

THE MEXICO EQUITY AND INCOME FUND, INC. (THE “FUND”)

**OFFER TO REPURCHASE UP TO 25% OF THE FUND’S
ISSUED AND OUTSTANDING PREFERRED STOCK,
PAR VALUE \$0.001 PER SHARE (THE “PREFERRED SHARES”),
AT 99% OF NET ASSET VALUE,
IN EXCHANGE FOR PORTFOLIO SECURITIES OF THE FUND**

THIS REPURCHASE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON JUNE 27, 2008, UNLESS THE OFFER IS EXTENDED. THE BOARD OF DIRECTORS OF THE FUND HAS UNANIMOUSLY APPROVED THE OFFER TO REPURCHASE AND THE TRANSACTIONS CONTEMPLATED THEREBY. NEITHER THE FUND NOR ITS BOARD OF DIRECTORS MAKES ANY RECOMMENDATION TO ANY PREFERRED STOCKHOLDERS AS TO WHETHER TO PARTICIPATE IN THE OFFER. PREFERRED STOCKHOLDERS ARE URGED TO EVALUATE CAREFULLY ALL INFORMATION IN THIS OFFER TO REPURCHASE, AND TO CONSULT THEIR OWN FINANCIAL AND TAX ADVISORS AND MAKE THEIR OWN DECISIONS WHETHER OR NOT TO PRESENT PREFERRED SHARES FOR REDEMPTION.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFER OTHER THAN THOSE CONTAINED HEREIN AND IN THE LETTER OF TRANSMITTAL, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND. IN ADDITION, THE FUND HAS BEEN ADVISED THAT SOME OF THE DIRECTORS OF THE FUND MAY TENDER SOME OR ALL OF THEIR PREFERRED SHARES PURSUANT TO THE OFFER.

IMPORTANT

Any holder of the Fund’s Preferred Shares (a “Preferred Stockholder”) desiring to tender any portion of his or her Preferred Shares should either (1) complete and sign the Letter of Transmittal, and mail or deliver the Letter of Transmittal with his or her certificates for the tendered Preferred Shares if such Preferred Stockholder has been issued physical certificates, or mail or deliver signature guarantees for all uncertificated Preferred Shares being tendered, and any other required documents to Computershare Trust Company, N.A. (the “Depository”), or (2) request his or her broker, dealer, commercial bank, trust company or other nominee to effect the transaction for him or her. Any Preferred Stockholder having Preferred Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee is urged to contact such broker, dealer, commercial bank, trust company or other nominee if he or she desires to tender Preferred Shares so registered.

If you do not wish to tender your Preferred Shares, you need not take any action.

May 30, 2008

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SUMMARY TERM SHEET

This Summary Term Sheet highlights certain information concerning this Offer. To understand the Offer fully and for a more complete discussion of the terms and conditions of the Offer, you should read carefully this entire Offer to Repurchase and the related Letter of Transmittal.

WHAT IS THE TENDER OFFER?

The Fund is offering to repurchase up to 25% of its issued and outstanding Preferred Shares at 99% of the per Preferred Share net asset value determined as of the close of regular trading on the New York Stock Exchange (the “NYSE”) on the Expiration Date (as defined below) (the “Repurchase Price”) in exchange for Portfolio Securities (the “Offer”). Portfolio Securities are defined as a pro-rata portion of each of the securities (other than short-term fixed income securities with maturities of less than one year, securities with transfer restrictions and certain illiquid securities), subject to adjustments for fractional shares and odd lots, and any cash held in the Fund’s investment portfolio at the close of regular trading on the NYSE on the Expiration Date.

WHEN WILL THE TENDER OFFER EXPIRE, AND MAY THE OFFER BE EXTENDED?

The Offer will expire at 5:00 p.m., New York City time, on June 27, 2008, unless extended (the “Expiration Date”). The Fund may extend the period of time the Offer will be open by issuing a press release or making some other public announcement by no later than the next business day after the Offer otherwise would have expired. See Section 1 of this Offer to Repurchase.

WHAT IS THE NET ASSET VALUE PER PREFERRED SHARE AS OF A RECENT DATE?

As of May 21, 2008, the net asset value per Preferred Share was \$31.50. See Section 8 of this Offer to Repurchase for additional information regarding net asset values and market prices. During the pendency of the Offer, current net asset value quotations can be obtained by calling the Fund’s toll free number at 866-700-6104 between 9:00 a.m. and 5:00 p.m., central time, Monday through Friday (except holidays).

WILL THE NET ASSET VALUE BE HIGHER OR LOWER ON THE DATE THAT THE PRICE TO BE PAID (IN PORTFOLIO SECURITIES) FOR TENDERED PREFERRED SHARES IS TO BE DETERMINED?

No one can accurately predict the net asset value on a future date, but you should realize that the net asset value on the date the Repurchase Price for tendered Preferred Shares is to be determined may be higher or lower than the net asset value on May 21, 2008.

HOW DO I TENDER MY PREFERRED SHARES?

If your Preferred Shares are registered in your name, you should obtain and read the tender offer materials, including this Offer to Repurchase and the related Letter of Transmittal, and if you should decide to tender, complete a Letter of Transmittal and submit any other documents required by the Letter of Transmittal. These materials must be received by the Depository, in proper form before 5:00 p.m., New York City time, on June 27, 2008 (unless the tender offer is extended by the Fund, in which case the new deadline will be stated in the public announcement of the extension). If your Preferred Shares are held by a broker, dealer, commercial bank, trust company or other nominee (e.g., in street name), you should contact that firm to obtain the package of information necessary to make your decision, and you can only tender your Preferred Shares by directing that firm to complete, compile and deliver the necessary documents for submission to the Depository by June 27, 2008 (or if the Offer is extended, the expiration date as extended). See Section 3 of this Offer to Repurchase.

IS THERE ANY COST TO ME TO TENDER?

No fees or commission will be payable to the Fund in connection with the Offer. However, brokers, dealers or other persons may charge Preferred Stockholders a fee to tender their Preferred Shares pursuant to this Offer. See the Letter of Transmittal.

MAY I WITHDRAW MY PREFERRED SHARES AFTER I HAVE TENDERED THEM AND, IF SO, BY WHEN?

Yes, you may withdraw your Preferred Shares at any time prior to 5:00 p.m., New York City time, on June 27, 2008 (or if the offer is extended, at any time prior to 5:00 p.m., New York City time, on the new expiration date). Withdrawn Preferred Shares may be re-tendered by following the tender procedures before the Offer expires (including any extension period). See Section 4 of this Offer to Repurchase.

HOW DO I WITHDRAW TENDERED PREFERRED SHARES?

A notice of withdrawal of tendered Preferred Shares must be timely received by the Depository, which notice specifies the name of the Preferred Stockholder who tendered the Preferred Shares, the number of Preferred Shares being withdrawn (which must be all of the Preferred Shares tendered) and, with respect to share certificates representing tendered Preferred Shares that have been delivered or otherwise identified to the Depository, the name of the registered owner of such Preferred Shares if different from the person who tendered the Preferred Shares. See Section 4 of this Offer to Repurchase.

MAY I PLACE ANY CONDITIONS ON MY TENDER OF PREFERRED SHARES?

No.

IS THERE A LIMIT ON THE NUMBER OF PREFERRED SHARES I MAY TENDER?

No. See Section 1 of this Offer to Repurchase.

WHAT IF MORE THAN 25% OF THE SHARES ARE TENDERED (AND NOT TIMELY WITHDRAWN)?

In the event that the Offer is oversubscribed, the Fund will repurchase Preferred Shares pro-rata among tendering Preferred Stockholders in proportion to the number of Preferred Shares tendered to the Fund by each such Preferred Stockholder.

IF I DECIDE NOT TO TENDER, HOW WILL THE TENDER OFFER AFFECT THE PREFERRED SHARES I HOLD?

Your percentage ownership interest in the Preferred Shares of the Fund will increase after completion of the Offer.

IF PREFERRED SHARES I TENDER ARE ACCEPTED BY THE FUND, WHEN WILL I RECEIVE THE PORTFOLIO SECURITIES ?

It is contemplated that in-kind payment for tendered Preferred Shares, if accepted, will be made as soon as reasonably practicable after the Expiration Date.

IS MY SALE OF PREFERRED SHARES IN THE TENDER OFFER A TAXABLE TRANSACTION?

For most Preferred Stockholders, yes. It is expected that all U.S. Preferred Stockholders, other than those who are tax-exempt, who sell Preferred Shares in the Offer will recognize gain or loss for U.S. federal income tax purposes equal to the difference between the value of the Portfolio Securities they receive for the Preferred Shares repurchased and their adjusted basis in those Preferred Shares. It is possible, however, that for U.S. federal income tax purposes a Preferred Stockholder, other than a tax-exempt Preferred Stockholder, may be taxed on the entire amount paid to such Preferred Stockholder as if it were a dividend. See Section 9 of this Offer to Repurchase for details, including the nature of any income or loss and the differing rules for U.S. and non-U.S. Preferred Stockholders. Please consult your tax advisor as well.

IS THE FUND REQUIRED TO COMPLETE THE TENDER OFFER AND PURCHASE ALL PREFERRED SHARES TENDERED UP TO THE MAXIMUM OF THE OFFER?

Under most circumstances, yes. There are certain circumstances, however, in which the Fund will not be required to purchase any Preferred Shares tendered as described below.

IS THERE ANY REASON PREFERRED SHARES TENDERED WOULD NOT BE ACCEPTED?

In addition to those circumstances described in Section 14 of this Offer to Repurchase in which the Fund is not required to accept tendered Preferred Shares, the Fund has reserved the right to reject any and all tenders determined by it not to be in appropriate form. For example, tenders will be rejected if the tender does not include the original signature(s) or the original of any required signature guarantee(s).

WHAT ACTION NEED I TAKE IF I DECIDE NOT TO TENDER MY PREFERRED SHARES?

None.

DOES MANAGEMENT ENCOURAGE PREFERRED STOCKHOLDERS TO PARTICIPATE IN THE TENDER OFFER, AND WILL MANAGEMENT PARTICIPATE IN THE TENDER OFFER?

None of the Fund, its Board of Directors nor the Fund's investment adviser, Pichardo Asset Management, S.A. de C.V., is making any recommendation to tender or not to tender Preferred Shares in the Offer. Some Directors of the Fund have indicated their intention to tender some or all of their Preferred Shares. See Section 6 of this Offer to Repurchase.

TO ALL PREFERRED STOCKHOLDERS
OF
THE MEXICO EQUITY AND INCOME FUND, INC. (THE “FUND”)

INTRODUCTION

The Fund, a Maryland corporation registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as a closed-end, non-diversified management investment company, hereby offers to repurchase up to 25% of its issued and outstanding shares of preferred stock, par value \$0.001 per share (“Preferred Shares”), or up to 268,000 issued and outstanding Preferred Shares, upon the terms and subject to the conditions contained in the Offer to Repurchase dated May 30, 2008, and the related Letter of Transmittal that are filed as exhibits to the Schedule TO, at 99% of the per Preferred Share net asset value (“NAV”) determined as of the close of regular trading on the New York Stock Exchange (the “NYSE”) on the Expiration Date (the “Repurchase Price”) in exchange for Portfolio Securities (as defined below) (the “Offer”). Portfolio Securities are defined as a pro-rata portion of each of the securities (other than short-term fixed income securities with maturities of less than one year, securities with transfer restrictions and certain illiquid securities), subject to adjustments for fractional shares and odd lots, and any cash held in the Fund’s investment portfolio at the close of business on the Expiration Date. The Offer will expire at 5:00 p.m., New York City time, on June 27, 2008, unless extended (the “Expiration Date”). The Fund is mailing materials for the Offer to holders of Preferred Shares (“Preferred Stockholders”), on or about June 6, 2008.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFER OTHER THAN THOSE CONTAINED HEREIN AND IN THE LETTER OF TRANSMITTAL, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND. IN ADDITION, THE FUND HAS BEEN ADVISED THAT SOME DIRECTORS OF THE FUND MAY TENDER SOME OR ALL OF THEIR PREFERRED SHARES PURSUANT TO THE OFFER.

As of May 21, 2008, there were 1,072,002 shares of preferred stock issued and outstanding, and the NAV was \$31.50 per Preferred Share. The Fund does not expect that the number of Preferred Shares issued and outstanding will be materially different on the Expiration Date. Preferred Stockholders may contact the Fund directly at its toll free number, 866-700-6104 to obtain current NAV quotations for the Preferred Shares.

The Fund’s Preferred Shares are currently listed for trading on the NYSE under the symbol “MXE-Pr.” You may continue to purchase and sell Preferred Shares in cash transactions over the NYSE. This Offer is an alternative means to permit you to sell your Preferred Shares to the Fund in exchange for Portfolio Securities. In order to participate in the Offer, you must provide information regarding a Mexican brokerage or custodial account available to or established by you which can receive the Portfolio Securities (the “Mexican Account”).

Tendering Preferred Stockholders may be obligated to pay brokerage fees or, subject to Instruction 6 of the Letter of Transmittal, transfer taxes on the Preferred Shares.

Background

The purpose of the Offer is to provide holders of Preferred Shares with an alternative source of liquidity for their Preferred Shares in addition to cash sales of Preferred Shares on the NYSE, to enhance Preferred Stockholder value and to help narrow the discount to net asset value at which Preferred Shares trade. The Offer provides holders of Preferred Shares with the opportunity to redeem their Preferred Shares in-kind (i.e., in exchange for Portfolio Securities) in order to realize close to net asset value for their Preferred Shares.

This Offer is related to the Fund’s previous rights offering for the Preferred Shares pursuant to a registration statement filed with the Securities and Exchange Commission (“SEC”) (the “Registration Statement”), in which the Board stated its intention to conduct an offer to repurchase in-kind up to 25% of the Fund’s issued and outstanding Preferred Shares on a semi-annual basis. The Offer will be the second time the Fund will conduct such a repurchase offer for its issued and outstanding Preferred Shares.

The sale proceeds of the Offer will be remitted in Portfolio Securities except for (a) securities which, if distributed, would be required to be registered under the Securities Act of 1933, as amended (the "Securities Act"); (b) securities issued by entities in countries which restrict or prohibit the holding of securities by non-nationals other than through qualified investment vehicles; and (c) certain portfolio assets (such as forward currency exchange contracts, futures and options contracts and repurchase agreements) that, although they may be liquid and marketable, involve the assumption of contractual obligations, require special trading facilities or can only be traded with the counterparty to the transaction in order to effect a change in beneficial ownership. With respect to the Portfolio Securities, as to fractional shares and/or odd lots of securities and/or amounts attributable to any cash position (including short-term non-equity securities), the Fund will (a) pay cash for fractional shares and/or odd lots of securities and/or amounts attributable to any cash position (including short-term non-equity securities); (b) round off (up or down) odd lots or fractional shares so as to eliminate them prior to distribution; or (c) pay a higher pro-rata percentage of equity securities to represent such items. The choice of option (a), (b) or (c) with respect to the treatment of fractional shares and/or odd lots of securities is at the discretion of the Fund.

The Offer also is intended to insulate Preferred Stockholders who choose not to participate from bearing any portion of the significant unrealized capital gains of the Fund which would be realized if the Fund sold the Portfolio Securities in order to satisfy redemption requests in cash.

Any Preferred Stockholder desiring to tender any portion of his or her Preferred Shares should either (1) complete and sign the Letter of Transmittal, and mail or deliver the Letter of Transmittal with his or her certificates for the tendered Preferred Shares if such Preferred Stockholder has been issued physical certificates, or mail or deliver signature guarantees for all uncertificated Preferred Shares being tendered, and any other required documents to Computershare Trust Company, N.A. (the "Depository"), or (2) request his or her broker, dealer, commercial bank, trust company or other nominee to effect the transaction for him or her. Any Preferred Stockholder having Preferred Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee is urged to contact such broker, dealer, commercial bank, trust company or other nominee if he or she desires to tender Preferred Shares so registered.

IF YOU DO NOT WISH TO PRESENT YOUR PREFERRED SHARES FOR REDEMPTION IN THE OFFER, YOU NEED NOT TAKE ANY ACTION.

THIS OFFER IS BEING EXTENDED TO ALL PREFERRED STOCKHOLDERS OF THE FUND AND IS SUBJECT TO CERTAIN CONDITIONS AS OUTLINED HEREIN AND IN THE LETTER OF TRANSMITTAL. SEE SECTIONS 3 AND 14 OF THIS OFFER TO REPURCHASE.

NEITHER THE FUND NOR ITS BOARD OF DIRECTORS MAKES ANY RECOMMENDATION TO ANY PREFERRED STOCKHOLDER AS TO WHETHER TO PARTICIPATE IN THE OFFER. PREFERRED STOCKHOLDERS ARE URGED TO EVALUATE CAREFULLY ALL INFORMATION IN THIS OFFER TO REPURCHASE, CONSULT THEIR OWN FINANCIAL AND TAX ADVISORS AND MAKE THEIR OWN DECISIONS WHETHER OR NOT TO PRESENT PREFERRED SHARES FOR REDEMPTION.

THE FUND HAS BEEN ADVISED THAT ITS DIRECTORS MAY PARTICIPATE IN THE OFFER.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFER OTHER THAN THOSE CONTAINED HEREIN OR IN THE LETTER OF TRANSMITTAL. IF GIVEN OR MADE, ANY INFORMATION AND REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND OR THE INVESTMENT ADVISER.

PARTICIPATING PREFERRED STOCKHOLDERS WILL BE RECEIVING PORTFOLIO SECURITIES WHICH WILL INCLUDE SHARES OF MEXICAN PUBLIC COMPANIES. INFORMATION ABOUT MEXICAN PUBLIC COMPANIES MAY BE LESS EXTENSIVE THAN U.S. PUBLIC COMPANIES, IS LIKELY TO BE IN SPANISH, AND MAY NOT BE AS ACCURATE OR CURRENT. PREFERRED STOCKHOLDERS MAY WISH TO CONDUCT THEIR OWN INVESTMENT RESEARCH AND/OR CONSULT THEIR FINANCIAL ADVISOR.

1. Terms of the Offer; Expiration Date.

Upon the terms and subject to the conditions set forth in this Offer to Repurchase, the Fund will accept, for in-kind redemption, up to 25% of its issued and outstanding Preferred Shares, or up to 268,000 issued and outstanding Preferred Shares, at 99% of the per Preferred Share net asset value determined as of the close of regular trading on the NYSE on the Expiration Date in exchange for Portfolio Securities.

If the number of Preferred Shares properly tendered and not withdrawn prior to the Expiration Date is less than or equal to 25% of its issued and outstanding shares of Preferred Shares (the "Offer Amount"), the Fund will, upon the terms and conditions of the Offer, redeem all Preferred Shares so tendered. A Preferred Stockholder may tender some or all of the Preferred Shares owned by such Preferred Stockholder.

