



**NOTICE OF SPECIAL MEETINGS OF UNITHOLDERS
AND
JOINT MANAGEMENT INFORMATION CIRCULAR**

April 29, 2010

**Meetings to be held at 10:00 a.m. on June 4, 2010
1 First Canadian Place
Suite 6300
100 King Street West
Toronto, Ontario**



**121 King Street West
Standard Life Centre
Suite 2600
Toronto, Ontario
M5H 3T9**

April 29, 2010

Dear Unitholders:

You are invited to special meetings (the “Meetings” and each, a “Meeting”) of holders of units (“unitholders”) of First Premium Income Trust (“FPI”) and unitholders of Premier Canadian Income Fund (“PCI” and, together with FPI, the “Funds” and each, a “Fund”) to be held at 10:00 a.m. (Toronto time) on June 4, 2010 at 1 First Canadian Place, Suite 6300, 100 King Street West, Toronto, Ontario to consider and vote upon the proposed merger of the Funds (the “Merger Proposal”). If the Merger Proposal is approved and implemented, PCI will be the continuing fund and holders of units of FPI (“FPI Units”) will become holders of units of PCI (“PCI Units”).

PCI has been designed to generate attractive returns for investors by investing in a high quality portfolio of common shares of large-capitalization Canadian issuers selected from the S&P/TSX 60 Index and invests primarily in common shares of issuers in the energy, materials and financials sectors. As both the FPI and PCI portfolios are invested in common shares of major Canadian issuers, under the Merger Proposal, FPI will be able to smoothly transition its assets into a larger continuing fund with the ability to grow in size and increase in value, with lower administrative costs and increased trading liquidity for unitholders. As is currently the case with FPI, the Manager expects that tax losses available to PCI will permit distributions to be return of capital distributions, or that such tax losses will be available for growth in net asset value (“NAV”). The Manager expects that all or substantially all of the monthly distributions paid by PCI will be return of capital distributions over its remaining four-and-a-half year life.

More particularly, the merger is expected to be beneficial to unitholders for the following reasons:

- Unitholders will be provided with an opportunity to invest in a continuing fund with improved operational efficiencies and enhanced economic viability. The merger is expected to eliminate the duplicative administrative and regulatory costs of operating FPI and PCI as separate investment funds.
- The merger is expected to reduce operational costs on a per unit basis and correspondingly improve returns by spreading fixed costs over a greater number of units.
- The continuing fund will have a greater number of outstanding units and a larger number of unitholders than either of the Funds. The larger market capitalization of the continuing fund should enhance not only the liquidity of its units, but also its ability to utilize its existing non-capital and capital tax losses.
- Unitholders of FPI will receive distributions more frequently, as distributions of PCI are payable monthly whereas distributions of FPI are payable quarterly.
- Given the similarities in both the composition of the portfolios of the Funds, as well as their investment strategies, unitholders of FPI will continue to receive exposure to a blue-chip portfolio of common shares of major Canadian issuers.

If the merger is effected and PCI Units are issued to the holders of FPI Units on the redemption of such FPI Units under the merger, a service fee equal to 0.30% annually of the net asset value of the PCI Units held by clients of a dealer will become payable to each such dealer. Nonetheless, after the merger, the fees indirectly borne by unitholders of FPI will decrease as a result of the lower aggregate fees payable by PCI as the continuing fund.

As part of the Merger Proposal, a one-time redemption right will be added to permit FPI unitholders to redeem their FPI Units at 100% of the NAV per FPI Unit on June 24, 2010 (the “New Redemption Date”). Unitholders who wish to redeem their FPI Units on the New Redemption Date should vote in favour of the Merger Proposal and simply redeem their FPI Units on the New Redemption Date.

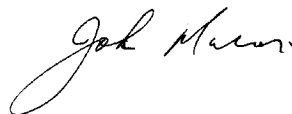
In order to become effective, the Merger Proposal must be approved by a two-thirds majority of unitholders of FPI and a majority of unitholders of PCI present in person or represented by proxy at the applicable Meeting. If approved, the Merger Proposal is expected to be implemented on or about June 30, 2010. Following the merger, PCI proposes to issue to its unitholders warrants to subscribe for additional PCI Units. The warrants will be offered by way of a prospectus and the issue will be subject to obtaining all necessary regulatory and stock exchange approvals.

Attached is a notice of special meetings of unitholders and joint management information circular (the “Circular”) which contain important information relating to the Merger Proposal. You are urged to read the Circular carefully. If you are in doubt as to how to deal with the matters described in the Circular, you should consult your financial advisor.

If you wish to vote at the Meetings, you should submit the enclosed form of proxy or voting instruction form as soon as possible, and in any event no later than 5:00 p.m. (Toronto time) on June 2, 2010. All unitholders are encouraged to attend the Meetings.

The Board of Directors of Mulvihill Fund Services Inc. (the “Manager”), the manager of the Funds, has determined that the Merger Proposal is in the best interests of each Fund and its unitholders and the Advisory Board of the Funds concurs with the Manager’s determination to put the Merger Proposal to unitholders of FPI and PCI. The Board of Directors of the Manager and the Advisory Board unanimously recommend that unitholders vote in favour of the Merger Proposal.

Sincerely,

A handwritten signature in dark ink, appearing to read "John Mulvihill", written in a cursive style.

John P. Mulvihill
Chairman and President
Mulvihill Fund Services Inc.

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**FIRST PREMIUM INCOME TRUST
AND
PREMIER CANADIAN INCOME FUND
NOTICE OF SPECIAL MEETINGS OF UNITHOLDERS**

TAKE NOTICE that special meetings (the “Meetings” and each, a “Meeting”) of holders of units (“unitholders”) of First Premium Income Trust (“FPI”) and unitholders of Premier Canadian Income Fund (“PCI” and, together with FPI, the “Funds” and each, a “Fund”) will be held on June 4, 2010 at 10:00 a.m. (Toronto time) at 1 First Canadian Place, Suite 6300, 100 King Street West, Toronto, Ontario for the following purposes:

- in respect of FPI, to consider and, if thought appropriate, approve, with or without variation, a special resolution providing for the merger of the Funds, including the transfer by FPI to PCI of substantially all of the net assets of FPI in consideration for units of PCI (“PCI Units”) and the automatic redemption by FPI of all units of FPI (“FPI Units”). PCI will be the continuing fund; and
- in respect of PCI, to consider and, if thought appropriate, approve, with or without variation, an ordinary resolution providing for the merger of the Funds, including the acquisition by PCI of substantially all of the net assets of FPI in consideration for PCI Units. PCI will be the continuing fund.

As part of the proposed merger of the Funds (the “Merger Proposal”), a one-time redemption right will be added to permit FPI unitholders to redeem their FPI Units at 100% of the net asset value per FPI Unit on June 24, 2010 (the “New Redemption Date”). Unitholders who wish to redeem their FPI Units on the New Redemption Date should vote in favour of the Merger Proposal and simply redeem their FPI Units on the New Redemption Date.

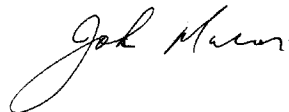
The Merger Proposal is more fully described in the accompanying joint management information circular (the “Circular”). A copy of the special resolution for FPI is attached as Appendix I to the Circular and a copy of the ordinary resolution for PCI is attached as Appendix II to the Circular.

