PROSPECTUS

New Issue

September 23, 2004

Mulvihill

Premium Income Corporation

(Maximum) $174,393,301

$101,534,790	$72,858,511
6,487,846 Preferred Shares (Maximum)	**6,487,846 Class A Shares (Maximum)**

This prospectus qualifies the distribution of up to 6,487,846 preferred shares (the ''Preferred Shares'') and 6,487,846 class A shares (the ''Class A Shares'') of Premium Income Corporation (the ''Company'') (the ''Offerings''). The Preferred Shares and Class A Shares are to be issued and sold by the Company either (i) for a cash payment, or (ii) to existing securityholders of MCM Pro-AMS Funds pursuant to the Switch Option (described below). The term ''MCM Pro-AMS Funds'' means Pro-AMS U.S. Trust, Pro-AMS Trust, Mulvihill Pro-AMS 100 PLUS (Cdn$) Trust, Mulvihill Pro-AMS 100 PLUS (US$) Trust, and Mulvihill Pro-AMS RSP Split Share Corp.

Mulvihill Fund Services Inc., the manager of the MCM Pro-AMS Funds, has provided notice to securityholders of the MCM Pro-AMS Funds that they are entitled to a special retraction privilege pursuant to which they may retract their MCM Pro-AMS Fund securities for 100% of the net asset value per security as at September 21, 2004, provided that the cash proceeds received on the retraction are invested in shares of the Company (the ''Switch Option''). Under the Switch Option prospective purchasers will be required to purchase an equal number of Preferred Shares and Class A Shares. While these shares will be issued together as a unit (a ''Unit''), they will trade separately in the market.

It is important for investors exercising the Switch Option to note that, unlike the MCM Pro-AMS Funds, the Company does not have the benefit of a forward agreement to provide capital repayment protection. As a result, securityholders of MCM Pro-AMS Funds who exercise the Switch Option will forego the capital repayment protection provided by the forward agreements entered into by the MCM Pro-AMS Funds. All prospective purchasers should see ''Risk Factors'' for a discussion of certain other factors that should be considered by prospective investors in Preferred Shares and Class A Shares.

The number of Units to be issued to a holder of securities of an MCM Pro-AMS Fund retracted pursuant to the Switch Option will be determined by dividing (i) the net asset value per security of the MCM Pro-AMS Fund on September 21, 2004 minus any distribution payable on such security in September 2004 by (ii) the Unit Offering Price (defined as the aggregate of the offering prices of a Preferred Share and Class A Share).

Prospective purchasers under the Switch Option will be required to retract securities of an existing MCM Pro-AMS Fund prior to 5:00 p.m. (Toronto time) on September 15, 2004. By participating in the special retraction, MCM Pro-AMS Fund securityholders are directing the Manager to use the cash proceeds received on the retraction to subscribe for Units on the securityholders' behalf. **The Company will not hold any securities issued by the MCM Pro-AMS Funds as a result of the Switch Option.**

The Company completed its initial public offering in October 1996 and a further issue of shares in September 2003. See ''Historical Performance of the Preferred Shares and the Class A Shares''. The outstanding Preferred Shares and the Class A Shares are listed on the Toronto Stock Exchange under the symbols PIC.PR.A and PIC.A, respectively. The closing price of the Preferred Shares and the Class A Shares on September 22, 2004 was $16.05 and $11.50, respectively. The Preferred Shares are rated Pfd-2 by Dominion Bond Rating Services Limited. The Company invests in a portfolio (the ''Portfolio'') consisting principally of common shares of Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada and The Toronto-Dominion Bank (collectively, the ''Banks'').

The Company's investment objectives are:

(i) to provide holders of Preferred Shares with cumulative preferential quarterly cash distributions in the amount of $0.215625 per share (resulting in distributions on the offering price of 5.51% per annum);

(ii) to provide holders of Class A Shares with quarterly 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 expenses and loss carry-forwards, exceed the amount of the distributions paid on the Preferred Shares; and

(iii) to return the original issue price of the shares under its initial public offering to holders of both Preferred Shares and Class A Shares at the time of redemption of such shares on November 1, 2010.

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 common shares in the Portfolio. From time to time the Company holds a portion of its assets in cash equivalents, which may be used to provide cover in respect of the writing of cash covered put options in respect of securities in which the Company is permitted to invest. The Portfolio will be managed by the Company's investment manager, Mulvihill Capital Management Inc. (''MCM''). The composition of the Portfolio, the common shares that are subject to call options, the writing of put options, and the terms of such options will vary from time to time based on MCM's assessment of market conditions.

The Preferred Shares and the Class A Shares will be redeemed by the Company on November 1, 2010. The redemption price payable by the Company for a Preferred Share on November 1, 2010 will be equal to the lesser of (i) $15.00; and (ii) the Net Asset Value of the Company (as defined herein) on that date divided by the number of Preferred Shares then outstanding. The redemption price payable by the Company for a Class A Share on November 1, 2010 will be equal to the greater of (i) the NAV per Unit on that date minus $15.00; and (ii) nil. ''NAV per Unit'' for this purpose means the Net Asset Value of the Company divided by one half of the aggregate number of Preferred Shares and Class A Shares then outstanding. Holders of Preferred Shares and Class A Shares will also be entitled to surrender their shares for retraction on a regular basis prior to November 1, 2010. See ''Details of the Offerings.''

In the opinion of counsel, the Preferred Shares and the Class A Shares are qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, and provided the Company complies with its investment criteria, will not constitute foreign property under such Act.

Prices: $15.65 per Preferred Share and $11.23 per Class A Share

	Price to the Public (1)	Agents' Fee	Net Proceeds to the Company (2)
Per Preferred Share	$15.65	$ 0.4695	$ 15.1805
Per Class A Share	$11.23	$0.589575	$10.640425
Total Offering(3)(4)	$26.88	$1.059075	$25.820925

(1) The offering prices were established by negotiation between the Company and the Agents. The net proceeds to the Company from the sale of a Unit exceeds the Net Asset Value per Unit on September 21, 2004.

(2) Before deducting the expenses of the Offerings estimated at $500,000. The expenses of the Offerings, together with the Agents' fees, will be paid out of the proceeds of the Offerings.

(3) Although the Preferred Shares and Class A Shares are offered separately, such shares will be issued only on the basis that there will be an equal number of Preferred Shares and Class A Shares issued.

(4) There will be no closing unless a minimum of 1,000,000 Preferred Shares and 1,000,000 Class A Shares are sold.

RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, Raymond James Ltd. and First Associates Investments Inc. (the ''Agents'') conditionally offer the Preferred Shares and Class A Shares, subject to prior sale on a best efforts basis, if, as and when issued by the Company and accepted by the Agents in accordance with the conditions contained in the Agency Agreement, and subject to the approval of certain legal matters by Osler, Hoskin & Harcourt LLP, on behalf of the Company and Davies Ward Phillips & Vineberg LLP, on behalf of the Agents. See ''Plan of Distribution''.

The Toronto Stock Exchange has conditionally approved the listing of the Preferred Shares and the Class A Shares offered hereunder. Listing is subject to the Company fulfilling all of the requirements of such stock exchange on or before November 16, 2004.

Subscriptions will be received for the Preferred Shares and Class A Shares offered hereby, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time. Closing of the Offerings is expected to occur on or about September 30, 2004, but no later than October 29, 2004. Registrations and transfers of Preferred Shares and Class A Shares will be effected only through the book entry only system administered by The Canadian Depository for Securities Limited. Beneficial owners of Preferred Shares and Class A Shares will not have the right to receive physical certificates evidencing their ownership.

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PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

The Company

Premium Income Corporation (the ''Company'') is a mutual fund corporation established under the laws of the Province of Ontario on August 27, 1996. The Company completed its initial public offering in October 1996 and a further issue of shares in September 2003. The outstanding Preferred Shares and the Class A Shares are listed on the Toronto Stock Exchange under the symbols PIC.PR.A and PIC.A, respectively. The Company's articles of incorporation were amended on July 30, 1999 to permit the Company to write cash covered put options and on May 16, 2003 to extend the mandatory redemption date of the Preferred Shares and the Class A Shares. The manager of the Company is Mulvihill Fund Services Inc. (''Mulvihill'') and the Company's investment manager is Mulvihill Capital Management Inc. (''MCM''). The principal office of the Company, Mulvihill and MCM is located at 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario M5H 3T9.

The Offerings

Offerings: The Offerings consist of an equal number of preferred shares (the ''Preferred Shares'') and class A shares (the ''Class A Shares'') of the Company. The Preferred Shares and Class A Shares are to be issued and sold by the Company either (i) for a cash payment, or (ii) pursuant to the Switch Option (described below).

Amounts: Maximum $101,534,790 (6,487,846 Preferred Shares)
Maximum $72,858,511 (6,487,846 Class A Shares)

Under the Switch Option prospective purchasers will be required to purchase an equal number of Preferred Shares and Class A Shares. While these shares will be issued together as a unit (a ''Unit''), they will trade separately in the market.

Offering Prices: $15.65 per Preferred Share
$11.23 per Class A Share

The offering prices were established by negotiation between the Company and the Agents (defined below). The aggregate of the offering prices of a Preferred Share and a Class A Share (the ''Unit Offering Price'') will be at least equal to the net asset value per Unit on September 21, 2004 plus expenses of the Offerings and Agents' fees.

Switch Option: The Switch Option allows MCM Pro-AMS Fund securityholders to exercise a special retraction privilege pursuant to which they may retract their MCM Pro-AMS Fund securities for 100% of the net asset value per security as at September 21, 2004, provided that the cash proceeds received on the retraction are invested in Units.

Unlike the MCM Pro-AMS Funds, the Company does not have the benefit of a forward agreement to provide capital repayment protection. As a result, securityholders of MCM Pro-AMS Funds who exercise the Switch Option will forego the capital repayment protection provided by the forward agreements entered into by the MCM Pro-AMS Funds. All prospective purchasers should see ''Risk Factors'' for a discussion of certain other factors that should be considered by prospective investors in Preferred Shares and Class A Shares.

The number of Units to be issued to a holder of securities of an MCM Pro-AMS Fund retracted pursuant to the Switch Option (each a ''Switch Ratio'') will be determined by dividing (i) the net asset value per security of the MCM Pro-AMS Fund on September 21, 2004 minus any distribution payable on such security in September 2004 by (ii) the Unit Offering Price. The Company will issue a press release after the close of business on September 22, 2004 announcing the Switch Ratio for each MCM Pro-AMS Fund. See ''The Switch Option''.

By participating in the special retraction, MCM Pro-AMS Fund securityholders are directing the Manager to use the cash proceeds received on the retraction to subscribe for Units on the securityholders' behalf. **The Company will not hold any securities issued by the MCM Pro-AMS Funds as a result of the Switch Option.**

In order to utilize the Switch Option, a prospective purchaser is required to retract securities of an existing MCM Pro-AMS Fund by depositing them with Computershare Trust Company of Canada (the ''Exchange Agent''), through The Canadian Depository for Securities Limited (''CDS''), prior to 5:00 p.m. (Toronto time) on September 15, 2004. Such deposit must be made by way of book-entry deposit through a CDS Participant. CDS Participants may have an earlier deadline for receiving instructions from their clients to make deposits into the Switch Option.

A purchaser who holds securities of an existing MCM Pro-AMS Fund may realize a gain or loss on the exchange of securities of any such fund for Units of the Company pursuant to the Switch Option, as such exchange will be a retraction of such securities and therefore a disposition by the purchaser of the securities of any such fund for tax purposes. See ''Canadian Federal Income Tax Considerations — The Switch Option''.

MCM Pro-AMS Funds: Pro-AMS U.S. Trust
Pro-AMS Trust
Mulvihill Pro-AMS 100 PLUS (Cdn$) Trust
Mulvihill Pro-AMS 100 PLUS (US$) Trust
Mulvihill Pro-AMS RSP Split Share Corp.

Overview of Premium Income Corporation

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 $0.215625 per share (resulting in distributions on the offering price of 5.51% per annum); (ii) to provide holders of Class A Shares with quarterly 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 expenses and loss carry-forwards, exceed the amount of the distributions paid on the Preferred Shares; and (iii) to return the Original Issue Price to holders of both Preferred Shares and Class A Shares at the time of redemption of such shares on November 1, 2010.

Investment Strategy: To achieve its investment objectives, the Company invests in a portfolio (the ''Portfolio'') consisting principally of common shares of:

Bank of Montreal,
The Bank of Nova Scotia,
Canadian Imperial Bank of Commerce,
Royal Bank of Canada, and
The Toronto-Dominion Bank

(collectively, the ''Banks'').

The Company will invest the net proceeds of the Offerings in additional Portfolio Shares. See ''Use of Proceeds''.

The Company will not hold any securities of the MCM Pro-AMS Funds.

The Company may also from time to time hold short-term debt instruments issued by the Government of Canada or a province of Canada or by one or more of the Banks. Historically, the Company has held on average approximately 30% of its assets in such instruments. However, the Company may determine to hold more or less of its assets in such instruments in the future.

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 common shares in the Portfolio. From time to time, the Company also holds a portion of its assets in cash equivalents, which may be used to provide cover in respect of the writing of cash covered put options in respect of securities in which the Company is permitted to invest. The composition of the Portfolio, the common shares that are subject to call options and the terms of such options will vary from time to time based on MCM's assessment of market conditions. See ''Investments of the Company'', ''Portfolio Investments'' and ''Covered Call Option Writing''.

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

Investment Manager: MCM has been retained to act as investment manager of the Company in accordance with the investment objectives, strategy and criteria of the Company.

MCM is one of the largest managers of covered call option funds in Canada. MCM is an employee-owned investment counsellor which manages, in addition to the Mulvihill family of funds, investments for numerous pension and endowment funds and for individuals having a significant net worth. MCM's total assets under management exceed $3 billion. See ''Management of the Company — The Investment Manager''.

Custodian: The Royal Trust Company acts as custodian of the assets of the Company and is responsible for certain aspects of the day-to-day administration of the Company. See ''Custodian''.

Preferred Shares

Distributions: Holders of Preferred Shares will be entitled to receive cumulative preferential quarterly cash distributions of $0.215625 per share. To the extent any such distribution is funded by net realized capital gains of the Company or option premiums earned by the Company and constitutes a capital gains dividend for the purposes of the *Income Tax Act* (Canada), holders of Preferred Shares will receive an additional amount of $0.068 for each $1.00 of Preferred Share distribution so funded. Distributions on the Preferred Shares offered hereunder are payable on the last day of January, April, July and October in each year. See ''Details of the Offerings — Certain Provisions of the Preferred Shares''.

Historical Performance: Between October 30, 1996 and July 31, 2004, the Company paid holders of Preferred Shares distributions totalling approximately $6.86 per Preferred Share. This represents a distribution yield from inception of 5.89% per annum. At the current highest marginal tax rates for individuals in Ontario, this represents a pre-tax interest equivalent yield of approximately 7.91% per annum. The table below sets out in more detail information relating to the distributions paid to holders of Preferred Shares.

	Historical Distributions Per Preferred Share		
Year	Regular Distributions	Capital Gains Gross-Up	Total Distributions Paid
1997	$0.8625	$0.0153	$0.8778
1998	$0.8625	$0.0218	$0.8843
1999	$0.8625	$0.0261	$0.8886
2000	$0.8625	$0.0175	$0.8800
2001	$0.8625	$0.0217	$0.8842
2002	$0.8625	$0.0217	$0.8842
2003	$0.8625	$0.0303	$0.8928
2004 (1)	$0.6469	$0.0195	$0.6664
Total	$6.6844	$0.1739	$6.8583
Annualized Distributions (2)	5.75%		5.89%
Pre-tax interest equivalent (3)			7.91%

Notes:

(1) Includes all distributions through July 31, 2004.