In the event that the Offer is oversubscribed, the Fund will repurchase Preferred Shares pro-rata among tendering Preferred Stockholders in proportion to the number of Preferred Shares tendered to the Fund by each such Preferred Stockholder.

If a Preferred Stockholder decides against continuing to own Preferred Shares of the Fund, consideration should be given to the relative benefits and costs of tendering Preferred Shares at net asset value pursuant to the Offer versus selling Preferred Shares at the market price with the associated transaction costs.

The Fund expressly reserves the right, in its sole discretion, at any time or from time to time, to extend the period of time during which the Offer is open by giving oral or written notice of such extension to the Depository. Any such extension will also be publicly announced by press release issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. If the Fund makes a material change in the terms of the Offer or the information concerning the Offer, or if it waives a material condition of the Offer, the Fund will extend the Offer to the extent required by Rules 13e-4(d)(2) and 13e-4(e)(3) under the Exchange Act. During any extension, all Preferred Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the right of a tendering Preferred Stockholder to withdraw his or her Preferred Share(s).

The Fund has received an order from the SEC permitting any holder of voting securities of the Fund, who may be deemed an "affiliated person" of the Fund within the meaning of Section 2(a)(3) of the 1940 Act solely as a consequence of such stockholder's ownership of 5% or more of the outstanding voting securities of the Fund, to participate in this Offer and future in-kind tender offers.

2. Acceptance for Payment and Payment for Preferred Shares.

Upon the terms and subject to the conditions of the Offer, the Fund will accept for payment, and will pay for, Preferred Shares validly submitted for repurchase on or before the Expiration Date and not properly withdrawn in accordance with Section 4 as soon as practicable after the Expiration Date. In all cases, payment for Preferred Shares submitted for repurchase and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of certificates for such Preferred Shares (unless such Preferred Shares are held in uncertificated form), a properly completed and duly executed Letter of Transmittal, together with any required signature guarantees, and any other documents required by the Letter of Transmittal, including any necessary tax forms. The Fund expressly reserves the right, in its sole discretion, to delay the acceptance for payment of, or payment for, Preferred Shares, in order to comply, in whole or in part, with any applicable law.

For purposes of the Offer, the Fund will be deemed to have accepted for payment Preferred Shares validly submitted for repurchase and not withdrawn as, if and when the Fund gives oral or written notice to the Depository of its acceptance for payment of such Preferred Shares pursuant to the Offer. The Depository will, as the Fund's transfer agent, cancel Preferred Shares accepted for repurchase, and the Fund's sub-custodian will transfer the Portfolio Securities to the Mexican Accounts as promptly as practicable after the Expiration Date. Although the Fund will try to make payment (in Portfolio Securities) for Preferred Shares repurchased as promptly as possible, the Fund may be delayed in making payment, but such delays are likely to be the result of circumstances beyond the Fund's control. Under no circumstances will the Fund pay interest on the Repurchase Price, regardless of any delay in making payment therefor. If any Preferred Shares submitted for repurchase are not accepted for payment pursuant to the

terms and conditions of the Offer for any reason or are not paid because of an invalid submission (i) certificates for such unpurchased Preferred Shares will be returned, without expense to the participating Preferred Stockholder, as soon as practicable following expiration or termination of the Offer, and (ii) Preferred Shares delivered pursuant to the Book-Entry Delivery Procedure (as defined in Section 3 below) will be credited to the appropriate account maintained with the appropriate Book-Entry Transfer Facility (as defined in Section 3 below).

If the Fund is delayed in payment for, or is unable to accept for payment or pay for, Preferred Shares pursuant to the Offer for any reason, then, without prejudice to the Fund's rights under the Offer, the Depositary may, on behalf of the Fund, retain Preferred Shares submitted for repurchase, and such Preferred Shares may not be withdrawn.

Participating Preferred Stockholders may be required to pay brokerage fees to a U.S. broker, dealer, commercial bank, trust company or other nominee in order to participate in the Offer. Participating Preferred Stockholders may also be subject to certain tax consequences as discussed in Section 9 of this Offer to Repurchase.

The Fund normally publishes its net asset value per Share on each business day after the close of regular trading on the NYSE. The Fund's Preferred Shares are listed for trading under the symbol "MXE-Pr" on the NYSE. On May 21, 2008, the net asset value per Preferred Share was \$31.50 and the Fund's last reported sales price was \$28.15 per Preferred Share, representing a 10.63% discount from the net asset value per Preferred Share. The Fund's net asset value per Preferred Share will be available daily through the Expiration Date, through the Fund's toll free number at 866-700-6104.

The Fund anticipates publishing the Fund's investment portfolio via press release on the Expiration Date. The Portfolio Securities to be received by participating Preferred Stockholders will be pro-rata among tendering Preferred Stockholders in proportion to the number of Preferred Shares tendered to the Fund by each such Preferred Stockholder.

Preferred Stockholders submitting Preferred Shares in the Offer must ensure that all required information has been provided and is accurate. The Fund is not responsible for notifying Preferred Stockholders of any inaccuracies or deficiencies in their submission and an invalid submission will result in the return of Preferred Shares submitted for repurchase by a Preferred Stockholder.

Participating Preferred Stockholders are reminded in this Offer to Repurchase and the related Letter of Transmittal that certain Mexican securities brokers or custodians might choose not to accept repurchase offer proceeds (portfolio securities of the Fund) on the Expiration Date on behalf of participating Preferred Stockholder clients or might delay acceptance of proceeds until certain additional instructions and confirmations required by such Mexican securities brokers or custodians were received. Participating Preferred Stockholders are advised to consult with their Mexican securities broker or custodian and to submit any additional instructions or confirmations before the Expiration Date or as quickly as possible thereafter to avoid any delay payment. In order to transfer all of the repurchase offer proceeds on the Expiration Date, the Fund has established a segregated account with the Fund's sub-custodian to hold the repurchase offer proceeds for the benefit of the participating Preferred Stockholders who had not submitted any additional instructions or confirmations sought by their Mexican Account holder. The proceeds for each such Preferred Stockholder will be held in this segregated custodial account until his or her Mexican securities broker or custodian notifies the Fund that the required documentation has been received and that the repurchase offer proceeds will be accepted for their participating Preferred Stockholder customer. At this point, the Fund will transfer the proceeds for that Preferred Stockholder to his or her Mexican securities broker or custodian, for the account of the Preferred Stockholder.

The Fund is neither responsible nor liable in any manner for any delay participating Preferred Stockholders may experience (as well as any possible fluctuations in the value of the proceeds) in the receipt of their repurchase offer proceeds as a result of these additional requirements imposed by certain Mexican securities brokers or custodians. Participating Preferred Stockholders whose Preferred Shares were accepted for repurchase by the Fund and who are affected by this additional documentation requirement are urged to confirm with their Mexican securities broker or custodian the receipt of their repurchase offer proceeds.

3. Procedure for Tendering Preferred Shares.

A. Proper Presentation of Preferred Shares for Redemption.

Preferred Stockholders having Preferred Shares that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee should contact such firm if they desire to participate in the Offer. For a Preferred Stockholder to properly submit Preferred Shares pursuant to the Offer, either (a)(i) a properly completed and duly executed Letter of Transmittal and certificates representing Preferred Shares (if certificated), together with any required signature guarantees, and any other documents required by the Letter of Transmittal, including any required U.S. tax information, must be transmitted to and received by the Depository at the address set forth on the last page of this Offer to Repurchase or, in the case of a book-entry transfer, an Agent's Message (as defined below), and DTC Delivery Election Form must be received by the Depository at the address set forth on the last page of this Offer to Repurchase prior to the Expiration Date and either the certificate for Fund shares must be transmitted to and received by the Depository at its address set forth on the last page of this Offer to Repurchase or the participating Preferred Stockholder must comply with the Book-Entry Delivery Procedure set forth in this Section 3, or (b) participating Preferred Stockholders must comply with the Guaranteed Delivery Procedures set forth in this Section 3, in all cases prior to the Expiration Date.

Letters of Transmittal and certificates representing Preferred Shares presented for redemption should NOT be sent or delivered to the Fund. Preferred Stockholders who do not have Preferred Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee may wish to contact one of these entities and deposit their Preferred Shares with it and seek its assistance in submitting the documents (including the Mexican Account information) for participation in the Offer.

Participating Preferred Stockholders must submit instructions as to brokerage or custodial arrangements entered into with appropriate Mexican stock brokers or Mexican banks, i.e. the Mexican Account, required in the transmittal documents in order to have validly presented Preferred Shares for participation in the Offer. The forms for these instructions appear in the Letter of Transmittal and, in the case of brokers, dealers, commercial banks, trust companies or other nominees submitting Preferred Shares on behalf of clients, on the DTC Delivery Election Form.

The term "Agent's Message" means a message transmitted by a Book-Entry Transfer Facility (as defined in Part C below) to, and received by, the Depository and forming a part of a Book-Entry Delivery Procedure (as defined in Part C below), which states that such Book-Entry Transfer Facility has received an express acknowledgement from the participant in such Book-Entry Transfer Facility submitted the Preferred Shares for repurchase that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Fund may enforce such agreement against such participant.

Section 14(e) of the Exchange Act and Rule 14e-4 promulgated thereunder prohibit both "short" redemption requests and "hedged" redemption requests by any person, whether acting alone or in concert with others. It is a violation of Rule 14e-4 under the Exchange Act for a person to request redemption of Preferred Shares unless the person requesting redemption (i) has a net long position equal to or greater than the amount as to which a redemption request has been made in Preferred Shares presented for redemption, and (ii) will cause these Preferred Shares to be delivered in accordance with the terms of the Offer.

The acceptance by the Fund of Preferred Shares for repurchase will constitute a binding agreement between the participating Preferred Stockholder and the Fund upon the terms and subject to the conditions of the Offer, including the participating Preferred Stockholder's representation that (i) the Preferred Stockholder has a net long position in the Preferred Shares being presented for redemption within the meaning of Rule 14e-4 under the Exchange Act, and (ii) the presentation of Preferred Shares for redemption complies with Rule 14e-4.

B. Signature Guarantees and Method of Delivery.

No signature guarantee is required on the Letter of Transmittal if (a) the Letter of Transmittal is signed by the registered holder(s) (which includes any participant in the Depository Trust Company ("DTC") book-entry transfer facility whose name appears on DTC's security position listing as the owner of Fund shares) of Preferred Shares presented for redemption, or (b) Preferred Shares are presented for redemption for the account of a firm (an

“Eligible Institution”) which is a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of a Stock Transfer Association approved medallion program (such as STAMP, SEMP or MSP). In all other cases, all signatures on the Letter of Transmittal must be guaranteed by an Eligible Institution. See the Letter of Transmittal, “Instructions Forming Part of the Terms and Conditions of the Offer.”

Signature(s) on the Letter of Transmittal by the registered holder(s) of Preferred Shares submitted for redemption must correspond with the name(s) as written on the face of the certificate(s) without alteration, enlargement or any change whatsoever.

If any of the Preferred Shares presented for redemption are owned of record by two or more joint owners, all such owners must sign the Letter of Transmittal.

If any of the Preferred Shares presented for redemption are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

If the Letter of Transmittal or any certificates or stock powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, they should so indicate when signing, and proper evidence satisfactory to the Fund of their authority to act must be submitted. “Satisfactory” evidence is in the sole discretion of the Fund.

C. Book-Entry Delivery Procedure.

The Depository will establish an account with respect to the Preferred Shares at DTC for purposes of the Offer within two business days after the date of this Offer to Repurchase (the “Book-Entry Transfer Facility”). Any financial institution that is a participant in the Book-Entry Transfer Facility’s systems may make delivery of Preferred Shares submitted for redemption by causing (i) such Book-Entry Transfer Facility to transfer such Preferred Shares into the Depository’s account in accordance with such Book-Entry Transfer Facility’s procedure for such transfer; and (ii) a confirmation of receipt of such delivery to be received by the Depository (the “Book-Entry Delivery Procedure”). The Book-Entry Transfer Facility may charge the account of such financial institution for submitted Preferred Shares on behalf of participating Preferred Stockholders. Notwithstanding that delivery of Preferred Shares may be effected in accordance with this Book-Entry Delivery Procedure, the DTC Delivery Election Form and Authorization Instructions Form must be transmitted to and received by the Depository at the appropriate address set forth on the last page of this Offer to Repurchase before the Expiration Date or the participating Preferred Stockholder must comply with the Guaranteed Delivery Procedure set forth below (which requires submission of the Authorization Instructions Form).

Delivery of documents to a Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility’s procedures does not constitute delivery to the Depository for purposes of this Offer.

D. Guaranteed Delivery Procedure.

If certificates for Preferred Shares are not immediately available or time will not permit the Letter of Transmittal and other required documents to reach the Depository prior to the Expiration Date, Preferred Shares may be properly submitted for redemption provided that:

(i) the submission is made by or through an Eligible Institution, as defined above;

(ii) a properly completed and executed Notice of Guaranteed Delivery, DTC Delivery Election Form and Authorization Instructions Form, substantially in the form provided by the Fund, is received by the Depository by the Expiration Date; and

(iii) the Fund Share certificates evidencing all Preferred Shares, in proper form for transfer, or a Book-Entry Confirmation, together with the Letter of Transmittal properly completed and executed with any required signature guarantees (or, in the case of a book-entry transfer, an Agent’s Message) and any other documents required by the Letter of Transmittal, are received by the Depository within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand to the Depository or transmitted by telegram, facsimile transmission or mailed to the Depository and must include a guarantee by an Eligible Institution in the form set forth in such Notice of Guaranteed Delivery.

Notwithstanding any other provision hereof, repurchase of Preferred Shares accepted for repurchase pursuant to the Offer will in all cases be made only after timely receipt by the Depository of (a) certificates for (or a timely receipt of confirmation with respect to such Preferred Shares) (b) a Letter of Transmittal, properly completed and duly executed, with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message, and (c) any other documents required by the Letter of Transmittal. Accordingly, participating Preferred Stockholders may be paid at different times depending upon when certificates for Preferred Shares or confirmations of receipt for such Preferred Shares are actually received by the Depository.

E. Determination of Validity.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of Preferred Shares presented for redemption will be determined by the Fund, in its sole discretion, and the determination shall be final and binding. The Fund reserves the absolute right to reject any or all presentations for redemption determined not to be in appropriate form or to refuse to accept for payment, repurchase or pay for any Preferred Shares if, in the opinion of the Fund's counsel, accepting, repurchasing or paying for the Preferred Shares would be unlawful. The Fund also reserves the absolute right to waive any of the conditions of the Offer or any defect in any redemption, whether generally or with respect to any particular Preferred Share(s) or Preferred Stockholder(s). The Fund's interpretations of the terms and conditions of the Offer shall be final and binding.

NONE OF THE FUND, THE INVESTMENT ADVISER, THE DEPOSITARY, THE SUB-CUSTODIAN OR ANY OTHER PERSON IS OR WILL BE OBLIGATED TO GIVE ANY NOTICE OF DEFECTS OR IRREGULARITIES, OR WAIVERS OF DEFECTS OR IRREGULARITIES IN A REDEMPTION REQUEST, AND NONE OF THEM WILL INCUR ANY LIABILITY FOR FAILURE TO DO SO.

The method of delivery of Preferred Shares, the Letter of Transmittal, and any other required documents, including delivery through the Book-Entry Transfer Facility, is at the election and risk of the participating Preferred Stockholder. Preferred Shares will be deemed delivered only when actually received by the Depository (including, in the case of a Book-Entry Transfer, by confirmation of receipt of delivery received by the Depository). If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

F. Federal Income Tax Withholding.

To prevent U.S. federal income tax backup withholding at a rate generally equal to 30% of the gross payments made pursuant to the Offer, each participating U.S. Preferred Stockholder who has not previously submitted a correct, completed and signed Form W-9 to the Fund or does not otherwise establish an exemption from withholding must notify the Depository of the Preferred Stockholder's correct taxpayer identification number (or certify that the taxpayer is awaiting a taxpayer identification number) and provide certain other information by completing the Substitute Form W-9 included in the Letter of Transmittal. Certain U.S. Preferred Stockholders (including, among others, all corporations) are not subject to these backup withholding requirements.

Participating non-U.S. Preferred Stockholders who have not previously submitted a correct, completed and signed Form W-8 to the Fund must submit a form to the Depository in order to avoid backup withholding. For those Preferred Stockholders, a copy of Form W-8 is included with the Letter of Transmittal.

Failure to submit the documentation described above or establish an exemption necessary to prevent backup withholding will result in an invalid submission of Preferred Shares for participation in the Offer and, accordingly, the Preferred Stockholder's submitted Preferred Shares will not be accepted for repurchase.

For a discussion of certain other U.S. federal income tax consequences to participating Preferred Stockholders, see Section 9.

4. Rights of Withdrawal.

A request for redemption of Preferred Shares made pursuant to the Offer may be withdrawn at any time prior to the Expiration Date. After the Expiration Date (including any date to which the Offer is extended), all redemption requests made pursuant to the Offer are irrevocable.

To be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at its address set forth on the last page of this Offer to Repurchase. Any notice of withdrawal must specify the name of the person who executed the particular Letter of Transmittal or Notice of Guaranteed Delivery, the number of Preferred Shares to be withdrawn, and the names in which the Preferred Shares to be withdrawn are registered. Any signature on the notice of withdrawal must be guaranteed by an Eligible Institution. If certificates have been delivered to the Depositary, the name of the registered holder and the serial numbers of the particular certificates evidencing the Preferred Shares withdrawn must also be furnished to the Depositary. If Preferred Shares have been delivered pursuant to the Book-Entry Delivery Procedure set forth in Section 3 of this Offer to Repurchase, any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Preferred Shares (which must be the same name, number and Book-Entry Transfer Facility from which the Preferred Shares were submitted for redemption, and must comply with the procedures of the Book-Entry Transfer Facility).

Preferred Shares may be submitted again after a withdrawal has been made if the necessary documents and procedures for the submission of Preferred Shares for participation in the Offer are followed as described in this Offer to Repurchase.

5. Source and Amount of Funds; Effect of the Offer.

The actual cost of the Offer cannot be determined at this time because the number of Preferred Shares to be repurchased will depend on the number of Preferred Shares submitted for redemption, and the Repurchase Price will be determined on the Expiration Date. The Fund has the resources necessary to make payment for Preferred Shares submitted for repurchase in the Offer since the Fund will distribute to Preferred Stockholders participating in the Repurchase Offer the Portfolio Securities.