As required by National Instrument 81-107 — *Independent Review Committee for Investment Funds*, Mulvihill Fund Services Inc., the manager of the Funds, has presented the Merger Proposal to the independent review committee of the Funds for a recommendation. The independent review committee has reviewed the Merger Proposal and recommended that the Merger Proposal be put to unitholders for their consideration on the basis that it achieves a fair and reasonable result for each Fund.

DATED at Toronto, Ontario as of the 29th day of April, 2010.

**By Order of the Board of Directors of
MULVIHILL FUND SERVICES INC.**

By:



John P. Mulvihill
Chairman and President

Note: Reference should be made to the Circular for details of the above matters. If you are unable to be present in person at the Meetings, it is requested that you complete and sign the enclosed form of proxy or voting instruction form and return it in the enclosed prepaid envelope provided for that purpose. Voting instruction forms sent by Broadridge Financial Solutions, Inc. may be completed by telephone or through the internet at www.proxyvote.com.

FIRST PREMIUM INCOME TRUST

First Premium Income Trust (“FPI”) is an investment trust established under the laws of the Province of Ontario on June 21, 1996.

Investment Objectives

The investment objectives of FPI are: (a) to provide holders of units (“unitholders”) with a stable stream of quarterly distributions of at least \$0.50 per unit (\$2.00 per annum); and (b) to maximize the likelihood of returning the original issue price of the units (\$25.00 per unit) to unitholders upon termination of FPI.

Investment Strategy

FPI invests in a diversified portfolio consisting primarily of common shares (which may include voting common shares and fully participating non-voting, restricted voting or subordinate voting equity shares) issued by major Canadian issuers that are in the top 200 of the S&P/TSX Composite Index by market capitalization. FPI’s portfolio may include installment receipts for common shares and securities convertible into or exchangeable for common shares.

To generate additional returns above the distributions earned on its securities, FPI may, from time to time, write covered call options in respect of some or all of the securities in its portfolio. FPI may also purchase put options on individual securities in FPI’s portfolio to protect FPI from declines in the market prices of such securities or in the value of its portfolio as a whole. FPI may also, from time to time, write cash-covered put options to generate additional returns and to reduce the net cost of acquiring the securities subject to put options. Such cash-covered put options will be written only in respect of securities in which FPI is permitted to invest. FPI may also enter into trades to close out positions in such permitted derivatives, including, to the extent permitted by Canadian securities regulators from time to time, purchasing put options and call options with the effect of closing out existing call options and put options written by FPI.

FPI may, from time to time, hold a portion of its assets in cash equivalents. FPI may also, from time to time, utilize such cash equivalents to provide cover in respect of the writing of cash-covered put options or for other defensive purposes.

The composition of the portfolio, the securities that may be subject to call options and put options and the terms of such options will vary from time to time, based on an assessment of market conditions by FPI’s investment manager, Mulvihill Capital Management Inc. (“MCM” or the “Investment Manager”).

Further Information

For further information about FPI, see the annual information form of FPI dated March 30, 2010 (the “FPI Annual Information Form”), the short-form prospectus of FPI dated November 6, 2009 (the “FPI Prospectus”) and MCM’s website at www.mulvihill.com.

PREMIER CANADIAN INCOME FUND

Premier Canadian Income Fund (“PCI”) is an investment trust established under the laws of the Province of Ontario on August 30, 1999.

Investment Objectives

PCI has been designed to generate attractive returns for investors by investing in a high quality portfolio of common shares of large-capitalization Canadian issuers selected from the S&P/TSX 60 Index and invests primarily in common shares of issuers in the energy, materials and financials sectors. The Fund has been structured to provide unitholders with attractive monthly distributions.

PCI’s investment objectives are: (a) to maximize total returns for unitholders including both long-term appreciation in net asset value (“NAV”) per unit and distributions; and (b) to pay unitholders monthly distributions in an amount targeted to be 6.5% per annum of the NAV of PCI. PCI has determined to base the

distributions it pays on its NAV to better facilitate the preservation and enhancement of its NAV and to enable unitholders to benefit from any increases in its NAV through the resulting increased distributions.

Investment Strategy

PCI seeks to achieve its objectives by investing in a high-quality portfolio principally consisting of common shares selected from the energy, materials and financials sectors of the S&P/TSX 60 Index. The following is a list of all of the issuers included in the energy, materials and financials sectors of the S&P/TSX 60 Index:

Energy	Materials	Financials
Suncor Energy Inc.	Barrick Gold Corporation	Royal Bank of Canada
Canadian Natural Resources Limited	Potash Corporation of Saskatchewan Inc.	The Toronto-Dominion Bank
Imperial Oil Limited	Goldcorp Inc.	The Bank of Nova Scotia
Husky Energy Inc.	Teck Resources Limited	Bank of Montreal
TransCanada Corporation	Kinross Gold Corporation	Manulife Financial Corporation
EnCana Corporation	Agrium Inc.	Canadian Imperial Bank of Commerce
Cenovus Energy Inc.	Agnico-Eagle Mines Ltd.	Sun Life Financial Inc.
Enbridge Inc.	Yamana Gold Inc.	Brookfield Asset Management Inc.
Talisman Energy Inc.	Eldorado Gold Corporation	Power Corporation of Canada
Nexen Inc.	First Quantum Minerals Ltd.	National Bank of Canada
Cameco Corporation	IAMGOLD Corporation	
	Inmet Mining Corporation	

In addition, PCI may invest up to 20% of its net assets in equity securities of other issuers selected from the S&P/TSX Composite Index.

To generate additional returns above the distributions earned on its securities, PCI may, from time to time, write covered call options in respect of some or all of the securities in its portfolio. The securities that may be subject to call options and the terms of such options will vary from time to time based on MCM's assessment of market conditions.

PCI may purchase put options on individual securities in its portfolio or indexed put options to protect it from declines in the market prices of the individual securities in its portfolio or in the value of its portfolio as a whole. PCI may also, from time to time, write cash-covered put options to generate additional returns and to reduce the net cost of acquiring the securities subject to put options. PCI may also enter into trades to close out positions in such derivatives, including purchasing put options and call options with the effect of closing out existing call options and put options written by PCI.

PCI may, from time to time, hold a portion of its assets in cash equivalents. PCI may also, from time to time, utilize such cash equivalents to provide cover in respect of the writing of cash-covered put options or for other defensive purposes. PCI may also, from time to time, write cash-covered put options to generate additional returns and to reduce the net cost of acquiring the securities subject to put options. Such cash-covered put options will be written only in respect of securities in which PCI is permitted to invest.

Further Information

For further information about PCI, see the annual information form of PCI dated March 30, 2010 (the "PCI Annual Information Form"), the management information circular of PCI dated September 24, 2009 (the "PCI Circular") or MCM's website at www.mulvihill.com.

THE MERGER PROPOSAL

Background to the Merger Proposal

FPI completed its initial public offering in the summer of 1996. In December 2003, unitholders approved the extension of the termination date of the Fund from January 1, 2004 to January 1, 2014. In November 2009, FPI completed an offering of warrants to its unitholders. Currently, the Fund has net assets of approximately \$23.6 million.

