

**For Immediate Release, February 9, 2017**

**Deans Knight Income Corporation**

**CRA Tax Matter Update**

**Vancouver, B.C.** - Deans Knight Income Corporation (the "Company") is providing an update on certain matters relating to its ongoing dispute with the Canada Revenue Agency (the "CRA"), including the date for the Company's appeal hearing in the Tax Court of Canada.

Background to the CRA Tax Matter

In July 2014, the Company received Notices of Reassessment ("NORAs") from the CRA for the taxation years 2009 to 2012, inclusive. In its reassessments of the Company's tax filings, the CRA denied the Company's use of certain losses and expenditures on the basis that such losses and expenditures were not available to be claimed because of the Company's business reorganization in 2008 and 2009. The Company, in consultation with its legal advisors, remains of the view that its tax filing position is appropriate, and is vigorously defending its position.

The NORAs indicate that the Company's tax liability for the 2009 to 2012 taxation years is approximately \$22.7 million or \$2.15 per share ("Disputed Amount"), including arrears interest and penalties. Given the Company's financial results for 2013 through 2016 to date, the Company estimates its overall potential net tax liability ("Potential Tax Liability") for the years 2009 through 2016 to date inclusive to be, as of the date hereof, approximately \$21.5 million. The Company prepaid \$21.6 million to the CRA in 2014, which was equal to the Potential Tax Liability at that time, to limit any future interest from being incurred.

Should the Company be successful in defending its tax filing position, the amount prepaid to the CRA will be refunded to the Company with interest. However, if the Company is unsuccessful, the recorded amount of the deferred tax assets, if any, as well as such amounts claimed to date would be recorded as a charge to income, and the Potential Tax Liability would be forfeited to the CRA.

Court Proceedings and Schedule for Appeal Hearing

In late 2014, the Company filed its Notice of Appeal to the Tax Court of Canada, appealing the NORAs and the Company is now attending to normal pre-trial processes, including discovery of documents and examinations for discovery with the Crown. The Tax Court of Canada has scheduled the appeal hearing for February 13 to 22, 2018.

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### **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 estimate of the magnitude of its Potential Tax Liability, the availability of the losses and expenditures of the Company which may be deducted against the income of the Company and which are the subject of the dispute with the CRA and the Company's anticipated court date in respect of the CRA Matter.

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 and the maximum potential amount that could be assessed as additional tax and arrears interest to the Company by the CRA and the Company's understanding of the time it generally takes to complete tax litigation proceedings. 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 laws, risks associated with corporate debt securities, general economic, political and market conditions, availability of tax attributes, 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 29, 2016 on file with the securities regulatory authorities at [www.sedar.com](http://www.sedar.com).

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