end dividend to holders of Class A Shares where the Fund has net taxable capital gains upon which it would otherwise be subject to tax (other than taxable capital gains in respect of options that are outstanding at year end) or would not otherwise obtain a refund of refundable tax in respect of dividend income. Therefore, a person acquiring shares may become taxable on income and capital gains that accrued before such person acquired shares and on realized capital gains that have not been distributed before such time.

Upon the redemption, retraction or other disposition of a share, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of the share exceed (or are less than) the aggregate of the adjusted cost base of the share and any reasonable costs of disposition. If the holder is a corporation, any capital loss arising on the disposition of a share may in certain circumstances be reduced by the amount of any Ordinary Dividends received on the share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary.

The adjusted cost base of each share will generally be the weighted average of the cost of the shares of that class acquired by a holder at a particular time and the aggregate adjusted cost base of any shares of that class already held.

One-half of a capital gain (the taxable capital gain) is included in computing income and one-half of a capital loss (the allowable capital loss) is deductible against taxable capital gains.

Shares will qualify as “Canadian securities” for purposes of the irrevocable election of guaranteed capital gains treatment provided for under certain circumstances under the Tax Act. Investors considering making such an election should consult their tax advisors.

Eligibility for Investment

Provided that the Fund continues to qualify as a “public corporation” within the meaning of the Tax Act or that the Priority Equity Shares or the Class A Shares (as the case may be) remain listed on the TSX or any other “designated stock exchange” within the meaning of the Tax Act, such shares are qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts.

RISK FACTORS

The following are certain considerations relating to an investment in Priority Equity Shares or Class A Shares which investors should consider, along with other factors in relation to an investment in the Fund’s Priority Equity Shares or Class A Shares.

Interest Rate Fluctuations

It is anticipated that the market price of the Priority Equity Shares and the Class A Shares will, at any given 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 Priority Equity Shares and the Class A Shares.

Foreign Currency Exposure

As up to 40% of the Portfolio may include securities and options denominated in U.S. dollars, the NAV of the Fund, when measured in Canadian dollars, will be affected by changes in the value of the U.S. dollar relative to the Canadian dollar.

Performance of the Corporations included in the Portfolio and Other Conditions

The value of the Fund’s Portfolio will be influenced by factors which are not within the control of the Fund, including the financial performance of the corporations included in the Portfolio, their dividend payment policies and financial market and economic conditions generally.

Current Economic Conditions

During recent months, both domestic and foreign financial markets have been characterized by increased volatility. This has been due, in part, to a revaluation of assets on the balance sheets of international financial institutions, as well as the securities of those issuers. Access to public financing has been negatively affected and no assurance can be made that the combined impact of the significant revaluations and constraints on the availability of credit will not materially and adversely affect economies around the world in the near to medium term. If such heightened levels of volatility and current market turmoil continue, the value of the Fund’s investments could be adversely affected.

Use of Options and Other Derivative Instruments

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

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

The Fund may enter into one or more Forward Agreements with Counterparties pursuant to the Priority Equity Portfolio Protection Plan to provide for payment of the Priority Equity Share Repayment Amount on the Termination Date. The Fund expects that, if it enters into any such Forward Agreement, the Forward Amount will be available for distribution to holders of the Priority Equity Shares on the Termination Date. The possibility exists, however, that the Counterparty or the guarantor of the obligations of the Counterparty pursuant to a Forward Agreement will default on the payment obligations thereunder or that the proceeds of such agreement will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third-party creditors in the event that the Fund has insufficient assets excluding the Forward Amount to pay its liabilities. If any of these eventualities should occur, holders of the Priority Equity Shares will not receive the Priority Equity Share Repayment Amount on the Termination Date.

In addition, in the event of an early termination of a Forward Agreement in accordance with the terms thereof, the Fund may be unable to pay holders of the Priority Equity Shares the Priority Equity Share Repayment Amount on the Termination Date. It is expected that a Counterparty's termination rights under a Forward Agreement would include a right to terminate if the Counterparty is unable to hedge its obligations under that agreement. It is not possible to assess the likelihood of early termination due to the Counterparty's inability to hedge over the term of a Forward Agreement. In certain circumstances, the Fund may be obligated by the requirements of the Canadian securities regulatory authorities to undertake a partial termination of a Forward Agreement to reduce the Fund's exposure to a Counterparty. In the event of an early termination of a Forward Agreement, or its partial termination, the Fund will seek to enter into additional forward, derivative or other transactions or purchase Permitted Repayment Securities in order to further its ability to pay to holders of the Priority Equity Shares the Priority Equity Share Repayment Amount on or before the Termination Date, but it is not possible to assess the Fund's ability to do so.