PCI (formerly known as Global Plus Income Trust) completed its initial public offering in the early fall of 1999. In October 2009, unitholders approved a reorganization of the Fund that involved, among other things, amendments to its investment objectives and strategy, the extension of its termination date from December 31, 2009 to December 31, 2014 and a change in its name to Premier Canadian Income Fund. PCI currently has net assets of approximately \$2.8 million with accumulated non-capital losses of approximately \$4.0 million and capital losses of approximately \$29.8 million. Mulvihill Fund Services Inc. (the “Manager” or “Mulvihill”), the manager of the Funds, believes that PCI’s tax losses will be available to be applied against further gains and income with the result that distributions may be paid to unitholders as returns of capital or be available for growth in NAV.

Rationale for the Merger Proposal

If the proposed merger of the Funds (the “Merger Proposal”) is approved and implemented, PCI will be the continuing fund and holders of units of FPI (“FPI Units”) will become holders of units of PCI (“PCI Units”).

The merger is expected to be beneficial to unitholders of the Funds for the following reasons:

- Unitholders will be provided with an opportunity to invest in a continuing fund with improved operational efficiencies and enhanced economic viability. The merger is expected to eliminate the duplicative administrative and regulatory costs of operating FPI and PCI as separate investment funds. Such costs are borne by each Fund and, therefore, indirectly by unitholders.
- The merger is expected to reduce operational costs on a per unit basis and correspondingly improve returns by spreading fixed costs such as transfer agent fees, audit fees, legal fees, exchange listing fees, printing fees and mailing and reporting costs over a greater number of units.
- The continuing fund will have a greater number of outstanding units and a larger number of unitholders than either of the Funds. The larger market capitalization of the continuing fund should enhance not only the liquidity of its units, but also its ability to utilize its existing non-capital and capital tax losses which Mulvihill believes will be available to be applied against future gains and income.
- Unitholders of FPI will receive distributions more frequently, as distributions of PCI are payable monthly whereas distributions of FPI are payable quarterly. In addition, as is currently the case with distributions made by FPI, all or a portion of PCI’s monthly distributions are expected to be return of capital distributions.
- Given the similarities in both the composition of the portfolios of the Funds, as well as their investment strategies, unitholders of FPI will be able to transition their assets smoothly in connection with the merger and will continue to receive exposure to a blue-chip portfolio of common shares of major Canadian issuers.

If the merger is effected and PCI Units are issued to the holders of FPI Units on the redemption of such FPI Units under the merger, a service fee (the “Service Fee”) equal to 0.30% annually of the NAV of the PCI Units held by clients of a dealer will become payable to each such dealer. The Service Fee will be calculated and paid at the end of each calendar quarter. The first Service Fee payment will be pro-rated from the effective date of the merger to the last day of the applicable quarter. Nonetheless, after the merger, the fees indirectly borne by unitholders of FPI will decrease as a result of the lower aggregate fees payable by PCI as the continuing fund. For further information, see the FPI Prospectus and the PCI Circular.

As part of the Merger Proposal, a one-time redemption right will be added to permit FPI unitholders to redeem their FPI Units at 100% of the NAV per FPI Unit on June 24, 2010 (the “New Redemption Date”). Unitholders who wish to redeem their FPI Units on the New Redemption Date should vote in favour of the Merger Proposal and simply redeem their FPI Units on the New Redemption Date. This will replace the regular June 30 annual redemption for this year.

Following the merger, PCI proposes to issue to its unitholders warrants to subscribe for additional PCI Units. The warrants will be offered by way of a prospectus and the issue will be subject to obtaining all necessary regulatory and stock exchange approvals.

Comparison of the Funds

The FPI Units are listed on the Toronto Stock Exchange (the “TSX”) under the symbol FPI.UN and the PCI Units are listed on the TSX under the symbol GIP.UN. The following table sets out the number of units outstanding, the NAV per unit, the closing trading price and the average daily trading volume of the units of FPI and PCI as at April 27, 2010.

<u>Fund</u>	<u>Number of Units Outstanding</u>	<u>NAV per Unit</u>	<u>Closing Market Price</u>	<u>Average Daily Trading Volume⁽¹⁾</u>
First Premium Income Trust	2,023,583	\$11.68	\$11.10	3,947
Premier Canadian Income Fund	563,646	\$ 5.03	\$ 4.70	468

(1) From and after March 22, 2010 and up to and including April 22, 2010.

DETAILS OF THE MERGER PROPOSAL

Implementation Matters

If the Merger Proposal is approved by unitholders of the Funds, it is expected that the merger will become effective on or about June 30, 2010 (the “Effective Date”).

The following steps will be taken to implement the Merger Proposal:

- On the Effective Date, FPI will transfer all or substantially all of its net assets (consisting of portfolio securities and cash) to PCI in consideration for the issuance by PCI to FPI of a number of PCI Units determined based on an Exchange Ratio (as defined below) established as of the close of trading on the business day immediately preceding the Effective Date.
- The Exchange Ratio will be calculated based on the relative NAV of the FPI Units and of the PCI Units.
- Immediately following the transfer of the net assets of FPI to PCI and the issuance of PCI Units to FPI, all FPI Units will be automatically redeemed and each unitholder of FPI will receive that number of PCI Units equal to the number of FPI Units held multiplied by the Exchange Ratio.

FPI Units will be redeemed by FPI in exchange for PCI Units at an exchange ratio (the “Exchange Ratio”) calculated based on the relative NAV of the FPI Units and the PCI Units as at the close of trading on the TSX on the business day prior to the Effective Date. The NAV of the FPI Units and of the PCI Units will be calculated in accordance with the provisions of the trust agreements of FPI and PCI, respectively. Unitholders of PCI will continue to hold the same number of PCI Units as they held prior to the merger and, because PCI Units will be issued to FPI at the Exchange Ratio, the issuance will not be dilutive. By way of example, if, on the day prior to the Effective Date, the NAV per PCI Unit was \$5.00 and the NAV per FPI Unit was \$12.00, then upon the Effective Date, each FPI Unit would entitle the holder thereof to 2.4 PCI Units. No fractional PCI Units or cash in lieu thereof will be issued or paid under the merger. The number of PCI Units to be issued to a unitholder of FPI will be rounded down to the nearest whole PCI Unit in the event such unitholder is entitled to a fractional PCI Unit.

If the Merger Proposal is approved, unitholders of FPI will not be required to take any action in order to be recognized as unitholders of PCI and to trade their PCI Units. FPI Units held by unitholders of FPI will

automatically be exchanged for a number of PCI Units calculated by reference to the Exchange Ratio. The outstanding PCI Units may be consolidated immediately following such exchange.

From and after the effective time of the merger, all certificates formerly representing FPI Units shall be deemed to have been cancelled and will cease to represent a claim by or interest of any former unitholder of FPI of any kind or nature, subject to applicable law. Registration of interests in PCI as the continuing fund will be made only through the book-entry only system administered by CDS Clearing and Depository Services Inc. (“CDS”) and the direct registration system administered by Computershare Investor Services Inc. (“Computershare”), PCI’s registrar and transfer agent. On the Effective Date, the Manager will deliver to CDS & Co., the nominee of CDS, a certificate evidencing the aggregate number of PCI Units held by all former holders of FPI Units as a result of the merger. A confirmation evidencing the number of PCI Units held by each former unitholder of FPI (other than CDS & Co.) will be delivered to the address of each such unitholder shown on the securities register of FPI by first-class mail, postage prepaid. Unitholders will not have the right to receive physical certificates evidencing their ownership.

Following the Effective Date, the FPI Units will be delisted from the TSX. After the merger, FPI will be wound up as soon as possible.

