

Annual Information Form
GLOBAL TELECOM SPLIT SHARE CORP.

Preferred Shares and Class A Shares

September 24, 2007

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The Company

Global Telecom Split Share Corp. (the "Company") is a mutual fund corporation incorporated under the laws of the Province of Ontario on May 7, 1998. In June 1998, the Company completed an initial public offering of 5,667,000 preferred shares ("Preferred Shares") at \$15.00 per Preferred Share and 5,667,000 class A shares ("Class A Shares") at \$15.00 per Class A Share. The Company operates under the name "Mulvihill Premium Global Telecom Fund". The Company's articles were amended on July 30, 1999 to permit the Company to write cash covered put options. The outstanding Preferred and Class A Shares are listed on the Toronto Stock Exchange ("TSX") under the symbols GT.PR.A and GT.A respectively. The Preferred Shares are rated at D by Dominion Bond Rating Services Limited ("DBRS"). The manager of the Company 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 Company, 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

Investment Objectives

The Company's investment objectives are:

- (i) to provide holders of Preferred Shares with cumulative preferential quarterly cash distributions in the amount of \$0.20625 per share to yield 5.50% per annum and to return the original issue price of the Preferred Shares (\$15.00 per share) to shareholders at the time of redemption of such shares on July 2, 2008 (the "Termination Date"); and
- (ii) to provide holders of Class A Shares with the benefit of any capital appreciation in the value of the Portfolio (as defined below) over the amount required to be paid to holders of Preferred Shares on the Termination Date and with annual cash distributions equal to the amount, if any, by which the net realized capital gains, dividends and option premiums (other than option premiums in respect of options outstanding at year-end) earned on the Portfolio in any year, net of applicable expenses, taxes and any available loss carry-forwards, exceed the amount of distributions paid on the Preferred Shares.

Investment Strategy

The Company invests in a diversified portfolio (the "Portfolio") consisting principally of common shares, instalment receipts for common shares and American Depositary Receipts ("ADRs") and other securities that are convertible into, exchangeable for or carry the right to purchase common shares of an issuer (collectively, "Common Shares") issued by selected corporations operating in the telecommunications industry (the "Global Telecom Universe"). The Global Telecom Universe is reviewed by MCM from time to time and changes may be made thereto in accordance with the criteria described under "Investment Restrictions" below, provided that no corporation may be added to the Global Telecom Universe without the consent of DBRS. The Portfolio is actively managed by MCM to enhance returns to the Company.

To generate additional returns above the dividend income earned on the Portfolio, the Company, from time to time, writes covered call options in respect of all or part of the securities in the Portfolio and cash covered put options on securities in which the Company is permitted to invest. The writing of call and put options is managed by MCM in a manner consistent with the investment objectives of the Company. The individual securities within the Portfolio which are subject to call options and the terms of such options will vary from, time to time, based on MCM's assessment of the market. Additionally, the Company may use put options to preserve the value of the Portfolio where appropriate.

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

Status of the Company

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

The Company differs from a conventional mutual fund in a number of respects, most notably as follows: (i) the Preferred Shares and Class A Shares may be surrendered at any time for redemption and the redemption price is payable monthly, whereas the securities of most conventional mutual funds are redeemable daily; (ii) the Preferred Shares and the Class A Shares have stock exchange listings whereas the securities of most conventional mutual funds do not; and (iii) unlike most conventional mutual funds, the Preferred Shares and Class A Shares are not offered on a continuous basis.

Description of Share Capital

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

The Company is authorized to issue an unlimited number of Class A Shares, an unlimited number of Preferred Shares and 1,000 class B shares ("Class B Shares").

Priority

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

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

The investment objectives of the Company are to pay a cumulative preferential quarterly distribution of \$0.20625 per share to holders of Preferred Shares on the last day of September, December, March and June in each year (each a "Distribution Payment Date"). In the event that dividends earned by the Company on the Portfolio are not sufficient on any Distribution Payment Date to cover the full amount of the distributions payable to holders of Preferred Shares on that date, the balance of the distributions payable will be paid as capital gains dividends out of net realized capital gains and option premiums (other than option premiums in respect of options outstanding at year end) earned by the Company on the Portfolio. To the extent that a quarterly distribution is a capital gains dividend funded by net realized capital gains or option premiums, holders of Preferred Shares will receive an additional capital gains distribution of \$0.068 for each \$1.00 of Preferred Share distribution so funded.

