

ANNUAL INFORMATION FORM

WORLD FINANCIAL SPLIT CORP.

Preferred Shares and Class A Shares

March 30, 2009

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THE FUND

World Financial Split Corp. (the “Fund”) is a mutual fund corporation incorporated under the laws of the Province of Ontario on December 5, 2003.

On February 16, 2004, 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 17, 2004, the Fund completed its initial public offering of 18,000,000 Preferred Shares at a price of \$10.00 per Preferred Share and 18,000,000 Class A Shares at a price of \$15.00 per Class A Share. On February 27, 2004, the Fund completed an additional offering of 850,000 Preferred Shares at a price of \$10.00 per Preferred Share and 850,000 Class A Shares at a price of \$15.00 per Class A Share pursuant to the exercise of an over-allotment option granted to the Fund’s agents in connection with the Fund’s initial public offering.

The outstanding Preferred Shares and Class A Shares are listed on the Toronto Stock Exchange (“TSX”) under the symbols WFS.PR.A and WFS, respectively. The Preferred Shares are rated Pfd-4 (low) by DBRS.

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.

INVESTMENT OBJECTIVES AND STRATEGY

The Fund’s investment objectives are: (a) to provide holders of Preferred Shares with fixed cumulative preferential quarterly cash distributions in the amount of \$0.13125 per Preferred Share representing a yield on the issue price of the Preferred Shares of 5.25% per annum; (b) to provide holders of Class A Shares with regular quarterly cash distributions targeted to be 8.0% per annum; and (c) to return the issue price to holders of both Preferred Shares and Class A Shares at the time of redemption of such shares on June 30, 2011 (the “Termination Date”).

The Fund invests in a portfolio (the “Portfolio”) which includes common shares selected from the ten largest financial services companies by market capitalization from each of Canada (at the operating company level), the United States and the Rest of the World (the “Portfolio Universe”). In addition, the issuers of the securities in the Fund’s Portfolio, other than those of Canadian issuers, must have a minimum local currency issuer credit rating of “A” from Standard & Poor’s or a comparable rating from an equivalent rating agency. The Fund may from time to time also hold a portion of its assets in cash or cash equivalents.

In addition, up to 20% of the net asset value (“NAV”) of the Fund may be invested in common shares of financial services companies that are not in the Portfolio Universe as long as such companies have a market capitalization at the time of investment of at least US\$10.0 billion and for non-Canadian issuers, a minimum local currency issuer credit rating of “A” from Standard & Poor’s or a comparable rating from an equivalent rating agency.

It is expected that quarterly cash distributions over the life of the Fund will primarily be derived from dividends received (net of applicable foreign withholding taxes) on the securities in the Fund’s Portfolio, net realized capital gains from the Portfolio, including premiums from writing covered call options from time to time on the securities held in the Portfolio and from writing cash covered put options on securities in which the Fund is permitted to invest, and, in certain circumstances, by returning capital.

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

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

DESCRIPTION OF SHARE CAPITAL

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

The Fund is authorized to issue an unlimited number of Preferred Shares, an unlimited number of Class A Shares and an unlimited number of Class J Shares.

Description of Units

While the Preferred Shares and Class A Shares were offered separately they were issued on the basis that there would be one Class A Share outstanding for every Preferred Share outstanding (together notionally considered a "Unit"). The number of Units outstanding at any time will be equal to the sum of the number of Preferred Shares and Class A Shares outstanding divided by two.

Preferred Shares

Distributions

Holders of Preferred Shares are entitled to receive fixed, cumulative preferential quarterly cash distributions of \$0.13125 per share to yield 5.25% per annum on the issue price of the Preferred Shares on the last day of each quarter. Such distributions may consist of ordinary dividends, capital gains dividends or non-taxable returns of capital or any combination thereof.

All cash distributions will be paid by cheque and will be mailed to such holders 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. As registrations of interests in the Preferred Shares will be made through the book-entry only system, the Fund will, prior to March 31 of each year, provide CDS Clearing and Depository Services Inc. ("CDS") with the information necessary to enable holders to complete an income tax return with respect to amounts paid or payable by the Fund to such holders in the preceding calendar year. Each holder will in turn receive such information from the holder's applicable CDS Participant (as defined below).