(2) Based on the Original Issue Price.

(3) Assumes 60% ordinary dividend and 40% capital gains dividend and an Ontario marginal tax rate for individuals of 46.41%.

The Company's other objective with respect to the Preferred Shares is to return the Original Issue Price of $15.00. The NAV per Preferred Share has not fallen below $15.00 since inception.

Rating: The Preferred Shares are currently rated Pfd-2 by Dominion Bond Rating Services Limited and have maintained such rating from inception.

Redemption: The Preferred Shares will be redeemed by the Company on November 1, 2010. 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 NAV on that date divided by the number of Preferred Shares then outstanding.

Retraction Privileges: **Regular Retraction:** Preferred Shares may be surrendered at any time for retraction by the Company but will be retracted only on a monthly Valuation Date (as defined below). Shares surrendered for retraction by a holder of Preferred Shares at least five (5) business days prior to the last day of the month (a ''Valuation Date'') will be retracted on such Valuation Date and such shareholder will receive payment on or before the fifth business day following such Valuation Date. Shareholders whose Preferred Shares are retracted on a Valuation Date will be entitled to receive a retraction price per share equal to 96% of the lesser of (i) the NAV per Unit determined as of the relevant 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. The cost of the purchase of a Class A Share will include the purchase price of the Class A Share, commission and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund such purchase. See ''Details of the Offerings — Certain Provisions of the Preferred Shares''.

Annual Concurrent Retraction: A holder of Preferred Shares may concurrently retract an equal number of Preferred Shares and Class A Shares on the October Valuation Date of each year, at a retraction price equal to the NAV per Unit on that date. To be retracted in this manner, the Preferred Shares and Class A Shares must be surrendered for retraction at least five (5) business days prior to October 31. Payment of the proceeds of retraction will be made on or before the fifth business day following October 31.

Class A Shares

Distributions: The policy of the Board of Directors of the Company is to pay distributions to the holders of Class A Shares in an amount 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 in each year (net of expenses and loss carry-forwards) that are in excess of the amount of the distributions paid on the Preferred Shares. The Company will endeavour to pay quarterly distributions to the holders of Class A Shares at the end of January, April, July and October of each year. See ''Details of the Offerings — Certain Provisions of the Class A Shares'' and ''Covered Call Option Writing — Sensitivity Analysis — Class A Shares''. There can be no assurance that the Company will be able to pay distributions to the holders of Class A Shares and no distributions will be paid on the Class A Shares as long as the distributions payable on the Preferred Shares are in arrears.

Special distributions are declared at the discretion of the Board of Directors based on the performance of the Company and therefore are not regular distributions.

Historical Performance: Between October 30, 1996 and July 31, 2004, the Company paid the holders of Class A Shares regular distributions of $6.20 per Class A Share and special distributions of $6.05 per Class A Share, for a total of $12.25 per Class A Share. This represents a yield from inception of 15.79% per annum based on the Original Issue Price of $10.00. Distributions on the Class A Shares are generally characterized and treated as capital gains dividends to holders of the Class A Shares. At the current highest marginal tax rates for individuals in Ontario, this represents a pre-tax interest equivalent yield of approximately 22.61% per annum. The table below sets out in more detail information relating to the distributions paid to holders of Class A Shares.

Year	Historical Distributions Per Class A Share: Regular Distributions	Special Distributions (1)	Total Distributions Paid
1997	$0.80	$1.90	$ 2.70
1998	$0.80	$0.50	$ 1.30
1999	$0.80	$0.40	$ 1.20
2000	$0.80	$0.60	$ 1.40
2001	$0.80	$1.35	$ 2.15
2002	$0.80	$0.60	$ 1.40
2003	$0.80	$0.40	$ 1.20
2004 (2)	$0.60	$0.30	$ 0.90
Total	$6.20	$6.05	$12.25
Annualized Distributions (3)	8.0%		15.79%
Pre-tax interest equivalent (4)			22.61%

Notes:

(1) Special distributions are declared at the discretion of the Board of Directors based on the performance of the Company and therefore are not regular distributions.

(2) Includes all distributions through July 31, 2004.

(3) Based on the Original Issue Price.

(4) Assumes 99.3% capital gains dividend and 0.70% ordinary dividend and an Ontario marginal tax rate for individuals of 46.41%.

The Company's other objective with respect to the Class A Shares is to return the Original Issue Price of $10.00. As at September 21, 2004, the NAV per Class A Share was $10.64.

Redemption: The Class A Shares will be redeemed by the Company on November 1, 2010. 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.

Retraction Privileges: **Regular Retraction:** Class A Shares may be surrendered at any time for retraction by the Company but will be retracted only on a monthly Valuation Date. Shares surrendered for retraction by a holder of Class A Shares at least five (5) business days prior to a Valuation Date will be retracted on such Valuation Date and such shareholder will receive payment on or before the fifth business day following such Valuation Date. Shareholders whose Class A Shares are retracted on a Valuation Date will be entitled to receive a retraction price per share equal to 96% of the difference between (i) the NAV per Unit determined as of the relevant Valuation Date; and (ii) the cost to the Company of the purchase of a Preferred Share in the market for cancellation. 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 such purchase. See ''Details of the Offerings — Certain Provisions of the Class A Shares''.

Annual Concurrent Retraction: A holder of Class A Shares may concurrently retract an equal number of Class A Shares and Preferred Shares on the October Valuation Date of each year, at a retraction price equal to the NAV per Unit on that date. To be retracted in this manner, the Class A Shares and the Preferred Shares must be surrendered at least five (5) business days prior to October 31. Payment of the proceeds will be made on or before the fifth business day following October 31.

Risk Factors

An investment in Preferred Shares or Class A Shares is subject to certain risk factors, including:

(i) the financial performance of the Portfolio;

(ii) liquidity and counterparty risks associated with the writing of covered call options and cash covered put options;

(iii) Preferred Shares and Class A Shares may trade in the market at a premium or a discount to their NAV and there can be no guarantee that Preferred Shares or Class A Shares will trade at prices that reflect their NAV;

(iv) there can be no assurance that the Company will be able to achieve its quarterly distribution objectives;

(v) the fact that the amount of dividends and value of the securities comprising the Portfolio will be influenced by factors beyond the Company's control;

(vi) the fact that any decrease in the value of the Portfolio will effectively first be for the account of holders of Class A Shares;

(vii) the Company's reliance on its investment manager, MCM; and

(viii) the fact that the Company is relying on Canada Customs and Revenue Agency's published administrative position regarding the tax treatment of option transactions and has not requested or received an advance income tax ruling relating to the application of this administrative position to the Company.

See ''Risk Factors''.

Canadian Federal Income Tax Considerations

Taxation of the Company: The Company currently qualifies, and intends to continue to qualify, as a mutual fund corporation under the *Income Tax Act* (Canada). As a result of the Company's investment and dividend policy and the deductibility of expenses incurred by the Company, the Company does not expect to be subject to any material non-refundable income tax liability.

Taxation of Shareholders Resident in Canada:

Dividends: Dividends other than capital gains dividends (''Ordinary Dividends'') received by individuals on the Preferred Shares and the Class A Shares will be subject to the normal gross-up and dividend tax credit rules for dividends received from taxable Canadian corporations.

Ordinary Dividends received by corporations (other than specified financial institutions) on the Preferred Shares or the Class A Shares will generally be deductible in computing taxable income.

Ordinary Dividends received by specified financial institutions on the Preferred Shares and the Class A Shares will be deductible in computing taxable income provided certain conditions generally applicable to retractable shares, such as the 10% ownership restriction, are met.

Ordinary Dividends received by corporations (other than private corporations and certain other corporations) on the Preferred Shares (but not the Class A Shares) will be subject to a 10% tax under Part IV.1 of the *Income Tax Act* (Canada) to the extent that such dividends are deductible in computing taxable income.

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.

Dispositions: A disposition, whether by way of redemption, retraction or otherwise, of a Preferred Share or a Class A Share held as capital property will result in a capital gain or capital loss to the holder thereof.

	A purchaser who holds securities of an existing MCM Pro-AMS Fund as capital property may realize a capital gain or capital loss on the exchange of securities of any such fund for Units of the Company pursuant to the Switch Option, as such exchange will be a retraction of such securities and therefore a disposition by the purchaser of the securities of any such fund for tax purposes. See ''Canadian Federal Income Tax Considerations — The Switch Option''. For a detailed explanation of the Canadian federal income tax considerations, see ''Canadian Federal Income Tax Considerations''.
Eligibility for Investment:	In the opinion of counsel, the Preferred Shares and the Class A Shares offered hereby will be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, and provided the Company complies with its investment criteria, will not constitute foreign property under such Act.

Summary of Fees and Expenses Payable by the Company

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

Type of Charge	Description
Fees payable to the Agents for selling Preferred Shares and Class A Shares	\$0.4695 per Preferred Share \$0.589575 per Class A Share
Expenses of issue	The Company will pay the expenses incurred in connection with the Offerings of Preferred Shares and Class A Shares by the Company, estimated to be \$500,000.
Fee payable to MCM for acting as investment manager of the Company	Annual rate of 0.80% of the Company's NAV calculated and payable monthly, plus applicable taxes.
Fee payable to Mulvihill for acting as manager of the Company	Annual rate of 0.10% of the Company's NAV calculated and payable monthly, plus applicable taxes.
Operating expenses of the Company	The Company will pay all ordinary expenses incurred in connection with the operation and administration of the Company, including commissions and other costs of Portfolio transactions, estimated to be \$360,000 per annum. The Company will also be responsible for any extraordinary expenses of the Company which may be incurred from time to time.

GLOSSARY

Black-Scholes Model	a widely used option pricing model developed by Fischer Black and Myron Scholes in 1973. The model can be used to calculate the theoretical value of an option based on the current price of the underlying security, the strike price and term of the option, prevailing interest rates and the volatility of the price of the underlying security.
business day	any day on which the Toronto Stock Exchange is open for business.
call option	the right, but not the obligation, of the option holder to buy a security from the seller of the option at the specified price at any time during a specified time period or at expiry.
cash covered put option	means a put option entered into in circumstances where the seller of the put option holds cash equivalents sufficient to acquire the securities underlying the option at the strike price throughout the term of the option.
cash equivalents	means (a) cash on deposit at the Company's custodian, or (b) an evidence of indebtedness that has a remaining term to maturity of 365 days or less and that is issued, or fully and unconditionally guaranteed as to principal and interest, by: (i) any of the Federal or Provincial Governments of Canada; or (ii) one or more of the Banks; provided that, in the case of (ii), such evidence of indebtedness has a rating of at least R-1 (mid) by Dominion Bond Rating Service Limited or the equivalent rating from another approved rating organization.
covered call option	a call option entered into in circumstances where the seller of the call option holds the underlying security throughout the term of the option.
in-the-money	in relation to a call option, means a call option with a strike price less than the current market price of the underlying security; and, in relation to a put option, means a put option with a strike price greater than the current market price of the underlying security.
NAV per Unit	the NAV of the Company divided by the number of Units then outstanding.
Net Asset Value or NAV	the specified net asset value of the Company which on any date will be equal to the difference between the aggregate value of the assets of the Company and the aggregate value of the liabilities of the Company on that date, less $1,000. (See ''Details of the Offerings — Net Asset Value and NAV Per Unit'').
NI 81-102	means National Instrument 81-102 — ''Mutual Funds'' of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.
option premium	the purchase price of an option.
Original Issue Price	means the original issue price of $15.00 per Preferred Share and $10.00 per Class A Share in connection with the Company's initial public offering in 1996.
out-of-the-money	in relation to a call option, means a call option with a strike price greater than the current market price of the underlying security; and in relation to a put option means a put option with a strike price less than the current market price of the underlying security.

probability	a numerical measure, generally expressed as a percentage, of the likelihood that an event will occur.
put option	means the right, but not the obligation, of the option holder to sell a security to the seller of the option at a specified price at anytime during a specified time period or at expiry.
shareholder	a holder of a Preferred Share or a Class A Share.
Shares	includes Preferred Shares and Class A Shares.
strike price	in relation to a call option means the price specified in the option that must be paid by the option holder to acquire the underlying security; and in relation to a put option means the price at which the option holder may sell the underlying security.
Unit	a notional unit comprising one Preferred Share and one Class A Share. 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.
Unit Offering Price	the aggregate offering prices of a Preferred Share and a Class A Share hereunder.
volatility	in respect of the price of a security, is a numerical measure of the tendency of the price to vary over time.
$	means Canadian dollars unless otherwise indicated.

THE COMPANY

Premium Income Corporation (the ''Company'') is a mutual fund corporation incorporated under the laws of the Province of Ontario on August 27, 1996. The Company completed its initial public offering in October 1996 and a further issue of shares in September 2003. The outstanding Preferred Shares and the Class A Shares are listed on the Toronto Stock Exchange under the symbols PIC.PR.A and PIC.A, respectively. The Company's articles were amended on July 30, 1999 to permit the Company to write cash covered put options and on May 16, 2003 to extend the mandatory redemption date of the Preferred Shares and the Class A Shares to November 1, 2010. The manager of the Company is Mulvihill Fund Services Inc. (''Mulvihill'') and the investment manager is Mulvihill Capital Management Inc. (''MCM''). Mulvihill is a wholly-owned subsidiary of MCM.

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

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 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 anytime 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 will not be offered on a continuous basis.

HISTORICAL PERFORMANCE OF THE PREFERRED SHARES AND THE CLASS A SHARES

On October 30, 1996 the Company completed its initial offering of 4,000,000 Preferred Shares at a price of $15.00 per Preferred Share and 4,000,000 Class A Shares at a price of $10.00 per Class A Share. On September 29, 2003 the Company completed a follow-on offering of 8,660,000 Preferred Shares at a price of $15.65 per Preferred Share and 8,660,000 Class A Shares at a price of $11.00 per Class A Share. There are currently 12,638,400 Preferred Shares and 12,638,400 Class A Shares outstanding. On May 16, 2003 the Company amended its articles to extend the mandatory redemption date for the Preferred Shares and the Class A Shares for an additional seven years to November 1, 2010.

Preferred Shares

Between October 30, 1996 and July 31, 2004, the Company paid holders of Preferred Shares distributions totalling approximately $6.86 per Preferred Share. This represents a distribution yield from inception of 5.89% per annum based on the Original Issue Price, due to the capital gains gross-up required by the terms of such shares. At the current highest marginal tax rates for individuals in Ontario, this represents a pre-tax interest equivalent yield of approximately 7.91% per annum. The table below sets out in more detail information relating to the distributions paid to holders of Preferred Shares.

	Historical Distributions Per Preferred Share		
Year	Regular Distributions	Capital Gains Gross-Up	Total Distributions Paid
1997	$0.8625	$0.0153	$0.8778
1998	$0.8625	$0.0218	$0.8843
1999	$0.8625	$0.0261	$0.8886
2000	$0.8625	$0.0175	$0.8800
2001	$0.8625	$0.0217	$0.8842
2002	$0.8625	$0.0217	$0.8842
2003	$0.8625	$0.0303	$0.8928
2004 (1)	$0.6469	$0.0195	$0.6664
Total	$6.6844	$0.1739	$6.8583
Annualized Distributions (2)	5.75%		5.89%
Pre-tax interest equivalent (3)			7.91%

Notes:

(1) Includes all distributions through July 31, 2004.

(2) Based on the Original Issue Price.