The Merger Proposal is subject to unitholder, TSX and other required approvals. There is no assurance that the conditions to the implementation of the merger will be satisfied on a timely basis, if at all. In such event, PCI and FPI will not merge but will continue as separate funds.

If the Merger Proposal is approved and implemented, unitholders of FPI will become unitholders of PCI. Additional information relating to PCI, including its investment objectives, investment strategy and investment restrictions, as well as a description of the attributes of PCI Units and the risk factors associated with an investment in the Fund is available in the PCI Annual Information Form.

To permit FPI unitholders to redeem their FPI Units at 100% of the NAV per FPI Unit prior to the implementation of the merger, as part of the Merger Proposal, a one-time redemption right will be added in lieu of the right to redeem FPI units on June 30, 2010. Unitholders wishing to redeem their FPI Units on the New Redemption Date may surrender such FPI Units to Computershare, FPI’s registrar and transfer agent, at any time up to 5:00 p.m. (Toronto time) on June 17, 2010. Unitholders will receive payment for such FPI Units on or before July 5, 2010. Any unpaid distributions payable on or before the New Redemption Date in respect of the FPI Units tendered for redemption will also be paid on such redemption payment date. If a unitholder surrenders FPI Units after 5:00 p.m. (Toronto time) on June 17, 2010, the FPI Units will be redeemed in exchange for PCI Units in connection with the merger, as described above. The unitholder will be entitled to sell or redeem such PCI Units in accordance with their terms. Unitholders who wish to redeem their FPI Units on the New Redemption Date should vote in favour of the Merger Proposal and simply redeem their FPI Units on the New Redemption Date.

The merger is proposed to be effected on a taxable basis. As a result, the merger will likely have tax consequences for unitholders of FPI. As described under “Canadian Federal Income Tax Considerations”, unitholders will realize any accrued capital gain or loss on their FPI Units as a result of the merger.

Risk Factors

If the Merger Proposal is approved and implemented, unitholders of FPI will become unitholders of PCI. Unitholders should review closely the PCI Annual Information Form to familiarize themselves with the risks associated with an investment in PCI. The following are certain considerations relating to an investment in PCI which should also be considered in connection with the merger.

Concentration Risk

PCI invests in a portfolio principally consisting of common shares selected from the energy, financials and materials sectors of the S&P/TSX 60 Index. From time to time, PCI’s holdings may not be highly diversified.

Status of PCI for Securities Law Purposes

PCI is not a “mutual fund” for Canadian securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws are not available to unitholders of PCI and restrictions imposed on mutual funds under Canadian securities laws, including National Instrument 81-102 — *Mutual Funds*, do not apply to PCI.

Tax Risks

There can be no assurance that changes will not be made to the tax rules affecting the taxation of PCI or its investments, or that such tax rules will not be administered in a way that is less advantageous to PCI or its unitholders. Mulvihill believes that PCI’s tax losses will be available to be applied against further gains and income with the result that distributions may be paid to unitholders as returns of capital or be available for growth in NAV. However, there can be no assurance that legislation will not be enacted or amended or that Canada Revenue Agency (“CRA”) could not successfully challenge the ability of PCI to use its tax losses, thereby adversely affecting the tax characterization of distributions to unitholders or the liability of PCI for taxes on undistributed income.

The Province of Ontario has taken steps to harmonize its existing provincial sales tax with the federal goods and services tax (“GST”). It is expected that, effective July 1, 2010, a harmonized sales tax (“HST”) of 13% will apply to management fees and investment management fees paid by PCI, rather than the currently imposed 5% GST, which may increase the costs borne by PCI and its investors. In addition, it is currently uncertain whether GST/HST will be applied to trailer commissions paid to an investment dealer. If GST/HST is applied to trailer commissions, PCI may be required to pay GST/HST on the Service Fee, thereby increasing the costs borne by PCI and unitholders.

RECOMMENDATIONS

The Board of Directors of Mulvihill has determined that the Merger Proposal is in the best interests of each Fund and its unitholders and the Advisory Board of the Funds concurs with the Manager’s determination to put the Merger Proposal to unitholders of FPI and PCI. The Board of Directors of the Manager and the Advisory Board unanimously recommend that unitholders vote in favour of the Merger Proposal.

In arriving at this determination, consideration was given to the following factors:

- The merger is expected to result in administrative cost savings by eliminating the duplication of certain third party costs. PCI, as the continuing fund, is expected to have reduced costs on a per unit basis when compared to the current costs on a per unit basis of either FPI or PCI.
- The continuing fund will have a larger market capitalization, a greater number of outstanding units and a larger number of unitholders which is expected to increase the trading liquidity of the units on the TSX.
- The merger is expected to result in more frequent distributions to FPI unitholders.
- If the Merger Proposal is approved and implemented, FPI unitholders who do not wish to participate in the merger will be able to redeem their FPI Units at 100% of the NAV per FPI Unit on the New Redemption Date.

As required by NI 81-107, the Manager presented the Merger Proposal to the independent review committee of the Funds for a recommendation. The independent review committee has reviewed the Merger Proposal and recommended that the Merger Proposal be put to unitholders for their consideration on the basis that it achieves a fair and reasonable result for each Fund.

MANAGEMENT OF THE FUNDS

Manager

Pursuant to the trust agreement of each Fund (collectively, the “Trust Agreements” and each, a “Trust Agreement”), Mulvihill is responsible for providing or arranging for the provision of required administrative services to each Fund including: authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements and financial and accounting information as required by the Fund; ensuring that unitholders are provided with financial statements (including interim and annual financial statements) and other reports as are required by applicable law from time to time; ensuring that the Fund complies with regulatory and applicable stock exchange listing requirements; preparing the Fund’s reports to unitholders and the Canadian securities regulatory authorities; providing the Trustee (as defined below) with the information and reports necessary for it to fulfil its fiduciary responsibilities; determining the amount of distributions to be made by the Fund; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

Under the Trust Agreements, Mulvihill is required to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of each Fund, and in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in comparable circumstances.

Mulvihill may resign as manager of a Fund upon 60 days’ notice in writing to the Trustee and to unitholders or upon such lesser notice period as the Trustee may accept. If Mulvihill resigns it may appoint its successor but its successor must be approved by a two-thirds majority vote of unitholders. However, such notice and unitholder approval are not required if the successor manager is an affiliate of Mulvihill. If Mulvihill has committed certain events of bankruptcy or insolvency or is in material default of its obligations under a Trust Agreement and such default has not been cured within 30 days after notice of the same has been given to Mulvihill, the Trustee shall give notice thereof to unitholders and unitholders may direct the Trustee to remove Mulvihill and appoint a successor manager.

Mulvihill is entitled to fees for its services under the Trust Agreements as described in the FPI Prospectus and in the PCI Circular and will be reimbursed for all reasonable costs and expenses incurred by it on behalf of a Fund. In addition, Mulvihill and each of its directors, officers, employees and agents will be indemnified by a 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, a breach of its obligations under the applicable Trust Agreement or its failure to meet its standard of care set out in the Trust Agreement.

The principal office of Mulvihill is located at 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario, M5H 3T9.

