



**K-BRO LINEN INCOME FUND**

**NOTICE OF ANNUAL MEETING  
OF UNITHOLDERS AND  
MANAGEMENT INFORMATION CIRCULAR**

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**ANNUAL MEETING OF UNITHOLDERS**

**TO BE HELD ON JUNE 12, 2008**

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**May 6, 2008**

These materials require your immediate attention. Should you not understand the contents of this document, please consult your professional advisors.

**K-BRO LINEN INCOME FUND**  
**ANNUAL MEETING OF UNITHOLDERS**

**THIS BOOKLET EXPLAINS:**

- details of the matters to be voted upon at the annual meeting of unitholders of K-Bro Linen Income Fund (the “Fund”); and
- how to exercise your vote even if you are unable to attend the meeting.

**THIS BOOKLET CONTAINS:**

- the notice of annual meeting of unitholders;
- a management information circular; and
- a form of proxy (printed on yellow paper) that you may use to vote your units without attending the meeting.

At this meeting, management will report on the Fund’s performance for the year ended December 31, 2007, and the Fund’s plans for the coming year. The meeting will also deal with matters of governance, including the election of trustees and the appointment of auditors.

**REGISTERED UNITHOLDERS**

**PLEASE NOTE:** A form of proxy is enclosed with this booklet. This form of proxy may be used to vote your units if you are unable to attend the meeting in person. Instructions on how to vote using this form of proxy are found on page 2 of the management information circular.

**NON-REGISTERED BENEFICIAL UNITHOLDERS**

**PLEASE NOTE:** If your units are held on your behalf, or for your account, by a broker, securities dealer, bank, trust company or similar entity, you must follow the instructions provided by such entity in order to vote your units. Instructions on how to vote your units are found on page 1 of the management information circular.

## K-BRO LINEN INCOME FUND

### NOTICE OF ANNUAL MEETING OF UNITHOLDERS

**NOTICE IS HEREBY GIVEN** that the annual meeting (the “**Meeting**”) of unitholders (the “**Unitholders**”) of K-Bro Linen Income Fund (the “**Fund**”) will be held at the Sheraton Centre Hotel, Peel Room, 123 Queen Street West, Toronto, Ontario on Thursday, the 12th day of June, 2008 at 2:00 p.m. (Toronto time) for the following purposes:

1. **TO ELECT** trustees for the ensuing year;
2. **TO APPOINT** auditors of the Fund and authorize the trustees to fix their remuneration;
3. **TO RECEIVE** the financial statements of the Fund for the year ended December 31, 2007, together with the report of the auditors thereon; and
4. **TO TRANSACT** such other business as may properly come before the Meeting or any postponement or adjournment thereof.

As a Unitholder, you are entitled to attend the Meeting and to cast one vote for each unit of the Fund that you own. If you are a registered Unitholder and are unable to attend the Meeting, you will still be able to vote on the items of business set out above by completing a form of proxy (printed on yellow paper), included with this management information circular. **To be valid, registered Unitholders must submit the form of proxy not later than 2:00 p.m. (Toronto time) on June 10, 2008 or, if the Meeting is adjourned or postponed, not later than 48 hours (excluding Saturdays, Sundays and statutory holidays) preceding the time for any reconvened meeting, by delivering it to the Proxy Department, Valiant Trust Company, Suite 310, 606-4<sup>th</sup> Street S.W., Calgary, Alberta T2P 1T1 or by fax to the attention of Proxy Department, Valiant Trust Company at (403) 233-2857.**

If you are a non-registered beneficial Unitholder, you must follow the instructions provided by your broker securities dealer, bank, trust company or similar entity in order to vote your units.

The accompanying management information circular provides additional information relating to the matters to be dealt with at the Meeting and forms part of this notice.

**DATED** at Edmonton, Alberta this 6th day of May, 2008.

**BY ORDER OF THE BOARD OF TRUSTEES**

*“Ross Smith”*

Chair of the Board of Trustees  
K-Bro Linen Income Fund

## INDEX

	<u>Page</u>
<b>VOTING PROXY SOLICITATION AND VOTING</b> .....	<b>1</b>
TRUST UNITS AND SPECIAL TRUST UNITS .....	1
REGISTERED UNITHOLDERS .....	1
NON-REGISTERED UNITHOLDERS.....	1
SOLICITATION OF PROXIES .....	2
APPOINTMENT AND REVOCATION OF PROXIES .....	2
VOTING OF PROXIES .....	2
<b>QUORUM</b> .....	<b>3</b>
<b>VOTING UNITS AND PRINCIPAL HOLDERS THEREOF</b> .....	<b>3</b>
<b>MATTERS TO BE CONSIDERED AT THE MEETING</b> .....	<b>3</b>
ELECTION OF TRUSTEES .....	3
APPOINTMENT OF AUDITORS.....	4
FINANCIAL STATEMENTS.....	4
<b>EXECUTIVE COMPENSATION</b> .....	<b>5</b>
COMPENSATION OF EXECUTIVE OFFICERS OF K-BRO LINEN SYSTEMS INC.....	5
LONG-TERM INCENTIVE PLAN.....	5
EMPLOYMENT CONTRACTS .....	7
<b>EXECUTIVE COMPENSATION REPORT</b> .....	<b>7</b>
COMPOSITION OF THE COMPENSATION, NOMINATING AND CORPORATE GOVERNANCE COMMITTEE .....	7
REPORT ON EXECUTIVE COMPENSATION BY THE COMPENSATION, NOMINATING AND CORPORATE GOVERNANCE COMMITTEE.....	7
<b>FUND PERFORMANCE GRAPH</b> .....	<b>8</b>
<b>COMPENSATION OF TRUSTEES AND DIRECTORS</b> .....	<b>9</b>
<b>DIRECTORS' AND OFFICERS' INSURANCE</b> .....	<b>9</b>
<b>INDEBTEDNESS OF TRUSTEES, DIRECTORS AND OFFICERS</b> .....	<b>9</b>
<b>INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS</b> .....	<b>9</b>
<b>STATEMENT OF GOVERNANCE PRACTICES</b> .....	<b>10</b>
COMPOSITION OF THE BOARD OF TRUSTEES.....	10
BOARD CHAIR .....	10
BOARD MANDATE .....	11
POSITION DESCRIPTIONS .....	11
ORIENTATION AND CONTINUING EDUCATION .....	11
CODE OF BUSINESS CONDUCT AND ETHICS .....	11
NOMINATION OF TRUSTEES AND DETERMINATION OF COMPENSATION.....	12
AUDIT COMMITTEE .....	13
DISCLOSURE COMMITTEE.....	13
ASSESSMENTS .....	14
UNITHOLDER FEEDBACK .....	14
<b>OTHER BUSINESS</b> .....	<b>14</b>
<b>ADDITIONAL INFORMATION</b> .....	<b>14</b>
<b>APPROVAL OF TRUSTEES</b> .....	<b>14</b>

## K-BRO LINEN INCOME FUND

### MANAGEMENT INFORMATION CIRCULAR

Dated as of May 6, 2008

This management information circular (the “**Information Circular**”) is furnished in connection with the solicitation by the trustees (the “**Trustees**” or the “**Board of Trustees**”) of K-Bro Linen Income Fund (the “**Fund**”) of proxies to be used at the annual meeting (the “**Meeting**”) of unitholders (the “**Unitholders**”) of the Fund to be held at the Sheraton Centre Hotel, Peel Room, 123 Queen Street West, Toronto, Ontario on Thursday, the 12th day of June, 2008 commencing at 2:00 p.m. (Toronto time) and at all postponements or adjournments thereof, for the purposes set forth in the accompanying notice of meeting (the “**Notice of Meeting**”).