(3) Assumes 60% ordinary dividend and 40% capital gains dividend and an Ontario marginal tax rate for individuals of 46.41%.

The Company's other objective with respect to the Preferred Shares is to return the Original Issue Price. The NAV per Preferred Share has not fallen below $15.00 since inception.

Rating

The Preferred Shares are currently rated Pfd-2 by Dominion Bond Rating Services Limited (''DBRS''). Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. Preferred shares rated Pfd-2 by DBRS are of satisfactory credit quality. Protection of dividends and principal is still substantial, but earnings, the balance sheet, and coverage ratios are not as strong as Pfd-1 rated companies.

The rating for the Preferred Shares does not constitute a recommendation to purchase, hold or sell the Preferred Shares and does not comment as to market price or the suitability of the Preferred Shares for a particular investor. There can no assurance that the rating will remain in effect for any given period of time or that the rating will not be revised or withdrawn entirely by DBRS in the future if in its judgement circumstances so warrant.

Class A Shares

Between October 30, 1996 and July 31, 2004, the Company paid the holders of Class A Shares regular distributions of $6.20 per Class A Share and special distributions of $6.05 per Class A Share, for a total of $12.25 per Class A Share. This represents a distribution yield from inception of 15.79% per annum based on the Original Issue Price of $10.00. Distributions on the Class A Shares are generally characterized and treated as capital gains dividends to holders of the Class A Shares. At the current highest marginal tax rates for individuals in Ontario, this represents a pre-tax interest equivalent yield of approximately 22.61% per annum. The table below sets out in more detail information relating to the distributions paid to holders of Class A Shares.

	Historical Distributions Per Class A Share		
Year	**Regular Distributions**	**Special Distributions** (1)	**Total Distributions Paid**
1997	$0.80	$1.90	$ 2.70
1998	$0.80	$0.50	$ 1.30
1999	$0.80	$0.40	$ 1.20
2000	$0.80	$0.60	$ 1.40
2001	$0.80	$1.35	$ 2.15
2002	$0.80	$0.60	$ 1.40
2003	$0.80	$0.40	$ 1.20
2004 (2)	$0.60	$0.30	$ 0.90
Total	$6.20	$6.05	$12.25
Annualized Distributions (3)	8.0%		15.79%
Pre-tax interest equivalent (4)			22.61%

Notes:

(1) Special distributions are declared at the discretion of the Board of Directors based on the performance of the Company and therefore are not regular distributions.

(2) Includes all distributions through July 31, 2004.

(3) Based on the Original Issue Price.

(4) Assumes a 99.3% capital gains dividend and 0.70% ordinary dividend and an Ontario marginal tax rate for individuals of 46.41%.

The Company's other objective with respect to the Class A Shares is to return the Original Issue Price of $10.00. As at September 21, 2004, the NAV per Class A Share was $10.64.

INVESTMENTS OF THE COMPANY

Investment Objectives

The Company's investment objectives are:

(i) to provide holders of Preferred Shares of the Company with cumulative preferential quarterly cash distributions in the amount of $0.215625;

(ii) to provide holders of Class A Shares of the Company with quarterly 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 and any available loss carry-forwards, exceed the amount of distributions paid on the Preferred Shares; and

(iii) to return the Original Issue Price of the Preferred Shares and the Class A Shares to shareholders at the time of redemption of such shares on November 1, 2010.

Investment Strategy

The Company invests its net assets in a portfolio (the ''Portfolio'') consisting principally of common shares issued by Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada and The Toronto-Dominion Bank (each individually, a ''Bank'' and collectively, the ''Banks''). The Company may also from time to time hold short-term debt instruments issued by the Government of Canada or a province of Canada or by one or more of the Banks. Historically, the Company has held on average approximately 30% of its assets in such instruments. However, the Company may determine to hold more or less of its assets in such instruments in the future.

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 common shares of the Banks 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 common shares within the Portfolio which are subject to call options and the terms of such options will vary from time to time based on MCM's assessment of the market. See ''Covered Call Option Writing''. Additionally, the Company may use put options to preserve the value of the Portfolio where appropriate.

The Company may also, from time to time, utilize such cash equivalents to provide cover in respect of cash covered put options, which is intended to generate additional returns and to reduce the net cost of acquiring the securities subject to the put option. See ''Utilization of Cash Equivalents''.

Investment Criteria

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 at a meeting called for such purpose. See ''Shareholder Matters — Acts Requiring Shareholder Approval''. The Company's investment criteria provide that the Company may not:

(a) except as provided in paragraphs (c) and (f), purchase securities other than common shares of the Banks;

(b) at any time invest in the common shares of fewer than four Banks provided that not more than 33⅓% or less than 10% of the NAV may at any time be invested in the common shares of each of such four Banks;

(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 are short-term commercial paper issued by one or more of the Banks;

(d) write a call option in respect of any common share unless such common share is actually held by the Company at the time the option is written;

(e) dispose of a common share 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 unless (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) purchase call options or put options except as specifically permitted under NI 81-102;

(h) make or retain investments which render the Preferred Shares or Class A Shares ''foreign property'' under Part XI of the *Income Tax Act* (Canada) or, if the Company is a registered investment within the meaning of such Act, which render it liable to tax under Part XI of such Act; or

(i) enter into any arrangement (including the acquisition of common shares in 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 shares 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 shares 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 NI 81-102 except for section 2.1 of NI 81-102. A copy of such standard investment restrictions and practices will be provided by the Company to any person on request.

Use of Other Derivative Instruments

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

PORTFOLIO INVESTMENTS

The following table provides certain per share information concerning the closing prices, dividend yield and average annual appreciation in the prices of the common shares of the Banks:

Banks	Closing Price (1)	Indicated Dividend (2)(3)	Dividend Yield	Average Annual Appreciation (4)
Bank of Montreal	$55.40	$1.76	3.18%	13.6%
The Bank of Nova Scotia	$36.76	$1.20	3.26%	17.3%
Canadian Imperial Bank of Commerce	$68.75	$2.40	3.49%	12.3%
Royal Bank of Canada	$59.87	$2.08	3.47%	13.6%
The Toronto-Dominion Bank	$46.71	$1.44	3.08%	15.0%
Average			3.30%	14.4%

Notes:

(1) As at September 21, 2004.

(2) The dividends for the last quarter for each of the Banks are as follows: Bank of Montreal — $0.44; The Bank of Nova Scotia — $0.30; Canadian Imperial Bank of Commerce — $0.60; Royal Bank of Canada — $0.52; and The Toronto-Dominion Bank — $0.36.

(3) Based on last declared quarterly dividend per share annualized as at July 31, 2004.

(4) From October 30, 1996 to September 21, 2004.

To enhance returns to the Company, MCM may adjust the composition of, and relative weightings within, the Portfolio from time to time in accordance with the Company's investment objectives, strategy and criteria. See ''Investments of the Company''.

Trading History

The following table sets forth the closing market prices on the Toronto Stock Exchange on the dates indicated below in respect of the common shares of the Banks:

	Closing Prices Per Common Share (1)										
Portfolio	September 21, 2004	Second Quarter 2004	First Quarter 2004	Fourth Quarter 2003	Third Quarter 2003	Second Quarter 2003	First Quarter 2003	Dec. 31 2002	Dec. 31 2001	Dec. 31 2000	Dec. 31 1999
Bank of Montreal	$55.40	$53.37	$54.23	$53.50	$46.69	$42.55	$40.12	$41.69	$35.90	$39.30	$24.65
The Bank of Nova Scotia	$36.76	$35.82	$35.40	$32.90	$31.55	$30.05	$25.95	$26.33	$24.48	$21.60	$15.52
Canadian Imperial Bank of Commerce	$68.75	$65.20	$68.40	$64.00	$55.31	$53.90	$47.30	$43.52	$54.85	$46.50	$34.50
Royal Bank of Canada	$59.87	$59.13	$62.55	$61.80	$59.45	$57.38	$57.14	$57.85	$51.83	$50.85	$31.75
The Toronto-Dominion Bank	$46.71	$42.88	$46.15	$43.29	$38.24	$37.36	$32.40	$34.01	$41.08	$43.45	$38.75

Note:

(1) All prices have been adjusted for stock splits.

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

Dividend History

The following table sets forth the dividend history for the periods indicated below in respect of the common shares of the Banks:

	Trailing 12-Month Dividends Per Common Share (1)(2)										
Portfolio	Third Quarter 2004	Second Quarter 2004	First Quarter 2004	Fourth Quarter 2003	Third Quarter 2003	Second Quarter 2003	First Quarter 2003	Dec. 31 2002	Dec. 31 2001	Dec. 31 2000	Dec. 31 1999
Bank of Montreal	$1.59	$1.50	$1.43	$1.36	$1.34	$1.26	$1.23	$1.20	$1.12	$1.00	$0.94
The Bank of Nova Scotia	$1.10	$1.02	$0.94	$0.89	$0.84	$0.805	$0.77	$0.75	$0.65	$0.52	$0.45
Canadian Imperial Bank of Commerce	$2.20	$2.01	$1.82	$1.73	$1.64	$1.64	$1.64	$1.64	$1.48	$1.32	$1.20
Royal Bank of Canada	$2.02	$1.96	$1.87	$1.78	$1.72	$1.66	$1.61	$1.56	$1.41	$1.20	$0.98
The Toronto-Dominion Bank	$1.36	$1.32	$1.26	$1.20	$1.16	$1.12	$1.12	$1.12	$1.12	$0.96	$0.76

Notes:

(1) Dividends are adjusted for stock splits.

(2) Information based on dividends declared.

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

VOTING RIGHTS IN THE PORTFOLIO

Holders of the Preferred Shares and Class A Shares will have no voting rights in respect of the Bank shares comprising the Portfolio. Such shares will be voted, if at all, in such manner as the Board of Directors of the Company shall determine.

COVERED CALL OPTION WRITING

General

From time to time, the Company sells call options in respect of common shares of the Banks held in the Portfolio. Such call options may be either exchange traded options or over-the-counter options. The purchasers of over-the-counter options are generally major Canadian financial institutions. MCM believes that there is sufficient liquidity in the options market for the Company to write call options relating to the common shares of the Banks in the manner contemplated. As call options will be written only in respect of common shares that are in the Portfolio and the investment criteria of the Company prohibit the sale of common shares subject to an outstanding option, the options will be covered at all times.

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

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

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

Call Option Pricing

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

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

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

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

1. the range of volatility shown in the table encompasses the range of the historical average volatility of the common shares of the Banks between 1996 and 2004;
2. all call options are exercisable at maturity and are written at the same percentage out-of-the-money;
3. all common shares comprising the portfolio are subject to 91-day call options throughout the relevant period (for illustrative purposes only — this assumption is not necessarily indicative of the extent to which covered call options will be written by the Company);
4. the risk-free or benchmark interest rate equals 2.47%; and
5. the average return from the dividends paid on the common shares comprising the hypothetical portfolio is 3.30%.

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

	Average Volatility of the Individual Common Shares in the Portfolio							
% Out-Of-the-Money	10%	15%	20%	25%	30%	35%	40%	45%
3%	3.2	6.7	10.4	14.3	18.2	22.1	26.0	29.9
2%	4.3	8.1	11.9	15.8	19.8	23.7	27.6	31.6
1%	5.8	9.7	13.6	17.5	21.5	25.4	29.3	33.3
0%	7.5	11.4	15.4	19.3	23.3	27.2	31.1	35.0

Note:

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

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

Volatility History

The following table sets forth the trailing 91-day volatility (expressed in percentage terms on an annualized basis) as at the dates indicated below in respect of the common shares of the Banks:

	Trailing 91-Day Volatility (annualized percentage) (1)					
Issuer	**September 21, 2004**	**Dec. 31, 2003**	**Dec. 31, 2002**	**Dec. 31, 2001**	**Dec. 31, 2000**	**Dec. 31, 1999**
Bank of Montreal	13.7%	14.5%	29.0%	27.0%	26.7%	26.1%
The Bank of Nova Scotia	13.4%	11.9%	30.2%	24.0%	35.4%	24.4%
Canadian Imperial Bank of Commerce	11.6%	16.9%	41.7%	22.8%	30.5%	30.7%
Royal Bank of Canada	15.8%	13.3%	26.7%	21.3%	31.7%	19.0%
The Toronto-Dominion Bank	17.4%	17.8%	39.2%	23.3%	40.0%	28.7%
Average	14.4%	14.8%	33.4%	23.7%	32.8%	25.8%

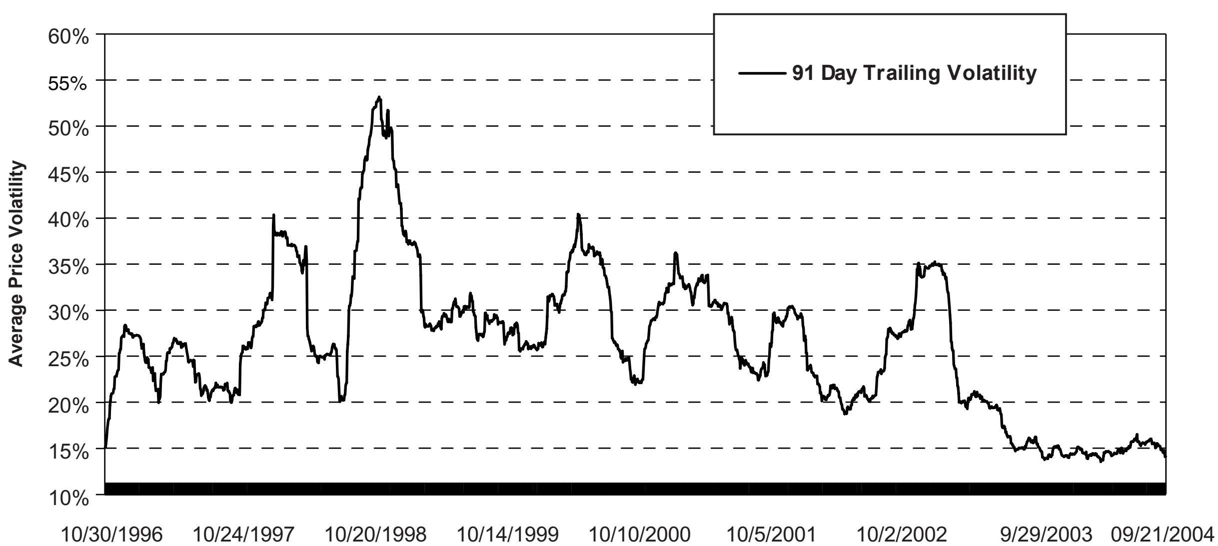
Note:

(1) In calculating volatility, prices of common shares have been adjusted for stock splits.

The information set forth above is historical and is not intended to be, nor should be construed to be, an indication as to the future volatility levels of the common shares in the Portfolio.

The historical average of the trailing 91-day volatility (expressed in percentage terms on an annualized basis) of the common shares of each of the Banks, based on prices from July 30, 1996 to September 21, 2004, ranged from a low of 13.5% to a high of 53.2% with an average of 26.2% as illustrated below:

Average Price Volatility of the Common Shares of the Banks



Sensitivity Analysis — Class A Shares

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

1. the net proceeds from these Offerings are $167,022,185 and are fully invested in common shares of the Banks;
2. 20% of the net assets of the Company are invested in the common shares of each of the five Banks;
3. the range of volatility shown in the table encompasses the range of the historical average volatility of the common shares in the Portfolio;
4. all call options are exercisable only at maturity and are written at the same percentage out-of-the-money;
5. all common shares comprising the Portfolio are subject to 91-day call options throughout the relevant period (for illustrative purposes — this assumption is not necessarily indicative of the extent to which covered call options will be written by the Company);
6. the risk-free or benchmark interest rate equals 2.47%;
7. the average return from the dividends paid on the common shares in the Portfolio is 3.30%;
8. there are no capital gains or losses on the common shares in the Portfolio for the period during which the call options are outstanding;
9. annual expenses of the Company (ordinary and extraordinary) are $360,000 plus the fees payable to MCM and Mulvihill totalling 0.96% of the Net Asset Value of the Company (which includes Goods and Services Tax);
10. all obligations to the holders of the Preferred Shares have been met; and
11. the returns indicated below on the Class A Shares are based on an offering price hereunder of $11.23 per Class A Share.

