

For Immediate Release, May 12, 2009

Deans Knight Income Corporation

Announces First Quarter 2009 Operating Update - Unaudited

Vancouver, B.C. - Deans Knight Income Corporation (the "Company") (TSX: DNC) is pleased to provide an operational update of the Company for the three months ended March 31, 2009.

Highlights:

- On February 6, 2009, the Company was reorganized into an investment company for the purposes of actively investing in corporate debt securities.
- On March 17, 2009, the Company completed an initial public offering (the "Initial Public Offering") pursuant to which it issued 10,036,890 voting common shares at a price of \$10 per share for gross proceeds of \$100,368,900.
- The voting common shares of the Company began trading on the Toronto Stock Exchange on March 18, 2009 (ticker symbol: DNC).
- As of March 31, 2009, the Company had invested 33% of its investable capital in corporate bond securities.

Corporate:

On February 6, 2009, the Company changed its name to Deans Knight Income Corporation (formerly 3887685 Canada Inc.) as part of a reorganization into an investment company. The Company's objectives are to maximize total return for shareholders by investing in corporate debt securities.

To generate the capital necessary to pursue these objectives, on March 17, 2009 the Company completed the Initial Public Offering pursuant to which it issued 10,036,890 voting common shares at a price of \$10 per share for gross proceeds of \$100,368,900 (net proceeds to the company were approximately \$94,182,900). The voting common shares of the Company began trading on the Toronto Stock Exchange on March 18, 2009, under the ticker symbol DNC.

The Company intends to invest the net proceeds from the Initial Public Offering in debt securities of companies, predominantly rated below investment grade. These debt securities are currently trading at significant discounts to par value, and as a result, the total return to shareholders is expected to consist of an income component as well as capital appreciation. The Company plans to pay out the majority of the earned income of the Company in the form of a monthly dividend, the first of which will be made on June 30, 2009 in the amount of \$0.0583 per share.

Investments:

As of March 31, 2009, the Company had made investments in 11 debt issuers, totaling \$31,623,222, or 33% of the net investable capital of the Company. The Net Asset Value (NAV) per share as of March 31, 2009 was \$10.11. The average yield to maturity of the debt securities purchased as of March 31, 2009 was 18.4%. A detailed breakdown of the NAV and holdings is provide below.

The Company is continuing to focus on purchasing debt securities of companies that have tangible assets, strong cash flows and reasonable balance sheets. As of May 8, 2009, the Company had invested 67% of its investable capital.

Detail of Net Asset Value:

The Net Asset Value of the Company at March 31, 2009 was \$106,500,812, or \$10.11 per share, which consisted of the following components:

	\$	Per Share (1)	%
Investments (2)	\$31,623,222	\$3.00	29.7%
Cash and cash equivalents	\$62,907,862	\$5.97	59.1%
Accrued Income	\$1,209,970	\$0.12	1.1%
Future Income tax asset (3)	\$11,910,375	\$1.13	11.2%
Accrued liabilities (4)	\$(1,150,617)	\$(0.11)	-1.1%
	\$106,500,812	\$10.11	100%

Notes

- (1) Based on 10,537,262 voting and non-voting common shares, being the number of outstanding shares after giving effect to the Initial Public Offering, the share consolidation and conversion of the convertible debenture. Refer to the final long form prospectus filed on March 9, 2009 for full details of the capital structure of the Company.
- (2) The following table outlines certain investments made as at March 31, 2009:

Par Value	Issuer	Coupon	Maturity	Total Cost ⁱⁱ	Market Value ⁱⁱ	Yield to Maturity
5,750,000 ⁱ	Paramount Resources	8.5%	January 31, 2013	6,107,626	6,229,705	12.7%
6,200,000 ⁱⁱ	Athabasca Oilsands	13%	July 10, 2011	4,939,000	5,394,000	20.4%
5,000,000 ⁱ	Harvest Operations	7.875%	October 15, 2011	4,269,357	4,240,843	25.5%
6,250,000 ⁱ	Teck Resources	6.125%	October 1, 2035	3,782,542	3,791,994	13.0%
3,828,000 ⁱ	Bombardier Inc.	8%	November 15, 2014	3,483,772	3,471,932	15.2%
3,500,000 ⁱ	Cott Beverages USA	8%	December 15, 2011	2,361,079	2,394,374	34.8%
3,000,000 ⁱⁱ	Provident Energy Trust	6.5%	April 30, 2011	2,283,750	2,400,000	18.5%
4,250,000	Remaining Holdings			3,667,125	3,700,374	15.0%
				30,894,251	31,623,222	18.4%

Footnotes:
ⁱ US Dollar Value
ⁱⁱ Canadian Dollar Value

- (3) At March 31, 2009, the Company had approximately \$92,900,000 of losses and deductions available to be taken against future years' income tax returns. The Company's policy is to recognize a future tax asset to the extent that it believes that it is more likely than not that the future tax asset will be realized. As of March 31, 2009, the Company has recognized a tax asset in the amount of \$11,910,375. The Company will continue to review these estimates on a periodic basis, and will amend the asset value accordingly if deemed appropriate.

- (4) Accrued liabilities consist primarily of the costs associated with the Initial Public Offering. No investment advisory fee has been accrued as at March 31, 2009, as the investment advisor of the Company has opted not to charge a fee for 13 days of services provided to March 31, 2009.
- (5) The Company has hedged substantially all US denominated investments back to the Canadian Dollar.

About Deans Knight Income Corporation

Deans Knight Income Corporation is an investment company focused on investing in corporate debt securities, predominantly rated below investment grade. The Company's objective is to maximize the total return for shareholders, consisting of bond price appreciation and income received from bond investments. The Company will pay a monthly dividend to shareholders, based on earned income each month. The capital of the Company is actively managed by Deans Knight Capital Management, a respected investment firm based in Vancouver B.C. that has been investing in corporate bonds since its inception in 1992. For more information: www.dkincomecorp.com.

As an investment company, Deans Knight Income Corporation falls under the continuous disclosure requirements for investment funds. In compliance with such continuous disclosure requirements, the Company will provide shareholders with financial statements on a semi-annual basis. In an effort to keep shareholders informed, the Company intends to provide shareholders with an operational update each quarter, detailing relevant investment activity and holdings.

Forward-Looking Statements

This press release contains forward-looking statements. More particularly, this press release contains forward-looking statements concerning the Company's corporate objectives, the investment of the Company's remaining net proceeds from the Initial Public Offering, availability of tax losses and deductions, the anticipated total return to the Company's shareholders and the Company's intention to pay out earned income in the form of monthly dividends. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them because the Company can give no assurance that they will prove to be correct since forward-looking statements address future events and conditions and by their very nature, involve inherent risks and uncertainties. The forward-looking statements contained in this press release are made as of the date hereof and the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

For further information contact:

Craig Langdon
Chief Executive Officer and Director
Deans Knight Income Corporation
(604)669-0212

Mark Myles
Chief Financial Officer
Deans Knight Income Corporation
(604)669-0212