

**For Immediate Release, May 6, 2014**

**Deans Knight Income Corporation**

**Announces Operational Update to April 30, 2014, Sets Date for Annual General Meeting and Adopts Advance Notice By-Law**

**Vancouver, B.C.** - Deans Knight Income Corporation (the "Company") is pleased to provide the following operational update of the Company, and to announce that it will hold an annual and special meeting on June 25, 2014 and that it has adopted an Advance Notice By-law.

**Operational Update**

On April 30, 2014, the Company executed on its plan to distribute a substantial portion of its assets to holders of voting common shares ("Voting Shares") and non-voting common shares ("Non-Voting Shares") of the Company through the payment of a special cash distribution ("Cash Distribution") of \$9.75. The Cash Distribution was considered a return of capital to holders of Voting Shares for income tax purposes.

After giving effect to the Cash Distribution on April 30, 2014, the Company's net assets consisted of the following:

|   | <b>\$</b>         | <b>Per Share<sup>1</sup></b> |
|---|-------------------|------------------------------|
| Cash                                    | 1,162,690         | 0.11                         |
| Remaining securities <sup>2</sup>       | 3,670,196         | 0.35                         |
| Accrued Interest                        | 121,927           | 0.01                         |
| Prepaid tax payment <sup>3</sup>        | 22,690,000        | 2.15                         |
| Prepaid assets less accrued liabilities | 18,700            | 0.00                         |
|   | <u>27,663,513</u> | <u>2.62</u>                  |

Notes

- <sup>(1)</sup> Based on 10,537,263 shares, being the total number of Voting Shares and Non-Voting Shares outstanding during the period.
- <sup>(2)</sup> Details of the remaining securities held at April 30, 2014 are included in the Summary of Investment Portfolio below.
- <sup>(3)</sup> The prepaid tax payment includes the expected tax refund for the Company's 2013 taxation year of approximately \$1,000,000 (the "2013 Tax Refund"). The Company anticipates receiving this refund upon receiving the CRA's assessment of the Company's 2013 tax return, the result of which will be an increase in cash and a decrease to the prepaid tax payment.

The Company's net investment income from January 1, 2014 to April 30, 2014 was approximately \$0.33 million, or \$0.03 per share. In addition to net investment income, the Company also incurred \$4.1 million of realized capital gains in the period from the sale of all the liquid investments held in the portfolio and the settlement of foreign currency contracts.

Now that the Company has made the Cash Distribution, it intends to cease all investing and portfolio activities, other than liquidating the remaining investments. It is the intention of the Company to sell these remaining investments as quickly and prudently as possible and to distribute the proceeds of such remaining investments to shareholders as soon as reasonably practicable. Otherwise, the Company's business will be limited solely to attending to the CRA Matter (as defined herein), as necessary.

As previously announced, the Company received a proposal letter ("Proposal Letter") from the Canada Revenue Agency (the "CRA") in January 2014, in which the CRA indicated that it intends to deny the use of certain tax attributes by the Company on the basis that an acquisition of control of the Company occurred and on the basis of the General Anti-Avoidance Rule in the *Income Tax Act* (Canada) (the "CRA Matter"). The Company, in consultation with its legal advisors, remains of the view that its tax filing position is appropriate, and intends to vigorously defend its position.

The Company is still yet to receive a Notice of Reassessment from the CRA. However, based on the information in the Proposal Letter and discussions with the CRA, the Company estimates the potential tax liability to be approximately \$21.7 million, or \$2.06 per Share ("Potential Taxes Payable"). This estimate is based on an aggregate reassessment for the 2009 through 2012 taxation years totaling approximately \$22.7 million ("Disputed Amount") which is expected to be reduced by the 2013 Tax Refund. The Company has prepaid the Disputed Amount to the CRA to minimize any further interest from accruing. Should the Company be successful in defending its tax filing position, the Disputed Amount will be refunded with interest.

