



K·BRO

NOTICE OF SPECIAL MEETING OF THE VOTING UNITHOLDERS OF

K-BRO LINEN INCOME FUND

to be held December 6, 2010

and

MANAGEMENT INFORMATION CIRCULAR

with respect to a

PROPOSED PLAN OF ARRANGEMENT

involving

**K-BRO LINEN INCOME FUND, K-BRO LINEN SYSTEMS INC., K-BRO LINEN LIMITED,
K-BRO LINEN INC., THE VOTING UNITHOLDERS OF K-BRO LINEN INCOME FUND AND THE
EXCHANGEABLE SHAREHOLDERS OF K-BRO LINEN INC.**

November 4, 2010

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November 4, 2010

Dear Unitholders:

You are invited to attend a special meeting (the “**Meeting**”) of holders (“**Voting Unitholders**”) of trust units (“**Trust Units**”) and special trust units (“**Special Trust Units**”) and together with the Trust Units, the “**Voting Units**”) of K-Bro Linen Income Fund (the “**Fund**”) to be held at Goodmans LLP, 333 Bay Street, Suite 3400 in Toronto, Ontario at 9:00 a.m. (Toronto time) on Monday, December 6, 2010.

At the Meeting, you will be asked to consider and vote upon a proposed reorganization of the Fund pursuant to a plan of arrangement (the “**Arrangement**”) involving the Fund, K-Bro Linen Systems Inc. (“**K-Bro**”), K-Bro Linen Limited (“**K-Bro Limited**”), K-Bro Linen Inc. (“**New K-Bro**”), holders of Trust Units (“**Unitholders**”), holders of Special Trust Units and holders of exchangeable shares (“**Exchangeable Shares**”) in the capital of K-Bro. The purpose of the Arrangement is to convert the Fund from an income trust to a corporation.

The Fund, K-Bro, K-Bro Limited and New K-Bro entered into an arrangement agreement (the “**Arrangement Agreement**”) made as of October 21, 2010 which was unanimously approved by the Board of Trustees of the Fund. Pursuant to the Arrangement, Unitholders will receive one common share of New K-Bro in exchange for each Trust Unit held on the effective date of the Arrangement and holders of Exchangeable Shares will receive one common share of New K-Bro for each combination of one Exchangeable Share and one Special Trust Unit held on the effective date of the Arrangement. Upon completion of the Arrangement, New K-Bro will indirectly own and operate the existing businesses of the Fund and its subsidiaries, and the existing trustees of the Fund will become the directors of New K-Bro.

The proposed conversion is primarily the result of changes to Canadian federal income tax legislation relating to specified investment flow through trusts (“**SIFTs**”) that were announced on October 31, 2006 and the subsequent limitations placed on SIFTs, which evidenced the intention of the Department of Finance to eliminate the public income trust market.

Certain of the key benefits of the Arrangement include:

- the Arrangement provides for an effective and efficient method of converting the Fund from a mutual fund trust to a corporation consistent with existing legislation;
- it is expected that Unitholders will be able to exchange Trust Units for common shares of New K-Bro on a tax-deferred basis for Canadian income tax purposes; and
- Canadian taxable unitholders should benefit from lower income taxes paid on dividends compared to taxes paid on current distributions of income of the Fund.

Additional details and benefits of the Arrangement to Unitholders are set out in detail in the attached management information circular (the “**Information Circular**”).

The proposed resolution (the “**Arrangement Resolution**”) to approve the Arrangement attached as Appendix “A” to the Information Circular must be approved by at least two-thirds of the votes cast by the Voting Unitholders who attend in person or are represented by proxy at the Meeting.

The Board of Trustees of the Fund, based on its own investigations, has unanimously determined that the Arrangement is fair and reasonable to Voting Unitholders, is in the best interests of the Fund and Voting Unitholders and unanimously recommends that Voting Unitholders vote FOR the Arrangement Resolution. The Trustees and senior officers of the Fund and its subsidiaries, who own, directly or indirectly, or exercise control or direction over, approximately 4.8% of the outstanding Voting Units, have indicated that they intend to vote in favour of the Arrangement.

The accompanying Information Circular contains a detailed description of the Arrangement as well as detailed information regarding New K-Bro. **Please give this material your careful consideration and, if you require assistance, consult your financial, legal, tax and other professional advisors.** Your vote is very important. Whether or not you plan to attend the Meeting, Voting Unitholders are urged to vote promptly to ensure that their Voting Units are represented at the Meeting or any adjournment(s) or postponement(s) thereof.

To be represented at the Meeting, you must attend the Meeting in person or complete, sign and deliver the enclosed form of proxy in accordance with the instructions set out in the accompanying Information Circular so that your Voting Units can be voted at the Meeting.

If you are a non-registered Voting Unitholder and received these materials through your broker or through another intermediary, please complete and return the form of proxy or voting instruction form, as the case may be, provided to you in accordance with the instructions provided by your broker or intermediary. Failure to do so may result in your Voting Units not being eligible to be voted at the Meeting.

Yours very truly,

(signed) *"Ross Smith"*
Chair of the Board of Trustees,
K-Bro Linen Income Fund

K-BRO LINEN INCOME FUND

NOTICE OF SPECIAL MEETING OF FUND UNITHOLDERS

NOTICE IS HEREBY GIVEN that, pursuant to an order (the “**Interim Order**”) of the Court of Queen’s Bench of Alberta dated November 2, 2010, a special meeting (the “**Meeting**”) of holders (“**Voting Unitholders**”) of trust units (“**Trust Units**”) and special trust units (“**Special Trust Units**”) and together with the Trust Units, the “**Voting Units**”) of K-Bro Linen Income Fund (the “**Fund**”) will be held at Goodmans LLP, 333 Bay Street, Suite 3400 in Toronto, Ontario at 9:00 a.m. (Toronto time) on Monday, December 6, 2010 for the following purposes:

1. **TO CONSIDER**, pursuant to the Interim Order, and if deemed advisable, to pass, with or without variation, a special resolution (the “**Arrangement Resolution**”), the full text of which is set forth in Appendix “A” to the accompanying management information circular (the “**Information Circular**”) of the Fund dated November 4, 2010, approving a plan of arrangement (the “**Arrangement**”) under section 193 of the *Business Corporations Act* (Alberta), all as more particularly described in the Information Circular; and
2. **TO TRANSACT** such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

As a Voting Unitholder, you are entitled to attend the Meeting and to cast one vote for each Voting Unit that you own. If you are a registered Voting 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, included with this management information circular. **To be valid, registered Voting Unitholders must submit the form of proxy not later than 9:00 a.m. (Toronto time) on December 2, 2010 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, 606-4th 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 Voting Unitholder, you must follow the instructions provided by your broker, securities dealer, bank, trust company or similar entity in order to vote your Voting 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 4th day of November, 2010.

BY ORDER OF THE BOARD OF TRUSTEES

(signed) “*Ross Smith*”
Chair of the Board of Trustees
K-Bro Linen Income Fund

K-BRO LINEN INCOME FUND
MANAGEMENT INFORMATION CIRCULAR

INTRODUCTION

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the trustees of the Fund for use at the Meeting and any adjournment(s) or postponement(s) thereof. No Person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon in making a decision as to how to vote on the Arrangement Resolution or be considered to have been authorized by the Fund.

This Information Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any Person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation of an offer or a proxy solicitation. Neither the delivery of this Information Circular nor any distribution of the securities referred to in this Information Circular will, under any circumstances, create an implication that there has been no change in the information set forth herein since the date as of which such information is given in this Information Circular.

Voting Unitholders should not construe the contents of this Information Circular as tax, financial or legal advice and should consult with their own tax, financial, legal or other professional advisors as to the relevant tax, financial, legal or other matters in connection herewith.

All summaries of, and references to, the Arrangement in this Information Circular are qualified in their entirety by reference to the complete text of the Arrangement Agreement, a copy of which is attached as Appendix “C” to this Information Circular. **Voting Unitholders are urged to carefully read the full text of this Information Circular, the Arrangement Agreement and the Plan of Arrangement.**

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under “Glossary of Terms”. **Unless otherwise noted, the information provided in this Information Circular is given as of November 4, 2010.**

Forward-Looking Statements

This Information Circular, including the documents incorporated by reference herein, contain forward-looking information and other forward-looking statements within the meaning of applicable Canadian Securities Laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Fund, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Information Circular, such statements may contain such words as “may,” “will,” “intend,” “should,” “expect,” “believe,” “outlook,” “predict,” “remain,” “anticipate,” “estimate,” “potential,” “continue,” “plan,” “could,” “might,” “project,” “targeting” or the negative of these terms or other similar terminology. Forward-looking information in this Information Circular includes, without limitation, statements regarding intentions; results; performance; goals; achievements; future events; plans and objectives; business strategy; access to capital; liquidity and trading volumes; dividends; distributions; taxes; capital expenditures; projected costs; the benefits of the Arrangement; the timing of the Final Order; the occurrence of the Effective Date; the satisfaction of conditions for listing of the New K-Bro Common Shares on the TSX; the treatment of the Fund and Unitholders under tax laws; the business strategy of New K-Bro; the business to be carried on by New K-Bro and its Subsidiaries following the Arrangement; the potential for a payment of a dividend by New K-Bro; and the liquidity of the New K-Bro Common Shares. These statements reflect management’s current expectations regarding future events and operating performance and are based on information currently available to management and speak only as of the date of this Information Circular. All forward-looking statements in this Information Circular are qualified by these cautionary statements.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether

or not such results will be achieved. A number of important factors could cause actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in the forward-looking statements, including, without limitation, those set out below and those detailed elsewhere in this Information Circular (and in documents incorporated by reference herein): failure of the parties to the Arrangement Agreement to satisfy the conditions set out therein; inability of New K-Bro to meet the listing requirements of the TSX; inability of the parties to obtain required consents, permits or approvals, including Court approval of the Arrangement, the Voting Unitholders' approval of the Arrangement Resolution; failure to realize anticipated benefits of the Arrangement; the other risks and factors discussed under "Risk Factors" in the Fund AIF incorporated by reference herein, and other filings with securities regulatory authorities available on the SEDAR website at www.sedar.com; and the risk factors set forth under "Information Concerning New K-Bro – Risk Factors" in this Information Circular. Readers are cautioned that the foregoing list is not exhaustive.

Forward-looking information is based on various material factors or assumptions, which are based on information currently available to the Fund. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to:

- the perceived benefits of the Arrangement are based upon the financial and operating attributes of the Fund as at the date hereof, anticipated operating and financial results from the date hereof to the Effective Date, the views of management and the Board respecting the benefits associated with the Arrangement and current and anticipated market conditions. See "Background to and Reasons for the Arrangement – Anticipated Benefits of the Arrangement";
- the attributes of New K-Bro following completion of the Arrangement are based upon the existing attributes of the Fund (including financial and operating attributes) and the opinions of management and the Trustees concerning perceived benefits associated with the Arrangement. See "Information Concerning New K-Bro" and "Background to and Reasons for the Arrangement – Anticipated Benefits of the Arrangement";
- the structure and effect of the Arrangement are based upon the terms of the Arrangement Agreement and the transactions contemplated thereby, assumptions that all conditions in the Arrangement Agreement will be met and assumptions that the representations and warranties in the Arrangement Agreement will be true and correct at all applicable times. See "The Arrangement – Arrangement Agreement";
- the consideration to be received by Unitholders as a result of the Arrangement is based upon the terms of the Arrangement Agreement and the Plan of Arrangement; and
- certain steps in, and timing of, the Arrangement are based upon the terms of the Arrangement Agreement and advice received from counsel of the Fund relating to timing expectations.

Other forward-looking statements regarding the Fund and New K-Bro are located in the documents incorporated by reference herein and are based on certain material factors or assumptions of the Fund and New K-Bro concerning anticipated financial performance; business prospects; strategies; regulatory developments; exchange rates; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the ability to obtain financing on acceptable terms; the economic situation of key customers; and potential timing delays. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Readers are cautioned that the foregoing material factors or assumptions do not represent an exhaustive list.

Readers are further cautioned that the preparation of financial statements, including unaudited *pro forma* financial statements, in accordance with Canadian GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

The information contained in this Information Circular, including the documents incorporated by reference herein, identifies additional factors that could affect the operating results and performance of the Fund and New K-Bro. We urge you to carefully consider those factors.

Although the forward-looking statements contained in this Information Circular are based upon what management believes are reasonable assumptions, the Fund cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Information Circular, and should not be relied upon as representing the Fund's views as of any date subsequent to the date of this Information Circular. The Fund assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as required by applicable law.

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 Voting Unitholders: trust units ("**Trust Units**") and special trust units ("**Special Trust Units**" and together with Trust Units, the "**Voting Units**"). The Special Trust Units were issued to holders of exchangeable shares (collectively, the "**Exchangeable Shares**") issued by 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 Voting Unitholders

A registered Voting Unitholder (a "**Registered Voting Unitholder**") is a Voting Unitholder who holds Voting 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 Voting Unitholder may attend the Meeting and is entitled to cast one vote for each Voting Unit registered in the name of such Registered Voting Unitholder on any and all resolutions put before the Meeting. If such Registered Voting 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 Voting Units against, as applicable, any resolution at the Meeting. A Registered Voting 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 Voting Unitholders

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

In order for a Beneficial Holder to vote his, her or its Voting 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 Voting Unitholders' meetings. Instead of completing the Form of Proxy provided to Registered Voting 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 Broadridge Financial Solutions ("**Broadridge**"). Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Holders and asks Beneficial Holders to return the forms to Broadridge. Broadridge 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 a Broadridge voting instruction form cannot use that voting instruction form to vote the Voting Units directly at the Meeting. The voting instruction form must be returned to Broadridge well in advance of the Meeting in order to have the Voting Units voted.

Although Beneficial Holders may not be recognized directly at the Meeting for the purposes of voting their 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 Voting Units in that capacity. Beneficial Holders who wish to attend the Meeting and indirectly vote their own Voting 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 November 4, 2010, 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 Voting 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 Voting 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 Voting Unitholder of the Fund.**

To be valid, proxies must be delivered to the Proxy Department, Valiant Trust Company, Suite 310, 606-4th 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 9:00 a.m. (Toronto time) on December 2, 2010. 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 Voting 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 Voting Unitholder or by his or her attorney authorized in writing or, if the Voting 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, 606-4th 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 the Voting Units in respect of which they are appointed, on any ballot that may be called for, in accordance with the instructions of the Voting Unitholder as indicated on the proxy. **In the absence of such specification, such Voting Units will be voted FOR the Arrangement Resolution.**

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 matters.

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 Voting 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 21 nor more than 60 days' later and to such place and time as may be appointed by the Chair of the Meeting. Not less than 10 days prior notice shall be given of the time and place of such adjourned meeting. At the adjourned meeting the Voting Unitholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened.

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 Voting Unitholder of record at the close of business on November 1, 2010, the record date established for the notice of the Meeting (the "**Record Date**"), will be entitled to one vote for each Voting Unit held on all matters proposed to come before the Meeting, even though they may have since that date disposed of their Voting Units, and, except as otherwise determined from time to time by Trustees, no Voting 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 Voting 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 Inc. owns directly or indirectly more than 10% of the outstanding Voting Units. This statement is based on the audited financial statements of Sentry Select Mutual Funds filed on SEDAR on March 31, 2010 in which Sentry Select Capital Inc. disclosed that an aggregate of 1,344,123 Trust Units were under its control at December 31, 2009, representing approximately 19.39% of the Trust Units now outstanding.

Non-GAAP Measures

The Fund's management's discussion and analysis of financial condition and results of operations for the years ended December 31, 2009 and 2008 and for the three and nine months ended September 30, 2010 and 2009 (collectively, the "**Fund MD&A**"), which are incorporated by reference herein, make reference to certain non-GAAP financial measures to assist in assessing the Fund's financial performance. Non-GAAP financial measures do not have standard meanings prescribed by Canadian GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. For information regarding the non-GAAP financial measures used by the Fund, see the Fund MD&A.

Notice to Voting Unitholders in the United States

THE NEW K-BRO COMMON SHARES TO BE ISSUED PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES IN ANY STATE OF THE UNITED STATES, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY SUCH STATE REGULATORY AUTHORITY PASSED ON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

The New K-Bro Common Shares to be issued pursuant to the Arrangement have not been registered under the 1933 Act, and are being issued in reliance on the exemption from registration set forth in section 3(a)(10) thereof on the basis of the approval of the Court, which will consider, among other things, the fairness of the Arrangement to Voting Unitholders. See "The Arrangement – Securities Law Matters – United States" for additional information.

Unitholders should be aware that the acquisition of the New K-Bro Common Shares described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are

resident in, or citizens of, the United States are not described herein. U.S. securityholders should consult their own tax advisors with respect to their own particular circumstances.

The solicitation of proxies in connection with which this Information Circular is furnished is not subject to the proxy requirements of section 14(a) of the 1934 Act, by virtue of an exemption applicable to proxy solicitations by “foreign private issuers”, as defined in Rule 3b-4 under the 1934 Act. This Information Circular has been prepared in accordance with the applicable disclosure requirements in Canada. Voting Unitholders in the United States should be aware that such requirements are different than those of the United States.

Financial statements have been prepared in accordance with generally accepted accounting principles in Canada, and are subject to auditing and auditor independence standards in Canada. These financial statements may not be comparable to financial statements of United States companies, and auditing and auditor independence standards may be different.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Fund is organized outside the United States, that some or all of the members of its management team and board of trustees and the experts named herein are residents of a foreign country, and that all or a substantial portion of the assets of the Fund and said persons are located outside the United States. As a result, it may be difficult or impossible for Voting Unitholders in the United States to effect service of process within the United States upon the Fund, any members of its management team or board of trustees or the experts named herein, or to realize, against them, upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States. In addition, U.S. securityholders should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States.

References to Currency

Unless otherwise stated, all references in this Information Circular to monetary amounts are expressed in Canadian dollars. All references to “Canadian dollars”, “Cdn\$” or “\$” are to Canadian dollars and all references to “U.S.\$” are to United States dollars.

GLOSSARY OF TERMS

The following terms will have the meanings set forth below when used in this Information Circular. These defined terms are not always used in the documents incorporated by reference herein and may not conform exactly to the defined terms used in the appendices to this Information Circular or any agreements referred to herein.

“**1933 Act**” means the *United States Securities Act of 1933*, as amended;

“**1934 Act**” means the *United States Securities Exchange Act of 1934*, as amended;

“**ABCA**” means the *Business Corporations Act* (Alberta), including the regulations promulgated thereunder, each as amended;

“**Arrangement**” means an arrangement under section 193 of the ABCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the Arrangement Agreement or the Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of the Fund acting reasonably;

“**Arrangement Agreement**” means the arrangement agreement made as of October 21, 2010 among the Fund, K-Bro, K-Bro Limited and New K-Bro with respect to the Arrangement and all amendments, supplements and/or restatements thereof;

“**Arrangement Applicants**” means, collectively, the Fund, K-Bro, K-Bro Limited and New K-Bro;

“**Arrangement Resolution**” means the special resolution of the Voting Unitholders approving the Arrangement, in substantially the form attached as Appendix “A” to this Information Circular, to be considered at the Meeting;

“**Articles of Arrangement**” means one or more articles of arrangement in respect of the Arrangement required by subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order is made;

“**Beneficial Holder**” has the meaning ascribed thereto under “Proxy Solicitation and Voting – Non-Registered Voting Unitholders”;

“**Board**” means the board of trustees of the Fund;

“**Broadridge**” has the meaning ascribed thereto under “Proxy Solicitation and Voting – Non-Registered Voting Unitholders”;

“**Business Day**” means a day, other than a Saturday, Sunday or other day on which commercial banks in Edmonton, Alberta are closed;

“**Canadian Securities Laws**” means, collectively, and as the context may require, the applicable securities legislation of each of the provinces and territories of Canada, and the rules, notices, instruments, regulations and policies published and/or promulgated thereunder, as such may be amended from time to time prior to the Effective Date;

“**Certificate**” means the confirmation of filing to be issued by the Registrar pursuant to subsection 193(11) of the ABCA giving effect to the Arrangement;

“**Claim**” means any claim, action, demand, cause of action, suit, complaint, proceeding, arbitration, judgment, settlement, award, assessment, re-assessment, order, investigation, enquiry or hearing made or threatened;

“**Court**” means the Court of Queen’s Bench of Alberta;

“**CRA**” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”;

“Effective Date” means the date the Arrangement is effective under the ABCA;

“Effective Time” means 12:01 a.m. on the Effective Date or such other time as may be determined by New K-Bro;

“Excess Share Value” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Holders Resident In Canada – Exchange of Units for Common Shares”;

“Excess Unit Value” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Holders Resident In Canada – Exchange of Units for Common Shares”;

“Exchangeable Shares” means the exchangeable shares in the capital of K-Bro;

“Exchangeable Shareholders” means the holders of Exchangeable Shares;

“Final Order” means the final order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by the Court at any time prior to the Effective Date;

“Fund” means K-Bro Linen Income Fund, an open-ended unincorporated limited purpose trust established under the laws of the Province of Alberta, pursuant to the Fund Declaration of Trust;

“Fund AIF” means the annual information form of the Fund dated March 10, 2010 in respect of the Fund’s financial year ended December 31, 2009;

“Fund Annual Financial Statements” means the audited consolidated financial statements of the Fund as at and for the years ended December 31, 2009 and 2008, together with the notes thereto and the auditors’ report thereon;

“Fund Annual MD&A” means management’s discussion and analysis of financial condition and operating results of the Fund for the years ended December 31, 2009 and 2008;

“Fund Circular” means the Fund’s management information circular dated May 4, 2010 with respect to the annual meeting of Voting Unitholders held on June 17, 2010;

“Fund Declaration of Trust” means the amended and restated declaration of trust dated February 3, 2005 of the Fund, as the same may be further amended and/or restated from time to time;

“Fund Financial Statements” means, collectively, the Fund Annual Financial Statements and the Fund Interim Financial Statements;

“Fund Interim Financial Statements” means the unaudited consolidated financial statements of the Fund as at and for the period ended September 30, 2010, together with the notes thereto;

“Fund Interim MD&A” means management’s discussion and analysis of financial condition and operating results of the Fund for the three and nine months ended September 30, 2010;

“Fund MD&A” means, collectively, the Fund Annual MD&A and the Fund Interim MD&A;

