

PREMIUM INCOME CORPORATION

PREMIUM INCOME CORPORATION ANNOUNCES EXCHANGE RATIOS

Toronto, Ontario, October 30, 2014 – (TSX: PIC.A; PIC.PR.A) – Premium Income Corporation (the “Fund”) is pleased to announce the exchange ratios for the Fund’s exchange option with respect to its follow-on offering. Under the exchange option, investors could purchase Units of the Fund, consisting of one Class A share and one Preferred share by way of an exchange of freely tradable shares of the five banks included in the Fund’s portfolio and of shares of the National Bank of Canada (the “Exchange Eligible Issuers”). For any purchase by way of exchange in excess of \$1 million purchasers may elect to defer any accrued gains by completing a joint election with the Fund to achieve a tax-deferred rollover.

Under the exchange option, the number of Units issuable in exchange for shares of any Exchange Eligible Issuer was determined by dividing the adjusted weighted average trading price of the respective Exchange Eligible Issuer on the TSX for the three consecutive trading days ended October 28, 2014 by the Unit Offering price of \$24.52 (consisting of one Class A Share at a price of \$8.92 and one Preferred Share at a price of \$15.60). Fractional Units will not be issued. The following table outlines the adjusted weighted average trading price and the exchange ratio for each respective Exchange Eligible Issuer. The Exchange Ratio indicates the number of Units of the Fund to be received for each share of an Exchange Eligible Issuer.

Exchange Eligible Issuer	TSX Ticker Symbol	Adjusted Weighted Average Trading Price	Exchange Ratio
Bank of Montreal	BMO	\$81.04	3.3051
The Bank of Nova Scotia	BNS	\$68.15	2.7794
Canadian Imperial Bank of Commerce	CM	\$101.48	4.1387
National Bank of Canada	NA	\$52.59	2.1448
Royal Bank of Canada	RY	\$79.19	3.2296
The Toronto-Dominion Bank	TD	\$54.47	2.2215

The Fund invests in a portfolio consisting principally of common shares of Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada and The Toronto-Dominion Bank (the “Banks”). To generate additional returns above the dividend income earned on the Fund’s portfolio, the Fund will selectively write covered call options in respect of some or all of the common shares in the Fund’s portfolio. The Fund may also, from time to time, write cash-covered put options in respect of securities in which the Fund is permitted to invest. The manager and investment manager of the Fund is Strathbridge Asset Management Inc.

The Fund intends to file a final prospectus tomorrow morning (October 31, 2014) in each of the Provinces of Canada in connection with the offering. The offering is expected to close on or about November 10, 2014 and is subject to customary closing conditions including approvals of applicable securities regulatory authorities and the TSX.

The Preferred shares pay fixed cumulative preferential quarterly cash distributions in the amount of \$0.215625 (\$0.8625 per annum) per Preferred share representing a yield of 5.75% on the original issue price of \$15.00. The Class A shares currently pay quarterly distributions in the amount \$0.20319 (\$0.81276 per annum) per Class A share.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

The securities offered have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or any applicable exemption from the registration requirements. This news release does not constitute an offer to sell or the solicitation of an offer to buy securities nor will there be any sale of such securities in any state in which such offer, solicitation or sale would be unlawful.

The syndicate of agents for the offering is being led by Scotiabank and RBC Capital Markets and includes BMO Capital Markets, CIBC, National Bank Financial Inc., TD Securities Inc., Raymond James Ltd., Canaccord Genuity Corp., Desjardins Securities Inc., Dundee Securities Ltd. and Mackie Research Capital Corporation.

For further information, please contact Investor Relations at 416.681.3966, toll free at 1.800.725.7172, email at info@strathbridge.com or visit www.strathbridge.com

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