

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Mulvihill Fund Services Inc., the manager of the issuer, at 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario, M5H 3T9 or hybrid@mulvihill.com or by calling toll-free at 1-800-725-7172 and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

Warrant Offering

November 6, 2009



Warrants to Subscribe for up to 1,883,543 Units at a Subscription Price of \$11.30

First Premium Income Trust (the “Fund”) will issue to the holders of record of outstanding Units of the Fund at the close of business on November 19, 2009, 1,883,543 Warrants to subscribe for and purchase an aggregate of approximately 1,883,543 Units. This short form prospectus qualifies the distribution of the Warrants and the Units issuable upon the exercise thereof. See “Details of the Offering”.

Record Date: November 19, 2009 (the “Record Date”), subject to obtaining all necessary regulatory and exchange approvals.

Commencement Date: Warrants may be exercised commencing on December 1, 2009.

Expiry Date and Time: Warrants not exercised by 5:00 p.m. (Toronto time) on March 31, 2010 (the “Expiry Date”) will be void and of no value.

Subscription Price: The subscription price for the Warrants will be \$11.30 (the “Subscription Price”), being the most recently calculated net asset value (“NAV”) per Unit prior to the date of the setting of the Subscription Price plus the per Unit fees and expenses of the Offering plus the Warrant Exercise Fee (as defined below).

Basic Subscription Privilege: Each holder (a “Unitholder”) of a Unit at the close of business (Toronto time) on the Record Date will receive one transferable Warrant for each Unit held. Each Warrant will entitle the holder thereof (a “Warrantholder”) to acquire one Unit upon payment of the Subscription Price prior to 5:00 p.m. (Toronto time) on the Expiry Date. See “Details of the Offering — Basic Subscription Privilege”.

Additional Subscription Privilege: Warrantholders who exercise their Warrants in full under the Basic Subscription Privilege are entitled to purchase, on a *pro rata* basis, Units not issued pursuant to the exercise of the Basic Subscription Privilege by other Warrantholders, if any. See “Details of the Offering — Additional Subscription Privilege”.

No Minimum Issue Size: The completion of the Offering is not conditional upon the receipt by the Fund of any minimum amount of subscription proceeds.

The Units are listed on the Toronto Stock Exchange (the “TSX”) under the symbol FPI.UN. On November 4, 2009, the closing price on the TSX of the Units was \$10.66 per Unit. The TSX has conditionally approved the listing of the Warrants distributed under this short form prospectus and the Units issuable upon the exercise thereof. Listing is subject to the Fund’s fulfilling all of the requirements of the TSX on or before January 12, 2010.

	Subscription Price⁽¹⁾	Net Proceeds to the Fund⁽²⁾⁽³⁾⁽⁴⁾
Per Unit.....	\$11.30	\$11.11
Total.....	\$21,284,036	\$20,926,163

- (1) The Subscription Price is the most recently calculated NAV per Unit prior to the date of the setting of the Subscription Price plus the per Unit fees and expenses of the Offering plus the Warrant Exercise Fee.
- (2) Assumes that all Warrants are exercised.
- (3) Within 30 days of the proper exercise of a Warrant, the Fund will pay a fee, referred to herein as the Warrant Exercise Fee, of \$0.19 per Warrant to the dealer whose client exercised the Warrant.
- (4) Before deducting the estimated fees and expenses of the Offering of \$145,000, which will be paid by the Fund.

The Fund is an investment trust established under the laws of the Province of Ontario on June 21, 1996. The principal office of the Fund is located at 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario, M5H 3T9. The Fund invests in a diversified portfolio consisting primarily of common shares issued by major Canadian issuers that are in the top 200 of the S&P/TSX Composite Index by market capitalization. The investment objectives of the Fund are:

- (a) to provide Unitholders with a stable stream of quarterly distributions of at least \$0.50 per Unit (\$2.00 per annum); and
- (b) to maximize the likelihood of returning the original issue price of the Units (\$25.00 per Unit) to Unitholders upon termination of the Fund.

There is no assurance that the Fund will be able to achieve its investment objectives. See “Risk Factors” for a discussion of certain factors that should be considered by Warrantholders.

The value of a Unit will be reduced if the NAV per Unit exceeds \$11.11 and one or more Warrants is exercised. If a Unitholder does not exercise Warrants in such circumstances, such Unitholder’s *pro rata* interest in the assets of the Fund will be diluted. To maintain the Unitholder’s *pro rata* interest in the assets of the Fund, the Unitholder will be required to pay in connection with the exercise of a Warrant an additional amount equal to the Subscription Price. While a Unitholder may sell the Unitholder’s Warrants, no assurance can be given that the proceeds of such sale will compensate the Unitholder for such dilution. See “Details of the Offering — Warrant Considerations”.

Subscriptions for Units made in connection with the Offering will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted. Warrant certificates will not be issued to Unitholders in connection with the Offering.

The Fund utilizes the book-based system with respect to the Units and the Warrants, which is administered by CDS Clearing and Depository Services Inc. (“CDS”). The Fund may also utilize the non-certificated issue system or another system administered by CDS. A Warrantholder may subscribe for Units by instructing the participant in CDS (a “CDS Participant”) holding the subscriber’s Warrants to exercise all or a specified number of such Warrants and concurrently forwarding the Subscription Price for each Unit subscribed for to such CDS Participant. See “Details of the Offering — Basic Subscription Privilege”.