Officers and Directors of the Manager

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

<u>Name and Municipality of Residence</u>	<u>Office or Position with the Manager</u>	<u>Principal Occupation</u>
JOHN P. MULVIHILL Toronto, Ontario	Chairman, President, Chief Executive Officer, Secretary and Director	Chairman, President, Chief Executive Officer, Secretary and Director, MCM
SHEILA S. SZELA Toronto, Ontario	Chief Financial Officer and Director	Vice-President, Finance and Chief Financial Officer, MCM
JOHN GERMAIN Toronto, Ontario	Director	Senior Vice-President, MCM

Investment Manager

MCM is the investment manager of each Fund. 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.” MCM is controlled by John P. Mulvihill.

MCM is or was the portfolio manager of the following investment funds that have completed prospectus offerings of securities in the respective amounts indicated: FPI (\$165 million), Premium Income Corporation (\$501 million), Top 10 Split Trust (formerly First Premium U.S. Income Trust) (\$404.6 million), First Premium Oil and Gas Income Trust (\$54.7 million), MCM Split Share Corp. (\$189.7 million), Global Telecom Split Share Corp. (\$170 million), Sixty Plus Income Trust (\$100 million), PCI (formerly Global Plus Income Trust) (\$121 million), Top 10 Canadian Financial Trust (formerly Digital World Trust) (\$265 million), Pro-AMS U.S. Trust (\$570.5 million), Government Strip Bond Trust (formerly Pro-AMS Trust) (\$1.13 billion), Mulvihill Pro-AMS 100PLUS (Cdn\$) Trust (\$178.1 million), Mulvihill Pro-AMS 100PLUS (US\$) Trust (US\$37.4 million), Mulvihill Pro-AMS RSP Split Share Corp. (\$106.5 million), World Financial Split Corp. (\$471.25 million), Core Canadian Dividend Trust (\$60 million), S Split Corp. (\$118.75 million) and Gold Participation and Income Fund (\$28.2 million).

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 each Fund’s portfolio are John P. Mulvihill and John Germain. Also assisting in the management of the portfolios are Dylan D’Costa, Jeff Dobson, Peggy Shiu and Jack Way.

John P. Mulvihill, Chairman, President, Chief Executive Officer, Secretary and Sole Director 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.

John Germain, Senior Vice-President, 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.

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.

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.

Peggy Shiu, Vice-President, has been with MCM since April 1995. She is a member of the investment management team and has extensive experience in the Canadian, U.S. and ADR (American Depository Receipt) equity markets.

Jack Way, Vice-President, 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.

Investment Management Agreements

MCM manages each Fund's investment portfolio in a manner consistent with the investment objectives, strategies and restrictions of the Fund pursuant to the Fund's investment management agreement (each, an "Investment Management Agreement" and collectively, the "Investment Management Agreements") between Mulvihill, as manager of, and on behalf of, the Fund, and MCM, as investment manager.

The services provided by MCM pursuant to the Investment Management Agreements include making all investment decisions for each Fund and managing the call option writing and put option writing by each Fund, all in accordance with the investment objectives, strategies and restrictions of the Funds. Decisions as to the purchase and sale of securities and as to the execution of all portfolio and other transactions are made by MCM. In the purchase and sale of securities for each Fund and the writing of option contracts, MCM seeks to obtain overall services and prompt execution of orders on favourable terms.

Under the Investment Management Agreements, MCM is required to act at all times on a basis that is fair and reasonable to each Fund, honestly and in good faith and in the best interests of unitholders and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in the circumstances. The Investment Management Agreements provide that neither MCM nor any officer, director or agent thereof shall be liable in any way to a Fund or any unitholder for any default, failure or defect in any of the securities of the Fund. MCM will, however, incur liability in cases of wilful misfeasance, bad faith, negligence or breach of its obligations under the Investment Management Agreements.

Each Investment Management Agreement, unless terminated as described below, will continue in effect until the termination of the Fund. Unitholders, by a two-thirds majority vote at a meeting called and held for such purpose, may cause the Investment Management Agreement of FPI to be terminated upon not less than six months' notice. On such termination, MCM is entitled to a termination payment from FPI in an amount equal to the aggregate of the investment management fees paid to it during the most recent 12-month period. Either Fund may terminate its respective Investment Management Agreement if MCM has committed certain events of bankruptcy or insolvency, lost any registration, licence or other authorization required by it to perform its services thereunder 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 a Fund. MCM may not terminate an Investment Management Agreement without the approval of unitholders unless 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 the same being provided by the Investment Manager to the Trustee or if there is a material change in the fundamental investment objectives, strategies or restrictions of the Fund.

MCM may not assign an Investment Management Agreement, except to the Manager or an affiliate of the current Investment Manager, without the approval of unitholders of the Fund.

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

MCM is entitled to fees for its services under the Investment Management Agreements as described in the FPI Prospectus and in the PCI Circular and will be reimbursed for all reasonable costs and expenses incurred by MCM on behalf of each Fund. In addition, MCM and its directors, officers and employees will be indemnified by each 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 them in the exercise of the duties of investment manager, except those resulting from MCM's wilful misconduct, bad faith, negligence or breach of its obligations under the applicable Investment Management Agreement.

Advisory Board

Each Fund has established an advisory board (the “Advisory Board”) currently consisting of five members appointed by Mulvihill to assist Mulvihill in performing its services under the Trust Agreements. The names, municipalities of residence and principal occupations of the members of the Advisory Board are as follows:

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>
JOHN P. MULVIHILL	Chairman, President, Chief Executive Officer, Secretary and Director, MCM Toronto, Ontario
MICHAEL M. KOERNER ⁽¹⁾ . . .	President, Canada Overseas Investments, Ltd. (private investment company) Toronto, Ontario
ROBERT W. KORTHALS ⁽¹⁾ . . .	Corporate Director Toronto, Ontario
ROBERT G. BERTRAM ⁽¹⁾	Corporate Director Aurora, Ontario
SHEILA S. SZELA	Vice-President, Finance and Chief Financial Officer, MCM Toronto, Ontario

(1) Independent of the Manager.

During the past five years all of the Advisory Board members 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. Each member of the Advisory Board has been appointed by the Manager and will serve until his or her successor is appointed. The fees and expenses of the FPI Advisory Board are paid by Mulvihill and the fees and expenses of the PCI Advisory Board are paid by PCI. See the FPI Annual Information Form and the PCI Annual Information Form for additional information.

Independent Review Committee

National Instrument 81-107 — *Independent Review Committee for Investment Funds* (“NI 81-107”) requires all publicly-offered investment funds, including the Funds, to establish an independent review committee. The independent review committee is required to be comprised of a minimum of three members, each of whom must be independent of the Manager, entities related to the Manager and the Fund.

The independent review committee functions in accordance with applicable Canadian securities law, including NI 81-107. The mandate of the independent review committee is to review and provide its decisions to the Manager on conflict of interest matters that the Manager has referred to the independent review committee for review. The Manager is required to identify conflict of interest matters relating to its management of each Fund and request input from the independent review committee in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The independent review committee has adopted a written charter that it follows when performing its functions and is subject to requirements to conduct regular assessments. In performing their duties, members of the independent review committee are required to act honestly, in good faith and in the best interests of each Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, each member of the independent review committee will be indemnified by the Funds for all costs and expenses reasonably incurred by the member in respect of any civil, administrative, investigative or other proceeding in which the member is involved because of being or having been a member, subject to the restrictions contained in NI 81-107. The independent review committee reports annually to unitholders. Such reports will be available on Mulvihill’s website at www.mulvihill.com or on request, at no cost, by contacting the Manager at hybrid@mulvihill.com.