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

Redemptions

All Preferred Shares outstanding on the Termination Date will be redeemed by the Company on such date. The redemption price payable by the Company for a Preferred Share on that date will be equal to the lesser of: (i)

\$15.00; and (ii) the net asset value ("NAV") on that date divided by the total number of Preferred Shares then outstanding.

Notice of redemption will be given to CDS Participants (as defined below) holding Preferred Shares on behalf of the beneficial owners thereof at least 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 Company's registrar and transfer agent, but will be retracted only on the monthly Valuation Date (as defined below). Preferred 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 fifteenth 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 (i) the NAV per Unit determined as of such Valuation Date less the cost to the Company of the purchase of a Class A Share in the market for cancellation, and (ii) \$15.00. For this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share, and commission and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Class A Share. Any declared and unpaid 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 Company for such a concurrent retraction will be equal to the NAV per Unit on that date.

Where the holder of Preferred Shares tendered for retraction has not withheld his consent thereto in the manner provided in the retraction notice delivered to CDS Clearing and Depository Services Inc. ("CDS") through a participant in the CDS book-entry only system (a "CDS Participant"), the Company may, but is not obligated to, require the Recirculation Agent (as defined below) to use its best efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date pursuant to the Recirculation Agreement (as defined below). In such event, the amount to be paid to the holder of the Preferred Shares on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Preferred Shares less any applicable commission. Such amount will not be less than the Preferred Share Retraction Price described above. Holders of Preferred Shares are free to withhold their consent to such treatment and to require the Company to retract their Preferred Shares in accordance with their terms.

Subject to the Company's right to require the Recirculation Agent to use its best efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date, any and all Preferred Shares which have been surrendered to the Company 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 which are not retracted by the Company on the relevant Retraction Payment Date.

If any Preferred Shares are tendered for retraction and are not resold, the Company has directed the Recirculation Agent to purchase for cancellation, on behalf of the Company, 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 Company has entered into an agreement (the "Recirculation Agreement") with RBC Dominion Securities Inc. (the "Recirculation Agent") whereby the Recirculation Agent has agreed to use its best 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 Company 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.

Class A Shares

Distributions

Although the principal objective of the Company with respect to the Class A Shares is to provide holders of Class A Shares with the benefit of any capital appreciation in the value of the Portfolio over the amount required to be paid to holders of Preferred Shares on the redemption of such shares, the Company will pay distributions to holders of Class A Shares in any year in which it has net taxable capital gains remaining after the payment of distributions to holders of Preferred Shares on which it would otherwise be required to pay income tax. Such distributions, if any, will be equal to all net realized capital gains, dividends and option premiums (other than option premiums in respect of options outstanding at year end) earned on the Portfolio, net of applicable expenses, taxes and any available loss carry forwards, that are in excess of the amount of distributions paid to holders of Preferred Shares. The Company will declare and pay such annual distributions, if any, to holders of Class A Shares on the last day of June in each year (the "Class A Distribution Payment Date"). No distributions will be paid on the Class A Shares as long as the distributions on the Preferred Shares are in arrears.

Distributions will be payable to holders of Class A Shares of record at 5:00 p.m. (Toronto time) on the Class A Distribution Payment Date. All distributions are paid by cheque and are mailed to such shareholders at their addresses listed in the register of shareholders to be maintained by the Company's registrar and transfer agent or paid in such other manner as may be agreed to by the Company. Each holder of Class A Shares is mailed annually, no later than February 28, information necessary to enable such shareholder to complete an income tax return with respect to amounts paid or payable by the Company in respect of the preceding calendar year.

Redemptions

All Class A Shares outstanding on the Termination Date will be redeemed by the Company on such date. The redemption price payable by the Company for a Class A Share on that date will be equal to the greater of: (i) the NAV per Unit on that date minus \$15.00; and (ii) 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 Company's registrar and transfer agent, but will be retracted only on the monthly Valuation Date. Class A Shares surrendered for retraction by a shareholder at least five business days prior to the monthly Valuation Date will be retracted on such Valuation Date and the shareholder will receive payment on or before the fifteenth day following such Valuation Date. If a shareholder makes such surrender after 5:00 p.m. (Toronto time) on the fifth business day immediately preceding a Valuation Date, the shares will be retracted on the Valuation Date in the following month and the shareholder will receive payment for the retracted shares on the Retraction Payment Date in respect of such Valuation Date.