Redemptions

All Preferred Shares outstanding on the Termination Date will be redeemed by the Fund on that date. The redemption price payable by the Fund for each Preferred Share outstanding on that date will be equal to the lesser of (a) \$10.00 and (b) the NAV of the Fund on that date divided by the number of Preferred Shares then outstanding.

Notice of redemption will be given to participants in the CDS book-based system ("CDS Participants") holding Preferred Shares on behalf of the beneficial owners thereof at least 30 days prior to the Termination Date.

Retraction Privileges

Preferred Shares may be surrendered at any time for retraction to Computershare Investor Services Inc., the Fund's registrar and transfer agent, but will be retracted only on a monthly Valuation Date (as defined below). Preferred Shares surrendered for retraction by a shareholder at least 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, 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 Preferred Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share (“Preferred 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) \$10.00. 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 distributions payable on or before a Valuation Date in respect of Preferred Shares tendered for retraction on such Valuation Date will also be paid on the Retraction Payment Date.

Holders of Preferred Shares also have an annual retraction right under which they may concurrently retract one Preferred Share and one Class A Share on the June 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 Preferred Shares tendered for retraction has not withheld his consent thereto in the manner provided in the Retraction Notice (as defined below) delivered to CDS through a CDS Participant, the Fund may, but is not obligated to, require the Recirculation Agent (as defined below) to use commercially reasonable efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date pursuant to the Recirculation Agreement (as defined below). In such event, the amount to be paid to the holder of the Preferred Shares on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Preferred Shares less any applicable commission. Such amount will not be less than the Preferred Share Retraction Price described above. Holders of Preferred Shares are free to withhold their consent to such treatment and to require the Fund to retract their Preferred Shares in accordance with their terms.

Subject to the Fund’s right to require the Recirculation Agent to use commercially reasonable efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date, any and all Preferred 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 Preferred 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 Preferred Shares not paid for by the Fund on the relevant Retraction Payment Date.

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

Resale of Preferred Shares Tendered for Retraction

The Fund entered into an agreement (the “Recirculation Agreement”) with RBC Dominion Securities Inc. (the “Recirculation Agent”) whereby the Recirculation Agent will use commercially reasonable efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date, provided that the holder of the Preferred 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 Preferred Shares is found in this manner, the amount to be paid to the holder of the Preferred Shares on the relevant Retraction Payment Date will be an amount equal to the proceeds of the sale of the Preferred Shares less any applicable commission. Such amount will not be less than the applicable Preferred Share Retraction Price described above.

Priority

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

Class A Shares

Distributions

One of the Fund's investment objectives is to provide holders of Class A Shares with regular quarterly cash distributions targeted to be 8.0% per annum. Such distributions may consist of ordinary dividends, capital gains dividends or non-taxable returns of capital or any combination thereof. There can be no assurance that the Fund will be able to pay distributions to the holders of Class A Shares.

No distributions will be paid on the Class A Shares if (a) the distributions payable on the Preferred Shares are in arrears; or (b) after the payment of the distribution by the Fund, the NAV per Unit would be less than \$15.00. As a result of declines in the NAV per Unit to values less than \$15.00, the Fund suspended the payment of monthly distributions on the Class A Shares effective December 2008. In addition, the Fund will not pay special distributions, meaning distributions in excess of the targeted 8.0% quarterly distribution, on the Class A Shares if after payment of the distribution the NAV per Unit would be less than \$23.50 unless the Fund would need to make such distribution so as to fully recover refundable taxes.

In the event that the Fund realizes capital gains, the Fund may, at its option make a special year end capital gains distribution in certain circumstances, including where the Fund has net realized capital gains, in Class A Shares and/or cash. Any capital gains distribution payable in Class A Shares will increase the aggregate adjusted cost base to holders of Class A Shares of such shares. Immediately following payment of such a distribution in Class A Shares, the number of Class A Shares outstanding will be automatically consolidated such that the number of Class A Shares outstanding after such distribution will be equal to the number of Class A Shares outstanding immediately prior to such distribution.

