

DEANS KNIGHT

INCOME CORPORATION

Independent Review Committee Report to Investors for 2016

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 14, 2017

Independent Review Committee Report for 2016

Members of the IRC

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

⁽¹⁾ 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 agreed to a renewed term of service for Messrs. Ross and Hampson which was also agreed to by Deans Knight Capital Management Ltd. (the "**Manager**"), the investment advisor and investment fund manager of the Company.

⁽³⁾ Mr. Ross owns 15% of Matco Capital Ltd. ("**Matco**"), who in turn owns 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; (2) Matco'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⁾ Mr. Rothstein was appointed to the IRC on June 25, 2014.

⁽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 of 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 of 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 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 – *Investment 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 2015 was \$15,225.

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

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Company that requires the Company to comply with its related policy and procedures and to report periodically to the IRC:

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. Personal trading by employees and employees of the Manager
2. Reporting performance, valuing assets under management and calculating fees

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.