As described in the FPI Annual Information Form and in the PCI Annual Information Form, the members of the independent review committee receive fees for their services to the Funds and are reimbursed for any reasonable costs incurred in connection with the performance of their duties. The Manager allocates these costs among each investment fund it manages on an equitable and reasonable basis.

The members of the independent review committee of the Funds are Michael M. Koerner, Robert W. Korthals and Robert G. Bertram.

Trustee

RBC Dexia Investor Services Trust, as successor to The Royal Trust Company, is the trustee (the “Trustee”) of the Funds under the Trust Agreements. As described in the Trust Agreements, the Trustee is responsible for certain aspects of the day-to-day administration of the Funds including calculating NAV, net income and net realized capital gains of the Funds and maintaining the books and records of the Funds in relation to their portfolios.

The Trustee may resign upon 60 days’ notice to unitholders and Mulvihill. The Trustee may be removed with the approval of a two-thirds majority vote cast at a meeting of unitholders of a Fund called for such purpose or by Mulvihill in the event the Trustee has committed certain events of bankruptcy or insolvency or is in material default of its obligations under the applicable Trust Agreement and such default continues for 30 days from the date the Trustee receives notice of such material default from Mulvihill. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns or is removed by Mulvihill, its successor may be appointed by Mulvihill. The successor must be approved by unitholders if the Trustee is removed by unitholders. If no successor has been appointed within 60 days, the Trustee or any unitholder may apply to a court of competent jurisdiction for the appointment of a successor.

Each Trust Agreement provides that the Trustee shall not be liable in carrying out its duties under the Trust Agreement except where it is in breach of its obligations under the Trust Agreement or where the Trustee fails to act honestly and in good faith, and in the best interests of unitholders to the extent required by laws applicable to trustees, or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, each Trust Agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee and its directors, officers, employees and agents in respect of certain liabilities incurred in carrying out their duties.

The Trustee is entitled to receive fees from each Fund and to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of each Fund.

Auditors, Transfer Agent and Custodian

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

Computershare provides the Funds with registrar, transfer and distribution agency services from its principal office in Toronto, Ontario.

RBC Dexia Investor Services Trust serves as custodian of each of the Funds.

CONDITIONS TO IMPLEMENTING THE MERGER PROPOSAL

The Merger Proposal will not be implemented unless it is approved by unitholders of each of the Funds, and all required securities regulatory and stock exchange approvals are obtained. In order to become effective, the Merger Proposal must be approved by a two-thirds majority of unitholders of FPI and a majority of unitholders of PCI present in person or represented by proxy at the applicable special meeting (a “Meeting” and collectively, the “Meetings”) of unitholders of the Funds.

There can be no assurance that the conditions precedent to implementing the Merger Proposal will be satisfied on a timely basis, if at all. If the requisite unitholder approval for the Merger Proposal is not obtained or if any other required approval is not obtained, the Merger Proposal will not be implemented.

EXPENSES OF THE MERGER PROPOSAL

Whether or not the Merger Proposal is approved, all costs and expenses incurred in connection with the calling and holding of the FPI Meeting will be borne by FPI and all costs and expenses incurred in connection with the calling and holding of the PCI Meeting will be borne by PCI. Such costs and expenses are estimated to be approximately \$80,000 for FPI and \$45,000 for PCI.

TERMINATION OF THE MERGER PROPOSAL

The Merger Proposal may, at any time before or after the holding of the Meetings (but prior to the entering into of any amendments to the Trust Agreements to give effect to the Merger Proposal) be terminated by the Manager without further notice to, or action on the part of, unitholders if the Manager determines in its sole judgement that it would be inadvisable for the Funds to proceed.

INTERESTS OF MANAGEMENT AND OTHERS IN THE MERGER PROPOSAL

Mulvihill is the manager of the Funds and MCM is the investment manager of the Funds. Mulvihill receives a management fee and MCM receives an investment management fee from each Fund. If the Merger Proposal is approved, the aggregate fees payable to MCM will diminish, as the investment management fee payable by FPI is equal to 1.15% of its net assets, whereas the investment management fee payable by PCI as the continuing fund is equal to 1.00% of its net assets.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to Mulvihill, FPI and PCI, the following is a summary of the principal Canadian federal income tax considerations relating to the Merger Proposal that are generally applicable to individuals (other than trusts) who at all relevant times for purposes of the *Income Tax Act* (Canada) (the “Tax Act”) are resident in Canada, hold FPI Units and PCI Units as capital property and deal at arm’s length with and are not affiliated with FPI or PCI (“Holders”). Certain Holders to whom such securities might not otherwise qualify as capital property may be entitled to make the irrevocable election in the circumstances permitted by subsection 39(4) of the Tax Act to deem such securities (and all other Canadian securities owned by the Holder) to be capital property.

This summary is based on the facts set out in this Circular and relies as to certain factual matters on a certificate of an officer of the Manager. This summary is based on the assumption that each of FPI and PCI will, at all relevant times, qualify as a “unit trust” and a “mutual fund trust” within the meaning of the Tax Act. This summary is also based on the assumption that FPI and PCI are not “SIFT trusts” or “affiliated persons” within the meaning of the Tax Act.

This summary is based on the current provisions of the Tax Act and the regulations thereunder (the “Tax Regulations”), all specific proposals to amend the Tax Act and the Tax Regulations that have been publicly announced by the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”) and counsel’s understanding of the current published administrative policies and assessing practices of CRA. This summary is not exhaustive of all possible Canadian federal income tax considerations and, excepting the Tax Proposals, does not otherwise take into account or anticipate any changes to the Tax Act or the Tax Regulations whether by judicial, governmental or legislative action or decision, nor any changes in the administrative practices of the CRA, nor does it consider provincial, territorial or foreign income tax consequences, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be treated as, legal or tax advice to any particular Holder. Holders should consult their own tax advisors for advice about their specific circumstances.

Merger Proposal

The merger will likely have tax consequences for unitholders of FPI because it will not take place on a rollover basis for tax purposes. As described in more detail below, Holders will realize any accrued capital gain or loss on their FPI Units as a result of the merger.

On the disposition by FPI of substantially all of its net assets to PCI, FPI will, in respect of such assets held as capital property, realize a capital gain (or capital loss) in the amount by which the proceeds of disposition of such assets exceed (or are less than) the aggregate of the adjusted cost base to FPI of such assets and any reasonable costs of disposition. The proceeds of disposition of such assets to FPI will equal the then fair market value of the PCI Units received as consideration therefor. It is anticipated that FPI will have sufficient tax losses to offset any such capital gains, and this situation is unlikely to change before the merger is completed.

PCI will acquire the assets of FPI at a cost equal to the then NAV of the PCI Units issued to FPI as consideration therefor (which the Manager expects to be representative of the fair market value of such PCI Units at the time of issuance). On the disposition by PCI of its assets, including assets acquired from FPI, PCI will, in respect of such assets held as capital property, realize a capital gain (or capital loss) in the amount by which the proceeds of disposition of such assets exceed (or are less than) the aggregate of the adjusted cost base to PCI of such assets and any reasonable costs of disposition.