All cash distributions will be paid by cheque and will be mailed to such holders 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. As registrations of interests in the Class A Shares will be made through the book-entry only system, the Fund will, prior to March 31 of each year, provide CDS with the information necessary to enable holders to complete an income tax return with respect to amounts paid or payable by the Fund to such holders in the 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 on that date minus \$10.00; 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 a 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 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, 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 Preferred Share in the market for cancellation. For this purpose, the cost of the purchase of a Preferred Share will include the purchase price of the Preferred Share, commission and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Preferred Share. If the NAV per Unit is less than \$10.00 the retraction price of a Class A Share will be nil. Any declared and unpaid distributions 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 Preferred Share and one Class A Share on the June 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 commercially reasonable 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 commercially reasonable 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.

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

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

Resale of Class A Shares Tendered for Retraction

Pursuant to the terms of the Recirculation Agreement, the Recirculation Agent will use commercially reasonable 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 Preferred Shares but in priority to the Class J 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 redemption or retraction of the Preferred Shares or the Class A Shares or the payment of redemption or retraction proceeds: (a) during any period when normal trading in securities owned by the Fund is suspended on the Toronto or New York stock exchanges (provided more than 50% of the total assets of the Fund, by dollar value, trade on one of such suspended markets) and if those securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund to execute trades in such securities; or (b) for any period not exceeding 120 days during which Mulvihill 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 its assets, only with the prior approval of the securities regulatory authorities. The suspension may apply to all requests for retraction received prior to the suspension but as to which payment has not been made, as well as to all requests received while

the suspension is in effect. All holders of Preferred Shares or Class A Shares making such requests shall be advised by Mulvihill of the suspension and that the retraction will be effected at a price determined on the first applicable 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 Mulvihill shall be conclusive.

Purchase for Cancellation

Subject to applicable law, the Fund may at any time or times purchase Preferred Shares and Class A Shares for cancellation at prices per Unit not exceeding the NAV per Unit on the applicable Valuation Date immediately prior to such purchase.

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 1,414,293 Preferred Shares and up to a maximum of 1,414,293 Class A Shares, together in Units. No Preferred 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 1,275,271 Preferred Shares and up to a maximum of 1,275,271 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 255,054 of its Units (representing approximately 2% of the Fund's 12,752,706 issued and outstanding Preferred Shares and approximately 2% of the Fund's 12,752,706 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 Preferred Shares and no Class A Shares had been purchased by the Fund pursuant to the bid.

Class J Shares

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

A trust established for the benefit of the holders from time to time of the Preferred Shares and the Class A Shares is the owner of record of all of the issued and outstanding Class J Shares. The Class J Shares have been escrowed with Computershare Trust Company of Canada pursuant to an escrow agreement dated February 17, 2004.

BOOK-ENTRY ONLY SYSTEM

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

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

An owner of Preferred Shares or Class A Shares who 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 Preferred 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 Preferred Shares or Class A Shares, an owner shall be deemed to have irrevocably surrendered such Preferred 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 Preferred Shares or the Class A Shares through the book-entry only system in which case certificates for the Preferred 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 Preferred Shares and Class A Shares will not be entitled to receive notice of, to attend or to vote at any meeting of shareholders of the Fund.

Acts Requiring Shareholder Approval

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

- (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) 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;
- (d) 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;
- (e) a decrease in the frequency of calculating the NAV per Unit or of retraction privileges;
- (f) a change of the auditors of the Fund;
- (g) 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 in the other mutual fund;

- (h) 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;
- (i) a termination of the Investment Management Agreement (except as described under “Investment Management Agreement”);
- (j) a change of the Termination Date to a later date;
- (k) a change of the Termination Date to an earlier date; and
- (l) an amendment, modification or variation in the provisions or rights attaching to the Preferred Shares, Class A Shares or Class J Shares.