Enclosed with this Information Circular and the attached Notice of Meeting is a form of proxy (printed on yellow paper) (a “**Form of Proxy**”) for use in connection with the Meeting.

### VOTING PROXY SOLICITATION AND VOTING

#### Trust Units and Special Trust Units

The Fund has outstanding two classes of units that entitle holders to vote at meetings of Unitholders: trust units (“**Trust Units**”) and special trust units (“**Special Trust Units**” and collectively with Trust Units, “**Units**”). The Special Trust Units were issued to holders of exchangeable shares (collectively, the “**Exchangeable Shares**”) issued by K-Bro Linen Systems Inc. (“**K-Bro**”), a subsidiary of the Fund, in connection with the acquisition of K-Bro by the Fund. The Special Trust Units were issued for the sole purpose of providing voting rights at the Fund level to the holders of the Exchangeable Shares. The Trust Units and the Special Trust Units vote together as a single class on all matters. Each Trust Unit and Special Trust Unit outstanding on the Record Date (as defined below) is entitled to one vote.

#### Registered Unitholders

A registered Unitholder (a “**Registered Unitholder**”) is a Unitholder who holds Units in his, her or its own name (that is, not in the name of, or through, an intermediary such as a securities broker, dealer, bank, or trust company (an “**Intermediary**”). A Registered Unitholder may attend the Meeting and is entitled to cast one vote for each Unit registered in the name of such Registered Unitholder on any and all resolutions put before the Meeting. If such Registered Unitholder does not wish to vote for any matter proposed at the Meeting, he, she or it may withhold their vote from, or vote their Units against, as applicable, any resolution at the Meeting.

A Registered Unitholder who is unable to attend the Meeting, or does not wish to personally cast his, her or its votes, may authorize another person at the Meeting to vote on his, her or its behalf. This is called voting by proxy. See “Appointment and Revocation of Proxies” below for information concerning the process for voting by proxy.

#### Non-Registered Unitholders

**Information set forth in this section is very important to persons who hold Units otherwise than in their own names.** A non-registered Unitholder (a “**Beneficial Holder**”) is a Unitholder who holds his, her or its Units through an Intermediary. Such Intermediary is the registered holder of the Beneficial Holder’s Units and is the entity legally entitled to vote these Units at the Meeting. Units that are listed in an account statement provided to a Unitholder by a broker are probably not registered in the Unitholder’s own name on the records of the Fund; such Units are more likely registered in the name of the Unitholder’s broker or an agent of the broker. Only proxies deposited by Registered Unitholders can be recognized and acted upon at the Meeting.

In order for a Beneficial Holder to vote his, her or its Units at the Meeting, they must carefully follow the procedures and instructions received from the Intermediary. Applicable regulatory policy in Canada requires Intermediaries to seek voting instructions from Beneficial Holders in advance of Unitholders’ meetings. Instead of completing the Form of Proxy provided to Registered Unitholders, Beneficial Holders will be asked to complete and deliver a different form to their respective Intermediaries. This form will instruct the Intermediary how to vote on behalf of the Beneficial Holder.

Most brokers now delegate responsibility for obtaining instructions from Beneficial Holders to ADP Investor Communications (“ADP”). ADP typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Holders and asks Beneficial Holders to return the forms to ADP. ADP then tabulates the results of all instructions received and provides appropriate instructions representing the voting of Units to be represented at the Meeting. A Beneficial Holder receiving an ADP voting instruction form cannot use that voting instruction form to vote Units directly at the Meeting. The voting instruction form must be returned to ADP well in advance of the Meeting in order to have the Units voted.

Although Beneficial Holders may not be recognized directly at the Meeting for the purposes of voting Units registered in the name of an Intermediary, a Beneficial Holder may attend at the Meeting as proxyholder for the registered holder (i.e., the Intermediary) and vote their Units in that capacity. Beneficial Holders who wish to attend the Meeting and indirectly vote their own Units as proxyholder for the registered holder should enter their own names in the blank space on the voting instruction form provided to them and return the same to their Intermediary in accordance with the instructions provided by such Intermediary well in advance of the Meeting.

### **Solicitation of Proxies**

The solicitation of proxies for the Meeting will be made on behalf of the Fund primarily by mail, but proxies may also be solicited personally or by telephone. The cost of the solicitation will be borne by the Fund. The information contained herein is given as at May 6, 2008, except where otherwise noted.

### **Appointment and Revocation of Proxies**

The Form of Proxy enclosed with this Information Circular is a form of proxy that Registered Unitholders may use to authorize another person to vote on their behalf at the Meeting. The persons named in the Form of Proxy are Trustees and/or officers of K-Bro. **A Unitholder who wishes to appoint some other person to represent him, her or it at the Meeting may do so by crossing out the names of Trustees and/or officers of K-Bro pre-printed on the enclosed Form of Proxy and inserting such other person’s name in the blank space provided in the Form of Proxy. Such other person need not be a Unitholder of the Fund.**

To be valid, proxies must be delivered to the Proxy Department, Valiant Trust Company, Suite 310, 606-4<sup>th</sup> Street S.W., Calgary, Alberta T2P 1T1 or by fax to the attention of Proxy Department, Valiant Trust Company at (403) 233-2857, at any time up to and including 2:00 p.m. (Toronto time) on June 10, 2008. If the Meeting is adjourned or postponed, proxies must be deposited not later than 48 hours (excluding Saturdays, Sundays and statutory holidays) preceding the time of any reconvened meeting at which the proxy is to be used.

A Unitholder who has given a proxy may revoke the proxy: (a) by completing and signing another Form of Proxy bearing a later date and depositing it as aforesaid; (b) by depositing an instrument in writing executed by the Unitholder or by his or her attorney authorized in writing or, if the Unitholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, at Proxy Department, Valiant Trust Company, Suite 310, 606-4<sup>th</sup> Street S.W., Calgary, Alberta T2P 1T1 or by fax to the attention of Proxy Department, Valiant Trust Company at (403) 233-2857 at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used; or (c) in any other manner permitted by law.

### **Voting of Proxies**

The persons named in the accompanying Form of Proxy will vote Units in respect of which they are appointed, on any ballot that may be called for, in accordance with the instructions of the Unitholder as indicated on the proxy. **In the absence of such specification, such Units will be voted (a) FOR the election of the five nominees to the Board of Trustees listed under the heading “Matters to be Considered at the Meeting – Election of Trustees”, and (b) FOR the appointment of PricewaterhouseCoopers LLP as auditors of the Fund and the authorization of the Board of Trustees to fix the auditors’ remuneration.**

The persons appointed under the Form of Proxy are conferred with discretionary authority with respect to amendments to or variations of matters identified in the Form of Proxy and Notice of Meeting and with respect to other matters that may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting, it is the intention of the persons designated in the enclosed Form of Proxy to vote in accordance with their best judgment on such matter or business.

At the time of printing this Information Circular, the Trustees knew of no such amendments, variations or other matter.

## QUORUM

For the Meeting, two or more persons present in person or by proxy and representing in the aggregate at least 10% of the votes attached to all outstanding Units will constitute a quorum. If a quorum is not present within one-half hour after the time fixed for the holding of the Meeting, the Meeting will stand adjourned to a day not less than 14 days later and to a place and time as chosen by the Chair of the Meeting, and if at such adjourned meeting a quorum is not present, the holders of Units present either in person or by proxy shall be deemed to constitute a quorum.

## VOTING UNITS AND PRINCIPAL HOLDERS THEREOF

The Fund is authorized to issue an unlimited number of Trust Units and Special Trust Units. As of the date of this Information Circular, there were 6,932,562 Trust Units and 72,411 Special Trust Units outstanding.

