

Annual Report 1998



First Premium
U.S. Income Trust
Mulvihill Capital Management Inc.



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M E S S A G E T O U N I T H O L D E R S

First Premium U.S. Income Trust (the "Trust") was launched in February 1997 to provide investors with an attractive alternative to conventional fixed income vehicles. The Trust's objective is to earn income primarily in the form of capital gains and dividends and to distribute this net income to unitholders in the form of regularly scheduled quarterly distributions. The yield objective is to pay \$2.00 per annum, equivalent to an 8% yield distribution on the initial offering price of \$25.00 per unit.

Performance of the Trust remained strong during 1998, as a rising U.S. equity market and increased price volatility on the underlying securities combined to generate high levels of earned income and appreciation in the value of the underlying securities held by the Trust.

Total distributions to unitholders during 1998 were \$3.25 per unit comprised of the regular distribution of \$2.00 and a special distribution of \$1.25. Based upon the initial issue price of \$25.00, the 1998 distribution represents a yield of 13%.

We would like to take this opportunity to thank each of the Trust's unitholders for their continued support during 1998.

John P. Mulvihill
President
Mulvihill Capital Management Inc.

Donald Biggs
Vice President, Structured Finance
Mulvihill Capital Management Inc.

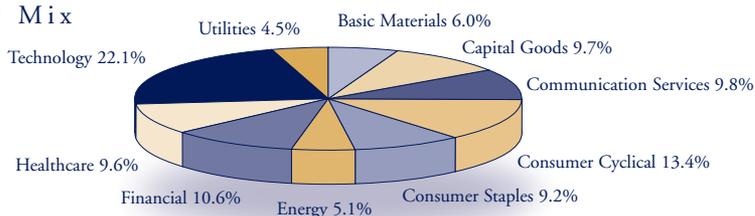
I N V E S T M E N T O B J E C T I V E S

First Premium U.S. Income Trust was launched in February 1997 with similar objectives to First Premium Income Trust. Those objectives are to provide unit-holders of the Trust with a stable stream of quarterly distributions of at least \$0.50 (\$2.00 annually) per unit while returning the original issue price of the units (\$25.00 per unit) to unitholders upon termination of the Trust.

I N V E S T M E N T S T R A T E G Y

The Trust intends to achieve its investment objectives by investing in a diversified portfolio consisting primarily of common shares issued by corporations that rank in the top 50 of the Standard & Poor's 100 Index on the basis of market capitalization. To generate additional returns above the dividend income generated by the portfolio, the Trust engages in a program of covered call option writing in respect of all or part of the securities in the Portfolio.

Asset Mix



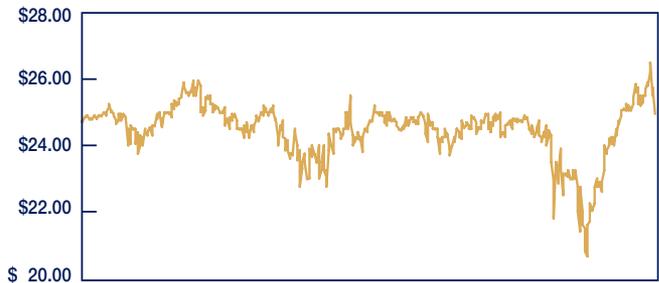
Distribution History

	<i>Regular Distribution</i>	<i>Special Distribution</i>	<i>Total Distribution</i>
<i>1997</i>			
June	\$0.83		\$0.83
September	\$0.50		\$0.50
December	\$0.50	\$0.75	<u>\$1.25</u>
<i>Total 1997</i>			<u>\$2.58</u>
<i>1998</i>			
March	\$0.50		\$0.50
June	\$0.50	\$0.25	\$0.75
September	\$0.50		\$0.50
December	\$0.50	\$1.00	<u>\$1.50</u>
<i>Total 1998</i>			<u>\$3.25</u>
<i>Total Distribution to Date</i>			<u>\$5.83</u>

Ten Largest Holdings:

CISCO SYSTEMS, INC.	INTEL CORPORATION
GENERAL ELECTRIC COMPANY	NORTHERN TELECOM LIMITED
BANKAMERICA CORPORATION	WALT DISNEY COMPANY
FORD MOTOR COMPANY	MCI WORLDCOM, INC.
BRISTOL-MYERS SQUIBB COMPANY	WAL-MART STORES, INC.