“Fund Required Approvals” means the regulatory approvals and other third party consents outlined in the Arrangement Agreement which are required by the Fund to be received on or prior to the Effective Date of the Arrangement in order to complete the Arrangement;

“GAAP” means Canadian generally accepted accounting principles, as in effect from time to time;

“Governmental Authority” means any (a) multinational, domestic, foreign, federal, national, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, ministry or agency, domestic or foreign, (b) any subdivision, agent, commission, board, or authority of any of the foregoing, (c) any quasi-governmental or private body exercising any

regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (d) any stock exchange, including the TSX;

“**Holder**” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”;

“**Information Circular**” means the Notice of Meeting and this management information circular of the Fund including all schedules, appendices and exhibits hereto, sent by the Fund to the Voting Unitholders in connection with the Meeting;

“**Interim Order**” means the interim order of the Court dated November 2, 2010 under subsection 193(4) of the ABCA containing declarations and directions with respect to the Arrangement and the Meeting, a copy of which order is attached as Appendix “B” to this Information Circular, as such order may be affirmed, amended or modified by the Court;

“**Intermediary**” has the meaning ascribed thereto under “Proxy Solicitation and Voting – Registered Voting Unitholders”;

“**K-Bro**” means K-Bro Linen Systems Inc., a corporation amalgamated under the laws of the Province of Alberta;

“**K-Bro Limited**” means K-Bro Linen Limited, a corporation incorporated under the laws of the Province of Alberta;

“**K-Bro LP**” means KBL Limited Partnership/KBL S.E.C, a limited partnership established under the laws of the Province of Manitoba;

“**Meeting**” means the special meeting of the Voting Unitholders to be held on December 6, 2010, and any adjournment(s) or postponement(s) thereof, to consider and to vote on the Arrangement Resolution and the other matters set out in the Notice of Meeting;

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

“**misrepresentation**” has the meaning ascribed thereto in the *Securities Act* (Ontario);

“**New K-Bro**” means, K-Bro Linen Inc., a corporation incorporated under the laws of the Province of Alberta;

“**New K-Bro Board**” means the board of directors of New K-Bro following completion of the Arrangement;

“**New K-Bro Common Shares**” means the common shares in the capital of New K-Bro;

“**New K-Bro Shareholders**” means holders of New K-Bro Common Shares;

“**NI 51-102**” means National Instrument 51-102 – *Continuous Disclosure Obligations*;

“**Non-Resident Holder**” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Holders Not Resident In Canada”;

“**Normal Growth Guidelines**” has the meaning ascribed thereto under “Background to and Reasons for the Arrangement”;

“**Notice of Meeting**” means the Notice of Special Meeting of Voting Unitholders which accompanies this Information Circular;

“**Person**” includes any individual, firm, partnership, limited partnership, limited liability partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor,

administrator, legal personal representative, estate, body corporate, corporation, company, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;

“Plan” means trust governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and TFSAs, as such terms are defined in the Tax Act;

“Plan of Arrangement” means the plan of arrangement, substantially in the form attached as Schedule A to the Arrangement Agreement which is attached as Appendix “C” to this Information Circular, and any amendments or variations thereto made in accordance with the Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of the Fund acting reasonably;

“Record Date” means November 1, 2010;

“Registered Voting Unitholder” has the meaning ascribed thereto under “Proxy Solicitation and Voting – Registered Voting Unitholders”;

“Registrar” means the Registrar of Corporations duly appointed under the ABCA;

“Regulatory Approvals” means those sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Authorities required by the Fund to consummate the transactions contemplated by the Arrangement Agreement;

“Resident Holder” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Holders Resident In Canada”;

“SIFT Rules” means the amendments to the Tax Act proclaimed in force on June 22, 2007, as amended, that implement the changes announced as part of the Tax Fairness Plan proposed by the Minister of Finance (Canada) on October 31, 2006 which modify the tax treatment of SIFTs and the tax treatment of their unitholders in the manner described under “Certain Canadian Federal Income Tax Considerations”;

“SIFT” means a specified investment flow-through trust or partnership, as defined in the Tax Act;

“Special Trust Units” means the units of the Fund designated as “Special Trust Units” under the Fund Declaration of Trust;

“Subsidiary” has the meaning ascribed thereto in section 1.1 of National Instrument 45-106 – *Prospectus and Registration Exemptions*;

“Tax Act” means the *Income Tax Act* (Canada), including the regulations promulgated thereunder, each as amended;

“Tax Proposals” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”;

“TFSA” means tax free savings account, as such term is defined in the Tax Act;

“Trust Units” means the units of beneficial interest of the Fund designated as “Trust Units” under the Fund Declaration of Trust;

“Trustees” means the trustees of the Fund;

“TSX” means the Toronto Stock Exchange;

“Unitholders” means the holders of issued and outstanding Trust Units;

“U.S. Securityholders” has the meaning ascribed thereto under “The Arrangement – Securities Law Matters – United States – Issuance and Resale of New K-Bro Common Shares under U.S. Securities Laws”;

“Voting Unitholders” means the holders of issued and outstanding Voting Units;

“Voting Units” means, collectively, the Trust Units and the Special Trust Units;

SUMMARY INFORMATION

The following is a summary of certain information contained elsewhere in this Information Circular, including the appendices hereto, and is qualified in its entirety by reference to the more detailed information contained or referred to elsewhere in this Information Circular, in the documents incorporated by reference herein and in the appendices hereto. You should read this Information Circular, including the information incorporated by reference herein, and the appendices hereto, in their entirety. For an explanation of certain defined terms used in this “Summary Information” and in this Information Circular, please see “Glossary of Terms”.

The Meeting and Record Date

The Meeting will be held on Monday, December 6, 2010 at 9:00 a.m. (Toronto time) at Goodmans LLP, 333 Bay Street, Suite 3400 in Toronto, Ontario, for the purposes set forth in the accompanying Notice of Meeting. The Fund has fixed November 1, 2010 as the record date for determining the Voting Unitholders entitled to receive notice of and vote at the Meeting.

Purpose of the Meeting

The business of the Meeting will be to consider and vote upon the Arrangement Resolution and to transact such further and other business as may properly be brought before the Meeting or any adjournment(s) or postponement(s) thereof.

See “The Arrangement”.

Background to and Reasons for the Arrangement

On October 31, 2006, the federal Minister of Finance announced a new entity-level tax on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to unitholders. The Minister announced that existing trusts would have a four-year transition period and generally would not be subject to the new rules until 2011, provided such trusts experienced only “normal growth” and no “undue expansion” before then. The announcement had an immediate impact on the Canadian capital markets and, generally, resulted in a significant decline in trading prices for publicly traded income trusts.

On December 15, 2006, the Minister issued the Normal Growth Guidelines which established objective tests with respect to what would be considered “normal growth” for the purposes of determining how much existing trusts are permitted to grow without jeopardizing their transitional relief. On December 4, 2008, the Minister announced certain changes to the Normal Growth Guidelines. Bill C-52, which received Royal Assent on June 22, 2007, contained legislation implementing the SIFT Rules.

Subsequent to the Minister of Finance’s October 31, 2006 announcement and the subsequently enacted SIFT Rules, the Board and management have been assessing the Fund’s available options to ensure that its capital structure is efficient, that the Fund is able to meet its strategic objectives and to enhance value for Unitholders. As a result of this ongoing assessment, the Board and management started examining particular options for conversion which would minimize the negative impact of the SIFT Rules and enhance value for Unitholders.

On October 21, 2010, after several board meetings duly called to consider the financial aspects and other considerations relating to the Arrangement, including the terms of the Arrangement Agreement, the potential impact of the Arrangement on the Fund, the Fund’s employees and Unitholders and other matters considered relevant, the Board determined that the Arrangement is fair and reasonable to Voting Unitholders, and is in the best interests of the Fund and Voting Unitholders. On this basis, the Board unanimously approved entering into the Arrangement Agreement, and unanimously recommends that the Voting Unitholders vote in favour of the Arrangement Resolution.

See “Background to and Reasons for the Arrangement”.

Anticipated Benefits of the Arrangement

With the introduction of the SIFT Rules on October 31, 2006, there is diminishing value associated with the trust structure. Management and the Board believe that the best opportunity for creating value is to remove the uncertainty created with the taxation of SIFTs and proceed forward as a corporate entity. The Arrangement allows the Fund to convert to a corporation while maintaining its focus on enhancing value for Unitholders. The Arrangement will enable the Fund to pay cash dividends to shareholders and to pursue growth opportunities. Selected benefits to the Arrangement are expected to be as follows:

- the Arrangement provides for an effective and efficient method of converting the Fund from a mutual fund trust to a corporation consistent with existing legislation;
- it is expected that Unitholders will be able to exchange Trust Units for New K-Bro Common Shares on a tax-deferred basis for Canadian income tax purposes; and
- Canadian taxable Unitholders should benefit from lower income taxes paid on dividends compared to taxes paid on current distributions of income of the Fund.

There is a risk that the Fund and the Unitholders will not realize the anticipated benefits of the Arrangement.

See “Background to and Reasons for the Arrangement – Anticipated Benefits of the Arrangement”, “Introduction – Forward-Looking Statements” and “Information Concerning New K-Bro – Risk Factors”.

Recommendation of the Board

The Board, based on its own investigations, has unanimously determined that the Arrangement is fair and reasonable to Voting Unitholders, and is in the best interests of the Fund and Voting Unitholders. Accordingly, the Board has unanimously approved the Arrangement and authorized the submission of the Arrangement to Voting Unitholders and the Court for approval. The Board unanimously recommends that Voting Unitholders vote FOR the Arrangement Resolution.

In reaching its conclusions and formulating its recommendation, the Board considered a number of factors, including the anticipated benefits of the Arrangement.

See “Background to and Reasons for the Arrangement – Recommendation of the Board”. Also see “Information Concerning New K-Bro – Risk Factors”.

The Arrangement

The purpose of the Arrangement is to convert the Fund from an income trust to a corporation.

The Arrangement will result in the Fund being converted to a structure in which the Fund will be wholly-owned by New K-Bro and the Unitholders will be shareholders of New K-Bro. New K-Bro will operate the existing businesses of the Fund and its Subsidiaries and the existing Trustees of the Fund will become the board of directors of New K-Bro. See “Information Concerning New K-Bro”.

It is intended that the Fund will be dissolved following the completion of the Arrangement to further simplify the corporate structure of New K-Bro.

See “The Arrangement – Arrangement Steps”.

Effect of the Arrangement on Unitholders and Exchangeable Shareholders

Under the Arrangement, Trust Units held by Unitholders will be transferred to New K-Bro in consideration for New K-Bro Common Shares on the basis of one New K-Bro Common Share for each Trust Unit so transferred. The Exchangeable Shares (and Special Trust Units) held by Exchangeable Shareholders will also be transferred to New

K-Bro in consideration for New K-Bro Common Shares on the basis of one New K-Bro Common Share for each combination of Exchangeable Share and Special Trust Unit so transferred. Under the Arrangement, the Special Trust Units will be cancelled for no consideration in accordance with the Fund Declaration of Trust, as amended pursuant to the Arrangement.

See “The Arrangement – Effect of the Arrangement on Unitholders and Exchangeable Shareholders” and “Information Concerning New K-Bro”.

Effect of the Arrangement on Distributions

Under the Arrangement, Unitholders will receive one New K-Bro Common Share for each Trust Unit held. It is anticipated that a distribution of \$0.09167 per Trust Unit will be declared for the month of November 2010, payable on or around December 15, 2010 to Unitholders of record on November 30, 2010. Provided the Arrangement is approved at the Meeting, it is anticipated that a final distribution will be paid by the Fund to the Unitholders of record on or around December 21, 2010 and that such distribution will be paid by the Fund on or before December 31, 2010. The equivalent distribution will be paid to holders of Exchangeable Shares.

The board of directors of New K-Bro is expected to adopt a monthly dividend policy upon completion of the Arrangement. While the Trustees currently anticipate a monthly dividend of \$0.09167 per New K-Bro Common Share commencing on February 15, 2011 for shareholders of record on January 31, 2011, the board of directors of New K-Bro will assess the final dividend payout level in light of New K-Bro’s financial performance and its current and anticipated business needs at that time.

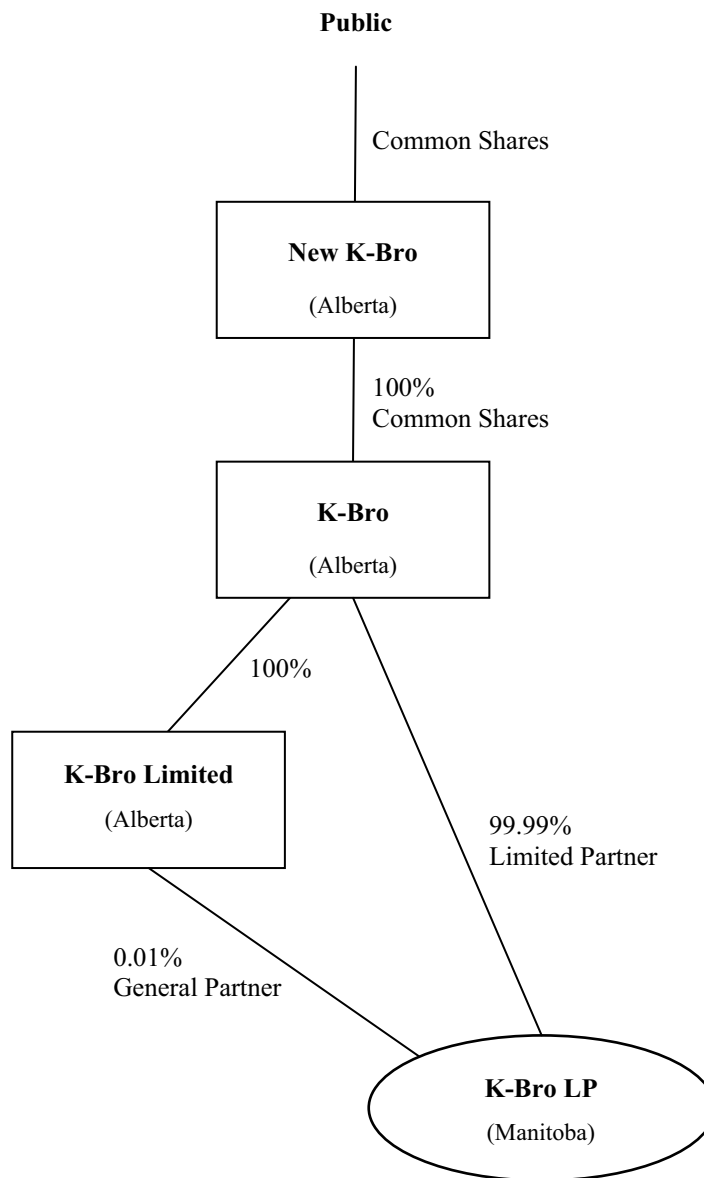
See “The Arrangement – Effect of the Arrangement on Distributions” and “Information Concerning New K-Bro – Dividend Policy Following the Arrangement”.

Arrangement Steps

See “The Arrangement – Arrangement Steps”.

Post-Arrangement Structure

The following diagram sets forth the organizational structure of New K-Bro immediately after completion of the Arrangement and dissolution of the Fund.



Arrangement Agreement

The Arrangement is being effected pursuant to an Arrangement Agreement. The Arrangement Agreement contains covenants, representations and warranties of and from each of the Fund, K-Bro, K-Bro Limited and New K-Bro and various conditions precedent, both mutual and in favour of each of them. The Arrangement Agreement provides that the Arrangement will be subject to the fulfillment of certain conditions, including, but not limited to, the following:

- (a) the Arrangement Agreement must be approved by the Voting Unitholders;
- (b) the Arrangement must be approved by the Court and the Final Order obtained; and
- (c) all third party consents and regulatory approvals will have been obtained.

See “The Arrangement – Arrangement Agreement”.

Approvals

Voting Unitholder Approval

Pursuant to the Interim Order, the Arrangement Resolution must be approved by at least two-thirds of the votes cast by the Voting Unitholders, present in person or represented by proxy, at the Meeting. A copy of the Arrangement Resolution is attached as Appendix “A” to this Information Circular.

The Fund Declaration of Trust does not provide for a right of dissent for the Voting Unitholders in connection with the Arrangement or the approval of the Arrangement Resolution.

Court Approvals

A plan of arrangement under the ABCA requires court approval. On November 2, 2010, the Court granted the Interim Order, which facilitates the calling of the Meeting, and prescribes the conduct of these meetings and other matters. The Interim Order and a copy of the notice of application for the Final Order approving the Arrangement are attached as Appendix “B” to this Information Circular.

Subject to the terms of the Arrangement, and if the Arrangement Resolution is approved by Voting Unitholders in the manner required by the Interim Order, the Arrangement Applicants will apply to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for December 10, 2010 at 1:30 p.m. (Mountain Standard Time), or as soon thereafter as counsel may be heard, at 601 – 5th Street S.W., Calgary, Alberta. The notice of application in respect of the Final Order is attached hereto, along with a copy of the Interim Order, as Appendix “B”. Any registered Voting Unitholder, and any other interested party who wishes to participate or to be represented or to present evidence or arguments at the hearing may do so, subject to filing with the Court and serving upon the Fund a Notice of Intention to Appear together with any evidence or materials that such party intends to present to the Court on four days’ notice to counsel for the Fund. **Service of such notice will be effected by service upon the Fund’s litigation counsel, Burnet, Duckworth & Palmer LLP, on or before December 6, 2010, to Suite 1400 350 7th Ave SW Calgary, AB T2P 3N9, Attention: Dan McDonald, with a copy to Goodmans LLP, 333 Bay Street, Suite 3400 Toronto, Ontario, M5H 2S7, Attention Tom Friedland and Jason Wadden.**

See “The Arrangement – Approvals – Court Approvals”.

Stock Exchange Listing Approval

The TSX has conditionally approved the substitutional listing of the New K-Bro Common Shares on the TSX under the trading symbol “KBL”, which approval is subject to New K-Bro fulfilling the requirements of the TSX.

See “The Arrangement – Approvals – Stock Exchange Listing Approval”.

Timing of Completion of the Arrangement

If the Meeting is held as scheduled and is not adjourned and the other necessary conditions to be satisfied at that point in time are satisfied or waived, the Arrangement Applicants intend to apply for the Final Order approving the Arrangement. If the Final Order is obtained on December 10, 2010 in form and substance satisfactory to the Fund, and all other conditions set forth in the Arrangement Agreement are satisfied or waived, the Fund expects the Effective Date will be on or about January 1, 2011. It is not possible, however, to state with certainty when the Effective Date will occur. The Effective Date could be delayed for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order, which is anticipated to take place on or about December 10, 2010.

The Final Order and the Articles of Arrangement in the form prescribed by the ABCA must be filed with the Registrar and the Registrar must issue a Certificate. the Arrangement will be effective on the date shown on the Certificate issued by the Registrar.

See "The Arrangement – Timing of Completion of the Arrangement".

Procedure for Exchange of Trust Units

Beneficial Holders

On or about the Effective Date, New K-Bro will deliver to CDS a certificate evidencing the aggregate number of Common Shares issued to former non-registered Beneficial Holders in connection with the Arrangement. As these Trust Units trade in the "book entry" system, no certificates representing New K-Bro Common Shares will be issued to nonregistered Beneficial Holders following the completion of the Arrangement. Beneficial Holders of Trust Units do not need to take any action involving their Trust Units."

Registered Unitholders

Upon the Arrangement becoming effective, certificates representing Trust Units need not be tendered for certificates representing New K-Bro Common Shares. Pursuant to the Arrangement, the existing certificates for Trust Units will represent, from and after the completion of the Arrangement, New K-Bro Common Shares and the right to receive certificates representing an equivalent number of New K-Bro Common Shares on exchange of such Trust Unit certificates for share certificates of New K-Bro. Such an exchange of Trust Unit certificates can be made on request by a former registered Unitholder and will be made upon a transfer of New K-Bro Common Shares. In the event that a former registered Unitholder wishes to receive a physical certificate in their name representing the New K-Bro Common Shares held by them upon completion of the Arrangement, the certificates representing such holder's Trust Units should be mailed, with a letter requesting the certificates representing such holder's New K-Bro Common Shares, to Valiant Trust Company, 310, 606-4th Street S.W., Calgary Alberta T2P 1T1, Attention: Transfer Department. Valiant Trust Company may also be contacted by telephone at 1-866-313-1872.

See "The Arrangement – Procedure for Exchange of Trust Units".

Securities Law Matters

Canada

The issue of the New K-Bro Common Shares pursuant to the Arrangement will be made pursuant to exemptions from the registration and prospectus requirements contained in applicable Canadian Securities Laws. Under applicable Canadian Securities Laws, the New K-Bro Common Shares issued pursuant to the Arrangement may be resold in Canada without hold period restrictions, except that any Person, company or combination of Persons or companies holding a sufficient number of New K-Bro Common Shares to affect materially the control of New K-Bro, will be restricted in reselling such shares pursuant to applicable Canadian Securities Laws.

The Fund is a reporting issuer in all provinces and territories of Canada and is therefore subject to MI 61-101 in connection with the Arrangement. MI 61-101 outlines certain requirements for a reporting issuer to adhere to in the

event that an issuer is carrying out a “business combination” as defined in MI 61-101. The Plan of Arrangement is not a “business combination” under MI 61-101 as a result of the fact that none of the Fund’s “related parties” will obtain any benefit as a result of the Arrangement, other than consideration for their Trust Units that is identical to the other Unitholders.

See “The Arrangement – Securities Law Matters – Canada”.

United States

The New K-Bro Common Shares to be issued pursuant to the Arrangement will not be registered under the 1933 Act or the securities laws of any state of the United States and will be issued in reliance upon the exemption from registration set forth in section 3(a)(10) of the 1933 Act and exemptions provided under the securities laws of each state of the United States in which U.S. securityholders reside. Section 3(a)(10) of the 1933 Act exempts from registration the distribution of a security that is issued in exchange for outstanding securities where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear, by a court or by a governmental authority expressly authorized by law to grant such approval.

