

MATERIAL CHANGE REPORT

PURSUANT TO SECTION 7.1 OF NATIONAL INSTRUMENT 51-102

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

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

2. **Date of Material Change:**

May 16, 2016

3. **News Release:**

The Corporation issued a press release regarding the material change on May 16, 2016, a copy of which is attached hereto.

4. **Summary of Material Change:**

On May 16, 2016, the Corporation announced that it entered into an agreement to sell, on a bought deal basis, \$60,000,000 principal amount of 7 Year 5.25% convertible unsecured subordinated debentures (the "Debentures") to a syndicate of underwriters co-led by National Bank Financial Inc., and Laurentian Bank Securities Inc. (the "Offering"). The Corporation also granted to the underwriters an over-allotment option to purchase an additional \$9,000,000 principal amount of Debentures, representing 15% of the size of the Offering, exercisable in whole or in part at any time for a period of up to 30 days following closing of the Offering to cover over-allotments, if any. The Corporation also announced the redemption of its currently outstanding 7 year 6.25% Series J convertible senior secured debentures effective June 30, 2016.

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

See the press release dated May 16, 2016 attached as 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 C. Pyle, Chief Executive Officer
Tel: (204) 982-1850

DATED at Winnipeg, Manitoba this 17th day of May, 2016.

Exchange Income Corporation

Per: “*Tamara Schock*”
Tamara Schock, Chief Financial Officer

SCHEDULE "A"

NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES.

NEWS RELEASE

Exchange Income Corporation Announces \$60,000,000 Bought Deal Financing of 5.25% Convertible Unsecured Subordinated Debentures

WINNIPEG, Manitoba – May 16, 2016 – Exchange Income Corporation (TSX: EIF) (the "Corporation") announced today that it has reached an agreement with a syndicate of underwriters co-led by National Bank Financial Inc. and Laurentian Bank Securities Inc. and including CIBC World Markets Inc., BMO Capital Markets, RBC Capital Markets Inc., Scotiabank, TD Securities Inc., Raymond James Ltd., AltaCorp Capital Inc., Canaccord Genuity Corp., and Macquarie Capital Markets Canada Ltd. (the "Underwriters"), pursuant to which the Corporation will issue on a "bought deal" basis, subject to regulatory approval, \$60,000,000 aggregate principal amount of convertible unsecured subordinated debentures (the "Debentures") at a price of \$1,000 per principal amount of Debentures (the "Offering"). The Corporation has granted to the Underwriters an over-allotment option to purchase up to an additional \$9,000,000 aggregate principal amount of Debentures at the same price, exercisable in whole or in part at any time for a period of up to 30 days following closing of the Offering, to cover over-allotments. The Corporation intends to use the net proceeds from the Offering to reduce indebtedness and for general corporate purposes. The Debentures will bear interest from the date of closing at 5.25% per annum, payable semiannually in arrears on June 30 and December 31 each year commencing December 31, 2016. The Debentures will each have a maturity date of June 30, 2023 (the "Maturity Date").

The Debentures will be convertible at the holder's option at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Corporation for redemption of the Debentures into common shares of the Corporation ("Common Shares") at a conversion price of approximately \$44.75 per Common Share, being a conversion rate of 22.3464 Common Shares for each \$1,000 principal amount of Debentures, subject to adjustment as provided in the indenture governing the Debentures.

The Corporation also announced that it will issue a notice of redemption to the holders of its currently outstanding 7 year 6.25% Series J convertible senior secured debentures maturing on May 31, 2018 (the "Series J Debentures"). The Corporation has the right to redeem the Series J Debentures at any time on and after May 31, 2016, and subject to all necessary approvals, will redeem all issued and outstanding Series J Debentures on June 30, 2016 (the "Redemption Date"). Holders of the Debentures have the option to convert the Debentures into Common Shares prior to the Redemption Date. The Series J Debentures are redeemable at a redemption price equal to their principal amount, plus accrued and unpaid interest thereon up to, but excluding, the Redemption Date. As of the close of business on May 13, 2016, there was approximately \$57.5 million principal amount of Series J Debentures issued and outstanding.

The Corporation intends to use the net proceeds of the Offering to initially repay indebtedness under its credit facility which will then be available to be drawn, as required, to fund the redemption of the Series J Debentures and for general corporate purposes. The redemption of the Series J Debentures is not conditional upon the completion of the Offering.

Closing of the Offering is expected to occur on or about June 7, 2016. The Offering is subject to normal regulatory approvals, including approval of the Toronto Stock Exchange of the listing of the Debentures and the Common Shares to be issued upon conversion of the Debentures. The Debentures will be offered in each of the provinces of Canada other than the province of Quebec by way of a short form prospectus, and by way of private placement in the United States to Qualified Institutional Buyers pursuant to Rule 144A.

About Exchange Income Corporation

Exchange Income Corporation is a diversified acquisition-oriented company, focused in two sectors: aviation services and equipment, and manufacturing. 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 two segments: Aviation and Manufacturing. The Aviation segment consists of the operations by Perimeter Aviation, Keewatin Air, Calm Air International, Bearskin Lake Air Service, Custom Helicopters, Regional One and Provincial Aerospace. The Manufacturing segment consists of the operations by Jasper Tank, Overlanders, Water Blast, Stainless Fabrication, WesTower Communications in Canada and Ben Machine. 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).

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 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 Exchange Income Corporation with the securities regulatory authorities, available at www.sedar.com.

For further information, please contact:

Mike Pyle
President and CEO
Exchange Income Corporation
Phone: (204) 612-2660
mpyle@eig.ca

Joe Racanelli
Investor Relations
NATIONAL Equicom
Phone: (416) 586 193
[jrakanelli@equicomgroup.com](mailto:jracanelli@equicomgroup.com)