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

Return (Net of Expenses) on Class A Shares from Option Premiums and Dividends (annualized percentage)

	Average Volatility of the Individual Common Shares in the Portfolio							
% Out-Of-the-Money	10%	15%	20%	25%	30%	35%	40%	45%
3%	4.8	12.8	21.3	30.1	39.0	47.9	56.9	65.8
2%	7.4	15.9	24.7	33.6	42.6	51.6	60.6	69.6
1%	10.7	19.5	28.5	37.5	46.5	55.5	64.5	73.5
0%	14.6	23.6	32.6	41.6	50.6	59.6	68.5	77.5

UTILIZATION OF CASH EQUIVALENTS

From time to time the Company holds a portion of its assets in cash equivalents which may be used to provide cover in respect of the writing of cash covered put options in respect of securities in which the Company is permitted to invest. Such cash covered put options are intended to generate additional returns and to reduce the net cost of acquiring the securities subject to the put options.

The writing of put options by the Company is the same as selling put options. Such options may be either exchange traded options or over-the-counter options. The holder of a put option will have the option, exercisable during a specific time period or at expiry, to sell the securities underlying the option to the Company at the strike price per security. By selling put options, the Company will receive option premiums, which are generally paid within one business day of the writing of the option. The Company, however, must maintain cash equivalents in an amount at least equal to the aggregate strike price of all securities underlying the outstanding put options which it has written. If at any time during the term of a put option or at expiry, the market price of the underlying securities is below the strike price, the holder of the option may exercise the option and the Company will be obligated to buy the securities from the holder at the strike price per security. In such case, the Company will be obligated to acquire a security at a strike price which may exceed the then current market value of such security. However, if at the expiration of the put option, the option is out-of-the-money, the holder of the option will likely not exercise the option and the option will expire. In each case, the Company will retain the option premium.

THE BANKS

The information contained herein relating to each of the Banks and their subsidiaries is based upon the documents listed below (the ''Bank Disclosure Documents'') each of which has been filed with the various securities commissions or similar authorities in Canada.

The Bank Disclosure Documents may be inspected at the offices of the respective securities commissions and regulatory authorities or their representatives (which in the case of the Ontario Securities Commission is Micromedia Limited) at which they are filed or through SEDAR at www.sedar.com. More comprehensive financial and other information is contained in such Bank Disclosure Documents and the following summary is qualified by reference to such reports and other documents and all of the financial information and notes contained therein. The selected financial information which is referred to below has been excerpted or derived from the publicly filed reports of the Banks.

The Company and the Agents have not had an opportunity to verify the accuracy or completeness of any information contained in such Bank Disclosure Documents or to determine if there has been any omission by the Banks to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any information contained in such Bank Disclosure Documents which may affect the significance or accuracy of any information contained in any such Bank Disclosure Documents and summarized herein.

The Banks have not participated in the preparation of this prospectus or in these Offerings and do not take any responsibility or assume any liability with respect to the accuracy or completeness of any information contained herein. The Banks and their respective officers, employees, auditors or other experts whose reports, opinions or statements have been used in connection with this prospectus do not have any statutory liability to purchasers of Preferred Shares or Class A Shares with respect to the accuracy or completeness of any of the information contained in this prospectus.

Preferred Shares and Class A Shares derive their value from the Company's underlying investment in the common shares of the Banks and prospective purchasers should consult their own investment advisor for advice with respect to the merits of an investment in securities which derive their value from an underlying investment in the common shares of the Banks.

Bank of Montreal

The information contained herein relating to Bank of Montreal and its subsidiaries is based upon the Bank Disclosure Documents listed below:

(a) Bank of Montreal's 2003 Annual Report (including Management's Discussion and Analysis of Operating Results and Financial Condition contained therein);

(b) Bank of Montreal's Notice of the Annual Meeting of Shareholders held on February 24, 2004 and Management Proxy Circular dated January 5, 2004; and

(c) Bank of Montreal's Third Quarter Report (nine months ended July 31, 2004).

Description of Bank of Montreal

Bank of Montreal commenced business in Montreal in 1817 and was incorporated in 1821 by an Act of Lower Canada as the first Canadian chartered bank. Since 1871, Bank of Montreal has been a chartered bank under the *Bank Act* (Canada) and is named in Schedule I of such Act. As at October 31, 2003, Bank of Montreal was the fifth largest Canadian bank in terms of total assets. Bank of Montreal offers a broad range of credit and non-credit products and services directly and through special-purpose Canadian and non-Canadian subsidiaries, offices and branches.

Bank of Montreal comprises three operating groups: Personal and Commercial Client Group provides financial services to personal and commercial customers in Canada and the United States through its branches as well as directly through bmo.com, harrisbank.com and a network of automated banking machines; Private Client Group provides wealth management services to individuals through BMO Bank of Montreal, BMO Nesbitt Burns, BMO InvestorLine®, and BMO Harris Private Banking in Canada, and through Harris*direct*, Harris Private Bank and Harris Bank in the United States; Investment Banking Group is responsible for relationship management for large corporate, institutional and government customers, the delivery of treasury products and corporate and investment banking in Canada and the United States.

Selected Financial Information

The following represents a historical summary of selected financial data pertaining to Bank of Montreal, which selected financial data was derived from the publicly filed reports of Bank of Montreal.

	9 Months Ended July 31, 2004	Year Ended October 31, 2003	2002	2001	2000	1999
	(in millions of dollars, except for per share amounts)					
Net Income available to Common Shareholders	1,729	1,743	1,338	1,391	1,756	1,265
Total Assets	261,944	256,494	252,864	239,409	233,396	230,615
Per Common Share (in dollars)						
Earnings						
Basic	3.45	3.51	2.73	2.72	3.30	2.38
Fully Diluted	3.36	3.44	2.68	2.66	3.25	2.34
Dividends	1.10	1.29	1.18	1.09	0.99	0.93
Book Value	24.31	22.09	21.07	19.69	19.63	17.44

The Bank of Nova Scotia

The information contained herein relating to The Bank of Nova Scotia and its subsidiaries is based upon the Bank Disclosure Documents listed below:

(a) The Bank of Nova Scotia's 2003 Annual Report (including Management's Discussion and Analysis of Financial Condition and Results of Operations contained therein);

(b) The Bank of Nova Scotia's Notice of the Annual Meeting of Shareholders held on March 2, 2004 and Management Proxy Circular dated January 13, 2004; and

(c) The Bank of Nova Scotia's Third Quarter Report (nine months ended July 31, 2004).

Description of The Bank of Nova Scotia

The Bank of Nova Scotia was granted a charter under the laws of the Province of Nova Scotia in 1832 and commenced operations in Halifax, Nova Scotia, in that year. Since 1871, The Bank of Nova Scotia has been a chartered bank under the *Bank Act* (Canada) and is named in Schedule I of such Act.

As at October 31, 2003, The Bank of Nova Scotia was the second largest Canadian bank in terms of total assets. The Bank of Nova Scotia is a full-service banking institution, active in both domestic and international markets. In Canada, The Bank of Nova Scotia provides a full range of retail, commercial, corporate, investment and wholesale banking services through its network of branches and offices in all ten provinces and three territories. The Bank of Nova Scotia operates in some 50 countries and provides a wide range of banking and financial services, either directly or through subsidiary and associated banks, trust companies and other financial institutions.

The Bank of Nova Scotia is organized around the following business lines: Domestic Banking (including Wealth Management), International Banking, and Scotia Capital (Corporate & Investment Banking).

Selected Financial Information

The following represents a historical summary of selected financial data pertaining to The Bank of Nova Scotia, which selected financial data was derived from the publicly filed reports of The Bank of Nova Scotia.

	9 Months Ended July 31, 2004	Year Ended October 31, 2003	2002	2001	2000	1999
	(in millions of dollars, except for per share amounts)					
Net Income available to Common Shareholders	2,191	2,406	1,692	2,061	1,818	1,443
Total Assets	286,890	285,892	296,380	284,425	253,171	222,691
Per Common Share (in dollars)						
Earnings						
Basic	2.17	2.38	1.68	2.06	1.84	1.47
Fully Diluted	2.13	2.35	1.65	2.05	1.83	1.46
Dividends	0.80	0.84	0.73	0.62	0.50	0.44
Book Value	14.86	13.67	13.39	12.74	11.25	9.74

Canadian Imperial Bank of Commerce

The information contained herein relating to Canadian Imperial Bank of Commerce and its subsidiaries is based upon the Bank Disclosure Documents listed below:

(a) Canadian Imperial Bank of Commerce's 2003 Annual Report (including Management's Discussion and Analysis of Operating Results and Financial Condition contained therein);

(b) Canadian Imperial Bank of Commerce's Notice of the Annual Meeting of Shareholders held on February 26, 2004 and Management Proxy Circular dated January 8, 2004; and

(c) Canadian Imperial Bank of Commerce's Third Quarter Report (nine months ended July 31, 2004).

Description of Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce is a diversified financial institution governed by the *Bank Act* (Canada). It is a Schedule I bank under such Act. Canadian Imperial Bank of Commerce was formed through the amalgamation of The Canadian Bank of Commerce and Imperial Bank of Canada in 1961. The Canadian Bank of Commerce was originally incorporated as Bank of Canada by special act of the legislature of the Province of Canada in 1858. Subsequently, its name was changed to The Canadian Bank of Commerce and it opened for business under that name in 1867. Imperial Bank of Canada was incorporated in 1875 by special act of the Parliament of Canada and commenced operations in that year. As at October 31, 2003, Canadian Imperial Bank of Commerce was the third largest Canadian bank in terms of assets. Canadian Imperial Bank of Commerce provides a complete range of financial services to customers and businesses across Canada and around the world.

Selected Financial Information

The following represents a historical summary of selected financial data pertaining to Canadian Imperial Bank of Commerce, which selected financial data was derived from the publicly filed reports of Canadian Imperial Bank of Commerce.

	9 Months Ended July 31, 2004	Year Ended October 31, 2003	2002	2001	2000	1999
		(in millions of dollars, except for per share amounts)				
Net Income available to Common Shareholders	1,616	1,883	492	1,565	1,932	917
Total Assets	277,879	277,147	273,293	287,474	267,702	250,331
Per Common Share (in dollars)						
Earnings						
Basic	4.51	5.21	1.37	4.19	4.95	2.23
Fully Diluted	4.46	5.18	1.35	4.13	4.90	2.21
Dividends	1.60	1.64	1.60	1.44	1.29	1.20
Book Value	30.40	28.78	25.75	26.44	25.17	22.68

Royal Bank of Canada

The information contained herein relating to Royal Bank of Canada and its subsidiaries is based upon the Bank Disclosure Documents listed below:

(a) Royal Bank of Canada's 2003 Annual Report (including Management's Analysis of Operations contained therein);

(b) Royal Bank of Canada's Notice of the Annual Meeting of Shareholders held on February 27, 2004 and Management Proxy Circular dated January 27, 2004; and

(c) Royal Bank of Canada's Third Quarter Report (nine months ended July 31, 2004).

Description of Royal Bank of Canada

Royal Bank of Canada is a Schedule I bank under the *Bank Act* (Canada). As at October 31, 2003, Royal Bank of Canada was the largest Canadian bank in terms of total assets. Royal Bank of Canada has five major business platforms or segments: RBC Banking (personal and commercial banking), RBC Insurance (insurance), RBC Investments (wealth management), RBC Capital Markets (corporate and investment banking), and RBC Global Services (securities custody and transaction processing).

Selected Financial Information

The following represents a historical summary of selected financial data pertaining to Royal Bank of Canada, which selected financial data was derived from the publicly filed reports of Royal Bank of Canada.

	9 Months Ended July 31, 2004	Year Ended October 31, 2003	2002	2001	2000	1999
		(in millions of dollars, except for per share amounts)				
Net Income available to Common Shareholders	2,265	2,968	2,664	2,276	2,140	1,600
Total Assets	434,211	412,591	376,956	359,260	289,740	270,650
Per Common Share (in dollars)						
Earnings						
Basic	3.55	4.48	3.96	3.55	3.53	2.55
Fully Diluted	3.49	4.43	3.93	3.52	3.51	2.53
Dividends	1.50	1.72	1.52	1.38	1.14	0.94
Book Value	27.81	26.74	25.91	23.95	19.10	17.17

The Toronto-Dominion Bank

The information contained herein relating to The Toronto-Dominion Bank and its subsidiaries is based upon the Bank Disclosure Documents listed below:

(a) The Toronto-Dominion Bank's 2003 Annual Report (including Management's Discussion and Analysis of Operating Performance contained therein);

(b) The Toronto-Dominion Bank's Notice of the Annual Meeting of Shareholders held on March 25, 2004 and Management Proxy Circular dated February 17, 2004; and

(c) The Toronto-Dominion Bank's Third Quarter Report (nine months ended July 31, 2004).

Description of The Toronto-Dominion Bank

The Toronto-Dominion Bank was formed on February 1, 1955 through the amalgamation of The Bank of Toronto (chartered in 1855) and The Dominion Bank (chartered in 1869). The Toronto-Dominion Bank is a Schedule I bank under the *Bank Act* (Canada).

As at October 31, 2003, The Toronto-Dominion Bank was the fourth largest Canadian bank in terms of total assets. It offers a full range of financial products and services to approximately 13 million customers in Canada and around the world and is organized into three key businesses: personal and commercial banking including TD Canada Trust; wealth management including the global operations of TD Waterhouse; and wholesale bank, TD Securities, operating in over 20 locations in key financial centres around the globe.

Selected Financial Information

The following represents a historical summary of selected financial data pertaining to The Toronto-Dominion Bank, which selected financial data was derived from the publicly filed reports of The Toronto-Dominion Bank.

	9 Months Ended July 31, 2004	Year Ended October 31, 2003	2002	2001	2000	1999
	(in millions of dollars, except for per share amounts)					
Net Income available to Common Shareholders	1,637	1,480	442	2,075	1,962	1,429
Total Assets	309,193	273,532	278,040	287,838	264,818	214,417
Per Common Share (in dollars)						
Earnings						
Basic	2.50	2.28	0.69	3.31	3.16	2.39
Fully Diluted	2.48	2.26	0.68	3.27	3.12	2.35
Dividends	1.00	1.16	1.12	1.09	0.92	0.72
Book Value	18.94	17.64	17.91	18.97	17.83	17.25

TRADING HISTORY OF PREFERRED SHARES AND CLASS A SHARES

The following table indicates the high price and the low price at which the Preferred Shares and the Class A Shares traded on the Toronto Stock Exchange during the month or quarter indicated and the volume of such shares which traded on the Toronto Stock Exchange during such period.