Trading History



February 1997 to December 1998

C O M M E N T A R Y

As of December 31, 1998, the net asset value per unit of the Trust was \$26.11, as compared to the December 31, 1997 net asset value of \$25.10. The increase of \$1.01 per unit is due to an appreciation in the value of the underlying assets of the Trust.

This appreciation in the Trust's underlying asset value was in addition to the 1998 distributions of \$3.25, equivalent to a 13% yield distribution based upon the initial issuance price of \$25.00 per unit.

The combination of above target distributions and underlying growth strengthened the unit trading price. The Units listed as FPU.UN on the Toronto Stock Exchange and Montreal Exchange closed on December 31, 1998 at \$24.95, an increase of \$1.20 per unit from its December 31, 1997 close of \$23.75.

The strong performance within the broad U.S. equity market during the past several years has increased our level of caution with respect to potential market developments during 1999. As a result, the Trust remains conservatively positioned with a well diversified portfolio, comprised of quality stocks and a defensive cash position.

A U D I T O R S ' R E P O R T

To the Unitholders of
First Premium U.S. Income Trust

We have audited the statements of net assets of First Premium U.S. Income Trust as at December 31, 1998 and 1997, the statement of investments at market value as at December 31, 1998 and the statements of financial operations, changes in net assets and gain on sale of investments and options for the years ended December 31, 1998 and 1997. These financial statements are the responsibility of the Manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 the Manager, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Trust as at December 31, 1998 and 1997, its investments at market value at December 31, 1998, and the results of its operations and the changes in its net assets for the years ended December 31, 1998 and 1997 in accordance with generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants

Toronto, Ontario
February 12, 1999

STATEMENTS OF NET ASSETS

December 31, 1998 and 1997

	1998	1997
Assets		
Investments at market value (average cost - \$195,609,968; 1997 - \$177,214,099)	\$ 222,799,895	\$ 191,709,072
Short-term investments	107,134,800	143,400,298
Cash	50,025	107,491
Dividends receivable	137,426	511,960
Interest receivable	309,758	1,200,073
Due from broker	418,259	248,603
	<u>330,850,163</u>	<u>337,177,497</u>
Liabilities		
Accrued liabilities	578,294	717,559
Redemptions payable	19,220,481	15,755,671
	<u>19,798,775</u>	<u>16,473,230</u>
Net Assets, Represented by Unitholders' Equity	<u>\$ 311,051,388</u>	<u>\$ 320,704,267</u>
Number of Units Outstanding (Note 4)	<u>11,911,572</u>	<u>12,778,282</u>
Net Asset Value Per Unit	<u>\$ 26.1134</u>	<u>\$ 25.0976</u>

On behalf of the Manager,
Mulvihill Fund Services Inc.