Persons who are not affiliates of New K-Bro after the Arrangement may resell the New K-Bro Common Shares that they receive in connection with the Arrangement in the United States without restriction under the 1933 Act. New K-Bro Common Shares received by a holder who will be an “affiliate” of New K-Bro after the Arrangement will be subject to certain restrictions on resale imposed by the 1933 Act. As defined in Rule 144 under the 1933 Act, an “affiliate” of an issuer is a person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the issuer and may include certain officers and directors of such issuer as well as principal shareholders of such issuer.

See “The Arrangement – Securities Law Matters – United States”.

Unitholders are urged to consult their legal advisors to determine the extent of all applicable resale provisions.

Certain Canadian Federal Income Tax Considerations

On a disposition of Trust Units in exchange for New K-Bro Common Shares pursuant to the Arrangement, a Holder will be considered to have disposed of its Trust Units for proceeds of disposition equal to their adjusted cost base. Accordingly, no capital gain or capital loss will be realized. The adjusted cost base of the Trust Units so exchanged will become the adjusted cost base of the New K-Bro Common Shares issued to the particular Holder.

This Information Circular contains a summary of the principal Canadian federal income tax considerations relevant to Holders and which relate to the Arrangement. The above comments are qualified in their entirety by reference to such summary. See “Certain Canadian Federal Income Tax Considerations”. All Holders should consult their own tax advisors for advice with respect to their own personal circumstances.

Other Tax Considerations

This Information Circular does not address any tax considerations of the Arrangement other than Canadian federal income tax considerations nor does it address the particular circumstances of any Holder. Holders who are resident in jurisdictions other than Canada, including those in the United States, should consult their tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions and with respect to the tax implications in such jurisdictions of owning New K-Bro Common Shares after the Arrangement. Holders should also consult their own tax advisors regarding Canadian provincial or territorial tax considerations of the Arrangement or of holding Common Shares.

Information Concerning the Fund

The Fund is an unincorporated, open-ended limited purpose trust established under the laws of the Province of Alberta pursuant to the Fund Declaration of Trust. The registered and head office of the Fund is located at 103, 15023-123 Avenue, Edmonton, Alberta T5V 1J7. The Fund is the largest owner and operator of laundry and linen processing facilities in Canada. The Fund provides a comprehensive range of general linen and operating room linen processing, management and distribution services to large healthcare institutions, hotels and other commercial accounts. The Fund currently owns and operates laundry and linen processing facilities in six Canadian cities: Toronto, Edmonton, Calgary, Vancouver, Victoria, and Quebec City.

See “Information Concerning the Fund”.

Information Concerning New K-Bro

New K-Bro was incorporated on October 20, 2010 pursuant to the provisions of the ABCA, for purposes of effecting the Arrangement. The registered and head office of New K-Bro is located at 103, 15023-123 Avenue, Edmonton, Alberta T5V 1J7.

As a result of the Arrangement, New K-Bro will become a reporting issuer in all of the provinces and territories of Canada and will become subject to the continuous disclosure requirements under Canadian Securities Laws. The TSX has conditionally approved the substitutional listing of the New K-Bro Common Shares on the TSX under the trading symbol “KBL”, which approval is subject to New K-Bro fulfilling the requirements of the TSX.

See “Information Concerning New K-Bro”.

Pro Forma Financial Information of New K-Bro

The unaudited *pro forma* consolidated financial statements of New K-Bro which give effect to the Arrangement are attached as Appendix “D” to this Information Circular. The unaudited *pro forma* adjustments set forth in the unaudited *pro forma* consolidated financial statements of New K-Bro are based upon the assumptions described in the notes to the unaudited *pro forma* consolidated financial statements, including that the Voting Unitholders approve the Arrangement Resolution at the Meeting and that the Arrangement is completed. The unaudited *pro forma* consolidated financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating or financial results that would have occurred had the Arrangement actually occurred at the time contemplated by the notes to the unaudited *pro forma* consolidated financial statements.

See “Information Concerning New K-Bro – Pro Forma Financial Information of New K-Bro”.

Dividend Policy Following the Arrangement

The board of directors of New K-Bro is expected to adopt a monthly dividend policy upon completion of the Arrangement. While the Trustees currently anticipate a monthly dividend of \$0.09167 per New K-Bro Common Share commencing on February 15, 2011 for shareholders of record on January 31, 2011, the board of directors of New K-Bro will assess the final dividend payout level in light of New K-Bro's financial performance and its current and anticipated business needs at that time. As a corporation, New K-Bro's dividend policy will be at the discretion of the New K-Bro Board. Future dividends, if any, will depend on the operations and assets of New K-Bro and will be subject to various factors, including, without limitation, New K-Bro's financial performance, fluctuations in its working capital, the sustainability of its margins, its capital expenditure requirements, obligations under its credit facilities, provisions of applicable law (including satisfying the dividend solvency test applicable to ABCA corporations) and other factors that the board of directors may deem relevant from time to time. There can be no guarantee that New K-Bro will maintain its dividend policy.

See "Information Concerning New K-Bro – Dividend Policy Following the Arrangement".

Risk Factors

The following risk factors relating to the Arrangement and New K-Bro should be carefully considered before making a decision relating to the Arrangement: a failure to satisfy conditions precedent to the Arrangement; possible failure to realize anticipated benefits of the Arrangement and uncertainty of dividend payments.

See "Information Concerning New K-Bro – Risk Factors" in this Information Circular for details regarding the risk factors listed above. In addition, risk factors related to the business of the Fund and its Subsidiaries will generally continue to apply to New K-Bro after the Effective Date and will not be affected by the Arrangement. In the event the Arrangement is completed, the business and operations of, and an investment in, New K-Bro will be subject to various risk factors set forth hereunder and under the heading "Risk Factors – Risks Related to K-Bro and the Laundry and Linen Services Industry" in the Fund AIF, which is incorporated by reference in this Information Circular. **Prospective New K-Bro Shareholders should consider carefully the risk factors set forth herein and in the materials incorporated by reference herein.**

Voting Unitholders are strongly encouraged to obtain independent legal, tax and investment advice in their jurisdiction of residence with respect to this Information Circular, the consequences of the Arrangement and the holding of Trust Units and New K-Bro Common Shares.

BACKGROUND TO AND REASONS FOR THE ARRANGEMENT

On October 31, 2006, the federal Minister of Finance announced a new entity-level tax on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to unitholders. The Minister announced that existing trusts would have a four-year transition period and generally would not be subject to the new rules until 2011, provided such trusts experienced only “normal growth” and no “undue expansion” before then. The announcement had an immediate impact on the Canadian capital markets and, generally, resulted in a significant decline in trading prices for publicly traded income trusts.

On December 15, 2006, the Minister issued the Normal Growth Guidelines which established objective tests with respect to what would be considered “normal growth” for the purposes of determining how much existing trusts are permitted to grow without jeopardizing their transitional relief. On December 4, 2008, the Minister announced certain changes to the Normal Growth Guidelines. Bill C-52, which received Royal Assent on June 22, 2007, contained legislation implementing the SIFT Rules.

Subsequent to the Minister of Finance’s October 31, 2006 announcement and the subsequently enacted SIFT Rules, the Board and management have been assessing the Fund’s available options to ensure that its capital structure is efficient, that the Fund is able to meet its strategic objectives and to enhance value for Unitholders. As a result of this ongoing assessment, the Board and management started examining particular options for conversion which would minimize the negative impact of the SIFT Rules and enhance value for Unitholders.

On October 21, 2010, after several board meetings duly called to consider the financial aspects and other considerations relating to the Arrangement, including the terms of the Arrangement Agreement, the potential impact of the Arrangement on the Fund, the Fund’s employees and Unitholders and other matters considered relevant, the Board determined that the Arrangement is fair and reasonable to Voting Unitholders, and is in the best interests of the Fund and Voting Unitholders. On this basis, the Board unanimously approved entering into the Arrangement Agreement, and unanimously recommends that the Voting Unitholders vote in favour of the Arrangement Resolution.

Anticipated Benefits of the Arrangement

With the introduction of the SIFT rules on October 31, 2006, there is diminishing value associated with the trust structure. Management and the Board believe that the best opportunity for creating value is to remove the uncertainty created with the taxation of SIFTs and proceed forward as a corporate entity. The Arrangement allows the Fund to convert to a corporation while maintaining its focus on enhancing value for Unitholders. The Arrangement will enable the Fund to pay cash dividends to shareholders and to pursue growth opportunities. Selected benefits to the Arrangement are expected to be as follows:

- the Arrangement provides for an effective and efficient method of converting the Fund from a mutual fund trust to a corporation consistent with existing legislation;
- it is expected that Unitholders will be able to exchange Trust Units for New K-Bro Common Shares on a tax-deferred basis for Canadian income tax purposes; and
- Canadian taxable Unitholders should benefit from lower income taxes paid on dividends compared to taxes paid on current distributions of income of the Fund.

There is a risk that the Fund and Unitholders will not realize the anticipated benefits of the Arrangement. See “Introduction – Forward-Looking Statements” and “Information Concerning New K-Bro – Risk Factors”.

Recommendation of the Board

The Board, based on its own investigations, has unanimously determined that the Arrangement is fair and reasonable to Voting Unitholders, and is in the best interests of the Fund and Voting Unitholders. Accordingly, the Board has unanimously approved the Arrangement and authorized the submission of the

Arrangement to Voting Unitholders and the Court for approval. The Board unanimously recommends that Voting Unitholders vote FOR the Arrangement Resolution.

In reaching its conclusions and formulating its recommendation, the Board considered a number of factors, including the anticipated benefits of the Arrangement. Also see “Information Concerning New K-Bro – Risk Factors”.

The discussion of the information and factors considered and given weight by the Board is not intended to be exhaustive. In reaching the determination to approve and recommend the Arrangement Resolution, the Board did not assign any relative or specific weight to the factors that were considered, and individual Trustees may have given a different weight to each factor.

The Trustees and senior officers of the Fund and its subsidiaries, who own, directly or indirectly, or exercise control or direction over, approximately 4.8% of the outstanding Voting Units, have indicated that they intend to vote in favour of the Arrangement.

Authority of the Board

By passing the Arrangement Resolution approving the Arrangement, the Voting Unitholders will also be giving authority to the Board to use its best judgement to proceed with and cause the Fund to complete the Arrangement in the event of any variation of, or amendments to, the Arrangement Agreement, without any requirement to seek or obtain any further approval of the Voting Unitholders.

The Arrangement Resolution also provides that the Plan of Arrangement may be amended by the Board before or after the Meeting without further notice to Voting Unitholders. The Board has no current intention to amend the Plan of Arrangement; however, it is possible that the Trustees may determine, on the basis set forth below, that it is appropriate that amendments be made.

THE ARRANGEMENT

General

The purpose of the Arrangement is to convert the Fund from an income trust to a corporation.

The Arrangement will result in the Fund being converted to a structure in which the Fund will be wholly-owned by New K-Bro and the Unitholders will be shareholders of New K-Bro. New K-Bro will operate the existing businesses of the Fund and its Subsidiaries and the existing Trustees of the Fund will become the board of directors of New K-Bro.

It is intended that the Fund will be dissolved following the completion of the Arrangement to further simplify the corporate structure of New K-Bro.

Effect of the Arrangement on Unitholders and Exchangeable Shareholders

Under the Arrangement, Trust Units held by Unitholders will be transferred to New K-Bro in consideration for New K-Bro Common Shares on the basis of one New K-Bro Common Share for each Trust Unit so transferred. The Exchangeable Shares (and Special Trust Units) held by Exchangeable Shareholders will also be transferred to New K-Bro in consideration for New K-Bro Common Shares on the basis of one New K-Bro Common Share for each combination of Exchangeable Share and Special Trust Unit so transferred. Under the Arrangement, following the transfer of the Special Trust Units to New K-Bro, the Special Trust Units will be cancelled for no consideration in accordance with the Fund Declaration of Trust, as amended pursuant to the Arrangement.

Effect of the Arrangement on Distributions

Under the Arrangement, Unitholders will receive one New K-Bro Common Share for each Trust Unit held. It is anticipated that a distribution of \$0.09167 per Trust Unit will be declared for the month of November 2010, payable

on or around December 15, 2010 to Unitholders of record on November 30, 2010. Provided the Arrangement is approved at the Meeting, it is anticipated that a final distribution will be paid by the Fund to the Unitholders of record on or around December 21, 2010 and that such distribution will be paid by the Fund on or before December 31, 2010. The equivalent distribution will be paid to holders of Exchangeable Shares.

The board of directors of New K-Bro is expected to adopt a monthly dividend policy upon completion of the Arrangement. While the Trustees currently anticipate a monthly dividend of \$0.09167 per New K-Bro Common Share commencing on February 15, 2011 for shareholders of record on January 31, 2011, the board of directors of New K-Bro will assess the final dividend payout level in light of New K-Bro's financial performance and its current and anticipated business needs at that time.

See "Information Concerning New K-Bro – Dividend Policy Following the Arrangement".

Pre-Arrangement Steps

Pursuant to the Arrangement Agreement, each of the Arrangement Applicants have covenanted and agreed that prior to the Arrangement, the Fund Declaration of Trust and such other material documents will be amended to the extent necessary to facilitate the Arrangement and the implementation of the steps and transactions, described in the Plan of Arrangement, as provided therein.

Arrangement Steps

The Plan of Arrangement, a copy of which is attached as Schedule A to the Arrangement Agreement which is attached as Appendix "C" to this Information Circular, sets out the transactions that will occur pursuant to the Arrangement. Commencing at the Effective Time, the following events will occur and will be deemed to occur in the following order, without any further authorization, act or formality:

Exchange of Trust Units and Exchangeable Shares for New K-Bro Common Shares

- (a) the Exchangeable Shares (and Special Trust Units) held by holders of Exchangeable Shares and the Trust Units held by Unitholders will be simultaneously transferred to New K-Bro free and clear of any claims, solely in consideration for New K-Bro Common Shares on the basis of one New K-Bro Common Share for (i) each combination of one Exchangeable Share and Special Trust Unit so transferred, and (ii) each Trust Unit so transferred. At the time the New K-Bro Common Shares are so issued, an amount determined by the directors of New K-Bro shall be added to the stated capital account maintained for the New K-Bro Common Shares issued under the Arrangement. The stated capital maintained in respect of the New K-Bro Common Shares may be subsequently reduced by an amount determined by the directors, in respect of which no amount is to be distributed to the shareholders of New K-Bro, as contemplated by Section 38(1) of the ABCA;

Cancellation of Special Trust Units

- (b) the Special Trust Units acquired by New K-Bro will be cancelled for no consideration in accordance with the amended Fund Declaration of Trust;

Cancellation of New K-Bro Common Share Owned by the Fund

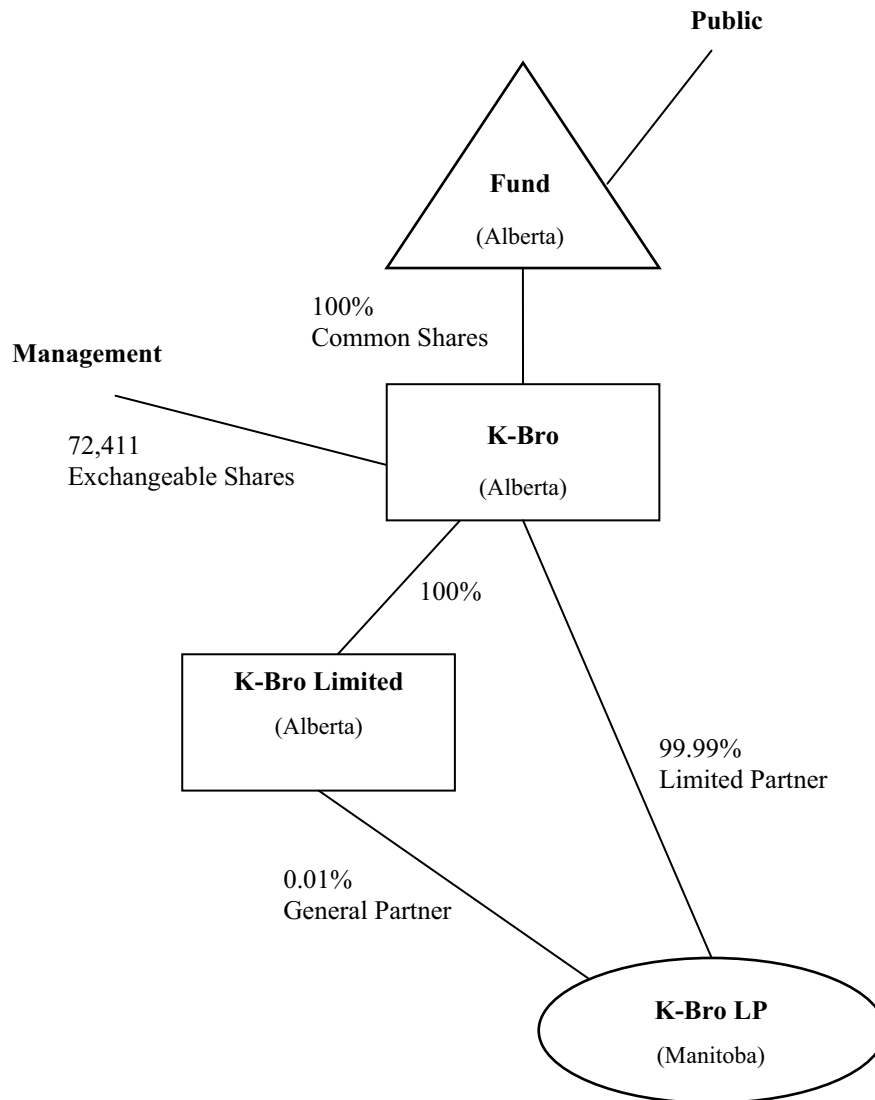
- (c) the one New K-Bro Common Share issued to the Fund in connection with the organization of New K-Bro shall be purchased for cancellation by New K-Bro for consideration of ten dollars (\$10.00) and shall be cancelled; and

Other Rights

- (d) all other rights to acquire Trust Units and Special Trust Units outstanding immediately prior to the Effective Time, if any, shall be cancelled and of no further force and effect, and shall be deemed to be exchanged for economically equivalent rights to acquire New K-Bro Common Shares.

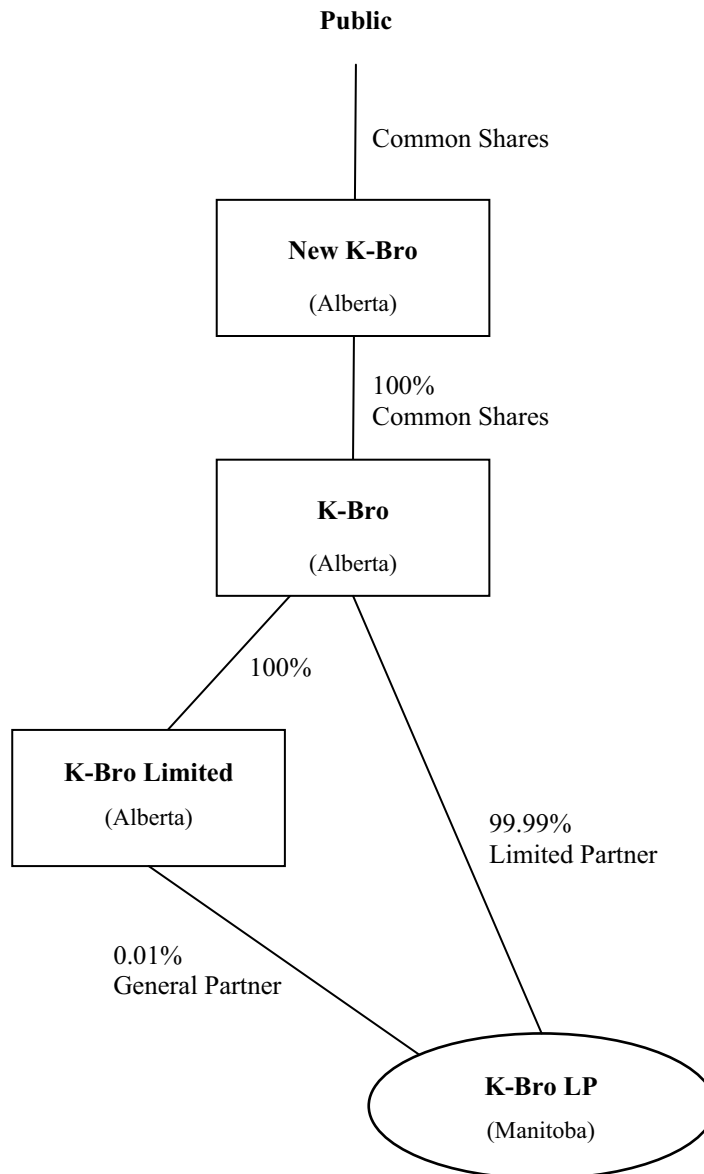
Pre-Arrangement Structure

The following diagram sets forth the organizational structure of the Fund immediately prior to completion of the Arrangement.



Post-Arrangement Structure

The following diagram sets forth the organizational structure of New K-Bro immediately after completion of the Arrangement and dissolution of the Fund.



Arrangement Agreement

The Arrangement is being effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains covenants, representations and warranties of and from each of the Fund, K-Bro, K-Bro Limited and New K-Bro and various conditions precedent, both mutual and in favour of each entity and the Fund. **The Arrangement Agreement is attached as Appendix “C” to this Information Circular and reference is made thereto for the full text thereof.**

The Arrangement Agreement may, at any time and from time to time before or after the Meeting, be amended in any respect whatsoever by written agreement of the parties to the Arrangement Agreement without further notice to or authorization on the part of their respective securityholders; provided that any such amendment that changes the consideration to be received by the Unitholders pursuant to the Arrangement is brought to the attention of the Court and is subject to such requirements as may be ordered by the Court.

Procedure for the Arrangement Becoming Effective

The Arrangement is proposed to be carried out pursuant to section 193 of the ABCA. The following procedural steps must be taken for the Arrangement to become effective:

- (a) the Voting Unitholders must approve the Arrangement Resolution in accordance with the Arrangement Agreement and the Interim Order;
- (b) the Arrangement must be approved by the Court and the Final Order obtained;
- (c) all conditions precedent to the Arrangement set forth in the Arrangement Agreement must be satisfied or waived by the appropriate Party;
- (d) the Arrangement Agreement will not have been terminated as provided for therein; and
- (e) the Final Order, the Articles of Arrangement and related documents, in the form prescribed by the ABCA, must be filed with the Registrar and the Registrar must issue a Certificate. The Arrangement will be effective on the date shown on the Certificate issued by the Registrar.