Participating Preferred Stockholders may experience a delay in the reregistration of the Portfolio Securities received as proceeds from the Offer due to the process of transferring title and verification of Mexican Account information. Participating Preferred Stockholders who hold and present their Preferred Shares in the name of a broker, dealer, financial institution or other nominee will receive the Portfolio Securities to which they are entitled in the name of their broker, dealer, financial institution or other nominee. It will be the responsibility of such brokers, dealers, financial institutions or other nominees to calculate and distribute or credit either fractional shares or cash in respect of fractional shares, at their election, to their clients' accounts. Participating Preferred Stockholders will have to confirm that the correct number of Portfolio Securities has been credited to the participating Preferred Stockholders by the participating Preferred Stockholder's broker or agent.

The Fund anticipates publishing the identity of the Portfolio Securities via press release on the Expiration Date.

Under no circumstances will the Fund pay interest to participating Preferred Stockholders for Preferred Shares redeemed, regardless of any delay in making payment therefor. Participating Preferred Stockholders will not be obligated to pay the Fund brokerage commissions or fees in connection with their demand to redeem Preferred Shares, although a participating Preferred Stockholder's broker may charge a processing fee for assistance in transmitting the required documentation for participation in the Offer to the Depositary, and a participating Preferred Stockholder may incur expenses associated with establishment of the Mexican Account to receive the Portfolio Securities plus fees, expenses and brokerage commissions associated with the disposal or retention of such Portfolio Securities. The fact that Preferred Shares are being repurchased at 99% of the net asset value per Preferred Share reflects that all redemptions affected by the Fund pursuant to the Offer will bear the administrative costs and expenses incurred in transferring Portfolio Securities from the Fund to the participating Preferred Stockholders. The Fund estimates that expenses related to the Offer will be \$50,000, including legal, accounting, filing, printing, Depositary fees. To the extent expenses exceed 1% of the Fund's assets to be repurchased, the Fund will absorb the remaining expenses.

The repurchase of Preferred Shares pursuant to the Offer will have the effect of increasing the proportionate interest in the Fund of non-participating holders of Preferred Shares and reducing the net assets of the Fund. The reduced net assets of the Fund as a result of the Offer will result in a higher expense ratio for the Fund. Additionally, a reduction in the number of Preferred Shares issued and outstanding may reduce the liquidity and the depth of the trading market for the Preferred Shares. All Preferred Shares repurchased by the Fund pursuant to the Offer will be cancelled.

In addition, there is a risk that the Fund's investments and the Portfolio Securities may experience a decrease in value following the Offer depending on the level of participation in the Offer and whether participating Preferred Stockholders choose to dispose of the Portfolio Securities shortly after the Offer. Because of the size of the Fund and the characteristics of the Mexican securities market, if a large percentage of Preferred Stockholders participate in the Offer and choose to liquidate the Portfolio Securities shortly after they receive them, there could be an adverse impact on the Mexican securities market and the market prices of the Portfolio Securities and the Fund's other investments, which risk affects all holders of Preferred Shares.

Because the proceeds of the Offer are Portfolio Securities, the Fund will not experience the typical effects associated with a cash tender offer including the attendant risks of declining net asset value because of significant market pressure to dispose of securities, increased Fund brokerage and related transaction expenses, and the realization of capital gains by the Fund accompanying the liquidation of portfolio securities for cash.

Participation in the Offer will, however, have certain tax consequences, risks and expenses as further discussed below.

PRO FORMA CAPITALIZATION (1)

	As of May 21, 2008	Adjustment For Repurchase at \$31.19 Per Preferred Share(2)
Total Net Assets	\$ 155,211,653	\$ 146,852,733
Common Shares Outstanding	3,855,242	3,855,242
Preferred Shares Outstanding	1,072,002	804,002
NAV Per Share (3)	\$ 31.50	\$ 31.52

- (1) This table assumes purchase by the Fund of 268,000 Preferred Shares, equal to 25% of the Fund's outstanding Preferred Shares as of May 21, 2008.
- (2) This amount represents 99% of net asset value per Preferred Share as determined on May 21, 2008. Preferred Shares tendered pursuant to the Offer will be repurchased at 99% of net asset value per Preferred Share on the Expiration Date, which may be more or less than \$31.19 per Preferred Share, and the Pro Forma net asset value per Preferred Share also may be more or less than that shown above.
- (3) The net asset value per share of capital stock of the Fund is normally determined on each business day of the week that the NYSE is open, as of the close of regular trading on the NYSE, and is determined by dividing the total net assets of the Fund by the aggregate number of shares of common stock and Preferred Shares outstanding.

6. Purpose of the Offer; Plans or Proposals of the Fund.

Making payment for an in-kind tender offer will provide potential benefits to both participating and non-participating holders of Preferred Shares and fulfill the Board's commitment to stockholders who acquired Preferred Shares. The potential benefits of the Offer arise from the Fund's closed-end fund structure, its investments in relatively less liquid securities, and its maintenance of relatively small cash positions. Potential benefits of the Offer include:

- avoiding a cascade of required liquidations and distributions that would be associated with cash tender offers, and that would reduce the size of the Fund drastically;
- causing the tax burden of capital gains realized in connection with the Offer to be borne only by participating Preferred Stockholders;
- minimizing disruption to the investment management of the Fund and therefore minimizing the impact on the investments of stockholders who remain invested in the Fund after the Offer;
- enhancing liquidity for the Fund's Preferred Stockholders; and
- assisting the Fund to maintain its status as a closed-end fund while potentially addressing the discount to net asset value at which the Fund's capital stock has historically traded.

Since the Fund's inception, its capital stock has at times traded at a significant discount from net asset value. Consequently, the Fund has taken several different measures to address such discount. At a Meeting of the Board of Directors held on December 13, 2001, the Board of Directors approved a tender offer (the "Tender") for shares of the Fund's common stock, \$0.001 par value. The Tender allowed the Fund to purchase up to 100% of each stockholder's shares of common stock, not to exceed 80% of the total outstanding shares of its common stock, for cash at a price equal to 100% of our net asset value per share as of the closing date. The Tender commenced on February 19, 2002 and expired on March 20, 2002. In connection with the Tender, the Fund purchased 6,122,069 shares of common stock at a total cost of \$68,444,728. There were no gains or losses to the Fund because the repurchase of tendered shares was executed at 100% of the Fund's net asset value as calculated on the Expiration Date. At a Special Meeting of the Board of Directors held on October 11, 1999, the Board of Directors approved a share repurchase program. Pursuant to the share repurchase program, the Fund was authorized to commence a two phase share repurchase program for up to 2,800,000 shares of common stock, or approximately 25% of our then outstanding shares of common stock, through a combination of share purchases and tender offers. During the years ended July 31, 2002, 2003, 2004 and 2005, the Fund made no repurchases pursuant to the program. Pursuant to the share repurchase program, during the year ended July 31, 2001, the Fund purchased 174,000 shares of common stock in the open market at a total cost of \$1,703,552. The weighted average discount of these purchases comparing the purchase price to the net asset value at the time of purchase was 9.01%. During the fiscal year ended July 31, 2000, the Fund purchased 1,199,700 shares of common stock in the open market at a total cost of \$10,573,159. The weighted average discount of these purchases comparing the purchase prices to the net asset value at the time of purchase was 16.40%.

This Offer is related to the Fund's previous rights offering for the Preferred Shares pursuant to the Registration Statement, in which the Board stated its intention to conduct an offer to repurchase in-kind up to 25% of its issued and outstanding Preferred Shares on a semi-annual basis. The Offer will be the second time the Fund will conduct such a repurchase offer for its issued and outstanding Preferred Shares. The first tender offer, which expired on Friday, November 16, 2007 at 5:00 P.M. EST, resulted in a total of 1,098,070 shares tendered by Preferred Stockholders, representing approximately 77% of the Preferred Shares outstanding. Similar to the guidelines stated for this tender offer, the Portfolio Securities to be received by participating Preferred Stockholders were pro-rata among tendering Preferred Stockholders in proportion to the number of Preferred Shares tendered to the Fund by each Preferred Stockholder.

As stated in Section 1 above, the Fund received an order from the SEC permitting any holder of voting securities of the Fund, who may be deemed an "affiliated person" of the Fund within the meaning of Section 2(a)(3) of the 1940 Act solely as a consequence of such stockholder's ownership of 5% or more of the outstanding voting securities of the Fund, to participate in this Offer and future in-kind tender offers.

The Offer has been provided to create greater liquidity in Preferred Shares by permitting Preferred Stockholders to redeem their Preferred Shares other than through secondary market transactions and has as a goal the ability of Preferred Stockholders to recoup the discount to net asset value per Preferred Share, although there is no assurance that any of this goal will be achieved. Payment in Portfolio Securities is expected to prevent the involuntary recognition and receipt by non-participating stockholders of any portion of the unrealized capital gains which would be realized if the Fund sold the Portfolio Securities in order to satisfy redemption requests in cash. As discussed below, however, the Offer is generally a taxable transaction for participating Preferred Stockholders.

The Offer has been unanimously approved by the Board. However, none of the members of the Board or any of the Fund's executive officers has made any recommendations to any Preferred Stockholders as to whether to participate in the Offer. In making its decision, the Board considered the desire of certain Preferred Stockholders to enhance stockholder value, reduce the discount at which the Fund's Preferred Shares are trading and realize close to net asset value for their Preferred Shares. The Board also sought an alternative that would minimize adverse tax consequences to the Fund and its stockholders. As discussed above, based on the Fund's experience with other methods to reduce the Fund's market discount and consideration of the proposed Offer, the Board concluded that the Offer is reasonably fair to all Preferred Stockholders.

7. Factors to Consider Regarding the Decision to Participate in the Offer.

The decision whether a Preferred Stockholder should participate in the Offer depends on the facts and circumstances of each Preferred Stockholder. The Fund suggests that Preferred Stockholders consider the expenses associated with participation in the Offer, including establishment of the Mexican Account, and other related paperwork, the implications of owning Portfolio Securities and the tax consequences of participation. Preferred Stockholders should also consider that the Fund will be making future semi-annual in-kind repurchase offers.

Without consideration of any potential tax consequences to a Preferred Stockholder of participation in the Offer, the actual per Preferred Share expense to a Preferred Stockholder of participation depends on a number of factors, including the number of Preferred Shares submitted for repurchase, the varying expenses associated with establishing the Mexican Account and/or enlisting the assistance of a U.S. bank or broker which may charge clients a fee for submitting the documentation necessary for participation. Moreover, participating Preferred Stockholders may incur additional expenses following their participation in the Offer depending on whether they sell or retain the Portfolio Securities.

Participating Preferred Stockholders may wish to retain the Portfolio Securities as an investment for the long term. The Fund is not providing Preferred Stockholders with specific information regarding each of the Portfolio Securities. However, participating Preferred Stockholders may not have the means to effectively monitor, or monitor as efficiently as with a managed investment vehicle, the performance of the Portfolio Securities, and the Portfolio Securities would be subject to the typical investment risks associated with foreign investments in developing markets, such as the risk of political and economic instability that developing countries periodically experience. In addition, information regarding the Mexican companies that comprise the Portfolio Securities may not be as current as information provided by U.S. public companies and is likely to be available only in Spanish. Mexican public companies are subject to less stringent disclosure standards and regulatory oversight than U.S. public companies. There also may be additional future expenses participating Preferred Stockholders incur in retaining the Portfolio Securities. If participating Preferred Stockholders receive Portfolio Securities and then determine to liquidate the Portfolio Securities, participating Preferred Stockholders would be subject to investment and currency risks as well as additional expenses and tax consequences associated with liquidation of the Portfolio Securities. Preferred Stockholders will need to conduct their own investment research regarding the Mexican companies comprising the Portfolio Securities and/or seek assistance from their financial advisors. Preferred Stockholders are encouraged to consult with their financial and tax advisors regarding these issues.

The Mexican Account

Participating Preferred Stockholders must provide information regarding a Mexican Account where Portfolio Securities may be transferred. Establishing and maintaining a Mexican Account may entail additional expenses that should be considered when determining whether participation in the Offer represents the best method to realize the value of the Preferred Stockholder's investment in the Fund. Furthermore, the Mexican Account may be subject to different procedures, laws and risks than a U.S. brokerage account. It may be more convenient for Preferred Stockholders to seek the assistance of a U.S. broker or dealer in meeting this requirement.

Investing in Foreign Securities

The decision to participate in the Offer and retain the Portfolio Securities represents a direct investment in the securities of Mexican issuers.

Participating Preferred Stockholders should be aware of the risks of such a direct investment and the potential difficulties of managing a portfolio of foreign securities.

Investment in Mexican securities involves special considerations and risks that are not normally associated with investments in U.S. securities, including (1) relatively higher price volatility, less liquidity and a much smaller market capitalization; (2) currency fluctuations and the cost of converting Mexican pesos into U.S. dollars; (3) restrictions on foreign investment and potential restrictions on the repatriation of capital invested in Mexico and the remittance of related profits and dividends; (4) political, economic and social risks and uncertainties, including risks of confiscatory taxation and expropriation or nationalization of assets; (5) higher rates of inflation, unemployment and interest rates than in the United States; and (6) less stringent disclosure requirements, less available information regarding Mexican public companies and less active regulatory oversight of Mexican public companies. Such risk factors are explained in greater detail below:

Market Illiquidity; Volatility. Although, the Bolsa Mexicana de Valores, S.A. de CV. (the “Mexican Stock Exchange” or “Bolsa”) is one of the largest stock markets within the Latin American region with a market capitalization of US\$797 billion, as of May 21, 2008, it is smaller, less liquid and more volatile than the major securities markets of the United States. The Mexbol Index is highly concentrated in a few issuers: thirty-five out of a total of 125. *America Movil*, “AMX” accounts for 25% of the Mexbol Index’s aggregate market capitalization, while no single stock issue accounts for more than 7% of the aggregate market capitalization of the NASDAQ and no more than 2.2% of the NYSE. Thus, the performance of the Mexican Stock Exchange, as further described below, is highly dependent on the performance of a few issuers. Additionally, the prices of stocks traded on the Mexican Stock Exchange are generally more volatile than the prices of stocks traded on the NYSE. The combination of price volatility and the relatively limited liquidity of the Mexican Stock Exchange may have an adverse impact on the investment performance of the Fund.

Market Corrections. The Mexbol Index has gained an average per annum dollar return of 35.58% for the period 2003-2007. This market rally occurred in tandem with global synchronized growth and high commodity prices, but more importantly, companies’ strong cash earnings growth. Nevertheless, the Mexbol Index registered a 10.9% decline from its high on October to the end of 2007, due to volatility in global markets caused by problems in the U.S. sub-prime mortgage market. Year-to-date through May 21, 2008, the Mexbol Index registered a 11.8% gain in dollar terms and the Mexbol’s EV/EBITDA multiple ended at 10.4x trading at premiums of 35.9% and 37.4% to its five and twelve-year averages, respectively. Due to the high concentration of investors, issuers and intermediaries in the Mexican securities market, the Mexican stock market may be subject to corrections that are more pronounced than those of more broad-based markets. As is the case with investing in any securities market, there can be no assurance that there will be no repetition of similar market corrections. However, the private compulsory pension fund system has continued to grow consistently from approximately US\$5 billion in 1997 to US\$83 billion as of March 2008, and of which up to 17% is estimated to be invested in equities through the Mexbol Index Naftrac (exchanged traded fund). Currently, investment in equities through Naftrac is only 6.1%. Potential additional demand for Mexican equities by the Afores could amount to an average US\$2.5 billion per year through 1Q’11, assuming that their Assets Under Management increase at a rate of US\$9.5 billion per year and this could provide for stable inflows to the Mexican market that could offset any shock.

The Mexican Economy. Since the 1995 crisis, the Mexican economy has developed significantly and has shown increasing macro and fiscal stability. Furthermore, over the last three years, a floating exchange rate regime, an increase in international reserves, a stronger current account and responsible fiscal and monetary policies have successfully combined to make the country less sensitive to external shocks of the past. However, owing to a lack of structural reforms in the last 10 years, Mexico has achieved an annual average GDP growth rate of 2.5% and remains highly dependent on the U.S. economy, as 80% of its exports go to the U.S. Nonetheless, several major reforms were approved in 2007 to boost Mexico’s potential growth rate, such as those related to the public sector workers’ pension system, public finance, the financial system and pension administrators as well as electoral reform, public safety and the legal system. Along with structural reforms, these have given the Mexican economy stronger foundations for tackling a less favorable international environment in 2008 thanks to increased export competitiveness and diversification, robust domestic demand, a dynamic non-tradable sector, in particular housing, and the availability of credit and counter-cyclical policies. (*Source: Ministry of Finance*)

The Public Finance Reform and the evolution of oil prices will allow Mexico to follow a counter-cyclical fiscal policy. Public policies will provide additional support for economic growth on the basis of three pillars: (i) the increase in expenditures in the 2008 budget; (ii) the National Infrastructure Program; and (iii) the Program to Support the Economy. Programmable expenditure will increase 10.5% compared to 2007, while maintaining a balanced budget. During 2008, public investment will increase by 24.6%, a 20-year high. (Source: Ministry of Finance)

The National Infrastructure Program's strategy will be based mainly on the deployment of the resources currently held in the National Infrastructure Fund. This Fund will promote public and private investment in infrastructure by granting guarantees and recoverable and non-recoverable funds as well as by investing directly in projects. In 2008-2009, the Fund will have US\$5 billion in liquid resources at its disposal. Overall, the Fund will invest US\$25 billion over the next 5 years, which together with private investment will trigger projects worth US\$ 75-100 billion. Available resources will be distributed to the following sectors: ports, railroads and airports, highways, hydraulic infrastructure, urban development and the environment. (Source: Ministry of Finance)

In addition, the Energy Sector reform is expected to increase investment in the sector by 1% of GDP. The reform bill aimed at strengthening the Mexican state oil company PEMEX along three lines: (i) by increasing oil production through deepwater exploration & production, given declining production at the country's main oil field Cantarell, (ii) by adding new reserves; and (iii) by building new refineries to end import dependence. The decline in oil production since 2005, which to December 2007 amounted to 300,000 barrels per day, means that in the last 3 years Mexico has ceased to obtain around US\$10 billion in accumulated oil revenue based on the average annual oil price for the period. While in 2002 proven oil reserves amounted to 20.1 billion equivalent barrels of crude oil, corresponding to 13 years of production, by 2007 they had declined to just 14.7 billion equivalent barrels, which means Mexico has enough proven oil reserves for 9.2 years at the current exploitation rate. Reserves decreased by 27% during the period. (Source: Ministry of Finance and Pemex)

Mexico's economy is holding up better in this U.S. recession than in prior years, as this time the recession is being driven by housing, not manufacturing, and Mexican exports remain highly competitive globally by increasing 30% y/y as of March 2008 to non-U.S. destinations. Furthermore, credit to the private sector has continued to grow at high rates, especially to businesses, both large and small. Banks expect that credit to the private sector will grow by more than 20% during 2008. The housing sector has grown at an average rate of 15.5% over the last four years. As of 2007, the number of mortgage loans had grown 20.3%. (Source: Ministry of Finance, Banxico and Conavi)

As of 1Q08 the Mexican economy showed signs of deceleration growing by 2.6% y/y compared to 4.2% y/y in 4Q07, leading Banxico to revise its 2008 GDP growth projections down to 2.4-2.9% from 2.75-3.25% previously. (Source: Banxico)

Growth is expected to be 4% in 2009, based on the following: (i) a recovery in the U.S. economy, with growth of 2.2%; (ii) the sustained strength of domestic demand, based on employment growth, a recovery in real wages and high credit growth; and (iii) the ongoing expansion of investment in infrastructure. (Source: Ministry of Finance)

Over the long term, President Calderon's government estimates that the Mexican economy will grow at an average rate of 5% starting 2012.