Warrantholders wishing to subscribe for additional Units (“Additional Units”) under the Additional Subscription Privilege must forward their request to their CDS Participant prior to 5:00 p.m. (Toronto time) on the Expiry Date, along with payment for the Additional Units requested. Any excess funds will be returned by mail or credited to the subscriber’s account with its CDS Participant without interest or deduction. See “Details of the Offering — Additional Subscription Privilege”.

Warrantheolders that wish to acquire Units pursuant to the Offering must provide the CDS Participant holding their Warrants with instructions and the required payment sufficiently in advance of the Expiry Date to permit the proper exercise of their Warrants. CDS Participants will have an earlier deadline for receipt of instructions and payment.

Computershare Trust Company of Canada (the “Warrant Agent”) has been appointed the warrant agent of the Fund to receive subscriptions and payments from Warrantheolders, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants. Warrantheolders desiring to exercise Warrants and purchase Units should ensure that subscriptions and payment in full of the Subscription Price are received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date. See “Details of the Offering — Exercise of Warrants and Warrant Agent”.

Provided that the Fund continues to qualify at all times as a mutual fund trust within the meaning of the *Income Tax Act* (Canada) (the “Tax Act”) or Units are listed on a “designated stock exchange” for purposes of the Tax Act (which includes the TSX), Units acquired on the exercise of Warrants will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (each, a “registered plan”). Provided that Warrants are listed on a designated stock exchange, or provided that at all times Units are qualified investments for registered plans and the Fund is not, and deals at arm’s length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the relevant registered plan within the meaning of the Tax Act, Warrants will be a qualified investment under the Tax Act for a registered plan. Holders of trusts governed by a tax-free savings account should consult their own tax advisors to ensure that neither Units nor Warrants would be a “prohibited investment” as defined in the Tax Act in their particular circumstances. See “Canadian Federal Income Tax Considerations — Taxation of Registered Plans”.

No underwriter has been involved in the preparation of this short form prospectus or has performed any review of the contents of this short form prospectus.

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GLOSSARY

1933 Act	the U.S. <i>Securities Act of 1933</i> , as may be amended from time to time.
business day	any day on which the Toronto Stock Exchange is open for business.
NAV or NAV of the Fund	the net asset value of the Fund which, on any date, will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund on that date.
NAV per Unit	in general, the net asset value of the Fund divided by the number of Units then outstanding. See “Details of the Offering — Warrant Considerations”.
Offering	the offering of up to 1,883,543 Warrants and the up to 1,883,543 Units issuable upon the exercise thereof, as contemplated in this short form prospectus.
Tax Act	the <i>Income Tax Act</i> (Canada) and the regulations thereunder, as the same may be amended from time to time.
Unit	a transferable, redeemable Unit of the Fund.
United States	the United States of America, its territories and possessions.
U.S. person	has the meaning given to such term in Regulation S under the 1933 Act.
Warrant	a transferable Warrant of the Fund to be issued to Unitholders (as defined below) of record on the Record Date (as defined below) on the terms and conditions of the Warrant Indenture (as defined below).
\$	means Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

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

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the annual information form (the “Annual Information Form”) of the Fund dated March 30, 2009;
- (b) the annual financial statements of the Fund, together with the accompanying report of the auditors, for the year ended December 31, 2008 and the related management report of fund performance; and
- (c) the interim financial statements of the Fund for the six-month period ended June 30, 2009 and the related interim management report of fund performance.

Any of the documents of the type referred to above including annual information forms, financial statements and related management reports of fund performance filed by the Fund with a securities commission or similar authority in Canada after the date of this short form prospectus and prior to the termination of the distribution hereunder shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus. Information on any of the websites maintained by the Fund or the Manager does not constitute a part of this short form prospectus. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

THE FUND

First Premium Income Trust (the “Fund”) is an investment trust established under the laws of the Province of Ontario pursuant to a Trust Agreement (the “Trust Agreement”) dated June 21, 1996 between Mulvihill Fund Services Inc. (“Mulvihill” or the “Manager”), as manager, and RBC Dexia Investor Services Trust (as successor to The Royal Trust Company) (the “Trustee”), as trustee, as amended from time to time. The principal office of the Fund is located at 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario, M5H 3T9.

While the Fund is technically considered to be a mutual fund under the securities legislation of certain provinces of Canada, the Fund is not a conventional mutual fund and has received exemptions from certain requirements of National Instrument 81-102 – *Mutual Funds* of the Canadian Securities Administrators.

Summary Description of the Fund

Investment Objectives

The investment objectives of the Fund are:

- (a) to provide holders (“Unitholders”) of Units with a stable stream of quarterly distributions of at least \$0.50 per Unit (\$2.00 per annum); and
- (b) to maximize the likelihood of returning the original issue price of the Units (\$25.00 per Unit) to Unitholders upon termination of the Fund.