Except as noted below, holders of Class A Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share ("Class A Share Retraction Price") equal to 96% of the difference between (i) the NAV per Unit determined as of such Valuation Date, and (ii) the cost to the Company 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. 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 Class A Share and one Preferred Share on the June Valuation Date. The price paid by the Company for such a concurrent retraction will be equal to the NAV per Unit on that date.

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

Subject to the Company's right to require the Recirculation Agent to use its best efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Payment Date, any and all Class A Shares which have been surrendered to the Company 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 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 which are not retracted by the Company on the relevant Retraction Payment Date.

If any Class A Shares are tendered for retraction and are not resold, the Company has directed the Recirculation Agent to purchase for cancellation, on behalf of the Company, 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

The Company has entered into the Recirculation Agreement with the Recirculation Agent whereby the Recirculation Agent has agreed to use its best efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Payment Date, provided that the holder of the Class A Shares so tendered has not withheld consent thereto. The Company 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.

Class B Shares

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

MCM owns all of the issued and outstanding Class B Shares. The Class B Shares have been escrowed with Computershare Trust Company of Canada pursuant to an escrow agreement dated June 1998.

Suspension of Retractions or Redemptions

The Company may suspend the retraction or redemption of Preferred Shares and Class A Shares or payment of retraction or redemption proceeds (i) during any period when normal trading is suspended on the TSX, or (ii) with the prior permission of the Ontario Securities Commission, for any period not exceeding 120 days during which the

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

Purchase for Cancellation

The Company 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 published immediately prior to such purchase.

Normal Course Issuer Bids

Under the terms of a normal course issuer bid that expired on November 2, 2006, the Company could purchase, together in Units, up to a maximum of 286,145 Class A Shares and up to a maximum of 286,145 Preferred Shares or 10% of its public float as determined in accordance with the rules of the TSX. No Class A Shares and no Preferred Shares were repurchased by the Company pursuant to the bid. At the beginning of November 2006, the Company made another normal course issuer bid. Pursuant to this bid, the Company may purchase, if it considers advisable, up to a maximum of 251,936 Units or approximately 10% of its public float as determined in accordance with the rules of the TSX. The normal course issuer bid will remain in effect until the earlier of November 2, 2007 or until the Company has purchased the maximum number of Class A Shares or Preferred Shares permitted under the bid. As at September 24, 2007, no Class A Shares and no Preferred Shares had been repurchased by the Company pursuant to the bid.

Book-Entry Only System

Registration of interests in and transfers of the Preferred Shares and Class A Shares are made only through the 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.

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 his intention to exercise his retraction privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. The Retraction Notice will be available from a CDS Participant or Computershare Investor Services Inc., the Company's transfer agent and registrar. 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 shares, an owner shall be deemed to have irrevocably surrendered his shares for retraction and appointed such CDS Participant to act as his exclusive settlement agent with respect to the exercise of the retraction privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any retraction notice which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect, and the 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 Company to the CDS Participant or the owner.

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

Shareholder Matters

Meetings of Shareholders

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

Acts Requiring Shareholder Approval

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

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

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

Reporting to Shareholders

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

Investment Restrictions

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

- (a) except as provided in paragraphs (c) and (h), purchase securities of an issuer unless:
 - (i) such securities are Common Shares;
 - (ii) such Common Shares are issued by corporations selected from the Global Telecom Universe;
 - (iii) not more than 10% of the NAV is, at any time, invested in the securities of any one issuer;
 - (iv) after such purchase, at least 50% of the NAV is invested in the Common Shares of telecommunications services companies;
 - (v) after such purchase, no more than 30% of the NAV is invested in the Common Shares of cable and wireless companies;
 - (vi) after such purchase, no more than 30% of the NAV is invested in the Common Shares of communications technology companies; and
 - (vii) such Common Shares are listed for trading on a major North American stock exchange or on NASDAQ;
- (b) except as provided in paragraphs (c) and (f), make or retain investments otherwise than in accordance with the requirements of DBRS;
- (c) purchase debt securities unless such securities have a remaining term to maturity of less than one year and are issued or guaranteed by the government of Canada or a province or a agency thereof or the government of the United States or are short-term commercial paper with a rating of at least R-1 (mid) by DBRS or the equivalent rating from another approved rating organization;
- (d) write a call option in respect of any security unless such security is actually held by the Company at the time the option is written;
- (e) dispose of a security included in the Portfolio that is subject to a call option written by the Company unless such option has either terminated or expired;
- (f) write put options in respect of any security only if (i) the Company is permitted to invest in such security, and (ii) so long as the options are exercisable, the Company continues to hold cash equivalents sufficient to acquire the security underlying the options at the aggregate strike price of such options;
- (g) reduce the total amount of cash equivalents held by the Company, only if the total amount of cash equivalents held by the Company remains an amount not less than the aggregate strike price of all outstanding put options written by the Company;
- (h) purchase call options or put options unless specifically permitted under National Instrument 81-102 - *Mutual Funds* (as it may be amended from time to time) ("NI 81-102"); or
- (i) enter into any arrangement (including the acquisition of securities for the Portfolio and the writing of covered call options in respect thereof) where the main reason for entering into the arrangement is to enable the Company to receive a dividend on such securities in circumstances where, under the arrangement, someone other than the Company bears the risk of loss or enjoys the opportunity for gain or profit with respect to such securities in any material respect.

