



K·BRO



# MANAGEMENT INFORMATION CIRCULAR

**ANNUAL & SPECIAL  
MEETING OF SHAREHOLDERS  
TO BE HELD ON JUNE 6, 2019**

# WE ARE DEPEND

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K·BRO

**DEAR FELLOW SHAREHOLDERS,**

On behalf of K-Bro's Board of Directors, management and employees, I invite you to attend the 2019 Annual and Special Meeting of Shareholders. The event will be hosted at:

*STIKEMAN ELLIOTT LLP, 53RD FLOOR  
5300 COMMERCE COURT WEST, 199 BAY STREET, TORONTO, ONTARIO  
THURSDAY, JUNE 6, 2019 AT 9:00 A.M.*

At the meeting, we will report on K-Bro's financial and operating performance in 2018, the first quarter of 2019 and discuss our plans for the remainder of the year. In addition, you will have an opportunity to meet with our Board of Directors and management to discuss items of interest to you.

The business items to be dealt with are described in the notice of meeting and management information circular. We value the views of our shareholders and appreciate the time you spend understanding and voting on the business of K-Bro's annual and special meeting.

We are enclosing the Annual Report with the management information circular and related proxy materials. The Annual Report, along with additional documentation and information concerning K-Bro, is available on our website at [www.k-brolinen.com](http://www.k-brolinen.com). You will also find K-Bro's recently filed corporate disclosure documents under "Financial Documents" on our webpage and under K-Bro's profile on [www.sedar.com](http://www.sedar.com).

If you are unable to attend the annual and special meeting in person, or if you hold your shares in the name of a nominee, such as your brokerage firm, I encourage you to vote your proxy by any of the means available to you. We look forward to your continued support.

*Sincerely,*

*LINDA J. MCCURDY*

**DIRECTOR, PRESIDENT & CHIEF EXECUTIVE OFFICER  
K-BRO LINEN INC.**

# NOTICE OF ANNUAL & SPECIAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the annual and special meeting (the “Meeting”) of shareholders (the “Shareholders”) of K-Bro Linen Inc. (the “Corporation” or “K-Bro”) will be held at the offices of Stikeman Elliott LLP, 53rd Floor, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario on Thursday, June 6, 2019 at 9:00 a.m. (Eastern Time) for the following purposes:

- 1) TO RECEIVE AND CONSIDER** the audited consolidated financial statements of the Corporation for the year ended December 31, 2018, together with the report of the auditors thereon;
- 2) TO ELECT** the directors of the Corporation for the ensuing year;
- 3) TO APPOINT** PricewaterhouseCoopers LLP as the independent auditors of the Corporation and authorize the Board of Directors to fix their remuneration;
- 4) TO ADOPT** a resolution, the text of which is reproduced in Schedule B of the management information circular of the Corporation accompanying this Notice of Meeting (the “**Information Circular**”), approving, ratifying and confirming the shareholder rights plan adopted by the board of directors of the Corporation on April 23, 2019; and
- 5) TO TRANSACT** such other business as may properly come before the Meeting or any postponement or adjournment thereof.

As a Shareholder, you are entitled to attend the Meeting and to cast one vote for each common share of the Corporation that you own. The specific details of all matters proposed to be put before the Meeting are set forth in the accompanying Information Circular.

It is desirable that as many shares of the Corporation as possible be represented at the Meeting. If you cannot attend the Meeting and would like your shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. To be valid, all proxies must be received by AST Trust Company (Canada), P.O. Box 721, Agincourt, Ontario, M1S 0A1 or faxed to 866.781.3111, not later than 9:00 a.m. (Eastern Time) on June 4, 2019 or if the Meeting is adjourned, at least forty-eight (48) hours (excluding weekends and holidays), before the time set for the Meeting to resume. Late proxies may be accepted or rejected by the Chair of the Meeting at his or her discretion, and the Chair is under no obligation to accept or reject any particular late proxy.

If you are a non-registered beneficial Shareholder, you must follow the instructions provided by your broker, securities dealer, bank, trust company or similar entity in order to vote your shares. The accompanying Information Circular provides additional information relating to the matters to be dealt with at the Meeting and forms part of this Notice of Meeting.

**DATED** at Edmonton, Alberta this 23rd day of April 2019.

**BY ORDER OF THE BOARD OF DIRECTORS**



KRISTIE L. PLAQUIN

CHIEF FINANCIAL OFFICER

# ABOUT THIS INFORMATION CIRCULAR & RELATED PROXY MATERIALS

The management ("Management") of K-Bro Linen Inc. ("K-Bro", "we", "us", "our", the "Corporation" and other similar expressions) is providing this information circular ("Information Circular") and related proxy materials to you in connection with our annual and special meeting of shareholders scheduled to be held at the offices of Stikeman Elliott LLP, 53rd Floor, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario on Thursday, June 6, 2019 at 9:00 a.m. (Eastern Time) (the "Meeting"). Management is soliciting your proxy for use at the Meeting and any adjournment or postponement thereof. All references to "K-Bro" in this Information Circular include K-Bro Linen Inc. and its subsidiaries, as applicable, including the operations controlled and consolidated by them, unless otherwise indicated.

This Information Circular describes the business of the Meeting, the resolutions to be voted upon and the voting process, and provides information about the members ("Directors") of K-Bro's board of directors (the "Board") and senior management, the Directors nominated by K-Bro for the 2019 year, our corporate governance practices and our executive compensation philosophy.

As a holder ("Shareholder") of common shares ("Shares"), you are invited to attend the Meeting. If you are unable to attend in person, you may still vote. Please see the section entitled "How Do I Vote?" below for an explanation of how you can vote on the matters to be considered at the Meeting.

Unless otherwise indicated, the information contained herein is given as at April 23, 2019.