Investment Strategies

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

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

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

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

Current Portfolio

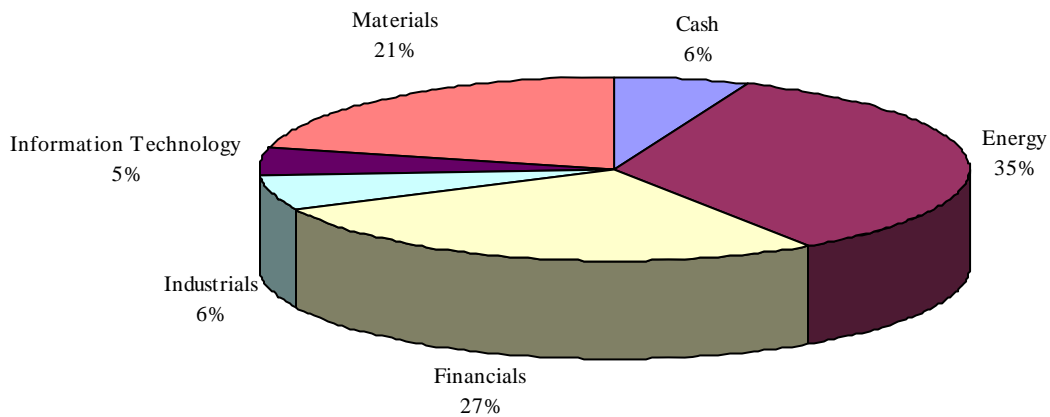
As of October 31, 2009, the top ten holdings of the Fund were:

- Canadian Natural Resources Limited
- EnCana Corporation
- Nexen Inc.

- Suncor Energy Inc.
- The Toronto-Dominion Bank
- Research in Motion Limited
- Manulife Financial Corporation
- Talisman Energy Inc.
- Goldcorp Inc.
- Agrium Inc.

As of October 31, 2009 the top ten holdings of the Fund represented approximately 46.6% of its portfolio and approximately 6.2% of its portfolio consisted of cash and short term investments.

The following chart presents an unaudited breakdown of the asset mix of the Fund's portfolio as of October 31, 2009:



Management and Investment Management

Mulvihill, the manager of the Fund, is a leading provider of structured investment products. The principal office of Mulvihill is located at 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario, M5H 3T9. Mulvihill is a wholly-owned subsidiary of MCM.

MCM is the investment manager of the Fund and is one of the largest managers of covered call option funds in Canada with total assets under management of approximately \$800 million. The Investment Manager implements the investment strategy of the Fund from its principal office in Toronto, Ontario.

RATIONALE FOR THE OFFERING

The exercise of Warrants by holders will provide the Fund with additional capital that can be used to take advantage of attractive investment opportunities and is also expected to increase the trading liquidity of the Units and to reduce the management expense ratio of the Fund.

DETAILS OF THE OFFERING

The following is a summary only and is subject to, and is qualified in its entirety by reference to the detailed provisions of the master warrant indenture (the “Warrant Indenture”) to be dated as of the date of the closing of the Offering between Mulvihill, in its capacity as manager of the Fund and Computershare Trust Company of Canada.

Warrants

Subject to the Fund obtaining all necessary regulatory and exchange approvals, Unitholders at the close of business (Toronto time) on November 19, 2009 (the “Record Date”) will be issued 1,883,543 Warrants to subscribe for and purchase an aggregate of approximately 1,883,543 Units. Each Unitholder will receive one transferable Warrant for each Unit held. Each Warrant will entitle the holder thereof (a “Warrantholder”) to acquire one Unit upon payment of \$11.30 (the “Subscription Price”) prior to 5:00 p.m. (Toronto time) on March 31, 2010 (the “Expiry Date”). The Subscription Price is the most recently calculated net asset value (“NAV”) per Unit prior to the date of the setting of the Subscription Price plus the per Unit fees and expenses of the Offering plus the Warrant Exercise Fee (as defined below).

Exercise of Warrants and Warrant Agent

Warrants may be exercised at any time during the period (the “Exercise Period”) commencing at market open (Toronto time) on December 1, 2009 and ending at 5:00 p.m. (Toronto time) on the Expiry Date. **WARRANTS NOT EXERCISED PRIOR TO 5:00 P.M. (TORONTO TIME) ON THE EXPIRY DATE WILL BE VOID AND OF NO VALUE.** If a Unitholder does not exercise, or sells, the Warrants, then the value of the Unitholder’s investment may be diluted as a result of the exercise of Warrants by others. See “Details of the Offering — Warrant Considerations”.

Computershare Trust Company of Canada (the “Warrant Agent”) has been appointed the warrant agent of the Fund to receive subscriptions and payments from Warrantholders, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants. The Fund will pay for the services of the Warrant Agent. Warrantholders desiring to exercise Warrants and purchase Units should ensure that subscriptions and payment in full of the Subscription Price are received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date.

The Units purchased pursuant to the Warrants so exercised shall be deemed to have been issued and the person or persons in whose name or names such Units are to be registered shall be deemed to have become the holder or holders of record of such Units on the date on which such Units are entered into the register maintained by the Fund’s transfer agent for such Units. Units will only be issued pursuant to the Additional Subscription Privilege after all necessary calculations have been made following the Expiry Date as described under “Details of the Offering — Additional Subscription Privilege”.

Basic Subscription Privilege

A Warrantholder may subscribe for the resulting whole number of Units or any lesser whole number of Units by instructing the participant (the “CDS Participant”) in CDS Clearing and Depository Services Inc. (“CDS”) holding the subscriber’s Warrants to exercise all or a specified number of such Warrants and forwarding the Subscription Price for each Unit subscribed for in accordance with the terms of the Offering and the Warrant Indenture to the CDS Participant that holds the subscriber’s Warrants.