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

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 Company may also purchase call options and put options with the effect of closing out existing call options and put options written by the Company. The Company may also purchase put options in order to protect the Company from declines in the market prices of the individual securities in the Portfolio or in the value of the Portfolio as a whole. The Company may enter into trades to close out positions in such permitted derivatives.

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

Calculation of Net Asset Value and Net Asset Value per Unit

The NAV of the Company on a particular date will be equal to (i) the aggregate value of the assets of the Company, less (ii) the aggregate value of the liabilities of the Company, including any distributions declared and not paid that are payable to shareholders on or before such date, less (iii) the stated capital of the Class B Shares (\$1,000). 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 Company on that day by one-half the aggregate number of Preferred Shares and Class A Shares outstanding on that day.

The NAV per Unit will be calculated at the close of business on the last business day in each week other than the last week of each month, in which case the NAV per Unit will be calculated on the last day of the month (a "Valuation Date"). The Company has obtained an exemption from the securities regulatory authorities to permit the Company to calculate its NAV weekly. Such information will be provided by Mulvihill to shareholders on request.

In determining the NAV of the Company at any time:

- (i) the value of any security, future or option that is listed or dealt in a stock exchange will be the last board lot sale price of such a security, future or option on the principal stock exchange on which it is listed prior to the determination of the NAV or if such sale price is unavailable, the closing price quoted for the security, future or option, unless bid and ask quotes are unavailable, in which case the value will be the average of such quotes rather than the quoted closing price;
- (ii) an option premium received by the Company will, so long as the option is outstanding, be reflected as a deferred credit which will be valued at an amount equal to the current market value of an option which would have the effect of closing the position; any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV;
- (iii) the value of any cash on hand or on deposit, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount thereof unless the 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;
- (iv) notes, money market instruments and other debt securities shall be valued by taking the bid price at the calculation time;
- (v) if a Valuation Date is not a business day, then the securities comprising the Portfolio and other Company property will be valued as if such Valuation Date was the preceding business day;
- (vi) the value of all assets of the Company quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Company in foreign currency and the value of all liabilities and contractual obligations payable by the Company 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
- (vii) 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 Canadian Institute of Chartered Accountants (the "CICA") has issued new accounting rules on financial instruments outlined in CICA Section 3855 *Financial Instruments – Recognition and Measurement* that require the Company to value for financial statement reporting purposes the securities in its portfolio at fair value from and after June 30, 2007. As a result, the Company will for financial statement reporting purposes calculate the value of its listed equity portfolio securities based on the latest available bid price rather than the closing price. As permitted by Canadian Securities Administrators, the Company will continue to value its portfolio securities for retraction and redemption price purposes using the closing price.

Responsibility for Operations

The Manager

Pursuant to a management agreement made between the Company and Mulvihill dated June 18, 1998 (the "Management Agreement"), Mulvihill is the manager of the Company and, as such, is responsible for providing or arranging for required administrative services to the Company including, without limitation: authorizing the

payment of operating expenses incurred on behalf of the Company; preparing financial statements, financial and accounting information as required by the Company; 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 Company complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Company's reports to shareholders and the Canadian securities regulatory authorities; determining the amount of distributions to be made by the Company; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

Mulvihill is a wholly-owned subsidiary of MCM.

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

Mulvihill may resign upon 60 days notice to shareholders and the Company or such lesser notice as the Company 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 Company 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 Company.

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 Company. In addition, Mulvihill and each of its directors, officers, employees and agents will be indemnified by the Company 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 Company) or from engaging in other activities.

The Investment Manager

MCM manages the Company's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Company pursuant to an investment management agreement made between the Company and MCM dated June 18, 1998 (the "Investment Management Agreement").