For the period January-December 2007, inflows of remittances from Mexican workers abroad amounted to US\$24 billion, oil exports US\$42.9 billion with non-oil exports of US\$229.2 billion while tourism inflows of US\$12.9 billion resulted in an accumulation of US\$87.2 billion in international reserves through December compared to just US\$6.1 billion in 1994. (Source: Banxico)

Hence macroeconomic imbalances are no longer a cause for concern, as foreign direct investment (FDI) inflows have consistently grown and been able to fully finance the current account deficit. Foreign direct investment increased to US\$20.5 billion, on average in the period 2003-2007, from US\$8.7 billion on average in 1992-1996. (Source: Banxico)

On the financial front, the Mexican economy has gained increased strength and stability from responsible fiscal and monetary policies. The autonomy of the Mexican Central Bank since 1993 and the successful implementation of monetary policy have resulted in lower inflation levels for the last years. This has translated in lower short-term interest rates of 7.19% on average in 2007 compared to an average of 20% over the previous ten years. Nevertheless, the biggest challenge facing the government today is rising food prices, as the March 2008 12-month headline inflation reached 4.25% and averaged 3.89% in 1Q08, albeit comparing favorably with an average rate of 16% over the previous ten years. The central bank released its April survey of private economists showing inflation expectations for 2008 and 2009 rising to 4.18% and 3.55%, respectively, from 3.98% and 3.52% previously. (Source: Banxico)

There is a risk that the Fund's investments and the Portfolio Securities may experience a decrease in value following the Offering depending on the level of participation in the Offering and whether participating Preferred Stockholders choose to dispose of the Portfolio Securities shortly after it. Because of the size of the Fund and the characteristics of the Mexican securities market, if a large percentage of Preferred Stockholders participate in the Offering and choose to liquidate the Portfolio Securities shortly after receiving them, there could be an adverse impact on the Mexican securities market and the market prices of the Portfolio Securities and the Fund's other investments, which would affect both participating and non-participating Preferred Stockholders.

Mexican Economic and Political Factors. Although Mexico's economy has strengthened in recent years and Mexico's sovereign debt was upgraded to an "investment-grade" by the three most prominent rating agencies, including Standard and Poor's, Mexico continues to be characterized as a developing economy and investments in developing countries are subject to certain economic risks. Mexico has experienced widespread bank failures, currency devaluations, high levels of inflation and interest rates. Mexico is also dependent on certain industries and exports for the health of its economy. The Portfolio Securities are denominated in pesos. As a result, the Portfolio Securities must increase in market value at a rate in excess of the rate of any decline in the value of the peso against the U.S. dollar in order to avoid a decline in their equivalent U.S. dollar value.

Mexican Securities Laws and Accounting Rules. There is less publicly available information about the issuers of Mexican securities, such as the Portfolio Securities, than is regularly published by issuers in the United States. Information provided by Mexican public companies may not be current, accurate or easily obtainable and, to the extent available, is likely to be in Spanish. Also, there is generally less governmental supervision and regulation of exchanges, brokers and issuers in Mexico than there is in the United States. U.S. holders of Portfolio Securities may also experience difficulties enforcing U.S. laws or obtaining service of process against the issuers of the Portfolio Securities.

Managing and Retaining the Portfolio Securities as an Investment. In addition to the risk factors discussed above, participating Preferred Stockholders who wish to retain the Portfolio Securities as part of their investment portfolio should consider whether they have the ability to actively manage a portfolio of foreign securities. Preferred Stockholders may have invested in the Fund for exposure to the Mexican securities market with the assistance of the Fund's investment adviser, a professional portfolio manager familiar with that market. Preferred Stockholders may not have access to the information and experience necessary to effectively manage the Portfolio Securities and may therefore incur losses from holding the Portfolio Securities as an investment.

Tax Consequences of Participating and Retaining or Disposing of Portfolio Securities. Participation in the Offering is generally a taxable event and participating Preferred Stockholders will recognize a gain or loss or dividend income upon receipt of the Portfolio Securities. Additionally, the disposition of the Portfolio Securities represents a separate taxable event and Preferred Stockholders will generally recognize a taxable gain or loss at the time of sale based on the difference in the value of the Portfolio Securities received after the Expiration Date and the value of the Portfolio Securities at their time of sale.

Depending on the level of participation in the Offering, the liquidity of Fund Preferred Shares is likely to decrease and the Fund expense ratio increase because there will be fewer Preferred Shares issued and outstanding as a result of the repurchases. However, the Fund's investment adviser does not anticipate that its investment strategy and the Fund's investment objective will be materially affected by the Offering.

Preferred Stockholders who desire to sell their Preferred Shares should evaluate these factors and their own particular situation to determine if it is administratively easier and less costly to sell their Preferred Shares for cash on the NYSE.

NONE OF THE FUND, ITS BOARD OF DIRECTORS, NOR ITS INVESTMENT ADVISER MAKES ANY RECOMMENDATION TO ANY PREFERRED STOCKHOLDER WHETHER TO PARTICIPATE IN THE OFFER, AND NONE OF SUCH PERSONS HAS AUTHORIZED ANY PERSON TO MAKE ANY SUCH RECOMMENDATION. PREFERRED STOCKHOLDERS ARE URGED TO EVALUATE CAREFULLY ALL INFORMATION IN THE OFFER, CONSULT THEIR OWN FINANCIAL AND TAX ADVISORS AND MAKE THEIR OWN DECISIONS WHETHER OR NOT TO PARTICIPATE.

8. NAV and Market Price Range of Preferred Shares; Dividends.

The Preferred Shares are traded on the NYSE. During each fiscal quarter of the Fund during the current fiscal year, the net asset value per Preferred Share (as of the last day of such fiscal quarter), and the High, Low and Close NYSE market price per share (as of the last day of such fiscal quarter) were as follows:

FISCAL QUARTER ENDED	MARKET PRICE			
	HIGH	LOW	CLOSE	NAV
January 31, 2006*	\$ 19.30	\$ 18.35	\$ 19.12	\$ 21.17
April 30, 2006	\$ 19.50	\$ 18.00	\$ 19.50	\$ 22.40
July 31, 2006	\$ 20.90	\$ 16.05	\$ 19.00	\$ 22.18
October 31, 2006	\$ 23.40	\$ 19.90	\$ 23.20	\$ 26.54
January 31, 2007	\$ 28.60	\$ 23.25	\$ 23.78	\$ 28.96
April 30, 2007	\$ 33.50	\$ 24.86	\$ 33.40	\$ 32.99
July 31, 2007	\$ 42.00	\$ 32.01	\$ 36.10	\$ 38.18
October 31, 2007	\$ 38.00	\$ 32.00	\$ 37.00	\$ 39.91
January 31, 2008	\$ 36.40	\$ 23.25	\$ 24.95	\$ 27.56
April 30, 2008	\$ 26.90	\$ 24.00	\$ 26.90	\$ 30.22
May 21, 2008**	\$ 28.15	\$ 26.75	\$ 28.15	\$ 31.50

* The Preferred Shares were issued on or about January 6, 2006.

** Share prices from May 1, 2008 through May 21, 2008.

On December 27, 2006 the Fund paid a dividend of \$3.03 per share on the Preferred Shares.

On December 26, 2007 the Fund paid a dividend of \$7.41 per share on the Preferred Shares.

9. Federal Income Tax Consequences of the Offer.

The following is a general summary of the U.S. federal income tax consequences of the Offer and is included for general information purposes only. In view of the individual nature of tax consequences, each Preferred Stockholder is advised to consult his or her own tax advisor with respect to the specific tax consequences to such Preferred Stockholder of participating (or not participating) in the Offer, including the effect and applicability of state, local, foreign, and other tax laws and the possible effects of changes in U.S. federal or other tax laws.

Exchange Treatment. The sale of Preferred Shares pursuant to the Offer will be a taxable transaction for U.S. federal income tax purposes, either as a sale or exchange, or, under certain circumstances, as a dividend. Under Section 302(b) of the Internal Revenue Code of 1986, as amended (the "Code"), a sale of Preferred Shares pursuant to the Offer generally will be treated as a sale or exchange if the receipt of cash by the Preferred Stockholder: (a) results in a complete termination of the Preferred Stockholder's interest in the Fund, (b) is substantially disproportionate with respect to the Preferred Stockholder (meaning, generally, that the Preferred Stockholder's percentage interest in the Fund after the Offer has been completed is less than 80% of the Preferred Stockholder's prior percentage interest in the Fund), or (c) is not essentially equivalent to a dividend with respect to the Preferred Stockholder. In determining whether any of these tests has been met, Preferred Shares actually owned, as well as Preferred Shares considered to be owned by the Preferred Stockholder by reason of certain constructive ownership rules set forth in Section 318 of the Code, generally must be taken into account. If a tendering Preferred Stockholder's overall percentage interest in the Fund (taking into account Preferred Shares owned constructively under Section 318 of the Code) does not decrease as a result of the sale of Preferred Shares, none of the three tests would be met.

If any of these three tests for sale or exchange treatment is met, a Preferred Stockholder will recognize gain or loss equal to the difference between the price paid by the Fund for the Preferred Shares purchased in the Offer and the Preferred Stockholder's adjusted basis in such Preferred Shares. If such Preferred Shares are held as a capital asset, the gain or loss will be capital gain or loss and generally will be long-term capital gain or loss if the Preferred Shares have been held for more than one year. Under certain wash sales rules, recognition of a loss on Preferred Shares sold pursuant to the Offer will ordinarily be disallowed to the extent the Preferred Stockholder acquires Preferred Shares within 30 days before or after the date Preferred Shares are purchased pursuant to the Offer and, in that event, the basis and holding period of the Preferred Shares acquired will be adjusted to reflect the disallowed loss.

Dividend Treatment. If none of the three tests under Section 302(b) of the Code outlined above is met, the amount received by a Preferred Stockholder who sells Preferred Shares pursuant to the Offer will be taxable to the Preferred Stockholder as a dividend to the extent of such Preferred Stockholder's allocable share of the Fund's current or accumulated earnings and profits. Any additional amount will constitute a non-taxable return of capital to the extent of the Preferred Stockholder's adjusted basis in the Preferred Shares sold pursuant to the Offer and thereafter will be taxable as gain from a sale of the Preferred Shares. Any remaining adjusted basis in the Preferred Shares tendered to the Fund will be transferred to any remaining Preferred Shares held by such Preferred Stockholder. In addition, if a tender of Preferred Shares is treated as a dividend to a tendering Preferred Stockholder, a constructive dividend under Section 305(c) of the Code may result to a non-tendering Preferred Stockholder whose proportionate interest in the earnings and assets of the Fund has been increased by such tender.

Foreign Preferred Stockholders. Any payments to a tendering Preferred Stockholder who is a nonresident alien individual, a foreign trust, foreign estate or a foreign corporation that does not hold his, her or its shares in connection with a trade or business conducted in the United States (a "Foreign Preferred Stockholder") will be subject to U.S. withholding tax at the 30% rate applicable to dividends (or such reduced rate, if the Foreign Preferred Stockholder submits a properly completed Form W-8BEN, as applies under an applicable tax treaty). If the sale of Preferred Shares by a Foreign Preferred Stockholder is treated as a sale or exchange rather than a dividend, the Foreign Preferred Stockholder will not be subject to U.S. federal income tax on any gain (and may seek a refund from the Internal Revenue Service for any U.S. withholding tax withheld from the sale proceeds) unless the Foreign Preferred Stockholder is an individual who is physically present in the United States for 183 days or more and certain other conditions exist.

Such persons are advised to consult their own tax advisors. Special rules may apply in the case of Foreign Preferred Stockholders (i) that are engaged in a U.S. trade or business, (ii) that are former citizens or residents of the U.S. or (iii) that are controlled foreign corporations, foreign personal holding companies, corporations that accumulate earnings to avoid U.S. federal income tax, and certain foreign charitable organizations. Such persons are advised to consult their own tax advisors.

Backup Withholding. The Fund generally will be required to withhold tax generally equal to the rate of 28% (backup withholding) from any payment to a tendering Preferred Stockholder that is an individual (or certain other non-corporate persons) if the Preferred Stockholder fails to provide to the Fund its correct taxpayer identification number and certify that it is not subject to backup withholding on dividends (by completing and returning the Substitute Form W-9 included in the Letter of Transmittal) or if the Internal Revenue Service advises the Fund that the Preferred Stockholder is subject to backup withholding for prior underreporting of reportable interest or dividend payments. A Foreign Preferred Stockholder generally will be able to avoid backup withholding with respect to payments by the Fund for tendered Preferred Shares only if it furnishes to the Fund a duly completed Form W-8BEN, certifying under penalties of perjury, that it (1) is neither a citizen nor a resident of the United States, (2) has not been, and reasonably does not expect to be, present in the United States for a period aggregating 183 days or more during the calendar year, and (3) reasonably expects not to be engaged in a trade or business within the U.S. to which the gain on sale of the Preferred Shares would be effectively connected, or a duly completed Form W-8ECI, certifying under penalties of perjury, that (1) it is neither a citizen nor resident of the U.S., and (2) this income is effectively connected with a U.S. trade or business. Backup withholding is not an additional tax, and any amounts withheld may be credited against a Foreign Preferred Stockholder's U.S. federal income tax liability or refunded by the Internal Revenue Service.

10. Selected Financial Information.

Set forth below is a summary of selected financial information for the Fund as to the Fund's Preferred Stock for the period January 7, 2006 through July 31, 2006, for the fiscal year ended July 31, 2007, and for the unaudited semi-annual period ended January 31, 2008; and as to the Fund's common stock for the fiscal years ended July 31, 2003, 2004, 2005, 2006, 2007, and for the unaudited semi-annual period ended January 31, 2008. In addition, set forth below is a summary of selected financial information for the Fund for the period specified in the second chart. The information with respect to the fiscal years, and semi-annual periods have been excerpted from the Fund's audited financial statements contained in its Annual Reports to Preferred Stockholders and the Fund's unaudited financial statements contained in its Semi-Annual Reports to Preferred Stockholders, respectively. These Annual and Semi-Annual Reports were previously provided to all stockholders of the Fund. Copies of these financial statements can be obtained free of charge at the website of the Securities and Exchange Commission (the Commission) (<http://www.sec.gov>). The summary of selected financial information set forth below is qualified in its entirety by reference to such statements and the financial information, the notes thereto and related matters contained therein.

FINANCIAL HIGHLIGHTS

THE MEXICO EQUITY AND INCOME FUND, INC.

For a Preferred Share Outstanding

	For the Period Ended January 31, 2008 (Unaudited)	For the Year Ended July 31, 2007	For the Period January 7, 2006 through July 31, 2006
Per Share Operating Performance			
Net asset value, beginning of period	\$ 38.18	\$ 22.18	\$ 21.25
Net investment income.....	(0.03)	(0.14)	0.13
Net realized and unrealized gains on investments and foreign currency transactions	(3.08)	19.17	0.80
Net increase from investment operations	<u>(3.11)</u>	<u>19.03</u>	<u>0.93</u>
Less: Distributions			
Dividends from net investment income	—	(0.13)	—
Distributions from net realized gains	(7.41)	(2.90)	—
Total dividends and distributions	<u>(7.41)</u>	<u>(3.03)</u>	<u>—</u>
Capital Share Transactions			
Anti-dilutive effect of Common Rights Offer	0.06	—	—
Anti-dilutive effect of Preferred In-Kind Tender Offer.....	0.01	—	—
Dilutive effect of Common Share Issuance	<u>(0.17)</u>	<u>—</u>	<u>—</u>
Total capital share transactions	<u>(0.10)</u>	<u>—</u>	<u>—</u>
Net Asset Value, end of period	<u>\$ 27.56</u>	<u>\$ 38.18</u>	<u>\$ 22.18</u>
Per share market value, end of period	\$ 24.95	\$ 38.00	\$ 19.00
Total Investment Return Based on Market Value, end of period ⁽¹⁾	(10.23)% ⁽²⁾	110.66%	2.70% ⁽²⁾
Ratios/Supplemental Data			
Net assets, end of period (000's)	\$ 29,539	\$ 54,567	\$ 31,708
Ratios of expenses to average net assets	1.53% ⁽³⁾	1.42%	1.97% ⁽³⁾
Ratios of net investment income (loss) to average net assets	(0.18)% ⁽³⁾	(0.47)%	0.37% ⁽³⁾
Portfolio turnover rate	82.10% ⁽²⁾⁽⁴⁾	135.49% ⁽⁴⁾	179.85%

⁽¹⁾ Total investment return is calculated assuming a purchase of common stock at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment does not reflect brokerage commissions.

⁽²⁾ Not Annualized.

⁽³⁾ Annualized.

⁽⁴⁾ Calculated on the basis of the Fund as a whole without distinguishing between shares issued.

FINANCIAL HIGHLIGHTS

THE MEXICO EQUITY AND INCOME FUND, INC.