## VOTING INFORMATION

### What will I be voting on?

You will be voting on the following four matters at the Meeting:

- 1) To elect our Directors;
- 2) To appoint our auditors and authorize the Directors to set their remuneration;
- 3) To ratify the shareholder rights plan adopted by the Board; and
- 4) To transact such other business as may properly come before the Meeting.

### Who can vote?

Shareholders of record as at the close of business on May 2, 2019 (the "Record Date") are entitled to vote at the Meeting. To vote any Shares you acquire subsequent to the Record Date, you must, not later than ten days before the Meeting:

- (a) Request through our transfer agent, AST Trust Company (Canada) ("AST"), to the attention of the Proxy Department at 800.387.0825, that we add your name to the voting list; and
- (b) Produce properly endorsed Share certificates or otherwise establish that you own the applicable Shares.

### How many votes are required to approve matters?

Except as otherwise specified, all matters to be addressed at the Meeting must be approved by a simple majority (50% plus one vote) of the votes cast by Shareholders, either by proxy or in person at the Meeting.

## How many votes do I have?

You have one vote on each item of business set forth in the Notice of Meeting for every Share that you are entitled to vote at the Meeting.

## How many Shares can vote?

K-Bro is authorized to issue an unlimited number of Shares and such number of shares of one class designated as preferred shares which number shall not exceed 1/3 of the Shares issued and outstanding from time to time. As at the Record Date, K-Bro has 10,559,936 Shares issued and outstanding and no preferred shares issued and outstanding.

Each Share confers the right to one vote on each item of business set forth in the Notice of Meeting. To the knowledge of the Directors and the executive officers of the Corporation, as of the date hereof, no person or company beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the votes attached to the Corporation's Shares except as set out in the following table:

Name	Type of Ownership	Number of Common Shares Owned or Controlled	Percent of Common Shares Outstanding
Sentry Select Mutual Funds, Toronto, Ontario	Beneficial	1,449,523	13.73%

## Who counts the votes?

Proxies and votes of Shareholders attending the Meeting are counted by AST, the transfer agent of K-Bro, who will act as the scrutineer of the Meeting. Following the Meeting, a report on the voting results will be filed under K-Bro's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## What is the deadline for proxy voting?

We encourage you to submit your proxy as soon as possible to ensure that your vote is counted. Proxies must be received by AST not later than 9:00 a.m. (Eastern Time) on June 4, 2019, or if the Meeting is adjourned or postponed, 48 hours before such adjourned or postponed Meeting (excluding weekends and holidays). The time limit for the deposit of proxies may be waived by the Board without notice. If you are a non-registered Shareholder exercising voting rights through a nominee, you should consult the voting instruction form provided by your nominee as they may have different and earlier deadlines.

# HOW DO I VOTE?

You should first determine whether you are a registered Shareholder or a non-registered Shareholder.

- You are a registered Shareholder if your name appears on your Share certificate or if you hold your Shares under your name on the records of AST.
- You are a non-registered Shareholder if your Shares are not held in your name but are held in the name of a nominee or intermediary, such as a bank, trust company, securities broker, trustee or other custodian.

## I am a registered Shareholder. How do I vote by proxy?

You can use the enclosed instrument of proxy, or any other appropriate proxy form, to appoint your proxyholder and to indicate how you want your Shares voted. The persons named in the enclosed instrument of proxy are Directors or officers of K-Bro. However, you may choose another person to be your proxyholder, including someone who is not a Shareholder. If you choose this option, you should cross out the names printed on the instrument of proxy enclosed herewith and insert another person's name in the blank space provided, or complete another appropriate proxy form. You may vote by proxy even if you plan to attend the Meeting.

Registered Shareholders have four ways to submit a completed proxy:

- 1) By fax, by completing and signing the enclosed instrument of proxy and forwarding it by fax to the attention of Proxy Department, AST Trust Company at **866.781.3111**;
- 2) By email, by completing, signing and scanning the enclosed instrument of proxy and forwarding it by email to the attention of AST Trust Company at **[proxyvote@astfinancial.com](mailto:proxyvote@astfinancial.com)**;
- 3) By mail, by completing and signing the enclosed instrument of proxy and mailing it in the envelope provided; or
- 4) Via the internet at **[www.ASTvotemyproxy.com](http://www.ASTvotemyproxy.com)** and entering your 13 digit control number.

***The Shares represented by your instrument of proxy will be voted or withheld from voting in accordance with your instructions indicated on the instrument of proxy.***

## I am a non-registered Shareholder. How do I vote?

Shareholders who hold their Shares through their nominee (i.e., brokers, intermediaries, trustees or other persons), or who otherwise do not hold their Shares in their own name (referred to in this Information Circular as "Non-registered Shareholders") should note that only proxies deposited by Shareholders who appear on the records maintained by AST as registered Shareholders will be recognized and acted upon at the Meeting.

You should have received the Information Circular from your nominee, together with a voting instruction form. Please contact your nominee if you did not receive a request for voting instructions in this package. Each nominee has its own signing and return instructions, which you should follow carefully to ensure that your votes are tabulated. Your nominee is required to seek your instructions as to the manner in which to vote your Shares. If you do not complete a voting instruction form, your nominee cannot vote your Shares.

If Shares are listed in an account statement provided to a Non-registered Shareholder by a broker, those Shares will, in all likelihood, not be registered in the Shareholder's name. Such Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to their clients, which should be carefully followed by Non-registered Shareholders in order to ensure that their Shares are voted at the Meeting. The form of proxy supplied to a Non-registered Shareholder by its broker (or the agent of the broker) is substantially similar to the instrument of proxy provided directly to registered Shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (i.e., the broker or agent of the broker) on how to vote on behalf of the Non-registered Shareholder.