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

In February 1995, John P. Mulvihill purchased 100% of CTIC from The Canada Trust Company and changed CTIC's name to Mulvihill Capital Management Inc. During 1995, MCM also established a wealth management division headed by John H. Simpson, who joined the firm from Fidelity Investments Canada Limited.

Investment Management Agreement

The services provided by MCM pursuant to the Investment Management Agreement include the making of all investment decisions for the Company and managing the writing of call options and put options by the Company, all in accordance with the investment objectives, strategy and criteria of the Company. Decisions as to the purchase and

sale of securities comprising the Portfolio and as to the execution of all portfolio and other transactions are made by MCM. In the purchase and sale of securities for the Company and the writing of option contracts, MCM seeks to obtain overall services and prompt execution of orders on favourable terms.

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

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

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

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

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

Directors and Officers of the Company

The following are the names, municipalities of residence, office and principal occupations of the directors and officers of the Company:

<i>Name and Municipality of Residence</i>	<i>Office</i>	<i>Principal Occupation</i>
John P. Mulvihill Toronto, Ontario	President, Secretary and Director	Chairman and President, MCM
Michael M. Koerner ⁽¹⁾ Toronto, Ontario	Director	Corporate Director
Robert W. Korthals ⁽¹⁾ Toronto, Ontario	Director	Corporate Director
C. Edward Medland ⁽¹⁾ Toronto, Ontario	Director	President, Beauwood Investments Inc. (private investment company)

<i>Name and Municipality of Residence</i>	<i>Office</i>	<i>Principal Occupation</i>
Sheila Szela Toronto, Ontario	Chief Financial Officer and Director	Vice-President, Finance, MCM

Note: ⁽¹⁾ Independent director and member of the Audit Committee.

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

Each of the directors, other than Mr. Koerner and Ms. Szela, have served as a director since the Company's initial public offering in June 1998. Mr. Koerner was elected a director on June 16, 2000. Ms. Szela was elected a director on November 23, 2004. Each of the directors has been elected to serve until the next annual meeting of shareholders or until his successor is appointed.

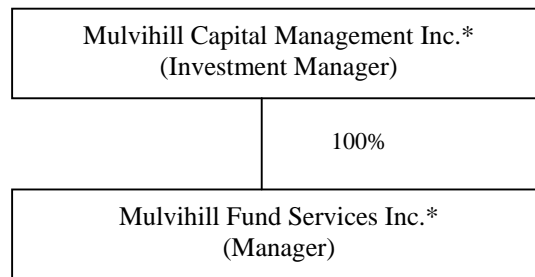
The Canadian Securities Administrators approved the final version of National Instrument 81-107 – *Independent Review Committee for Investment Funds* ("NI 81-107") on September 19, 2006. NI 81-107 requires all publicly offered investment funds, including the Company, to establish an independent review committee to whom the Manager 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 these matters and provide assistance to the independent review committee in carrying out its functions. The independent review committee is required to be comprised of a minimum of three independent members and is subject to requirements to conduct regular assessments and provide reports to the Company and to shareholders in respect of its functions. The members of the independent review committee are the independent directors of the Company. Full compliance with NI 81-107 is not required until November 1, 2007. The Manager intends to implement any requirements to comply with NI 81-107 within the required time period.

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>
John P. Mulvihill Toronto, Ontario	Chairman, President, Secretary and Director
Sheila Szela Toronto, Ontario	Chief Financial Officer and Director
John H. Simpson Toronto, Ontario	Senior Vice-President and Director

Mr. Mulvihill and Mr. Simpson have each held their current positions with Mulvihill and MCM for the past five years. Ms. Szela was appointed as Chief Financial Officer and Director of Mulvihill in November 2004. Ms. Szela joined Mulvihill in June 2002 as Vice-President, Finance, Mulvihill Structured Products. MCM owns 100% of the outstanding shares of Mulvihill, as shown below.



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

Certain directors and officers of Mulvihill indirectly own voting securities of MCM, both of record and beneficially, through their holdings in MCM Group Holdings Inc. ("MCM Holdings"), the sole shareholder of MCM. As of September 7, 2007, Mr. Mulvihill owned 93,000 shares or 96.3% of MCM Holdings and Mr. Simpson owned 2.1% of MCM Holdings.