A Holder of FPI Units will be considered to dispose of such FPI Units upon the automatic redemption of such FPI Units for proceeds consisting of PCI Units, and will be considered to realize a capital gain (or capital loss) in the amount by which the then fair market value of the PCI Units received by such Holder, less any amount of income or capital gains of FPI allocated to such Holder in respect of the redemption, exceeds (or is less than) the aggregate of the adjusted cost base of such Holder's FPI Units, taking into account any reinvested distributions as of the time of the merger, and any reasonable costs of disposition.

The aggregate cost for tax purposes to an FPI unitholder receiving PCI Units as proceeds on the automatic redemption of FPI Units will be the fair market value of such PCI Units at that time. For the purpose of determining the adjusted cost base to a Holder of FPI Units at the time of redemption, the cost of each FPI Unit owned by the unitholder must be averaged with the adjusted cost base of all FPI Units owned by the unitholder as capital property.

Where a Holder of FPI Units has received a return of capital distribution from FPI in respect of an FPI Unit, the adjusted cost base of such FPI Unit will have been reduced by the amount of such distribution. To the extent that the adjusted cost base of such FPI Unit would otherwise be less than zero, a capital gain equal to the negative amount will have been deemed to have been realized by such Holder, and the adjusted cost base of such FPI Unit will have been increased by the amount of such deemed capital gain.

One-half of any capital gain (a "taxable capital gain") realized on the disposition of FPI Units will be included in the unitholder's income and one-half of any capital loss (an "allowable capital loss") realized will be deducted from any taxable capital gains realized in the same taxation year subject to and in accordance with detailed rules in the Tax Act.

Eligibility for Investment

Provided that PCI continues to qualify at all times as a mutual fund trust within the meaning of the Tax Act or PCI Units are listed on a "designated stock exchange" for purposes of the Tax Act (which includes the TSX), PCI Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts.

However, if the PCI Units are a "prohibited investment" for a tax-free savings account, the holder of a tax-free savings account that governs a trust that holds PCI Units will be subject to a penalty tax as set out in the Tax Act. An investment in the PCI Units will not generally be a "prohibited investment" unless the holder of a tax-free savings account does not deal at arm's length with PCI for purposes of the Tax Act or if the holder has a significant interest (within the meaning of the Tax Act) in PCI or in a corporation, partnership or trust with which PCI does not deal at arm's length for purposes of the Tax Act. Holders of tax-free savings accounts should consult their own tax advisors to ensure that their PCI Units would not be a "prohibited investment" in their particular circumstances.

UNITS AND PRINCIPAL HOLDERS

As at April 27, 2010, to the knowledge of the Manager and its directors and officers, no person owned of record more than 10% of the outstanding FPI Units or of the PCI Units other than CDS & Co., the nominee of CDS, which holds 1,998,705 FPI Units or 98.77% of the outstanding FPI Units and 563,646 PCI Units or 100% of the outstanding PCI Units as registered owner for various brokers and other persons on behalf of their clients and others. The names of the beneficial owners of such units are not known to the Manager, FPI or PCI.

GENERAL PROXY INFORMATION

Circular

This Circular is furnished in connection with the solicitation of proxies by management of the Funds to be used at the Meetings or at any adjournment thereof. The Meetings will be held concurrently with separate votes for each Fund on June 4, 2010 at 10:00 a.m. (Toronto time) at 1 First Canadian Place, Suite 6300, 100 King Street West, Toronto, Ontario for the purposes set forth in the notice of special meetings of unitholders (the "Notice") accompanying this Circular. Solicitation of proxies will be by mail, and may be supplemented by telephone or other personal contact by representatives or agents of the Funds.

Proxy Information, Record Date, Voting Rights and Quorum

To be used at a Meeting, a proxy must be deposited with Computershare by delivery to its principal offices in Toronto at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department at any time up to 5:00 p.m. (Toronto time) on June 2, 2010 or with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or the day of any adjournment of the Meeting.

Only holders of record of whole units at the close of business on April 30, 2010 will be entitled to receive notice of a Meeting and to vote in respect of the matters to be voted at the Meeting or any adjournment thereof.

With respect to each matter properly before a Meeting, a unitholder shall be entitled to one vote for each unit registered in the name of such unitholder. In order to become effective, the Merger Proposal must be approved by at least 66⅔% of unitholders of FPI and more than 50% of unitholders of PCI voting on such matters.

Pursuant to the Trust Agreements, a quorum at each Meeting will consist of two or more unitholders present in person or represented by proxy holding not less than 10% of the outstanding units of the Fund. If the quorum requirement is not satisfied within one-half hour of the scheduled time for the Meeting, then the Meeting will be adjourned by the Chairman of the Meeting. If adjourned, the Meeting will be rescheduled to 10:00 a.m. (Toronto time) on June 14, 2010. At the adjourned meeting, the business of the Meeting will be transacted by those unitholders present in person or represented by proxy.

Appointment of Proxy Holders

Unitholders who are unable to be present at a Meeting may still vote through the use of proxies. If you are a unitholder, you should complete, execute and return the enclosed proxy form. By completing and returning the enclosed proxy form, you can participate in the Meeting through the person or persons named on the form. Please indicate the way you wish to vote and your vote will be cast accordingly. **If you do not indicate a preference, the units represented by the enclosed proxy form, if the same is executed in favour of the management appointees named in the proxy form and deposited as provided in the Notice, will be voted in favour of all matters identified in such Notice.**

Discretionary Authority of Proxies

The proxy form confers discretionary authority upon the management appointees named therein with respect to such matters, including without limitation, amendment or variation to the resolutions, as, though not specifically set forth in the Notice, may properly come before a Meeting. Management does not know of any such matter that may be presented for consideration at the Meetings. However, if such a matter is presented, the

proxy will be voted on the matter in accordance with the best judgment of the management appointees named in the proxy form.

On any ballot that may be called for at the Meetings, all units in respect of which the management appointees named in the accompanying proxy form have been appointed to act will be voted in accordance with the specification of the unitholder signing the proxy form. If no specification is made, the units will be voted in favour of all matters identified in the Notice.

Alternate Proxy

A unitholder has the right to appoint a person or company to represent them at a Meeting other than the management appointees designated on the accompanying proxy form by crossing out the printed names and inserting the name of the person he or she wishes to act as proxy in the blank space provided, or by completing another proxy form. Proxy forms that appoint persons other than the management appointees whose names are printed on the form should be submitted to Computershare and the person so appointed should be notified. A person acting as proxy need not be a unitholder.

On any ballot that may be called for at the Meetings, all units in respect of which the person named in a proxy form has been appointed to act shall be voted or withheld from voting in accordance with the instructions of the unitholder. If the unitholder specifies a choice with respect to any matter to be acted upon, the units will be voted accordingly. If no specification is made, the units may be voted in accordance with the best judgment of the person named in the proxy form. Furthermore, the person named in the proxy form will have discretionary authority with respect to any amendments to the matters set forth in the Notice and with respect to any other matters that may properly come before the Meetings, and units will be voted on such amendments and other matters in accordance with the best judgment of the person named in the proxy form.

Revocation of Proxies

If the accompanying form of proxy is executed and returned, the proxy may nevertheless be revoked by an instrument in writing executed by the unitholder or his or her attorney authorized in writing, as well as in any other manner permitted by law. Any instrument revoking a proxy must either be deposited (a) at the registered office of Computershare no later than 5:00 p.m. (Toronto time) on the day before the day of the Meetings or (b) with the Chairman of the Meetings on the day of the Meetings or any adjournment thereof. If the instrument of revocation is deposited with the Chairman on the day of the Meetings or any adjournment thereof, the instrument will not be effective with respect to any matter on which a vote has already been cast pursuant to that proxy.