***A Non-registered Shareholder who receives a voting instruction form from their nominee cannot use that form to vote Shares directly at the Meeting. The voting instruction form must be returned to the nominee well in advance of the Meeting in order to have the Shares voted. If you have any questions respecting the voting of Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.***



***You can appoint a person other than the Directors or officers of K-Bro named on the voting instruction form as your proxyholder.*** This person does not have to be a Shareholder. Indicate the name of the person you are appointing in the space provided on the voting instruction form. Complete your voting instructions, and date and submit the form. Make sure that the person you appoint is aware that he or she has been appointed and will attend the Meeting. If you are a Non-registered Shareholder who has voted and want to change your mind and vote in person, contact your nominee to obtain information on the procedure to follow, where possible.

### **I am a non-registered Shareholder. Can I vote in person?**

K-Bro does not have access to the names of Non-registered Shareholders. Unless your nominee has appointed you as proxyholder, we have no record of your shareholdings or of your entitlement to vote. Therefore, if you are a Non-registered Shareholder and wish to vote in person at the Meeting, please fill in your name in the space provided on the voting instruction form sent to you by your nominee. In so doing, you are instructing your nominee to appoint you as proxyholder. Then follow the execution and return instructions provided by your nominee. It is not necessary to otherwise complete the form, as you plan to vote at the Meeting. For further details, contact your nominee directly.

## **PROXY INFORMATION**

### **How are proxies solicited?**

Proxies are solicited primarily by mail or by any other means Management may deem necessary. Members of Management receive no additional compensation for these services, but are reimbursed for any expenses incurred by them in connection with these services. Arrangements may also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of Shares registered in the names of these persons, and K-Bro may reimburse them for their reasonable transaction and clerical expenses. Costs of solicitation of proxies are borne by K-Bro.

### **I have elected to vote by proxy. How are my voting rights exercised?**

On the instrument of proxy, you have two choices: **(a)** you can indicate how you want your proxyholder to vote your Shares; or **(b)** you can let your proxyholder decide for you. If you have specified on the instrument of proxy how you want your Shares to be voted on a particular matter, then your proxyholder must vote your Shares accordingly in the case

of either a vote by way of show of hands or a vote by way of ballot. If you have chosen to let your proxyholder decide for you, your proxyholder can then vote in accordance with his or her judgment.

***Unless contrary instructions are provided, Shares represented by proxies received by Management will be voted FOR each matter to be presented at the Meeting.***

### **What if there are amendments to the resolutions or if other matters are brought before the Meeting?**

The instrument of proxy delivered in connection with the Meeting gives the person(s) named the authority to use their discretion and judgment in voting on amendments or variations to matters identified in the Notice of Meeting or any other matter duly brought before the Meeting.

As of the date of this Information Circular, Management is not aware of any amendments to the matters set out in the Notice of Meeting or of any other matters to be presented at the Meeting. However, if any other matters duly come before the Meeting, the person(s) named on the enclosed instrument of proxy will vote on them in accordance with their judgment, pursuant to the discretionary authority conferred by the instrument of proxy with respect to such matters.

### **Can I revoke my proxy if I change my mind?**

You can revoke your proxy at any time before it is exercised. If you are a registered Shareholder, clearly state in writing that you want to revoke your proxy and deliver this written statement to AST not later than the last business day before the Meeting, being Wednesday, June 5, 2019 at 5:00 p.m. (Eastern Time), or to the Chair of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner prescribed by law.

If you are a Non-registered Shareholder who has voted and you want to change your mind or revoke your proxy, contact your nominee to obtain information on the procedure to follow, where possible.

If you are a registered Shareholder and have already submitted a proxy and you attend personally at the Meeting at which such proxy is to be voted, you may revoke the proxy at the Meeting and vote in person.

### **How do I revoke my proxy?**

In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Shareholder or by his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

# BUSINESS OF THE MEETING?

## 1) Annual Report & Consolidated Financial Statements

The consolidated financial statements of K-Bro for the year ended December 31, 2018 and the auditor's report thereon have been delivered, either by mail or electronically, to all registered Shareholders and also to beneficial Shareholders who requested such documents. These financial statements will be presented to Shareholders at the Meeting and no vote is required with respect to this matter. A copy of the audited consolidated financial statements of the Corporation is also available on our website at [www.k-brolinen.com](http://www.k-brolinen.com) and under K-Bro's profile at [www.sedar.com](http://www.sedar.com).

## 2) Election of Directors

The Articles of Incorporation of K-Bro provide that the Board shall consist of a minimum of one Director and a maximum of eleven Directors and the by-laws of K-Bro provide that the actual number of Directors between the minimum and maximum shall be determined from time to time by the Board. The Board has determined that, at the present time, the appropriate number of Directors is five.

Management is not aware of any reason why any of the nominees named herein would be unable or unwilling to serve as a Director. However, if a nominee is not available to serve at the time of the Meeting, and unless otherwise specified (including by a Shareholder direction to withhold a vote), the persons designated in the instrument of proxy may vote in favour of a substitute nominee or nominees selected by the Board.

The following are the names of the five proposed nominees for election as Directors of K-Bro:

1. **Matthew B. Hills**
2. **Steven E. Matyas**
3. **Linda J. McCurdy**
4. **Michael B. Percy**
5. **Ross S. Smith**

As part of its ongoing review of corporate governance practices, the Board adopted a policy providing that in an uncontested election of directors, any nominee who receives a greater number of votes "withheld" than votes "for" shall tender his or her resignation to the Chair of the Board promptly following the Shareholders' meeting. The Compensation, Nominating and Corporate Governance Committee (the "CNCG Committee") will consider the

offer of resignation and will make a recommendation to the Board on whether to accept such offer. In considering whether or not to accept the resignation, the CNCG Committee will consider all factors deemed relevant by the members of the CNCG Committee. The CNCG Committee will be expected to recommend acceptance of the resignation except in situations where exceptional circumstances would warrant the applicable Director continuing to serve on the Board. The Board will make the final decision as to whether or not to accept the recommendation and announce it in a press release, a copy of which shall be concurrently delivered to the TSX, within ninety (90) days following the date of the Shareholders' meeting and should the Board decline to accept the resignation, such press release will state the reasons for the Board's decision. The resignation of the director will be effective when accepted by the Board. A Director who tenders his or her resignation pursuant to this policy will not participate in any meeting of the Board or the CNCG Committee at which his or her resignation is considered.