At the Meeting, each Unitholder of record at the close of business on April 30, 2008, the record date established for the notice of the Meeting (the “**Record Date**”), will be entitled to one vote for each Unit held on all matters proposed to come before the Meeting, even though they may have since that date disposed of their Units, and, except as otherwise determined from time to time by Trustees, no Unitholder becoming such after the Record Date will be entitled to receive notice of and vote at such Meeting or any adjournment thereof or to receive such distribution or to be treated as a Unitholder of record for purposes of such other action.

To the knowledge of the Trustees and directors and officers of K-Bro, only Sentry Select Capital Corp. and Fiera YMG Capital Inc. own directly or indirectly more than 10% of the outstanding Units. This statement is based on a report filed January 10, 2008 on SEDAR in which Sentry Select Capital Corp. disclosed that an aggregate of 1,020,723 Trust Units were under its control at December 31, 2007, representing approximately 14.72% of the Trust Units now outstanding and Fiera YMG Capital Inc. disclosed that an aggregate of 836,000 Trust Units were under its control at the end of August 2007, representing approximately 12.06% of the Trust Units now outstanding.

## MATTERS TO BE CONSIDERED AT THE MEETING

### Election of Trustees

The Fund is required to have a minimum of three and a maximum of seven Trustees. The names of the current Trustees are set out below. The number of Trustees is determined from time to time by the resolution of the Trustees. The number of Trustees to be elected at the Meeting has been fixed at five. The present term of office of each Trustee will expire immediately prior to the election of Trustees at the Meeting.

**The persons named in the enclosed Form of Proxy, if not expressly directed to the contrary in such Form of Proxy, intend to vote FOR the election, as Trustees, of the proposed nominees whose names are set out below. It is not contemplated that any of the proposed nominees will be unable to serve as a Trustee but, if that should occur for any reason prior to the Meeting, the persons named in the enclosed Form of Proxy reserve the right to vote for another nominee at their discretion. Each Trustee elected will hold office until the next annual meeting or until his or her successor is elected or appointed.**

The following table sets forth the names of, and certain information relating to, the persons proposed to be nominated for election as Trustees. Biographies for each Trustee, including a summary of each Trustee’s principal occupation and employment within the five preceding years, and their province or state and country of residence are set out at pages 32 and 33 of the Fund’s annual information form (“**AIF**”) dated March 31, 2008 and such information is incorporated by reference herein. The AIF can be found under the Fund’s profile on SEDAR at [www.sedar.com](http://www.sedar.com). Upon request, the Fund will promptly provide a copy of the AIF free of charge to a Unitholder.

Name & Municipality of Residence	Principal Occupation	Date Appointed as a Trustee	Ownership or Control Over Trust Units and Exchangeable Shares <sup>(1)</sup>
Ross Smith <sup>(2)(3)</sup> Vancouver, British Columbia	Corporate Director	December 10, 2004	2,790
Matthew Hills <sup>(2)</sup> Boston, Massachusetts	LLM Capital Partners	December 10, 2004	5,000
Steven Matyas <sup>(2)(3)</sup> Toronto, Ontario	President, STAPLES Business Depot	December 10, 2004	16,000
Linda McCurdy Toronto, Ontario	President & Chief Executive Officer, K-Bro Linen Systems Inc.	December 10, 2004	43,060
Dr. Michael Percy <sup>(2)(3)</sup> Edmonton, Alberta	Dean, School of Business, University of Alberta	May 3, 2007	-

Notes:

- (1) The information as to Trust Units and Exchangeable Shares beneficially owned, directly or indirectly, controlled or directed by each proposed Trustee has been furnished by the respective nominees.
- (2) Member of the Compensation, Nominating and Corporate Governance Committee of the Board of Trustees.
- (3) Member of the Audit Committee of the Board of Trustees.

To the knowledge of the Trustees, no proposed Trustee (or proposed Trustee's associates or affiliates) beneficially owns, directly or indirectly, or controls or directs, securities carrying 10% or more of the voting rights attached to all voting securities of the Fund or any of its subsidiaries.

### Appointment of Auditors

It is proposed that PricewaterhouseCoopers LLP, Chartered Accountants, be appointed as auditors of the Fund, to hold office until the next annual meeting of Unitholders or until their successor is appointed and that the Trustees be authorized to fix their remuneration.

**The persons named in the enclosed Form of Proxy, if not expressly directed to the contrary in such Form of Proxy, will vote such proxies FOR the appointment of PricewaterhouseCoopers LLP as auditors of the Fund and authorize the Trustees to fix their remuneration.**

### Financial Statements

The annual report, the financial statements of the Fund for the year ended December 31, 2007 and the auditors' report thereon accompanying this Information Circular will be placed before the Unitholders at the Meeting. No formal action will be taken at the Meeting to approve the financial statements. If any Unitholder has questions regarding such financial statements, such questions may be brought forward at the Meeting.



## EXECUTIVE COMPENSATION

### Compensation of Executive Officers of K-Bro Linen Systems Inc.

Under applicable securities legislation, the Fund is required to disclose certain financial and other information relating to the compensation of its Chief Executive Officer, Chief Financial Officer and the Fund's three most highly compensated executive officers (other than the Chief Executive Officer and Chief Financial Officer). The Fund, however, does not carry on a business; its sole purpose is to hold the securities of K-Bro. The executive officers of K-Bro are responsible for the management of the Fund. The table below provides a summary of salary and other annual compensation earned by the Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers of K-Bro (the "Named Executive Officers") for the fiscal periods ended December 31, 2007, 2006, and 2005.

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards
		Salary (\$)	Bonus <sup>(2)</sup> (\$)	LTIP Payouts (\$) <sup>(3)</sup>
Linda McCurdy President and Chief Executive Officer	2007	295,000	--	126,425
	2006	260,166	131,000	123,188
	2005 <sup>(1)</sup>	214,667	94,978	188,136
Douglas Thomson Vice President and Chief Financial Officer	2007	210,000	--	38,715
	2006	177,500	25,000	24,198
	2005 <sup>(1)</sup>	101,500	--	26,130
Sean Curtis Sr. Vice President and General Manager, Edmonton	2007	168,000	--	72,693
	2006	158,333	48,000	73,326
	2005 <sup>(1)</sup>	142,250	46,500	125,424
Jerry Ostrzyzek Vice President and General Manager, Toronto	2007	133,350	--	19,753
	2006	127,000	38,100	18,332
	2005 <sup>(1)</sup>	113,000	38,007	26,130
Ron Graham General Manager, Vancouver	2007	139,000	--	19,753
	2006	132,000	49,600	18,332
	2005 <sup>(1)</sup>	117,667	48,400	26,130

Notes:

- (1) The salary and bonus amounts for 2005 are in respect of the period from February 3, 2005, the date of the Fund's initial public offering, to December 31, 2005, except for Mr. Thomson, whose salary and bonus amounts are reported from his commencement of employment on June 1, 2005. On an annualized basis, the salaries for Ms. McCurdy and Messrs. Thomson, Curtis, Ostrzyzek and Graham for 2005 would have been \$230,000, \$174,000, \$155,000, \$123,000 and \$128,000, respectively.
- (2) Bonus amounts are those awarded for the year noted but paid in the subsequent year. Bonus amounts for the 2007 year have not yet been awarded.
- (3) LTIP (as defined below) payouts are awarded for the year noted but are paid in the subsequent year. See "Long Term Incentive Plan" below.