The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of a CDS Participant, by direct debit from the subscriber’s brokerage account or by electronic funds transfer or other similar payment mechanism. All payments must be forwarded to the appropriate office of the CDS Participant. The entire Subscription Price for Units subscribed for must be paid at the time of subscription and must be received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date. **If mail is used for delivery of subscription funds, for the protection of the subscriber, “certified mail – return receipt requested” should be used and sufficient time should be allowed to avoid the risk of late delivery. A subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the Expiry**

Date to allow the CDS Participant to properly exercise the Warrants on such subscriber's behalf. Warrantheolders are encouraged to contact their broker or other CDS Participant as each CDS Participant may have a different cut-off time.

CDS Participants that hold Warrants for more than one beneficial holder may, upon providing evidence satisfactory to the Fund and the Warrant Agent during the Exercise Period, exercise Warrants on behalf of their accounts on the same basis as if the beneficial owners of such Warrants were the holders of record.

Notwithstanding anything to the contrary in this short form prospectus, the Warrants may be exercised only by a Warrantheolder who represents at the time of exercise that the Warrantheolder is not located in the United States, did not acquire the Warrants while in the United States, is not a U.S. person (as defined in Regulation S under the U.S. *Securities Act of 1933*, as may be amended from time to time (the "1933 Act")) and is not exercising the Warrants for resale to or for the account or benefit of a U.S. person or a person in the United States. Payment of the Subscription Price will constitute a representation to the CDS Participant that the subscriber is not located in the United States, did not acquire Warrants while in the United States, is not a U.S. person and is not exercising the Warrants for resale to or for the account or benefit of a U.S. person or a person in the United States.

Subscriptions for Units made in connection with the Offering through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.

Warrantheolders who wish to exercise their Warrants and receive Units are reminded that because Warrants must be exercised through a CDS Participant, a significant amount of time may elapse from the date of exercise and the date the Units issuable upon the exercise thereof are issued to the subscriber.

Additional Subscription Privilege

Each Warrantheolder that subscribes for all of the Units to which such holder is entitled pursuant to the Basic Subscription Privilege may, at any time during the Exercise Period, subscribe for additional Units ("Additional Units") pursuant to the Additional Subscription Privilege, if applicable, at a price equal to the Subscription Price for each Additional Unit. Warrantheolders must exercise all of their Warrants under the Basic Subscription Privilege to be eligible for the Additional Subscription Privilege.

The aggregate number of Additional Units available under the Additional Subscription Privilege for all additional subscriptions will be the difference, if any, between the total number of Units issuable upon exercise of the Warrants and the total number of Units subscribed and paid for prior to 5:00 p.m. (Toronto time) on the Expiry Date. Subscriptions for Additional Units will be received subject to allotment only and the number of Additional Units, if any, which may be allotted to each subscriber will be equal to the lesser of: (a) the number of Additional Units which that subscriber has subscribed for under the Additional Subscription Privilege, and (b) the product (disregarding fractions) obtained by multiplying the number of available Additional Units by a fraction, the numerator of which is the number of Warrants exercised by that subscriber under the Basic Subscription Privilege and the denominator of which is the aggregate number of Warrants exercised under the Basic Subscription Privilege by Warrantheolders that have subscribed for Additional Units pursuant to the Additional Subscription Privilege. If any Warrantheolder has subscribed for fewer Additional Units than such holder's *pro rata* allotment of Additional Units, the excess Additional Units will be allotted in a similar manner among the holders who were allotted fewer Additional Units than they subscribed for.

To apply for Additional Units under the Additional Subscription Privilege, a beneficial Warrantheolder must forward the holder's request to a CDS Participant prior to 5:00 p.m. (Toronto time) on the Expiry Date. Payment for Additional Units, in the same manner as for Units, must accompany the request when it is delivered to the CDS Participant. Any excess funds will be returned by mail or credited to a subscriber's account with its CDS Participant without interest or deduction. Payment in full of the Subscription Price must be received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date, failing which the subscriber's entitlement to such Units will terminate. Accordingly, the subscriber must deliver payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly apply for Additional Units under the Additional Subscription Privilege. Units issued pursuant to the Additional Subscription Privilege will only be issued after all necessary calculations have been made following the Expiry Date.

Sale or Transfer of Warrants

Warrantholders in Canada may, instead of exercising their Warrants to subscribe for Units, sell or transfer their Warrants. Holders of Warrants through CDS Participants who wish to sell or transfer their Warrants must do so in the same manner as they sell or transfer Units, namely, by providing instructions to the CDS Participant holding their Warrants in accordance with the policies and procedures of the CDS Participant. The TSX has conditionally approved the listing of the Warrants. Listing is subject to the Fund's fulfilling all of the requirements of the Toronto Stock Exchange (the "TSX") on or before January 12, 2010.

Warrant Considerations

The value of a Unit will be reduced if the NAV per Unit exceeds \$11.11 (being the Subscription Price payable on the exercise of a Warrant less the Warrant Exercise Fee) and one or more Warrants is exercised. If the NAV per Unit exceeds \$11.11, then a Unitholder will face dilution of its investment to the extent Warrantholders exercise their Warrants and acquire Units. If a Unitholder does not exercise Warrants in such circumstances, such Unitholder's *pro rata* interest in the assets of the Fund will be diluted.