	Preferred Shares			Class A Shares		
Month Ended	**High**	**Low**	**Volume**	**High**	**Low**	**Volume**
September 1 to September 22, 2004	$16.14	$15.98	1,300,842	$11.79	$11.50	541,459
August 31, 2004	$16.66	$16.04	226,184	$12.88	$11.23	449,313
July 31, 2004	$16.59	$16.15	87,901	$12.84	$12.25	251,091
June 30, 2004	$16.79	$15.86	176,651	$12.85	$12.20	28,800
May 31, 2004	$16.10	$15.75	170,958	$12.50	$11.28	32,218
April 30, 2004	$16.90	$15.75	144,750	$13.75	$11.86	34,193

	Preferred Shares			Class A Shares		
Quarter Ended	**High**	**Low**	**Volume**	**High**	**Low**	**Volume**
June 30, 2004	$16.95	$15.65	492,016	$13.75	$11.25	1,071,438
March 31, 2004	$17.12	$16.31	933,680	$13.38	$12.01	1,411,110
December 31, 2003	$17.00	$15.65	1,781,854	$12.45	$12.45	2,064,024
September 30, 2003	$16.50	$15.68	783,951	$12.65	$10.90	593,753
June 30, 2003	$16.10	$15.00	354,169	$11.83	$ 9.75	354,403
March 31, 2003	$15.41	$15.00	121,380	$10.08	$ 9.22	121,471
December 31, 2002	$17.00	$15.65	1,781,854	$10.65	$ 9.35	232,336
September 30, 2002	$15.60	$15.15	169,556	$11.95	$ 9.50	254,662

MANAGEMENT OF THE COMPANY

Directors and Officers

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

Name and Municipality of Residence	Office	Principal Occupation
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)
David N. Middleton Toronto, Ontario	Chief Financial Officer and Director	Vice President, Finance, MCM

Note:

(1) 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 $7,000 and a fee for each board meeting attended of $500.

Each of the directors, other than Mr. Koerner, has served as a director since the Company's initial public offering in October 1996. Mr. Koerner was elected a director on June 16, 2000. Each of the directors has been elected to serve until the next annual meeting of shareholders or until his successor is appointed.

The Manager

Pursuant to an agreement (the ''Management Agreement'') dated October 17, 1996, 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 dividends 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 as described under ''Fees and Expenses'' 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 willful 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.

Directors and Officers of the Manager

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

Name and Municipality of Residence	Office
John P. Mulvihill Toronto, Ontario	Chairman, President, Secretary and Director
David N. Middleton Toronto, Ontario	Treasurer and Director
John H. Simpson Toronto, Ontario	Senior Vice President and Director

The Investment Manager

MCM will manage 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 (the ''Investment Management Agreement'') made between the Company and MCM dated October 17, 1996.

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.

MCM is the portfolio manager of First Premium Income Trust, Premium Income Corporation, First Premium U.S. Income Trust, First Premium Oil and Gas Income Trust, MCM Split Share Corp., Global Telecom Split Share Corp., Sixty Plus Income Trust, Global Plus Income Trust, Digital World Trust, Pro-AMS U.S. Trust, Pro-AMS Trust, Mulvihill Pro-AMS 100 PLUS (Cdn$) Trust, Mulvihill Pro-AMS 100 PLUS (US$) Trust, Mulvihill Pro-AMS RSP Split Share Corp. and World Financial Split Corp. which have completed prospectus offerings of shares or units in the amount of $165 million, $100 million, $335 million, $54.7 million, $142.5 million, $170 million, $100 million, $121 million, $122.7 million, $570.5 million, $1.13 billion, $178.1 million, U.S.$37.4 million, $105 million and $471.3 million, respectively.

MCM is one of the largest managers of covered call option funds in Canada. MCM is an employee-owned investment counsellor which, in addition to its management of the Mulvihill family of funds, manages investments for numerous pension and endowment funds and investment portfolios of individuals having a significant net worth. MCM's total assets under management exceed $3 billion.

Directors and Officers of MCM

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

Name and Municipality of Residence	Office
John P. Mulvihill Toronto, Ontario	Chairman, President, CEO, Secretary, Treasurer and Director
Chris P. Bellefeuille Ancaster, Ontario	Vice President
John A. Boyd Toronto, Ontario	Vice President
Donald Biggs Ancaster, Ontario	Vice President
Robert W. Cruickshank Toronto, Ontario	Vice President
Mark Carpani Toronto, Ontario	Vice President, Fixed Income
Bruce E. Graham Toronto, Ontario	Vice President, Structured Products
Alan C. Leach Toronto, Ontario	Vice President
Paul Meyer Toronto, Ontario	Vice President, Equities
David N. Middleton Toronto, Ontario	Vice President, Finance
Robert K. Ross Toronto, Ontario	Vice President
John H. Simpson Toronto, Ontario	Senior Vice President
Sheila S. Szela Toronto, Ontario	Vice President, Finance, Structured Products
Jack Way Toronto, Ontario	Vice President, Equities

Except as indicated below, each of the foregoing has held his current office or has held a similar office in MCM during the five years preceding the date hereof. Prior to joining MCM, Mr. Graham was Vice President, Equities at Clarica Life Insurance Company and following its acquisition by Sun Life Financial, from July, 2000 to May, 2003. Prior to joining Clarica, Mr. Graham was Vice President, Equities at New Brunswick Investment Management Corp. from August 1996 to June 2000. Prior to joining MCM, Ms. Szela was at Deloitte & Touche LLP from January 1997 to May 2002. She was a Senior Manager, Assurance and Advisory Services at Deloitte & Touche LLP from September 2000 to May 2002, and a Manager, Assurance and Advisory Services prior to August 2000.

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

Also assisting in the management of the investment portfolios are: Jennifer Zabanah, Paul Meyer, Jack Way, David Middleton, John Germain and Jeff Dobson.

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.

Bruce Graham, prior to joining MCM, was Vice President, Equities at Clarica Life Insurance Company and following its acquisition by Sun Life Financial, from July 2000 to May 2003. Prior to joining Clarica, Mr. Graham was Vice President, Equities at New Brunswick Investment Management Corp. from August 1996 to June 2000.

Jennifer Zabanah, prior to joining MCM in June 1997, had been employed from 1988 at The Canada Trust Company. For the last three years of her employment at The Canada Trust Company, she was a member of the Capital Markets Group and was a Risk Position Portfolio Manager at the time of her departure. In this capacity, she worked extensively with options and other derivative instruments.

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.

David Middleton has been with MCM since March 1995 and is currently Chief Financial Officer and Vice-President, Finance. David is a chartered accountant, a CPA and CFA with an extensive background in taxation and information technology.

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 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 was managing a portfolio of volatility comprised of equity options, their underlying stocks, as well as equity index derivatives.

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

Ownership of MCM

MCM is controlled by John P. Mulvihill.

Investment Management Agreement

The services to be provided by MCM pursuant to the Investment Management Agreement will include the making of all investment decisions for the Company and managing the Company's call option writing, 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 will be made by MCM. In the purchase and sale of securities for the Company and the writing of option contracts, MCM will seek to obtain overall services and prompt execution of orders on favourable terms.

Under the Investment Management Agreement, MCM is required to act at all times on a basis which is fair and reasonable to the 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 November 1, 2010. 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 of 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 as described under ''Fees and Expenses'' and 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 willful misconduct, bad faith, negligence or breach of its obligations under the Investment Management Agreement.

Conflicts of Interest

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

DESCRIPTION OF SHARE CAPITAL

The Company is authorized to issue an unlimited number of Class A Shares and Preferred Shares and 1,000 Class B Shares of which, before giving effect to the offerings under this prospectus, there are issued and outstanding 12,638,400 Preferred Shares, 12,638,400 Class A Shares and 1,000 Class B Shares. The attributes of the Class A Shares and the Preferred Shares are described under ''Details of the Offerings''.

The holders of Class B Shares are not entitled to receive dividends. The holders of the Class B Shares are entitled to one vote per share. The Class B Shares are retractable at a price of $1.00 per share. The Class B Shares rank 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. See ''Principal Shareholder''.

DETAILS OF THE OFFERINGS

The following is a summary of certain provisions of the Preferred Shares and Class A Shares offered hereby.

Net Asset Value and NAV Per Unit

The Net Asset Value of the Company (''NAV'') 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). The ''NAV per Unit'' on any day is obtained by dividing the NAV of the Company on such day by the number of Units outstanding on that day.

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

In determining the NAV of the Company at any time:

(i) the value of a common share of a Bank will be the last board lot sale price of such a share on the Toronto Stock Exchange prior to the determination of the NAV or if such sale price is not available, the closing price quoted for the share, unless bid and ask quotes are available, 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 Company 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 Company 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; and

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

Certain Provisions of the Preferred Shares

Distributions

The Company will pay a cumulative preferential quarterly distribution of $0.215625 per share to holders of Preferred Shares on the last day of January, April, July and October in each year (a ''Dividend Payment Date''). The initial distribution on the Preferred Shares issued hereunder will be payable on October 31, 2004 and is expected to be $0.215625 per share. In the event that dividends earned by the Company on the Portfolio are not sufficient on any Dividend Payment Date to cover the total amount of the distribution 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 dividend of $0.068 for each $1.00 of Preferred Share distribution so funded.

All distributions will be paid by cheque and will be mailed to such registered 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 will be mailed annually, no later than March 31, 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. See ''Canadian Federal Income Tax Considerations''.

Redemptions

All Preferred Shares outstanding on November 1, 2010 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 NAV on that date divided by the total number of Preferred Shares then outstanding.

Notice of redemption will be given to CDS Participants holding Preferred Shares on behalf of the beneficial owners thereof at least 60 days prior to November 1, 2010.

Retraction Privileges

Preferred Shares may be surrendered at any time for retraction to Computershare Trust Company of Canada, 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 last day of a month (a ''Valuation Date'') will be retracted on such Valuation Date and the shareholder will receive payment on or before the fifth business day following such Valuation Date (the ''Retraction Payment Date''). If a shareholder makes such surrender after 5:00 p.m. (Toronto time) on the fifth business day immediately preceding a Valuation Date, the shares will be retracted on the Valuation Date in the following month and the shareholder will receive payment for the retracted shares on the Retraction Payment Date in respect of such Valuation Date.

Except as noted below, holders of Preferred Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share (''Preferred Share Retraction Price'') equal to 96% of the lesser of (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, 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 an equal number of Preferred Shares and Class A Shares on the October Valuation Date. The price paid by the Company for such a concurrent retraction will be equal to the NAV per Unit.

As disclosed below under ''Details of the Offerings — Certain Provisions of the Preferred Shares — Resale of Preferred Shares Tendered for Retraction'', 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 through a participant in the CDS book-based 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 ''Details of the Offerings — 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 in the manner described below under ''Details of the Offerings — Certain Provisions of the Preferred Shares — Resale of Preferred Shares Tendered for Retraction'', 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.

Priority

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

Certain Provisions of the Class A Shares

Distributions

The policy of the Board of Directors with respect to the payment of distributions on the Class A Shares is to pay out in each year to holders of Class A Shares all net realized capital gains, dividends and option premiums (other than option premiums in respect of options outstanding at year end) earned on the Portfolio, net of applicable expenses, and any available loss carry-forwards, that are in excess of the amount of distributions paid to holders of Preferred Shares. The Company will endeavour to declare and pay quarterly distributions to holders of Class A Shares on the last day of January, April, July and October of each year. However, there can be no assurance that the Company will be able to pay distributions to holders of Class A Shares and no distributions will be paid on the Class A Shares as long as the distributions on the Preferred Shares are in arrears.

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

All distributions will be paid by cheque and will be mailed to such registered 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 Class A Shares will be mailed annually, no later than March 31, 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. See ''Canadian Federal Income Tax Considerations''.

Redemptions

All Class A Shares outstanding on November 1, 2010 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 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 60 days prior to November 1, 2010.

Retraction Privileges

Class A Shares may be surrendered at any time for retraction to Computershare Trust Company of Canada, 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 fifth business day following such Valuation Date. If a shareholder makes such surrender after 5:00 p.m. (Toronto time) on the fifth business day immediately preceding a Valuation Date, the shares will be retracted on the Valuation Date in the following month and the shareholder will receive payment for the retracted shares on the Retraction Payment Date in respect of such Valuation Date.

Except as noted below, holders of Class A Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share (''Class A Share Retraction Price'') equal to 96% of the difference between (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 an equal number of Class A Shares and Preferred Shares on the October Valuation Date. The price paid by the Company for such a concurrent retraction will be equal to the NAV per Unit.

As disclosed below under ''Details of the Offerings — Certain Provisions of the Class A Shares — Resale of Class A Shares Tendered for Retraction'', 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 monthly 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 Share 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 ''Details of the Offerings — 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 in the manner described below under ''Details of the Offerings — Certain Provisions of the Class A Shares — Resale of Class A Shares Tendered for Retraction'', 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.

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.

Book Entry Only System

Registration of interests in and transfers of the Preferred Shares and Class A Shares will be made only through a book entry only system administered by CDS (the ''book entry only system'') subject to applicable corporate law provisions. On or about September 30, 2004 (the ''Closing Date''), but no later than October 29, 2004, the Company will deliver to CDS certificates evidencing the aggregate Preferred Shares and Class A Shares subscribed for under these Offerings. Preferred Shares and Class A Shares must be purchased, transferred and surrendered for retraction or redemptions through a CDS Participant. All rights of an owner of Preferred Shares or Class A Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Preferred Shares or Class A Shares. Upon purchase of any Preferred Shares or Class A Shares, the owner will receive only the customary confirmation. References in this prospectus to a holder of Preferred Shares or Class A Shares means, unless the context otherwise requires, the owner of the beneficial interest in such shares.

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

An owner of Preferred Shares or Class A Shares who desires to exercise retraction privileges thereunder must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice of the owner's intention to retract shares, no later than 5:00 p.m. (Toronto time) on the relevant notice date. An owner who desires to retract Preferred Shares or Class A Shares should ensure that the CDS Participant is provided with notice (the ''Retraction Notice'') of 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 Trust Company of Canada, 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.

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 Toronto Stock Exchange; 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.

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) and (vii) which require approval of a simple majority vote) at a meeting called and held for such purpose:

(i) a change in the fundamental investment objectives and strategy of the Company;

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

(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 any 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;

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

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

(ix) 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 per cent 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.

THE SWITCH OPTION

The Switch Option allows MCM Pro-AMS Fund securityholders to exercise a special retraction privilege pursuant to which they may retract their MCM Pro-AMS Fund securities for 100% of the net asset value per security as at September 21, 2004, provided that the cash proceeds received on the retraction are invested in Units. The term ''MCM Pro-AMS Funds'' means Pro-AMS U.S. Trust, Pro-AMS Trust, Mulvihill Pro-AMS 100 PLUS (Cdn$) Trust, Mulvihill Pro-AMS 100 PLUS (US$) Trust, and Mulvihill Pro-AMS RSP Split Share Corp.

It is important to note that, unlike the MCM Pro-AMS Funds, the Company does not have the benefit of a forward agreement to provide capital repayment protection. As a result, securityholders of MCM Pro-AMS Funds who exercise the Switch Option will forego the capital repayment protection provided by the forward agreements entered into by the MCM Pro-AMS Funds. All prospective purchasers should see ''Risk Factors'' for a discussion of certain other factors that should be considered by prospective investors in Preferred Shares and Class A Shares.