Management of the Fund believes that all material consents, orders, regulations, approvals or assurances required for the completion of the Arrangement will be obtained prior to the Effective Date in the ordinary course upon application therefor.

Approvals

Voting Unitholder Approval

Pursuant to the Interim Order, the Arrangement Resolution must be approved by at least two-thirds of the votes cast by the Voting Unitholders, present in person or represented by proxy, at the Meeting. A copy of the Arrangement Resolution is attached as Appendix “A” to this Information Circular.

Notwithstanding the foregoing, the Arrangement Resolution proposed for consideration by the Voting Unitholders, authorizes the Board, without further notice to or approval of the Voting Unitholders, subject to the terms of the Arrangement, to amend the Plan of Arrangement, decide not to proceed with the Arrangement or to revoke the Arrangement Resolution at any time prior to the Arrangement becoming effective pursuant to the provisions of the ABCA. The full text of the Arrangement Resolution is attached as Appendix “A” to this Information Circular.

The Fund Declaration of Trust does not provide for a right of dissent for the Voting Unitholders in connection with the Arrangement or the approval of the Arrangement Resolution.

Court Approvals

Interim Order

A plan of arrangement under the ABCA requires court approval. On November 2, 2010, the Court granted the Interim Order, which facilitates the calling of the Meeting, and prescribes the conduct of these meetings and other matters. The Interim Order and a copy of the notice of application for the Final Order approving the Arrangement are attached as Appendix “B” to this Information Circular.

Final Order

Subject to the terms of the Arrangement, and if the Arrangement Resolution is approved by Voting Unitholders in the manner required by the Interim Order, the Arrangement Applicants will apply to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for December 10, 2010 at 1:30 p.m. (Mountain Standard Time), or as soon thereafter as counsel may be heard, at 601 – 5th Street S.W., Calgary, Alberta. . The notice of application in respect of the Final Order is attached hereto, along with a copy of the Interim Order, as Appendix “B”. Any registered Voting Unitholder, and any other interested party who wishes to participate or to be represented or to present evidence or arguments at the hearing may do so, subject to filing with the Court and serving upon the Fund a Notice of Intention to Appear together with any evidence or materials that such party intends to present to the Court on four days’ notice to counsel for the Fund. **Service of such notice will be effected by service upon the Fund’s litigation counsel, Burnet, Duckworth & Palmer LLP, on or before December 6, 2010, to Suite 1400 350 7th Ave SW Calgary, AB T2P 3N9, Attention: Dan McDonald, with a copy to Goodmans LLP, 333 Bay Street, Suite 3400 Toronto, Ontario, M5H 2S7, Attention Tom Friedland and Jason Wadden.**

The New K-Bro Common Shares to be issued pursuant to the Arrangement will not be registered under the 1933 Act. Prior to the hearing on the Final Order, the Court will be informed that the Final Order, if granted, will constitute the basis for the 3(a)(10) exemption from the registration requirements of the 1933 Act with respect to the securities of New K-Bro to be issued to Unitholders pursuant to the Arrangement.

The Fund has been advised by its counsel, Burnet, Duckworth & Palmer LLP, that the Court has broad discretion under the ABCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement to all affected securityholders, both from a substantive and a procedural point of view. The Court may approve the Arrangement and the Plan of Arrangement, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, the Fund may determine not to proceed with the Arrangement.

Stock Exchange Listing Approval

It is a condition to completion of the Arrangement that the TSX will have conditionally approved the substitutional listing of the New K-Bro Common Shares. The TSX has conditionally approved the substitutional listing of the New K-Bro Common Shares on the TSX under the trading symbol “KBL”, which approval is subject to New K-Bro fulfilling the requirements of the TSX.

Third Party Approvals

The completion of the Arrangement requires that all requisite consents, orders, approvals and authorizations, if any, be obtained, including regulatory approvals and consents and releases from certain third parties. See “The Arrangement – Arrangement Agreement – Conditions Precedent to the Arrangement”.

Timing of Completion of the Arrangement

If the Meeting is held as scheduled and is not adjourned and the other necessary conditions to be satisfied at that point in time are satisfied or waived, the Arrangement Applicants intend to apply for the Final Order approving the

Arrangement. If the Final Order is obtained on December 10, 2010 in form and substance satisfactory to the Fund and all other conditions set forth in the Arrangement Agreement are satisfied or waived, the Fund expects the Effective Date will be on or about January 1, 2011. It is not possible, however, to state with certainty when the Effective Date will occur. The Effective Date could be delayed for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order, which is anticipated to take place on or about December 10, 2010.

The Arrangement will become effective upon the filing with the Registrar of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Registrar.

Fund Declaration of Trust

Under the Arrangement, the Fund Declaration of Trust and such other material documents will be amended to the extent necessary to facilitate the Arrangement and the implementation of the steps and transactions described in the Plan of Arrangement. Additionally, it is currently contemplated that following the Effective Date, the Fund will be dissolved.

Other Agreements

In addition to the foregoing agreements, certain agreements to which the Fund and its Subsidiaries are party may need to be amended, remade, renewed, assigned, terminated or assumed in order to give effect to the Arrangement and to reflect the organizational structure of the Fund resulting from the completion of the Arrangement.

Procedure for Exchange of Trust Units

Beneficial Holders

On or about the Effective Date, New K-Bro will deliver to CDS a certificate evidencing the aggregate number of Common Shares issued to former non-registered Beneficial Holders in connection with the Arrangement. As these Trust Units trade in the "book entry" system, no certificates representing New K-Bro Common Shares will be issued to nonregistered Beneficial Holders following the completion of the Arrangement. Beneficial Holders of Trust Units do not need to take any action involving their Trust Units."

Registered Unitholders

Upon the Arrangement becoming effective, certificates representing Trust Units need not be tendered for certificates representing New K-Bro Common Shares. Pursuant to the Arrangement, the existing certificates for Trust Units will represent, from and after the completion of the Arrangement, New K-Bro Common Shares and the right to receive certificates representing an equivalent number of New K-Bro Common Shares on exchange of such Trust Unit certificates for share certificates of New K-Bro. Such an exchange of Trust Unit certificates can be made on request by a former registered Unitholder and will be made upon a transfer of New K-Bro Common Shares. In the event that a former registered Unitholder wishes to receive a physical certificate in their name representing the New K-Bro Common Shares held by them upon completion of the Arrangement, the certificates representing such holder's Trust Units should be mailed, with a letter requesting the certificates representing such holder's New K-Bro Common Shares, to Valiant Trust Company, 310, 606-4th Street S.W., Calgary Alberta T2P 1T1, Attention: Transfer Department. Valiant Trust Company may also be contacted by telephone at 1-866-313-1872.

Interests of Certain Persons or Companies in Matters to be Acted Upon

The Trustees, senior officers and their respective associates, as a group, beneficially own, or exercise control or direction over, directly or indirectly, an aggregate of approximately 334,136 Voting Units, representing approximately 4.8% of the outstanding Voting Units.

The Arrangement will not result in any change of control, termination or other payments being made to any trustees, directors, officers or employees of the Fund or its Subsidiaries pursuant to employment, change of control or similar agreements.

Immediately after giving effect to the Arrangement, it is anticipated that (a) the current Trustees, senior officers and their associates, as a group, would continue to beneficially own, or exercise control or direction over, directly or indirectly, an aggregate of approximately 334,136 New K-Bro Common Shares, then representing approximately 4.8% of the outstanding New K-Bro Common Shares; and (b) Sentry Select Capital Inc. would continue to own 1,344,123 New K-Bro Common Shares, then representing approximately 19.39% of the outstanding New K-Bro Common Shares.

None of the principal holders of Voting Units or any Trustee, or any associate or affiliate of any of the foregoing persons, has or had any material interest, direct or indirect, in any transaction in the last three years or any proposed transaction that materially affected, or is reasonably expected to materially affect, the Fund or any of its affiliates, except as disclosed in this Information Circular or in the documents incorporated by reference herein.

Expenses of the Arrangement

The aggregate estimated costs to be incurred by the Fund in connection with the Arrangement and related matters including, without limitation, accounting, legal fees, costs for the preparation, printing and mailing of this Information Circular and other related documents and agreements and fees payable to the TSX, are expected to be approximately \$350,000 in the aggregate.

Securities Law Matters

Canada

The issue of the New K-Bro Common Shares pursuant to the Arrangement will be made pursuant to exemptions from the registration and prospectus requirements contained in applicable Canadian Securities Laws. Under applicable Canadian Securities Laws, the New K-Bro Common Shares issued pursuant to the Arrangement may be resold in Canada without hold period restrictions, except that any Person, company or combination of Persons or companies holding a sufficient number of New K-Bro Common Shares to affect materially the control of New K-Bro, will be restricted in reselling such shares pursuant to applicable Canadian Securities Laws.

The Fund is a reporting issuer in all of the Provinces and Territories of Canada and is therefore subject to MI 61-101 in connection with the Arrangement. MI 61-101 outlines certain requirements for a reporting issuer to adhere to in the event that an issuer is carrying out a “business combination” as defined in MI 61-101. The Plan of Arrangement is not a “business combination” under MI 61-101 as a result of the fact that none of the Fund’s “related parties” will obtain any benefit as a result of the Arrangement, other than consideration for their Trust Units that is identical to the other Unitholders.

United States

Status under U.S. Securities Laws

Each of New K-Bro and the Fund is a “foreign private issuer” as defined in Rule 3b-4 under the 1934 Act. It is the Fund's intention that the New K-Bro Common Shares will be listed for trading on the TSX following completion of the Arrangement. The Fund does not currently intend to seek a listing for the New K-Bro Common Shares on a stock exchange in the United States.

Issuance and Resale of New K-Bro Common Shares under U.S. Securities Laws

The following discussion is a general overview of certain requirements of U.S. federal securities laws that may be applicable to holders of New K-Bro Common Shares in the United States (“U.S. Securityholders”). All U.S. Securityholders are urged to consult with their own legal counsel to ensure that any subsequent resale of New K-Bro Common Shares issued to them under the Arrangement complies with applicable securities legislation.

The following discussion does not address the Canadian securities laws that will apply to the issue of the New K-Bro Common Shares or the resale of New K-Bro Common Shares by U.S. Securityholders within Canada. U.S.

Securityholders reselling their New K-Bro Common Shares in Canada must comply with Canadian securities laws, as outlined above under “– Canada”.

Exemption from the Registration Requirements of the 1933 Act

The New K-Bro Common Shares to be issued to pursuant to the Arrangement will not be registered under the 1933 Act or the securities laws of any state of the United States and will be issued in reliance upon the exemption from registration set forth in section 3(a)(10) of the 1933 Act and exemptions provided under the securities laws of each state of the United States in which U.S. securityholders reside. Section 3(a)(10) of the 1933 Act exempts from registration the distribution of a security that is issued in exchange for outstanding securities where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear, by a court or by a governmental authority expressly authorized by law to grant such approval. Accordingly, the Final Order will, if granted, constitute a basis for the exemption from the registration requirements of the 1933 Act with respect to the New K-Bro Common Shares issued in connection with the Arrangement.

Resales of New K-Bro Common Shares Within the United States After the Completion of the Arrangement

Persons who are not affiliates of New K-Bro after the Arrangement may resell the New K-Bro Common Shares that they receive in connection with the Arrangement in the United States without restriction under the 1933 Act. New K-Bro Common Shares received by a holder who will be an “affiliate” of New K-Bro after the Arrangement will be subject to certain restrictions on resale imposed by the 1933 Act. As defined in Rule 144 under the 1933 Act, an “affiliate” of an issuer is a person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the issuer and may include certain officers and directors of such issuer as well as principal shareholders of such issuer.

Persons who are affiliates of New K-Bro after the Arrangement may not sell their New K-Bro Common Shares that they receive in connection with the Arrangement in the absence of registration under the 1933 Act, unless an exemption from registration is available, such as the exemptions contained in Rule 144 or Rule 904 of Regulation S under the 1933 Act.

Affiliates — Rule 144. In general, under Rule 144, persons who are affiliates of New K-Bro after the Arrangement will be entitled to sell in the United States, during any three-month period, the New K-Bro Common Shares that they receive in connection with the Arrangement, provided that the number of such securities sold does not exceed the greater of one percent of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange and/or reported through the automated quotation system of a U.S. registered securities association, the average weekly trading volume of such securities during the four calendar week period preceding the date of sale, subject to specified restrictions on manner of sale, requirements, aggregation rules and the availability of current public information about New K-Bro. Persons who are affiliates of New K-Bro after the Arrangement will continue to be subject to the resale restrictions described in this paragraph for so long as they continue to be affiliates of New K-Bro.

Affiliates — Regulation S. In general, under Regulation S, persons who are affiliates of New K-Bro solely by virtue of their status as an officer or director of New K-Bro may sell their New K-Bro Common Shares outside the United States in an “offshore transaction” if neither the seller, an affiliate nor any person acting on its behalf engages in “directed selling efforts” in the United States and provided that no selling commission, fee or other remuneration is paid in connection with such sale other than the usual and customary broker’s commission that would be received by a person executing such transaction as agent. For purposes of Regulation S, “directed selling efforts” means “any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered”. Also, under Regulation S, an “offshore transaction” includes an offer that is not made to a person in the United States where either (a) at the time the buy order is originated, the buyer is outside the United States or the seller reasonably believes that the buyer is outside of the United States; or (b) the transaction is executed in, on or through the facilities of a designated offshore securities market (which would include a sale through the TSX, if applicable). Certain additional restrictions, set forth in Rule 903 of Regulation S, are applicable to sales outside the United States by a holder of New K-Bro Common Shares

who is an affiliate of New K-Bro after the Arrangement other than by virtue of his or her status as an officer or director of New K-Bro.

Unitholders are urged to consult their legal advisors to determine the extent of all applicable resale provisions.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP, counsel to the Fund and New K-Bro, the following is a fair and adequate summary, as of the date hereof, of the principal Canadian federal income tax considerations generally applicable under the Tax Act to Unitholders in respect of the Arrangement and the holding of New K-Bro Common Shares. This summary is applicable to a Unitholder who (i) holds Trust Units and will hold any New K-Bro Common Shares received pursuant to the Arrangement as capital property, (ii) deals at arm's length and is not affiliated with the Fund or New K-Bro, and (iii) does not use or hold Trust Units or will not use or hold New K-Bro Common Shares in the course of carrying on a business, and did not acquire the Trust Units or New K-Bro Common Shares in one or more transactions considered to be an adventure or concern in the nature of trade (a "**Holder**"). A Holder who is a Canadian resident and who might not otherwise be considered to hold their Trust Units or New K-Bro Common Shares as capital property may, in certain circumstances, be entitled to have the Trust Units or New K-Bro Common Shares and any other "Canadian security" (as defined in the Tax Act) held by it in the taxation year of the election and in all subsequent taxation years treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. A Holder contemplating making such an election should consult their own tax advisor.

This summary is not applicable to a Holder: (i) that is a "financial institution" for the purposes of the "mark-to-market property" rules under the Tax Act; (ii) that is a "specified financial institution" within the meaning of the Tax Act, (iii) an interest in which is a "tax shelter investment" (as defined in the Tax Act), or (iv) that has elected to have the "functional currency" reporting rules under the Tax Act apply. Goodmans LLP has assumed for the purposes of this summary that the Fund is at all relevant times a "mutual fund trust" for the purposes of the Tax Act.

This summary is based upon the facts set out in this Information Circular, the provisions of the Tax Act in force at the date of this Information Circular and counsel's understanding of the current administrative and assessing policies and practices of the Canada Revenue Agency ("**CRA**") published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister prior to the date of this Information Circular (the "**Tax Proposals**"). No assurance can be given that the Tax Proposals will be enacted as currently proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account, or anticipate any changes in law, whether by legislative, regulatory or judicial action or decision. This summary does not take into account any provincial, territorial or foreign income tax considerations. The provincial, territorial or foreign income tax consequences of the Arrangement may differ significantly from those identified in the following discussion. Holders should consult their own tax advisors in respect of the provincial, territorial, or foreign income tax consequences of the Arrangement.

This summary is of a general nature only and should not be construed to be, legal or tax advice or representations to any particular Holder. Accordingly, Holders should consult their own tax advisors for advice with respect to the income tax consequences to them in their particular circumstances.

Holders Resident In Canada

The following portion of the summary generally is applicable to a Holder that is, for the purposes of the Tax Act and any applicable income tax treaty or convention and at all relevant times, a resident of Canada (a "**Resident Holder**").

Exchange of Trust Units for New K-Bro Common Shares

A Resident Holder who disposes of Trust Units to New K-Bro in exchange for New K-Bro Common Shares pursuant to the Arrangement will be deemed (i) to have disposed of each such Trust Unit for proceeds of disposition equal to the adjusted cost base (as defined in the Tax Act) of such Trust Unit to the Resident Holder immediately before the disposition, and (ii) to have acquired each New K-Bro Common Share received on the exchange at a cost equal to the adjusted cost base to the Resident Holder of the particular Trust Unit immediately before the particular disposition. Resident Holders will therefore not realize a capital gain or capital loss on the disposition of their Trust Units to New K-Bro in exchange for New K-Bro Common Shares.

If either (i) the fair market value of the New K-Bro Common Share immediately after the disposition exceeds the fair market value of the Trust Unit at the time of the disposition (“**Excess Share Value**”), or (ii) the fair market value of a Trust Unit at the time of disposition exceeds the fair market value of the New K-Bro Common Share immediately after the disposition and it is reasonable to regard any portion of the excess value as a benefit that the Resident Holder desired to confer on a person or partnership with whom the Resident Holder does not deal at arm’s length (“**Excess Unit Value**”), the Excess Share Value or the Excess Unit Value, as applicable, must be included in computing the income of the Resident Holder for the taxation year in which the disposition occurs. No assurance can be given that the CRA will accept the position that the fair market value of a Trust Unit at the time of disposition is equal to the fair market value of a New K-Bro Common Share immediately after the disposition.

Dividends on New K-Bro Common Shares

In the case of a Resident Holder who is an individual (other than certain trusts), a dividend received or deemed to be received on a New K-Bro Common Share will be included in computing the Resident Holder’s income, and will be subject to the normal gross-up and dividend tax credit rules applicable to dividends paid by taxable Canadian corporations under the Tax Act, including the enhanced gross-up and dividend tax credit applicable to any dividend designated as an “eligible dividend” in accordance with the provisions of the Tax Act. There may be limitations on the ability to designate all dividends on the New K-Bro Common Shares as “eligible dividends”.

A dividend received or deemed to be received on a New K-Bro Common Share by a Resident Holder that is a corporation generally will be included in the Resident Holder corporation’s income for the taxation year in which such dividend is received and generally will be deductible in computing the Resident Holder corporation’s taxable income. A Resident Holder that is a “private corporation” or a “subject corporation” (as those terms are defined in the Tax Act), may be liable to pay a refundable tax of 33 1/3% under Part IV of the Tax Act on a dividend received (or deemed to be received) in the taxation year on a New K-Bro Common Share to the extent such dividend is deductible in computing such Resident Holder’s taxable income for the year.

Disposing of New K-Bro Common Shares

A disposition or a deemed disposition of a New K-Bro Common Share by a Resident Holder generally will result in the Resident Holder realizing a capital gain (or a capital loss) in the taxation year of the disposition equal to the amount by which the proceeds of disposition of the New K-Bro Common Share are greater (or less) than the aggregate of the Resident Holder’s adjusted cost base thereof and any reasonable costs of disposition. The adjusted cost base of a New K-Bro Common Share to a Resident Holder generally will be the average of the cost of all New K-Bro Common Shares held by such Resident Holder as capital property. Such capital gain (or capital loss) will be subject to the tax treatment described below under “Holders Resident in Canada – Taxation of Capital Gains and Capital Losses”.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a “**taxable capital gain**”) realized by a Resident Holder in a taxation year must be included in the Resident Holder’s income for the year, and one-half of any capital loss (an “allowable capital loss”) realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year may, generally, be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a New K-Bro Common Share may be reduced by the amount of dividends received or deemed to be received by the Resident Holder on such shares (or on shares for which the shares have been substituted) to the extent and under the circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns New K-Bro Common Shares, directly or indirectly, through a partnership or a trust. A Resident Holder to whom these rules may be relevant should consult his, her or its own tax advisor.

A Resident Holder that is throughout the year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay, in addition to tax otherwise payable under the Tax Act, a refundable tax of 6 $\frac{2}{3}$ % on certain investment income, including taxable capital gains.

Alternative Minimum Tax

Taxable capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act. A New K-Bro Common Shareholder who is an individual should contact his or her tax advisor in this regard.

Reduction of Stated Capital

In the event that the stated capital of the New K-Bro Common Shares is reduced pursuant to the Arrangement, there will not be any immediate Canadian income tax consequences to a Holder. However, the reduction of the stated capital and consequential reduction of the paid-up capital of the New K-Bro Common Shares may have future Canadian income tax consequences to a Holder in certain limited circumstances, which may include if New K-Bro were to repurchase, under certain limited circumstances, any of its New K-Bro Common Shares or if New K-Bro were dissolved.

Eligibility for Investment

The New K-Bro Common Shares will be qualified investments under the Tax Act for Plans provided that the New K-Bro Common Shares are listed on a “designated stock exchange” (which currently includes the TSX) for purposes of the Tax Act.

Notwithstanding the foregoing, if the New K-Bro Common Shares are “prohibited investments” for purposes of a tax-free savings account, a Holder will be subject to a penalty tax as set out in the Tax Act. The New K-Bro Common Shares will not be a prohibited investment for a trust governed by a tax-free savings account provided that the Holder of the tax-free savings account deals at arm’s length with New K-Bro and does not have a significant interest (within the meaning of the Tax Act) in New K-Bro, or a corporation, partnership or trust with which New K-Bro does not deal at arm’s length for the purposes of the Tax Act. Holders are advised to consult their own tax advisors in this regard.

Holders Not Resident In Canada

The following portion of the summary generally is applicable to a Holder who is, at all relevant times, neither a resident of Canada nor deemed to be a resident of Canada for the purposes of the Tax Act and any applicable income tax treaty or convention and who does not use or hold, and is not deemed to use or hold their Trust Units or New K-Bro Common Shares in carrying on business in Canada (a “**Non-Resident Holder**”). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere.