Detailed information about each of the aforementioned nominees is contained in this Information Circular under the heading "Information Concerning the Director Nominees" beginning on page 10. All of the nominees are currently Directors of K-Bro.

At the Meeting it is proposed that Shareholders elect each of the nominees listed above to serve as a Director of K-Bro and to hold such office until the earlier of our next annual meeting of Shareholders or until his or her successor is elected. ***Unless contrary instructions are indicated on the instrument of proxy or the voting instruction form, the persons designated in the accompanying instrument of proxy or voting instruction form intend to vote FOR the election of each of the above-named nominees.***

## 3) Appointment of Independent Auditors

During the five previous financial years ended December 31, 2018, PricewaterhouseCoopers LLP has served as auditors to K-Bro Linen Inc., and previously to K-Bro Linen Income Fund, predecessor to the Corporation. Representatives of the auditor will be present at the Meeting and will be given the opportunity to speak and to answer any questions.

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to approve an ordinary resolution to reappoint PricewaterhouseCoopers LLP to serve as auditors of K-Bro until the next annual meeting of Shareholders and to authorize the Directors to fix their remuneration as such.

Fees payable for the years ended December 31, 2018 and December 31, 2017 to PricewaterhouseCoopers LLP were \$715,493 and \$1,296,194, respectively, as detailed in the following table:

Service	2018	2017
Audit fees <sup>(1)</sup>	441,110	708,236
Tax fees <sup>(2)</sup>	271,973	585,598
All other fees <sup>(3)</sup>	2,410	2,360

<sup>1</sup> Includes fees for quarterly interim reviews and professional advisory services related to equity offerings and the acquisition of Fishers.

<sup>2</sup> Includes fees for tax advice, tax planning and review of compliance returns.

<sup>3</sup> Includes fees for advisory services.

***Unless contrary instructions are indicated on the instrument of proxy or the voting instruction form, the persons designated in the accompanying instrument of proxy or voting instruction form intend to vote FOR the appointment of PricewaterhouseCoopers LLP, to serve as auditors of K-Bro until the next annual meeting of Shareholders and to authorize the Directors to fix their remuneration as such.***

#### 4. Approval of the Shareholder Rights Plan

At the Meeting, Shareholders will be asked to approve an ordinary resolution, a copy of which is reproduced at Schedule “B” to this Information Circular, confirming the adoption and ratification of the shareholder rights plan adopted by the Board of Directors on April 23, 2019 (the “Rights Plan”). The Rights Plan became effective on April 23, 2019. A summary of the principal terms of the Rights Plan is included as Schedule C to this Circular.

Under the rules of the Toronto Stock Exchange (the “TSX”), the Rights Plan must be ratified by the shareholders of the Corporation within six months of its adoption. This requirement will be satisfied in respect of the Rights Plan if the resolution confirming the adoption and ratification of the Rights Plan is approved by a majority of the votes cast by the holders (other than holders who do not qualify as Independent Shareholders) of Shares, in person or by proxy, at the Meeting. “Independent Shareholders” is generally defined to mean all holders of the Shares other than any Acquiring Person (as defined below) or Offeror (as defined in the Rights Plan), their respective affiliates, associates, and persons acting jointly or in concert with any Acquiring Person or Offeror, as well as certain employee benefit plans, stock purchase plans, deferred profit sharing plans and similar plans or trusts for the benefit of employees. To the knowledge of management, as of the date hereof, all of the Shareholders qualify as Independent Shareholders. If the resolution is not approved by Shareholders at the Meeting, the Rights Plan and the rights thereunder will terminate on the date immediately following the Meeting.

If approved by the Shareholders at the Meeting, the Rights Plan will be in effect until the close of business on the date

on which the annual general meeting of the Shareholders is held in 2022, and would be renewed in accordance with its terms for an additional period of three years (from 2022 to 2025) provided that the Shareholders ratify such renewal at or prior to the annual meeting of Shareholders to be held in 2022.

## OBJECTIVES & BACKGROUND OF THE RIGHTS PLAN

The Rights Plan is designed to provide the Corporation’s shareholders and the Board additional time to assess an unsolicited take-over bid for the Corporation and, where appropriate, to give the Board additional time to pursue alternatives for maximizing shareholder value. It also encourages fair treatment of all shareholders by providing them with an equal opportunity to participate in a take-over bid.

In adopting the Rights Plan, the Board considered the existing legislative framework governing take-over bids in Canada. On February 25, 2016, the Canadian Securities Administrators (the “CSA”) published amendments to the take-over bid regime that subsequently came into force on May 9, 2016. The amendments, among other things, lengthen the minimum bid period to 105 days (from the previous 35 days), require that all non-exempt take-over bids meet a minimum tender requirement of more than 50% of the outstanding securities held by Independent Shareholders, and require a ten-day extension after the minimum tender requirement is met. Regarding the minimum bid period, a target issuer will have the ability to voluntarily reduce the period to not less than 35 days. Additionally, the minimum bid period may be reduced due to the existence of certain competing take-over bids or alternative change in control transactions.

As the legislative amendments do not apply to exempt take-over bids, there continues to be a role for rights plans in protecting issuers and preventing the unequal treatment of shareholders. Some remaining areas of concern include:

- protecting against “creeping bids” (the accumulation of more than 20% of the Shares) through purchases exempt from Canadian take-over bid rules, such as (i) purchases from a small group of Shareholders under private agreements at a premium to the market price not available to all Shareholders, (ii) acquiring control through the slow accumulation of Shares not available to all Shareholders, (iii) acquiring control through the slow accumulation of Shares over a stock exchange without paying a control premium, or (iv) through other transactions outside of Canada that may not be formally subject to Canadian take-over bid rules, and requiring the bid to be made to all Shareholders; and

- preventing a potential acquirer from entering into lock-up agreements with existing Shareholders prior to launching a take-over bid, except for permitted lock-up agreements as specified in the Rights Plan.

