MATERIAL CHANGE REPORT

PURSUANT TO SECTION 7.1 OF NATIONAL INSTRUMENT 51-102

1. **Name and Address of Company:**

   Exchange Industrial Income Fund (the "Fund")
   1067 Sherwin Road
   Winnipeg, Manitoba R3H 0T8

2. **Date of Material Change:**

   June 1, 2009

3. **News Release:**

   The Fund issued a press release regarding the material change on June 2, 2009, a copy of which is attached hereto.

4. **Summary of Material Change:**

   On June 2, 2009, the Fund announce it has entered into an arrangement agreement with HMY Airways Inc., Ho International Airways Inc. (the sole shareholder of HMY Airways Inc.) and Dr. David T.K. Ho (the sole shareholder of Ho International Airways Inc.) pursuant to which the parties agreed to implement an arrangement under section 192 of the *Canada Business Corporations Act* which will result in, among other things, the Fund converting from an income trust to a corporation.

5. **Full Description Of Material Change:**

   See the press release dated June 2, 2009 attached Schedule "A" hereto.

6. **Reliance on subsection 7.1(2) or (3) of National Instrument 51-102:**

   Not Applicable.

7. **Omitted Information:**

   Not Applicable.

8. **Executive Officer:**

   Michael Pyle, Chief Executive Officer
   Tel: (204) 982-1850

DATED at Winnipeg, Manitoba this 5th day of June, 2009.

Exchange Industrial Income Fund

Per: ______________________________
Michael Pyle, Chief Executive Officer

SCHEDULE "A"

Exchange Industrial Income Fund

EXCHANGE INDUSTRIAL INCOME FUND ANNOUNCES PROPOSED CONVERSION TO A CORPORATION WITH A 13 CENT PER SHARE MONTHLY DIVIDEND AND PRIVATE PLACEMENT OF INVESTMENT UNITS

Winnipeg, Manitoba, June 2, 2009 – Exchange Industrial Income Fund (the "**Fund**") (TSX: EIF.UN) is pleased to announce it has entered into an arrangement agreement (the "**Arrangement Agreement**") with HMY Airways Inc. ("**HMY**"), Ho International Airways Inc. ("**HIA**") (the sole shareholder of HMY) and Dr. David T.K. Ho (the sole shareholder of HIA) pursuant to which the parties agreed to implement an arrangement (the "**Arrangement**") which will result in, among other things, the Fund converting from an income trust to a corporation ("**EIG Corp.**").

The Arrangement will be carried out pursuant to a statutory plan of arrangement (the "**Plan of Arrangement**") under Section 192 of the *Canada Business Corporations Act* ("CBCA") and is subject to the satisfaction or waiver of certain conditions. Under the Arrangement, holders ("**Unitholders**") of Class A trust units ("**Units**") of the Fund will receive one common share (an "**EIG Share**") of EIG Corp. for each Unit held. It is intended that EIG Corp. will pay a monthly dividend in the same amount as the current monthly cash distribution on Units of the Fund, being $0.13 cents per EIG Share per month ($1.56 per EIG Share annualized).

HMY was a private Vancouver-based commercial airline that, between 2002 and 2007, operated flights from Western Canada to various destinations. HIA will continue to be involved with EIG Corp. as a shareholder following the Arrangement and will be represented on EIG Corp's Aviation Sector Board of Advisors.

Rationale and Benefits of the Conversion

On October 31, 2006, the Department of Finance announced the Specified investment Flow-Through ("**SIFT**") rules (the "**SIFT Rules**") which changes the manner in which publicly traded income trusts and their distributions are taxed. The SIFT Rules will become applicable to the Fund in 2011 or earlier, if the Fund exceeds the prescribed "growth guidelines" set forth in the SIFT Rules. The SIFT Rules were recently amended to include provisions which facilitate the tax-deferred conversion of income trusts into a corporation, provided certain conditions are satisfied including that the conversion occur before 2013. Having regard to these legislative changes, as well as the opportunities to advance the Fund's long-term strategic plan, the Fund believes that it is in the best interests to proceed with the Arrangement at this time.

In addition:

1. the Plan of Arrangement provides for an effective and efficient method of converting from an income trust to a corporation consistent with the recent provisions introduced into the SIFT Rules;

2. it is intended that EIG Corp. will pay a monthly dividend in the same amount as the current monthly cash distribution on Units of the Fund, being $0.13 cents per EIG Share per month ($1.56 per EIG Share annualized);

3. the Arrangement is tax deferred for the Fund and Unitholders (other than Unitholders who exercise a dissent right) such that no tax will be payable by the Fund or the Unitholders as a result of the Arrangement;

4. the Fund's conversion to a corporation may result in greater access to capital and eliminates the restrictions on growth imposed by the "growth guidelines" set forth in the SIFT Rules that limit the Fund's ability to consider certain strategic acquisitions;

Exchange Industrial Income Fund

5. the Arrangement and the related transactions will simplify the structure of the Fund and its subsidiaries while maintaining separation of businesses for operational and legal purposes;

6. EIG Corp. will have access to the experience of HMY in the airline industry, which is a significant segment of the business operations of the subsidiaries of the Fund;