Due to the dilutive effect on the value of the Units when Warrants are exercised, Unitholders should carefully consider the exercise of the Warrants or the sale of the Warrants prior to the Expiry Time. The failure to take either such action in the circumstances described above will result in the loss of value to the investor. To maintain the Unitholder's *pro rata* interest in the assets of the Fund, the Unitholder will be required to pay in connection with the exercise of a Warrant an additional amount equal to the Subscription Price. While a Unitholder may sell the Unitholder's Warrants, no assurance can be given that the proceeds of such sale will compensate the Unitholder for such dilution. The factors that would be expected to influence the price of a Warrant include the difference between the Subscription Price and the NAV per Unit calculated on a diluted basis, price volatility, distributions payable on the Units and the remaining time to expiry of the Warrant.

Anti-dilution Provisions

The Warrant Indenture contains anti-dilution provisions such that the subscription rights in effect under the Warrants for Units issuable upon the exercise of the Warrants will be subject to adjustment from time to time if, prior to the expiry time (5 p.m. Toronto time) on the Expiry Date, the Fund:

- (a) subdivides, re-divides or changes its outstanding Units into a greater number of units;
- (b) reduces, combines or consolidates its outstanding Units into a smaller number of units;
- (c) distributes to holders of all or substantially all of the outstanding Units any securities of the Fund including rights, options or warrants to acquire Units or securities convertible into or exchangeable for Units or property or assets, including evidence of indebtedness (other than in connection with the distribution and exercise of the Warrants);
- (d) reclassifies the Units or otherwise reorganizes the capital of the Fund; or
- (e) consolidates, amalgamates or merges the Fund with or into any other investment fund or other entity, or sells or conveys the property and assets of the Fund as an entirety or substantially as an entirety (other than in connection with the redemption of Units).

Delivery Form and Denomination of Warrants

The Warrants are expected to be evidenced by a warrant certificate registered in the name of CDS or its nominee pursuant to CDS' book-based or book-entry only system or in another manner acceptable to the Fund. Unitholders hold their Units through a CDS Participant and will not receive physical certificates evidencing their ownership of Warrants. On the Record Date, a certificate representing the Warrants will be issued in registered form to CDS or its nominee.

All Warrantheolders hold their Warrants through a CDS Participant, except where the issuance of physical certificates evidencing ownership in such securities is necessary to facilitate Warrant exercises. The Fund expects that each Unitholder will receive a confirmation of the number of Warrants issued to it under the Offering from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining book-based accounts for its participants holding Warrants.

None of the Fund, the Manager or the Warrant Agent will have any liability for: (a) the records maintained by CDS or CDS Participants relating to the Warrants or the book-based accounts maintained by them; (b) maintaining, supervising or reviewing any records relating to such Warrants; or (c) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or its participants.

The ability of a person having an interest in Warrants held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate. Warrantheolders must arrange purchases and transfers of, and for the issuance of Warrant certificates for the purpose of exercises of, Warrants through CDS Participants.

FEES AND EXPENSES

Expenses of the Offering

The expenses of the Offering (including the costs of preparing and printing this short form prospectus, legal expenses, expenses of the auditor and translation fees), which are estimated to be \$145,000 in the aggregate, will be paid by the Fund.

Warrant Exercise Fee

Within 30 days of the proper exercise of a Warrant, the Fund will pay a fee (the "Warrant Exercise Fee") of \$0.19 per Warrant to the dealer whose client exercised the Warrant.

Management Fees

The Manager receives a management fee equal to 0.10% per annum of the NAV, calculated and payable monthly, plus applicable taxes.

Investment Management Fees

The Investment Manager receives an investment management fee equal to 1.15% per annum of the NAV, calculated and payable monthly, plus applicable taxes.

Service Fee

The Fund pays a service fee (the "Service Fee") to each dealer whose clients hold Units. The Service Fee is calculated and paid at the end of each calendar quarter and is equal to 0.30% annually of the value of the Units held by clients of the dealer.

Ongoing Expenses

The Fund pays for all fees and expenses incurred in connection with its operation and administration. In addition to those expenses described in the Annual Information Form incorporated by reference herein, these expenses will include fees payable to the Warrant Agent.

DESCRIPTION OF UNITS

The Fund 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 Fund. As at October 31, 2009 there were 1,883,543 Units outstanding.

All Units have equal 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 Fund, including distributions of net income and net realized capital gains and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable. Fractions of Units are proportionately entitled to all of these rights except voting rights. The provisions or rights attaching to the Units may only be modified, amended or varied with the consent of Unitholders given in accordance with provisions contained in the Trust Agreement.

The following is a summary of certain other provisions of the Units which are more fully described in the Annual Information Form.

Distributions

In accordance with the Fund’s investment objectives and to the extent the undistributed net income and net realized capital gains of the Fund permit, the Fund will endeavour to make quarterly distributions to Unitholders of at least \$0.50 per Unit (\$2.00 per annum) on the last day of March, June, September and December in each year.

If, in any year after making such quarterly distributions, there would otherwise remain in the Fund, net income or net realized capital gains that are unsheltered by any loss carryforwards from prior years, the Fund intends to make, on December 31 of that year, a special distribution of such remaining net income and net realized capital gains in order to ensure that the Fund will not be liable for income tax thereon under the *Income Tax Act* (Canada) (the “Tax Act”).