Exchange of Trust Units for New K-Bro Common Shares

A Non-Resident Holder will not realize a capital gain or loss for Canadian federal income tax purposes on the disposition of their Trust Units to New K-Bro in exchange for New K-Bro Common Shares pursuant to the Arrangement. Where a Trust Unit held by a Non-Resident Holder was “taxable Canadian property” of the Non-Resident Holder, a New K-Bro Common Share received upon the Arrangement will be deemed to be, at any time within 60 months after the disposition, taxable Canadian property to the Non-Resident Holder. A Trust Unit

generally will not be considered to be taxable Canadian property to a Non-Resident Holder unless, at any time during the 60-month period immediately preceding the disposition of Trust Units, the Non-Resident Holder or a person with whom the Non-Resident Holder did not deal at arm's length (or any combination thereof) held 25% or more of the Trust Units and more than 50% of the fair market value of the Trust Units was derived directly or indirectly from one or any combination of (i) real or immovable property situated in Canada, (ii) Canadian resource properties, (iii) timber resource properties, (as such terms are defined in the Tax Act) and (iv) options in respect of, or interests in, or for civil law rights in, property described in (i) to (iii), whether or not the property exists.

Any Excess Share Value or Excess Unit Value attributable to a Non-Resident Holder will be deemed to be a dividend from a corporation resident in Canada for purposes of the Tax Act. Such amount will be subject to withholding tax in Canada at a rate of 25% unless reduced by the provisions of an applicable tax treaty. No assurance can be given that the CRA will accept the position that the fair market value of a Trust Unit at the time of disposition is equal to the fair market value of a New K-Bro Common Share immediately after the disposition.

Dividends on New K-Bro Common Shares

A dividend paid or deemed to be paid to a Non-Resident Holder on a New K-Bro Common Share will be subject to Canadian withholding tax at the rate of 25% unless such rate is reduced under the provisions of an applicable tax treaty.

Disposition of New K-Bro Common Shares

A Non-Resident Holder will generally not be liable to Canadian income tax on a disposition or deemed disposition of a New K-Bro Common Share unless the Non-Resident Holder's New K-Bro Common Share is, or is deemed to be, taxable Canadian property to the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under the provisions of an applicable tax treaty. Conversely, to the extent that a Non-Resident Holder realizes a capital loss from the disposition of a New K-Bro Common Share, the amount of the capital loss may not be deductible against capital gains of a Non-Resident Holder for the purposes of the Tax Act.

Generally, a New K-Bro Common Share will not be taxable Canadian property to a Non-Resident Holder at a particular time provided that either: (a) at no time during the 60-month period preceding the particular time did such New K-Bro Common Share derive more than 50% of its fair market value directly or indirectly from one or any combination of: (i) real or immovable properties situated in Canada, (ii) Canadian resource properties, (iii) timber resource properties (as such terms are defined in the Tax Act), and (iv) options in respect of, or interests in, or for civil law rights in, property described in (i) to (iii), whether or not the property exists; or (b) such New K-Bro Common Share is listed on a designated stock exchange (which currently includes the TSX) at that time and at no time during the 60-month period ending at that time did the Non-Resident Holder, persons not dealing at arm's length with such Non-Resident Holder or the Non-Resident Holder together with all such persons, own 25% or more of the issued shares of any class or series of the capital stock of New K-Bro. Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, New K-Bro Common Shares could be deemed to be a taxable Canadian property. In particular, if a Trust Unit held by a Non-Resident Holder was taxable Canadian property to such Non-Resident Holder, a New K-Bro Common Share received by the Non-Resident Holder upon the Arrangement will be deemed to be, at any time within 60 months after the disposition, taxable Canadian property to such Non-Resident Holder.

Reduction of Stated Capital

The tax consequences of the reduction of capital to a Non-Resident Holder will generally be as described above under "— Holders Resident in Canada – Reduction of Stated Capital".

Other Tax Considerations

This Information Circular does not address any tax considerations of the Arrangement other than certain Canadian federal income tax considerations. A Holder who is resident in a jurisdiction other than Canada should consult his, her or its own tax advisor with respect to the implications of the Arrangement, including any associated filing requirements, in such jurisdiction. All Holders should also consult their own tax advisors regarding Canadian provincial or territorial tax considerations applicable to the Arrangement.

EXPERTS

Certain legal matters relating to the Arrangement are to be passed upon by Goodmans LLP and Burnet, Duckworth & Palmer LLP on behalf of the Fund, K-Bro and New K-Bro. As at November 3, 2010, the partners and associates of each of Goodmans LLP and Burnet, Duckworth & Palmer LLP beneficially owned, directly or indirectly, less than 1% of the outstanding Voting Units.

INFORMATION CONCERNING THE FUND

General

The Fund is an unincorporated, open-ended limited purpose trust established under the laws of the Province of Alberta pursuant to the Fund Declaration of Trust. The registered and head office of the Fund is located at 103, 15023-123 Avenue, Edmonton, Alberta T5V 1J7. The Fund is the largest owner and operator of laundry and linen processing facilities in Canada. The Fund provides a comprehensive range of general linen and operating room linen processing, management and distribution services to large healthcare institutions, hotels and other commercial accounts. The Fund currently owns and operates laundry and linen processing facilities in six Canadian cities: Toronto, Edmonton, Calgary, Vancouver, Victoria, and Quebec City.

For further information regarding the Fund, its Subsidiaries and their respective business activities, see the Fund AIF, which is incorporated by reference herein.

Documents Incorporated by Reference

Information in respect of the Fund has been incorporated by reference in this Information Circular from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference herein may be obtained on request without charge from the Fund by contacting Chris Burrows at 103, 15023-123 Avenue, Edmonton, Alberta T5V 1J7 or by telephone at (780) 453-6855, and are also available electronically at www.sedar.com.

The following documents of the Fund, filed with the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada where the Fund is a reporting issuer, are specifically incorporated by reference into and form an integral part of this Information Circular:

1. the Fund AIF;
2. the Fund Annual Financial Statements;
3. the Fund Annual MD&A;
4. the Fund Interim Financial Statements;
5. the Fund Interim MD&A;
6. the Fund Circular;
7. the material change report of the Fund dated February 8, 2010 in respect of the execution of a definitive agreement providing for the acquisition of an existing linen business located in Burnaby, British Columbia; and
8. the material change report of the Fund dated October 29, 2010 in respect of the Arrangement.

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any material change reports (excluding confidential reports), comparative interim financial statements and comparative annual financial statements (together with the auditors' report thereon), management's discussion and analysis, business acquisition reports and information

circulars filed by the Fund with the securities commissions or similar authorities in the provinces and territories of Canada subsequent to the date of this Information Circular and prior to the completion of the Arrangement will be deemed to be incorporated by reference in this Information Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Information Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Information Circular.

Significant Acquisitions

There is no acquisition that the Fund has completed within 75 days prior to the date of this Information Circular that is a significant acquisition for the purposes of Part 8 of NI 51-102 and for which the Fund has not yet filed a business acquisition report under NI 51-102. In addition, there are no proposed acquisitions that have progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high and that would be a significant acquisition for the purposes of Part 8 of NI 51-102 if completed as of the date of this Information Circular.

Distribution History

The Unitholders of record on a distribution record date are entitled to receive distributions paid by the Fund in respect of that month. The Fund makes monthly cash distributions to Unitholders of record on the last business day of each month, and the distributions are paid on or about the 15th day following the end of each month.

The following table sets forth the aggregate distributions declared by the Fund in respect of the Trust Units for the years ended December 31, 2009, 2008 and 2007.

Date	Regular Distribution per Trust Unit (\$)			
	2010	2009	2008	2007
January	0.09167	0.09167	0.09167	0.09167
February	0.09167	0.09167	0.09167	0.09167
March	0.09167	0.09167	0.09167	0.09167
April	0.09167	0.09167	0.09167	0.09167
May	0.09167	0.09167	0.09167	0.09167
June	0.09167	0.09167	0.09167	0.09167
July	0.09167	0.09167	0.09167	0.09167
August	0.09167	0.09167	0.09167	0.09167
September	0.09167	0.09167	0.09167	0.09167
October	0.09167	0.09167	0.09167	0.09167
November		0.09167	0.09167	0.09167
December		0.09167	0.09167	0.09167

Distributions paid to Unitholders for the month of November 2010 should not be affected by the proposed Arrangement and should be paid in the usual manner in December 2010. Accordingly, Unitholders of record on

November 30, 2010 should receive a monthly cash distribution of \$0.09167 per Trust Unit payable on or around December 15, 2010. Provided the Arrangement is approved at the Meeting, it is anticipated that a final distribution will be paid by the Fund to the Unitholders of record on or around December 21, 2010 and that such distribution will be paid by the Fund on or before December 31, 2010. The equivalent distribution will be paid to holders of Exchangeable Shares.

The board of directors of New K-Bro is expected to adopt a monthly dividend policy upon completion of the Arrangement. While the Trustees currently anticipate a monthly dividend of \$0.09167 per New K-Bro Common Share commencing on February 15, 2011 for shareholders of record on January 31, 2011, the board of directors of New K-Bro will assess the final dividend payout level in light of New K-Bro's financial performance and its current and anticipated business needs at that time.

The historical distribution payments made by the Fund may not be reflective of future dividend payments of New K-Bro and future dividends are not assured or guaranteed. The amount of future cash dividends on the New K-Bro Common Shares will be subject to the discretion of the New K-Bro Board and may vary depending on a variety of factors including, among other things, profitability, fluctuations in working capital and capital expenditures. See "Information Concerning New K-Bro – Risk Factors".

Prior Sales

During the 12 months preceding the date of this Information Circular, the Fund has not issued any Trust Units.

Price Range and Trading Volume of the Trust Units

The outstanding Trust Units are listed and posted for trading on the TSX under the trading symbol "KBL.UN". The following tables set forth the price ranges and volume traded for the Trust Units as reported by the TSX for each month of the 12-month period before the date of this Information Circular.

Month	High	Low	Monthly Volume
November 2009	13.45	12.32	281,894
December 2009	13.84	13	252,582
January 2010	15.5	13.45	214,386
February 2010	15	14.21	193,396
March 2010	16	14.67	531,407
April 2010	15.85	15	268,160
May 2010	15.9	13.02	325,802
June 2010	15.85	14	171,369
July 2010	16.36	15.06	143,556
August 2010	16.8	15.91	220,596
September 2010	16.75	16.2	181,682
October 2010	17.4	16.3	147,662
November 2010 ⁽¹⁾	17.39	17.31	21,921

Note:

⁽¹⁾ For the period from November 1, 2010 to November 3, 2010.

On October 20, 2010, the last trading day on which the Trust Units traded prior to announcement of the Arrangement, the closing price of the Trust Units on the TSX was \$17.00. On November 3, 2010, the closing price of the Trust Units on the TSX was \$17.31.

Risk Factors

An investment in Trust Units is subject to certain risks. Unitholders should carefully consider the risk factors described under the heading “Risk Factors” in the Fund AIF and the risk factors set forth in the Fund MD&A, which documents are incorporated by reference in this Information Circular, as well as the risk factors set forth elsewhere in this Information Circular and otherwise incorporated by reference herein.

Consolidated Capitalization

Other than as disclosed elsewhere herein and in the documents incorporated by reference herein, there has not been any material change in the unit and loan capital of the Fund, on a consolidated basis, since September 30, 2010.

Auditors, Transfer Agent and Registrar

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Suite 1501, TD Tower, 10088-102 Avenue NW Edmonton, Alberta T5J 3N5.

The transfer agent and registrar for the Trust Units is Valiant Trust Company, 310, 606-4th Street S.W., Calgary Alberta T2P 1T1.

Additional Information

Additional information relating to the Fund, including the Fund AIF and documents incorporated by reference in this Information Circular, can be found on the SEDAR website at www.sedar.com. Financial information in respect of the Fund and its affairs is provided in the Fund Financial Statements and the Fund MD&A, which are available on the SEDAR website at www.sedar.com, on the Fund’s website at www.k-brolinen.com, or upon request from Chris Burrows at 103, 15023-123 Avenue, Edmonton, Alberta T5V 1J7 or by telephone at (780) 453-6855.

INFORMATION CONCERNING NEW K-BRO

Notice to Reader

Unless otherwise noted, the disclosure under the heading “Information Concerning New K-Bro” has been prepared assuming that the Arrangement has been completed. New K-Bro will be the publicly listed corporation resulting from the reorganization of the Fund’s trust structure into a corporation pursuant to the Arrangement.

General

New K-Bro was incorporated on October 20, 2010 pursuant to the provisions of the ABCA, for purposes of effecting the Arrangement. The registered and head office of New K-Bro is located at 103, 15023-123 Avenue, Edmonton, Alberta T5V 1J7.

As a result of the Arrangement, New K-Bro will become a reporting issuer in all of the provinces and territories of Canada and will become subject to the continuous disclosure requirements under Canadian Securities Laws. The TSX has conditionally approved the substitutional listing of the New K-Bro Common Shares on the TSX under the trading symbol “KBL”, which approval is subject to New K-Bro fulfilling the requirements of the TSX.

See “The Arrangement – Post-Arrangement Structure” for a diagram setting forth the organizational structure of New K-Bro immediately after the completion of the Arrangement.

Description of the Business

Following completion of the Arrangement, New K-Bro will carry on the business currently carried on by the Fund and its Subsidiaries. For a detailed description of the Fund’s business and its historical development, see “General Development of the Business” and “Description of the Business and Operations” in the Fund AIF.

Management's Discussion and Analysis

New K-Bro's financial position, risks and outlook after the Arrangement is completed will be substantially the same as those outlined in the Fund MD&A, which is incorporated by reference in this Information Circular and has been filed on the SEDAR website at www.sedar.com. Readers are encouraged to review the Fund MD&A.

Description of Capital Structure

Upon completion of the Arrangement, the authorized capital of New K-Bro will consist of an unlimited number of New K-Bro Common Shares and such number of shares of one class designated as Preferred Shares which number shall not exceed, as at the date of issuance, 1/3 of the Common Shares issued and outstanding as at such time. The following is a summary of the rights, privileges, restrictions and conditions which will attach to the New K-Bro Common Shares and preferred shares.

Common Shares

Each New K-Bro Common Share will entitle the holder thereof to receive notice of, to attend, and to one vote at, all meetings of the shareholders of New K-Bro. The holders of New K-Bro Common Shares will be entitled to receive any dividends if, as and when declared by the New K-Bro Board. The holders of New K-Bro Common Shares will also be entitled to share equally, share-for-share, in any distribution of the assets of New K-Bro upon the liquidation, dissolution or winding-up of New K-Bro or other distribution of its assets among its shareholders for the purpose of winding-up its affairs.

Assuming completion of the Arrangement, it is expected that there will be 7,004,973 New K-Bro Common Shares issued and outstanding. See "The Arrangement – Effect of the Arrangement on Unitholders and Exchangeable Shareholders".

Preferred Shares

The directors of New K-Bro may, prior to the issuance of preferred shares, determine the series designation, rights, privileges, restrictions and conditions attaching to the preferred shares of each series including, without limiting the generality of the foregoing: (i) the rate, amount of method of calculation of any dividends; (ii) redemption and/or purchase rights; (iii) voting rights, and (iv) conversion rights, all subject to the filing of Articles of Amendment in accordance with the ABCA to designate each series of preferred shares. The preferred shares will not be used for anti-takeover purposes. Immediately following completion of the Arrangement, there will be no preferred shares issued and outstanding.

Pro Forma Financial Information of New K-Bro

The unaudited *pro forma* consolidated financial statements of New K-Bro which give effect to the Arrangement are attached as Appendix "D" to this Information Circular. The unaudited *pro forma* adjustments set forth in the unaudited *pro forma* consolidated financial statements of New K-Bro are based upon the assumptions described in the notes to the unaudited *pro forma* consolidated financial statements, including that the Voting Unitholders approve the Arrangement Resolution at the Meeting, and that the Arrangement is completed. The unaudited *pro forma* consolidated financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating or financial results that would have occurred had the Arrangement actually occurred at the time contemplated by the notes to the unaudited *pro forma* consolidated financial statements.

Pro Forma Consolidated Capitalization

The following table sets forth the unaudited consolidated capitalization of New K-Bro as at September 30, 2010 after giving effect to the Arrangement on a *pro forma* basis. See also the unaudited *pro forma* financial statements of New K-Bro included as Appendix “D” to this Information Circular.

Description (Authorized)	As at September 30, 2010 after giving effect to the Arrangement ⁽¹⁾
Cash	\$10.00
Long-Term Debt	\$11,097,490
Shareholders' Equity	\$63,492,008
Total Liabilities and Shareholders' Equity	\$92,931,917
Common Shares (unlimited)	7,004,973 Common Shares

⁽¹⁾ Assumes that New K-Bro was incorporated as of September 30, 2010 and no Trust Units or Exchangeable Shares are redeemed or cancelled prior to the Effective Date.

Dividend Policy Following the Arrangement

The board of directors of New K-Bro is expected to adopt a monthly dividend policy upon completion of the Arrangement. While the Trustees currently anticipate a monthly dividend of \$0.01967 per New K-Bro Common Share commencing on February 15, 2011 for shareholders of record on January 31, 2011, the board of directors of New K-Bro will assess the final dividend payout level in light of New K-Bro's financial performance and its current and anticipated business needs at that time.

As a corporation, New K-Bro's dividend policy will be at the discretion of the New K-Bro Board. Future dividends, if any, will depend on the operations and assets of New K-Bro and will be subject to various factors, including, without limitation, New K-Bro's financial performance, fluctuations in its working capital, the sustainability of its margins, its capital expenditure requirements, obligations under its credit facilities, provisions of applicable law (including satisfying the dividend solvency test applicable to ABCA corporations) and other factors that the board of directors may deem relevant from time to time. There can be no guarantee that New K-Bro will maintain its dividend policy. See “Information Concerning New K-Bro – Risk Factors”.

Principal Shareholders

To the knowledge of the Fund, the only person who will, following the Arrangement, beneficially own, or control or direct, directly or indirectly, voting securities of New K-Bro carrying 10% or more of the voting rights attached to any class of voting securities of New K-Bro is set forth in the following table.

Name	Number of New K-Bro Common Shares	Percentage of Class	Percentage of Votes
Sentry Select Capital Inc.	1,344,123	19.39%	19.39%

Directors and Executive Officers

Following the completion of the Arrangement, it is anticipated that the New K-Bro Board will be comprised of the existing Trustees. The directors of New K-Bro will hold office until the next annual meeting of New K-Bro

Shareholders or until their respective successors have been duly elected or appointed. See “Trustees and Officers” in the Fund AIF and “Matters to be Considered at the Meeting – Election of Trustees” in the Fund Circular.

The current Trustees (being the persons anticipated to be the directors of New K-Bro), the senior officers and their associates, as a group, beneficially own, or exercise control or direction over, directly or indirectly, an aggregate of approximately 334,136 Voting Units, representing approximately 4.8% of the issued and outstanding Voting Units, and are expected to continue to beneficially own, or exercise control or direction over, directly or indirectly, an aggregate of approximately 334,136 New K-Bro Common Shares representing approximately 4.8% of the issued and outstanding New K-Bro Common Shares on the Effective Date.

Cease Trade Orders or Bankruptcies

Other than as set forth below, To the knowledge of the Fund, none of the persons anticipated to be directors or executive officers of New K-Bro (a) are, as at the date of this Information Circular, or have been, within the 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Fund) that, (i) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an “**Order**”) that was issued while the person was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) are, as at the date of this Information Circular, or have been within 10 years before the date of this Information Circular, a director or executive officer of any company (including the Fund) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) have, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the person. Matthew Hills served on the boards of directors of SMS Modern Cleaning Services Inc., its wholly owned subsidiary, Modern Cleaning Services (Vancouver) Inc., and Aspen Furniture LLC (portfolio companies of BG Affiliates LLC). Mr. Hills resigned as a director of each of these companies prior to their commencement of bankruptcy proceedings.

Penalties or Sanctions

To the knowledge of the Fund, none of the persons anticipated to be directors or executive officers of New K-Bro, nor any personal holding company thereof owned or controlled by them, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Audit Committee and Nominating and Corporate Governance Committee Following the Arrangement

Following completion of the Arrangement, the New K-Bro Board will be made up of the Trustees immediately prior to the Effective Time and will have two committees: (a) an Audit Committee; and (b) a Nominating and Corporate Governance Committee. Each of such committees will be composed of the same individuals serving as members of the Audit Committee and the Nominating and Corporate Governance Committee of the Fund. It is anticipated that the governance mandates and policies of New K-Bro in respect of corporate governance matters will be substantially similar to those of the Fund. For a description of the Fund’s corporate governance practices, see “Statement of Governance Practices” in the Fund Circular. Also see “Audit Committee Information” in the Fund AIF.

Conflicts of Interest

As at the date of this Information Circular, none of the Trustees are aware of any existing or potential material conflicts of interest with New K-Bro or any of its Subsidiaries.

Compensation of Directors and Executive Officers

The compensation policies of New K-Bro, including the compensation of the directors and executive officers of New K-Bro, are intended to be structured on the same basis as the current compensation policies of the Fund. For further information regarding the compensation policies of the Fund, including the compensation of the Trustees see “Compensation Discussion and Analysis” in the Fund Circular.

Indebtedness of Directors and Executive Officers

There exists no indebtedness of the persons anticipated to be directors and executive officers of New K-Bro, nor any of their associates, to New K-Bro or any of its Subsidiaries (after giving effect to the Arrangement), nor is any indebtedness of any of such persons to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by New K-Bro or any of its Subsidiaries. See “Indebtedness of Trustees, Directors and Officers” in the Fund Circular.

Risk Factors

The following are certain risk factors relating to the Fund and New K-Bro that Voting Unitholders should carefully consider before deciding whether to approve the Arrangement Resolution. The following information is a summary only of such risk factors and is qualified in its entirety by reference to, and must be read in conjunction with the detailed information appearing elsewhere in this Information Circular. Such risk factors may have a material adverse effect on the financial position or results of operations of New K-Bro. In addition, upon completion of the Arrangement, Unitholders will become shareholders of New K-Bro which will carry on the businesses of the Fund after closing of the Arrangement and accordingly, New K-Bro will be subject to those same risks relating to the Fund’s business prior to completion of the Arrangement and are set forth in the Fund AIF, which is incorporated by reference herein. Accordingly, readers should carefully consider the risks relating to the Fund contained in this Information Circular and the documents incorporated by reference herein and the risk factors set forth below.