Directors and Officers of the Investment Manager

The name and municipality of residence and position held 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, Treasurer and Director
Donald Biggs Ancaster, Ontario	Senior Vice-President
John A. Boyd Toronto, Ontario	Vice-President
Mark Carpani Toronto, Ontario	Vice-President
Jeff Frketich Toronto, Ontario	Vice-President
John Germain Toronto, Ontario	Vice-President
Paul Meyer Toronto, Ontario	Vice-President
Peggy Shiu Toronto, Ontario	Vice-President
John H. Simpson Toronto, Ontario	Senior Vice-President
Sheila Szela Toronto, Ontario	Vice-President, Finance and Chief Financial Officer
Jack Way Toronto, Ontario	Vice-President
Supriya Kapoor Toronto, Ontario	Vice-President
Andrew Mitchell 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, Mr. Mitchell was Regional Vice President of Sales for Vengrowth Asset Management from 2004 to 2006 and Vice-President of Sales for Clarington

Funds from 2001 to 2004. 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.

The team of individuals responsible for investment management at MCM all have significant experience in managing investment portfolios. The officers of MCM who are primarily responsible for the management of the Company's portfolio are John P. Mulvihill and Donald Biggs. Also assisting in the management of the investment portfolios are: Paul Meyer, 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.

Paul Meyer has been with MCM since September 1990 and is currently a Portfolio Manager and member of the Equity Team. Paul is a key member of the portfolio management group at MCM and has investment experience in the Canadian, U.S. and ADR markets.

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 of which the past eight years were spent 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.

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.

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.

Ownership of MCM

MCM is controlled by John P. Mulvihill.

Corporate Governance

The Board of Directors of the Company is responsible for the overall stewardship of the Company's business and affairs. Mulvihill, the Company's manager, administers many functions associated with the operations of the Company pursuant to the Management Agreement entered into at the time the Company issued its shares to the public. Under this agreement, the Manager is responsible for certain day to day operations of the Company 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 Company. The Board believes that the number of directors is appropriate for the Company and only directors independent of the Company 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 Company in appropriate circumstances subject to the approval of the Board.

To assist the Board in its monitoring of the Company's financial reporting and disclosure, the Board has established a committee of the Board known as the Audit Committee. The Audit Committee consists of three members, all of whom are independent of the Company. 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 Company's compliance with tax and securities laws and regulations. The Audit Committee has direct communication channels with the external auditors to discuss and review specific issues as appropriate.

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

Mulvihill has adopted policies, procedures and guidelines concerning the governance of the Company and to ensure the proper management of the Company. These policies, procedures and guidelines aim to monitor and manage the business, risks and internal conflicts of interest relating to the Company, and to ensure compliance with regulatory and corporate requirements. MCM has a compliance committee, consisting of Supriya Kapoor, Mulvihill's Chief Compliance Officer, as well as John Simpson and Sheila Szela, to ensure compliance with these policies, procedures and guidelines.

In addition, MCM has an asset mix committee consisting of the following senior officers: John Mulvihill, John Simpson, Donald Biggs, Paul Meyer, Peggy Shiu, Mark Carpani and Jack Way. The investment process for the Company begins at the asset mix committee. Members of this committee meet monthly to examine macro-economic variables and relationships within the dominant economic matters. This process culminates in an outlook for the various capital markets around the world and provides the fundamental basis for our 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 portfolio managers of the Company.

The compliance committee and the asset mix committee report to John Mulvihill, the sole director and president, chief executive officer, secretary and treasurer of MCM.

The Company may use derivatives as permitted by the policies of Canadian securities authorities and consistent with the investment objectives and restrictions of the Company and with 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 Company uses derivatives, it will hold enough assets to cover any obligations it has in derivative contracts. The exposure of the Company 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 reconciliation of security transactions.

Proxy Voting Policy

The Company 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 Company. 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 Company 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 Company 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 Company will generally withhold voting for any

nominee who is an insider and sits on the audit committee or the compensation committee. The Company will also withhold support for those individual nominees who have attended less than 75% of the board meetings held within the past year without a valid excuse for these absences.

(c) *Compensation Plans*

The Company will vote on matters dealing with share-based compensation plans on a case-by-case basis. The Company will review share-based compensation plans with a primary focus on the transfer of shareholder wealth. The Company 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 Company will also vote against any proposals to re-price options.

(d) *Management Compensation*

The Company will vote on employee stock purchase plan ("ESPPs") on a case-by-case basis. The Company 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 Company 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 Company 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 Company will vote on proposals to increase the number of securities of an issuer authorized for issuance on a case by-case basis. The Company 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 Company will generally vote against proposals to approve unlimited capital authorization.