Redemptions

Units may be surrendered at any time for redemption, but will be redeemed only on the last day of a month (a “Redemption Date”). Unitholders whose Units are redeemed on a June Redemption Date will be entitled to receive a redemption price per Unit equal to the NAV per Unit determined as of such date. For Unitholders whose Units are redeemed on any other Redemption Date, the redemption price per Unit will be equal to the NAV per Unit determined as of such date, less the lesser of (a) 4% of the NAV per Unit as of such date and (b) \$1.00. Any unpaid distributions payable on or before a Redemption Date in respect of Units tendered for redemption on such Redemption Date will also be paid on the applicable redemption payment date.

Termination of the Fund

The Fund will terminate on January 1, 2014 (the “Termination Date”) unless Unitholders determine to continue the Fund by a two-thirds majority vote at a meeting called for such purpose. Immediately prior to the Termination Date, MCM will, to the extent possible, convert the assets of the Fund to cash and the Manager, after paying or making adequate provision for all of the Fund’s liabilities, shall distribute the net assets of the Fund to Unitholders on a *pro rata* basis as soon as practicable after the Termination Date.

CONSOLIDATED CAPITALIZATION

The following table sets forth the unaudited capitalization of the Fund before and after giving effect to the Offering:

	<u>Authorized</u>	<u>Outstanding as at October 31, 2009</u>	<u>Outstanding as at October 31, 2009 after giving effect to the Offering⁽¹⁾</u>
Units	Unlimited	\$20,778,300 (1,883,543Units)	\$41,559,463 (3,767,086 Units)
Total.....		\$20,778,300	\$41,559,463

⁽¹⁾ Based on the number of Units outstanding as at October 31, 2009, less the payment of the fees and expenses of the Offering, estimated to be \$145,000, and assuming the exercise of all Warrants issued hereunder at the Subscription Price and the payment of the Warrant Exercise Fees by the Fund.

NET ASSET VALUE, TRADING PRICE AND VOLUME

The Units are listed on the TSX under the symbol FPI.UN. On November 4, 2009, the closing price on the TSX of the Units was \$10.66 per Unit.

The following table sets forth the NAV per Unit and the market price range and trading volume of the Units on the TSX for the twelve-month period prior to the date of this short form prospectus. All such information, other than the NAV per Unit, was obtained from Bloomberg and the Fund, the Manager, the Investment Manager and the Warrant Agent do not assume any responsibility for the accuracy of such information.

Period	NAV per Unit ⁽¹⁾		Market Price		Volume
	High	Low	High	Low	
2008					
November ⁽²⁾	\$12.96	\$11.51	\$12.65	\$10.60	82,592
December.....	\$12.25	\$11.77	\$11.89	\$10.30	75,332
2009					
January.....	\$12.36	\$11.69	\$12.22	\$10.90	44,764
February.....	\$11.93	\$11.15	\$11.85	\$10.55	81,999
March.....	\$11.41	\$10.79	\$11.07	\$10.06	44,252
April.....	\$11.44	\$11.32	\$11.21	\$10.89	33,029
May.....	\$12.15	\$11.68	\$11.60	\$11.06	30,813
June.....	\$12.15	\$11.49	\$12.13	\$10.50	48,029
July.....	\$11.86	\$11.24	\$11.26	\$10.31	25,018
August.....	\$11.78	\$11.48	\$11.51	\$10.68	20,410
September.....	\$11.93	\$11.58	\$11.60	\$10.81	50,926
October ⁽³⁾	\$11.79	\$11.03	\$11.40	\$11.01	31,141

(1) The NAV per Unit is calculated and published on a weekly basis.

(2) From and after November 1, 2008.

(3) Up to and including October 31, 2009.

USE OF PROCEEDS

The net proceeds from the exercise of the Warrants offered hereby are estimated to be \$20,781,163 (assuming that all Warrants are exercised and after payment of the fees and expenses of the Offering and all applicable Warrant Exercise Fees). Such proceeds will be invested by the Fund in accordance with its investment objectives, strategy and restrictions. For further information on the anticipated use of proceeds, see “The Fund — Summary Description of the Fund”.

PLAN OF DISTRIBUTION

The Warrants and Units issuable upon the exercise thereof are being distributed in reliance on an exemption from the applicable dealer registration requirements. The Fund will deliver a copy of the final short form prospectus to Unitholders of record on the Record Date.

The TSX has conditionally approved the listing of the Warrants distributed under this short form prospectus and the Units issuable upon the exercise thereof. Listing is subject to the Fund’s fulfilling all of the requirements of the TSX on or before January 12, 2010.

Unitholders Outside of Canada

Each Unitholder whose recorded address is outside Canada will be advised by letter that the Unitholder’s Warrants will be held by the Unitholder’s CDS Participant for the account of such Unitholder, as set out below.

The Units are not registered under the 1933 Act. The Offering is made in Canada and not outside of Canada. The Offering is not, and under no circumstances is to be construed as, an offering of any Units for sale in

the United States or an offering to or for the account or benefit of any U.S. person or a solicitation therein of any offer of Units. Accordingly, neither a subscription for Units pursuant to the Basic Subscription Privilege nor an application for Additional Units pursuant to the Additional Subscription Privilege will be accepted from any person, or his agent, who appears to be, or who the Fund has reason to believe is, a national or resident of the United States.