Determination of Switch Ratios

The number of Units to be issued to a holder of securities of an MCM Pro-AMS Fund retracted pursuant to the Switch Option (each a ''Switch Ratio'') will be determined by dividing (i) the net asset value per security of the MCM Pro-AMS Fund on September 21, 2004 minus any distribution payable on such security in September 2004 by (ii) the Unit Offering Price. In the case of Mulvihill Pro-AMS 100^PLUS (US$) Trust, the proceeds received on the special retraction will be converted from U.S. to Canadian dollars using the applicable exchange rate on September 21, 2004. The Company will issue a press release after the close of business on September 22, 2004 announcing the Switch Ratio for each MCM Pro-AMS Fund. If a prospective purchaser of Units has deposited securities of one or more MCM Pro-AMS Funds pursuant to the Switch Option, and if the exchange of such securities for Units would otherwise result in the issuance of a fractional Preferred Share or a fractional Class A Share, the Company will, after all applicable withdrawal periods have expired, forward a cash payment to such prospective purchaser equal to $15.65 multiplied by such fraction of a Preferred Share and $11.23 multiplied by such fraction of a Class A Share, in lieu of a fractional Preferred Share or a fractional Class A Share.

Procedure

Prospective purchasers who wish to exercise the special retraction privilege must retract the securities of the MCM Pro-AMS Fund by depositing them with Computershare Trust Company of Canada (the ''Exchange Agent'') through CDS prior to 5:00 p.m. (Toronto time) on September 15, 2004. Such book-entry deposits must be made by a CDS Participant who may have an earlier deadline for receiving instructions from its clients to deposit securities into the Switch Option. Once submitted to the Exchange Agent through CDS, a deposit of securities of an MCM Pro-AMS Fund under the Switch Option (including the transfer authorized thereby) is, subject to the completion of the Offerings, irrevocable unless withdrawn as described below under the heading ''Withdrawal of Switch Option Elections''. By authorizing a deposit of securities of an MCM Pro-AMS Fund under the Switch Option through CDS, a prospective purchaser authorizes the retraction of such securities at 100% of net asset value and directs the Manager to use the proceeds thereof to subscribe for Preferred Shares and Class A Shares and represents and warrants that the prospective purchaser has full right and authority to retract the securities and is the beneficial owner of such securities, that such securities have not previously been conveyed, that the retraction of such securities is not prohibited by laws applicable to the prospective purchaser and that such securities are free and clear of all liens, encumbrances and adverse claims. Such representations and warranties will survive the issuance of Preferred Shares and Class A Shares pursuant to the Switch Option. The Manager's interpretation of the terms and conditions of the Switch Option will be final and binding. The Manager reserves the right to waive any conditions of the Switch Option and to accept or reject, in whole or in part, any deposit of securities made pursuant to the Switch Option.

If for any reason securities of an MCM Pro-AMS Fund deposited by securityholders pursuant to the Switch Option are not retracted or are only partially retracted due to pro ration, the securities not retracted will be recredited to their accounts through CDS.

Withdrawal of Switch Option Elections

Each prospective purchaser who has authorized the deposit through CDS of securities of an MCM Pro-AMS Fund under the Switch Option will have the right to withdraw such deposit by notifying the prospective purchaser's investment advisor or other CDS Participant who effected the deposit at any time prior to the close of business (Toronto time) on September 29, 2004. To be effective, a written notice of withdrawal must be either delivered in person or by courier to such investment advisor or other CDS Participant within the specified time, who in turn will direct CDS to notify the Exchange Agent of such withdrawal. In addition, prospective purchasers under the Switch Option will be entitled to withdraw or rescind their purchase on or before midnight on the second Business Day after receipt or deemed receipt of the final prospectus related to this Offering and any amendment. To be effective, a written notice of withdrawal or rescission must be either delivered in person or by courier to such prospective purchaser's investment advisor or other CDS Participant who effected the deposit. Any such notice of withdrawal or rescission must specify the securities of each MCM Pro-AMS Fund to be so withdrawn or rescinded and the name of the prospective purchaser, and notification thereof must be received by the Exchange Agent through CDS prior to the specified time. Each such notice must be signed by the person who authorized the deposit under the Switch Option. A prospective purchaser also has the rights described under ''Purchasers' Statutory Rights''.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Company and Davies Ward Phillips & Vineberg LLP, counsel to the Agents, 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 and any securities of an existing MCM Pro-AMS Fund exchanged for Preferred Shares and Class A Shares under the Switch Option 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 prospectus, the current provisions of the Tax Act, the regulations thereunder, and counsel's understanding of the current administrative practices and assessing policies of the Canada Customs and Revenue Agency and relies as to certain factual matters on a certificate of an officer of the Company and RBC Dominion Securities Inc. This summary is based on the assumption that the Class A Shares and the Preferred Shares will at all times be listed on a prescribed stock exchange in Canada (which currently includes the Toronto Stock Exchange). 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 by 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 ''Investments of the Company'' and that the Company will at all times comply with such investment objectives and hold only permitted investments. 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 (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 or provincial income tax considerations, which might differ from the federal considerations. This summary does not apply to shareholders that are ''financial institutions'' as defined in section 142.2 of the Tax Act.

This summary is of a general nature only and does not constitute legal or tax advice to any particular investor and does not describe the income tax considerations relating to the deductibility of interest on any money borrowed by a prospective investor to acquire shares of the Company or securities of an existing MCM Pro-AMS Fund. Accordingly, prospective 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 (see ''Tax Treatment of Shareholders'').

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. This tax is refundable upon payment by the Company of sufficient dividends other than capital gains dividends (''Ordinary Dividends'').

The Company has filed an election under the Tax Act to treat all ''Canadian securities'' (including shares of the Banks) as capital property. 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 will purchase 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. Having regard to the foregoing and in accordance with Canada Customs and Revenue Agency's published administrative practice, transactions undertaken by the Company in respect of options on shares of the Banks will be treated and reported 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.

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) 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 be dividends from taxable Canadian corporations and taxable capital gains, to the extent that the Company earns income from other sources, including 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 income tax.

Tax Treatment of 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. For corporate shareholders other than a ''specified financial institution'' (as defined in the Tax Act) Ordinary Dividends will normally be deductible in computing the taxable income of the corporation.

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

(a) the specified financial institution did not acquire the shares in the ordinary course of its business, or

(b) at the time of receipt of the dividend by the specified financial institution, dividends are received in respect of not more than 10% of the issued and outstanding shares of the particular class by

  (i) the specified financial institution, or

  (ii) the specified financial institution and persons with whom it does not deal at arm's length (within the meaning of the Tax Act).

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 33⅓% 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 23⅓%.

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.

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 may be subject to an alternative minimum tax under the Tax Act.

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

The Switch Option

A purchaser who holds securities of an existing MCM Pro-AMS Fund as capital property may realize a capital gain or capital loss on the exchange of securities of any such fund for shares of the Company pursuant to the Switch Option to the extent the proceeds of disposition of such securities exceed (or are less than) the aggregate of the adjusted cost base of such securities and any costs of disposition, as such exchange will be a retraction of such securities and therefore a disposition by the purchaser of the securities of any such fund for tax purposes.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt LLP, and Davies Ward Phillips & Vineberg LLP, the Class A Shares and the Preferred Shares offered hereby 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 and provided the Company complies with its investment criteria, will not constitute foreign property under the Tax Act.

USE OF PROCEEDS

The net proceeds from the issue of the Preferred Shares and the Class A Shares offered hereby, assuming the maximum offering (after payment of the Agents' fee and expenses of the issue) are estimated to be $500,000 and will be used to purchase common shares of the Banks following closing. See ''Portfolio Investments''.

PLAN OF DISTRIBUTION

Pursuant to an agreement dated as of September 23, 2004 (the ''Agency Agreement'') between Mulvihill, MCM, the Company and RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, Raymond James Ltd. and First Associates Investments Inc. (the ''Agents''), the Agents have agreed to offer the Preferred Shares and the Class A Shares for sale, as agents of the Company, on a best efforts basis, if, as and when issued by the Company. The Agents will receive a fee equal to $0.4695 for each Preferred Share sold and $0.589575 for each Class A Share sold (whether for cash or by exercise of the Switch Option) and will be reimbursed for out of pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the shares offered hereby, the Agents will not be obligated to purchase Preferred Shares or Class A Shares which are not sold.

Proceeds from subscriptions will be held in trust in a segregated account until the minimum amounts of the Offerings have been attained. In the event that the minimum Offerings are not attained and the closing does not occur, subscription proceeds received from prospective purchasers will be returned promptly to such purchasers without interest or deduction. An equal number of Preferred Shares and Class A Shares will be issued at closing. The maximum amount of the Offerings is $100 million. Prior to filing the final prospectus, the Company will determine the maximum amount of the Offerings to be allocated to purchasers subscribing for shares for cash and pursuant to the Switch Option, respectively. In the event subscriptions pursuant to the Switch Option exceed the maximum allocated by the Company, the retraction of the MCM Pro-AMS Fund securities and the related issuance of Units will both be implemented done on a *pro rata* basis. Under the terms of the Agency Agreement, the Agents may at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. Subscriptions for Preferred Shares and Class A Shares will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing is expected to occur on September 30, 2004, but no later than October 29, 2004.

Pursuant to policy statements of certain securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Preferred Shares or Class A Shares. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the shares. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with these Offerings, the Agents may over-allot or effect transactions in connection with their over-allotted position. In such event, an equal number of Preferred Shares and Class A Shares will be maintained. Such transactions, if commenced, may be discontinued at any time.

CAPITALIZATION

The capitalization of the Company at April 30, 2004 and at such date as adjusted to give effect to the issue and sale of the Preferred Shares and the Class A Shares offered hereby, is set forth in the table below:

	Authorized	Outstanding as at April 30, 2004	To be outstanding as at April 30, 2004 (after giving effect to these issues)
		(unaudited)	(unaudited)
Share Capital			
Preferred Shares including Unamortized Premiums	Unlimited	$ 190,666,284 (12,638,400 shs.)	$292,201,074 (19,126,246 shs.)
Class A Shares	Unlimited	$ 125,288,712 (12,638,400 shs.)	198,147,223 (19,126,246 shs.)
Class B Shares	1,000	$ 1,000 (1,000 shs.)	$ 1,000 (1,000 shs.)
Issue Costs		—	$ (7,371,116)
Total Capitalization		$ 315,955,996	$482,978,181

PRINCIPAL SHAREHOLDER

All of the issued and outstanding Class B Shares of the Company are owned by MCM. MCM is controlled by John P. Mulvihill. The Class B Shares are held in escrow by Computershare Trust Company of Canada pursuant to an agreement dated October 17, 1996 (the ''Escrow Agreement'') between MCM, Computershare Trust Company of Canada and the Company and will not be disposed of or dealt with in any manner until all the Preferred Shares and Class A Shares have been retracted or redeemed, without the express consent, order or direction in writing of the Ontario Securities Commission.

FEES AND EXPENSES

Initial Expenses

The expenses of these Offerings (including the costs of printing and preparing this prospectus, legal expenses of the Company, marketing expenses and legal and other out of pocket expenses incurred by the Agents and certain other expenses) will be paid by the Company out of the gross proceeds of these Offerings. In addition, the Agents' fee will be paid to the Agents from the gross proceeds as described under ''Plan of Distribution''.

Fees and Other Expenses

Pursuant to the terms of the Investment Management Agreement, MCM is entitled to a fee at an annual rate of 0.80% of the NAV of the Company. Pursuant to the terms of the Management Agreement, Mulvihill is entitled to a fee at an annual rate of 0.10% of the NAV of the Company. Fees payable to MCM and Mulvihill will be calculated and payable monthly based on the NAV as at the Valuation Date of each month.

The Company will pay for all expenses incurred in connection with the operation and administration of the Company. It is expected that these expenses will include, without limitation: (a) mailing and printing expenses for periodic reports to shareholders; (b) fees payable to the Custodian for acting as custodian of the assets of the Company and performing certain administrative services under the Custodian Agreement; (c) fees payable to Computershare Trust Company of Canada, as registrar and transfer agent with respect to the Preferred Shares and the Class A Shares; (d) fees payable to the independent directors of the Company; (e) any additional fees payable to Mulvihill for performance of extraordinary services on behalf of the Company; (f) fees payable to the auditors and legal advisors of the Company; (g) regulatory filing and stock exchange fees; and (h) expenditures incurred upon the dissolution of the Company. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which Mulvihill or MCM is entitled to indemnity by the Company. See ''Management of the Company''. The Company will also be responsible for all commissions and other costs of Portfolio transactions. All such expenses will be subject to an independent audit and report thereon to the Company.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

In accordance with the requirements of the provincial securities regulatory authorities in connection with these Offerings, MCM has undertaken to file insider trading reports, as if the Company was not a mutual fund, in accordance with applicable provincial securities legislation, for itself and to cause its subsidiaries to file insider trading reports, as if the Company was not a mutual fund, in accordance with applicable provincial securities legislation in respect of trades made by them in shares in the capital of the Company.

The Company and its senior officers and directors have also undertaken to file insider trading reports, as if the Company was not a mutual fund, in accordance with applicable provincial securities legislation, for themselves. The Company has undertaken that it will not elect or appoint any person in the future as a senior officer or director unless such person undertakes to file insider trading reports, as if the Company was not a mutual fund, in accordance with applicable provincial securities legislation and to deliver to each applicable provincial securities regulatory authority an undertaking to file insider trading reports in accordance with applicable provincial securities legislation. The foregoing undertakings shall remain in full force until such time as (i) in the case of the undertaking of MCM, MCM ceases to hold voting shares of the Company, (ii) in the case of the undertakings of a director or senior officer of the Company, such person ceases to be a director or officer of the Company, or (iii) all of the Preferred Shares and Class A Shares have been redeemed or retracted.

MATERIAL CONTRACTS

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

(a) the Management Agreement described under ‘‘Management of the Company — The Manager’’;

(b) the Investment Management Agreement described under ‘‘Management of the Company — The Investment Manager’’;

(c) the Agency Agreement described under ‘‘Plan of Distribution’’;

(d) the Escrow Agreement described under ‘‘Principal Shareholder’’; and

(e) the Custodian Agreement described under ‘‘Custodian’’.

Copies of the foregoing agreements may be inspected during business hours at the principal office of the Company during the course of distribution of the Preferred Shares and Class A Shares offered hereby.

RISK FACTORS

The following are certain considerations relating to an investment in Preferred Shares or Class A Shares which prospective investors should consider before purchasing such shares:

Performance of the Portfolio

Net Asset Value per Unit will vary as the value of the securities in the Portfolio varies. The Company has no control over the factors that affect the value of the securities in the Portfolio, including factors that affect all of the Banks such as changes in regulatory policies and fluctuations in interest rates and factors unique to a particular Bank such as changes in its management, changes in its strategic direction, achievement of its strategic goals, mergers, acquisitions and divestitures, changes in its dividend policy and other events that may affect the value of its common shares.

Use of Options and Other Derivative Instruments

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

There can be 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 on desired terms or to close out option positions should MCM desire to do so. In purchasing call or put options, 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 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. Upon the exercise of a put option, the Corporation will be obligated to acquire a security at a strike price which may exceed the then current market value of such security.

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 Banks included in the Portfolio, the dividends paid thereon and the level of option premiums received. Although many investors and financial market professionals price call options based on the Black-Scholes Model, in practice actual option premiums are determined in the marketplace. There is no assurance that the Company will be able to achieve its investment objectives of paying quarterly dividends.

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

Class A Shares

Any capital appreciation in the value of the Portfolio will be for the benefit of the holders of Class A Shares. However, any decrease in the value of the Portfolio or the dividends paid on the common shares of the Banks 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 November 1, 2010 if the NAV per Unit on that date is less than or equal to $15.00.

Reliance on the Investment Manager

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

Treatment of Proceeds of Disposition and Option Premiums

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

If, contrary to Canada Customs and Revenue Agency's published administrative practice, some or all of the transactions undertaken by the Company in respect of options and shares of the Banks were treated on income rather than capital account, 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) could be reduced and the Company may be subject to non-refundable income tax in respect of income from such transactions and the Company may be subject to penalty taxes in respect of excessive capital gains dividends elections.