By applying to all acquisitions of 20% or more of Shares, except in limited circumstances including Permitted Bids (as defined in the Rights Plan), the Rights Plan is designed to ensure that all Shareholders receive equal treatment. In addition, there may be circumstances where bidders request lock-up agreements that are not in the best interests of the Corporation or its Shareholders. Shareholders may also feel compelled to tender their shares to a take-over bid, even if they consider such bid to be inadequate, out of a concern that failing to do so may result in a Shareholder being left with illiquid or minority discounted Shares in the Corporation.

As a result of the foregoing, the Board has determined that it is advisable and in the best interests of the Corporation and its Shareholders that the Corporation have in place a shareholder rights plan in the form of the Rights Plan.

In recommending the ratification of the Rights Plan, it is not the intention of the Board to preclude a bid for control of the Corporation. The Rights Plan provides various mechanisms whereby Shareholders may tender their Shares to a take-over bid as long as the bid meets the “Permitted Bid” criteria under the Rights Plan. Furthermore, even in the context of a take-over bid that did not meet the Permitted Bid criteria, the Board would still have a duty to consider any take-over bid for the Corporation and consider whether or not it should waive the application of the Rights Plan (subject to certain enumerated requirements therein) in respect of such bid. In discharging such duty, the Board must act honestly and in good faith with a view to the best interests of the Corporation and its Shareholders.

The Rights Plan is therefore designed to encourage a potential acquirer who makes a take-over bid to proceed either by way of a Permitted Bid (as defined in Schedule C of this Information Circular), which requires a take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board. If a take-over bid fails to meet these minimum standards and the Rights Plan is not waived by the Board, the Rights Plan provides that holders of rights issued under the Rights Plan, other than the acquirer and certain persons related to the acquirer, will be able to purchase additional Shares at a significant discount to market, thus exposing the acquirer to substantial dilution of its holdings.

The Rights Plan is not being adopted in response to any proposal to acquire control of the Corporation, nor is the Board currently aware of any pending or threatened take-over bid for the Corporation.

The Rights Plan does not preclude any Shareholder from using the proxy mechanism of the *Business Corporation Act* (Alberta), the Corporation’s governing corporate statute, to promote a change in the Corporation’s management or in the Board, and it will have no effect on the rights of Shareholders to requisition a meeting of Shareholders in accordance with the provisions of applicable legislation.

The Rights Plan is not expected to interfere with the Corporation’s day-to-day operations. The issuance of rights under the Rights Plan will not in any way alter the financial condition of the Corporation, impede its business plans, or alter its financial statements. In addition, the Rights Plan is initially not dilutive. However, if a Flip-in Event (as defined in Schedule C to this Information Circular) occurs and the rights separate from the shares as described in Schedule C to this Information Circular, financial metrics reported on a per Share basis may be affected. In addition, holders of rights not exercising their rights after a Flip-in Event may suffer substantial dilution.

The Board recommends that the shareholders vote **FOR** the resolution set out in Schedule B of this Circular (the “Shareholder Rights Plan Resolution”). ***Unless contrary instructions are indicated on the instrument of proxy or the voting instruction form, the persons designated in the accompanying instrument of proxy or voting instruction form intend to vote FOR the Shareholder Rights Plan Resolution.***

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The Corporation will not be required to include any amount in computing the Corporation’s income for the purposes of the *Income Tax Act* (Canada) (the “ITA”) as a result of the issuance of the rights.

Generally, under the ITA, the value of a right, if any, to acquire additional shares of a company is not a taxable benefit includable in income and is not subject to non-resident withholding tax if an identical right is conferred on all shareholders. While such rights are conferred on all Shareholders, they may become void in the hands of certain Shareholders upon the occurrence of certain triggering events. Whether the issuance of the rights is a taxable event is not therefore free of doubt. In any event, no amount in respect of the value of the rights is required to be included in computing income, or subject to withholding tax, if the rights do not have any value at the date of issue. The Corporation considers that the rights have negligible value when issued, there being only a remote possibility that the rights will ever be exercised. If the rights have no value, the issue of the rights will not give rise to a taxable benefit and will not be subject to non-resident withholding tax.

The foregoing does not address the Canadian income tax consequences of other events such as the separation of the rights from the Shares, the occurrence of a Flip-in Event or the redemption of rights. The holder of rights may have income or be subject to withholding tax under the ITA if the rights become exercisable or are exercised or are otherwise disposed of.

This statement is of a general nature only and is not intended to constitute nor should it be construed to constitute legal or tax advice to any particular Shareholder. Such Shareholders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their rights, taking into account their own particular circumstances and any applicable federal, provincial, territorial or foreign legislation.

## INFORMATION CONCERNING THE DIRECTOR NOMINEES

The following information relating to the nominees for election as Directors of K-Bro is based partly on our records and partly on information received from each nominee. All information is presented as at the date of this Information Circular. All Directors have held the principal occupation identified below for not less than five years, with the exception of Michael Percy as detailed below. Each Director elected at the Meeting will hold office until the earlier of our next annual meeting of Shareholders or until his or her successor is elected.



### MATTHEW B. HILLS

**Boston, Massachusetts**

Age **59**

Director Since **2004**

Not Independent<sup>1</sup>

K-Bro Committees **Nil**

Total Compensation for 2018  
**\$217,800**

Attendance Record  
**Board - 7 of 7**

Ownership or Control of Shares  
**13,129**

Matthew Hills is a Managing Director of LLM Capital Partners, a private equity firm. He was the senior partner at BG Affiliates, the private equity group that acquired the Corporation in 1997. Matt has also held positions at Signature Capital, LEK Partnership, Drexel Burnham Lambert and Bain & Company. He received an MBA from Harvard Business School and a BA (Economics and Politics) from Brandeis University.