For a Common Share Outstanding

	For the Six Months Ended		For the Year Ended	For the Year Ended	For the Year Ended	For the Year Ended
	January 31, 2008 (Unaudited)	July 31, 2007	July 31, 2006	July 31, 2005	July 31, 2004	July 31, 2003
Per Share Operating Performance						
Net asset value, beginning of period	\$ 38.18	\$ 22.18	\$ 21.27	\$ 13.6	\$ 10.15	\$ 8.74
Net investment income (loss)	(0.03)	(0.14)	0.14	0.01	(0.02)	0.00 ⁽²⁾
Net realized and unrealized gains on investments and foreign currency transactions	(3.08)	19.17	6.54	7.60	3.55	1.41
Net increase from investment operations	(3.11)	19.03	6.68	7.61	3.53	1.41
Less: Distributions						
Dividends from net investment income	—	(0.13)	(0.16)	—	(0.02)	—
Distributions from net realized gains	(7.41)	(2.90)	(4.41)	—	—	—
Total dividends and distributions	(7.41)	(3.03)	(4.57)	—	(0.02)	—
Capital Share Transactions						
Anti-dilutive effect of Share Repurchase	—	—	0.18	—	—	—
Anti-dilutive effect of Common Rights Offer	0.06	—	(0.18)	—	—	—
Anti-dilutive effect of Preferred In-Kind Tender Offer	0.01	—	(0.18)	—	—	—
Dilutive effect of Common Share Issuance	(0.17)	—	(0.18)	—	—	—
Dilutive effect of Preferred Share Issuance	—	—	(1.20)	—	—	—
Total capital share transactions	(0.10)	—	(1.20)	—	—	—
Net Asset Value, end of year	\$ 27.56	\$ 38.18	\$ 22.18	\$ 21.27	\$ 13.66	\$ 10.15
Per share market value, end of year	\$ 23.53	\$ 44.23	\$ 19.40	\$ 18.82	\$ 11.73	\$ 9.10
Total Investment Return Based on Market Value, end of year ⁽¹⁾	(30.90)% ⁽⁴⁾	152.78%	37.62%	60.44%	29.10%	14.47%
Ratios/Supplemental Data						
Net assets, end of year (000's)	\$ 108,091	\$ 100,251	\$ 54,872	\$ 52,621	\$ 33,779	\$25,104
Ratios of expenses to average net assets:						
Before expense reimbursement	1.53% ⁽⁵⁾	1.42%	1.90%	1.77%	2.09%	2.64%
After expense reimbursement	1.53% ⁽⁵⁾	1.42%	1.90%	1.77%	2.08%	2.62%
Ratios of net investment income (loss) to average net assets:						
Before expense reimbursement	(0.18)% ⁽⁵⁾	(0.47)%	0.24%	0.03%	(0.15)%	0.02%
After expense reimbursement	(0.18)% ⁽⁵⁾	(0.47)%	0.24%	0.03%	(0.15)%	0.04%
Portfolio turnover rate	82.10% ⁽³⁾⁽⁴⁾	135.49% ⁽³⁾	179.85% ⁽³⁾	259.60%	234.42%	180.67%

(1) Total investment return is calculated assuming a purchase of common stock at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment does not reflect brokerage commissions.

(2) The amount listed is less than \$0.005 per share.

(3) Calculated on the basis of the Fund as a whole without distinguishing between shares issued.

(4) Not Annualized.

(5) Annualized.

11. Certain Information Concerning the Fund and the Fund's Investment Adviser.

The Fund, which commenced investment operations on August 21, 1990, is registered as a closed-end, non-diversified management investment company under the 1940 Act and is organized as a Maryland corporation. The Fund's common stock and preferred stock are listed and trade on the NYSE under the trading symbols "MXE" and "MXE-Pr," respectively. As a closed-end investment company, the Fund differs from an open-end investment company (i.e., a mutual fund) because it does not redeem its shares at the election of a stockholder and does not continuously offer its shares for sale to the public.

The Fund's Board is currently comprised of five members. Three of the Board's members are elected by the holders of the common stock, while two of the Board's members are elected by the holders of the preferred stock.

The Fund's investment adviser is Pichardo Asset Management, S.A. de C.V., a corporation organized under the laws of Mexico and a registered investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The investment adviser's principal office is located at Teopanzolco Avenue #408, 3rd Floor, Cuernavaca 62260, Morelos, Mexico. Maria Eugenia Pichardo is the President and Chief Executive Officer of the investment adviser. Ms. Pichardo owns 99% of the total outstanding shares of common stock of the investment adviser and has acted as the Fund's portfolio manager since the inception of the Fund in 1990.

The Fund is subject to the information and reporting requirements of the 1940 Act and in accordance therewith is obligated to file reports and other information with the Commission relating to its business, financial condition and other matters. The Fund has also filed an Issuer Tender Offer Statement on Schedule TO with the Commission in connection with the Offer. Such reports and other information should be available for inspection at the public reference room at the Commission's office, 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. The Fund's filings are also available to the public on the Commission's internet site (<http://www.sec.gov>). Copies may be obtained, by mail, upon payment of the Commission's customary charges, or by writing to its principal office at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549.

12. Interest of Directors and Officers; Transactions and Arrangements Concerning the Preferred Shares.

The directors and officers of the Fund, whose address is in care of the Fund at 615 E. Michigan St., 2nd Floor, Milwaukee, Wisconsin 53202, are set forth in the table below:

<u>NAME</u>	<u>POSITION</u>
Phillip Goldstein	Director and Chairman
Gerald Hellerman	Director ¹ , Treasurer and Chief Compliance Officer
Glenn Goodstein	Director
Rajeev Das	Director
Andrew Dakos	Director
Maria Eugenia Pichardo	President
Francisco Lopez	Secretary

The number and percentage of outstanding Preferred Shares beneficially owned by the directors and officers of the Fund as of May 21, 2008 were as follows:

Phillip Goldstein—54,775 Preferred Shares (5.11%); Gerald Hellerman—0 Preferred Shares (0%); Rajeev Das—4,823 Preferred Shares (0.45%); Andrew Dakos – 29,799 Preferred Shares (2.78%); Glenn Goodstein—5,948 Preferred Shares (0.55%); Maria Eugenia Pichardo— 0 Preferred Shares (0%); and Francisco Lopez — 0 Preferred Shares (0%).

To the Fund's knowledge, none of the Fund's officers or directors, or associates of any of the foregoing, has effected any transaction in Preferred Shares during the past 60 business days.

None of the Fund nor, to the Fund's knowledge, any of the Fund's officers or directors is a party to any contract, arrangement, understanding or relationship with any other person relating, directly or indirectly to the Offer with respect to any securities of the Fund, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies, consents or authorizations.

¹ Mr. Hellerman is deemed an Interested Director by virtue of being an executive officer of the Fund.

13. Certain Legal Matters; Regulatory Approvals.

Other than the order received from the SEC described in Sections 1 and 6 of this Offer to Repurchase the Fund is not aware of any approval or other action by any government or governmental, administrative or regulatory authority or agency, domestic or foreign, that would be required for the acquisition or ownership of Preferred Shares by the Fund as contemplated herein. Should any such approval or other action be required, the Fund presently contemplates that such approval or other action will be sought. The Fund is unable to predict whether it may determine that it is required to delay the acceptance for payment of, or payment for, Preferred Shares tendered pursuant to the Offer pending the outcome of any such matter. There can be no assurance that any such approval or other action, if needed, would be obtained without substantial conditions or that the failure to obtain any such approval or other action might not result in adverse consequences to the Fund's business. The Fund's obligations under the Offer to accept for payment and pay for Preferred Shares are subject to certain conditions described in Section 14 of this Offer to Repurchase.

14. Certain Conditions of the Offer.

Notwithstanding any other provision of the Offer, the Fund shall not be required to accept for payment or pay for any Preferred Shares, may postpone the acceptance for payment of, or payment for, tendered Preferred Shares, and may, in its reasonable discretion, terminate or amend the Offer as to any Preferred Shares not then paid for if (1) such transactions, if consummated, would (a) result in delisting of the Fund's common stock or Preferred Shares from the NYSE or (b) impair the Fund's status as a regulated investment company under the Code (which would make the Fund subject to U.S. federal (and possibly certain state and local) income taxes on all of its income and gains in addition to the taxation of stockholders who receive distributions from the Fund); (2) the amount of Preferred Shares tendered would require liquidation of such a substantial portion of the Fund's securities that the Fund would not be able to liquidate portfolio securities in an orderly manner in light of the existing market conditions and such liquidation would have a material adverse effect on the NAV of the Fund to the detriment of non-tendering stockholders; (3) there is any (a) in the Board of Directors' judgment, material legal action or proceeding instituted or threatened challenging such transactions or otherwise materially adversely affecting the Fund, (b) suspension of or limitation on prices for trading securities generally on the NYSE or other national securities exchange(s), or the NASDAQ National Market System, (c) declaration of a banking moratorium by any U.S. federal or state authorities or any suspension of payment by banks in the United States or New York State, (d) limitation affecting the Fund or the issuers of its Portfolio Securities imposed by any U.S. federal or state authorities on the extension of credit by lending institutions, (e) commencement of war, armed hostilities or other international or national calamity directly or indirectly involving the United States, or (f) in the Board of Directors' judgment, other event or condition that would have a material adverse effect on the Fund or its stockholders if tendered Preferred Shares were purchased; or (4) the Board of Directors determines that effecting any such transaction would constitute a breach of any of its fiduciary duties owed to the Fund or its stockholders.

The foregoing conditions are for the sole benefit of the Fund and may be asserted by the Fund regardless of the circumstances (including any action or inaction by the Fund) giving rise to any such conditions or may be waived by the Fund in whole or in part at any time and from time to time in its sole discretion. The failure by the Fund at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time. Any determination by the Fund concerning the events described in this Section shall be final and binding on all parties.

A public announcement shall be made of a material change in, or waiver of, such conditions, and the Offer may, in certain circumstances, be extended in connection with any such change or waiver.

If the Offer is suspended or postponed, the Fund will provide notice to stockholders of such suspension or postponement.

15. Fees and Expenses.

The Fund will not pay to any broker or dealer, commercial bank, trust company or other person any solicitation fee for any Preferred Shares purchased pursuant to the Offer. The Fund will reimburse such persons for customary handling and mailing expenses incurred in forwarding the Offer. No such broker, dealer, commercial bank, trust company or other person has been authorized to act as agent of the Fund or the Depositary for purposes of the Offer.

The Fund has retained Computershare Trust Company, N.A. to act as Depositary. The Depositary will receive reasonable and customary compensation for their services and will also be reimbursed for certain out-of-pocket expenses.

16. Miscellaneous.

The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Preferred Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. The Fund may, in its sole discretion, take such action as it may deem necessary to make the Offer in any such jurisdiction.

17. Other Information About the Fund

On November 4, 2005, the Fund enacted its Articles Supplementary, reclassifying 2,000,000 shares of common stock as shares of preferred stock (the "Articles Supplementary"). Upon further consideration, the Board of Directors believes that it is in the best interests of the Fund and its stockholders to permit, but not require, preferred stockholders, at their sole discretion, to request that the Fund convert any or all of their preferred shares to shares of the Fund's common stock. At a meeting held on June 26, 2007, the Board of Directors approved an amendment to the Articles Supplementary, whereby preferred stockholders of the Fund, at their sole discretion, may request that the Fund convert their shares of preferred stock to common stock. At the Annual Stockholders Meeting on November 26, 2007 the Fund's common and preferred stockholders, each voting as a separate class approved the amendment to the Fund's Articles Supplementary to permit conversion of preferred stock to common stock upon the request of a preferred stockholder.

On February 14, 2003, the Fund obtained stockholder approval for the creation, issuance and registration of put warrants, pursuant to a put warrant program, which are designed to afford stockholders a series of opportunities to realize NAV for their shares. As initially conceived, the put warrants would entitle a holder thereof to surrender to the Fund one share of the Fund's common stock for each put warrant held once each calendar quarter, in exchange for cash equal to NAV per share.

A registration statement covering the issuance of the proposed put warrants and certain no action and exemptive relief requested by the Fund with respect thereto is currently under review by the staff of the Division of Investment Management ("IM") and the staff of the Division of Corporate Finance ("Corp Fin") of the SEC. In April 2008, the staff of Corp Fin provided its latest comments to the request for no action and we expect that, once such comments are addressed, no action will be recommended by Corp Fin pending approval by IM. The staff of both Corp Fin and IM have not indicated with any certainty that the Fund's no action request or exemptive relief will be granted. Therefore, there can be no assurance that such requested relief will be granted in the near future. In addition to the SEC's review, the NYSE has informally indicated that, if the put warrants are approved by the SEC, the put warrants should be eligible to be listed on the NYSE.

If the put warrants are approved by the SEC and become listed on the NYSE, each outstanding share of preferred stock would automatically convert to one share of the Fund's common stock. In such an event, no shares of preferred stock would be outstanding and, therefore, the Fund would not conduct any Tender Offers for such shares. There can, however, be no assurance that the Fund will be able to register the put warrants in the near future.

18. The Depositary.

The Letter of Transmittal, certificates for the Preferred Shares and any other required documents should be sent by each Preferred Stockholder of the Fund or his or her broker-dealer, commercial bank, trust company or other nominee to the Depositary as set forth below. Facsimile copies of the Letter of Transmittal will not be accepted.

The Depositary for the Offer is:

Computershare Trust Company, N.A.

By Certified Mail, By Overnight Courier, By Hand:

<u>By Certified Mail:</u>	<u>By Overnight Courier:</u>	<u>By Hand:</u>
Computershare Trust Company, N.A. P.O. Box 859208 Braintree, MA 02185-9208 Attn: Corporate Actions	Computershare Trust Company, N.A. 161 Bay State Drive Braintree, MA 02184 Attn: Corporate Actions	Computershare Trust Company, N.A. 161 Bay State Drive Braintree, MA 02184 Attn: Corporate Actions

THE MEXICO EQUITY AND INCOME FUND, INC.

LETTER OF TRANSMITTAL

**TO ACCOMPANY SHARES OF PREFERRED STOCK
OR ORDER TENDER OF UNCERTIFICATED SHARES**

OF

THE MEXICO EQUITY AND INCOME FUND, INC.

**TENDERED PURSUANT TO THE OFFER TO REPURCHASE
DATED MAY 30, 2008**

**THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON JUNE 27, 2008, UNLESS THE OFFER TO
PURCHASE IS EXTENDED. (THE "EXPIRATION DATE")**

The Depositary for the Offer is:

Computershare Trust Company, N.A.

By Certified Mail, By Overnight Courier, By Hand:

By Certified Mail:
Computershare Trust Company, N.A.
P.O. Box 859208
Braintree, MA 02185-9208
Attn: Corporate Actions

By Overnight Courier:
Computershare Trust Company, N.A.
161 Bay State Drive
Braintree, MA 02184
Attn: Corporate Actions

By Hand:
Computershare Trust Company, N.A.
161 Bay State Drive
Braintree, MA 02184
Attn: Corporate Actions

DESCRIPTION OF SHARES TENDERED

Name(s) and Address(es) of Registered Holder(s): (Please Fill In, if Blank, Exactly as Name(s) Appear(s) on Certificate(s))	Share(s) Tendered (Attach Additional Signed Schedule if Necessary)		
	Certificate Number(s)*	Total Number of Preferred Shares Evidenced by Certificates	Number of Preferred Shares Tendered**
Total Preferred Shares Tendered			

* Need not be completed by Preferred Stockholders who tender Preferred Shares by book-entry transfer.

** Unless a lesser number of Preferred Shares is indicated in this column, it will be assumed that all Preferred Shares evidenced by any certificates delivered to the Depository are being tendered. See Instruction 4.

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN THAT SHOWN ABOVE DOES NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS ACCOMPANYING THIS LETTER SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, THE CERTIFICATES FOR PREFERRED SHARES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH THE BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND RISK OF THE TENDERING PREFERRED STOCKHOLDER, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. THE PREFERRED STOCKHOLDER HAS THE RESPONSIBILITY TO CAUSE THE LETTER OF TRANSMITTAL, CERTIFICATES AND ANY OTHER DOCUMENTS TO BE TIMELY DELIVERED.

This Letter of Transmittal is to be used (a) if certificates for Preferred Shares are to be forwarded herewith, or (b) if tenders are to be made by book-entry transfer to any of the accounts maintained by the Depository at The Depository Trust Company (“DTC” or the “Book-Entry Transfer Facility”) pursuant to the procedure set forth in Section 3, Procedure for Tendering Preferred Shares, of the Fund’s Offer to Repurchase. Preferred Stockholders whose certificates are not immediately available or who cannot deliver certificates for Preferred Shares or deliver confirmation of the book-entry transfer of their Preferred Shares into the Book-Entry Transfer Facility and all other documents required hereby to the Depository prior to 5:00 p.m., New York City time, on the Expiration Date may nevertheless tender their Preferred Shares according to the guaranteed delivery procedures set forth in Section 3, Procedure for Tendering Preferred Shares, of the Fund’s Offer to Repurchase. See Instruction 2 below. DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

YOU MUST PROVIDE THE INFORMATION REQUESTED BELOW AS WELL AS IN THE “AUTHORIZATION INSTRUCTIONS” FORM IN THIS LETTER OF TRANSMITTAL. FAILURE TO FURNISH THE INFORMATION REQUESTED REGARDING ACCOUNT INFORMATION WILL RESULT IN AN INCOMPLETE REDEMPTION REQUEST WHICH WILL MEAN THE FUND CANNOT REPURCHASE YOUR PREFERRED SHARES.

Your Name: _____

Mexican Account Information:

Name of Account (if different): _____

Bank or Broker Name (in Mexico): _____

Bank or Broker Address: _____

Securities Account No.: _____

Name & Telephone No. of Representative: _____

PORTFOLIO SECURITIES WILL BE REGISTERED IN THE NOMINEE NAME OF THE DELIVERING PARTY. THE UNDERSIGNED, IN CONJUNCTION WITH THE MEXICAN BANK/BROKER, SHALL BE RESPONSIBLE FOR REREGISTERING THE PORTFOLIO SECURITIES.

CHECK HERE IF TENDERED PREFERRED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE DEPOSITARY WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Institution: _____

Account Number: _____ Transaction Code Number: _____

Participant Number _____

If the tendered Preferred Shares are being tendered by a Nominee Holder on behalf of its customers, please state the number of customer accounts for whose benefit the tender is made: _____

CHECK HERE IF CERTIFICATES FOR TENDERED PREFERRED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Owner(s): _____

Date of Execution of Notice of Guaranteed Delivery: _____

Name of Institution that Guaranteed Delivery: _____

Account Number (if delivered by book-entry transfer): _____

**NOTE: SIGNATURES MUST BE PROVIDED BELOW.
PLEASE READ THE ACCOMPANYING DOCUMENTS CAREFULLY.**

Ladies and Gentlemen:

The undersigned hereby tenders to The Mexico Equity and Income Fund, Inc., a Maryland corporation (the "Fund"), the shares of the Fund's preferred stock, \$0.001 par value per share (the "Preferred Shares") described below, at a price per Preferred Share (the "Repurchase Price") equal to 99% of the net asset value ("NAV") per Preferred Share as of the close of regular trading on the New York Stock Exchange on June 27, 2008 or such later date to which the Offer is extended, upon the terms and subject to the conditions set forth in the Fund's Offer to Repurchase, dated May 30, 2008, receipt of which is hereby acknowledged, and this Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer"). The Expiration Date of the Offer is 5:00 p.m., New York City time, on June 27, 2008. If the Fund, in its sole discretion, shall have extended the period for which the Offer is open, the Expiration Date shall mean the latest time and date on which the Offer, as so extended by the Fund, shall expire.