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

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 equity securities and other securities that the Fund may acquire for the Portfolio. The Fund’s investment criteria may not be changed without the approval of the holders of the Preferred Shares and Class A Shares by a two-thirds majority vote of such holders who attend and vote at a meeting called for such purpose. The Fund’s investment criteria provide that the Fund may:

- (a) purchase securities of an issuer if:
 - (i) such securities are North American exchange traded common equity securities including common shares of an issuer included in the Portfolio Universe or the purchase is permitted under clause (ii) below;
 - (ii) for issuers other than Canadian issuers, such securities have a minimum rating of “A” from Standard & Poor’s or a comparable rating from an equivalent rating agency; and
 - (iii) after such purchase, no more than 20% of the NAV of the Fund is invested in common shares of issuers other than those issuers included in the Portfolio Universe;
- (b) purchase equity securities of issuers other than those in the Portfolio Universe and purchase debt securities only if such securities are cash equivalents;
- (c) write a call option in respect of any security only if such security is actually held by the Fund in the Portfolio at the time the option is written;
- (d) dispose of any security included in the Fund’s Portfolio that is subject to a call option written by the Fund only if such option has either terminated or expired;

- (e) write put options in respect of any security only if (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) reduce the total amount of cash equivalents held by the Fund, only if the total amount of cash equivalents held by the Fund remains an amount not less than the aggregate strike price of all outstanding put options written by the Fund;
- (g) not invest in the securities of any non-resident corporation or trust or other non-resident entity if the Fund would be required to mark its investment in such securities to market in accordance with proposed sections 94.2 or 94.3 of the *Income Tax Act* (Canada) (the “Tax Act”) or to include any significant amounts in income pursuant to proposed section 94.1 of the Tax Act, as set forth in the proposed amendments to the Tax Act dealing with foreign investment entities released on November 9, 2006 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);
- (h) not enter into any arrangement (including the acquisition of securities for the Portfolio and the writing of covered call options in respect thereof) where the result is a dividend rental arrangement for the purposes of the Tax Act; and
- (i) purchase derivatives and enter into derivative or other transactions, including call options and put options, and short-sale arrangements, only as specifically permitted under National Instrument 81-102 – *Mutual Funds* (“NI 81-102”) or as permitted by the Canadian Securities Administrators.

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 Mulvihill 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 for the Preferred Shares and the Class A Shares 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;
- (d) Clause 13.1(1)(b) – to permit the Fund to calculate its NAV once each week and on the last day of each month; and
- (e) 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.

Use of Other Derivative Instruments

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

Securities Lending

In order to generate additional returns, the Fund may lend Portfolio securities to securities borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and any such borrower (a “Securities Lending Agreement”). Under a Securities Lending Agreement: (a) the borrower will pay to the Fund a

negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed; (b) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act; and (c) the Fund will receive prescribed collateral security. Currently, the Fund does not lend securities. Any future securities lending by the Fund will be done in accordance with the provisions of NI 81-102. The Custodian will be responsible for the ongoing administration of any such securities loans, including the obligation to mark-to-market the collateral on a daily basis.

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 of the Fund, including any distributions declared and not paid that are payable to shareholders on or before such date, less (c) the stated capital of the Class J Shares (\$100). For greater certainty, the Preferred Shares will not be treated as liabilities for these purposes. The “NAV per Unit” on any day is obtained by dividing the NAV of the Fund on such day by the number of Units outstanding on that day.

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 Mulvihill 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) where a covered clearing corporation option, option on futures or an over-the-counter option is written, the 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;
- (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 Manager 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 Manager determines to be the fair value thereof;
- (d) the value of a forward contract or of a futures contract shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract or the futures contract, as the case may be, were to be closed out unless “daily limits” are in effect;
- (e) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (f) money-market instruments shall be valued at cost plus accrued interest at the calculation time;
- (g) if a Valuation Date is not a business day, then the securities comprising the Fund’s portfolio and other Fund property will be valued as if such Valuation Date were the preceding business day;
- (h) the value of all assets of the Fund quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Fund in foreign currency and the value of all liabilities and contractual obligations payable by the Fund in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the date as of which the NAV is computed; and

- (i) if an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding such rules, the Manager 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 January 27, 2004 (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 as manager of the Fund 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 January 27, 2004 (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 making all investment decisions for the Fund and managing the writing of call options and put options by the Fund, all in accordance with the investment objectives, strategy and criteria of the Fund. Decisions as to the purchase and sale of securities and as to the execution of all portfolio and other transactions will be made by MCM. In the purchase and sale of securities for the Fund and the writing of option contracts, MCM will seek to obtain overall services and prompt execution of orders on favourable terms.