7. the diminishing significance of the public business income trust market may diminish the Fund's ability to raise capital in the future;

8. Canadian taxable shareholders of EIG Corp. will receive a dividend tax credit or deduction when they receive dividends compared to the current Unitholders tax treatment of distributions as other income. It is expected that the dividend will be eligible for the enhanced dividend tax credit;

9. the payment of dividends to holders of shares of EIG Corp. is anticipated to provide an attractive return while providing EIG Corp. with greater flexibility to invest a portion of its cash flow in order to pursue acquisition opportunities;

10. EIG Corp. will be managed by the same experienced management team that currently manages the Fund, thereby providing continuity to the management of EIG Corp.;

11. EIG Corp. will have a board of directors comprised of the same individuals (at a minimum) who currently serve as directors of the EIIF Management GP Inc. ("EMGP"), thereby providing substantial continuity to the board of directors and corporate governance of EIG Corp. EIG Corp. is expected to have substantially the same committees of the board and committee membership within such committees; and

12. EIG Corp. will have an estimated aggregate tax shield in excess of $275 million following the Arrangement.

Details of the Conversion

The purpose of the Arrangement is to convert the Fund into a corporation, with a dividend policy similar to the current distribution policy of the Fund. Following the Arrangement, EIG Corp. will own all of the voting and equity securities of the subsidiaries of the Fund which will continue to carry on the businesses carried on by the subsidiaries of the Fund prior to the Arrangement. The board of directors and management of EIG Corp. are expected to be comprised of the same individuals who serve on the board of directors of EMGP and as management of EMGP prior to the completion of the Arrangement.

Pursuant to the Arrangement, HMY will acquire all of the issued and outstanding Units and Unitholders will receive one EIG Share for each Unit held.

In connection with the Arrangement, EIG Corp. will assume all of the covenants and obligations of the Fund in respect of the debentures and warrants of the Fund outstanding at the time of the Arrangement in accordance with the applicable trust indentures and warrant indenture(s). Provided that the Arrangement is completed, holders of debentures and warrants of the Fund will thereafter be entitled to receive that number of common shares of EIG Corp. equal to the number of Units that the holder would have been entitled to receive upon the due conversion or exercise of the debentures or warrants. In addition, following the Arrangement, holders of deferred units of the Fund will be entitled to receive, upon redemption, that number of EIG Shares equal to the number of Units that the holder would have been entitled to receive upon the redemption of deferred units prior to the Arrangement.

The Arrangement is subject to various customary commercial conditions, including the receipt of regulatory approvals which include the approval of the Toronto Stock Exchange. The Arrangement is also subject to the approval of the court (pursuant to the CBCA) and of not less than 66 2/3% of the votes cast at the meeting (the "Meeting") of the Unitholders to be held to consider the Arrangement. The mailing to the Unitholders of an information circular in respect of the Meeting is expected to occur in June, 2009 and, subject to receipt of all necessary approvals, the Arrangement is expected to occur prior to the end of July, 2009.

Fairness Opinion

The board of trustees of the Fund has received a fairness opinion (the "**Fairness Opinion**") that the Arrangement is fair, from a financial point of view, to Unitholders and is on terms that are in no way prejudicial to the interests of the holders of its outstanding convertible debentures and Unit purchase warrants. The Fairness Opinion is subject to the assumptions and limitations contained therein and should be read in its entirety. The full text of the Fairness Opinion will be appended to the management information circular to be provided to Unitholders in connection with the proposed Arrangement.

Private Placement

The Fund also announced that Wellington West Capital Inc. has been retained as agent of the Fund with respect to a private placement of investment units comprised of one Unit and one Unit purchase warrant (a "**New Warrant**") at a price of $9.50 per investment unit, for gross proceeds to the Fund of up to $5 million. Each New Warrant will entitled the holder thereof to acquire one Unit at a price of $10.00 per Unit at any time for a period of two years following the date of issue. The Fund expects to close the private placement within the next few weeks. Upon the completion of the Arrangement, each New Warrant will entitle the holder to receive one EIG Share on the same terms and conditions.

About The Fund

The Fund is a diversified, acquisition-oriented income trust, 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 Fund is to invest in profitable, well-established companies with strong cash flows operating in niche markets in Canada and/or the United States. The Fund is currently operating in two niche business segments: aviation and specialty manufacturing. The aviation segment consists of Perimeter Aviation Ltd., Calm Air International Ltd. and Keewatin Air Limited and the specialty manufacturing segment consists of Jasper Tank Ltd., Overlanders Manufacturing LP, Water Blast Manufacturing LP, Water Blast Manufacturing BC Ltd., Water Blast Manufacturing Ltd. and Stainless Fabrication, Inc.

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 the Fund 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 Fund's financial performance, dilution, restrictions on potential future growth, the risk of Unitholder liability, competitive pressures (including price competition), changes in market activity, the cyclicality 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 Fund with the securities regulatory authorities, available at* www.sedar.com.

The Toronto Stock Exchange has neither approved nor disapproved the contents of this press release.

For more information, please contact:

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