

DEANS KNIGHT

INCOME CORPORATION

Independent Review Committee Report to Investors for 2014

Dear Investor,

An Independent Review Committee ("**IRC**") of Deans Knight Income Corporation (the "**Company**") was created pursuant to the provisions of National Instrument 81-107 – *Independent Review Committee* for Investment Funds ("**NI 81-107**").

NI 81-107 requires the IRC to review conflict of interest matters identified and referred to us by the Company and to provide our approval or recommendation. The focus of the IRC is to determine whether the Company's proposed action achieves a fair and reasonable result for the Company and its investors.

At least once, on an annual basis, the IRC is required to review and assess the adequacy and effectiveness of the policies and procedures relating to conflict of interest matters in respect of the Company and conduct a self-assessment of the IRC's independence, compensation and effectiveness.

We are pleased to publish this annual report to investors of the Company under the requirements of NI 81-107.

We appreciate the Company's support and openness in assisting the IRC toward achieving its objectives.

The IRC looks forward to continuing to serve in the best interests of the Company and its shareholders.

Cordially,

D. Alan Ross

D. Alan Ross
Chair of the Independent Review Committee
March 31, 2015

Independent Review Committee Report for 2014

Members of the IRC

<i>Name</i>	<i>Residence</i>
D. Alan Ross (Chair) ⁽¹⁾⁽²⁾⁽³⁾	Calgary, AB
Denyse Chicoyne ⁽¹⁾⁽⁴⁾	Montreal, QC
Philip Hampson ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	Toronto, ON
Robert Rothstein ⁽⁴⁾⁽⁷⁾⁽⁸⁾	Vancouver, BC

⁽¹⁾ Ms. Chicoyne, Mr. Hampson and Mr. Ross served as independent directors of the Company from March 18, 2009 to June 25, 2014.

⁽²⁾ Mr. Ross and Mr. Hampson have served on the IRC since May 11, 2009. Mr. Ross and Mr. Hampson have now completed two three-year terms of service on the IRC. As contemplated by Section 3.3(4) of NI 81-107, the Company has agreed to a renewed term of service for Messrs. Ross and Hampson.

⁽³⁾ Mr. Ross owns 15% of Matco Capital Ltd., who in turn own approximately 1% of the voting common shares and 100% of the non-voting common shares of the Company. The IRC has determined that Mr. Ross is independent for purposes of Section 1.5 of NI 81-107 as a result of: (i) Mr. Ross's ownership not being sufficient to control Matco Capital Ltd., (2) Matco Capital Ltd.'s ownership in voting common shares does not allow for control over the Company and (3) Matco's shareholdings align it with the interests of the other shareholders of the Company.

⁽⁴⁾ Ms. Chicoyne served on the IRC from March 8, 2013 to June 25, 2014 at which time she resigned from the IRC. Mr. Rothstein was appointed to the IRC on June 25, 2014 to fill the vacancy created by Ms. Chicoyne's resignation.

⁽⁵⁾ Mr. Hampson currently serves as a director to Skylink Aviation Inc., one of the Company's remaining investments. Mr. Hampson accepted this appointment at the Company's request as part of the financial restructuring of Skylink to maximize the value of the Company's pre-existing investment. The IRC have determined that this appointment does not affect Mr. Hampson's independence for the purposes of Section 1.5 NI 81-107

⁽⁶⁾ Mr. Hampson is a client of the Manager personally investing in the Company and other funds managed by the Manager. The Company, the Manager and the IRC have determined that Mr. Hampson remains independent for the purposes of Section 1.5 NI 81-107 as result of (i) no material investment of assets or material income for Mr. Hampson; nor (ii) are his investments or fees payable material to the Company or the Manager.

⁽⁷⁾ Mr. Rothstein also serves on the independent review committee (the "**DKCM IRC**") of Deans Knight Capital Management (the "**Manager**") which provides services to the Company pursuant to a services agreement dated May 20, 2014. The DKCM IRC was formed in connection with exemptive relief obtained by the Manager under National Instrument 81-102 – Mutual Funds pertaining to inter-fund trades among certain funds managed by the Manager.