Director



Director

STATEMENTS OF FINANCIAL OPERATIONS

Years ended December 31, 1998 and 1997

	1998	1997
I n c o m e		
Dividends	\$ 9,241,613	\$ 4,649,267
Interest	10,554,915	4,840,179
	<u>19,796,528</u>	<u>9,489,446</u>
Expenses (Note 5)		
Management fees	5,692,919	5,254,551
Withholding tax	429,373	473,927
Goods and services tax	409,734	383,172
Custodian and other fees	160,422	219,327
	<u>6,692,448</u>	<u>6,330,977</u>
Net Investment Income	<u>13,104,080</u>	<u>3,158,469</u>
Gain on Sale of Investments, Options and Forward contracts	29,590,687	34,306,732
Change in Unrealized Appreciation of Investments	11,256,520	15,695,046
Net Gain on Investments	<u>40,847,207</u>	<u>50,001,778</u>
Total Results of Financial Operations	<u>\$ 53,951,287</u>	<u>\$ 53,160,247</u>
Net Investment Income Per Unit	\$ 1.0285	\$ 0.2363
Net Gain on Investments Per Unit	<u>\$ 3.2060</u>	<u>\$ 3.7413</u>
Total Results of Financial Operations Per Unit (based on the weighted average number of units outstanding during the period of 12,740,721; 1997 - 13,364,832)	<u>\$ 4.2345</u>	<u>\$ 3.9776</u>

STATEMENTS OF CHANGES IN NET ASSETS
Years ended December 31, 1998 and 1997

	1998	1997
Unit Transactions		
Proceeds from units issued	\$ 13,970	\$ 317,742,145
Amount paid for units redeemed	(22,306,836)	(15,895,498)
Proceeds from reinvestment of distributions	-	282,775
	<u>(22,292,866)</u>	<u>302,129,422</u>
Total Results from Financial Operations	<u>53,951,287</u>	<u>53,160,247</u>
Distributions to Unitholders (Note 6)		
From net realized gain on sale of investments	(30,315,954)	(33,873,136)
From net investment income	(10,028,615)	-
Non-taxable distribution	(966,731)	(712,266)
	<u>(41,311,300)</u>	<u>(34,585,402)</u>
Changes in Net Assets During the Year	(9,652,879)	320,704,267
Net Assets, Beginning of Year	320,704,267	-
Net Assets, End of Year	<u>\$ 311,051,388</u>	<u>\$ 320,704,267</u>

STATEMENTS OF GAIN ON SALE OF INVESTMENTS
AND OPTIONS
Years ended December 31, 1998 and 1997

	1998	1997
Proceeds from Sale of Investments	<u>\$ 344,809,514</u>	<u>\$ 520,977,455</u>
Cost of Investments Sold		
Cost of investments, beginning of year	177,214,099	-
Cost of investments purchased	333,614,696	663,884,822
	<u>510,828,795</u>	<u>663,884,822</u>
Cost of investments, end year	<u>(195,609,968)</u>	<u>(177,214,099)</u>
	315,218,827	486,670,723
Gain on Sale of Investments and Options	<u>\$ 29,590,687</u>	<u>\$ 34,306,732</u>

