



Exchange Income Corporation Announces Receipt of CRA Proposal to Reassess

WINNIPEG, Manitoba – April 10, 2014 – Exchange Income Corporation (TSX: EIF) (the “Corporation”), a diversified, acquisition-oriented company announced today that it has received a letter from the Canada Revenue Agency (“CRA”) advising the Corporation that, subject to submissions by the Corporation, it is proposing to reassess the Corporation’s income tax filings related to its conversion from an income trust to a corporation (the “Conversion”) in July 2009. The CRA has indicated in its proposal letter that it intends to challenge the ability to carry forward certain losses on the basis of acquisition of control and general anti-avoidance rules of the Income Tax Act (Canada).

In management’s view, the reassessment of companies, including the proposed reassessment of the Corporation is part of an overall initiative by the CRA to challenge the use of certain tax pools after a conversion. The Corporation remains confident in the appropriateness of its tax filing position and the expected tax consequences of the conversion, and intends to vigorously defend such position. Based on opinions received from its tax advisors prior to the Conversion, the Corporation continues to believe that neither the acquisition of control nor the general anti-avoidance rules apply to the Conversion and intends to file its future tax returns on a basis consistent with its view of the outcome of the Conversion.

The Corporation has 30 days to respond to the letter unless an extension can be obtained. Failing a resolution of the matter, the CRA will then proceed with the notice of reassessment process. The Corporation will have 90 days from any notice of reassessment to prepare and file a notice of objection, which will be reviewed by the CRA’s appeals division. At that time, consistent with CRA’s rules relating to reassessments of large corporations, the Corporation would be required to pay 50% of the resultant tax liability and interest (“Tax Deposit”). For the period from July 2009 to December 31, 2012 the Tax Deposit, before interest, would be approximately \$11.5 million. The Corporation would also be required to make a payment of 50% of the taxes and interest the CRA claims are owed in any future tax year if the CRA were to issue a similar notice of reassessment for such years and the Corporation were to appeal such other years. If the CRA is not in agreement with the Corporation’s notice of objection, the Corporation has the option to appeal to the Tax Court of Canada. While it is not possible to determine with certainty, the Corporation anticipates that legal proceedings through the various tax courts would take approximately two to four years. If the Corporation is ultimately successful in defending its position, the Tax Deposit plus applicable interest, will be refunded to the Corporation.

The Corporation has more than adequate capital resources to fund the Tax Deposit and ultimately the entire balance if required. This proposed reassessment does not impact the Corporation’s long-term business strategy in any manner.

About Exchange Income Corporation

Exchange Income Corporation is a diversified acquisition-oriented company, focused on opportunities in the industrial products and transportation sectors which are ideally suited for public markets except for their size. The strategy of the Corporation is to invest in profitable, well-established companies with strong cash flows operating in niche markets in Canada and/or the United States.

The Corporation currently operates in two niche business segments: aviation and specialty manufacturing. The aviation segment consists of the operations by Perimeter Aviation, Keewatin Air, Calm Air International, Bearskin Lake Air Service, Custom Helicopters and Regional One, and the specialty manufacturing segment consists of the operations by Jasper Tank, Overlanders Manufacturing, Water Blast Manufacturing, Stainless Fabrication and WesTower Communications. For more information on the Corporation, please visit www.ExchangeIncomeCorp.ca

Additional information relating to the Corporation, including all public filings, is available on SEDAR (www.sedar.com).



Forward-Looking Information:

The statements contained in today's press release that are forward-looking are based on current expectations and are subject to a number of uncertainties and risks, and actual results may differ materially. These uncertainties and risks include, but are not limited to, the dependence of the Corporation on the operations and assets currently owned by it, the degree to which its subsidiaries are leveraged, the fact that cash distributions are not guaranteed and will fluctuate with the Corporation's financial performance, dilution, restrictions on potential future growth, competitive pressures (including price competition), changes in market activity, the cyclical nature of the industries, seasonality of the businesses, poor weather conditions, and foreign currency fluctuations, legal proceedings, commodity prices and raw material exposure, dependence on key personnel, and environmental, health and safety and other regulatory requirements. Further information about these and other risks and uncertainties can be found in the disclosure documents filed by the Corporation with the securities regulatory authorities, available at www.sedar.com.

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