LEGAL MATTERS

The matters referred to under ''Eligibility for Investment'' and ''Canadian Federal Income Tax Considerations'' and certain other legal matters relating to the securities offered hereby will be passed upon by Osler, Hoskin & Harcourt LLP, on behalf of the Company, and Davies Ward Phillips & Vineberg LLP, on behalf of the Agents. As of the date of this prospectus, the partners and associates of each of Osler, Hoskin & Harcourt LLP and Davies Ward Phillips & Vineberg LLP own in the aggregate less than one percent of the shares of the Company.

CUSTODIAN

Pursuant to an agreement (the ''Custodian Agreement'') dated October 17, 1996 with the Company, The Royal Trust Company is the custodian (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.

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 as described under ''Fees and Expenses'' and to be reimbursed for all expenses and liabilities which are properly incurred by the Custodian in connection with the activities of the Company.

PROMOTER

MCM took the initiative in organizing the Company in 1996 and accordingly may be considered to be a ''promoter'' of the Company within the meaning of the securities legislation of certain provinces of Canada. MCM will receive fees from the Company and will be entitled to reimbursement of expenses incurred in relation to the Company as described under ''Fees and Expenses''.

AUDITORS

The auditors of the Company are Deloitte & Touche LLP, BCE Place, Suite 1400, 181 Bay Street, Toronto, Ontario, M5J 2V1.

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada at its principal offices in Toronto and Montreal is the registrar and transfer agent for the Preferred Shares and the Class A Shares.

PURCHASER'S STATUTORY RIGHTS

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

AUDITORS' CONSENT

We have read the prospectus of Premium Income Corporation (the ''Company'') dated September 23, 2004 relating to the sale and issue of Preferred Shares and Class A Shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors of the Company on the following financial statements:

- Statements of financial position as at October 31, 2003 and 2002;
- Statement of investments as at October 31, 2003;
- Statements of operations and retained earnings (deficit), changes in net assets, changes in investments and financial highlights for each of the years in the three-year period ended October 31, 2003.

Our report is dated November 14, 2003 (except Note 12 which is as at September 23, 2004).

Toronto, Ontario
September 23, 2004

DELOITTE & TOUCHE LLP
Chartered Accountants

AUDITORS' REPORT

To the Board of Directors of
PREMIUM INCOME CORPORATION:

We have audited the accompanying statement of investments of Premium Income Corporation (the ''Company'') as at October 31, 2003, the statements of financial position as at October 31, 2003 and 2002, and the statements of operations and retained earnings (deficit), of changes in net assets, of changes in investments and of financial highlights for the years ended October 31, 2003, 2002 and 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company and its investments as at the dates indicated above, and the results of its operations, the changes in its net assets, the changes in its investments and the financial highlights for the periods indicated above, in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
November 14, 2003, except Note 12
which is at September 23, 2004

DELOITTE & TOUCHE LLP
Chartered Accountants

STATEMENTS OF FINANCIAL POSITION

	April 30, 2004	October 31 2003	October 31 2002
	(unaudited)	(audited)	
ASSETS			
Investments at market value (average cost — April 30, 2004 (unaudited): $220,178,515; 2003: $197,339,936; 2002: $70,861,865	$225,712,336	$206,226,648	$64,157,713
Short-term investments (average cost — April 30, 2004 (unaudited): $98,227,567; 2003: $119,640,605; 2002: $28,114,204	97,636,260	119,554,586	28,126,315
Cash	18,333	33,923	5,522
Due from brokers	—	4,747,200	—
Interest, dividends and other receivables	1,531,465	2,647,705	824,764
TOTAL ASSETS	$324,898,394	$333,210,062	$93,114,314
LIABILITIES			
Due to brokers	$ 5,032,575	$ 9,404,480	$ —
Accounts payable and accrued liabilities	314,191	880,151	92,698
Redeemable preferred shares (Note 4)	189,576,000	189,576,000	59,689,500
Unamortized premium on issue of Preferred Shares (Note 4)	1,090,284	1,174,152	—
	196,013,050	201,034,783	59,782,198
EQUITY			
Class A and Class B Shares (Note 4)	125,289,712	125,289,712	35,415,357
Retained earnings (deficit)	3,595,632	6,885,567	(2,083,241)
	128,885,344	132,175,279	33,332,116
TOTAL LIABILITIES AND EQUITY	$324,898,394	$333,210,062	$93,114,314
Net Asset Value per Share			
Preferred Share	$ 15.00	$ 15.00	$ 15.00
Class A Share	$ 10.28	$ 10.55	$ 8.38

On behalf of the Board of Directors

(Signed) JOHN P. MULVIHILL
Director

(Signed) DAVID N. MIDDLETON
Director

See accompanying notes to financial statements.

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

	Six Months ended April 30		Years ended October 31		
	2004	2003	2003	2002	2001
	(unaudited)		(audited)		
REVENUE					
Interest	$ 2,068,606	$ 556,053	$ 1,381,639	$ 794,692	$ 1,675,924
Dividends	3,095,750	889,204	2,249,216	2,176,069	2,204,730
	5,164,356	1,445,257	3,630,855	2,970,761	3,880,654
Net realized gains on investments and options	10,528,826	3,292,599	5,828,117	7,186,264	10,176,265
TOTAL REVENUE	15,693,182	4,737,856	9,458,972	10,157,025	14,056,919
EXPENSES (Note 5)					
Management fees	1,460,246	440,622	1,073,462	933,728	976,299
Administrative and other expenses	185,470	114,024	185,789	158,043	159,858
GST and capital taxes	319,703	59,333	126,184	155,639	202,585
TOTAL EXPENSES	1,965,419	613,979	1,385,435	1,247,410	1,338,742
Net realized income before income taxes, Special Resolution expense and Preferred Share distributions	13,727,763	4,123,877	8,073,537	8,909,615	12,718,177
Income tax expense (Note 6)	—	—	—	(70,280)	—
Special Resolution Expense (Note 4)	—	(300,000)	(1,722,923)	—	—
Net realized income before distributions	13,727,763	3,823,877	6,350,614	8,839,335	12,718,177
Preferred Share distributions (Note 7)	(5,660,348)	(1,767,358)	(5,515,358)	(3,518,378)	(3,518,600)
Net realized income	8,067,415	2,056,519	835,256	5,320,957	9,199,577
Change in net unrealized appreciation/ (depreciation) of investments during the period	(3,858,178)	5,696,280	15,492,734	(7,229,903)	(8,975,901)
Amortization of premium on issue of Preferred Shares (Note 4)	83,868	—	13,978	—	—
NET INCOME (LOSS) FOR THE PERIOD	$ 4,293,105	$ 7,752,799	$16,341,968	$ (1,908,946)	$ 223,676
RETAINED EARNINGS (DEFICIT)					
Balance, beginning of period	$ 6,885,567	$ (2,083,241)	$ (2,083,241)	$ 5,396,725	$13,728,544
Net income (loss) for the period	4,293,105	7,752,799	16,341,968	(1,908,946)	223,676
Distributions on Class A Shares	(7,583,040)	(2,387,580)	(7,373,160)	(5,571,020)	(8,555,495)
BALANCE, END OF PERIOD	$ 3,595,632	$ 3,281,978	$ 6,885,567	$ (2,083,241)	$ 5,396,725

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

	Six Months ended April 30		Years ended October 31		
	2004	2003	2003	2002	2001
	(unaudited)		(audited)		
NET ASSETS, BEGINNING OF PERIOD	$132,175,279	$33,332,116	$ 33,332,116	$40,812,082	$ 49,143,901
Net realized income before distributions	13,727,763	3,823,877	6,350,614	8,839,335	12,718,177
Class A Share capital transactions					
Proceeds from shares issued, net of issue costs (Note 4)	—	—	89,883,850	—	—
Amounts paid for shares redeemed	—	—	(9,495)	—	—
	—	—	89,874,355	—	—
Amortization of premium on issue of Preferred Shares (Note 4)	83,868	—	13,978	—	—
Distributions (Note 7)					
Preferred Shares	(5,660,348)	(1,767,358)	(5,515,358)	(3,518,378)	(3,518,600)
Class A Shares	(7,583,040)	(2,387,580)	(7,373,160)	(5,571,020)	(8,555,495)
	(13,243,388)	(4,154,938)	(12,888,518)	(9,089,398)	(12,074,095)
Change in net unrealized appreciation/(depreciation) in market value of investments during the period	(3,858,178)	5,696,280	15,492,734	(7,229,903)	(8,975,901)
Change in net assets during the period	(3,289,935)	5,365,219	98,843,163	(7,479,966)	(8,331,819)
NET ASSETS, END OF PERIOD	$128,885,344	$38,697,335	$132,175,279	$33,332,116	$ 40,812,082

STATEMENTS OF CHANGES IN INVESTMENTS

	Six Months ended April 30		Years ended October 31		
	2004	2003	2003	2002	2001
	(unaudited)		(audited)		
INVESTMENTS AT MARKET VALUE, BEGINNING OF PERIOD	$206,226,648	$64,157,713	$ 64,157,713	$74,068,473	$75,721,993
Unrealized appreciation/(depreciation) of investments, beginning of period	8,886,712	(6,704,152)	(6,704,152)	514,908	9,475,715
Investments at cost, beginning of period	197,339,936	70,861,865	70,861,865	73,553,565	66,246,278
Cost of investments purchased during the period	214,005,823	15,158,161	238,684,216	38,540,253	56,439,892
Cost of investments sold during the period					
Proceeds from sales	201,696,070	35,890,076	118,016,271	48,417,862	59,308,870
Net realized gains on sale	10,528,826	3,292,599	5,810,126	7,185,909	10,176,265
	191,167,244	32,597,477	112,206,145	41,231,953	49,132,605
Investments at cost, end of period	220,178,515	53,422,549	197,339,936	70,861,865	73,553,565
Unrealized appreciation/(depreciation) of investments, end of period	5,533,821	(990,737)	8,886,712	(6,704,152)	514,908
INVESTMENTS AT MARKET VALUE, END OF PERIOD	$225,712,336	$52,431,812	$206,226,648	$64,157,713	$74,068,473

See accompanying notes to financial statements.

STATEMENT OF INVESTMENTS
October 31, 2003

	Par Value/ Number of Shares	Average Cost	Market Value	% of Portfolio
SHORT-TERM INVESTMENTS				
Treasury Bills				
Government of Canada — February 12, 2004	2,850,000	$ 2,828,112	$ 2,828,112	2.3%
Bankers Acceptance				
The Bank of Nova Scotia — December 5, 2003	4,000,000	3,942,560	3,942,560	3.2%
Bonds				
Canada Mortgage & Housing Corporation — December 1, 2003	1,943,000	1,946,375	1,946,119	
Canada Mortgage & Housing Corporation — June 1, 2004	14,000,000	14,197,758	14,191,324	
Export Development Corporation — June 18, 2004	95,000,000	96,725,800	96,646,471	
Total Bonds		112,869,933	112,783,914	92.6%
		119,640,605	119,554,586	98.1%
Accrued interest			2,311,336	1.9%
TOTAL SHORT-TERM INVESTMENTS		$119,640,605	$121,865,922	100.0%
INVESTMENTS				
Canadian Common Shares				
Bank of Montreal	500,000	$ 23,550,410	$ 24,665,000	12.0%
Canadian Imperial Bank of Commerce	795,000	44,852,269	47,071,950	22.8%
Royal Bank of Canada	722,200	43,262,008	45,845,256	22.2%
The Bank of Nova Scotia	825,000	51,888,962	54,012,750	26.2%
The Toronto-Dominion Bank	915,000	35,806,937	40,131,900	19.4%
Total Canadian Common Shares		$199,360,586	$211,726,856	102.6%

See accompanying notes to financial statements.

STATEMENT OF INVESTMENTS — (continued)
October 31, 2003

	Number of Contracts	Proceeds	Market Value	% of Portfolio
OPTIONS				
Written Cash Covered Put Options (100 shares per contract)				
Canadian Imperial Bank of Commerce — November 2003 @ $55	700	$ (53,550)	$ (3)	
Canadian Imperial Bank of Commerce — November 2003 @ $58	400	(15,200)	(19,656)	
The Bank of Nova Scotia — December 2003 @ $65	750	(55,875)	(48,465)	
Total Written Cash Covered Put Options		(124,625)	(68,124)	0.0%
Written Covered Call Options (100 shares per contract)				
Bank of Montreal — November 2003 @ $47	500	(28,250)	(112,393)	
Bank of Montreal — November 2003 @ $48	400	(23,200)	(62,085)	
Bank of Montreal — December 2003 @ $47	500	(37,750)	(126,054)	
Bank of Montreal — December 2003 @ $48	900	(66,200)	(172,952)	
Bank of Montreal — December 2003 @ $50	500	(36,500)	(41,316)	
Canadian Imperial Bank of Commerce — November 2003 @ $57	300	(36,000)	(67,591)	
Canadian Imperial Bank of Commerce — November 2003 @ $58	1400	(152,600)	(217,012)	
Canadian Imperial Bank of Commerce — December 2003 @ $57	1850	(233,650)	(543,077)	
Canadian Imperial Bank of Commerce — December 2003 @ $58	600	(78,600)	(125,486)	
Canadian Imperial Bank of Commerce — December 2003 @ $60	500	(51,500)	(53,334)	
Royal Bank of Canada — November 2003 @ $60	1450	(121,300)	(514,743)	
Royal Bank of Canada — November 2003 @ $61	1000	(91,000)	(264,250)	
Royal Bank of Canada — November 2003 @ $65	500	(33,000)	(14,631)	
Royal Bank of Canada — December 2003 @ $60	750	(77,625)	(282,592)	
Royal Bank of Canada — December 2003 @ $61	600	(65,400)	(193,840)	
The Bank of Nova Scotia — November 2003 @ $63	300	(27,900)	(69,234)	
The Bank of Nova Scotia — November 2003 @ $64	1200	(84,800)	(208,967)	
The Bank of Nova Scotia — November 2003 @ $66	500	(44,500)	(28,284)	
The Bank of Nova Scotia — December 2003 @ $64	1200	(111,900)	(264,336)	
The Bank of Nova Scotia — December 2003 @ $65	1000	(96,000)	(178,084)	
The Bank of Nova Scotia — December 2003 @ $67	250	(23,250)	(13,235)	
The Bank of Nova Scotia — January 2004 @ $68	600	(66,600)	(48,000)	
The Toronto-Dominion Bank — November 2003 @ $39	500	(29,000)	(243,241)	
The Toronto-Dominion Bank — November 2003 @ $40	1250	(81,000)	(498,010)	
The Toronto-Dominion Bank — December 2003 @ $39	1350	(122,850)	(626,663)	
The Toronto-Dominion Bank — December 2003 @ $40	1050	(75,650)	(462,674)	
Total Written Covered Call Options		(1,896,025)	(5,432,084)	(2.6)%
TOTAL OPTIONS		$ (2,020,650)	$ (5,500,208)	
TOTAL INVESTMENTS		$197,339,936	$206,226,648	100.0%

See accompanying notes to financial statements.