STATEMENT OF INVESTMENTS

December 31, 1998

	<i>Par Value/ Number of Shares</i>	<i>Average Cost</i>	<i>Market Value</i>	<i>% of Total</i>
Short-term Investments				
Treasury Bills				
Government of Canada, <i>January 7, 1999</i>	48,000	\$ 47,458	\$ 47,458	
Government of Canada, <i>January 14, 1999</i>	410,000	628,968	626,688	
Government of Canada, <i>January 19, 1999</i>	12,050,000	18,642,839	18,451,840	
Government of Canada, <i>January 21, 1999</i>	1,720,000	2,639,533	2,621,721	
Government of Canada, <i>January 21, 1999</i>	841,000	833,246	833,246	
		<u>22,792,044</u>	<u>22,580,953</u>	<u>21.0%</u>
Bankers Acceptance				
Canadian Imperial Bank of				
Commerce, <i>February 26, 1999</i>	53,600,000	52,954,120	52,954,120	49.3%
Discount Commercial Paper				
Canadian Wheat Board, <i>January 21, 1999</i>	1,090,000	1,671,023	1,659,678	
Export Develop. Corp., <i>January 15, 1999</i>	2,200,000	3,355,974	3,340,049	
		<u>5,026,997</u>	<u>4,999,727</u>	<u>4.7%</u>
Interest Bearing Notes				
Royal Bank of Canada, <i>January 4, 1999</i>	26,600,000	26,600,000	26,600,000	24.8%
		<u>107,134,800</u>	<u>107,134,800</u>	
Accrued Interest		-	309,758	0.2%
Total Short-term Investments		<u>\$107,373,161</u>	<u>\$107,444,558</u>	<u>100.0%</u>
Investments				
Canadian Common Stocks				
Northern Telecom	130,000	\$ 10,812,455	\$ 10,008,986	4.5%
Foreign Common Stocks - USA				
Utilities - Electrical and Gas				
Mobil Corp.	55,000	6,473,101	7,360,339	3.3%
Chemicals				
Du Pont E I De Nemours and Co.	70,000	8,042,147	5,705,295	
Monsanto Co.	104,000	6,947,566	7,587,859	
<i>Total</i>		<u>14,989,713</u>	<u>13,293,154</u>	<u>6.0%</u>
Aerospace and Military Technology				
United Techs Corp.	35,000	4,672,756	5,846,415	2.6%
Data Processing and Reproduction				
Cisco Systems Inc.	187,500	13,572,356	26,730,068	
Microsoft Corp.	25,000	4,124,964	5,325,614	
Xerox Corp.	40,000	6,409,631	7,249,939	
<i>Total</i>		<u>24,106,951</u>	<u>39,305,621</u>	<u>17.6%</u>
Electrical and Electronics				
General Electric Co.	100,000	13,800,335	15,676,840	
MCI Worldcom Inc.	87,073	6,831,836	9,596,166	
<i>Total</i>		<u>20,632,171</u>	<u>25,273,006</u>	<u>11.3%</u>
Electronic Components and Instruments				
Intel Corp.	55,000	8,504,462	10,016,186	4.5%

STATEMENT OF INVESTMENTS

December 31, 1998 (continued)

	<i>Par Value/ Number of Shares</i>	<i>Average Cost</i>	<i>Market Value</i>	<i>% of Total</i>
Energy Equipment and Services				
Schlumberger Ltd.	55,000	6,999,787	3,896,650	1.75%
Automobiles				
Daimlerchrysler Agord	46,762	6,081,344	6,899,844	
Ford Motor Company	150,000	11,589,424	13,521,635	
<i>Total</i>		17,670,768	20,421,479	9.2%
Food and Household Products				
Heinz H. J. Co.	37,500	3,103,157	3,261,608	
McDonalds Corporation	65,000	6,837,482	7,650,260	
<i>Total</i>		9,940,639	10,911,868	4.9%
Health and Personal Care				
Bristol-Myers Squibb Co.	60,000	10,662,271	12,332,192	
Pharmacia and Upjohn Inc.	105,000	7,592,980	9,132,503	
<i>Total</i>		18,255,251	21,464,695	9.6%
Leisure and Tourism				
Walt Disney	210,000	10,838,997	9,676,825	4.3%
Merchandising				
Wal-Mart Stores	75,000	6,247,631	9,381,624	4.2%
Telecommunications				
AT&T Corp.	70,000	6,550,192	8,090,901	
Bell Atlantic Corp.	50,000	3,226,717	4,363,211	
<i>Total</i>		9,776,909	12,454,112	5.6%
Banking				
BankAmerica Corp.	160,528	18,375,464	14,825,117	6.7%
Insurance				
Amern Intl. Grp. Inc.	60,000	8,022,141	8,904,983	4.0%
Total Foreign Common Stock		185,506,741	213,032,074	95.6%
Written Call Options (100 shares per contract)				
	<i>Number of Contracts</i>			
Ford Motor Company - February 99 @ \$60	(250)	(46,826)	(76,800)	
Ford Motor Company - January 99 @ \$55	(250)	(68,766)	(148,800)	
General Electric Co. - January 99 @ \$100	(500)	(172,009)	(259,201)	
McDonald's Corporation - January 99 @ \$75	(250)	(134,285)	(120,000)	
Mobil Corp. - January 99 @ \$85	(250)	(287,342)	(134,400)	
Total Written Call Options		(709,228)	(739,201)	(0.3)%
Forward Contracts				
<i>Bought</i>	<i>Sold</i>	<i>Expiry</i>		
38,647,500 CAD	25,000,000 USD	January 13, 1999	-	248,723
38,647,500 CAD	25,000,000 USD	January 20, 1999	-	249,313
Total Forward Contracts			-	498,036
Total Investments			\$195,609,968	\$222,799,895 100.0%