Risk Factors Relating to the Fund Prior to Completion of the Arrangement

Conditions Precedent to the Arrangement

The completion of the Arrangement in the form contemplated by the Arrangement Agreement is subject to a number of conditions precedent, certain of which are outside the control of the Fund, including, without limitation, receipt of Voting Unitholder approval at the Meeting, certain third party consents, final approval of the TSX for the listing of the New K-Bro Common Shares and the granting of the Final Order by the Court. There can be no certainty or assurance that these conditions will be satisfied or, if satisfied, when they will be satisfied. Failure to obtain the Final Order on terms acceptable to the Board would likely result in the decision being made not to proceed with the Arrangement. If any third party consents cannot be obtained on terms satisfactory to the Board or at all, the Plan of Arrangement may have to be amended in order to mitigate against the negative consequence of the failure to obtain any such consent, and accordingly, the benefits available to Unitholders resulting from the Arrangement may be reduced. Alternatively, in the event that the Plan of Arrangement cannot be amended so as to mitigate against the negative consequences of the failure to obtain a third party consent, the Arrangement may not proceed at all. If the Arrangement is not completed, the market price of the Trust Units may be adversely affected.

Risk Factors Relating to New K-Bro upon Completion of the Arrangement

Anticipated Benefits of the Arrangement

Achieving the anticipated benefits of the Arrangement will depend in part on New K-Bro’s ability to realize the anticipated opportunities from reorganizing the Fund into a corporate structure. Management expects that the corporate structure will allow New K-Bro to adopt similar policies with respect to capital expenditures as were in place with the trust structure. In addition, the Arrangement is expected to simplify the operations of the continuing entity, New K-Bro. The realization of the anticipated benefits of the Arrangement will require the dedication of substantial management effort, time and resources. There can be no assurance that management will be successful in the continuing to focus of the entity as a dividend-paying entity.

Payment of Dividends

As a corporation, New K-Bro's dividend policy will be at the discretion of the New K-Bro Board. Future dividends, if any, will depend on the operations and assets of New K-Bro and will be subject to various factors, including, without limitation, New K-Bro's financial performance, fluctuations in its working capital, the sustainability of its margins, its capital expenditure requirements, obligations under its credit facilities, provisions of applicable law and other factors that the board of directors may deem relevant from time to time. Accordingly, the payment of dividends by New K-Bro and the level thereof will be uncertain.

Interest of Management and Others in Material Transactions

To the knowledge of the Fund, none of the principal holders or the persons anticipated to be directors or executive officers of New K-Bro, or any associate or affiliate of any of the foregoing persons, has had or will have any material interest, direct or indirect, in any transaction or any proposed transaction that is reasonably expected to materially affect New K-Bro or any of its affiliates, except as disclosed in this Information Circular, including the documents incorporated by reference herein.

Auditors, Transfer Agent and Registrar

Upon completion of the Arrangement, the auditors of New K-Bro will be PricewaterhouseCoopers LLP, Chartered Accountants, TD Tower, 10088 102 Avenue NW, Suite 1501, Edmonton, Alberta T5J 3N5.

The transfer agent and registrar for the New K-Bro Common Shares will be Valiant Trust Company, 310, 606-4th Street S.W., Calgary Alberta T2P 1T1.

Legal Proceedings and Regulatory Actions

Other than the proceedings relating to the approval of the Arrangement, there are no legal proceedings or regulatory actions to which the Fund is a party or in respect of which any of their respective assets are the subject matter, which are material to New K-Bro and/or the Fund and the Fund is not aware of any such proceedings of a material nature that are contemplated.

Material Contracts

The Fund and New K-Bro are not a party to any contracts entered into outside the ordinary course of business that will be material to New K-Bro or its Subsidiaries, other than the Arrangement Agreement, described under "The Arrangement – Arrangement Agreement" in this Information Circular.

TRUSTEES' APPROVAL

The contents and the sending of the Notice of Meeting and this Information Circular have been approved by the Board of Trustees of K-Bro Linen Income Fund. Information contained in this Information Circular is given as of November 4, 2010, unless otherwise stated.

**BY ORDER OF THE BOARD OF TRUSTEES
OF K-BRO LINEN INCOME FUND**

(signed) "*Ross Smith*"
Chair of the Board of Trustees

November 4, 2010

AUDITORS' CONSENT – PRICEWATERHOUSECOOPERS LLP**Consent of PricewaterhouseCoopers LLP**

We have read the management information circular (the “**Information Circular**”) of K-Bro Linen Income Fund (the “**Fund**”) dated November 4, 2010 with respect to a plan of arrangement involving, the Fund, K-Bro Linen Systems Inc., K-Bro Linen Limited, K-Bro Linen Inc. and the unitholders of the Fund. We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the incorporation by reference in the Information Circular of our report to the unitholders of the Fund on the consolidated balance sheets of the Fund as at December 31, 2009 and 2008 and the consolidated statements of earnings and deficit, comprehensive income and cash flows for the years then ended. Our report is dated March 10, 2010.

We also consent to the use in the Information Circular of our report to the shareholder of K-Bro Linen Inc. on the balance sheet of K-Bro Linen Inc. as at October 20, 2010. Our report is dated November 4, 2010.

(Signed) “*PricewaterhouseCoopers LLP*”

Chartered Accountants

Edmonton, Alberta
November 4, 2010

APPENDIX "A"

ARRANGEMENT RESOLUTION

BE IT RESOLVED THAT:

1. The arrangement ("**Arrangement**") under section 193 of the *Business Corporations Act* (Alberta) (the "**ABCA**") involving K-Bro Linen Income Fund (the "**Fund**"), K-Bro Linen Systems Inc. ("**K-Bro**"), K-Bro Linen Limited ("**K Bro Limited**"), K-Bro Linen Inc. ("**New K-Bro**") and the holders of trust units ("**Trust Units**") of the Fund and holders of special trust units ("**Special Trust Units**") of the Fund and exchangeable shares of K-Bro (collectively, "**Unitholders**"), as more particularly described and set forth in the management information circular (the "**Information Circular**") dated November 4, 2010 of the Fund, as the Arrangement may be amended, modified or varied, and all of the transactions contemplated thereby, be and are hereby authorized, approved and adopted.
2. The plan of arrangement, as it may be or has been amended, (the "**Plan of Arrangement**") involving the Fund, K-Bro, K-Bro Limited, New K-Bro and, Unitholders the full text of which is set out in Schedule A to the Arrangement Agreement (as defined below) which is attached as Appendix "C" to the Information Circular, is hereby authorized, approved and adopted.
3. The arrangement agreement made as of October 21, 2010 among the Fund, K-Bro, K-Bro Limited and New K-Bro (the "**Arrangement Agreement**"), the actions of the trustees of the Fund in approving, executing and delivering the Arrangement and any amendments, modifications or variations thereto are hereby authorized, ratified and approved.
4. The amendments to the Fund Declaration of Trust (as defined in the Plan of Arrangement), and such other material documents as necessary to facilitate the Arrangement be and are hereby authorized and approved;
5. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the holders of Trust Units and Special Trust Units (collectively, the "**Voting Unitholders**") and/or that the Arrangement has been approved by the Court of Queen's Bench of Alberta (the "**Court**"), the board of trustees of the Fund is hereby authorized and empowered (without further notice to or approval of Voting Unitholders): (a) to amend or terminate the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement and/or the Plan of Arrangement, as applicable; and (ii) subject to the terms of the Arrangement Agreement and/or the Plan of Arrangement, as applicable, not to proceed with the Arrangement.
6. Any trustee of the Fund is hereby authorized and directed for and on behalf of the Fund to execute and deliver articles of arrangement and such other documents as may be necessary or desirable to the Registrar under the ABCA in accordance with the Arrangement Agreement.
7. Any trustee of the Fund is hereby authorized and directed for and on behalf of the Fund to execute or cause to be executed and to deliver or cause to be delivered, all such other documents, agreements and instruments (including, without limitation, amendments to the declaration of trust of the Fund, the constating documents of any subsidiary entities of the Fund and any agreements between or among the Fund and any of its subsidiary entities) and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary, advisable or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of any such document, agreement or instrument, and the doing of any such act or thing.

APPENDIX “B”

NOTICE OF APPLICATION AND INTERIM ORDER

(See Attached)

COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANTS	K-BRO LINEN INCOME FUND, K-BRO LINEN SYSTEMS INC., K-BRO LINEN LIMITED AND K-BRO LINEN INC. and the VOTING UNITHOLDERS of K-BRO LINEN INCOME FUND
RESPONDENTS	Not Applicable

NOTICE OF APPLICATION

NOTICE IS HEREBY GIVEN that an originating application (the “**Originating Application**”) has been filed with the Court of Queen’s Bench of Alberta, Judicial Centre of Calgary (the “**Court**”) on behalf of K-Bro Linen Income Fund (the “**Fund**”), with respect to a proposed arrangement (the “**Arrangement**”) under Section 193 of the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended (the “**ABCA**”), involving the Fund and the holders (“**Unitholders**”) of trust units and special trust units of the Fund, which Arrangement is described in greater detail in the Information Circular and Proxy Statement of the Fund dated November 4, 2010, accompanying this Notice of Application. At the hearing of the Originating Application, the Fund intends to seek:

- (a) a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair to the persons affected;
- (b) an order approving the Arrangement pursuant to the provisions of Section 193 of the *ABCA*;
- (c) a declaration that the Arrangement will, upon the filing of the Articles of Arrangement pursuant to the provisions of Section 193 of the *ABCA*, become effective in accordance with its terms and will be binding on and after the Effective Date, as defined in the Arrangement; and
- (d) such other and further orders, declarations and directions as the Court may deem just.

The Court has been advised that its order approving the Arrangement, if granted, will constitute the basis for an exemption from the registration requirements of the federal securities laws of the United States of America afforded by Section 3(a)(10) of the *U.S. Securities Act of 1933*, as amended, with respect to the securities to be issued to Unitholders pursuant to the Arrangement.

AND NOTICE IS FURTHER GIVEN that the said Originating Application was directed to be heard before a Justice of the Court of Queen’s Bench of Alberta, Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta, on the 10th day of December, 2010 at 1:30 p.m. (Mountain Standard Time), or as soon thereafter as counsel may be heard. Any Unitholder or any other interested party desiring to support or oppose the Originating Application may appear at the time of the hearing in person or by counsel for that purpose. **Any Unitholder or any other interested party desiring to appear at the hearing is required to file with the Court of Queen’s Bench of Alberta, Judicial Centre of Calgary, and serve upon the Fund on or before December 6, 2010, a notice of intention to appear, including an address for service in the Province of Alberta, together with any evidence or materials which are to be presented to the Court.** Service on the Fund is to be effected by delivery to the solicitors for the Fund at

their address set out below. If any Unitholder or any other such interested party does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice.

AND NOTICE IS FURTHER GIVEN that no further notice of the Originating Application will be given by the Fund Entities and that in the event the hearing of the Originating Application is adjourned, only those persons who have appeared before the Court for the application at the hearing shall be served with notice of the adjourned date.

AND NOTICE IS FURTHER GIVEN that the Court, by the Interim Order, has given directions as to the calling and holding of a meeting of Unitholders for the purpose of such Unitholders voting upon a resolution to approve the Arrangement and has directed that registered Unitholders shall not have the right to dissent with respect to the Arrangement in accordance with the provisions of Section 191 of the *ABCA*, as amended by the Interim Order.

AND NOTICE IS FURTHER GIVEN that a copy of the said Originating Application and other documents in the proceedings will be furnished to any Unitholder, or any other interested party requesting the same by the under mentioned solicitors for the Fund upon written request delivered to such solicitors as follows:

Burnet, Duckworth & Palmer LLP
1400, 350 – 7th Avenue S.W.
Calgary, Alberta T2P 3N9
Attention: D.J. McDonald, Q.C.

DATED at the City of Edmonton, in the Province of Alberta, this 4th day of November, 2010.

**BY ORDER OF THE BOARD OF TRUSTEES
OF K-BRO LINEN INCOME FUND**

"Linda McCurdy"
Trustee

NOV - 2 2010

CALGARY, ALBERTA

FILED

NOV - 2 2010

JUDICIAL CLERK OF THE COURT

COURT FILE NUMBER

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANTS

**K-BRO LINEN INCOME FUND, K-BRO LINEN SYSTEMS INC.,
K-BRO LINEN LIMITED AND K-BRO LINEN INC. and the
VOTING UNITHOLDERS of K-BRO LINEN INCOME FUND**

RESPONDENTS

Not Applicable

DOCUMENT

INTERIM ORDER

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

Burnet, Duckworth & Palmer LLP
1400, 350 - 7 Avenue SW
Calgary, Alberta T2P 3N9
Lawyer: D.J. McDonald, Q.C.
Phone Number: (403) 260-5724
Fax Number: (403) 260-0332
Email Address: djm@bdplaw.com
File No. 28306-1087\DJM

I hereby certify this to be a true copy of
the original **ORDER**
dated this 2 day of NOV, 2010

for Clerk of the Court
Date on Which Order Was Pronounced:

Tuesday, November 2, 2010

Name of Master/Judge Who Made This Order:

Justice G.C. Hawco

UPON the Originating Application of K-Bro Linen Income Fund (the "**Fund**"), K-Bro Linen Systems Inc. ("**K-Bro**"), K-Bro Linen Limited ("**K-Bro Limited**") and K-Bro Linen Inc. ("**New K-Bro**") (collectively, the "**K-Bro Entities**");

AND UPON reading the Originating Application and the Affidavit of Linda McCurdy, President and Chief Executive Officer of K-Bro, filed herein, sworn October 29, 2010 and the documents referred to therein (the "**Affidavit**");

AND UPON hearing counsel for the K-Bro Entities;

AND UPON noting that the Executive Director of the Alberta Securities Commission (the "**Executive Director**") has been served with notice of this application as required by subsection 193(8) of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "**ABCA**"), and that the Executive Director neither consents to nor opposes the application;

FOR THE PURPOSES OF THIS ORDER:

- (a) the capitalized terms not defined in this Order shall have the meanings attributed to them in the Information Circular of the Fund (the "**Information Circular**"), a draft copy of which is attached as Exhibit A to the Affidavit; and
- (b) all references to "Arrangement" used herein mean the plan of arrangement as described in the Affidavit and in the form attached as Exhibit A to the Arrangement Agreement, which is attached as Appendix C to the Information Circular.

IT IS HEREBY ORDERED AND ADJUDGED THAT:

General

1. The proposed course of action is an "Arrangement" within the definition of the *ABCA* and the Applicants may proceed with the Arrangement, as described in the Affidavit.
2. The Fund shall seek approval of the Arrangement by the holders ("**Voting Unitholders**") of trust units ("**Trust Units**") and special voting units ("**Special Voting Units**") of the Fund in the manner set forth below.

Voting Unitholders' Meeting

3. The Fund shall call and conduct a meeting (the "**Meeting**") of Voting Unitholders on or about December 6, 2010. At the Meeting, Voting Unitholders will consider and vote upon the Arrangement Resolution and such other business as may properly be brought before the Meeting or any adjournment thereof, all as more particularly described in the Information Circular.

4. A quorum at the Meeting shall consist of 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 Voting Units.
5. If a quorum is not present at the Meeting within one-half hour after the time fixed for the holding of the Meeting, it shall stand adjourned to such a day being not less than 21 days nor more than 60 days later and to such place and time as may be appointed by the Chair of the Meeting and not less than 10 days prior notice shall be given of the time and place of such adjourned meeting, and at any such adjourned meeting the Voting Unitholders present in person or by proxy shall form a quorum and may transact the business for which the Meeting was originally convened.
6. Each Voting Unit entitled to be voted at the Meeting will entitle the holder to one vote at the Meeting in respect of the Arrangement Resolution and any other matters to be considered at the Meeting. The Board of Trustees of the Fund has fixed a record date for the Meeting November 1, 2010 (the "**Record Date**"). Only Voting Unitholders whose names have been entered on the applicable register of Voting Units on the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting in accordance with this paragraph 6.

Conduct of Meeting

7. The Chairman of the Meeting shall be the chairman of the Board of Trustees of the Fund or any other Trustee of the Fund.
8. The only persons entitled to attend and speak at the Meeting shall be the Voting Unitholders or their authorized representatives, the Fund's Trustees, K-Bro's directors and officers, the Fund's auditors and the Executive Director.
9. The number of votes required to pass the Arrangement Resolution shall be at least two-thirds of the votes cast by Voting Unitholders, voting together as a single class, either in person or by proxy, at the Meeting.
10. To be valid, a proxy must be deposited with the Fund in the manner described in the Information Circular.

11. The accidental omission to give notice of the Meeting or the non-receipt of the notice shall not invalidate any resolution passed or proceedings taken at the Meeting.

Amendments to Arrangement

12. The Fund is authorized to make such amendments, revisions or supplements to the Arrangement as it may determine necessary or desirable, provided that such amendments are made in accordance with and in the manner contemplated by the Arrangement Agreement. The Arrangement as so amended, revised or supplemented shall be the Arrangement submitted to the Meeting and the subject of the Arrangement Resolution.

Notice

13. An Information Circular, substantially in the form attached as Exhibit A to the Affidavit with amendments thereto as the Fund may determine necessary or desirable (provided such amendments are not inconsistent with the terms of this Order), shall be sent to the person indentified below by the one or more of the following methods:
 - (a) in the case of registered Voting Unitholders, by prepaid ordinary mail, at least 21 days prior to the date of the Meeting to Voting Unitholders at the addresses for such holders recorded in the records of the Fund at the close of business on the Record Date;
 - (b) in the case of non-registered Voting Unitholders, by providing sufficient copies of the Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 of the Canadian Securities Administrators; and
 - (c) in the case of the Trustees, K-Bro's directors and officers, and the Fund's auditors, by pre-paid first class or ordinary mail, by courier or by delivery in person, not later than 21 days prior to the date of the Meeting.

In calculating the 21 day period, the date of mailing shall be included and the date of the Meeting shall be excluded.

14. An Information Circular as described above shall be provided to the Executive Director by prepaid ordinary mail or delivery at least 21 days prior to the Meeting.
15. The Fund is hereby authorized to make such amendments, revisions or supplements to the Meeting Materials (the "**Additional Information**") as it may determine to be appropriate; and, subject to the Declaration of Fund, the Fund shall distribute such Additional Information by one or more of the following methods: press release, newspaper advertisement, pre-paid ordinary mail, delivery, in person or by courier, or by the most reasonably practicable method in the circumstances as it may determine.
16. Delivery of the Information Circular in the manner directed by this Order shall be deemed to be good and sufficient service upon the Voting Unitholders, the Trustees, K-Bro's directors and officers, the Trust's auditors and the Executive Director of:
 - (a) the Originating Application;
 - (b) this Order;
 - (c) the Notice of the Meeting;
 - (d) Form of Proxy; and
 - (e) Information Circular;

all in substantially the forms set forth in the Information Circular, together with instruments of proxy, voting directions and such other material as the Fund may consider fit.

Final Application

17. Subject to further Order of this Court and provided that the Voting Unitholders have approved the Arrangement and the Trustees of the Fund have not revoked that approval, the Applicants may proceed with an application for approval of the Arrangement and the Final Order on December 10, 2010 at 1:30 p..m. or so soon thereafter as counsel may be heard at the Calgary Courts Centre, Calgary, Alberta. Subject to the Final Order, and to the issuance of the Certificate, all Voting Unitholders and the Applicants will be bound by the Arrangement in accordance with its terms.


18. Any Voting Unitholder or any other interested party (collectively, "**Interested Party**") desiring to appear and make submissions at the application for the Final Order is required to file with this Court and serve upon the Fund on or before December 6, 2010, a Notice of Intention to Appear including the Interested Party's address for service, indicating whether such Interested Party intends to support or oppose the application or make submission at the application, together with a summary of the position such Interested Party intends to advocate before the Court and any evidence or materials which are to be presented to the Court. Service of this notice on the Fund shall be effected by service upon the solicitors for the Fund, Burnet, Duckworth & Palmer LLP, Suite 1400, 350 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9, Attention: D.J. McDonald, Q.C., with a copy to Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7, Attention: Tom Friedland/Jason Wadden.
19. In the event that the application for the Final Order is adjourned, only those parties appearing before this Court for the application for the Final Order, and those Interested Parties serving a Notice of Intention to Appear in accordance with paragraph 18 of this Order shall have notice of the adjourned date.

Extra-Territorial Assistance

20. The Fund seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in Canada and any court or any judicial, regulatory or administrative body of the United States or other country to act in aid of and to assist this Honourable Court in carrying out the terms of this Interim Order.

Leave to Vary Interim Order

21. The Fund is entitled at any time to seek leave to vary this Interim Order upon such terms and the giving of such notice as this Court may direct.



Justice of the Court of Queen's Bench of Alberta

APPENDIX “C”
ARRANGEMENT AGREEMENT

(See Attached)

ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT is made as of the 21st day of October 2010

AMONG:

K-BRO LINEN INCOME FUND, a trust established under the laws of the Province of Alberta

(the “**Fund**”)

- and -

K-BRO LINEN SYSTEMS INC., a corporation amalgamated under the laws of the Province of Alberta

(“**K-Bro**”)

- and -

K-BRO LINEN LIMITED., a corporation incorporated under the laws of the Province of Alberta

(“**K-Bro Limited**”)

- and -

K-BRO LINEN INC., a corporation incorporated under the laws of the Province of Alberta

(“**New K-Bro**”)

WHEREAS:

- (a) The parties hereto wish to propose an arrangement involving the holders of the units of the Fund designated as “Trust Units” (the “**Trust Units**”) and “Special Trust Units” (the “**Special Trust Units**”) under the Fund Declaration of Trust (as defined herein) (collectively, the “**Voting Units**”) and the holders of exchangeable shares (“**Exchangeable Shares**”) of K-Bro;
- (b) the parties hereto intend to carry out the transactions contemplated herein by way of a plan of arrangement under the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder; and
- (c) the parties hereto have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for the other matters relating to such arrangement.