STATEMENT OF INVESTMENTS
April 30, 2004 (unaudited)

	Par Value	Average Cost	Market Value
SHORT-TERM INVESTMENTS			
Treasury Bills			
Government of Canada — May 6, 2004	8,575,000	$ 8,522,910	$ 8,522,910
Government of Canada — June 30, 2004	15,980,000	15,900,692	15,900,692
Government of Canada — July 29, 2004	5,755,000	5,723,581	5,723,581
Government of Canada — August 26, 2004	15,420,000	15,297,161	15,297,161
Total Treasury Bills		$45,444,344	$45,444,344
Bonds			
Canada Mortgage & Housing Corporation — June 1, 2004	10,000,000	10,020,238	10,022,309
Export Development Corporation — June 18, 2004	42,000,000	42,762,985	42,169,607
Total Bonds		52,783,223	52,191,916
		98,227,567	97,636,260
Accrued Interest			1,161,496
TOTAL SHORT-TERM INVESTMENTS		$98,227,567	$98,797,756

	Number of Shares	Average Cost	Market Value
INVESTMENTS			
Canadian Common Shares			
Bank of Montreal	900,000	$ 48,199,886	$ 46,710,000
Canadian Imperial Bank of Commerce	620,000	39,767,498	41,657,800
Royal Bank of Canada	675,000	41,460,798	41,141,250
The Bank of Nova Scotia	1,360,000	45,308,932	47,804,000
The Toronto-Dominion Bank	1,110,000	47,457,951	49,372,800
Total Canadian Common Shares		$222,195,065	$226,685,850

STATEMENT OF INVESTMENTS — (continued)
April 30, 2004 (unaudited)

	Number of Contracts	Proceeds	Market Value
OPTIONS			
Written Cash Covered Put Options (100 shares per contract)			
Bank of Montreal — June 2004 @$52	500	$ (42,500)	$ (46,511)
Canadian Imperial Bank of Commerce — June 2004 @ $67	550	(52,800)	(64,023)
Royal Bank of Canada — May 2004 @ $62	400	(19,000)	(41,175)
Total Written Cash Covered Put Options		$ (114,300)	$ (151,709)
Written Covered Call Options (100 shares per contract)			
Bank of Montreal — May 2004 @ $54	750	$ (52,500)	$ (75)
Bank of Montreal — May 2004 @ $58	750	(76,500)	—
Bank of Montreal — June 2004 @ $55	500	(42,000)	(5,876)
Bank of Montreal — June 2004 @ $56	500	(42,500)	(2,885)
Bank of Montreal — June 2004 @ $57	1,500	(146,750)	(13,109)
Canadian Imperial Bank of Commerce — May 2004 @ $67	750	(104,625)	(55,683)
Canadian Imperial Bank of Commerce — May 2004 @ $71	500	(54,000)	(1,498)
Canadian Imperial Bank of Commerce — June 2004 @ $69	750	(99,000)	(41,755)
Canadian Imperial Bank of Commerce — June 2004 @ $71	500	(77,500)	(14,106)
Canadian Imperial Bank of Commerce — July 2004 @ $68	750	(87,000)	(95,962)
Royal Bank of Canada — May 2004 @ $64	750	(29,625)	(2,614)
Royal Bank of Canada — May 2004 @ $66	750	(34,500)	(319)
Royal Bank of Canada — June 2004 @ $63	500	(42,250)	(20,269)
Royal Bank of Canada — June 2004 @ $64	1,000	(79,250)	(24,210)
The Bank of Nova Scotia — May 2004 @ $69	800	(30,000)	(46,391)
The Bank of Nova Scotia — May 2004 @ $71	2,000	(71,000)	(40,126)
The Bank of Nova Scotia — June 2004 @ $37	1,000	(51,000)	(12,568)
The Bank of Nova Scotia — June 2004 @ $71	1,000	(62,000)	(47,472)
The Bank of Nova Scotia — July 2004 @ $36	1,000	(43,500)	(60,799)
The Bank of Nova Scotia — July 2004 @ $37	1,000	(57,000)	(41,196)
The Toronto-Dominion Bank — May 2004 @ $46	1,500	(171,000)	(47,669)
The Toronto-Dominion Bank — June 2004 @ $45	500	(32,000)	(45,343)
The Toronto-Dominion Bank — June 2004 @ $47	750	(72,000)	(21,112)
The Toronto-Dominion Bank — June 2004 @ $48	1,000	(105,000)	(14,368)
The Toronto-Dominion Bank — July 2004 @ $45	500	(45,000)	(59,194)
The Toronto-Dominion Bank — July 2004 @ $46	1,000	(110,000)	(66,528)
The Toronto-Dominion Bank — July 2004 @ $47	750	(84,750)	(40,678)
Total Written Covered Call Options		(1,902,250)	(821,805)
TOTAL OPTIONS		$ (2,016,550)	$ (973,514)
TOTAL INVESTMENTS		$220,178,515	$225,712,336

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL HIGHLIGHTS

	Years ended October 31		
	2003	2002	2001
		(audited)	
DATA PER CLASS A SHARE			
Net Asset Value, Beginning of Year	$ 8.38	$10.26	$12.35
INCOME FROM INVESTMENT OPERATIONS			
Net investment income (loss)	(1.05)	(0.47)	(0.25)
Net gain (loss) on investments and options	4.42	(0.01)	0.31
Total from Investment Operations	3.37	(0.48)	0.06
DISTRIBUTION TO SHAREHOLDERS			
From net realized gain on sale of investments and options	(1.14)	(1.40)	(2.15)
From taxable income	(0.06)	—	—
Total Distribution	(1.20)	(1.40)	(2.15)
Net Asset Value, End of Year	$10.55	$ 8.38	$10.26
RATIOS/SUPPLEMENTAL DATA			
Total net assets, end of year ($millions)	$132.2	$ 33.3	$ 40.8
Average net assets ($millions)	$ 47.3	$ 44.6	$ 49.2
Management expense ratio	2.62%*	1.20%	1.23%
Portfolio turnover rate	222%	63%	75%
Annual rate of return	40.2%	(4.7)%	0.5%

* The management expense ratio of 2.62% includes expenses for the special resolution. The management expense ratio excluding expenses for the special resolution is 1.17%.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Premium Income Corporation (the ''Company'') is a mutual fund corporation incorporated under the laws of the Province of Ontario on August 27, 1996. All shares outstanding on November 1, 2010 will be redeemed by the Company on that date.

The Company operates under the registered name Mulvihill Premium Canadian Bank Fund.

The Company invests in a portfolio consisting principally of common shares of Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada and The Toronto-Dominion Bank.

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 common shares in the Portfolio. In addition, the Company writes cash covered put options in respect of securities in which the Company is permitted to invest. The Company may also 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 short-term commercial paper issued by one or more of the Banks.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The following is a summary of the significant accounting principles:

Investment valuation policies

Investments are recorded in the financial statements at their market value at the end of the period, determined as follows:

Shares or other securities for which market quotations are readily available are valued at the closing sale price or, if there is no sale price, the average of the closing bid and ask prices.

Listed options are valued at market values as reported on recognized exchanges. Over-the-counter options are valued using an appropriate valuation model.

Short-term investments are valued at cost plus accrued interest which approximates market values.

Policies for the recognition of investment appreciation, depreciation and income

Realized gains and losses on investment sales and unrealized appreciation or depreciation in investment values are calculated on the average cost basis.

Option fees received are deferred and included in investments on the statement of financial position so long as the options are outstanding. Any difference resulting from revaluation is included in unrealized appreciation or depreciation of investments.

Dividend income is recognized on the ex-dividend date. Interest income is recognized when earned.

Policies for recognition of premium on Preferred Shares

Premium on Preferred Shares is amortized over the remaining life of the Company. The premium on Preferred Shares retracted will be recognized on the date they are retracted.

3. Statements of Financial Highlights

The following explanatory notes pertain to the Statements of Financial Highlights:

(a) Net asset value per unit is calculated as (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 and excluding any unamortized premium on issue of Preferred Shares, less (iii) the stated capital of the Class B shares of $1,000, divided by the number of units outstanding.

The net asset value per Class A Share is the net asset value per unit less the lesser of (i) $15.00, or (ii) the net asset value per unit.

(b) Net investment income (loss) per Class A Share consists of interest and dividend revenue less expenses, including Preferred Share distributions, and is calculated based on the weighted average number of Class A Shares outstanding during the year.

(c) Net gain (loss) on investments and options per Class A Share includes the impact of timing of shareholder transactions.

(d) Distributions to Class A Shareholders are based on the number of Class A Shares outstanding on the record date for each distribution.

(e) Management expense ratio is the ratio of all fees and expenses, including GST and capital taxes but excluding income taxes, charged to the Company to average net assets, including redeemable Preferred Shares.

(f) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of portfolio securities during the year.

(g) Annual rate of return represents the historical annual total rate of return of an investment in a Class A Share for the year, assuming reinvestment of current year distributions.

4. Share Capital

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

On May 16, 2003 the shareholders of the Company approved a special resolution to extend the life of the Company for an additional seven years to November 1, 2010. The resolution extended the participation of holders of Class A Shares and Preferred Shares in the performance of the Company's underlying portfolio of Canadian bank shares beyond the original redemption date of November 1, 2003 while maintaining the rights originally provided to shareholders. Costs of $1,722,923 were incurred in connection with the special resolution.

On September 22, 2003, the Company issued 8,500,000 units for total gross cash proceeds of $226,525,000. On October 7, 2003, the Company issued an additional 160,000 units for total gross cost proceeds of $4,264,000. Costs of $4,440,870 for Preferred Shares and $5,376,150 for Class A Shares were incurred in connection with these offerings and have been charged to equity. The Preferred Shares were issued at a premium of $1,188,130 net of issue costs. This premium will be amortized over the remaining life of the Company.

Preferred Shares and Class A Shares may be surrendered at any time for retraction at specified retraction amounts. Holders of Preferred Shares and Class A Shares may concurrently retract one Preferred Share and one Class A Share on an October 31 valuation date at their Net Asset Values. Shares retracted at any other valuation date or not retracted concurrently at an October 31 valuation date will be retracted at a discount to Net Asset Value. Under the terms of a Recirculation Agreement, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Preferred Shares and Class A Shares tendered for retraction. The Preferred Shares rank in priority to the Class A Shares and the Class A Shares rank in priority to the Class B Shares with respect to the payment of dividends and repayment of capital on the dissolution, liquidation or winding-up of the Company.

The holders of Class B Shares are not entitled to receive dividends. The Class B Shares are retractable at a price of $1.00 per share.

Class B Shares are entitled to one vote per share. Preferred Shares and Class A Shares are entitled to vote on certain shareholder matters.

The Company's Preferred Shares have been classified as liabilities in accordance with the accounting requirements of the Canadian Institute of Chartered Accountants. Accordingly, net income for the year is stated after Preferred Share distributions.

A net of 900 units, each unit consisting of one Preferred Share and one Class A Share, were redeemed during the year ended October 31, 2003 (2002 — nil).

Issued and Outstanding	April 30, 2004	October 31, 2003	October 31, 2002
	(unaudited)		
12,638,400 Preferred Shares	$189,576,000	$189,576,000	$59,689,500
12,638,400 Class A Shares	$125,288,712	$125,288,712	$35,414,357
1,000 Class B Shares	1,000	1,000	1,000
	$125,289,712	$125,289,712	$35,415,357

5. Management Fees and Expenses

The Company is responsible for all ongoing custodian, manager, legal, accounting and audit fees as well as all other expenses incurred by the custodian and manager in the ordinary course of business relating to the Company's operations.

Fees are paid to Mulvihill Capital Management Inc. (''MCM'') under the terms of an investment management agreement and to Mulvihill Fund Services Inc. (''Mulvihill'') under the terms of a management agreement. The fees are comprised of monthly fees calculated at 1/12 of 0.80% and 1/12 of 0.10%, respectively, of the net assets of the Company at each month end, including the redeemable Preferred Shares.

6. Income Taxes

The Company is a ''mutual fund corporation'' as defined in the *Income Tax Act* (Canada) (the ''Act'') and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Company is generally subject to a tax of 33⅓% under Part IV of the Act on taxable dividends received in the year. This tax is fully refundable upon payment of sufficient dividends. The Company is also subject to tax on the amount of its interest income that is not offset by operating expenses and share issue expenses.

The Company is also a ''financial intermediary corporation'' as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable to tax under Part VI.1 on dividends paid on taxable preferred shares.

Under the dividend policy of the Company, premiums received in respect of written options that are still outstanding at year end are not to be distributed in the year to the shareholders. The premiums retained by the Company are subject to a refundable tax. This tax was nil in 2003 (2002: $37,390; 2001: $168,000).

7. Distributions — Preferred Shares

Distributions per Preferred Share paid during the calendar year were allocated as follows:

	2003	2002	2001
Capital gains dividends	$0.3029	$0.3404	$0.3412
Taxable dividends	$0.5899	$0.5438	$0.5430
	$0.8928	$0.8842	$0.8842

Preferred Shares are entitled to a cumulative preferential quarterly distribution of $0.215625 per share payable on the last day of January, April, July and October in each year. 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 dividend of $0.068 for each $1.00 of Preferred Share dividend so funded.

8. Commissions

Total commissions paid in 2004 in connection with portfolio transactions were $150,540 (unaudited) (2003: $230,245; 2002: $58,129; 2001: $110,182).

9. Financial Instruments and Risk Management

The value of the Company's assets and liabilities is affected by changes in interest rates and equity markets. The Company manages these risks through the use of various risk limits and trading strategies. The Company's assets and liabilities are included in the statements of financial position at market value.

10. Comparative Figures

Certain comparative figures have been reclassified to conform with the current presentation.

11. Statement of Portfolio Transactions

The Company will provide, without charge, a Statement of Portfolio Transactions (unaudited) upon written request by any shareholder to the Company at 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

12. Subsequent Events

The Company has agreed to engage RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, Raymond James Ltd. and First Associates Investments Inc. to offer the Preferred Shares and the Class A Shares offered pursuant to this prospectus dated September 23, 2004. Consequently, subsequent to the completion of this Offering, the net assets of the Company (including the Preferred Shares) will be approximately $482,978,181.

CERTIFICATE OF THE COMPANY AND THE PROMOTER

Dated: September 23, 2004

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of the *Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 63 of the *Securities Act* (Nova Scotia), by Section 74 of the *Securities Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island) and by Pat XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

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

By: (Signed) DAVID N. MIDDLETON
Chief Financial Officer

On Behalf of the Board of Directors of
Premium Income Corporation

By: (Signed) MICHAEL M. KOERNER
Director

By: (Signed) ROBERT W. KORTHALS
Director

MULVIHILL CAPITAL MANAGEMENT INC.
(as Promoter)

By: (Signed) JOHN P. MULVIHILL

CERTIFICATE OF THE AGENTS

Dated: September 23, 2004

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of the *Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 63 of the *Securities Act* (Nova Scotia), by Section 74 of the *Securities Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

RBC DOMINION SECURITIES INC.

By: (Signed) GRAHAM MACMILLAN

CIBC WORLD MARKETS INC.

By: (Signed) RONALD W. A. MITCHELL

SCOTIA CAPITAL INC.

By: (Signed) BRIAN D. MCCHESNEY

TD SECURITIES INC.

By: (Signed) DAVID BEATTIE

BMO NESBITT BURNS INC.

By: (Signed) JOHN MANNING

NATIONAL BANK FINANCIAL INC.

By: (Signed) MICHAEL D. SHUH

HSBC SECURITIES (CANADA) INC.

By: (Signed) ROD A. MCISAAC

CANACCORD CAPITAL CORPORATION	**DESJARDINS SECURITIES INC.**	**DUNDEE SECURITIES CORPORATION**	**RAYMOND JAMES LTD.**	**FIRST ASSOCIATES INVESTMENTS INC.**
By: (Signed) RONALD A. RIMER	By: (Signed) BETH SHAW	By: (Signed) DAVID P. STYLES	By: (Signed) SARA MINATEL	By: (Signed) CHARLES A.V. PENNOCK

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