Each CDS Participant for a Unitholder resident outside of Canada will, prior to the Expiry Date, attempt to sell the Warrants allotable to such Unitholder at the price or prices it determines in its discretion. Neither the Fund nor any CDS Participant will be subject to any liability for the failure to sell any Warrants for such a Unitholder or as a result of the sale of any Warrants at a particular price on a particular day. Any proceeds received by the CDS Participant with respect to the sale of Warrants, net of brokerage fees and costs incurred and, if applicable, of Canadian tax required to be withheld, will be delivered by mailing cheques (in Canadian funds and without payment of any interest) as soon as practicable to such Unitholder whose Warrants were sold, at the Unitholder's last recorded address. Amounts of less than \$1.00 will not be forwarded. There is a risk that the proceeds received from the sale of Warrants will not exceed the brokerage fees and costs of or incurred by the CDS Participant in connection with the sale of such Warrants and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be forwarded.

Warrantholders who are Unitholders resident outside of Canada are cautioned that the acquisition and disposition of Warrants and Units may have tax consequences in the jurisdiction where they reside and in Canada which are not described herein.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager and the Investment Manager receive the fees described under "Fees and Expenses" for their services to the Fund and will be reimbursed by the Fund for all expenses incurred in connection with their roles in the operation and administration of the Fund.

RISK FACTORS

Certain risk factors relating to the Fund, the Warrants and the Units are described below. Additional risks and uncertainties not currently known to the Manager, or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the business, financial condition, liquidity or results of the operations of the Fund and the ability of the Fund to make distributions on the Units could be materially adversely affected. In addition to the risks described in this short form prospectus, the Annual Information Form contains a detailed discussion of risks and other considerations relating to an investment in the Fund of which investors should be aware.

Dilution to Existing Unitholders

The value of a Unit will be reduced if the NAV per Unit exceeds \$11.11 and one or more Warrants is exercised. If a Unitholder does not exercise Warrants in such circumstances, such Unitholder's *pro rata* interest in the assets of the Fund will be diluted. To maintain the Unitholder's *pro rata* interest in the assets of the Fund, the Unitholder will be required to pay in connection with the exercise of a Warrant an additional amount equal to the Subscription Price. While a Unitholder may sell the Unitholder's Warrants, no assurance can be given that the proceeds of such sale will compensate the Unitholder for such dilution.

No Public Market for Warrants

The TSX has conditionally approved the listing of the Warrants. Listing is subject to the Fund's fulfilling all of the requirements of the TSX on or before January 12, 2010. There is currently no public market for the Warrants and there can be no assurance that an active public market will develop or be sustained after completion of the Offering.

Tax Changes

There can be no assurance that changes will not be made to the tax rules affecting the taxation of the Fund or the Fund's investments, or that such tax rules will not be administered in a way that is less advantageous to the Fund or its securityholders.

The Province of Ontario has recently announced that it plans to harmonize its existing provincial sales tax with the federal goods and services tax ("GST") effective July 1, 2010. If this tax proposal is implemented as announced, investment funds that are subject to the new Ontario harmonized sales tax may be required to pay a harmonized sales tax of 13% on fees such as management fees, rather than the currently imposed 5% GST, which may increase the costs borne by the Fund.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally relevant to Warrantholders who acquire Warrants under the Offering. This summary is applicable to a Warrantholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund, is not affiliated with the Fund, and holds Warrants and any Units acquired on the exercise of Warrants as capital property (a "Holder"). Generally, Warrants and such Units will be considered to be capital property to a Holder provided the Holder does not hold them in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who might not otherwise be considered to hold Units (but not Warrants) as capital property may, in certain circumstances, be entitled to have their Units, and all other "Canadian securities" as defined in the Tax Act owned or subsequently owned by such Holders, treated as capital property by making an irrevocable election in accordance with the Tax Act. As the Warrants are not "Canadian securities", such election will not apply to them.

This summary is also based on the assumption that the Fund has at all times complied, and will at all times comply, with its investment restrictions and has qualified as a "mutual fund trust" under the Tax Act from the beginning of its first taxation year and will continue to so qualify at all material times. This summary assumes that the Fund will at no time be a SIFT trust as defined in the Tax Act. This summary is also based on the advice of the Manager respecting certain factual matters. This summary is based on the current provisions of the Tax Act and the regulations thereunder, counsel's understanding of the current published administrative policies and assessing practices of Canada Revenue Agency ("CRA") and all specific proposals to amend the Tax Act and regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (such proposals are referred to herein as the "Tax Proposals"). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Warrants or Units acquired on the exercise of Warrants. Moreover, the income and other tax consequences of acquiring, holding or disposing of Warrants and such Units will vary depending on an investor's particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Warrants, based on their particular circumstances.

Taxation of Warrantholders

No amount will be required to be included in computing the income of a Holder as a consequence of acquiring Warrants under the Offering, provided that the income of the Fund for its taxation year ending in 2009 does not exceed the cash distributions from the Fund for 2009. However, Holders will be required to reduce the adjusted cost base of their Units by the aggregate fair market value of all the Warrants acquired under the Offering. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain recognized by the Holder and the Holder's adjusted cost base of the Unit will be increased by the amount of such deemed capital gain. The Manager has advised counsel that, in its opinion, the fair

market value of a Warrant acquired under the Offering is \$0.28, as of the date the Warrant is issued. However, the CRA may not agree with such valuation. The cost of a Warrant received under the Offering will be nil.