(f) *Constituting Documents*

The Company 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 Company 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 Company 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 Company has retained Institutional Shareholder Services Canada Corp. to administer and implement the Proxy Guidelines for the Company.

A conflict of interest may exist where Mulvihill, its employees or a related entity maintains a relationship (that is or may be perceived as significant) with the issuer soliciting the proxy or a third party with a material (real or perceived) interest in the outcome of the proxy vote. Mulvihill maintains a code of ethics that identifies conflicts of interests and requires, at all times, that the best interests of shareholders be placed ahead of personal interests. The code of ethics provides for specific consequences to the individuals involved in the event the interests of the shareholders are not placed ahead of their own.

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 Company 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.

Brokerage Arrangements

The Investment Manager has been delegated authority to determine the brokerage arrangements of the Company. Decisions that the Investment Manager may make as to the purchase and sale of portfolio securities and the execution of portfolio transactions for the Company, 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.

Custodian

Pursuant to an agreement (the "Custodian Agreement") dated June 18, 1998 with the Company, RBC Dexia Investor Services Trust (the "Custodian") is the custodian of the assets of the Company and is also responsible for certain aspects of the day-to-day administration of the Company, including executing instruments on behalf of the Company, processing redemptions, calculating NAV, net income and net realized capital gains of the Company and maintaining the books and records of the Company. RBC Dexia Investor Services Trust receives a fee from the Company for its custodial services. 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, 11th Floor, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario M5W 1P9. The Custodian is entitled to receive fees from the Company and to be reimbursed for all expenses and liabilities which are properly incurred by the Custodian in connection with the activities of the Company.

Registrar and Transfer Agent

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

Auditors

The auditors of the Company are Deloitte & Touche LLP, BCE Place, Suite 1400, 181 Bay Street, 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 *Income Tax Act* (Canada) (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 Company. 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 Company'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 Company 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 Company 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 Company will at all times comply with such investment objectives and hold only permitted investments. This summary is also based on the assumption that the Company will not invest in securities of any entity that would be a controlled foreign affiliate of the Company for purposes of the Tax Act. This summary also takes into account all specific proposals to amend the Tax Act announced prior to the date hereof by the Minister of Finance (Canada) (the "Proposed Amendments"). No assurances can be given that the Proposed Amendments will become law as proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations and does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, provincial or territorial income tax considerations, which might differ from the federal considerations. This summary does not apply to shareholders that are "financial institutions" as defined in section 142.2 of the Tax Act 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 and does not describe the income tax considerations relating to the deductibility of interest on any money borrowed by an investor to acquire shares of the Company. Accordingly, investors are advised to consult their own tax advisors with respect to their individual circumstances.

Tax Treatment of the Company

The Company 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 Company 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 Company 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 Company.

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

The Company 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 Company and is not generally liable to tax under Part VI.1 of the Tax Act on dividends paid by the Company. As a mutual fund corporation (which is not an "investment corporation" as defined in the Tax Act), the Company is generally subject to a refundable tax of 33 $\frac{1}{3}$ % under Part IV of the Tax Act on taxable dividends received by the Company during the year to the extent that such dividends were deductible in computing the Company's taxable income for the year. This tax is refundable upon payment by the Company of sufficient dividends other than capital gains dividends ("Ordinary Dividends").

Premiums received on covered call options and cash covered put options written by the Company which are not exercised prior to the end of the year will constitute capital gains of the Company in the year received, unless such premiums are received by the Company as income from a business or the Company has engaged in a transaction or transactions considered to be an adventure in the nature of trade. The Company has purchased the Portfolio with the objective of earning dividends thereon over the life of the Company, 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 Company in respect of shares comprising the Portfolio and options on such shares will be treated and reported by the Company as arising on capital account.

Premiums received by the Company 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 Company of the securities disposed of (or acquired) by the Company 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 Company in the previous year, such capital gain will be reversed.

The Company 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 policy of the Company is to pay quarterly dividends and, in addition, to pay a special year-end dividend to holders of Class A Shares where the Company 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 Company 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 Company are expected to include taxable capital gains as well as dividends from taxable Canadian corporations, to the extent that the Company earns net income, after expenses, from other sources, including dividends from non-Canadian sources and interest income upon interim investment of its reserves, the Company 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 Company and taking into account expenses, the Company does not expect to be subject to any appreciable amount of non-refundable Canadian income tax.