### Long-Term Incentive Plan

The officers and key employees of K-Bro are eligible to participate in K-Bro's long-term incentive plan ("LTIP"). The purpose of the LTIP is to provide eligible participants with compensation opportunities that will enhance K-Bro's ability to attract, retain and motivate key personnel and reward officers and key employees for significant performance that results in the Fund exceeding its distributable cash per Trust Unit targets. Pursuant to the LTIP, K-Bro will set aside a pool of funds based upon the amount, if any, by which the Fund's per Trust Unit distributable cash (as measured on a fully-diluted basis, assuming the exchange of all Exchangeable Shares for Trust Units) exceeds certain defined per Trust Unit distributable cash targets for the fiscal year of the Fund (the "Performance Period"). The LTIP trustee will then purchase Trust Units in the open market with this pool of funds and will hold such Trust Units until such time as ownership vests to each participant. One-quarter of these Trust Units will vest thirty days following the date that the Trustees of the Fund approve the audited financial statements of the Fund (the "Determination Date"). The remaining three-quarters will vest on the second anniversary of the Determination

Date. If a change of control occurs, all unvested Trust Units will vest immediately. LTIP participants will be entitled to receive distributions on all Trust Units held for their account prior to the applicable vesting date. In most circumstances, unvested Trust Units held by the LTIP trustee for an LTIP participant will be forfeited if the participant resigns or is terminated for cause prior to the applicable vesting date, and those Trust Units will be sold and the proceeds returned to K-Bro. The LTIP is administered by the Compensation, Nominating and Corporate Governance Committee of the board of directors of K-Bro (“**K-Bro CNGC**”).

The K-Bro CNGC has the authority to, among other things: (i) determine those individuals who will participate in the LTIP; (ii) determine the level of participation of each participant; and (iii) the time or times when ownership of the Trust Units will vest for each participant.

For 2007, the LTIP provides for awards that may be earned based on the amount by which distributable cash exceeds a base distributable amount of \$1.10 per Trust Unit per annum. The percentage amount of that excess that forms the LTIP incentive pool will be determined in accordance with the table below:

<b>Percentage by which Distributable Cash per Trust Unit Exceeds Base Threshold</b>	<b>Maximum Value of Proportion of Excess Distributable Cash Available for LTIP Payments</b>
5% or less .....	10%
over 5% to 10% .....	15% of any excess over 5% to 10%
greater than 10% .....	20% of any excess over 10%

The base distributable amount will be subject to adjustment by the K-Bro CNGC from time to time.

LTIP grants made in the most recently completed fiscal year to the Named Executive Officers are set out in the following table:

Name	Securities, Units or Other Rights #	Performance or Other Period Until Maturation or Payout <sup>(1)</sup>
Linda McCurdy	9,901 Trust Units	2 years
Douglas Thomson	3,032 Trust Units	2 years
Sean Curtis	5,693 Trust Units	2 years
Jerry Ostrzyzek	1,547 Trust Units	2 years
Ron Graham	1,547 Trust Units	2 years

Notes:

- (1) The LTIP awards vest as previously described in this Section.

## **Employment Contracts**

Ms. McCurdy and Messrs. Curtis and Ostrzyzek entered into employment agreements with K-Bro effective on February 3, 2005. Each of these employment agreements is for an indefinite term and provides that the executive will be entitled to a compensation package including an annual base salary, incentives and benefits. Subject to certain restrictions, Ms. McCurdy and Messrs. Curtis and Ostrzyzek are also eligible to participate in the LTIP. Each of the employment agreements provides for a severance payment equal to 12 months' of the relevant executive's annual base salary if his or her employment is terminated by K-Bro without cause prior to the end of its term. Additionally, Ms. McCurdy and Messrs. Curtis and Ostrzyzek are bound by certain restrictive covenants in favour of K-Bro, including a covenant not to compete with K-Bro for a period of 12 months in any province or state where K-Bro conducts its business or has bona fide plans to commence business or is considering plans to commence business.

There are no employment agreements with the Named Executive Officers other than those described above.

## **EXECUTIVE COMPENSATION REPORT**

### **Composition of the Compensation, Nominating and Corporate Governance Committee**

The Compensation, Nominating and Corporate Governance Committee of the Board of Trustees has the responsibility to review and make recommendations to the Trustees concerning the compensation of the executive officers of K-Bro, including the Chief Executive Officer, within, where applicable, the constraints of the employment agreements described under "Executive Compensation – Employment Contracts." The Compensation, Nominating and Corporate Governance Committee is comprised of four members: Messrs. Hills (Chair), Matyas, Percy and Smith. No member of the Compensation, Nominating and Corporate Governance Committee is an officer, employee or former executive officer or employee of K-Bro or any of its affiliates since March 30, 2004.

### **Report on Executive Compensation by the Compensation, Nominating and Corporate Governance Committee**

K-Bro's compensation policy with respect to executive officers is designed to provide both short- and long-term rewards that are consistent with individual and Fund performance. The Compensation, Nominating and Corporate Governance Committee's goal is to provide sufficient compensation opportunities for executive officers in order to attract, retain and motivate the best possible management team. Compensation for executive officers, including the Chief Executive Officer and Chief Financial Officer, consists of:

- (i) a base salary;
- (ii) annual and/or special bonus incentives; and
- (iii) long-term compensation in the form of participation in the LTIP.

As set out under "Executive Compensation - Employment Agreements" above, the Chief Executive Officer of K-Bro has a written employment agreement. The Board of K-Bro approved this agreement in connection with the initial public offering of the Fund on February 3, 2005.

The Compensation, Nominating and Corporate Governance Committee determines each executive officer's base salary with reference to relevant industry norms, experience, past performance and level of responsibility. The Committee reviews salary levels periodically and may make adjustments, if warranted, as a result of salary increase trends in the marketplace, competitive positioning and an increase in responsibilities assumed by an executive. Annual cash bonus incentives are based upon the Fund's ability to meet certain financial targets and each executive's individual performance. The Committee sets performance objectives and target levels on an annual basis and assesses executives against these targets in determining their overall compensation. From time to time, the Board of Trustees may declare an additional cash bonus in favour of one or more executive officers in circumstances where it is determined that the executive in question has made an exceptional contribution to the performance of the Fund in a particular year.

The Compensation, Nominating and Corporate Governance Committee also considers long-term incentives to be an important component of executive compensation and provides for participation by certain executives in the LTIP. The objective of making grants under the LTIP is to encourage executive officers to acquire an ownership interest in the Fund over a period of time, thus better aligning the interests of executive officers with the interests of Unitholders.

Compensation for the Chief Executive Officer for the period ended December 31, 2007 is set out in an employment agreement, as described above under “Executive Compensation – Employment Contracts”. Based upon meeting or exceeding individual and corporate targets, a bonus as set out under “Executive Compensation – Compensation of Executive Officers” will be paid. In 2006, the Compensation, Nominating and Corporate Governance Committee commissioned an independent review by Mercer Consulting of the Chief Executive Officer’s compensation based on market comparables. Based on that study, adjustments were made to the base salary and bonus provisions. The base salary was increased to \$284,000 per annum effective July 1, 2006 based on this report and to \$295,000 per annum effective January 1, 2007 based on market conditions. The target bonus was set at 50% of base salary, 70% of which is based on a formula for achieving distributable income targets and targeted earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) and 30% at the discretion of the Compensation, Nominating and Corporate Governance Committee. A stretch bonus of an additional 50% of salary was also implemented based on a formula for exceeding distributable income and EBITDA targets.

