

For Immediate Release, December 9, 2013

Deans Knight Income Corporation

Announces Plans for a Return of Capital and Changes to its Special Meeting of Shareholders

Vancouver, B.C. - Deans Knight Income Corporation (the "Company") (TSX: DNC) announces the cancellation of the special meeting of holders ("Shareholders") of voting common shares of the Company ("Voting Shares") scheduled for December 16, 2013. The Company also announces its plan to pay a return of capital to Shareholders and holders of non-voting common shares of the Company and to call a special meeting of Shareholders (the "Special Meeting") prior to April 30, 2014 for the purposes described below.

As previously announced on November 5, 2013, as a result of the audit (the "CRA Audit") by the Canada Revenue Agency ("CRA") the Company sought to obtain Shareholder approval to extend its termination date to allow for sufficient time to conclude the CRA Audit process. Subsequent to November 5, 2013, the Company's cash position has increased to more than \$50,000,000, predominantly as a result of certain bond positions held in the portfolio being called by the issuers. Given the current investment mandate of the Company, management believes it will be difficult to redeploy this amount of capital in investments that will earn sufficient income to continue to meet the Company's investment objectives.

As a result of the ongoing CRA Audit and the Company's current cash position, the Company plans to liquidate the remaining investments in its portfolio and return capital to the holders of Voting Shares and non-voting common shares prior to April 30, 2014, via a cash distribution (the "Cash Distribution"), assuming Shareholders approve the reduction in stated capital at the meeting of Shareholders as described below. It is expected that the Cash Distribution will be equal to the Company's net asset value on the record date for the Cash Distribution. However, the Company will decrease the Cash Distribution by an amount sufficient to satisfy the maximum potential income tax, if any, that may be reassessed by the CRA as a result of the CRA Audit (the "CRA Holdback"). While the Company does not now know if it will be reassessed, it has estimated that the maximum potential income tax reassessment would be approximately \$21,500,000 or \$2.04 per share.

The Company, in consultation with its advisors, remains of the view that its tax filing position is appropriate, and does not believe any additional assessment of income tax by the CRA is appropriate.

In the event that the CRA Audit has not been concluded by early 2014, or should the CRA's reassessment require the Company to pay additional income tax, the Company will call a special meeting to seek Shareholder approval to extend the term of the Company until such time as the CRA Audit is concluded. This will allow the Company to vigorously defend its tax filing position. In connection with the extension, in addition to the CRA Holdback, the Company would hold back a sufficient amount from the Cash Distribution to attend to the CRA Audit (the "G&A Holdback"). Shareholders will also be asked to vote on a proposed reduction in the stated capital account of the Voting Shares to establish that the Cash Distribution will be a return of capital.

Following the Cash Distribution, the Company intends to cease all investing and portfolio activities and expects that its business will be limited solely to attending to the CRA Audit, if required. The Company expects that the Voting Shares will be delisted from trading on the Toronto Stock Exchange (the "TSX") in connection with the payment of the Cash Distribution. In anticipation of the Cash Distribution, the Company plans to discontinue its regular monthly dividend in January 2014.

Should an extension be approved by Shareholders, any remaining CRA Holdback or G&A Holdback will be distributed to shareholders once the CRA Audit is concluded and all liabilities have been satisfied.

When a Special Meeting is called, the Company will issue a notice and information circular outlining the details of the proposed amendments, which will be mailed to Shareholders and posted on the Company's SEDAR profile at www.sedar.com.

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 payment of the Cash Distribution; the amount of the Cash Distribution; the nature of the Company's business following payment of the Cash Distribution; the Company's view of its tax filing position; the delisting of the Voting Shares from the TSX; the Company's plans to discontinue its regular monthly dividend in January 2014; and the timing of and nature of business to be considered at the special meeting of Shareholders to be called in early 2014.

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; that Shareholders will approve the matters to be considered at the special meeting of Shareholders 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 11, 2013 on file with the securities regulatory authorities at 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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