#### ***Current Directorships***

Funds managed By Basso Capital Management, Massachusetts Board of Elementary and Secondary Education, PHT Chemical International (Advisory Board)

#### ***Previous Directorships***

SMS Modern Cleaning Services, ixi Mobile, Surebridge Inc., Aspen Furniture, Berkshire Income Realty (NYSE:BIR.A)

<sup>1</sup> See Interest of Informed Persons in Material Transactions





## STEVEN E. MATYAS

Toronto, Ontario

Steven Matyas previously served as the Chief Executive Officer for Staples Retail Inc., where he held various positions since 1991. Prior to this, Mr. Matyas served as Executive Vice-President and Chief Operating Officer at Flertom Investments Inc., and SuperPharm Ltd. He received a BSc (Genetics) from the University of Toronto.

### **Current Directorships**

Baycrest Hospital Foundation,  
Kal Tire Partnerships

### **Previous Directorships**

Epcor Utilities Inc.  
Ryerson University, School of Retail, Advisory Board  
University of Alberta, School of Retail

Age **65**

Director Since **2004**

Independent

K-Bro Committees  
**Audit  
Compensation (Chair)**

Total Compensation for 2018  
**\$91,050**

Attendance Record  
**Board - 7 of 7  
Audit - 4 of 4  
Compensation - 1 of 1**

Ownership or Control of Shares  
**35,329**



## LINDA J. MCCURDY

Toronto, Ontario

Linda McCurdy joined K-Bro in May, 1998 as Chief Financial Officer and became President & Chief Executive Officer in January, 2000. Prior to joining K-Bro, Linda was Chief Financial Officer of Canadian Inovotech Inc. Her prior experience also includes six years at the Overwaitea Food Group where she held a number of financial positions. Linda is a Chartered Professional Accountant and holds an MBA from the University of Western Ontario.

### **Current Directorships**

University of Alberta, Business Advisory Council  
Healthcare Laundry Accreditation Council

### **Previous Directorships**

None

Please see pages 17 through 20 for details on securities held and compensation received for 2018 as President and Chief Executive Officer.

Age **50**

Director Since **2004**

Not Independent

K-Bro Committees  
**Not eligible**

Total Compensation for 2018  
**No compensation received  
for services as a director**

Attendance Record  
**Board - 7 of 7**

Linda is not a member of any Board  
committee, but regularly attends  
Committee meetings



## MICHAEL B. PERCY

Edmonton, Alberta

Michael Percy is Dean, emeritus at the Alberta School of Business for the University of Alberta. Previous to this he served as the Chief of Staff to Premier Jim Prentice of Alberta and was a Professor of Strategic Management in the School of Business at the University of Alberta and served as Dean, School of Business for three consecutive terms. Mike received a BA (Honours) from the University of Victoria, and an MA (Economics) and PhD (Economics) from Queen's University.

### **Current Directorships**

None

### **Previous Directorships**

Epcor Utilities Inc.  
Alberta Treasury Branches  
Sawridge Group of Companies  
Timber Holdings Ltd.  
Alberta Economic Development Authority  
Matrikon Inc.

Age	71
Director Since	2007-2014, 2015 - present
Independent	
K-Bro Committees	
Audit	
Compensation	
Total Compensation for 2018	\$86,050
Attendance Record	
Board - 7 of 7	
Audit - 4 of 4	
Compensation - 1 of 1	
Ownership or Control of Shares	7,454



## ROSS S. SMITH

West Vancouver, British Columbia

Ross Smith is a corporate director. Previously he served in numerous roles over a 35-year career at KPMG, including Senior Partner for British Columbia, prior to his retirement in 1998. Ross became a Chartered Accountant in 1962 and obtained his FCA designated from the Institute of Chartered Accountants of BC in 1990. In 2010, Ross was honoured with a Lifetime Achievement Award from the Institute of Chartered Accountants of BC.

### **Current Directorships**

Rotherham Holdings Ltd.  
Canfor Corporation (TSX: CFP)

### **Previous Directorships**

HSBC Bank of Canada  
University of British Columbia  
Kal Tire Holdings Ltd.  
N&T Properties Ltd.  
Marsh Canada Limited. (Advisory Board Member)

Age	80
Director Since	2004
Independent	
K-Bro Committees	
Audit (Chair)	
Compensation	
Total Compensation for 2018	\$126,050
Attendance Record	
Board - 7 of 7	
Audit - 4 of 4	
Compensation - 1 of 1	
Ownership or Control of Shares	8,419

## **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS, & INTERLOCKING SERVICES**

Within the 10 years before the date of this Information Circular, K-Bro is not aware of any proposed director of the Corporation who had been a director, chief executive officer or chief financial officer of any issuer which was subject to an order that was issued while the director was acting in such capacity, or that was issued after the director ceased to be acting in such capacity and which resulted from an event that occurred while the director was acting in such capacity.

Within the 10 years before the date of this Information Circular, K-Bro is not aware of any proposed director of the Corporation who had been a director or executive officer of any issuer which, while that person was acting in that capacity or within a year of ceasing to act in that capacity, became bankrupt or 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.

To the knowledge of K-Bro, no proposed director has, within 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 such proposed director.

Currently there are no interlocking relationships among K-Bro's directors other than those disclosed above in the Information Concerning the Director Nominees.

## **COMPENSATION DISCUSSION & ANALYSIS**

### **COMPENSATION STRATEGY & OBJECTIVES**

The Corporation's executive compensation program is composed of base salaries and perquisites, short-term incentives in the form of cash bonuses, and long-term incentives in the form of participation in the Corporation's long-term incentive plan (the "LTIP"). K-Bro's pay practices at the executive level are designed to be prudent and well-aligned with our culture and values.