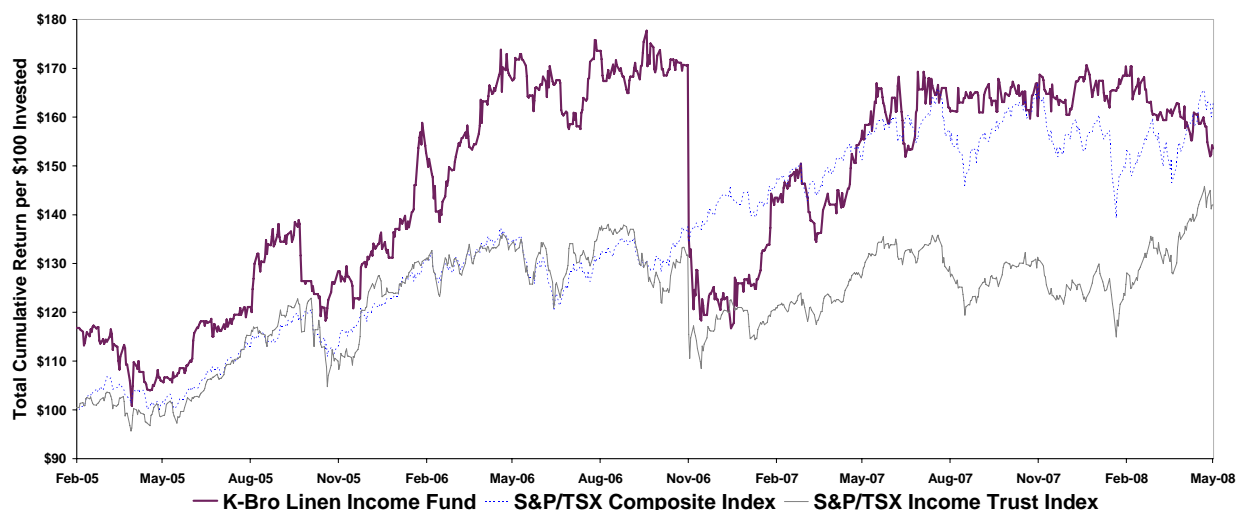
The foregoing report is submitted by:

Matthew Hills (Chair)  
 Steven Matyas  
 Michael Percy  
 Ross Smith

### FUND PERFORMANCE GRAPH

The following graph compares the total cumulative Unitholder return for \$100 invested in Trust Units (assuming reinvestment of distributions as of the date of payment of same) with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Income Trust Index (formerly the S&P/TSX Capped Income Trust Index) for the period from the closing of the Fund’s initial public offering on February 3, 2005 when the Trust Units were listed on the Toronto Stock Exchange.

**K-Bro Linen Income Fund vs. S&P/TSX Composite Index  
 vs. S&P/TSX Income Trust Index**



## **COMPENSATION OF TRUSTEES AND DIRECTORS**

In 2007, each Trustee was paid an annual fee of \$20,000 (\$25,000 for the Chairman) plus \$1,000 per meeting of the Board of Trustees and Committee meeting attended. For 2008, these amounts are \$25,000, \$31,000 and \$1,250 respectively. Members of management of K-Bro who serve as Trustees do not receive any additional remuneration for acting in the capacity of Trustee. In addition, all Trustees are reimbursed for out-of-pocket expenses for attending meetings of the Board of Trustees and Committees thereof. For the year ended December 31, 2007, Trustees were paid an aggregate amount of \$53,000 in respect of "per meeting" fees.

The Chair of the Compensation, Nominating and Corporate Governance Committee received an additional \$3,000 per annum (2008 - \$3,000) for acting in such capacity and the Chair of the Audit Committee received an additional \$3,000 (2008 - \$3,500) per annum for acting in such capacity.

The Board of Directors of K-Bro is comprised exclusively of all of the Trustees of the Fund. Trustees do not receive any additional remuneration for acting in the capacity of a director of K-Bro. The Board of Directors also maintains an Audit Committee and a Compensation, Nominating and Corporate Governance Committee comprised of the same individuals that form the Audit Committee and Compensation, Nominating and Corporate Governance Committee of the Fund. Members of these Committees do not receive any additional remuneration for attending meetings thereof or for acting in the capacity of Chair of the Audit Committee or Compensation, Nominating and Corporate Governance Committee, as applicable, of the Board of Directors of K-Bro.

## **TRUSTEES', DIRECTORS' AND OFFICERS' INSURANCE**

The Trustees of the Fund and the directors and officers of K-Bro are covered under an insurance policy that provides an aggregate limit of liability to the insured Trustees, directors and officers of \$10 million.

The by-laws of K-Bro and the amended and restated declaration of trust of the Fund dated February 3, 2005 also provide for the indemnification of Trustees, directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties of office, subject to certain usual limitations.

## **INDEBTEDNESS OF TRUSTEES, DIRECTORS AND OFFICERS**

For the year ended December 31, 2007, there was no indebtedness owed to the Fund by any of the current or former Trustees, or directors or executive officers of K-Bro.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

To the knowledge of the Trustees, no person who has been a Trustee or a director or executive officer of K-Bro since the closing of the initial public offering of the Fund on February 3, 2005, or any proposed Trustee, and no associate or affiliate of any such Trustee, director or executive officer or proposed Trustee, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction which has or would materially affect the Fund or any of its subsidiaries.

The Fund has incurred expenses in the normal course of business for advisory consulting services provided by Mr. Hills, a Trustee, relating to acquisitions. The amounts charged are recorded at their exchange amounts and are subject to normal trade terms. For the year ended December 31, 2007, the Fund incurred such fees totalling \$46,000. Of the total 2007 amount, \$38,000 is included in prepaid expenses to be recognized as an acquisition cost related to the assets of Buanderie HMR Inc., and \$8,000 is related to the acquisition of equipment from a receivership.

## STATEMENT OF GOVERNANCE PRACTICES

The following describes the Fund's governance practices with reference to National Policy 58-201 — *Corporate Governance Guidelines* and National Instrument 58-101 — *Disclosure of Corporate Governance Practices* (collectively, the "**Governance Guidelines**"), which are initiatives of the Canadian Securities Administrators.

The Board of Trustees and management of K-Bro recognize that effective corporate governance practices are fundamental to the long-term success of the Fund. Sound corporate governance contributes to Unitholder value through increased confidence. In light of the Governance Guidelines and best practice standards in Canada, the Board of Trustees and management have implemented a sophisticated set of governance policies and procedures and are committed to maintaining a high standard of corporate governance.

### Composition of the Board of Trustees

The Board of Trustees is currently composed of five Trustees. Assuming that the Unitholders of the Fund vote in favour of the Trustee nominees, the number of members of the Board of Trustees will remain at five. Ms. McCurdy is not independent as she is the Chief Executive Officer of K-Bro. As such, the Board of Trustees has a majority of Trustees (4 of 5) who are independent. The Board of Trustees functions independently of the non-independent Trustee by holding *in camera* sessions without the non-independent Trustee present. For fiscal 2008, *in camera* sessions will be held with only the independent Trustees present at all scheduled Board of Trustee and Committee meetings and at other times throughout the year as required. In fiscal 2007, the Trustees did not hold any *in camera* sessions as the Trustees determined that all issues had been openly and candidly discussed at their meetings as facilitated by the Chair and that separate *in camera* sessions were unnecessary.

The following table sets forth the number of Board of Trustees and Committee meetings held and attendance by Trustees for the year ended December 31, 2007:

<u>Trustee</u>	<u>Trustee Meetings Attended</u>	<u>Committee Meetings Attended</u>
<b>Ross Smith</b>	10 of 10	6 of 6
<b>Matthew Hills</b>	10 of 10	5 of 5
<b>Steven Matyas</b>	10 of 10	6 of 6
<b>Linda McCurdy</b>	10 of 10	0 of 0
<b>Mike Percy<sup>(1)</sup></b>	3 of 3	3 of 3

Note:

- (1) Mr. Percy was appointed as a Trustee and Director effective May 3, 2007 to fill the vacancy created as a result of Mr. Tony Clement's resignation in 2006 as a result of his appointment to Federal Cabinet as Minister of Health.