Solicitation of Proxies

The cost of this solicitation of proxies will be borne by the Funds. The Funds will reimburse brokers, custodians, nominees and fiduciaries for the proper charges and expenses incurred in forwarding this Circular and related materials to Beneficial Holders (as defined below). In addition to solicitation by mail, officers and directors of the Manager or the Investment Manager or their agents may, without additional compensation, solicit proxies personally or by telephone.

Beneficial Holders and Unitholders

The information set forth in this section is of significant importance to beneficial unitholders ("Beneficial Holders"). Most of the FPI Units and all of the PCI Units are held in book-entry form in the name of CDS & Co., the nominee of CDS, and not in the name of Beneficial Holders. Beneficial Holders should note that only proxies deposited by unitholders whose names appear on the records of the Fund as the registered holders of units can be recognized and acted upon at a Meeting. Units held by brokers, dealers or their nominees through CDS & Co. can only be voted upon the instructions of the Beneficial Holder. Without specific instructions, CDS & Co. and brokers, dealers and their nominees are prohibited from voting units for their clients. The Funds do not know for whose benefit the units registered in the name of CDS & Co. are held. Therefore, Beneficial Holders cannot be recognized at a Meeting for purposes of voting their units in person or by way of proxy unless they comply with the procedure described below.

Applicable regulatory policy requires brokers, dealers and other intermediaries to seek voting instructions from Beneficial Holders in advance of the Meetings. Every intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Holders in order to ensure that their units are voted at the Meetings. Often, the form of proxy supplied to a Beneficial Holder by its intermediary is identical to that provided to registered unitholders. However, its purpose is limited to instructing the registered unitholders how to vote on behalf of the Beneficial Holders. The majority of intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“Broadridge”). Broadridge typically prepares a voting instruction form that it mails to the Beneficial Holders and asks Beneficial Holders to complete and return directly to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of units to be represented at the Meetings. **A Beneficial Holder receiving a voting instruction form cannot use that form to vote units directly at a Meeting. Rather, the voting instruction form must be returned to Broadridge well in advance of the Meeting to have the units voted.**

If you are a Beneficial Holder and wish to vote in person at a Meeting, please contact your broker, dealer or other intermediary well in advance of the Meeting to determine how you can do so. Voting instruction forms sent by Broadridge may be completed by telephone or through the internet at www.proxyvote.com.

If you are a unitholder and wish to vote in favour of the Merger Proposal, you should submit a form of proxy voting in favour of the Merger Proposal well in advance of the 5:00 p.m. (Toronto time) deadline on June 2, 2010 for the deposit of proxies.

FORWARD-LOOKING STATEMENTS

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

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commissions or similar authorities in each of the provinces of Canada are specifically incorporated by reference into, and form an integral part of, this Circular:

- the FPI Annual Information Form;
- the PCI Annual Information Form;
- the FPI Prospectus; and
- the PCI Circular.

Any statement contained herein or in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Circular to the extent that a statement contained herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular. Information on any website maintained by the Funds, the

Manager or the Investment Manager does not constitute a part of this Circular. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

The documents incorporated by reference are available on SEDAR at www.sedar.com. Upon request, the Manager will promptly provide a copy of any such document free of charge to unitholders of the Funds. See “Additional Information”.

ADDITIONAL INFORMATION

Financial information about each Fund is available in the Fund’s comparative financial statements and management report of fund performance for its most recently completed financial year. These documents and other information about each Fund are available on SEDAR at www.sedar.com. Copies of these documents will be promptly provided by the Manager free of charge upon request. To make such a request, call toll-free at 1-800-725-7172, write to Investor Relations, Mulvihill Fund Services Inc., 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario, M5H 3T9, e-mail hybrid@mulvihill.com or visit the Funds’ website at www.mulvihill.com.

APPROVAL OF CIRCULAR

The Board of Directors of Mulvihill has approved the contents and the sending of this Circular to unitholders of the Funds.

DATED at Toronto, Ontario this 29th day of April, 2010.

Mulvihill Fund Services Inc., as manager of
First Premium Income Trust and
Premier Canadian Income Fund



John P. Mulvihill
Chairman and President

APPENDIX I
FIRST PREMIUM INCOME TRUST
SPECIAL RESOLUTION

BE IT RESOLVED THAT:

1. The merger (the “Merger”) of First Premium Income Trust (“FPI”) with Premier Canadian Income Fund (“PCI” and, together with FPI, the “Funds” and each, a “Fund”), with PCI as the continuing fund, substantially as described in the joint management information circular of the Funds dated April 29, 2010 (the “Circular”) including, without limitation, the transfer by FPI to PCI of substantially all of the net assets of FPI in consideration for units of PCI and the automatic redemption by FPI of all units of FPI, in exchange for units of PCI held by FPI, such that holders of units of FPI will become holders of units of PCI, is authorized and approved.
2. The entering into of an agreement amending the terms of FPI’s trust agreement between Mulvihill Fund Services Inc. (the “Manager”), as manager of FPI, and RBC Dexia Investor Services Trust (the “Trustee”), as trustee of FPI, in order to implement the Merger, including without limitation, to permit an additional redemption of units of FPI at 100% of the net asset value per unit, the transfer by FPI to PCI of substantially all of the assets of FPI and the automatic redemption by FPI of all units of FPI, as more particularly described in the Circular, is authorized and approved.
3. The Manager and the Trustee are hereby authorized and directed to make such additional amendments to FPI’s trust agreement as the Manager considers necessary or desirable in connection with or to implement the matters contemplated in this special resolution.
4. The Manager is hereby authorized and directed, as manager of FPI, to take such action and negotiate, approve, execute and deliver all such certificates, documents, authorizations, agreements and instruments or other documentation and to take any and all such further action as may be necessary or desirable in connection with or to implement the matters contemplated in this special resolution or in the Circular.
5. Notwithstanding the provisions hereof, the board of directors of the Manager, as manager of FPI, may revoke this special resolution at any time prior to its implementation without further approval of unitholders of FPI.

APPENDIX II
PREMIER CANADIAN INCOME FUND
ORDINARY RESOLUTION

BE IT RESOLVED THAT:

1. The merger (the “Merger”) of First Premium Income Trust (“FPI”) with Premier Canadian Income Fund (“PCI” and, together with FPI, the “Funds” and each, a “Fund”), with PCI as the continuing fund, substantially as described in the joint management information circular of the Funds dated April 29, 2010 (the “Circular”) including, without limitation, the transfer by FPI to PCI of substantially all of the net assets of FPI in exchange for units of PCI, such that holders of units of FPI will become holders of units of PCI, is authorized and approved.
2. Mulvihill Fund Services Inc. (the “Manager”) is hereby authorized and directed, as manager of PCI, to take such action and negotiate, approve, execute and deliver all such certificates, documents, authorizations, agreements and instruments or other documentation and to take any and all such further action as may be necessary or desirable in connection with or to implement the matters contemplated in this resolution or in the Circular.
3. Notwithstanding the provisions hereof, the board of directors of the Manager, as manager of PCI, may revoke this resolution at any time prior to its implementation without further approval of unitholders of PCI.