On April 15, 2014, the Company ceased its listing on the Toronto Stock Exchange. However, the Company will continue to be a reporting issuer, and therefore will continue to meet its continuous disclosure requirements under applicable securities laws. This includes the issuance of 2014 Interim Management Report of Fund Performance and Financial Statements, which the Company anticipates will be released in August 2014. Further, the Company will continue to post its weekly net asset value on its website: [www.dkincomecorp.com](http://www.dkincomecorp.com).

### **Annual & Special Meeting and Adoption of Advance Notice By-Law**

The Company will hold an annual and special meeting of holders of Voting Shares (the "Meeting") on June 25, 2014 at its offices, 1500-999 West Hastings St, Vancouver, British Columbia. An information circular is anticipated to be mailed to shareholders in late May 2014.

Additionally, the Company is pleased to announce that its Board of Directors has approved the adoption of an advance notice by-law (the "By-law"). Among other matters, the By-law fixes a deadline by which shareholders must submit a notice of director nominations to the Company prior to any annual or special meeting of shareholders where directors are to be elected and sets forth the information that a shareholder must include in the notice for it to be valid.

Specifically, the By-law requires advance notice to the Company in circumstances where nominations of persons for election as a director of the Company are made by shareholders other than pursuant to: (i) a requisition of a meeting made pursuant to the provisions of the *Canada Business Corporations Act* (the "Act"); or (ii) a shareholder proposal made pursuant to the provisions of the Act. In the case of an annual meeting of shareholders, notice to the Company must be made not less than 30 nor more than 65 days prior to the date of the annual meeting. In the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement. In the case of a special meeting of shareholders (which is not also an annual meeting), notice to the Company must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

The By-law is effective immediately. At the Meeting, shareholders will be asked to confirm and ratify the By-law. If the By-law is not confirmed by an ordinary resolution of shareholders at the Meeting, the By-law will terminate and be of no further force and effect following the termination of the shareholders meeting.

## Summary of Investment Portfolio

The following is a summary of the Company's investment portfolio as at April 30, 2014. This is a summary only and will change as the remaining investments are liquidated. Additional information is available at [www.dkincomecorp.com](http://www.dkincomecorp.com).

| <b>Remaining Investments</b>   | <b>\$</b>        | <b>% of Net Asset Value</b> |
|--|------------------|-----------------------------|
| Skylink Aviation Inc. – Debtor-in-process financing, bonds and common shares | 1,388,806        | 5.02                        |
| Rapid Eye Canada Ltd - Royalty   | 1,264,033        | 4.57                        |
| Mirabela Nickel Ltd. - Bonds   | 1,017,357        | 3.68                        |
| Conifex Timber Inc. – Purchase warrants                                      | 0                | 0.00                        |
|  | <u>3,670,196</u> | <u>13.27</u>                |

## Forward-Looking Statements

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, this press release contains forward-looking statements and forward-looking information concerning the Company's intention to cease all investing and portfolio activities, other than liquidating the remaining investments; the Company's intention to sell its remaining investments as quickly and prudently as possible and to distribute the proceeds of such remaining investments to shareholders as soon as reasonably practicable; the Company's view of its tax filing position; the magnitude of the Disputed Amount and the 2013 Tax Refund; and the holding of an annual and special meeting and the mailing of an information circular in respect thereof.

The forward-looking statements and forward-looking information are based on certain key expectations and assumptions made by the Company, including, but not limited to, expectations and assumptions concerning prevailing tax laws; the maximum potential amount that could be assessed as additional tax and arrears interest to the Company by the CRA; the Company's anticipated operating costs following the payment of the Cash Distribution and prevailing stock exchange rules and securities laws. Although the Company believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and forward-looking information because the Company can give no assurance that they will prove to be correct.

Since forward-looking statements and forward-looking information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with potential changes in legislation and administrative policy, changes in tax and securities laws, risks associated with corporate debt securities, general economic, political and market conditions, failure to meet investment objectives, availability of tax attributes, liabilities from prior operations, interest rate fluctuations, failure to obtain required regulatory, corporate, shareholder and other approvals and other risks as set forth in the Company's annual information form dated March 6, 2014 available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

The Company assumes no obligation to update forward-looking statements or information except as may be required by applicable securities laws.

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