The undersigned should recognize that there are expenses associated with participation in the Offer. Without consideration of any potential tax consequences to a Preferred Stockholder of participation in the Offer, the actual per Preferred Share expenses for the undersigned of participation in the Offer will depend on a number of factors, including the number of Preferred Shares redeemed, the Fund's portfolio composition at the time, market conditions prevailing during the process, the varying expenses associated with establishing the necessary Mexican Account described below, and/or enlisting the assistance of a U.S. bank or broker, which may charge a fee for submitting the documentation necessary for participation. The Offer will generally be a taxable transaction.

Subject to, and effective upon, acceptance of payment of Portfolio Securities for the Preferred Shares tendered herewith in accordance with the terms and subject to the conditions of the Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Fund all right, title and interest in and to all the Preferred Shares that are being tendered hereby and that are being accepted for redemption pursuant to the Offer (and any and all dividends, distributions, other Preferred Shares or other securities or rights issued or issuable in respect of such Preferred Shares on or after the Expiration Date) and irrevocably constitutes and appoints the Depository the true and lawful agent and attorney-in-fact of the undersigned with respect to such Preferred Shares (and any such dividends, distributions, other Preferred Shares or securities or rights), with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest) to (a) deliver certificates for such Preferred Shares (and any such other dividends, distributions, other Preferred Shares or securities or rights) or transfer ownership of such Preferred Shares (and any such other dividends, distributions, other Preferred Shares or securities or rights), together, in either such case, with all accompanying evidences of transfer and authenticity to or upon the order of the Fund, upon receipt by the Depository, as the undersigned's agent, of the Repurchase Price, (b) present such Preferred Shares (and any such other dividends, distributions, other Preferred Shares or securities or rights) for transfer on the books of the Fund, and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Preferred Shares (and any such other dividends, distributions, other Preferred Shares or securities or rights), all in accordance with the terms of the Offer.

The undersigned hereby represents and warrants that: (a) the undersigned has full power and authority to tender, sell, assign and transfer the tendered Preferred Shares (and any and all dividends, distributions, other Preferred Shares or other securities or rights issued or issuable in respect of such Preferred Shares on or after the Expiration Date); (b) when and to the extent the Fund accepts the Preferred Shares for redemption, the Fund will acquire good, marketable and unencumbered title thereto, free and clear of all liens, restrictions, charges, proxies, encumbrances or other obligations relating to their sale or transfer, and not subject to any adverse claim; (c) on request, the undersigned will execute and deliver any additional documents deemed by the Depository or the Fund to be necessary or desirable to complete the sale, assignment and transfer of the tendered Preferred Shares (and any and all dividends, distributions, other Preferred Shares or securities or rights issued or issuable in respect of such Preferred Shares on or after the Expiration Date); and (d) the undersigned has read and agreed to all of the terms of the Offer.

The name(s) and address(es) of the registered owner(s) should be printed as they appear on the registration of the Preferred Shares. If the Preferred Shares presented for redemption are in certificate form, the certificate(s) representing such Preferred Shares must be returned together with this Letter of Transmittal.

The undersigned recognizes that, under certain circumstances set forth in the Offer to Repurchase, the Fund may terminate or amend the Offer or may not be required to repurchase any of the Preferred Shares presented for redemption. In any such event, the undersigned understands that certificate(s) for the Preferred Shares not repurchased, if any, will be returned to the undersigned at its registered address.

The undersigned understands that acceptance of Preferred Shares by the Fund for repurchase represents a binding agreement between the undersigned and the Fund upon the terms and conditions of the Offer.

The Portfolio Securities representing payment for the Preferred Shares repurchased will be titled on an interim basis in the name of the Mexican Custodian for the benefit of the redeeming Preferred Stockholder. The undersigned must have established cash and securities accounts with a bank or broker in Mexico and provide this information at the time the Preferred Shares are presented for redemption (the "Mexican Account").

The Mexican Account is a condition to participation in the Offer. Undersigned must also complete the Authorization Instructions Form and submit certain tax information as a condition to participation in the Offer.

The Fund is not responsible for any errors or deficiencies in a submission and has no responsibility to notify Preferred Stockholders of any deficiencies or errors in a submission. The Mexican bank or broker designated by undersigned will be responsible for reregistration or Portfolio Securities in the undersigned's name.

All authority conferred or agreed to be conferred in this Letter of Transmittal shall be binding upon the successors, assigns, heirs, executors, administrators and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. Preferred Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date in accordance with Section 4, Rights of Withdrawal, of the Fund's Offer to Repurchase. After the Expiration Date, tenders made pursuant to the Fund's Offer to Repurchase will be irrevocable.

**PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY.
NOTE: SIGNATURES MUST BE PROVIDED BELOW.**

The undersigned understands that the valid tender of Preferred Shares pursuant to any one of the procedures described in Section 3, Procedure for Tendering Preferred Shares, of the Offer to Repurchase and in the Instructions hereto will constitute a binding agreement between the undersigned and the Fund upon the terms and subject to the conditions of the Offer.

The undersigned recognizes that under certain circumstances set forth in the Offer, the Fund may not be required to purchase any of the Preferred Shares tendered hereby.

Unless otherwise indicated herein under Special Payment Instructions, please return any certificates for Preferred Shares not tendered or accepted for redemption (and accompanying documents, as appropriate) in the name(s) of the registered holder(s) appearing under Description of Preferred Shares Tendered. Similarly, unless otherwise indicated under Special Delivery Instructions, please return any certificates for Preferred Shares not tendered or accepted for payment (and accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing under Description of Preferred Shares Tendered. In the event that either the Special Delivery Instructions or the Special Payment Instructions are completed, please return such certificates to the person or persons so indicated. The undersigned recognizes that the Fund has no obligation pursuant to the Special Payment Instructions to transfer any Preferred Shares from the name of the registered holder thereof if the Fund does not accept for payment any of the Preferred Shares so tendered. The undersigned further recognizes that the Special Payment Instructions and the Special Delivery Instructions are not applicable to Preferred Shares tendered by book-entry transfer which Preferred Shares may be tendered hereby.

SIGN HERE

(IMPORTANT: COMPLETE AND SIGN THE SUBSTITUTE FORM W-9 HEREIN)

(Signature(s) of Preferred Stockholder(s))

Dated: _____, 2008

(Must be signed by the registered holder(s) exactly as name(s) appear(s) on certificate(s) for the Preferred Shares or on a security position listing or by person(s) authorized to become registered holder(s) by certificate(s) and documents transmitted herewith. If signature is by attorney-in-fact, executor, administrator, trustee, guardian, agent, officer of a corporation or another person acting in a fiduciary or representative capacity, please provide the following information. See Instruction 5.)

Name(s) _____
(Please Print)

Capacity (Full Title) _____

Address _____
City State Zip Code

Area Code and Telephone Number _____

Employer Identification or Social Security Number _____

AUTHORIZATION INSTRUCTIONS
REGARDING THE REPURCHASE OFFER BY

THE MEXICO EQUITY AND INCOME FUND, INC. (THE "FUND")

TO REPURCHASE UP TO 25% OF ITS ISSUED AND OUTSTANDING SHARES OF PREFERRED STOCK ("PREFERRED SHARES") AT 99% OF NET ASSET VALUE PER SHARE IN EXCHANGE FOR PORTFOLIO SECURITIES OF THE FUND.

Name of Record Holder or DTC Participant (if shares held in "street name") ("Record Holder"):

The Record Holder has delivered to Computershare Trust Company, N.A. (the "Depository") the documentation required whereby the Record Holder has indicated that the Record Holder will be submitting Preferred Shares for repurchase by the Fund pursuant to the Fund's offer to repurchase Preferred Shares up to 25% of the Fund's issued and outstanding Preferred Shares at 99% of the Fund's per Preferred Share net asset value determined at the close of business on the Expiration Date (as defined in the Offer to Repurchase), in exchange for a pro-rata portion of each of the securities (other than short-term fixed income securities with maturities of less than one year, securities with transfer restrictions and certain illiquid securities), subject to adjustments for fractional shares and odd lots, and any cash held in the Fund's investment portfolio at the close of business on the Expiration Date ("Portfolio Securities") (the "Offer").

As a condition to participation in the Offer, Fund stockholders are required to establish a securities account (the "Mexican Account") with a bank or broker in Mexico, or to have an already existing account in Mexico, information concerning which is provided below as regards the Record Holder's Fund shares.

Mexican Account:

- Name of bank or broker in Mexico: _____ ("Mexican Custodian")
- Address, City and zip code:

- Securities Account No:

- Account Executive (AE): Mr./Ms.

- Telephone No. of Record Holder:

- E-mail address (if available) of AE:

- E-mail address (if available) of Record Holder:

I hereby certify that the information above is correct and accurate and that I am the registered and authorized holder and signatory under such Mexican Account.

I represent that none of the Fund, its investment adviser, sub-custodian, or Depositary, or any of their agents or representatives (the "Parties"), assume any responsibility and/or liability for any errors or deficiencies regarding the Mexican Account. In the event that the Mexican Custodian does not accept for deposit into my Mexican Account any Portfolio Securities, as mentioned in (2) below for any reason whatsoever, none of the Parties will be held responsible.

I hereby:

(1) Authorize my Mexican Custodian to provide any required information requested by Pichardo Asset Management S.A. de C.V., the Fund's investment adviser, or any of its agents or representatives, that would allow them to validate the Mexican Account Information;

(2) Instruct my Mexican Custodian to accept for deposit any Portfolio Securities distributed in response to my participation in the Offer;

(3) Acknowledge that the Mexican counterparty that will transfer to my Mexican Account the Portfolio Securities will be Banamex, the Fund's sub-custodian. The Portfolio Securities (except for cash) will be settled through S.D. Indeval; and

(4) Acknowledge my Mexican Custodian will be the party that will confirm to me the transfer of my pro-rata portion of Portfolio Securities and cash, if any, into my account.

Parties are hereby released from any liability resulting from any communications with my Mexican Custodian. Additionally, and with respect to the establishment of the Mexican Account with my Mexican Custodian, I acknowledge that none of the Parties will be held responsible.

Record Holder Name:

Signature:

Date:

NOTE: SIGNATURE(S) MUST BE PROVIDED BELOW

**INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER**

1. Guarantee of Signatures. No signature guarantee is required on this Letter of Transmittal (a) if this Letter of Transmittal is signed by the registered holder(s) of Preferred Shares presented for redemption (including, for purposes of this document, any participant in the book-entry transfer facility of The Depository Trust Company (“DTC”) whose name appears on DTC’s security position listing as the owner of Preferred Shares), or (b) if such Preferred Shares are presented for redemption for the account of a firm (an “Eligible Institution”) which is a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of a Stock Transfer Association approved medallion program (such as STAMP, SEMP or MSP). In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 5.

2. Delivery of Letter of Transmittal and Certificates; Guaranteed Delivery Procedures. This Letter of Transmittal is to be used only (a) if Preferred Shares are to be forwarded with this Letter of Transmittal; or (b) if transfers of Preferred Shares presented for redemption are to be made by book-entry transfer to the account maintained by the Depository according to the procedure set forth in Section 3 of the Offer to Repurchase. If transfers of Preferred Shares presented for redemption are to be made by book-entry transfer, the Preferred Stockholder must also complete the DTC Delivery Election Form included with the materials.

Certificates for all physically submitted Preferred Shares or confirmation of a book-entry transfer in the Depository’s account at DTC of Preferred Shares submitted by book-entry transfer, together, in each case, with a properly completed and duly executed Letter of Transmittal with any required signature guarantees, any other documents required by this Letter of Transmittal should be mailed or delivered to the Depository at the appropriate address set forth herein and must be received by the Depository prior to 5:00 p.m., New York City time, on the Expiration Date. Preferred Stockholders whose certificates are not immediately available or who cannot deliver Preferred Shares and all other required documents to the Depository prior to 5:00 p.m., New York City time, on the Expiration Date, or whose Preferred Shares cannot be delivered on a timely basis pursuant to the procedures for book-entry transfer prior to the Expiration Date, may submit their Preferred Shares by or through any Eligible Institution by properly completing and duly executing and delivering a Notice of Guaranteed Delivery (or facsimile thereof), which must be received by the Depository prior to the Expiration Date, and by otherwise complying with the guaranteed delivery procedures set forth in Section 3, “Procedure for Participating in the Offer,” of the Fund’s Offer to Repurchase. Pursuant to such procedures, the certificates for all physically submitted Preferred Shares, or confirmation of book-entry transfer, as the case may be, as well as a properly completed and duly executed Letter of Transmittal, and all other documents required by this Letter of Transmittal must be received by the Depository within three business days after receipt by the Depository of such Notice of Guaranteed Delivery, all as provided in Section 3, “Procedure for Participating in the Offer,” of the Fund’s Offer to Repurchase.

THE METHOD OF DELIVERY OF PREFERRED SHARE CERTIFICATES, THIS LETTER OF TRANSMITTAL, AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH ANY BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND SOLE RISK OF THE PREFERRED STOCKHOLDER PRESENTING PREFERRED SHARES FOR REDEMPTION. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

Delivery will be deemed made only when actually received by the Depository. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. Preferred Stockholders have the responsibility to cause their Preferred Shares (in proper certificated or uncertificated form), this Letter of Transmittal (or a photocopy bearing original signature(s) and any required signature guarantees), and any other documents required by this Letter of Transmittal to be delivered in accordance with the Offer.

The Fund will not accept any alternative, conditional or contingent redemption requests. All stockholders, brokers, dealers, commercial banks, trust companies and other nominees, by execution of this Letter of Transmittal (or photocopy hereof), waive any right to receive any notice of the acceptance of their request for repurchase.

3. **Lost Certificates.** In the event that any Preferred Stockholder is unable to deliver to the Depository the Fund certificate(s) representing his, her or its Preferred Shares due to the loss or destruction of such certificate(s), such fact should be included on the face of this Letter of Transmittal. In such case, the Preferred Stockholder should also contact the Depository, at 1-888-294-8217, to report the lost securities. The Depository will forward additional documentation which such Preferred Stockholder must complete in order to effectively surrender such lost or destroyed certificate(s) (including affidavits of loss and indemnity bonds in lieu thereof). There may be a fee in respect of lost or destroyed certificates, but surrenders hereunder regarding such lost certificates will be processed only after such documentation has been submitted to and approved by the Depository.

4. **Inadequate Space.** If the space provided in any of the above boxes is inadequate, the necessary information should be listed on a separate schedule signed by all of the required signatories and attached to the Letter of Transmittal.

5. **Signatures on Letter of Transmittal, Authorizations, and Endorsements.** Signature(s) by registered holder(s) on this Letter of Transmittal must correspond with the name(s) as written on the face of the certificate(s) without alteration, enlargement or any change whatsoever.

If any of the Preferred Shares presented for redemption are owned of record by two or more joint owners, all of the owners must sign this Letter of Transmittal. If any of the Preferred Shares presented for redemption are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

If this Letter of Transmittal or stock powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and proper evidence satisfactory to the Fund of their authority to act in such a fiduciary or representative capacity must be submitted.

6. **Transfer Taxes on Preferred Shares.** There are no transfer taxes related to the Offer. However, the Offer will generally be a taxable transaction for income tax purposes.

7. **Irregularities.** All questions as to the validity, form, eligibility (including time of receipt) and acceptance of Preferred Shares presented for redemption will be determined by the Fund, in its sole discretion, and the Fund's determination shall be final and binding. The Fund reserves the absolute right to reject any or all Preferred Shares presented for redemption determined not to be in appropriate form or to refuse to accept for redemption for any Preferred Shares if, in the opinion of the Fund's counsel, accepting, repurchasing or paying for the Preferred Shares would be unlawful. The Fund also reserves the absolute right to waive any of the conditions of the Offer in whole or in part, or any defect in any redemption request, whether generally or with respect to any particular Share(s) or Preferred Stockholder(s). The Fund's interpretations of the terms and conditions of the Offer (including these instructions) shall be final and binding.

NONE OF THE FUND, THE FUND'S INVESTMENT ADVISER, THE DEPOSITARY, NOR ANY OTHER PERSON IS OR WILL BE OBLIGATED TO GIVE ANY NOTICE OF DEFECTS OR IRREGULARITIES IN REDEMPTION REQUESTS, AND NONE OF THEM SHALL INCUR ANY LIABILITY FOR FAILURE TO GIVE ANY SUCH NOTICE, INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO THE AUTHORIZATION INSTRUCTIONS FORM AND NECESSARY TAX INFORMATION.

8. **Restriction on Short Sales.** Section 14(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14e-4 promulgated thereunder make it unlawful for any person, acting alone or in concert with others, to present Preferred Shares for redemption in a partial redemption for such person's own account unless at the time of the request for redemption, and at the time the Preferred Shares are accepted for payment, the person presenting Preferred Shares for redemption has a net long position equal to or greater than the amount presented for redemption in (i) Preferred Shares, and will deliver or cause to be delivered such Preferred Shares for the purpose of redemption to the person permitting the Offer within the period specified in the Offer; or (ii) an equivalent security,

and, upon acceptance of his or her request for redemption, will acquire Preferred Shares by conversion, exchange, or exercise of such equivalent security to the extent required by the terms of the Offer, and will deliver or cause to be delivered the Preferred Shares so acquired for the purpose of participating in the Offer to the Depository prior to or on the Expiration Date. Section 14(e) and Rule 14e-4 provide a similar restriction applicable to the redemption or guarantee of a redemption on behalf of another person. The acceptance of Preferred Shares by the Fund for placement will constitute a binding agreement between the redeeming Preferred Stockholder and the Fund, upon the terms and subject to the conditions of the Offer, including such Preferred Stockholder's representation that (i) such Preferred Stockholder has a net long position in the Preferred Shares being presented for redemption within the meaning of Rule 14e-4 promulgated under the Exchange Act; and (ii) the redemption of such Preferred Shares complies with Rule 14e-4.

9. Backup Withholding Tax. Each U.S. Preferred Stockholder presenting Preferred Shares for redemption who has not already submitted a correct, completed and signed Form W-9 to the Fund, or does not otherwise establish an exemption from withholding must notify the Depository of his/her correct taxpayer identification number ("TIN") (or certify that he/she/it is awaiting a TIN) and provide certain other information by completing and providing to the Depository the Substitute Form W-9 provided under "Important Tax Information" below. Failure either to provide the information on the form or to check the box in Part 2 of the form will result in a defective submission and the Fund will be unable to repurchase the Preferred Stockholders' submitted Preferred Shares.

10. Withholding for Non-U.S. Preferred Stockholders. Each non-U.S. Preferred Stockholder presenting Preferred Shares for redemption who has not already submitted a correct, completed and signed Form W-8 to the Fund must complete the Form W-8 included with this Letter of Transmittal and provide it to the Depository. Failure to provide the Form W-8 will result in a defective submission and the Fund will be unable to repurchase the Preferred Stockholders' submitted Preferred Shares.