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⁽⁸⁾ Mr. Rothstein is a partner at Farris, Vaughan, Wills & Murphy LLP ("**Farris**"), which law firm provides legal services to the Manager. The Company, the Manager and the IRC have each determined that Mr. Rothstein is independent for the purposes of NI 81-107 as a result of no material relationship existing between Mr. Rothstein or Farris and the Company or the Manager as the fees paid by the Manager to Farris for Farris' legal services: (i) have not and are not anticipated to be financially material to Farris or the Manager; and (ii) do not materially impact the compensation paid by Farris to Mr. Rothstein.

Holdings of Securities

The IRC members do not beneficially own, directly or indirectly, securities in the Company which in the aggregate exceed 10% of the outstanding securities of the Company and none of IRC members beneficially own, directly or indirectly, any securities of the Manager.

IRC Compensation and Indemnities

The aggregate compensation and expenses paid by the Company to the IRC reflecting services for 2014 was \$16,725.

On an annual basis, the IRC reviews their compensation, taking into consideration the Company's recommendations and giving consideration to the following:

1. The best interests of the Company and its shareholders;
2. Industry best practices, including industry averages and any informal surveys on IRC compensation;
3. The nature and complexity of the Company;
4. The nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected from each member.

The Company has in place insurance coverage for the IRC and the members of the IRC, by way of its directors and officers' liability insurance. No indemnities were paid to the IRC or to any IRC members by the Company during the year covered by this report.

Conflict of Interest Matters

The IRC is not aware of any instance in which the Company acted contrary to the recommendations of the IRC. The Company has an obligation to notify the IRC of any such instances.

The Company has policies and procedures in place to address each of the following conflict of interest matters. For each such matter, the IRC has issued standing instructions to the Company that requires the Company to comply with its related policy and procedures and to report periodically to the IRC:

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1. Dealing with related registrants;
2. Allocating investment opportunities among accounts managed by the Manager;
3. Cross-trading to/from other accounts managed by the Manager;
4. Allocating trading opportunities among brokers by the Manager;
5. Personal trading by employees and employees of the Manager, including use of non-public information;
6. Reporting performance and valuing assets under management; and
7. Investing in multiple securities of a single issuer in multiple client accounts of the Manager.

The Company relied on the standing instructions provided by the IRC for the following conflict of interest matters identified by the Company:

- 1) Allocating investment opportunities among accounts managed by the Manager
- 2) Allocating trading opportunities among brokers
- 3) Personal trading by employees and employees of the Manager
- 4) Reporting performance, valuing assets under management and calculating fees

The Company also referred the following matters for consideration by the IRC for which the Company did not have a pre-determined policy or procedure:

1. The proposed extension of the Company's termination date (the "Extension"); and
2. The proposed services agreement ("Services Agreement") to be entered into between the Company and the Manager in place of the investment advisory agreement between the Company and the Manager.

The IRC determined that the Extension and the Services Agreement would achieve a fair and reasonable result for the Company after considering, among other matters and factors, that: (i) the Extension would permit the Company to attend to the ongoing audit of the Company by the Canada Revenue Agency ("**CRA**") in a manner that would potentially permit shareholders of the Company to receive an additional payment (as net asset value per share) if the audit was resolved in a manner that was favorable to the Company, rather than simply paying the disputed amount to the CRA and terminating the Company on its scheduled termination date; and (ii) the Company would require the services of the Manager in order to attend to the CRA audit and the terms of the Services Agreement provided that the Manager would not receive any fees (performance-based or otherwise) other than a nominal fee of \$10.00 per month and reimbursement for expenses.

The IRC is not aware of any instance in which the Company acted in a conflict of interest manner contrary to any conditions imposed by the IRC in its recommendations.