Under the Investment Management Agreement, MCM is required to act at all times on a basis which is fair and reasonable to the 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 of the Fund, nor shall it be liable if it has satisfied the duties and standard of care, diligence and skill set forth above. MCM will, however, incur liability in cases of wilful misconduct, 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 Termination Date. The Fund may terminate the Investment Management Agreement only 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 by 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 approval of the shareholders of the Fund. 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.

MCM is entitled to fees for its services under the Investment Management Agreement and 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 claim that is made against MCM or any of its officers, directors, employees or agents in the exercise of its duties as investment manager of the Fund, except those resulting from MCM's wilful misconduct, bad faith, negligence or breach of its obligations under the Investment Management Agreement and provided the Fund has reasonable grounds to believe the action or inaction that gave rise to such claim was in the best interests of the Fund.

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 December 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 Ms. Szela and Mr. Bertram, has served as a director of the Fund since its initial public offering. 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

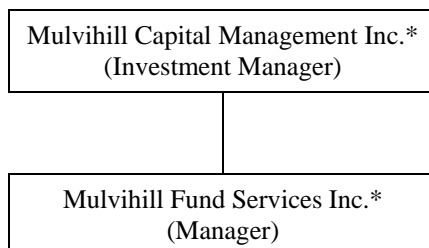
The name and municipality of residence, position held with Mulvihill and current principal occupation of each of the directors and officers of Mulvihill are as follows:

<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	Chief Financial Officer and	Vice-President, Finance and Chief

<i>Name and Municipality of Residence</i>	<i>Office or Position with Mulvihill</i>	<i>Principal Occupation</i>
Toronto, Ontario	Director	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>
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 Preferred Shares or Class A Shares on notice for payment not more frequently than monthly, they cannot engage in short-term trading of the Fund's securities with the Fund and the Fund has no policies and procedures in relation to such activities.

Proxy Voting Policy

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

(a) *Auditors*

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

(b) *Board of Directors*

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

(c) *Compensation Plans*

The Fund will vote on matters dealing with share-based compensation plans on a case-by-case basis. The Fund will review share-based compensation plans with a primary focus on the transfer of shareholder wealth. The Fund will generally vote for compensation plans only where the cost is within the industry

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

(d) *Management Compensation*

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

(e) *Capital Structure*

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

(f) *Constituting Documents*

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

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

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

The Proxy Guidelines apply to proxy votes that present a conflict between the interests of Mulvihill, 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 16, 2004 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 Preferred Shares and the Class A Shares. The register of the Fund is kept in Toronto, Ontario.

AUDITORS

The auditors of the Fund are Deloitte & 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 Preferred Shares and 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 Preferred 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, in particular, does not describe income tax considerations relating to the deductibility of interest on money borrowed to acquire Preferred Shares and Class A Shares. This summary 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 or “specified financial institutions” as defined in section 248 of the Tax Act.

This summary is of a general nature only and does not constitute legal or tax advice to any particular investor. 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 is entitled to maintain a capital gains dividend account in respect of its realized net capital gains 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.

In computing income for a taxation year, the Fund will be required to include in income the value of all dividends received by the Fund in the year. In computing taxable income, the Fund will generally be permitted to deduct the value of all dividends received by it from taxable Canadian corporations. The Fund will generally not be permitted a deduction in computing taxable income for dividends received by it from other corporations, including non-resident corporations.