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto hereby covenant and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 DEFINITIONS

In this Agreement, the following terms have the following meanings:

“**ABCA**” means the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder;

“**Agreement**”, “**herein**”, “**hereof**”, “**hereto**”, “**hereunder**” and similar expressions mean and refer to this arrangement agreement (including the schedules and exhibits hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;

“**Arrangement**” means the proposed arrangement under the provisions of section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement as amended, modified or supplemented;

“**Arrangement Resolution**” means the special resolution of Unitholders approving the Arrangement;

“**Articles of Arrangement**” means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted;

“**Business Day**” means a day, other than a Saturday, Sunday or statutory holiday, when commercial banks are generally open in the City of Edmonton, in the Province of Alberta, for the transaction of banking business;

“**Certificate**” means the confirmation of filing to be issued by the Registrar pursuant to subsection 193(11) of the ABCA giving effect to the Arrangement;

“**Court**” means the Court of Queen’s Bench of Alberta;

“**Effective Date**” means the date the Arrangement is effective under the ABCA;

“**Effective Time**” means 12:01 a.m. (Mountain Standard Time) on the Effective Date or such other time as determined by New K-Bro;

“**Exchange Agreement**” means the amended and restated exchange agreement among the Fund, K-Bro and certain members of K-Bro’s management dated August 1, 2005;

“**Exchangeable Shares**” means shares in the capital of K-Bro which are exchangeable into Trust Units;

“**Final Order**” means the final order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA, as such order may be affirmed, amended, modified or supplemented by any court of competent jurisdiction;

“**Fund**” means K-Bro Linen Income Fund, a trust governed by the laws of the Province of Alberta pursuant to the Fund Declaration of Trust;

“**Fund Declaration of Trust**” means the amended and restated declaration of trust dated February 3, 2005 governing the Fund, as the same may be amended, supplemented or restated from time to time;

“Information Circular” means the management information circular of the Fund, together with all schedules and appendices thereto, to be distributed to Unitholders in respect of the Meeting;

“Interim Order” means the interim order of the Court under subsection 193(4) of the ABCA, containing declarations and directions with respect to the Arrangement and the Meeting and issued pursuant to the application of the K-Bro Entities, as such order may be affirmed, amended, modified or supplemented by any court of competent jurisdiction;

“K-Bro” means K-Bro Linen Systems Inc., a corporation amalgamated under the laws of the Province of Alberta;

“K-Bro Articles” means the articles of amalgamation of K-Bro dated February 3, 2003;

“K-Bro Entities” means, collectively, the Fund, K-Bro, K-Bro Limited and New K-Bro and their respective successors;

“K-Bro Limited” means K-Bro Linen Limited, a corporation incorporated under the laws of the Province of Alberta;

“K-Bro Limited Articles” means the articles of incorporation of K-Bro Limited dated January 18, 2008;

“Meeting” means the special meeting of Unitholders to be held on a date in 2010 to be specified in the Interim Order, and any adjournment(s) or postponement(s) thereof, to consider and to vote on, among other things, the Arrangement Resolution;

“New K-Bro” means, K-Bro Linen Inc., a corporation incorporated under the laws of the Province of Alberta;

“New K-Bro Common Shares” means the common shares in the capital of New K-Bro;

“Person” means and includes individuals, corporations, partnerships, general partnerships, joint stock companies, limited liability corporations, joint ventures, associations, companies, trusts, banks, trust companies, pension funds, business trusts or other organizations, whether or not legal entities, and governments, agencies and political subdivisions thereof;

“Plan of Arrangement” means the plan of arrangement attached hereto as Exhibit “A”, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof;

“Registrar” means the Registrar of Corporations duly appointed under the ABCA;

“Special Trust Units” means the units of the Fund designated as “Special Trust Units” under the Fund Declaration of Trust;

“Subsidiary” has the meaning ascribed thereto in section 1.1 of National Instrument 45-106 — *Prospectus and Registration Exemptions*, as it exists on the date hereof;

“Trust Units” means the units of the Fund designated as “Trust Units” under the Fund Declaration of Trust;

“TSX” means the Toronto Stock Exchange;

“Unitholders” means the holders of Voting Units; and

“**Voting Units**” means, collectively, the Trust Units and the Special Trust Units.

1.2 CURRENCY

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.

1.3 INTERPRETATION NOT AFFECTED BY HEADINGS

The division of this Agreement into articles, sections, schedules and appendices and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.4 ARTICLE REFERENCES

Unless reference is specifically made to some other document or instrument, all references herein to articles, sections, sections, schedules and appendices are to articles, sections, schedules and appendices of this Agreement.

1.5 EXTENDED MEANINGS

Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, bodies corporate, trusts, unincorporated organizations, governments, regulatory authorities, and other entities.

1.6 ENTIRE AGREEMENT

This Agreement, together with the exhibit attached hereto, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties with respect to the subject matter hereof.

1.7 GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein and shall be treated in all respects as an Alberta contract.

1.8 EXHIBIT

Exhibit A annexed to this Agreement, being the Plan of Arrangement, is incorporated by reference into this Agreement and forms a part hereof.

ARTICLE 2 THE ARRANGEMENT

2.1 ARRANGEMENT

As soon as reasonably practicable, the K-Bro Entities shall apply to the Court pursuant to subsection 193(4) of the ABCA for an order approving the Arrangement and in connection with such application shall:

- (a) forthwith file, proceed with and prosecute an application for an Interim Order under subsection 193(4) of the ABCA, providing for, among other things, the calling and holding of the Meeting for the purpose of considering and, if thought advisable, approving the Arrangement Resolution;
- (b) subject to obtaining all necessary approvals as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take steps necessary to submit the Arrangement to the Court and apply for the Final Order; and
- (c) subject to satisfaction or waiver of the conditions set forth herein, shall deliver to the Registrar Articles of Arrangement and such other documents as may be required to give effect to the Arrangement, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out therein without any act or formality.

2.2 EFFECTIVE DATE

The Arrangement shall become effective at the Effective Time on the Effective Date.

ARTICLE 3 COVENANTS

3.1 COVENANTS OF THE K-BRO ENTITIES

Each of the K-Bro Entities (unless otherwise specified below) covenants and agrees that it will:

- (a) take, and cause its Subsidiaries to take, all reasonable actions necessary and cooperate with the other K-Bro Entities to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all consents, exemptions, approvals, assignments, waivers and amendments to or terminations of any instruments considered necessary or desirable by the parties hereto and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) in the case of the Fund, solicit proxies to be voted at the Meeting in favour of the Arrangement Resolution and prepare the Information Circular and proxy solicitation materials and any amendments, modifications or supplements thereto as required by, and in compliance with, the Interim Order, applicable corporate and securities laws and the Fund Declaration of Trust, and file and distribute the same to Unitholders in a timely and expeditious manner in all jurisdictions where the same are required to be filed and distributed;
- (d) to the extent applicable to it, convene the Meeting as contemplated by the Interim Order and conduct such Meeting in accordance with the Interim Order and as otherwise required by law;
- (e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 hereof which are within its control to be satisfied on or before the Effective Date;

- (f) subject to the approval of the Arrangement Resolution by the Unitholders, as required by the Interim Order, submit the Arrangement to the Court and apply, together with each of the other parties hereto, for the Final Order;
- (g) to the extent applicable to it, carry out the terms of the Final Order;
- (h) in the case of the Fund, following issuance of the Final Order and subject to the satisfaction or waiver of the conditions precedent in Article 5 hereof, proceed to file the Articles of Arrangement, the Final Order and all related documents with the Registrar pursuant to subsection 193(10) of the ABCA;
- (i) subject to Section 7.3 hereof, not, except in the ordinary course of business or as contemplated in connection with the Plan of Arrangement, merge into or with, or consolidate with, any other Person or, perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement and the Arrangement;
- (j) reserve and authorize for issuance the securities issuable by it, if any, as contemplated in the Plan of Arrangement; and
- (k) in the case of the Fund, prior to the Effective Date, make application for approval from the TSX of the listing or substitutional listing on the TSX of the New K-Bro Common Shares issuable pursuant to the Arrangement.

3.2 AMENDMENT OF CONSTATING DOCUMENTS

The parties hereto agree that, pursuant to the Arrangement, each of the Fund Declaration of Trust, the K-Bro Articles, and the K-Bro Limited Articles will be amended in a manner satisfactory to the Fund acting reasonably, if and as necessary to facilitate and implement the Arrangement.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 REPRESENTATIONS AND WARRANTIES OF THE FUND

The Fund represents and warrants to and in favour of the other parties hereto as follows, and acknowledges that the other parties hereto are relying upon such representations and warranties:

- (a) the Fund is a trust duly settled and validly existing under the laws of the Province of Alberta and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and, subject to the approval of the Arrangement Resolution, the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the Fund Declaration of Trust;
- (c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the trustees of the Fund and this Agreement constitutes a valid and binding obligation of the Fund enforceable against it in accordance with its terms;

- (d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of the Fund, contemplated or threatened against or affecting the Fund or its Subsidiaries in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of the Fund, are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of the Fund and its Subsidiaries taken as a whole; and
- (e) as at the date hereof, there are 6,932,562 Trust Units and 72,411 Special Trust Units issued and outstanding and, except as may be contemplated by this Agreement and the Plan of Arrangement, the only obligation, contractual or otherwise, of the Fund to issue any Trust Units, Special Trust Units or other securities is the Exchange Agreement in connection with the exchange of Exchangeable Shares for Trust Units.

4.2 REPRESENTATIONS AND WARRANTIES OF K-BRO

K-Bro represents and warrants to and in favour of the other parties hereto as follows, and acknowledges that the other parties hereto are relying upon such representations and warranties:

- (a) K-Bro is a corporation amalgamated under the laws of the Province of Alberta and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the articles or by-laws of K-Bro;
- (c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the directors of K-Bro and this Agreement constitutes a valid and binding obligation of K-Bro enforceable against it in accordance with its terms;
- (d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of K-Bro, contemplated or threatened against or affecting K-Bro or its Subsidiaries in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of K-Bro, are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of K-Bro and its Subsidiaries taken as a whole; and
- (e) on the date hereof, all of the issued and outstanding common shares of K-Bro are held by the Fund and, except as may be contemplated by this Agreement, the Exchange Agreement and the Plan of Arrangement, there is no obligation, contractual or otherwise,

of K-Bro to issue any K-Bro common shares or other securities. On the date hereof there are 72,411 Exchangeable Shares issued and outstanding.

4.3 REPRESENTATIONS AND WARRANTIES OF K-BRO LIMITED

K-Bro Limited represents and warrants to and in favour of the other parties hereto as follows, and acknowledges that the other parties hereto are relying upon such representations and warranties:

- (a) K-Bro Limited is a corporation incorporated under the laws of the Province of Alberta and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the articles or by-laws of K-Bro Limited;
- (c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the directors of K-Bro Limited and this Agreement constitutes a valid and binding obligation of K-Bro Limited enforceable against it in accordance with its terms;
- (d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of K-Bro Limited, contemplated or threatened against or affecting K-Bro Limited or its Subsidiaries in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of K-Bro Limited, are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of K-Bro Limited and its Subsidiaries taken as a whole; and
- (e) on the date hereof, all of the issued and outstanding common shares of K-Bro Limited are held by K-Bro and, except as may be contemplated by this Agreement and the Plan of Arrangement, there is no obligation, contractual or otherwise, of K-Bro Limited to issue any K-Bro Limited common shares or other securities.

4.4 REPRESENTATIONS AND WARRANTIES OF NEW K-BRO

New K-Bro represents and warrants to and in favour of the other parties hereto as follows, and acknowledges that the other parties hereto are relying upon such representations and warranties:

- (a) New K-Bro is a corporation incorporated under the laws of the Province of Alberta and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the articles or by-laws of New K-Bro;

- (c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the directors of New K-Bro and this Agreement constitutes a valid and binding obligation of New K-Bro enforceable against it in accordance with its terms;
- (d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of New K-Bro, contemplated or threatened against or affecting New K-Bro or its Subsidiaries in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of New K-Bro, are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of New K-Bro and its Subsidiaries taken as a whole; and
- (e) on the date hereof, there is one New K-Bro Common Share issued and outstanding which is held by the Fund, and, except as may be contemplated by this Agreement, the Plan of Arrangement or as set forth in the Information Circular, there is no obligation, contractual or otherwise, of New K-Bro to issue any New K-Bro Common Shares or other securities.

ARTICLE 5

CONDITIONS PRECEDENT

5.1 MUTUAL CONDITIONS PRECEDENT

The respective obligations of each of the K-Bro Entities to complete the transactions contemplated by this Agreement and the Arrangement shall be subject to the fulfillment or satisfaction, on or before the Effective Time or such other time or date as is specified below, of each of the following conditions, any of which may be waived collectively by them without prejudice to their right to rely on any other condition:

- (a) the Interim Order shall have been granted in form and substance satisfactory to the parties hereto, acting reasonably, not later than November 2, 2010 or such later date as the parties hereto may agree and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;
- (b) the Arrangement Resolution shall have been approved by the requisite number of votes cast by Unitholders at the Meeting in accordance with the provisions of the Interim Order and any applicable regulatory requirements;
- (c) the Final Order shall have been granted in form and substance satisfactory to the K-Bro Entities, acting reasonably, not later than December 31, 2010 or such later date as the parties hereto may agree;
- (d) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to the K-Bro Entities, acting reasonably, shall have been accepted for filing by the Registrar together with the Final Order in accordance with subsection 193(10) of the ABCA;

- (e) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that: (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein;
- (f) all material third party and regulatory consents, exemptions and approvals considered necessary or desirable by the parties hereto with respect to the transactions contemplated under the Arrangement shall have been completed or obtained including, without limitation, necessary consents, exemptions and approvals from applicable securities regulatory authorities and under the rules or policies of the TSX, and applicable consents from lenders;
- (g) the TSX shall have conditionally approved the listing or the substitutional listing of the New K-Bro Common Shares to be issued pursuant to the Arrangement and as contemplated in the Information Circular, subject only to the filing of required documents which cannot be filed prior to the Effective Date.

5.2 ADDITIONAL CONDITIONS TO OBLIGATIONS OF THE K-BRO ENTITIES

In addition to the conditions contained in Section 5.1 hereof, the obligation of each of the K-Bro Entities (unless specified otherwise below) to complete the transactions contemplated by this Agreement and the Arrangement is subject to the fulfillment or satisfaction, on or before the Effective Time, of each of the following conditions, any of which may be waived by them without prejudice to their right to rely on any other condition:

- (a) each of the representations and warranties made by the other parties hereto set forth in this Agreement shall be true and correct in all material respects;
- (b) each of the covenants, acts and undertakings of the other parties hereto to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed or complied with in all material respects; and
- (c) the board of trustees of the Fund, the boards of directors of K-Bro, K-Bro Limited and New K-Bro, respectively, shall not have determined in their sole and absolute discretion that to proceed with the Arrangement would not be in the best interests of the Fund, K-Bro, K-Bro Limited and New K-Bro.

5.3 NOTICE AND EFFECT OF FAILURE TO COMPLY WITH CONDITIONS

If any of the conditions precedent set forth in Sections 5.1 or 5.2 hereof shall not be satisfied or waived by the party or parties for whose benefit such conditions are provided on or before the date required for the satisfaction thereof, then a party for whose benefit the condition precedent is provided may, in addition to any other remedies they may have at law or equity, rescind and terminate this Agreement; provided that, prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, the party intending to rely thereon has delivered a written notice to the other party, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the party delivering such notice is asserting as the basis for the non-satisfaction of the applicable conditions

precedent and the party in breach shall have failed to cure such breach within 10 Business Days of receipt of such written notice thereof (except that no cure period shall be provided for a breach which by its nature cannot be cured). More than one such notice may be delivered by a party.

5.4 SATISFACTION OF CONDITIONS

The conditions set out in this Article 5 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the parties hereto, the Articles of Arrangement are filed under the ABCA to give effect to the Arrangement.

ARTICLE 6 AMENDMENT AND TERMINATION

6.1 AMENDMENTS

This Agreement may, at any time and from time to time before or after the Meeting, be amended in any respect whatsoever by written agreement of the parties hereto without further notice to or authorization on the part of their respective securityholders; provided that any such amendment that changes the consideration to be received by the Unitholders pursuant to the Arrangement is brought to the attention of the Court and is subject to such requirements as may be ordered by the Court.

6.2 TERMINATION

This Agreement shall be terminated in each of the following circumstances:

- (a) the mutual agreement of the parties hereto;
- (b) the Arrangement shall not have become effective on or before January 31, 2011 or such later date as may be agreed to by the parties hereto; and
- (c) termination of this Agreement under Section 5.3 hereof.

In the event of the termination of this Agreement in the circumstances set out in Sections 6.2(a) through 6.2(c) hereof, this Agreement shall forthwith become void and none of the parties hereto shall have any liability or further obligation to any other parties hereunder.

ARTICLE 7 GENERAL

7.1 BINDING EFFECT

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

7.2 NO ASSIGNMENT

No party may assign its rights or obligations under this Agreement.

7.3 EXCLUSIVITY

None of the covenants of the Fund, K-Bro or K-Bro Limited contained herein shall prevent the board of trustees of the Fund, the board of directors of K-Bro or K-Bro Limited, respectively, from responding as

required by law to any unsolicited submission or proposal regarding any acquisition or disposition of assets or any unsolicited proposal to amalgamate, merge or effect an arrangement, reorganization or similar transaction or any unsolicited acquisition proposal generally or make any disclosure to its securityholders with respect thereto which in the judgment of the board of trustees of the Fund, the board of directors of K-Bro or K-Bro Limited, respectively, acting upon the advice of counsel, is required under applicable law.

7.4 EQUITABLE REMEDIES

All representations, warranties and covenants herein or to be given hereunder as to enforceability in accordance with the terms of any covenant, agreement or document shall be qualified as to applicable bankruptcy and other laws affecting the enforcement of creditors' rights generally and to the effect that specific performance, being an equitable remedy, may only be ordered at the discretion of the court.

7.5 SURVIVAL OF REPRESENTATIONS AND WARRANTIES

The representations and warranties contained herein shall survive the performance by the parties of their respective obligations hereunder for a period of one year.

7.6 SEVERABILITY

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

7.7 FURTHER ASSURANCES

Each party hereto shall, from time to time and at all times hereafter, at the request of another party hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

7.8 TIME OF ESSENCE

Time shall be of the essence.

7.9 LIABILITY OF THE FUND

Each of the parties hereto acknowledges that the obligations of the Fund under this Agreement will not be personally binding upon any of the trustees of the Fund, any registered or beneficial holder of Voting Units or any beneficiary under a plan of which a holder of such units acts as a trustee or carrier, and that resort will not be had to, nor will recourse be sought from, any of the foregoing or the private property of any of the foregoing in respect of any indebtedness, obligation or liability of the Fund arising hereunder,

and any recourse for such indebtedness, obligations or liabilities of the Fund will be limited to, and satisfied only out of, the assets of the Fund.

7.10 COUNTERPARTS

This Agreement may be executed in counterparts, in original, facsimile or electronic form, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF this Agreement has been executed and delivered by the parties hereto effective as of the date first above written.

K-BRO LINEN INCOME FUND, by its trustees.

Per: "Linda McCurdy"
Name: Linda McCurdy
Title: Trustee

Per: "Matthew Hills"
Name: Matthew Hills
Title: Trustee

K-BRO LINEN SYSTEMS INC.

Per: "Linda McCurdy"
Name: Linda McCurdy
Title: Director

K-BRO LINEN LIMITED

Per: "Kristie Plaquin"
Name: Kristie Plaquin
Title: Director

K-BRO LINEN INC.

Per: "Linda McCurdy"
Name: Linda McCurdy
Title: Director

EXHIBIT “A”

**PLAN OF ARRANGEMENT
UNDER SECTION 192 OF THE
CANADA BUSINESS CORPORATIONS ACT**

**ARTICLE 1
INTERPRETATION**

1.1 In this Plan of Arrangement, the following terms have the following meanings:

- (a) “**ABCA**” means the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder;
- (b) “**Affiliate**” has the meaning ascribed thereto in National Instrument 45-106 – *Prospectus and Registration Exemptions*, as it exists on the date hereof;
- (c) “**Arrangement**”, “**herein**”, “**hereof**”, “**hereto**”, “**hereunder**” and similar expressions mean and refer to the arrangement under the provisions of section 193 of the ABCA set forth in this Plan of Arrangement as amended, modified or supplemented, and not to any particular article, section or other portion hereof;
- (d) “**Arrangement Agreement**” means the arrangement agreement made as of October 21, 2010 among the K-Bro Entities with respect to the Arrangement and all amendments thereto;
- (e) “**Articles of Arrangement**” means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted;
- (f) “**Associate**” has the meaning ascribed thereto in *The Securities Act* (Alberta);
- (g) “**Business Day**” means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Edmonton, in the Province of Alberta, for the transaction of banking business;
- (h) “**Certificate**” means the confirmation of filing to be issued by the Registrar pursuant to subsection 193(11) of the ABCA giving effect to the Arrangement;
- (i) “**Court**” means the Court of Queen’s Bench of Alberta;
- (j) “**Effective Date**” means the date the Arrangement is effective under the ABCA;
- (k) “**Effective Time**” means 12:01 a.m. (Mountain Standard Time) on the Effective Date or such other time as determined by New K-Bro;
- (l) “**Exchangeable Shares**” means the exchangeable shares in the capital of K-Bro;
- (m) “**Final Order**” means the final order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA, as such order may be affirmed, amended, modified or supplemented by any court of competent jurisdiction;

- (n) **“Fund”** means K-Bro Linen Income Fund, a trust governed by the laws of the Province of Alberta pursuant to the Fund Declaration of Trust;
- (o) **“Fund Declaration of Trust”** means the amended and restated declaration of trust dated as of February 3, 2005 governing the Fund, as the same may be amended, supplemented or restated from time to time;
- (p) **“Information Circular”** means the management information circular of the Fund, together with all schedules and appendices thereto, to be distributed to Unitholders in respect of the Meeting;
- (q) **“Interim Order”** means the interim order of the Court under subsection 193(4) of the ABCA, containing declarations and directions with respect to the Arrangement and the Meeting and issued pursuant to the application of the K-Bro Entities as such order may be affirmed, amended, modified or supplemented by any court of competent jurisdiction;
- (r) **“K-Bro”** means K-Bro Linen Systems Inc., a corporation amalgamated under the laws of the Province of Alberta;
- (s) **“K-Bro Entities”** means, collectively, the Fund, K-Bro, K-Bro Limited and New K-Bro and their respective successors;
- (t) **“K-Bro Limited”** means K-Bro Linen Limited, a corporation incorporated under the laws of the Province of Alberta;
- (u) **“Meeting”** means the special meeting of Unitholders to be held on a date in 2010 to be specified in the Interim Order, and any adjournment(s) or postponement(s) thereof, to consider and to vote on, among other things, the Arrangement Resolution;
- (v) **“New K-Bro”** means, K-Bro Linen Inc., a corporation incorporated under the laws of the Province of Alberta;
- (w) **“New K-Bro Common Shares”** means the common shares in the capital of New K-Bro;
- (x) **“Person”** means and includes individuals, corporations, partnerships, general partnerships, joint stock companies, limited liability corporations, joint ventures, associations, companies, trusts, banks, trust companies, pension funds, business trusts or other organizations, whether or not legal entities, and governments, agencies and political subdivisions thereof;
- (y) **“Registrar”** means the Registrar of Corporations duly appointed under the ABCA;
- (z) **“Special Trust Units”** means the units of the Fund designated as “Special Trust Units” under the Fund Declaration of Trust.
- (aa) **“Trust Units”** means the units of the Fund designated as “Trust Units” under the Fund Declaration of Trust;
- (bb) **“Unitholders”** means the holders of Voting Units; and
- (cc) **“Voting Units”** means, collectively, the Trust Units and the Special Trust Units;

- 1.2 The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.
- 1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.
- 1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities and other entities.
- 1.5 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

ARTICLE 2 ARRANGEMENT AGREEMENT

- 2.1 This Plan of Arrangement is made pursuant to, and is subject to the provisions of, and forms part of, the Arrangement Agreement.
- 2.2 This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issue of the Certificate, if any, shall become effective on, and be binding on and after, the Effective Time on Unitholders and the K-Bro Entities.
- 2.3 The Articles of Arrangement and the Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 4 hereof has become effective in the sequence and at the times set out therein.
- 2.4 Other than as expressly provided for herein, no portion of this Plan of Arrangement shall take effect with respect to any party or Person until the Effective Time. Furthermore, each of the events listed in Article 4 hereof shall be, without affecting the timing set out in Article 4, mutually conditional, such that no event described in said Article 4 may occur without all steps occurring, and those events shall effect the integrated transaction which constitutes the Arrangement.