Certain of the Trustees also serve as directors and/or trustees on boards of other reporting issuers. Please see "Matters to be Considered at the Meeting – Election of Trustees".

### Board Chair

The Board Chair is a duly elected member of the Board of Trustees and is appointed by the Board of Trustees each year for a one-year term, with such appointment being (except when a vacancy is being filled) at the first meeting of the Board of Trustees following the annual general meeting of Unitholders. The Board Chair is independent as such term is defined in the Governance Guidelines. The current Board Chair is Mr. Smith.

The responsibilities of the Board Chair are set out in a detailed position description that affirms that the Board Chair is expected to provide leadership to the Trustees in discharging their mandate as set out in the Charter of the Board of Trustees. Among other things, the Board Chair generally oversees meetings of the Board of Trustees and presides over meetings of the Unitholders. The Board Chair is the liaison between the Trustees and management and is responsible for promoting the proper flow of information to the Trustees to keep them fully apprised of all material matters.

## **Board Mandate**

The Board of Trustees adopted a written mandate (the “**Mandate of the Board of Trustees**”) to confirm the Board of Trustees’ ongoing duties and responsibility for stewardship of the Fund. **A copy of the Mandate of the Board of Trustees is attached to this Information Circular as Schedule “A”.** The Board of Trustees is responsible for supervising the activities and managing the investments and affairs of the Fund. The Board of Trustees discharges certain responsibilities either directly or through the Audit Committee, the Compensation, Nominating and Corporate Governance Committee and the Disclosure Committee.

## **Position Descriptions**

The Board of Trustees has developed and approved detailed position descriptions for the Chair of the Board of Trustees and the Chief Executive Officer of K-Bro. The Chairs of the Audit Committee and the Compensation, Nominating and Corporate Governance Committee are appointed pursuant to the respective charters for those committees and are responsible for ensuring the responsibilities set out in those charters are fulfilled. The Compensation, Nominating and Corporate Governance Committee is responsible for reviewing and making recommendations to the Board of Trustees regarding the position descriptions for the Chair of the Board of Trustees, the Chair of each Committee and the Chief Executive Officer.

The Chair of the Board of Trustees is responsible for, among other things, overseeing the Board of Trustees’ discharge of its duties, governing the conduct of the Board of Trustees, assisting Committees and acting as a liaison between the Board of Trustees and management. Chairs of Committees of the Board of Trustees are responsible for, among other things, scheduling, setting agendas for and presiding over committee meetings, and acting as a liaison between the respective Committee and the Board of Trustees. The Chief Executive Officer is responsible for, among other things, overseeing the day-to-day operation of the business of K-Bro in accordance with K-Bro’s strategic plan and annual budget.

## **Orientation and Continuing Education**

All new Trustees receive a comprehensive orientation as soon as practical after their appointment. They are briefed on the role of the Board of Trustees, its Committees, the contribution individual Trustees are expected to make, and on the nature and operation of the Fund and K-Bro, including visits to K-Bro’s facilities. This is consistent with the Governance Guidelines and enables a new Trustee to better understand the Fund and his or her role and responsibilities.

Trustees also participate in a continuing education program that, among other things, assists Trustees in maintaining or enhancing their skills and abilities as Trustees and to ensure that their knowledge and understanding of the Fund and K-Bro remains current.

## **Code of Business Conduct and Ethics**

The Fund has adopted a Code of Business Conduct and Ethics (the “**Code**”) that sets out the principles that should guide the behaviour of Trustees and directors, officers and employees of K-Bro. The Code addresses, among other things, the following issues:

- (a) conflicts of interest, including transactions and agreements in respect of which a Trustee, director or executive officer has a material interest;
- (b) protection and proper use of corporate assets and opportunities;
- (c) confidentiality of corporate information;
- (d) fair dealing with the issuer’s security holders, customers, suppliers, competitors and employees;
- (e) compliance with laws, rules and regulations; and
- (f) reporting of any illegal or unethical behaviour.

Monitoring of accounting, internal controls and auditing matters, as well as violations of law, the Code and other policies or directives of the Fund and K-Bro, occurs primarily through the monitoring of complaints and concerns reported pursuant to the Fund's Whistleblowing Policy. Any person can report complaints or concerns, which may be on an anonymous basis, by contacting the Chair of the Audit Committee. Confidentiality of complaints received by the Chairman will be maintained to the fullest extent possible, consistent with the need to conduct an appropriate review. When possible, the Chairman will acknowledge receipt of a complaint, although it is not the intention to communicate to the person making the complaint the status of its review or resolution. Upon receipt of a complaint, the Chairman will determine whether the complaint relates to a questionable accounting or auditing matter. Any complaints that relate to such matters will be immediately brought to the attention of, and reviewed under the direction of, the Audit Committee of the Fund. Prompt and appropriate corrective action will be taken when and as warranted in the judgment of the Audit Committee. The Chairman will maintain a log of all complaints that are received, tracking their receipt, investigation and resolution.

The Board of Trustees (or any Committee to whom that authority has been delegated) can grant waivers of compliance with the Code for the benefit of Trustees, directors or senior officers in appropriate circumstances. No such waiver has been granted since the adoption of the Code and consequently, the Fund filed no material change report during the last fiscal year pertaining to any conduct of a Trustee, director or executive officer that constitutes a departure from the Code.

A Trustee or director or senior officer of K-Bro must disclose, in writing to the Fund or K-Bro, as applicable, the nature and extent of any interest they have in an actual or proposed material contract or material transaction. A Trustee or director or senior officer of K-Bro required to make such disclosures shall not vote on any resolution to approve the contract or transaction unless it relates primarily to their remuneration as a Trustee or director, officer, employee or agent of the Fund or K-Bro, as applicable, or is for indemnity or insurance.

In addition to the Code, the Mandate of the Board of Trustees provides that the Board of Trustees is specifically responsible for satisfying itself as to the integrity of the Chief Executive Officer and senior officers of K-Bro and that the Chief Executive Officer and other senior officers create a culture of integrity throughout the organization.

The Code is available under the Fund's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Nomination of Trustees and Determination of Compensation**

The Compensation, Nominating and Corporate Governance Committee is comprised of four Trustees, all of whom are independent as such term is defined in the Governance Guidelines. All members attended the two meetings of the Committee held during the last fiscal year. The members of the Committee meet *in camera*, to the extent practicable, at each of its meetings without any members of management present, unless waived at a particular meeting by its members. The Committee has a formal written charter that sets out its responsibilities and duties. The responsibilities and duties of the Committee in respect of the compensation and nomination of Trustees and officers include, among other things:

- reviewing and approving the corporate goals and objectives relevant to Chief Executive Officer compensation and evaluating the Chief Executive Officer's performance in light of these goals and objectives;
- determining and making recommendations to the Board of Trustees with respect to the Chief Executive Officer's compensation levels;
- making recommendations to the Board of Trustees with respect to the compensation structure for non-Chief Executive Officer officers and Trustees;
- reviewing compensation disclosure in public documents, including the annual report on executive compensation for inclusion in this Information Circular;
- identifying and recommending new nominees to serve on the Board of Trustees by giving consideration to the skills, experience, education and background that is felt to be beneficial to effective Board governance;
- reviewing and making recommendations to the Boards at least annually with respect to the compensation of all members of senior management, including incentive-compensation plans, equity-based plans, the terms of any



employment agreements, severance arrangements, and change in control arrangements or provisions, and any special or supplemental benefits; and

- evaluating the competencies and skills of each Trustee and of the Board of Trustees as a whole.

