

PREMIUM INCOME CORPORATION

Announces Proposal to Extend Redemption Date

Toronto, Ontario, August 20, 2010 – (TSX: PIC.A; PIC.PR.A) – Premium Income Corporation (the “Fund”) is pleased to announce that its Board of Directors has approved a proposal to extend the term of the Fund for an additional seven years.

The final redemption date for the Class A Shares and Preferred Shares of the Fund is currently November 1, 2010 and the Fund proposes to implement a reorganization (“Reorganization”) that will allow shareholders to retain their investment in the Fund until at least November 1, 2017.

In connection with the Reorganization, holders of Class A Shares will continue to receive ongoing leveraged exposure to a high-quality 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, as well as attractive quarterly cash distributions. Currently, the Fund is paying quarterly distributions at a rate of \$0.60 per year. The Fund intends to continue to pay distributions at this rate until the net asset value (“NAV”) per Unit (a “Unit” being considered to consist of one Class A Share and one Preferred Share) reaches \$22.50. At such time, quarterly distributions paid by the Fund will vary and will be calculated as approximately 8.0% per annum of the NAV of a Class A Share. If the Reorganization is approved and implemented, holders of Preferred Shares are expected to continue to benefit from fixed cumulative preferential quarterly cash dividends in the amount of \$0.215625 per Preferred Share (\$0.8625 per year) representing a yield of 5.75% per annum on the original issue price of \$15.00.

As part of the Reorganization, the Fund is also proposing other changes including changing its authorized share capital by adding new classes of shares issuable in series, changing the monthly retraction prices for the Class A Shares and the Preferred Shares so that they are calculated by reference to market price in addition to NAV and changing the dates by which notice of monthly retractions needs to be provided and by which the retraction amount will be paid. The Fund will also allow for the calculation of a diluted NAV in the event the Fund should ever issue warrants or rights to acquire additional Class A Shares or Preferred Shares.

The Fund believes that the Reorganization will allow shareholders to maintain their investment in the Fund on a basis that will better enable it to meet its investment objectives for both classes of shares.

If the Reorganization is approved and implemented, shareholders will be given a special retraction right to retract their Class A Shares or Preferred Shares at NAV on November 1, 2010. The redemption date of the shares will automatically be extended for successive seven-year terms after November 1, 2017, the Board of Directors will be authorized to set the dividend rate on the Preferred Shares for any such extension of term and shareholders will be able to retract their Class A Shares or Preferred Shares at NAV prior to any such extension.

A special meeting of holders of Class A Shares and Preferred Shares has been called and will be held on September 29, 2010 to consider and vote upon the proposal. Further details of the proposal will be outlined in an information circular to be prepared and delivered to holders of

Class A Shares and Preferred Shares in connection with the special meeting. The Reorganization is also subject to all required regulatory approvals.

For further information, please contact Investor Relations at 416.681.3966, toll free at 1.800.725.7172 or visit www.mulvihill.com.

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A member of the Mulvihill Capital Management Inc.
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