The compensation strategy for K-Bro is intended to accomplish the following objectives:

- attract executive officers who have demonstrated superior leadership and management skills;
- retain the services of valued members of the executive team;
- link and align the interests of the executive officers with those of Shareholders; and
- motivate executive officers to achieve excellence within their respective areas of responsibility.

A combination of fixed and variable compensation is used to motivate executives to achieve overall corporate goals. Fixed salary comprises a portion of the total cash compensation; however, annual cash bonuses and long-term Share-based compensation represent compensation that is "at risk" and thus may or may not be paid to the respective executive officer depending on achievement of applicable targets. No specific formulae have been developed to assign a specific weighting to each of these components. Instead, the Board and the CNCG Committee assign compensation based on a subjective assessment of Corporation and individual performance.





Base salaries are set at a level that is sustainable and rational even when cost pressures in the industry are high. K-Bro does not fund private clubs, pension plans or other expensive perquisites for its executives. Our compensation program pays a significant portion of each executive's annual compensation in the form of restricted share unit awards that vest over time. K-Bro expects the value of these grants to reflect the Corporation's performance over the longer term and believes that the inclusion of equity elements in its compensation program motivates executives to set and achieve goals that drive K-Bro's long-term success.

## COMPOSITION OF THE COMPENSATION, NOMINATING & CORPORATE GOVERNANCE COMMITTEE

The CNCG Committee is comprised of Messrs. Matyas (Chair), Percy and Smith. None of the members of the CNCG Committee were, during the most recently completed financial year, or since March 30, 2004, an officer or employee of the Corporation or any of its subsidiaries. None of the members of the CNCG Committee are or have been indebted to the Corporation or any of its subsidiaries nor have any interest in any material transaction involving K-Bro or its subsidiaries or were an executive officer of the Corporation or have served as a director or member of the compensation committee of another issuer, one of whose executive officers served either on the compensation committee of the Corporation or as a Director of the Corporation.

The mandate of the CNCG Committee is to review and make recommendations to the Board concerning the appointment of executive officers of K-Bro and the hiring, compensation, benefits and termination of senior executive officers and all other key employees of the Corporation.

## BASE SALARY, BENEFITS & PERQUISITES

Base salaries for each Named Executive Officer ("NEO") are based on a subjective assessment of factors such as current competitive market conditions, comparable compensation levels and particular skills, such as leadership ability and management effectiveness, experience, responsibility and proven or expected performance of the particular individual.

Base salary, benefits and perquisites for Ms. McCurdy, in her capacity as Chief Executive Officer, are determined by the Board on the recommendation of the CNCG Committee and have been targeted to reflect current market conditions. Base salary, benefits and perquisites for Ms. Plaquin,

in her capacity as Chief Financial Officer, and Mr. Curtis, in his capacity as Senior Vice-President and General Manager, are determined by the Board on the recommendation of the CNCG Committee, having regard to recommendations made by Ms. McCurdy and current market conditions. Salaries, benefits and perquisites are generally reviewed annually and adjustments are made when determined appropriate.

Base salary, benefits and perquisites for Messrs. Jones and Stephenson, in their capacities as Managing Director, Fishers Topco Ltd. ("**Fishers**") and General Managers Toronto, are determined by the Chief Executive Officer and are subject to the review of the CNCG Committee and the Directors, and have been targeted to approximate compensation levels of executives with similar responsibilities at companies with a similar scope of operations as K-Bro. The Chief Executive Officer has made use of internal compensation studies to assist in her determination of the appropriate levels of compensation. Salaries, benefits and perquisites are generally reviewed annually and adjustments are made when appropriate.

## ANNUAL CASH BONUS

All NEOs, including the President and Chief Executive Officer, are eligible to receive a cash incentive bonus tied directly to the Corporation's achievement of financial, operational and strategic objectives and the executive's personal achievements.

For Ms. McCurdy, there are two cash bonus programs available to her which are defined as follows:

### **1) Target bonus limited to 60% of base salary, calculated as follows:**

- i)* 35% of the target bonus is based on the achievement of a specified Distributable Income ("DI") target which is determined annually by the CNCG Committee;
- ii)* 35% of the target bonus is based on the achievement of a specified Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") target which is determined annually by the CNCG Committee; and
- iii)* 30% of the target bonus is determined at the discretion of the CNCG Committee.

50% of the target bonus for DI and EBITDA is earned when 90% of the specified DI and EBITDA targets are achieved, increasing to 100% of the target bonus when 100% of the specified DI and EBITDA targets (calculated pro rata) are achieved.

**2) Stretch bonus is limited to 70% of base salary, calculated as follows:**

- i)* 50% of the stretch bonus is based on the Corporation exceeding a specified DI stretch target which is determined annually by the CNCG Committee. For each percentage by which the Corporation's DI exceeds the approved stretch target, 2.5% of the stretch bonus is earned, to a maximum of 30% of base salary;
- ii)* 50% of the stretch bonus is based on the Corporation exceeding a specified EBITDA stretch target which is determined annually by the CNCG Committee. For each percentage by which the Corporation's EBITDA exceeds the approved stretch target, 2.5% of the stretch bonus is earned, to a maximum of 30% of base salary.

For the purposes of determining both the target and stretch bonuses, the DI and EBITDA components are calculated independently. EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, gain or loss on disposals, financial charges and depreciation and amortization). Distributable Income is defined as cash provided by operating activities adjusted for changes in non-cash working capital items, share-based compensation expense and maintenance capital expenditures.

Notwithstanding the calculation of cash bonus amounts as described above, the CNCG Committee has the authority to recommend to the Board, an additional cash bonus award commensurate with the level of achievement of other non-financial goals and metrics during the fiscal year.