The responsibilities and duties of the Compensation, Nominating and Corporate Governance Committee with respect to governance include, among other things:

- making recommendations concerning the oversight of senior management of K-Bro;
- reviewing from time to time the size of the applicable Board and the number of Board members who are independent for the purpose of applicable requirements or guidelines and Fund policies regarding Board member independence;
- at least annually, reviewing the adequacy of the corporate governance practices and recommending any proposed changes to the applicable Board for approval;
- at least annually, reviewing the practices of the Board (including separate meetings of non-management Board members) to identify improvements in corporate governance practices;
- at least annually, reviewing the powers, mandates, performance, and membership of the various committees of the Board and, if appropriate, make recommendations to the Board;
- at least annually, reviewing the relationship between senior management and the applicable Board and, if appropriate, make recommendations to the Board with a view to ensuring that the Board is able to function independently of management; and
- periodically reviewing with the Board the succession plans relating to the position of the Chief Executive Officer and other senior positions and make recommendations to the Board with respect to the selections of individuals to occupy these positions.

#### **Audit Committee**

Information concerning, among other things, the composition of the Audit Committee and the Audit Committee's Charter, can be found in the Fund's AIF, available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Disclosure Committee**

The Chief Executive Officer and Chief Financial Officer of K-Bro have responsibility for reviewing and updating the Fund's disclosure policy (the "**Disclosure Policy**") and in doing so function as a disclosure policy committee ("**Disclosure Committee**").

The responsibilities of the Disclosure Committee include:

- developing and implementing the Disclosure Policy;
- monitoring the effectiveness of and compliance with the Disclosure Policy;
- ensuring that the Fund and its subsidiaries' trustees, directors, officers and certain employees are educated with respect to disclosure issues and the Disclosure Policy;
- reviewing and authorizing disclosure of (including electronic, written and oral disclosure) in advance of its public release; and
- monitoring the Fund's website on a regular basis to ensure that: the website is up to date and accurate; all material information is dated when posted or modified; outdated information is moved to an archive; the archived material is retained for six years; all documents filed on SEDAR are concurrently posted to the

website; and all material supplemental information given to analysts, investors and other market professionals are also posted on the website.

This policy may not cover all circumstances and exceptions may be justified from time to time. Any questions and all requests for exceptions from this policy should be made to the Chief Executive Officer and the Chief Financial Officer of K-Bro who will determine whether or not it is appropriate to vary the policy in such circumstances.

### **Assessments**

The Compensation, Nominating and Corporate Governance Committee is responsible for developing and recommending to the Board of Trustees a process for reviewing the competencies, skills and effectiveness of the Board of Trustees as a whole, the Committees and the contributions of individual Trustees on a regular basis. The Committee is also responsible for overseeing the execution of the review process approved by the Board of Trustees and management. During the review process the Committee considers: (i) input from Trustees, where appropriate; (ii) attendance of Trustees at meetings of the Board of Trustees and any Committee; (iii) the Board of Trustees' written mandate; (iv) the charter of each Committee; (v) applicable position descriptions for each individual Trustee and for the Chairs of the Board of Trustees and each Committee; and (vi) the competencies and skills each individual Trustee is expected to bring to the Board of Trustees and each Committee.

### **Unitholder Feedback**

The Fund endeavours to keep all Unitholders well informed as to the Fund's financial performance, primarily by means of its annual and quarterly reports, and by press releases.

It is the Fund's policy to receive and respond promptly to Unitholder enquiries, while being guided by legal requirements as well as the Fund's policies in respect of confidentiality and disclosure.

## **OTHER BUSINESS**

As at the date hereof, the Trustees are not aware of any matter intended to come before the Meeting other than those items of business set forth in the attached Notice of Meeting. If any other matters properly come before the Meeting, it is the intention of the persons named in the Form of Proxy to vote in respect of those matters in accordance with their judgment.

## **ADDITIONAL INFORMATION**

Financial information for the Fund is provided in the Fund's financial statements for the year ended December 31, 2007 and the Fund's management's discussion and analysis for the same period. This information and additional information relating to the Fund is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Copies of the AIF, the Fund's annual report (including management's discussion and analysis), financial statements and this Information Circular may be obtained by request to K-Bro Linen Systems Inc., 103, 15023-123 Avenue, Edmonton, Alberta T5V 1J7 Attention: Chief Financial Officer. The Fund may require the payment of a reasonable charge if the request is made by a person that is not a Unitholder.

## **APPROVAL OF TRUSTEES**

The contents and the sending of this Information Circular to the Unitholders have been approved by the Board of Trustees.

By Order of the Board of Trustees

Dated: May 6, 2008

*"Ross Smith"*  
Chair of the Board of Trustees  
K-Bro Linen Income Fund

## SCHEDULE “A”

### K-BRO LINEN INCOME FUND

#### *MANDATE OF THE BOARD OF TRUSTEES*

The declaration of trust of K-Bro Linen Income Fund (the “**Fund**”) dated December 10, 2004, as amended and restated from time to time (the “**Declaration of Trust**”), provides that the investments and affairs of the Fund will be subject to the control and authority of a minimum of three and a maximum of seven trustees.

The trustees are responsible for supervising the activities and managing the investments and affairs of the Fund pursuant to section 9.2 of the Declaration of Trust. The responsibilities of the board of trustees described herein are made pursuant to such provision and do not impose any additional responsibilities or liabilities on the trustees at law or otherwise.

#### **Responsibilities of the Board Of Trustees**

The board of trustees is responsible for supervising the activities and managing the investments and affairs of the Fund pursuant to section 9.2 of the Declaration of Trust and in that regard shall be specifically responsible for:

- (i) the adoption of a strategic planning process and approval, on at least an annual basis, of a strategic plan which takes into account, among other things, the opportunities and risks of the Fund’s business and investments and ensures the Fund’s strategic plan is aligned with the long-term interests of unitholders of the Fund;
- (ii) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer and senior officers of K-Bro Linen Systems Inc. (“K-Bro”) and that the Chief Executive Officer and other senior officers create a culture of integrity throughout the organization;
- (iii) the identification of the principal risks for the Fund and ensuring the implementation of appropriate risk management systems;
- (iv) ensuring that the Fund complies with all applicable laws and legal requirements;
- (v) succession planning;
- (vi) adopting a communications policy which enables the Fund to communicate effectively and addresses how the Fund interacts with all of its stakeholders, including analysts and the public, contains measures for the Fund to avoid selective disclosure and is reviewed at such intervals or times as the board deems appropriate;
- (vii) establishing and maintaining a standing audit committee of the board of trustees (the “Audit Committee”);
- (viii) reviewing and reassessing the adequacy of the terms of reference of the Audit Committee at such intervals or times as the board deems appropriate;
- (ix) receiving recommendations of the Audit Committee respecting, and reviewing and approving, the audited, interim and any other publicly announced financial information of the Fund;
- (x) developing the Fund’s approach to governance, including developing a set of governance principles and guidelines that are specifically applicable to the Fund and establishing and

maintaining a standing compensation, nominating and corporate governance committee of the board of trustees (the “Governance Committee”);

- (xi) implementing a process for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual trustees;
- (xii) implementing a process for examining the size of the board of trustees and undertaking, where appropriate, a program to establish a board size which facilitates effective decision-making;
- (xiii) implementing a process for reviewing the adequacy and form of compensation of trustees and ensuring that compensation realistically reflects the responsibilities and risk involved in being a trustee;
- (xiv) meeting regularly with management of K-Bro to receive reports respecting the performance of the Fund, new and proposed initiatives, the Fund’s business and investments, management concerns and any areas of concern involving the Fund; and
- (xv) meeting regularly without management.