Risks Associated with the Priority Equity Portfolio Protection Plan

In the event of a dramatic decline in the value of the portfolio shares, the Fund could as a result of the terms of the Priority Equity Portfolio Protection Plan be forced to invest primarily in Permitted Repayment Securities, and the ability of the Fund to generate dividend or other income for the holders of the Priority Equity Shares would thereby be impaired. If the decline in the value of the portfolio shares on a single day were greater than 30%, the ability of the Fund to implement the Priority Equity Portfolio Protection Plan in full could be impaired, such that it might not be possible for the Fund to acquire sufficient Permitted Repayment Securities to ensure the repayment of the Priority Equity Repayment Amount in full on the Termination Date.

Furthermore, in the event that it is necessary for the Fund to purchase Permitted Repayment Securities, the portion of the Fund's assets that are invested in portfolio shares will decrease. In such circumstances, the exposure of the holders of the Class A Shares to the portfolio shares would decrease, resulting in a decrease in the extent to which the holders of the Class A Shares have a leveraged investment in those common shares. The sale of portfolio shares and purchase of Permitted Repayment Securities may make it more difficult for the Fund to meet its annual targeted distributions, particularly with respect to the Class A Shares. In such an event, the Fund would have to increase the number of portfolio shares that are subject to covered call options in order to meet its annual targeted distributions. If the Fund continues to be required to liquidate portfolio shares and purchase Permitted Repayment Securities, its ability to pay dividends on the Class A Shares at the targeted rate, or at all, could be compromised.

Net Asset Value and Distributions

The NAV of the Fund and the funds available for distribution to holders of Priority Equity Shares and Class A Shares will vary according, among other things, to the value of the common shares of the corporations included in the Portfolio, the dividends paid thereon and the level of option premiums received. 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 Fund will be able to achieve its investment objectives of paying quarterly dividends.

The Priority Equity Shares or the Class A Shares may trade in the market at a premium or discount to NAV per Unit and there can be no guarantee that Priority Equity Shares or Class A Shares will trade at prices that reflect their NAV.

Class A Shares

Any capital appreciation in the value of the Portfolio will be for the benefit of the holders of Class A Shares. However, any decrease in the value of the Portfolio or the dividends paid on the common shares of the corporations held in the Portfolio will effectively first be for the account of holders of Class A Shares. The Class A Shares will have no value on the Termination Date if the NAV per Unit on that date is less than or equal to \$15.00.

Reliance on the Investment Manager

MCM manages the Portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund. The officers of MCM who are 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 Fund.

Significant Retractions

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

Tax Treatment of Proceeds of Disposition and Option Premiums

In determining its income for tax purposes, the Fund will treat gains and losses realized on the disposition of securities in the Portfolio, option premiums received on the writing of covered call options (and cash covered put options) and any losses sustained on closing out options as capital gains and capital losses, as the case may be, in accordance with its understanding of CRA's published administrative and assessing practice. CRA's practice is not to grant advance income tax rulings on the characterization of items as capital or income and no advance income tax ruling has been applied for or received from CRA.

If, contrary to CRA's published administrative practice, some or all of the transactions undertaken by the Fund in respect of options and securities in the Portfolio were treated on income rather than capital account, after tax returns to holders of Class A Shares (and, potentially, holders of Priority Equity Shares to the extent dividends and capital gains on the Portfolio are not sufficient to meet the Priority Equity Share dividend) could be reduced and the Fund may be subject to non-refundable income tax in respect of income from such transactions and the Fund may be subject to penalty taxes in respect of excessive capital gains dividends elections.

MATERIAL CONTRACTS

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

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

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

ADDITIONAL INFORMATION

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

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

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

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MCM SPLIT SHARE CORP.