December 31, 1998 and 1997

1. Establishment Of The Trust

First Premium U.S. Income Trust (the "Trust") is an investment trust established under the laws of the Province of Ontario on January 22, 1997. The Trust began operations on February 4, 1997 and will terminate on January 1, 2007 and its net assets will be distributed to unitholders unless unitholders determine to continue the Trust by a majority vote at a meeting called for such purpose.

The manager of the Trust is Mulvihill Fund Services Inc. (the "Manager") and the Trust's investment manager is Mulvihill Capital Management Inc. (the "Investment Manager"). The Royal Trust Company (the "Trustee") is the trustee and acts as custodian of the assets of the Trust.

2. Investment Objectives Of The Trust

The Trust intends to achieve its investment objectives by investing in a diversified portfolio consisting primarily of common shares issued by corporations that rank in the top 50 of the Standard & Poor's 100 Index on the basis of market capitalization. The securities comprising the portfolio may also include installment receipts for common shares and securities convertible into or exchangeable for common shares.

To generate additional returns above the dividend income earned on the portfolio, the Trust will from time to time write covered call options in respect of all or some of the securities in the portfolio. Additionally, the Trust may purchase call options with the effect of closing out existing call options written by the Trust and may also purchase put options to preserve the value of the portfolio where appropriate. The Trust may enter into trades to close out positions in such permitted derivatives.

From time to time, the portfolio may include debt securities having a remaining term to maturity of less than one year issued or guaranteed by the government of Canada or a province or the government of the United States or short-term commercial paper with a minimum specified credit rating.

3. Summary Of Significant Accounting Policies

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

Valuation of investments

Securities are valued at market value, which is determined by the closing sale price on the recognized stock exchange on which the securities are listed or principally traded. If no sale has taken place on that day, valuation will be at the last published sale price if this is between the last recorded bid price (the price someone is willing to pay) and the last recorded asked price (the price at which someone is willing to sell). If the last published sale price is not between the bid and the asked price, the bid or the asked price is used, whichever is nearer the last published sale price.

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

Forward foreign exchange contracts are valued at the current market value thereof on the valuation date.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1998 and 1997

3. Summary of Significant Accounting Policies (continued) Investment transactions and income

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the sale of investments and unrealized appreciation or depreciation of investments are determined on an average cost basis.

Option fees paid or received are reflected as deferred credits in investments so long as the options are outstanding. Any difference resulting from revaluation is included in unrealized appreciation or depreciation on investments.

Dividend income is recorded on the ex-dividend date. Interest income is recorded daily as it is earned.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, and income derived from investments, are translated at the rate of exchange prevailing on the respective dates of such transactions.

4. Unitholders' Equity

The Trust is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Trust.

All units have equal voting rights and privileges. Each whole unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally with respect to any and all distributions made by the Trust. Fractional units are not entitled to voting privileges.

Units may be surrendered at any time for redemption but will be redeemed only on the monthly valuation date. Unitholders whose units are redeemed on a December 31 valuation date will be entitled to receive a redemption price per unit equal to the net asset value per unit. Unitholders whose units are redeemed on any other valuation date will be entitled to receive a redemption price per unit equal to the net asset value per unit less the lesser of (i) 4% of such net asset value per unit and (ii) \$1.00. Under the terms of a Recirculation Agreement, the Trust may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any units tendered for redemption.

