



EXCHANGE INCOME CORPORATION TO ACQUIRE PROVINCIAL AEROSPACE LTD. FOR \$246 MILLION

Winnipeg, Manitoba – November 12, 2014 – Exchange Income Corporation (TSX: EIF) (“EIC” or the “Corporation”), a diversified, acquisition-oriented company announced today that it has entered into an agreement to acquire all of the shares of Provincial Aerospace Ltd. (“PAL”), a diversified Canadian-based aerospace and aviation company, for a combination of cash and stock totaling approximately \$246 million.

PAL, headquartered in St. John’s, Newfoundland & Labrador, operates three distinct businesses across the aerospace, airline and aviation services sectors:

- Provincial Aerospace is a global leader in intelligence, surveillance, reconnaissance and maritime patrol aircraft operations and systems. As a vertically integrated aerospace and defense business, Provincial Aerospace designs, modifies, maintains and operates custom sensor equipped maritime patrol aircraft in Canada, the Caribbean and the Middle East;
- Provincial Airlines is an independent airline that has been operating for over 40 years in Eastern Canada providing scheduled, charter and cargo services. Provincial Airlines operates 210 weekly scheduled and charter flights in Newfoundland and Labrador, Quebec, New Brunswick and Nova Scotia. In addition, Provincial Airlines operates Innu Mikun Airlines, a partnership with the Innu First Nations of Labrador, which services the coastal communities of Labrador.
- PAL Aviation Services operates fixed base operations at two locations, Halifax, NS and St. John’s, NL. Additional services include aircraft refueling, ground handling and aircraft facilities.

PAL operates a total of 30 aircraft across its divisions with the aerospace business operating a variety of aircraft types for its customers and the airline fleet primarily comprised of Dash 8s and Twin Otters.

The acquisition is anticipated to be fully funded by the issuance of common shares to the Vendor representing approximately \$12 million of the purchase price and the company’s available cash resources from its currently unutilized credit facility representing approximately \$234 million. Post-acquisition the company remains in a solid financial position with significant capacity remaining in its committed term credit facility. Accordingly, there is no requirement for the Company to issue any additional equity to complete this acquisition.

The company has annual revenues of approximately \$185 million. The purchase price represents a multiple of approximately 5.3 times historical EBITDA. The acquisition is expected to be immediately and significantly accretive to earnings and free cash flow while materially reducing our payout ratio. The transaction is subject to regulatory approval and is expected to close in late 2014 or early 2015. “We are very excited about the acquisition of PAL,” stated Mike Pyle, CEO of EIC. “They have three strong revenue streams. While the airline business and FBO operations are similar to our existing aviation segment, their aerospace division is a new revenue source for us. They have built a unique market niche in maritime surveillance both in designing and adapting aircraft for sovereign governments around the world as well as providing complete out-sourced service options for governments who do not wish to operate the equipment themselves. With many parts of the world facing increased threats of economic

instability, conflict, terrorism and pandemic disease management, security is of a paramount concern for many countries. Outsourced maritime surveillance, which is in its infancy in world security, will play a growing part in fulfilling these needs. PAL, with its experience and specialized capabilities, is well positioned to take advantage of these growth opportunities. While we are excited about PAL's proven market niches, it is the strength of the management team led by Brian Chafe that is truly exceptional. They have built a labour force that is as good as any we have ever seen and we believe will be the engine to grow PAL in the future."

Gus Ollerhead and Tom Collingwood, the two shareholders commented, "We are very proud of what we have built at PAL. We have grown the company from a small airline to a diversified aerospace and aviation company with operations around the world. The decision to sell the company was very difficult but the sale to EIC is a great fit for a couple of reasons. First, the opportunities in front of PAL are tremendous and EIC clearly has the financial resources to enable the company to fully achieve them. Second, PAL is a Newfoundland & Labrador company with deep roots in the Province. EIC is not only committed to maintaining this presence, they are looking to expand it. They have a proven business model and it is a great fit for PAL. We look forward to Brian and his team realizing the company's full potential under EIC ownership."

Brian Chafe, the CEO of PAL stated, "We have built a diverse set of operations which fits in well with EIC's business model. They recognize how PAL has grown over the years through our multiple revenue streams and have expressed their confidence in our team and their commitment to helping us reach our next phase of growth. Our previous owners helped us build a solid foundation upon which to grow. We are proud of their success and are pleased they selected EIC who will allow us achieve our goals for the future. This is an exciting transaction for PAL and we look forward to being part of the EIC family."

Transaction Advisors

CIBC World Markets Inc., Aikins Law and Renaissance Strategic Advisors acted for EIC. BMO Capital Markets acted as financial advisor and Dentons Canada LLP and McInnis Cooper acted as legal counsel to PAL in connection with the transaction.

Conference Call Notice

Exchange Income Corporation will hold a conference call on November 13, at 10:00 a.m. ET with key members of senior management to discuss the PAL acquisition as well as 2014 third quarter financial results.

All interested parties can join the conference call by dialing 1-888-231-8191 or 647-427-7450. Please dial in 15 minutes prior to the call to secure a line. The conference call will be archived for replay until Thursday, November 20, 2014 at midnight. To access the archived conference call, please dial 1-855-859-2056 or 416-849-0833 and enter the reservation code 21257086.

A live audio webcast of the conference call will be available at www.ExchangeIncomeCorp.ca and www.newswire.ca. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. An archived replay of the webcast will be available for 365 days.

About Exchange Income Corporation

Exchange Income Corporation is a diversified acquisition-oriented company, focused in three sectors: aviation services and equipment, metal manufacturing, and infrastructure services. The Corporation uses a disciplined acquisition strategy to identify already profitable, well-established companies that have

strong management teams, generate steady cash flow, operate in niche markets and have opportunities for organic growth.

The Corporation currently operates three segments: Aviation, Manufacturing and Infrastructure. The Aviation segment consists of the operations by Perimeter Aviation, Keewatin Air, Calm Air International, Bearskin Lake Air Service, Custom Helicopters and Regional One. The Manufacturing segment consists of the operations by Jasper Tank, Overlanders Manufacturing, Water Blast Manufacturing, and Stainless Fabrication. The Infrastructure segment consists of the operation of WesTower Communications (Canada). 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).

About Provincial Aerospace Ltd.

Provincial Aerospace Ltd. is headquartered in St. John's, Newfoundland and operates three distinct businesses: Provincial Aerospace, Provincial Airlines and PAL Aviation Services.

Provincial Aerospace is a global leader in intelligence, surveillance, reconnaissance and maritime patrol aircraft operations and systems and is a vertically integrated aerospace and defence company focused on mission systems design and integration, aircraft modifications, surveillance operations, logistics and in-service support. They have over 35 years of flying maritime surveillance for government, military and industry clientele and currently have several long-term contracts with these customers.

Provincial Airlines is the leading independent airline in Eastern Canada, operating for over 40 years providing scheduled routes, charter and cargo services under both the Provincial Airlines brand and through a partnership with Innu First Nations of Labrador, the Innu Mikun Airlines brand.

PAL Aviation Services has been a leading Fixed Base Operations provider in Atlantic Canada for over 25 years, with locations in Halifax, NS and St. John's, NL, providing first class facilities, aircraft refueling and support services for passengers and crews from government, military, charter aviation, corporate aviation and scheduled airlines.

Caution concerning forward-looking statements

The statements contained in this news 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 Exchange Income 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, the risk of shareholder liability, competitive pressures (including price competition), changes in market activity, the cyclicity 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 Exchange Income Corporation with the securities regulatory authorities, available at www.sedar.com.

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