The Fund qualifies as a “financial intermediary corporation” (as defined in the Tax Act) and, thus, is not subject to tax under Part IV.1 of the Tax Act on dividends received by the Fund and is not generally liable to tax under Part VI.1 of the Tax Act on dividends paid by the Fund. As a mutual fund corporation (which is not an “investment corporation” as defined in the Tax Act), the Fund is generally subject to a refundable tax of 33¹/₃% under Part IV of the Tax Act on taxable dividends received by the Fund during the year to the extent that such dividends were deductible in computing the Fund’s taxable income for the year. This tax is refundable upon payment by the Fund of sufficient dividends other than capital gains dividends (“Ordinary Dividends”).

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

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

The Fund is required to compute all amounts, including interest, cost of property and proceeds of disposition, in Canadian dollars for purposes of the Tax Act. As a consequence, the amount of income, expenses and capital gains or capital losses may be affected by changes in the value of foreign currency relative to the Canadian dollar.

Dividend Distributions

The intention 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 where the Fund needs to pay a dividend in order to recover refundable tax not otherwise recoverable upon payment of quarterly dividends. While the principal sources of income of the Fund are expected to include taxable capital gains as well as dividends from taxable Canadian corporations, to the extent that the Fund earns net income, after expenses, from other sources, including dividends from non-Canadian sources and interest income upon interim investment of its reserves, the Fund will be subject to income tax on such income and no refund of such tax will be available.

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

Tax Treatment of Shareholders

Shareholders of the Fund must include in income Ordinary Dividends paid to them by the Fund. For individual shareholders, Ordinary Dividends will be subject to the usual gross-up and dividend tax credit rules applicable to taxable dividends paid by taxable Canadian corporations 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. For corporate shareholders, Ordinary Dividends will normally be deductible in computing the taxable income of the corporation.

Ordinary Dividends received by a corporation (other than a “private corporation” or a “financial intermediary corporation”, as defined in the Tax Act) on Preferred Shares will generally be subject to a 10% tax under Part IV.1 of 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 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 an Ordinary Dividend received by a corporation, the rate of Part IV tax payable by the 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 amount of any payment received by a holder from the Fund as a return of capital on a Preferred Share or Class A Share will not be required to be included in computing income. Instead, such amount will reduce the adjusted cost base of the relevant share to the holder. To the extent that the adjusted cost base to the holder would otherwise be a negative amount, the holder will be considered to have realized a capital gain at that time.

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

Disposition of Shares

Upon the redemption, retraction or other disposition of a share, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of the share exceed (or are less than) the aggregate of the adjusted cost base of the share and any reasonable costs of disposition. 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 held immediately before the particular time. One-half of a capital gain (a taxable capital gain) is included in computing income and one-half of a capital loss (an allowable capital loss) is deductible against taxable capital gains in accordance with the provisions of the Tax Act.

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

Shares will qualify as Canadian securities for purposes of making an irrevocable election under the Tax Act to deem such shares held by the investor to be capital property and to deem any disposition of the shares held to be a disposition of a capital property for the purposes of the Tax Act. This election is not available to all taxpayers under all circumstances and therefore 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 Preferred 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 Preferred Shares or Class A Shares which investors should consider, along with other factors in relation to an investment in the Fund’s Preferred Shares or Class A Shares.

Performance of the Portfolio

NAV per Unit will vary as the value of the securities in the Portfolio varies. The Fund has no control over the factors that affect the value of the securities in the Portfolio, including factors that affect all of the companies in the financial services industry such as fluctuations in interest rates and factors unique to each company such as changes in its management, changes in its strategic direction, achievement of its strategic goals, mergers, acquisitions and divestitures, changes in its dividend policies and other events that may affect the value of its common shares.

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.

Concentration Risk

The Portfolio will consist only of securities of the companies in the financial services industry and, as a result, the Fund’s holdings are not be diversified and the NAV may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time in response to economic conditions and regulatory changes that specifically affect the provision of financial services. This may have a negative impact on the value of the Preferred Shares and the Class A Shares.

No Assurances on Achieving Objectives

There is no assurance that the Fund will be able to achieve its distribution and Portfolio preservation objectives or that the Portfolio will earn any return or will return an amount in excess of the issue price of the Class A Shares or that the Fund will achieve its objective of returning the issue price to holders of Preferred Shares and Class A Shares on the Termination Date.