On January 22, 1997, the Trust issued 12,500,000 units at \$25.00 per unit for total gross cash proceeds of \$312,500,000. On February 28, 1997, the Trust issued 900,000 units at \$25.00 per unit for total gross cash proceeds of \$22,500,000. Costs of \$17,257,855 were incurred in connection with these offerings and the establishment of the Trust.

Following are the unit transactions for the year:

	1998	1997
Units outstanding, beginning of year	12,778,282	-
Units issued for cash	600	13,400,000
Units redeemed	(867,310)	(633,375)
Units issued on reinvestment of distributions	-	11,657
Units outstanding, end of year	<u>11,911,572</u>	<u>12,778,282</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1998 and 1997

5. *Management Fees And Expenses*

The Trust is responsible for all ongoing trustee, manager, legal, accounting and audit fees as well as all other expenses incurred by the Trustee and Manager in the ordinary course of business relating to the Trust's operations. The Trust is also responsible for commissions and other costs of portfolio transactions and any extraordinary expenses of the Trust which may be incurred from time to time.

Fees are payable to the Manager under the terms of the trustee agreement and to the Investment Manager under the terms of an investment management agreement. The fees are payable at annual rates of 0.10% and 1.65%, respectively, of the Trust's net asset value calculated and payable monthly, plus applicable taxes.

Charges to the Trust for the year, excluding taxes, were as follows:

	1998	1997
Expenses	\$ 5,853,341	\$ 5,473,878
Expenses as a percent of average net assets	1.80%	1.82%*

*(*annualized)*

Average net assets are calculated to be the average of the net assets determined at each valuation date of the Trust.

6. *Distributions*

The Trust endeavours to make quarterly distributions of net income and net realized capital gains and option premiums to unitholders on the last day of March, June, September and December in each year.

Unitholders may elect to reinvest distributions received from the Trust in additional units.

Distributions for the year were as follows:

	1998	1997
Distribution per unit:		
Net realized gain on sale of investments	\$ 2.3886	\$ 2.5269
Net investment income	0.7850	-
Non-taxable distribution	0.0764	0.0531
	\$ 3.2500	\$ 2.5800

The non-taxable distribution received by the unitholders reduces the adjusted cost base of the unit for tax purposes.

7. *Income Taxes*

The Trust is a “mutual fund trust” as defined in the Income Tax Act (Canada) (the “Act”). The Trust is subject to tax in each taxation year under Part I of the Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to unitholders in the year. Income tax paid by the Trust on any net realized capital gains not paid or payable to unitholders is recoverable by the Trust to the extent and in the circumstances provided in the Act.

Given the investment and distribution policies of the Trust and taking into account expenses, the Trust does not expect to bear any appreciable non-refundable income tax.

No amount is payable on account of income taxes in 1998 or 1997.

8. *Risk Management*

The Trust may hedge its foreign currency exposure through the use of permitted derivatives such as clearing corporation options, futures contracts, options on futures, over-the-counter options and forward contracts. Forward contracts outstanding at year end are included in the statement of investments.

9. *Commission Charges*

Total commissions paid in connection with portfolio transactions were \$498,196 (1997 - \$936,497).

10. *Uncertainty Due To The Year 2000 Issue*

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Trust, including those related to the efforts of investees, suppliers, or other third parties, will be fully resolved.

11. *Comparative Figures*

Certain of prior year figures have been reclassified to conform to the current year's presentation.

12. *Statement Of Portfolio Transactions*

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

Mulvihill Capital Management Inc. is a leading Canadian investment counsellor responsible for the care of institutional and personal assets. The company manages corporate, pension, insurance, endowment, trust and mutual funds under a wide variety of investment mandates. Founded in 1985 as CT Investment Counsel Inc., the investment arm of Canada Trust, the company emerged in 1995 as an independent company operated by a cohesive team of senior managers and owners who have been together for more than a decade. The company's scale and independent structure allow it to provide clients with a uniquely customized approach to asset management.