Tax Treatment of the Shareholders

Shareholders of the Company must include in income Ordinary Dividends paid to them by the Company. 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 dividend designated by the Company 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 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on Ordinary Dividends received on the shares to the extent that such dividends are deductible in computing the corporation's taxable income. Where Part IV.1 tax also applies to an Ordinary Dividend received by a corporation, the rate of Part IV tax payable by the corporation is reduced to 23 $\frac{1}{3}$ %.

The amount of any capital gains dividend received by a shareholder from the Company 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 Company 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 Company 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 Company qualifies as a mutual fund corporation under the Tax Act or if the Preferred Shares or Class A Shares are listed on the TSX, such shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

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 Company's Preferred Shares or Class A Shares:

Conditions Affecting the Telecommunication Industry

Since the Company's Portfolio includes securities issued only by companies that operate in the telecommunications industry, 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 telecommunications services. In addition, the value of the Company's Portfolio will be influenced by other factors which are not within the control of the Company, including the financial performance of the corporations included in the Portfolio, their dividend payment policies and financial market and economic conditions generally.

Foreign Currency Exposure

As the Portfolio includes securities and options denominated in U.S. dollars, the NAV of the Company, when measured in Canadian dollars, will be affected by changes in the value of the U.S. dollar relative to the Canadian dollar. Since, in the case of ADRs, the underlying securities are denominated in currencies other than Canadian or U.S. dollars, the NAV of the Company will also be affected by changes in the value of such currencies relative to the Canadian dollar.

Foreign Market Exposure

A significant portion of the Portfolio at any time may consist of the securities of issuers operating outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. company. Volume and liquidity in some foreign stock markets may be less than in Canada and the U.S. and, at times, volatility of price may be greater than in Canada or the U.S. As a result, the price of ADRs may be affected by conditions in the market on which the securities underlying the ADRs are traded. In addition, with respect to certain foreign countries, particularly emerging countries, there is a possibility of expropriation or confiscatory taxation, political or social instability, diplomatic developments or restrictions on the movement of capital that could affect investments in those countries.

Net Asset Value and Distributions

The NAV of the Company and the funds available for distribution to holders of Preferred Shares and Class A Shares will vary according, among other things, to the value of the Common Shares of the corporations included in the Portfolio, the dividends paid thereon and the level of option premiums received. As the dividends received by the Company will not be sufficient to meet the objectives of the Company in respect of the payment and distributions, the Company 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. There is no assurance that the premiums predicted by such a pricing model can be attained or that the Company will be able to achieve its investment objectives of paying quarterly distributions.

Interest Rate Fluctuations

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

Significant Retractions

The Class A Shares and the Preferred Shares are retractable annually and monthly for a price based on NAV per Unit (which represents the value that the Company is able to obtain in the market when it sells portfolio securities to fund the retraction). The purpose of the annual 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 Company 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 Company 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 Company, should the market price of such securities decline. In addition, the Company 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 Company 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. In purchasing call or put options or entering into forward or future contracts, the Company is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations. The ability of the Company 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 Company 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 Company will be obligated to acquire a security at a strike price that may exceed the then current market value of such security.

Class A Shares

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

Reliance on the Investment Manager

MCM manages the Portfolio in a manner consistent with the investment objectives, strategy and criteria of the Company. 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.

Tax Treatment of Proceeds of Disposition and Option Premiums

In determining its income for tax purposes, the Company 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 income tax ruling has been applied for or received from CRA.

If, contrary to CRA's published administrative practice, some or all of the transactions undertaken by the Company in respect of options and securities in the Portfolio were treated as income rather than capital gains, after-tax returns

to holders of Class A Shares (and, potentially, holders of Preferred Shares to the extent dividends and capital gains on the Portfolio are not sufficient to meet the Preferred Share distribution) may be reduced and the Company could be subject to non refundable income tax from such transactions and the Company may be subject to penalty taxes in respect of excessive capital gains dividend elections.

Material Contracts

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

- (a) the Management Agreement described under "The Manager";
- (b) the Investment Management Agreement described under "Investment Management Agreement"; and
- (c) the Custodian Agreement described under "Custodian".

Copies of the foregoing agreements may be inspected during business hours at the principal office of the Company and are available at www.sedar.com.

Additional Information

Additional information about the Company is available in the Company'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 Company, such as information circulars and material contracts, are also available on Mulvihill's website at www.mulvihill.com or at www.sedar.com.

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