While the board of trustees is called upon to “manage” the business of the Fund, this is done by proxy through the appointed executives of the Fund’s subsidiaries. The board of trustees is responsible for the on-going strategic planning process of the Fund, approves the goals of the business and the strategies and policies within which it is managed, and then steps back and evaluates management performance. Reciprocally, management keeps the board of trustees fully informed of the progress of the Fund and its subsidiaries towards the achievement of their established goals and of all material deviations from the goals or objectives and policies established by the board of trustees in a timely and candid manner.

It is recognized that every trustee in exercising powers and discharging duties must act honestly and in good faith with a view to the best interest of the Fund. Trustees must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In this regard, they will comply with their duties of honesty, loyalty, care, diligence, skill and prudence.

In addition, trustees are expected to carry out their duties in accordance with policies adopted by the board of trustees from time to time, the current policy being annexed hereto as Appendix “A”.

It is expected that management will co-operate in all ways to facilitate compliance by the board of trustees with its legal duties by causing the Fund and its subsidiaries to take such actions as may be necessary in that regard and by promptly reporting any data or information to the board of trustees that may affect such compliance.

### **Responsibilities of Chair**

The role and responsibilities of the Chair of the board of trustees are set out below:

- (i) the Chair shall be expected to attend and chair meetings of the board of trustees of the Fund and unitholders of the Fund;
- (ii) the Chair shall not be a member of management;
- (iii) the Chair shall not be expected to and shall not perform policy making functions other than in his or her capacity as a trustee of the Fund. The Chair shall not have the right or entitlement to bind the Fund in his or her capacity as Chair;
- (iv) the Chair shall provide direction with respect to the dates and frequencies of board meetings and related committee meetings and the Chief Executive Officer of K-Bro and the Chair shall liaise to prepare board meeting agendas;

- (v) the Chair shall ensure that the board understands the boundaries between board and management responsibilities; and
- (vi) the Chair shall ensure that the board of trustees carries out its responsibilities effectively, which will involve the board meeting on a regular basis without management present and may involve assigning responsibility for administering the board's relationship with management to a committee of the board.

### **Decisions Requiring Prior Approval of the Board of Trustees**

Approval of the board of trustees shall be required for:

- (i) distributions;
- (ii) significant acquisitions/dispositions;
- (iii) related party transactions;
- (iv) the release of any financial information to be publicly disseminated;
- (v) the issuance or repurchase of trust units of the Fund;
- (vi) the terms of reference of committees of the board; and
- (vii) any other matter that would give rise to a "material change" to the Fund.

The foregoing list is intended to specify particular matters requiring board approval and is not intended to be an exhaustive list.

### **Measures for Receiving Unitholder Feedback**

All publicly disseminated materials of the Fund shall provide for a mechanism for feedback of unitholders. Persons designated to receive such information shall be required to provide a summary of the feedback to the trustees on a semi-annual basis or at such other more frequent intervals as they see fit.

### **Meetings**

The board of trustees will meet not less than four times per year: three meetings to review quarterly results; and one, following the annual general meeting. A quorum for the meetings shall be a majority of the trustees then holding office.

### **Meeting Guidelines**

Trustees will be expected to have read and considered the materials sent to them in advance of each meeting, and to be prepared to discuss the matters contained in such materials at the meeting. Administrative matters (e.g., bank signing resolutions, etc.) which require a vote will be batched for voting purposes. Trustees will be expected to ask questions relating to batched items in advance of the meeting. The notice of meeting will highlight significant matters to be dealt with at each meeting so that trustees can focus on reviewing the related materials. Senior management will be made accessible to trustees at board meetings and committee meetings to fulfill their obligations.

### **Remuneration**

Remuneration will be established upon the recommendation of the compensation, nominating and corporate governance committee.

### **Telephone Board Meetings**

Pursuant to the Declaration of Trust, a trustee may participate in a meeting of the trustees or in a committee meeting by means of telephone or such other communications facilities as permit all persons participating in the meeting to hear each other and a trustee participating in such a meeting by such means is deemed to be present at the meeting.

While it is the intent of the board of trustees to follow an agreed meeting schedule as closely as possible, it is felt that, from time to time, with respect to time-sensitive matters telephone board meetings may be required to be called in order for trustees to be in a position to better fulfill their legal obligations. Alternatively, management may request the trustees to approve certain matters by unanimous consent.

### **Expectations of Management**

Management shall be required to report to the board of trustees at the request of the board on the performance of the Fund, new and proposed initiatives, the Fund's business and investments, management concerns and any other matter the board or its Chair may deem appropriate. In addition, the board expects management to promptly report to the Chair of the board any significant developments, changes, transactions or proposals respecting the Fund or its subsidiaries.

## **APPENDIX “A”**

### ***POLICY OF PRACTICES FOR TRUSTEES***

#### **Attendance at Meetings**

Each trustee is expected to have a very high record of attendance at meetings of the board of trustees, and at meetings of each committee on which the trustee sits. A trustee is expected to:

- (i) advise the Chair as to planned attendance at board and committee meetings shortly after meeting schedules for the year have distributed;
- (ii) advise the Chair as soon as possible after becoming aware that he or she will not be able to attend a meeting; and
- (iii) attend a meeting by conference telephone if unable to attend in person.

#### **Preparation for Meetings**

Trustees are expected to carefully review and consider the materials distributed in advance of a meeting of the board of trustees or a committee of the board of trustees. Trustees are also encouraged to contact the Chair, the Chief Executive Officer of K-Bro Linen Systems Inc. and any other appropriate officers to ask questions and discuss agenda items prior to meetings.

#### **Conduct at Meetings**

Trustees are expected to ask questions and participate in discussions at meetings, and to contribute relevant insights and experience. In discussions at meetings, a trustee should:

- (i) be candid and forthright;
- (ii) not be reluctant to express views contrary to those of the majority;
- (iii) be concise and, in most circumstances, respect the time constraints of a meeting; and
- (iv) be courteous to and respectful of other directors/trustees and guests in attendance.

#### **Knowledge of the Fund’s Business**

Trustees are expected to be knowledgeable with respect to the various fields and divisions of business. Although management has a duty to keep the board of trustees informed about developments in the Fund’s business, trustees have a primary duty of care and diligence, which includes a duty of inquiry. Trustees should:

- ask questions of management and other directors/trustees, at meetings and otherwise, to increase their knowledge of the business of the Fund;
- familiarize themselves with the risks and challenges facing the business of the Fund;
- read all internal memoranda and other documents circulated to the directors, and all reports and other documents issued by the Fund for external purposes;
- insist on receiving adequate information from management with respect to a proposal before board approval is requested;
- familiarize themselves with the Fund’s competitors by, among other things, reading relevant news, magazine and trade journal articles; and

- familiarize themselves with the legal and regulatory framework within which the Fund carries on its business.

### **Personal Conduct**

Trustees are expected to:

- (i) exhibit high standards of personal integrity, honesty and loyalty to the Fund;
- (ii) project a positive image of the Fund to news media, the financial community, governments and their agencies, shareholders and employees;
- (iii) be willing to contribute extra efforts, from time to time as may be necessary including, among other things, being willing to serve on committees of the board; and
- (iv) disclose any potential conflict of interest that may arise with the business or affairs of the Fund and, generally, avoid entering into situations where such conflicts could arise or could reasonably be perceived to arise.