Even if a non-U.S. Preferred Stockholder has provided the required certification to avoid backup withholding, the Depository will withhold U.S. federal income taxes equal to 30% of the gross payments payable to a non-U.S. Preferred Stockholder or his or her agent unless the Depository determines that a reduced rate of withholding is available pursuant to a tax treaty or that an exemption from withholding is applicable because such gross proceeds are effectively connected with the conduct of a trade or business within the United States. In order to obtain a reduced rate of withholding pursuant to a tax treaty, a non-U.S. Preferred Stockholder must deliver to the Depository before the payment a properly completed and executed IRS Form W-8 BEN. In order to obtain an exemption from withholding on the grounds that the gross proceeds paid pursuant to the Offer are effectively connected with the conduct of a trade or business within the U.S., a non-U.S. Preferred Stockholder must deliver to the Depository a properly completed and executed IRS Form W-8 ECI. The Depository will determine a Preferred Stockholder's status as a non-U.S. Preferred Stockholder and eligibility for a reduced rate of, or exemption from, withholding by reference to any outstanding certificates or statements concerning eligibility for a reduced rate of, or exemption from, withholding (e.g., IRS Forms W-8 BEN or W-8 ECI) unless facts and circumstances indicate that such reliance is not warranted. A non-U.S. Preferred Stockholder may be eligible to obtain a refund of all or a portion of any tax withheld if such Preferred Stockholder satisfies certain requirements or is otherwise able to establish that no tax or a reduced amount of tax is due. Backup withholding generally will not apply to amounts subject to the 30% or a treaty-reduced rate of withholding. Non-U.S. Preferred Stockholders are urged to consult their own tax advisors regarding the application of federal income tax withholding, including eligibility for a withholding tax reduction or exemption, and the refund procedure.

IMPORTANT: THIS LETTER OF TRANSMITTAL, BEARING ORIGINAL SIGNATURE(S), PROPERLY COMPLETED AND DULY EXECUTED, TOGETHER WITH ANY REQUIRED SIGNATURE GUARANTEES, PREFERRED SHARES (IN PROPER CERTIFICATED OR UNCERTIFICATED FORM), AND ALL OTHER REQUIRED DOCUMENTS MUST BE RECEIVED BY THE DEPOSITARY, OR A PROPERLY COMPLETED AND EXECUTED NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE DEPOSITARY, ON OR PRIOR TO THE EXPIRATION DATE.

The acceptance of Preferred Shares by the Fund for payment will constitute a binding agreement between the redeeming Preferred Stockholder and the Fund, upon the terms and conditions of the Offer.

IMPORTANT TAX INFORMATION

THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY. PARTICIPATION IN THE OFFER IS GENERALLY A TAXABLE TRANSACTION. ALL PREFERRED STOCKHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE OFFER AND ARE ALSO URGED TO REVIEW SECTION 9 OF THE OFFER TO REPURCHASE.

SUBSTITUTE FORM W-9 OR FORM W-8

Under the U.S. federal income tax laws, the Depository may be required to withhold 30% of the amount of any payment made to certain holders pursuant to the Offer. In order to avoid such backup withholding, each redeeming U.S. Preferred Stockholder must provide the Depository with such Preferred Stockholder's correct TIN by completing the Substitute Form W-9 set forth below. In general, if a Preferred Stockholder is an individual, the TIN is the Social Security number of such individual. If the Depository is not provided with the correct TIN, the Preferred Stockholder may be subject to a penalty imposed by the Internal Revenue Service. Certain Preferred Stockholders (including, among others, most corporations and certain foreign persons) are not subject to these backup withholding and reporting requirements, but should nonetheless complete a Substitute Form W-9 to avoid possible erroneous backup withholding. For further information regarding backup withholding and instructions for completing the Substitute Form W-9 (including how to obtain a TIN if you do not have one and how to complete the Substitute Form W-9 if Preferred Shares are held in more than one name), consult the enclosed Guidelines for Certification of Taxpayer Identification Number.

In order for a non-U.S. Preferred Stockholder to avoid 30% backup withholding, the Preferred Stockholder must submit a statement to the Depository signed under penalties of perjury attesting that he/she/it is a non-U.S. Preferred Stockholder. Form W-8 and instructions for such statement are enclosed for non-U.S. Preferred Stockholders. To qualify as an exempt recipient on the basis of foreign status, a Preferred Stockholder must submit a properly completed Form W-8 BEN or Form W-8 ECI, signed under penalties of perjury, attesting to that person's exempt status. A Preferred Stockholder would use a Form W-8 BEN to certify that it (1) is neither a citizen nor a resident of the United States, (2) has not been and reasonably does not expect to be present in the United States for a period aggregating 183 days or more during the calendar year, and (3) reasonably expects not to be engaged in a trade or business within the United States to which the gain on the sale of the Preferred Shares would be effectively connected; and would use a Form W-8 ECI to certify that (1) it is neither a citizen nor resident of the U.S., and (2) the proceeds of the sale of the Preferred Shares is effectively connected with a U.S. trade or business. A foreign Preferred Stockholder may also use a Form W-8 BEN to certify that it is eligible for benefits under a tax treaty between the United States and such foreign person's country of residence.

A PREFERRED STOCKHOLDER SHOULD CONSULT HIS OR HER TAX ADVISOR AS TO HIS OR HER QUALIFICATION FOR EXEMPTION FROM THE BACKUP WITHHOLDING REQUIREMENTS AND THE PROCEDURE FOR OBTAINING AN EXEMPTION.

CONSEQUENCES OF FAILURE TO FILE SUBSTITUTE FORM W-9 OR FORM W-8

Failure to complete Substitute Form W-9 or Form W-8 will cause the Preferred Shares to be deemed invalidly presented for redemption. Backup withholding is not an additional federal income tax. Rather, the federal income tax liability of a person subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, the Preferred Stockholder may claim a refund from the Internal Revenue Service.

IMPORTANT—SIGN BELOW AND COMPLETE SUBSTITUTE FORM W-9 (BELOW) OR FORM W-8 (ENCLOSED) AS APPLICABLE

Under penalty of perjury, I certify (1) that the number set forth below is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me) and (2) that I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) I have not been notified that I am subject to backup withholding as a result of failure to report all interest or dividends, or (c) the Internal Revenue Service (IRS) has notified me that I am no longer subject to backup withholding, and (3) I am a U.S. person (including a U.S. resident alien). Instruction: You must strike out the language in (2) above if you have been notified that you are subject to backup withholding due to underreporting and you have not received a notice from the IRS that backup withholding has been terminated.

The undersigned recognizes that, under certain circumstances set forth in the Repurchase Offer to Repurchase, the Fund may not be required to repurchase the Preferred Shares presented for redemption. The undersigned understands that certificate(s) for Preferred Shares not repurchased will be returned to the undersigned at the address indicated above. In the case of Preferred Shares not evidenced by certificate, the Depositary will cancel the repurchase request as to any Preferred Shares not repurchased by the Fund.

The Portfolio Securities representing the repurchase price for such of the Preferred Shares presented for redemption as are repurchased should be issued to the undersigned and mailed to the address indicated above.

All authority conferred or agreed to be conferred by this Letter of Transmittal shall survive the death or incapacity of the undersigned and any obligation of the undersigned under this Letter of Transmittal shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Except as stated in Offer to Repurchase, the Preferred Stockholder's presentment of Preferred Shares for redemption is irrevocable.

The Offer is hereby accepted in accordance with its terms.

(Signature(s) of Preferred Stockholder(s))

Dated: _____, 2008

(Must be signed by the registered holder(s) exactly as name(s) appear(s) on the Share certificates or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted under this Letter of Transmittal. If signature is by trustees, executors, administrators, guardians, attorneys-in-fact, agents, officers of corporations or others acting in a fiduciary or representative capacity, please provide the following information. See Instruction 5.)

Name(s): _____
(Please Type or Print)

Capacity (Full Title): _____
(See Instruction 5)

Address: _____

(Include Zip Code)

Area Codes and Telephone Numbers:

Home: _____
Taxpayer Identification (or Social Security No.) (if applicable): _____

(Complete Substitute Form W-9 below or Form W-8 (enclosed), as applicable)

GUARANTEE OF SIGNATURE(S)

(See Instructions 1 and 5)

Authorized

Signature: _____

Name: _____
(Please Type or Print)

Title: _____

Name of Firm: _____

Address: _____
(Include Zip Code)

Area Code and Tel.

No.: _____

Dated: _____

PAYER'S NAME:

SUBSTITUTE

PART II—Awaiting TIN

Form W-9

PART I—Please provide your
TIN (for individual, social security number) and certify by
signing and dating below:

Please see below.

DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE CERTIFICATION—Under penalties of perjury. I certify that:

(1) The information provided on this form is true, correct and payer's request for Taxpayer Identification Number is complete and

(2) I am not subject to backup withholding either because I am exempt from backup withholding or I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of underreporting interest or dividends or the IRS has notified me that I am no longer subject to backup withholding.

(You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2).) The IRS does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

Signature Date

Name

(Please Print)

Address (Include Zip Code)

DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE CERTIFICATION—Under penalties of perjury. I certify that:

(1) The information provided on this form is true, correct and payer’s request for Taxpayer Identification Number is complete and

(2) I am not subject to backup withholding either because I am exempt from backup withholding or I have not been notified by the Internal Revenue Service (the “IRS”) that I am subject to backup withholding as a result of under-reporting interest or dividends or the IRS has notified me that I am no longer subject to backup withholding.

You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). The IRS does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

Signature Date

Name
(Please Print)

Address (Include Zip Code)

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 2 OF SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a Taxpayer Identification Number has not been issued to me, and either (a) I have mailed or delivered an application to receive a Taxpayer Identification Number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a Taxpayer Identification Number to the payer, I will not have submitted all information required to participate in the Offer, the Fund may be unable to repurchase my submitted Preferred Shares and 30% of all reportable payments due to me pursuant to the Offer may be withheld until I provide a Taxpayer Identification Number to the payer and that if I do not provide my Taxpayer Identification Number within 60 days, such retained amounts shall be remitted to the IRS as backup withholding.

Signature _____ Date _____

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 30% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER AND WILL RESULT IN A DEFECTIVE SUBMISSION; THE FUND WILL NOT BE ABLE TO REPURCHASE YOUR SUBMITTED SHARES. PLEASE REVIEW THE “GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER” FOR ADDITIONAL DETAILS.

IMPORTANT: This Letter of Transmittal (together with certificates for Preferred Shares and all other required documents) or the Notice of Guaranteed Delivery must be received by the Depository prior to 5:00 p.m., New York City time, on June 27, 2008 (or if the offer is extended, the expiration as extended), at the appropriate address set forth below:

The Depository for the Offer is:

Computershare Trust Company, N.A.

By Certified Mail, By Overnight Courier, By Hand:

<u>By Certified Mail:</u>	<u>By Overnight Courier:</u>	<u>By Hand:</u>
Computershare Trust Company, N.A. P.O. Box 859208 Braintree, MA 02185-9208 Attn: Corporate Actions	Computershare Trust Company, N.A. 161 Bay State Drive Braintree, MA 02184 Attn: Corporate Actions	Computershare Trust Company, N.A. 161 Bay State Drive Braintree, MA 02184 Attn: Corporate Actions

DTC DELIVERY ELECTION FORM DTC DELIVERY ELECTION FORM THIS FORM MUST BE COMPLETED AND SUBMITTED IF PREFERRED SHARES WILL BE PRESENTED FOR REDEMPTION BY BOOK-ENTRY TRANSFER TO THE DEPOSITORY TRUST COMPANY. PLEASE FAX THIS FORM TO THE DEPOSITARY AT THE NUMBER INDICATED BELOW PRIOR TO 5:00 P.M. NEW YORK CITY TIME ON THE SAME DAY SHARES ARE PRESENTED FOR REDEMPTION. FACSIMILE COPY NUMBER: 1-781-930-4942 CONFIRM BY TELEPHONE: 1-781-930-4900. YOU MUST PROVIDE THE INFORMATION REQUESTED BELOW. FAILURE TO FURNISH THE INFORMATION REQUESTED REGARDING ACCOUNT INFORMATION WILL RESULT IN AN INCOMPLETE REDEMPTION REQUEST AND THE FUND WILL BE UNABLE TO REPURCHASE YOUR PREFERRED SHARES.

Your Name: _____

DTC—VOI Number: _____

DTC Participant Number: _____

Date of Entry: _____

Number of Preferred Shares Presented for Redemption: _____

Name and Telephone No. of Representative: _____

Mexican Account Information: _____

Name of Mexican Account (if different): _____

Bank or Broker Name (in Mexico): _____

Bank or Broker Address: _____

Securities Account No.: _____

Name and No. of Mexican Account Representative: _____

IN ADDITION, YOU MUST ADVISE THE ABOVE-NAMED MEXICAN BANK(S) OR BROKER(S) THAT SHARES WILL BE RECEIVED FOR YOUR ACCOUNT(S) FROM BANAMEX. PORTFOLIO SECURITIES RECEIVED WILL BE REGISTERED IN THE NOMINEE NAME OF THE DELIVERING PARTY ON AN INTERIM BASIS. THE SIGNOR, IN CONJUNCTION WITH THE MEXICAN BANK/BROKER, WILL BE RESPONSIBLE FOR REREGISTERING THE PORTFOLIO SECURITIES.

NOTICE OF GUARANTEED DELIVERY

FOR

TENDER OF SHARES OF PREFERRED STOCK OF

THE MEXICO EQUITY AND INCOME FUND, INC. (THE "FUND")

This form, or one substantially equivalent hereto, must be used to accept the Offer (as defined below) if a Preferred Stockholder's certificates for shares of preferred stock, par value \$0.001 per share (the "Preferred Shares"), of the Fund are not immediately available or time will not permit the Letter of Transmittal and other required documents to be delivered to the Depository (as defined below) on or before 5:00 p.m., New York City time, June 27, 2008, or such later date to which the Offer is extended (the "Expiration Date"). Such form may be delivered by hand or transmitted by telegram, facsimile transmission or mail to the Depository, and must be received by the Depository on or before the Termination Date. See Section 3, Procedure for Tendering Preferred Shares, of the Offer to Purchase.

The Depository:

Computershare Trust Company, N.A.

Facsimile Copy Number: 1-781-930-4942

By Certified Mail, By Overnight Courier, By Hand:

<u>By Certified Mail:</u>	<u>By Overnight Courier:</u>	<u>By Hand:</u>
Computershare Trust Company, N.A. P.O. Box 859208 Braintree, MA 02185-9208 Attn: Corporate Actions	Computershare Trust Company, N.A. 161 Bay State Drive Braintree, MA 02184 Attn: Corporate Actions	Computershare Trust Company, N.A. 161 Bay State Drive Braintree, MA 02184 Attn: Corporate Actions

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA A FACSIMILE NUMBER OTHER THAN ONE LISTED ABOVE DOES NOT CONSTITUTE A VALID DELIVERY

Ladies and Gentlemen:

The undersigned hereby tenders to the Fund, upon the terms and subject to the conditions set forth in its Offer to Repurchase, dated May 30, 2008 and the related Letter of Transmittal (which together with any amendments or supplements thereto, collectively constitute the Offer), receipt of which is hereby acknowledged, the number of Preferred Shares set forth on the reverse side pursuant to the guaranteed delivery procedures set forth in Section 3, Procedure for Tendering Preferred Shares, of the Offer to Repurchase.

Number of Preferred Shares Tendered:

Certificate Nos. (if available):

If Preferred Shares will be tendered by book-entry transfer, check box:

The Depository Trust Company

Account Number:

Name(s) of Record Holder(s):

Address:

Area Code and Telephone Number:

TAXPAYER IDENTIFICATION (SOCIAL SECURITY) NUMBER:

The undersigned also tenders all uncertificated Preferred Shares that may be held in the name of the registered holder(s) by the Fund's transfer agent pursuant to the Fund's divided reinvestment plan:

Yes No

(Note: If neither of these boxes is checked, any such uncertificated Preferred Shares will not be tendered.)

Dated: _____, 2008

Signature(s)

GUARANTEE

The undersigned, a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office, branch, or agency in the United States, hereby (a) guarantees to deliver to the Depository certificates representing the Preferred Shares tendered hereby, in proper form for transfer (or tender shares pursuant to the procedures for book-entry transfer) into the Depository's account at The Depository Trust Company, together with (i) a properly completed and duly executed Letter of Transmittal with any required signature guarantees and (ii) other required documents, within three business days after the Expiration Date of the Offer, and (b) represents that such tender of Preferred Shares complies with Rule 14e-4 under the Securities Exchange Act of 1934.

Name of Firm:

(Authorized Signature)

Address:

Name:

(Please Print)

Title:

(City) (State) (Zip Code)

Area Code and Tel. No.:

Dated: _____

DO NOT SEND SHARE CERTIFICATES WITH THIS FORM. YOUR SHARE CERTIFICATES MUST BE SENT WITH THE LETTER OF TRANSMITTAL.

OFFER BY

THE MEXICO EQUITY AND INCOME FUND, INC.

**TO REPURCHASE UP TO 25% OF THE FUND'S
ISSUED AND OUTSTANDING PREFERRED STOCK,
PAR VALUE \$0.001 PER SHARE,**

**AT 99% OF NET ASSET VALUE,
IN EXCHANGE FOR PORTFOLIO SECURITIES OF THE FUND**

**THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON JUNE 27, 2008 OR SUCH LATER DATE
TO WHICH THE OFFER IS EXTENDED (THE "EXPIRATION DATE")**

THIS OFFER IS NOT CONDITIONED ON ANY MINIMUM NUMBER OF SHARES BEING TENDERED, BUT IS SUBJECT TO OTHER CONDITIONS AS OUTLINED IN THE OFFER TO REPURCHASE AND IN THE LETTER OF TRANSMITTAL.

May 30, 2008

To Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

We are enclosing herewith the material listed below relating to the offer of The Mexico Equity and Income Fund, Inc. (the "Fund"), a Maryland corporation registered under the Investment Company Act of 1940, as a closed-end, non-diversified management investment company, to purchase up to 25% of the Fund's outstanding shares of preferred stock, par value \$0.001 per share (the "Preferred Shares"), upon the terms and conditions set forth in its Offer to Repurchase dated May 30, 2008 and in the related Letter of Transmittal (which together with any amendments or supplements thereto, collectively constitute the "Offer"). The price to be paid for the Preferred Shares is an amount per Share equal to 99% the net asset value per Preferred Share as determined by the Fund at the close of regular trading on the New York Stock Exchange on June 27, 2008, or such later date to which the Offer is extended.