First Premium U.S. Income Trust is managed by Mulvihill Capital's structured finance group. This area of the company concentrates exclusively on creating and managing products tailored to meet very specific investment objectives. Assets are generally managed to meet specific absolute return levels rather than taking on the additional risk of targeting relative returns. This methodology allows the company to make investment decisions that meet the client's needs rather than to make investments to rival the competition.

Mulvihill's personal asset management division, Mulvihill Wealth Management, offers a comprehensive specialized approach tailored to clients' personal strategies. This not only relieves the client's burden of day-to-day investment decisions but also provides financial peace of mind for today and tomorrow. The company's personalized service and customized reporting assure that its powerful team of professionals is always working toward your current objectives and that you are fully aware of the progress you are making.

Mulvihill's reputation has been built on its ability to provide customized portfolios that meet the stated needs of its clients. The Premium Income investments are prime examples of that customized approach to asset management.

Other Premium Income products within the Mulvihill Group include Premium Income Corporation, First Premium Income Trust, First Premium Oil & Gas Income Trust, MCM Split Share Corp., Global Telecom Split Share Corp. and Sixty Plus Income Trust.

These Funds are either Unit Trusts or Mutual Fund Corporations and traded on the Toronto Stock Exchange and the Montreal Exchange over the past year as follows:

	<i>Symbol</i>	<i>High</i>	<i>Low</i>
Premium Income Corporation	PIC.A	\$ 17.00	\$ 10.50
	PIC.PR.A	\$ 16.15	\$ 14.25
First Premium Income Trust	FPI.UN	\$ 30.25	\$ 23.15
First Premium Oil & Gas Income Trust	FPG.UN	\$ 11.00	\$ 6.05
MCM Split Share Corp.	MUH.A	\$ 15.70	\$ 9.75
	MUH.PR.A	\$ 15.30	\$ 12.75
Global Telecom Split Share Corp.	GT.A	\$ 14.90	\$ 8.00
	GT.PR.A	\$ 14.90	\$ 12.80

Y E A R 2 0 0 0

In conducting its business, the Trust utilizes the computer information systems of third party service providers, including the Manager and the Investment Manager, the Custodian and the Transfer Agent. The Trust is currently reviewing the potential Year 2000 readiness issues of its third party service providers and will determine what action, if any, is required. The Manager and the Investment Manager have advised the Trust that they have put in place a Year 2000 plan in an effort to ensure that their information systems are Year 2000 compliant by the end of first quarter of 1999. None of the expenditures for the Year 2000 readiness plan will be borne by the Trust. They have also made enquiries of the Custodian and Transfer Agent in order to assess the status of their information systems with respect to Year 2000 readiness issues. There can be no assurance, however, that the Trust's third party service providers have, or will have, information systems that are Year 2000 compliant. In addition, there is no assurance that the corporations that are included in the Trust's portfolio of investments will be Year 2000 compliant. If any such corporations are not Year 2000 compliant, the net asset value of the Trust could be adversely affected.

BOARD OF ADVISORS

John P. Mulvihill

Chairman & President, Mulvihill Capital Management Inc.

David N. Middleton

Vice President, Finance & CFO, Mulvihill Capital Management Inc.

Robert W. Korthals

Corporate Director

C. Edward Medland

President, Beauwood Investments Inc.

INFORMATION

Auditors:

Deloitte & Touche LLP

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Shares Listed:

Toronto Stock Exchange and Montreal

Exchange trading under FPU.UN

Trustee:

Royal Trust

Royal Trust Tower

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*Visit our website at www.mulvihill.com for additional information
on all Premium Income Funds.*

OTHER FUNDS MANAGED BY
MULVIHILL CAPITAL MANAGEMENT INC.

Premium Income Corporation

First Premium Income Trust

First Premium Oil & Gas Income Trust

MCM Split Share Corp.

Global Telecom Split Share Corp.

Sixty Plus Income Trust



First Premium U.S. Income Trust

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