For the purposes of determining the adjusted cost base of each Warrant held by a Holder, the cost of Warrants acquired under the Offering must be averaged with the adjusted cost base to the Holder of all other Warrants held as capital property at the time of such determination.

The exercise of a Warrant will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized upon the exercise of a Warrant. A Unit acquired by a Holder upon the exercise of a Warrant will have a cost to the Holder equal to the aggregate of the Subscription Price for such Unit and the adjusted cost base, if any, to the Holder of the Warrant so exercised. The cost of a Unit acquired by a Holder upon the exercise of a Warrant will be averaged with the adjusted cost base to the Holder of all other Units held at that time as capital property to determine the adjusted cost base of each such Unit to the Holder.

Upon the disposition of a Warrant by a Holder, other than pursuant to the exercise thereof, the Holder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of reasonable costs of the disposition, exceed (or are less than) the adjusted cost base, if any, of the Warrant to the Holder. One-half of any capital gain realized on such a disposition of a Warrant will be included in the Holder's income and one-half of any capital loss realized may be deducted against taxable capital gains in accordance with the detailed rules in the Tax Act in that regard.

Upon the expiry of an unexercised Warrant, a Holder will realize a capital loss equal to the adjusted cost base, if any, of the Warrant to the Holder.

In general terms, taxable capital gains realized by a Holder on the disposition of a Warrant may increase the Holder's liability for alternative minimum tax.

Taxation of Registered Plans

Provided that the Fund continues to qualify at all times as a mutual fund trust within the meaning of the Tax Act or Units are listed on a "designated stock exchange" for purposes of the Tax Act (which includes the TSX), Units acquired on the exercise of Warrants will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (each, a "registered plan"). Provided that Warrants are listed on a designated stock exchange, or provided that at all times Units are qualified investments for registered plans and the Fund is not, and deals at arm's length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the relevant registered plan within the meaning of the Tax Act, Warrants will be a qualified investment under the Tax Act for a registered plan. However, if the Units or Warrants are a "prohibited investment" for a tax-free savings account, the holder of a tax-free savings account that governs a trust that holds Units or Warrants will be subject to a penalty tax as set out in the Tax Act. An investment in the Units or Warrants will not generally be a "prohibited investment" unless the holder of a tax-free savings account does not deal at arm's length with the Fund for purposes of the Tax Act or if the holder has a significant interest (within the meaning of the Tax Act) in the Fund or in a corporation, partnership or trust with which the Fund does not deal at arm's length for purposes of the Tax Act. Holders of tax-free savings accounts should consult their own tax advisors to ensure that neither Units nor Warrants would be a "prohibited investment" in their particular circumstances.

REGISTRAR AND TRANSFER AGENT AND WARRANT AGENT

Computershare Investor Services Inc. provides the Fund with registrar, transfer and distribution agency services in respect of the Units from its principal offices in Toronto, Ontario. Under the Warrant Indenture, the warrant agent and the registrar and transfer agent for the Warrants is Computershare Trust Company of Canada at its principal office in Toronto, Ontario.

AUDITORS

The auditors of the Fund are Deloitte & Touche LLP, Chartered Accountants, Licensed Public Accountants, Toronto, Ontario.

INTERESTS OF EXPERTS

The matters referred to under “Canadian Federal Income Tax Considerations” and certain other legal matters relating to the Offering and the Warrants and the Units issuable upon the exercise of the Warrants to be distributed pursuant to this short form prospectus will be passed upon by Osler, Hoskin & Harcourt LLP on behalf of the Fund. As of the date hereof, the partners and associates of Osler, Hoskin & Harcourt LLP, as a group, beneficially owned, directly or indirectly, less than one percent of the outstanding Units of the Fund.

The Fund’s auditors, Deloitte & Touche LLP, have prepared a report to Unitholders dated February 17, 2009 which is incorporated by reference herein. Deloitte & Touche LLP has advised the Manager that they are independent in accordance with their rules of professional conduct.

PURCHASERS’ STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised 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, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price 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 short form prospectus (the "prospectus") of First Premium Income Trust (the "Fund") dated November 6, 2009, relating to the issue of Warrants to subscribe for Units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the prospectus, of our report dated February 17, 2009 to the unitholders of the Fund on the statement of investments as at December 31, 2008, the statements of net assets as at December 31, 2008 and December 31, 2007, and the statements of financial operations, of changes in net assets and of net gain (loss) on sale of investments for the years then ended.

Toronto, Ontario
November 6, 2009

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants
Licensed Public Accountants

CERTIFICATE OF THE FUND AND THE MANAGER

Dated: November 6, 2009

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland and Labrador.

MULVIHILL FUND SERVICES INC.
(as manager and on behalf of First Premium Income Trust)

(Signed) JOHN P. MULVIHILL
Chief Executive Officer

(Signed) SHEILA S. SZELA
Chief Financial Officer

On behalf of the Board of Directors of Mulvihill Fund Services Inc.

(Signed) JOHN P. MULVIHILL
Director

(Signed) SHEILA S. SZELA
Director

(Signed) JOHN GERMAIN
Director