ARTICLE 3 PRE-ARRANGEMENT MATTERS

- 3.1 Unless otherwise consented to by the Fund in writing, each of the events set out below shall be completed prior to the Effective Date:

Amendment of the Fund Declaration of Trust

- (a) the Fund Declaration of Trust and such other material documents shall be amended to the extent necessary to facilitate the Arrangement and the implementation of the steps and transactions as provided herein and in the Arrangement Agreement.

ARTICLE 4 ARRANGEMENT

- 4.1 Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order, each occurring five minutes apart (unless otherwise noted) without any further act or formality except as otherwise provided herein:

Exchange of Trust Units and Exchangeable Shares (and Special Trust Units) for New K-Bro Common Shares

- (a) the Exchangeable Shares (and Special Trust Units) held by holders of Exchangeable Shares and the Trust Units held by Unitholders will be simultaneously transferred to New K-Bro free and clear of any claims, solely in consideration for New K-Bro Common Shares on the basis of one New K-Bro Common Share for (i) each combination of one Exchangeable Share and Special Trust Unit so transferred, and (ii) each Trust Unit so transferred. At the time the New K-Bro Common Shares are so issued, an amount determined by the directors of New K-Bro shall be added to the stated capital account maintained for the New K-Bro Common Shares issued under the Arrangement. The stated capital maintained in respect of the New K-Bro Common Shares may be subsequently reduced by an amount determined by the directors, in respect of which no amount is to be distributed to the shareholders of New K-Bro, as contemplated by Section 38(1) of the ABCA;

Cancellation of Special Trust Units

- (b) the Special Trust Units acquired by New K-Bro will be cancelled for no consideration in accordance with the amended Fund Declaration of Trust.

Cancellation of New K-Bro Common Share Owned by the Fund

- (c) the one New K-Bro Common Share issued to the Fund in connection with the organization of New K-Bro shall be purchased for cancellation by New K-Bro for consideration of ten dollars (\$10.00) and shall be cancelled;

Other Rights

- (d) all other rights to acquire Trust Units and Special Trust Units outstanding immediately prior to the Effective Time, if any, shall be cancelled and of no further force and effect, and shall be deemed to be exchanged for economically equivalent rights to acquire New K-Bro Common Shares;
- 4.2 With respect to each holder of Trust Units, Exchangeable Shares and Special Trust Units at the Effective Time, upon the exchange of Trust Units, Exchangeable Shares (and Special Trust Units) for New K-Bro Common Shares pursuant to Section 4.1 hereof:
- (a) each former holder of Trust Units shall cease to be the holder of the Trust Units so exchanged and the name of each such former holder of Trust Units shall be removed from the register of holders of Trust Units and New K-Bro shall be added to the register of Trust Units as the sole owner of Trust Units;
- (b) each former holder of Exchangeable Shares and Special Trust Units shall cease to be the holder of Exchangeable Shares and Special Trust Units so exchanged and the name of each holder of Exchangeable Shares and Special Trust Units shall be removed from the

record of shareholders of K-Bro and the register of Special Trust Units, as applicable, and New K-Bro shall become the sole holder of Exchangeable Shares and Special Trust Units and shall be added to the record of shareholders of K-Bro as the sole owner of Exchangeable Shares and shall be added to the record of Special Trust Units as the sole owner of Special Trust Units; and

- (c) each such holder of Trust Units and Exchangeable Shares and Special Trust Units shall become the holder of the New K-Bro Common Shares exchanged for Trust Units and Exchangeable Shares (and Special Trust Units), as applicable, by such holder and shall be added to the register of holders New K-Bro Common Shares in respect thereof.

ARTICLE 5 OUTSTANDING CERTIFICATES

- 5.1 From and after the Effective Time, any certificates formerly representing Trust Units or Exchangeable Shares (and Special Trust Units) shall represent only the right to receive the number of New K-Bro Common Shares which the former holder of such Trust Units or Exchangeable Shares (and Special Trust Units) is entitled to receive pursuant to Article 3.

ARTICLE 6 AMENDMENTS

- 6.1 The K-Bro Entities may amend this Plan of Arrangement at any time and from time to time prior to the Meeting, provided that each such amendment must be: (i) set out in writing; (ii) approved by the other parties to the Arrangement Agreement; (iii) filed with the Court; and (iv) communicated to Unitholders, if and as requested by the Court.
- 6.2 Notwithstanding Section 6.1 and Section 6.4, any amendment, modification or supplement to this Plan of Arrangement may be made prior to the Effective Time by the K-Bro Entities (or, following the Effective Time, by New K-Bro) without the approval of the Court or the Unitholders, provided that it concerns a matter which, in the reasonable opinion of the K-Bro Entities (or, following the Effective Time, New K-Bro), is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement or is not adverse to the financial or economic interests of any former holder of Voting Units.
- 6.3 Subject to Section 7.2 hereof, any amendment to this Plan of Arrangement may be proposed by the K-Bro Entities at any time prior to or at the Meeting (provided that the other parties to the Arrangement Agreement shall have consented thereto) with or without any prior notice or communication to Unitholders, and if so proposed and accepted by the Persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- 6.4 Subject to Section 7.2 hereof, the K-Bro Entities may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the Meeting and prior to the Effective Time with the approval of the Court and, if and as required by the Court, after communication to the Unitholders.

ARTICLE 7
GENERAL

- 7.1 Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein.
- 7.2 If, prior to the Effective Date, any term or provision of this Plan of Arrangement is held by the Court to be invalid, void or unenforceable, the Court, at the request of any of the parties to the Arrangement Agreement, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan of Arrangement shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.
- 7.3 This Plan of Arrangement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. Any questions as to the interpretation or application of this Plan of Arrangement and all proceedings taken in connection with this Plan of Arrangement and its provisions shall be subject to the exclusive jurisdiction of the Court.

APPENDIX “D”

PRO FORMA FINANCIAL STATEMENTS OF NEW K-BRO

(See Attached)



K·BRO

K-BRO LINEN INC.

PRO FORMA CONSOLIDATED

BALANCE SHEET AS AT SEPTEMBER 30, 2010 AND

STATEMENTS OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 2009

AND NINE MONTHS ENDED SEPTEMBER 30, 2010

K-Bro Linen Inc.

Pro Forma Consolidated Balance Sheet

(unaudited)

	Note	K-Bro Linen Inc. (October 20, 2010)	K-Bro Linen Income Fund (September 30, 2010)	Pro forma Adjustments	K-Bro Linen Inc. Pro forma (September 30, 2010)
Assets					
Current assets					
Cash		\$10	-	-	\$10
Accounts receivable		-	13,071,096	-	13,071,096
Linen in Service		-	7,735,049	-	7,735,049
Prepaid expenses and deposits		-	1,198,102	-	1,198,102
		10	22,004,247	-	22,004,257
Non-current assets					
Restricted escrow funds		-	250,000	-	250,000
Property, plant and equipment		-	34,799,243	-	34,799,243
Intangible assets		-	15,829,789	-	15,829,789
Goodwill		-	20,048,628	-	20,048,628
Total assets		\$10	\$92,931,907	-	\$92,931,917
Liabilities and Unitholders'/Shareholders' Equity					
Current liabilities					
Accounts payable and accrued liabilities	2c	-	\$13,121,809	\$500,000	\$13,621,809
Unamortized lease inducements		-	642,146	-	642,146
Future income taxes		-	513,250	-	513,250
		-	14,277,205	500,000	14,777,205
Non-current liabilities					
Long-term debt		-	11,097,490	-	11,097,490
Unamortized lease incentives		-	576,940	-	576,940
Deferred tax liabilities	2c	-	3,138,774	(150,500)	2,988,274
Total liabilities		-	29,090,409	349,500	29,439,909
Unitholders'/Shareholders' Equity					
Exchangeable shares	2a	-	724,110	(724,110)	-
Fund Units	2a	-	70,675,516	(70,675,516)	-
Fund Units held in trust by LTIP	2b	-	(1,600,938)	1,600,938	-
Common shares	2a	10	-	71,399,626	71,399,636
Common shares held in trust by LTIP	2b	-	-	(1,600,938)	(1,600,938)
Contributed surplus		-	1,020,034	-	1,020,034
Deficit	2c	-	(6,991,820)	(349,500)	(7,341,320)
Accumulated other comprehensive income		-	14,596	-	14,596
Total Unitholders'/Shareholders' Equity		10	63,841,498	(349,500)	63,492,008
Total Liabilities and Unitholders' Equity		\$10	\$92,931,907	-	\$92,931,917

The accompanying notes are an integral part of these pro forma consolidated financial statements.

K-Bro Linen Inc.

Pro Forma Consolidated Statement of Earnings

(unaudited)

Year ended December 31, 2009

	Note	K-Bro Linen Income Fund	Pro forma Adjustments	K-Bro Linen Inc. Pro forma
Revenue		\$87,532,626		\$87,532,626
Expenses				
Wages and benefits		39,433,498	-	39,433,498
Linen		10,191,609	-	10,191,609
Utilities		6,272,505	-	6,272,505
Delivery		3,280,422	-	3,280,422
Occupancy Costs		3,176,857	-	3,176,857
Materials and supplies		3,015,370	-	3,015,370
Repairs and maintenance		2,991,442	-	2,991,442
Corporate		3,625,066	-	3,625,066
		71,986,769		71,986,769
Earnings Before the undernoted		15,545,857	-	15,545,857
Other expenses				
Amortization of property, plant and equipment		(5,346,744)	-	(5,346,744)
Amortization of intangible assets		(2,157,140)	-	(2,157,140)
Financial charges		(311,087)	-	(311,087)
Loss on disposal of property, plant and equipment		(53,752)	-	(53,752)
Earnings before income taxes		7,677,134	-	7,677,134
Income tax recovery (expense)	3b	124,742	(2,246,529)	(2,121,787)
Net earnings of the period	3b	\$7,801,876	\$(2,246,529)	\$5,555,347
Net earnings per Unit/Share				
Basic	3b	\$1.12	\$(0.33)	\$0.80
Diluted	3b	\$1.11	\$(0.32)	\$0.79
Weighed average number of Units/Shares				
Basic		6,946,495	-	6,946,495
Diluted		6,999,719	-	6,999,719

The accompanying notes are an integral part of these pro forma consolidated financial statements.

K-Bro Linen Inc.

Pro Forma Consolidated Statement of Earnings

(unaudited)

Nine Months ended September 30, 2010

	Note	K-Bro Linen Income Fund	Pro forma Adjustments	K-Bro Linen Inc. Pro forma
Revenue		\$77,331,483		\$77,331,483
Expenses				
Wages and benefits		35,501,138	-	35,501,138
Linen		7,817,242	-	7,817,242
Utilities		6,177,294	-	6,177,294
Delivery		2,893,150	-	2,893,150
Occupancy Costs		2,820,758	-	2,820,758
Materials and supplies		2,779,813	-	2,779,813
Repairs and maintenance		2,587,079	-	2,587,079
Corporate		<u>3,595,886</u>	<u>-</u>	<u>3,595,886</u>
		64,172,360		64,172,360
Earnings Before the undernoted		13,159,123	-	13,159,123
Other expenses				
Amortization of property, plant and equipment		(4,277,447)	-	(4,277,447)
Amortization of intangible assets		(1,899,118)	-	(1,899,118)
Financial charges		(489,205)	-	(489,205)
Loss on disposal of property, plant and equipment		<u>(161,350)</u>	<u>-</u>	<u>(161,350)</u>
Earnings before income taxes		<u>6,332,003</u>	<u>-</u>	<u>6,332,003</u>
Income tax expense	3b	<u>(234,670)</u>	<u>(1,946,541)</u>	<u>(2,181,211)</u>
Net earnings of the period	3b	<u>\$6,097,333</u>	<u>\$(1,946,541)</u>	<u>\$4,150,792</u>
Net earnings per Unit/Share				
Basic	3b	\$0.88	\$(0.28)	\$0.60
Diluted	3b	\$0.87	\$(0.28)	\$0.59
Weighed average number of Units/Shares				
Basic		6,910,245	-	6,910,245
Diluted		6,996,292	-	6,996,292

The accompanying notes are an integral part of these pro forma consolidated financial statements.

K-Bro Linen Inc.

Notes to the Pro Forma Consolidated Balance Sheet and Statements of Earnings

(unaudited)

1 Basis of presentation

On October 21, 2010, the Board of Trustees of K-Bro Linen Income Fund (the "Fund") approved a proposed transaction providing for the reorganization of the income fund structure into a corporate structure. The conversion will be completed by way of a plan of arrangement under the Business Corporations Act (Alberta) (the "Arrangement"). Pursuant to the Arrangement holders of Fund units ("Unitholders") will receive common shares ("Common Shares") of the newly-formed corporation (K-Bro Linen Inc.) on a one-for-one basis (the "Exchange Ratio"). Also in the Arrangement, holders of exchangeable shares ("Exchangeable Shares") of K-Bro Linen Systems Inc., a wholly-owned subsidiary of the Fund, will exchange their Exchangeable Shares and receive Common Shares based on the Exchange ratio. Upon completion of the Arrangement, K-Bro Linen Inc. will hold all the assets previously held, directly and indirectly, by the Fund.

The unaudited pro forma consolidated balance sheet and statements of earnings should be read in conjunction with the Information Circular, and with the financial statements of the Fund, which are incorporated by reference in the Information Circular. In the opinion of management of the Fund, the unaudited pro forma balance sheet and statements of earnings are based on reasonable assumptions and include all adjustments necessary for the fair presentation of the Arrangement. The accounting policies used in the preparation of the unaudited pro forma consolidated financial statements are those disclosed in the consolidated financial statements of the Fund.

The accompanying unaudited pro forma consolidated balance sheet has been prepared using information derived from the unaudited interim consolidated balance sheet as at September 30, 2010, along with the pro forma adjustments described in Note 2. The unaudited pro forma consolidated balance sheet has been prepared as if the Arrangement had occurred on September 30, 2010.

The unaudited pro forma consolidated statements of earnings have been prepared using information derived from the audited consolidated statement of earnings for the year ended December 31, 2009 and the unaudited interim consolidated statement of earnings for the nine-months ended September 30, 2010, along with the pro forma assumptions and adjustments described in Note 3. The unaudited pro forma consolidated statements of earnings have been prepared as if the Arrangement had occurred at January 1, 2009.

Since the Arrangement is not a business combination transaction, it will be treated as a change in business form and will be accounted for as a continuity of interests as prescribed by CICA Emerging Issues Committee Abstract 170, *Conversion of an Unincorporated Entity to an Incorporated Entity*.

K-Bro Linen Inc.

Notes to the Pro Forma Consolidated Balance Sheet and Statements of Earnings

(unaudited)

The unaudited pro forma consolidated balance sheet and statements of earnings are prepared for illustrative purposes only and are based on the assumptions set forth in the notes to such statements. The unaudited pro forma consolidated balance sheet and statements of earnings may not be indicative of the financial position and results that actually would have occurred if the events reflected herein had been in effect on the dates indicated or of the result that may be obtained in the future. Actual future results may differ materially from those assumed or described. Completion of the transactions contemplated by the Arrangement is subject to certain conditions, including regulatory and Unitholder approval. As a result, there is no assurance that the transaction described will be completed.

2 Pro forma adjustments to the Balance Sheet

The unaudited pro forma consolidated balance sheet as at September 30, 2010, gives effect to the following transactions and adjustments as if they had occurred at September 30, 2010 and assumes that the Arrangement occurred on September 30, 2010.

- (a) Completion of the Arrangement whereby holders of Fund Units of K-Bro Linen Income Fund and holders of Exchangeable Shares of K-Bro Linen Systems Inc. receive a corresponding number of Common Shares of K-Bro Linen Inc.
- (b) The Fund Units held within the Long-term Incentive Plan ("LTIP") trust have also been exchanged for Common Shares using the Exchange Ratio and continue to be held in trust until the original granting conditions are satisfied. The Common Shares held by the trust continue to be presented as a reduction in equity.
- (c) Future income tax liabilities have been reduced for the tax effect of the costs incurred for the Arrangement with a corresponding reduction in shareholders' deficit.

3 Pro forma adjustments to the Statements of Earnings

The unaudited pro forma consolidated statements of earnings for the year ended December 31, 2009 and the nine-months ended September 30, 2010, give effect to the following transactions and adjustments as if they had occurred throughout the respective periods and assumes that the Arrangement occurred on January 1, 2009.

- (a) Estimated transaction costs of \$500,000 associated with the Arrangement have been recorded net of the associated tax effect as an adjustment to shareholders' deficit.
- (b) Provision for income taxes has been adjusted to reflect the current income taxes payable within the K-Bro Linen Inc. corporate structure including the tax impact of the estimated transaction costs. The estimated income taxes on the above adjustments are based on the combined federal and provincial statutory rate of 30.1% and 28.7% for fiscal 2009 and 2010, respectively.

APPENDIX “E”

AUDITED BALANCE SHEET OF NEW K-BRO

(See Attached)

November 4, 2010

Auditors' Report

To the Shareholder of K-Bro Linen Inc.

We have audited the balance sheet of **K-Bro Linen Inc.** as at October 20, 2010. This balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of the Company as at October 20, 2010 in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

Edmonton, Alberta



K·BRO

K-BRO LINEN INC.

BALANCE SHEET
OCTOBER 20, 2010

K-Bro Linen Inc.

Balance Sheet

As at October 20, 2010

Current assets

Cash	<u>\$10</u>
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Shareholder's equity

Common shares	<u>\$10</u>
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The accompanying notes are an integral part of this balance sheet.

Approved on behalf of the Corporation

(Signed) "Linda McCurdy"

Director

K-Bro Linen Inc.

Notes to the Balance Sheet

1 Basis of presentation

On October 20, 2010, K-Bro Linen Inc. ("the Corporation") was incorporated pursuant to the Business Corporations Act (Alberta). The Corporation has not commenced operations at the balance sheet date. Accordingly, statements of earnings, comprehensive earnings, retained earnings and cash flows have not been prepared. This balance sheet has been prepared in accordance with Canadian generally accepted accounting principles.

2 Significant Accounting Policies

- (a) Cash – cash consists of petty cash held in trust by the Corporation's solicitors as of the balance sheet date.
- (b) Use of estimates – The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the balance sheet. Actual amounts could differ from these estimates.
- (c) Financial instruments – The Corporation's only financial instrument consists of cash. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risk arising from this financial instrument. The fair value of this financial instrument approximates its carrying value.

3 Capital Management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide adequate returns for shareholders. The Company defines capital as total equity.

4 Share Capital

Authorized

The authorized share capital of the Corporation consists of an unlimited number of common shares without nominal or par value, and a class of preferred shares which number shall not exceed one-third (1/3) of the common shares issued and outstanding from time to time, none of which are issued or outstanding as of October 20, 2010.

Issued and outstanding

Common shares	Shares	Amount
Issued on incorporation	<u>1</u>	<u>\$10</u>

K-Bro Linen Inc.

Notes to the Balance Sheet

5 Subsequent Event

K-Bro Linen Income Fund ("the Fund") plans to convert to a publicly listed corporation (the "Conversion") pursuant to a plan of arrangement transaction under the Business Corporations Act (Alberta). Pursuant to the Conversion, holders of trust units of the Fund and Exchangeable Shares of K-Bro Linen Systems Inc. (collectively the "Unitholders") will receive common shares ("Common Shares") of K-Bro Linen Inc. on a one-for-one basis. The Conversion will result in K-Bro Linen Inc. holding the assets and business operations previously held and operated by the Fund and its subsidiaries. All of the members of the Board of Trustees and the senior officers of K-Bro Linen Income Fund will continue as the Directors and officers of K-Bro Linen Inc. The Conversion will result in K-Bro Linen Inc. having approximately 7.0 million Common Shares issued and outstanding after closing.