We are asking you to contact your clients for whom you hold Preferred Shares registered in your name (or in the name of your nominee) or who hold Preferred Shares registered in their own names. Please bring the Offer to their attention as promptly as possible. No fees or commission will be payable to the Fund in connection with the Offer. However, brokers, dealers or other persons may charge Preferred Stockholders a fee for soliciting tenders for Preferred Shares pursuant to the Offer. The Fund will also, upon request, reimburse you for reasonable and customary mailing and handling expenses incurred by you in forwarding any of the enclosed materials to your clients. The Fund will pay all transfer taxes on its purchase of Preferred Shares, subject to Instruction 6, Stock Transfer Taxes, of the Letter of Transmittal.

HOWEVER, BACKUP WITHHOLDING AT A 30% RATE MAY BE REQUIRED UNLESS EITHER AN EXEMPTION IS PROVED OR THE REQUIRED TAXPAYER IDENTIFICATION INFORMATION AND CERTIFICATIONS ARE PROVIDED. SEE SECTION 9, FEDERAL INCOME TAX CONSEQUENCES OF THE OFFER, OF THE OFFER TO PURCHASE AND INSTRUCTION 9, BACKUP WITHHOLDING TAX, OF THE LETTER OF TRANSMITTAL.

For your information and for forwarding to your clients, we are enclosing the following documents:

1. A letter to Preferred Stockholders of the Fund from Maria Eugenia Pichardo, President of the Fund;
2. The Offer to Repurchase dated May 30, 2008;
3. The Letter of Transmittal for your use and to be provided to your clients;
4. DTC Delivery Election Form;
5. Notice of Guaranteed Delivery;
6. Guidelines for certification of taxpayer identification number; and
7. Form of letter to clients that may be sent to your clients for whose accounts you hold Preferred Shares registered in your name (or in the name of your nominee).

The Offer is not being made to, nor will the Fund accept tenders from, holders of Preferred Shares in any state or other jurisdiction in which the Offer would not be in compliance with the securities or Blue Sky laws of such jurisdiction.

As described in the Offer to Repurchase under Section 3, Procedure for Tendering Preferred Shares, tenders may be made without the concurrent deposit of stock certificates if (1) such tenders are made by or through a broker or dealer that is a member firm of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office, branch, or agency in the United States; and (2) certificates for Preferred Shares (or a confirmation of a book-entry transfer of such Preferred Shares into the Depository's account at a Book-Entry Transfer Facility (as defined in the Letter of Transmittal)), together with a properly completed and duly executed Letter of Transmittal, and any other documents required by the Letter of Transmittal, are received by the Depository within three business days after receipt by the Depository of a properly completed and duly executed Notice of Guaranteed Delivery.

NONE OF THE FUND, ITS BOARD OF DIRECTORS NOR THE INVESTMENT ADVISER TO THE FUND MAKES ANY RECOMMENDATION TO ANY PREFERRED STOCKHOLDER WHETHER TO TENDER OR REFRAIN FROM TENDERING ANY SHARES.

Very truly yours,

THE MEXICO EQUITY AND INCOME FUND, INC.

By: /s/ Maria Eugenia Pichardo

Name: Maria Eugenia Pichardo

Title: President

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON THE AGENT OF THE FUND, OR THE DEPOSITARY OR AUTHORIZE YOU OR ANY OTHER PERSON TO MAKE ANY STATEMENTS OR USE ANY MATERIAL ON THEIR BEHALF WITH RESPECT TO THE OFFER, OTHER THAN THE MATERIAL ENCLOSED HERewith AND THE STATEMENTS SPECIFICALLY SET FORTH IN SUCH MATERIAL.

THE MEXICO EQUITY AND INCOME FUND, INC.

615 E. Michigan St., 2nd Floor
Milwaukee, Wisconsin 53202

DEAR PREFERRED STOCKHOLDER:

At a meeting held on October 12, 2005, the Board of Directors of The Mexico Equity and Income Fund, Inc. (the "Fund"), voted to file a registration statement allowing the Fund to conduct a rights offering for the purchase of shares of its preferred stock, and, in connection therewith, to conduct a tender offer for shares of the Fund's preferred stock on a semi-annual basis. At a meeting held on June 26, 2007, the Fund's Board approved proceeding with such a tender offer as soon as practicable. This will be the second of such tender offers, and, similar to the previously conducted tender offer, the Fund will offer to purchase up to 25% of the Fund's outstanding shares of preferred stock. The Offer (as defined herein) is for the Fund's portfolio securities at a value equal to 99% of the Fund's net asset value per preferred share (the "NAV") as of the close of regular trading on the New York Stock Exchange (the "NYSE") on June 27, 2008, or such later date to which the Offer is extended, upon the terms and conditions set forth in the enclosed Offer to Repurchase and the related Letter of Transmittal (which together with any amendments or supplements thereto, collectively constitute the "Offer").

The deadline for participating in the Offer is 5:00 p.m., New York City time, June 27, 2008, or such later date to which the Offer is extended (the "Expiration Date"). The pricing date for the Offer is the close of regular trading on the NYSE on the Expiration Date (the "Pricing Date"). Should the Offer be extended, the Pricing Date will be the close of regular trading on the NYSE on the Expiration Date as extended. Preferred Stockholders who choose to participate in the Offer can expect to receive payment for shares tendered and accepted as soon as reasonably practicable after the Expiration Date.

If, after carefully evaluating all information set forth in the Offer, you wish to tender shares pursuant to the Offer, please either follow the instructions contained in the Offer or, if your shares are held of record in the name of a broker, dealer, commercial bank, trust company or other nominee, contact such firm to effect the tender for you. Preferred Stockholders are urged to consult their own investment and tax advisors and make their own decisions whether to tender any shares.

As of May 21, 2008, the Fund's NAV was \$31.50 and 1,072,002 shares of preferred stock were issued and outstanding. The Fund's NAV during the pendency of this Offer may be obtained by contacting the Fund toll free at 866-700-6104.

None of the Fund, its Board of Directors nor the investment adviser to the Fund is making any recommendation to any Preferred Stockholder whether to tender or refrain from tendering shares of preferred stock in the Offer. The Fund and the Board of Directors urge each stockholder to read and evaluate the Offer and related materials carefully and make his or her own decision.

Sincerely,

THE MEXICO EQUITY AND INCOME FUND, INC.

By: /s/ Maria Eugenia Pichardo

Name: Maria Eugenia Pichardo

Title: President

May 30, 2008

OFFER BY

THE MEXICO EQUITY AND INCOME FUND, INC.

**TO REPURCHASE UP TO 25% OF THE FUND'S
ISSUED AND OUTSTANDING PREFERRED STOCK,
PAR VALUE \$0.001 PER SHARE,**

**AT 99% OF NET ASSET VALUE,
IN EXCHANGE FOR PORTFOLIO SECURITIES OF THE FUND**

**THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON JUNE 27, 2008 OR SUCH LATER DATE
TO WHICH THE OFFER IS EXTENDED (THE "EXPIRATION DATE")**

THIS OFFER IS NOT CONDITIONED ON ANY MINIMUM NUMBER OF SHARES BEING TENDERED, BUT IS SUBJECT TO OTHER CONDITIONS AS OUTLINED IN THE OFFER TO PURCHASE AND IN THE LETTER OF TRANSMITTAL AND

May 30, 2008

To Our Clients:

Enclosed for your consideration is the Offer to Repurchase, dated May 30, 2008, of The Mexico Equity and Income Fund, Inc. (the "Fund"), a Maryland corporation registered under the Investment Company Act of 1940 as a closed-end, non-diversified management investment company, and a related Letter of Transmittal (which together with any amendments or supplements thereto, collectively constitute the "Offer"), pursuant to which the Fund is offering to purchase up to 25% of the Fund's outstanding shares of preferred stock, par value \$0.001 per share (the "Preferred Shares"), upon the terms and conditions set forth in the Offer to Repurchase.

The Offer to Repurchase and the Letter of Transmittal are being forwarded to you for your information only and cannot be used by you to tender Preferred Shares held by us for your account. We are the holder of record of Preferred Shares held for your account. A TENDER OF SUCH PREFERRED SHARES CAN BE MADE ONLY BY US AS THE HOLDER OF RECORD AND ONLY PURSUANT TO YOUR INSTRUCTIONS.

Your attention is called to the following:

- (1) The repurchase price to be paid for the Preferred Shares is an amount per Preferred Share equal to 99% of the net asset value per Preferred Share as determined by the Fund at the close of regular trading on the New York Stock Exchange on June 27, 2008, or such later date to which the Offer is extended. The current net asset value of the Fund is calculated on each business day of each week and may be obtained by calling the Fund at 866-700-6104.
- (2) Upon the terms and subject to the conditions of the Offer, the Fund will purchase all Preferred Shares validly tendered on or prior to 5:00 p.m., New York City time, on June 27, 2008, or such later date to which the Offer is extended (the "Expiration Date").
- (3) No fees or commission will be payable to the Fund in connection with the tender offer. However, tendering Preferred Stockholders may be obligated to pay brokerage fees, or subject to Instruction 6, Stock Transfer Taxes, of the Letter of Transmittal, stock transfer taxes on the purchase of Preferred Shares by the Fund pursuant to the Offer.
- (4) Your instructions to us should be forwarded in ample time before the Expiration Date to permit us to submit a tender on your behalf.

The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Preferred Shares in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the applicable law.

NONE OF THE FUND, ITS BOARD OF DIRECTORS NOR THE INVESTMENT ADVISER TO THE FUND IS MAKING ANY RECOMMENDATION TO ANY PREFERRED STOCKHOLDER WHETHER TO TENDER OR REFRAIN FROM TENDERING PREFERRED SHARES IN THE OFFER. EACH PREFERRED STOCKHOLDER IS URGED TO READ AND EVALUATE THE OFFER AND ACCOMPANYING MATERIALS CAREFULLY.

INSTRUCTIONS

The undersigned acknowledge(s) receipt of your letter, and the enclosed Offer to Repurchase, dated May 30, 2008 relating to the Fund to purchase up to 25% of the Fund's Preferred Shares.

This will instruct you to tender to the Fund the number of Preferred Shares indicated below (which are held by you for the account of the undersigned), upon the terms and subject to the conditions set forth in the Offer that you have furnished to the undersigned.

AGGREGATE NUMBER OF PREFERRED SHARES TO BE TENDERED:

_____ Preferred Shares

SIGNATURE BOX

(Signature(s))_____

(Please Print Name(s) and Address Here)_____

(Area Code and Telephone No.) _____

(Taxpayer Identification (Social Security) Number)_____

Date: _____, 2008

This announcement is not an offer to purchase nor a solicitation of an offer to sell Preferred Shares (as defined below). The Offer (as defined below) is made only by the Offer to Repurchase dated May 30, 2008 and the related Letter of Transmittal, which are being mailed to stockholders. The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Preferred Shares in any jurisdiction in which making or accepting the Offer would violate that jurisdiction's laws. In any jurisdiction in which the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Fund (as defined below) by one or more registered brokers or dealers licensed under that jurisdiction's laws.

Notice of Offer to Repurchase for Portfolio Securities

by

THE MEXICO EQUITY AND INCOME FUND, INC.

Up to 25% of its issued and outstanding shares of preferred stock at 99% of the net asset value per Preferred Share.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON JUNE 27, 2008, UNLESS THE OFFER IS EXTENDED.

The Mexico Equity and Income Fund, Inc. (the "Fund"), a Maryland corporation, is offering to all holders of preferred stock, par value \$0.001 per share ("Preferred Shares"), of the Fund to repurchase their Preferred Shares for the Fund's portfolio securities, upon the terms and subject to the conditions set forth in the Offer to Repurchase dated May 30, 2008 and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer"), up to 25% of its issued and outstanding shares of Preferred Shares. The repurchase price will be equal to 99% of the net asset value (the "NAV") per Preferred Share determined as of the close of regular trading on the New York Stock Exchange (the "NYSE") on June 27, 2008, or as the same date of any extension of the Expiration Date (as defined below). The Offer will expire at 5:00 P.M., New York City time on June 27, 2008, or such later date to which the Offer is extended (the "Expiration Date"). An extension would be communicated by issuance of a press release issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. The NAV as of the close of regular trading on the NYSE on May 21, 2008 was \$31.50 per Preferred Share.

NONE OF THE FUND, ITS BOARD OF DIRECTORS NOR THE FUND'S INVESTMENT ADVISER IS MAKING ANY RECOMMENDATION TO TENDER OR NOT TENDER PREFERRED SHARES IN THE OFFER. EACH PREFERRED STOCKHOLDER MUST MAKE SUCH PREFERRED STOCKHOLDER'S OWN DECISION WHETHER TO TENDER.

In accordance with the terms of the Offer, the Fund will, as soon as reasonably practicable after the Expiration Date, accept for payment and pay for Preferred Shares validly tendered (and not properly withdrawn) in the Fund's portfolio securities on or before the Expiration Date. For purposes of the Offer, the Fund will be deemed to have accepted for payment Preferred Shares validly tendered and not withdrawn as, if and when the Fund gives oral or written notice to the Depositary (as defined in the Offer to Repurchase) of its acceptance for payment of such Preferred Shares pursuant to the Offer. The Fund will deposit the aggregate purchase price with the Depositary, which will make payment to Preferred Stockholders in accordance with the Offer. The sale of Preferred Shares pursuant to the Offer will be a taxable transaction for Preferred Stockholders for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local and foreign tax laws.

Preferred Stockholders may tender Preferred Shares registered in their names only by completing and signing a Letter of Transmittal, together with any required signature guarantees, and submitting it and any other documents required by the Letter of Transmittal in proper form to the Depositary at the appropriate address set forth in the Offer by the Expiration Date. Preferred Stockholders whose Preferred Shares are held by a broker, dealer, commercial bank, trust company or other nominee (e.g., in street name), should contact such firm if they desire to tender their Preferred Shares. Preferred Shares tendered pursuant to the Offer may be withdrawn by written,

telegraphic or facsimile notice received by the Depositary at the appropriate address at any time prior to the Expiration Date. The notice is to specify the name of the stockholder who tendered the Preferred Shares, the number of Preferred Shares being withdrawn, the names in which the Preferred Shares to be withdrawn are registered, the serial number of any certificates pertaining to the Preferred Shares and the name and account number of the Book-Entry Facility to be credited with the withdrawn Preferred Shares that were previously tendered to such Book-Entry Facility.

The information required to be disclosed by paragraph (d)(1) of Rule 13e-4 under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

THE OFFER TO REPURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION THAT SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER. THE OFFER TO REPURCHASE AND THE RELATED LETTER OF TRANSMITTAL ARE EXPECTED TO BE MAILED TO PREFERRED STOCKHOLDERS ON OR ABOUT OCTOBER 25, 2007.

**GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER
ON SUBSTITUTE FORM W-9**

Guidelines for Determining the Proper Identification Number for the Payee (You) to Give the Payer—Social Security numbers have nine digit separated by two hyphens: i.e., 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the Payer. All “Section” references are to the Internal Revenue Code of 1986, as amended. “IRS” is the Internal Revenue Service.

<u>For this type of account:</u>	<u>Give the name and SOCIAL SECURITY number of</u>	<u>For this type of account:</u>	<u>Give the name and EMPLOYER IDENTIFICATION number of</u>
1. Individual	The individual	6. Sole proprietorship	The owner (3)
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account (1)	7. A valid trust, estate or pension trust	The legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.) (4)
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor (2)	8. Corporate	The corporation.
4. A. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee (1)	9. Association, club, religious charitable educational, or other tax-exempt organization	The organization
B. So-called trust account that is not a legal or valid trust under state law	The actual owner (1)	10. Partnership	The partnership
5. Sole proprietorship	The owner (3)	11. A broker or registered nominee	The broker nominee
		12. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a Social Security number, that person’s number must be furnished.

(2) Circle the minor’s name and furnish the minor’s social security number.

(3) You must show your individual name, but you may also enter your business or “doing business as” name. You may use either your Social Security number or employer identification number (if you have one).

(4) List first and circle the name of the legal trust, estate or pension trust.

Note: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

**GUIDELINES FOR CERTIFICATION OF TAXPAYER
IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9**

Obtaining a Number

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Card, at the local Social Security Administration Office, or form SS-4, Application for Employer Identification Number, by calling 1 (800) TAX-FORM, and apply for a number.

Payees Exempt from Backup Withholding

Payees specifically exempted from backup withholding on all payments include the following:

- An organization exempt from tax under section 501(a), or an individual retirement plan, or a custodial account under Section 403(b)(7) if the account satisfies the requirements of Section 401(f)(2).
- The United States or any agency or instrumentality thereof.
- A State, the District of Columbia, a possession of the United States, or any political subdivision or instrumentality thereof.
- A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- An international organization or any agency, or instrumentality thereof.
- Payees that may be exempted from backup withholding:
 - A corporation.
 - A financial institution.
 - A registered dealer in securities or commodities registered in the U.S., the District of Columbia, or a possession of the U.S.
 - A real estate investment trust.
 - A common trust fund operated by a bank under section 584(a).
 - An entity registered at all times during the tax year under the Investment Company Act of 1940.
 - A middle man known in the investment community as a nominee or custodian.
 - A futures commission merchant registered with the Commodity Futures Trading Commission.
 - A foreign central bank of issue.
 - A trust exempt from tax under Section 664 or described in Section 4947.
- Payments of dividends and patronage dividends not generally subject to backup withholding including the following:
 - Payments to nonresident aliens subject to withholding under section 1441.
 - Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident alien partner.

- Payments of patronage dividends where the amount received is not paid in money.
- Payments made by certain foregoing organizations.
- Section 404(k) payments made by an ESOP. Payments of interest not generally subject to backup withholding include the following:
 - Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is \$600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- Payments described in section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.
- Mortgage interest paid to you.

Exempt payees described above should file a Substitute Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER. IF THE PAYMENTS ARE INTEREST, DIVIDENDS OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.

Certain payments other than interest, dividends, and patronage dividends that are subject to information reporting are also not subject to backup withholding. For details, see sections 6041, 6041A(a), 6042, 6044, 6045, 6049, 6050A, and 6050N, and their regulations.

Privacy Act Notice.—Section 6109 requires most recipients of dividend, interest or other payments to give taxpayer identification numbers to payers who must report the payments to the IRS. The IRS uses the numbers for identification purposes to help verify the accuracy of your tax return and may also provide this information to various government agencies for tax-enforcement or litigation purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 30% of taxable interest, dividend and certain other payments to a payee who does not furnish a taxpayer identification number to a payer.

Certain penalties may also apply.

Penalties

- (1) **Penalty for Failure to Furnish Taxpayer Identification Number.** If you fail to furnish your correct taxpayer identification number to a payer, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.
- (2) **Civil Penalty for False Information With Respect to Withholding.**—If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of \$500.
- (3) **Criminal Penalty for Falsifying Information.**—Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL
REVENUE