There is no assurance that the Fund will be able to pay quarterly distributions. The funds available for distribution to holders of Preferred Shares or Class A Shares will vary according to, among other things, the dividends paid on all of the securities comprising the Portfolio, the level of option premiums received and the value of the securities comprising the Portfolio. As the dividends received by the Fund will not be sufficient to meet the objectives of the Fund in respect of the payment of distributions, the Fund depends and will depend on the receipt of option premiums and the realization of capital gains to meet those objectives. Although many investors and financial market

professionals price options based on the Black-Scholes Model, in practice actual option premiums are determined in the marketplace and there is no assurance that the premiums predicted by such a pricing model can be attained.

Sensitivity to Interest Rates

As the Fund is targeting quarterly distributions representing a yield on the issue price of the Preferred Shares of 5.25% per annum and at least 8.0% per annum on the Class A Shares, the market price of the Preferred Shares and Class A Shares may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the NAV of the Fund resulting from an increase in interest rates may also negatively affect the market price of the Preferred Shares or Class A Shares. Holders of Preferred Shares or Class A Shares who wish to redeem or sell their Preferred Shares or Class A Shares prior to the Termination Date will therefore be exposed to the risk that NAV per Unit or the market price of the Preferred Shares or Class A Shares will be negatively affected by interest rate fluctuations.

Fluctuations in Net Asset Value

The NAV per Unit and the funds available for distribution will vary according, among other things, to the value of the Portfolio securities acquired by the Fund, the dividends paid and interest earned thereon, the volatility of such securities and the levels of option premiums received. Fluctuations in the market values of the Portfolio securities in which the Fund invests may occur for a number of reasons beyond the control of the Manager, MCM or the Fund. Although many investors and financial market professionals price options based on the Black-Scholes Model, in practice, actual option premiums are determined based on market factors including interest rate levels, and there is no assurance that the premiums predicted by such a pricing model can be attained. Preferred Shares or Class A Shares may trade in the market at a premium or discount to the NAV per Unit and there can be no guarantee that Preferred Shares or Class A Shares will trade at prices that reflect their NAV.

Reliance on the Investment Manager

MCM manages the Fund's 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 until the Termination Date.

Significant Retractions

The Class A Shares and the Preferred Shares are retractable annually 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) and monthly based on market price. The purpose of the retraction right is to prevent the Class A Shares and the Preferred 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 Preferred Shares are retracted, the trading liquidity of the Class A Shares and the Preferred Shares could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Class A Shares and Preferred Shares, potentially resulting in lower NAV per Unit.

Use of Options and Other Derivative Instruments

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

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

the Fund will be obligated to acquire a security at a strike price which may exceed the then current market value of such security.

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

Foreign Currency Exposure

As the Portfolio will include securities and options denominated in U.S. dollars or other foreign currencies, the NAV of the Fund and the value of the dividends and option premiums received by the Fund will be affected by fluctuations in the value of the U.S. dollar or other foreign currencies relative to the Canadian dollar.

Securities Lending

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

Tax Treatment of Proceeds of Disposition and Option Premiums

In determining its income for tax purposes, the Fund will treat 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 or capital losses, as the case may be, in accordance with its understanding of CRA’s published administrative and assessing practices. Gains or losses realized upon the disposition of shares, including the disposition of shares held in the Portfolio upon exercise of a call option will be treated as capital gains or losses. The CRA’s practice is not to grant an advance income tax ruling on the characterization of items as capital gains or income and no advance ruling has been requested or obtained.

If, contrary to the CRA’s published administrative practices, some or all of the transactions undertaken by the Fund in respect of options and shares were treated as income rather than capital gains, after-tax returns to holders of Preferred Shares and Class A Shares could be reduced and the Fund could be subject to non refundable income tax from such transactions and be subject to penalty taxes in respect of excessive capital gains dividend elections.

MATERIAL CONTRACTS

The following documents can reasonably be regarded as material to holders of Preferred 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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