The CNCG Committee annually considers cash bonus awards for the other NEOs based on the recommendation of the Chief Executive Officer. The CNCG Committee believes that executives' cash bonuses should reflect the near-term operating, strategic and financial performance and current decision-making that affect long term shareholder value. In that regard, bonuses awarded are intended to be competitive with the market while rewarding NEOs for:

- delivering near-term financial and operating results;
- developing long-term growth prospects;
- advancing internal talent;
- ensuring positive relationships with stakeholders;
- improving the efficiency and effectiveness of business processes on a continuous basis; and
- building a culture of mutual respect and teamwork focused on creating long-term shareholder value.

To that end, in determining the appropriate bonus amounts, the CNCG Committee considers recent Corporation performance, each NEO's individual performance during the year, competitive market conditions, historical practices, incentive awards for others in the Corporation, and our compensation philosophy.

## **LONG TERM INCENTIVE PLAN**

The officers and key employees of K-Bro are eligible to participate in K-Bro's existing LTIP. The purpose of the LTIP is to provide eligible participants with compensation opportunities that will enhance K-Bro's ability to attract, retain and motivate key personnel and reward officers and key employees for significant performance that results in the Corporation exceeding its financial targets.

Under the LTIP, awards are granted annually in respect of the prior fiscal year to eligible participants based on a percentage of annual salary. The amount of the award (net of withholding obligations) is satisfied by issuing Shares from treasury or cash (or a combination thereof) which are/is held in the custody of the LTIP custodian pursuant to the terms of the LTIP text. All awards issued pursuant to the LTIP are recorded as compensation expense. Previous grants are taken into account when considering new LTIP grants.

Subject to the discretion of the CNCG Committee, one-quarter of an employee's grant will vest on the Determination Date (defined as the first May 15th following the date that the Board approves the audited consolidated financial statements of the Corporation for the prior year). The remaining three-quarters of the grant will vest on November 30th following the second anniversary of the Determination Date.

If a change of control occurs, all LTIP Shares and/or cash held by the LTIP custodian in respect of unvested grants will vest immediately. LTIP participants are entitled to receive dividends on all Shares granted under the LTIP, whether vested or unvested. In most circumstances, unvested Shares and/or cash held by the LTIP custodian for a participant will be forfeited if the participant resigns or is terminated for cause prior to the applicable vesting date, and such Shares and/or cash will be cancelled/transferred to the Corporation, as applicable, by the LTIP custodian for no consideration. If a participant is terminated without cause, retires or resigns on a basis which constitutes constructive dismissal, the participant will be entitled to receive his or her unvested Shares and/or cash pursuant to the regular vesting schedule under the LTIP.

The CNCG Committee has the authority to, among other things: (i) determine those individuals who will participate in the LTIP; (ii) determine the level of participation of each

participant; and (iii) the time or times when ownership of the Shares and/or cash will vest for each participant.

A participant is not entitled to transfer or assign any rights he or she has in any LTIP award or the Shares and/or cash issuable thereunder held by the LTIP Custodian.

The LTIP provides that a maximum of 700,000 Shares will be authorized for issuance under the LTIP (such number representing approximately 6.6% of the Shares issued and outstanding as at the date hereof). The number of Shares issued to insiders of the Corporation and its subsidiaries pursuant to the LTIP, together with the number of Shares issued to such persons pursuant to other compensation arrangements of the Corporation, within any one-year period, shall not exceed 10% of the then outstanding Shares. The total number of Shares issuable to any non-Director participant under the LTIP, together with any Shares reserved for issuance to such participant under any other equity compensation plan of K-Bro, shall not exceed 5.0% of the then issued and outstanding Shares at the date of the grant. As at December 31, 2018, (i) 280,858 Shares have been issued under the LTIP plan and 419,142 Shares are available to be issued, and (ii) no cash has been issued under the LTIP.

Notwithstanding the foregoing, no amount shall be granted to a Director if such grant would result in such Director being awarded a greater number of Shares, amount of cash or combination thereof, as applicable, than the lesser of (i) 1.0% of the Shares outstanding at the grant date, (ii) within a calendar year, receiving a number of Shares, which together with any awards to such participant under any other incentive plan of K-Bro, would exceed \$100,000 in value based on the fair market value of such Shares at the grant date, and (iii) within a calendar year, receiving an amount of cash, which together with any awards to such participant under any other incentive plan of K-Bro, would exceed \$100,000 in value based on the fair market value of such Shares at the grant date.

For Ms. McCurdy, there are two components of long-term incentives ("LTI") provided to her which are defined as follows:

**1) Target LTI limited to 60% of base salary, calculated as follows:**

- i)* 70% of the target LTI is based on the achievement of a specified EBITDA target which is determined annually by the CNCG Committee; and
- ii)* 30% of the target LTI is determined at the discretion of the CNCG Committee

50% of the target LTI for EBITDA is earned when 90% of the specified EBITDA target is achieved, increasing to 100% of the target LTI when 100% of the specified EBITDA target (calculated pro rata) is achieved.

**2) Stretch LTI is limited to 70% of base salary, calculated as follows:**

- i)* 100% of the stretch LTI is based on the Corporation exceeding a specified EBITDA stretch target which is determined annually by the CNCG Committee. For each percentage by which the Corporation's EBITDA exceeds stretch target, 2.5% of the stretch LTI is earned.

EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, gain or loss on disposals, finance charges and depreciation and amortization). Notwithstanding the calculation of cash bonus amounts as described above, the CNCG Committee has the authority to recommend to the Board, an additional LTI award commensurate with the level of achievement of other non-financial goals and metrics during the fiscal year.

LTI grants made in the most recently completed fiscal year to the NEOs are set out in the following table:

Name	Value of LTIP Grant <sup>(1)</sup>	Period Under Maturation & Payout <sup>(1)</sup>
Linda J. McCurdy	\$677,300	30 months
Kristie L. Plaquin	\$189,000	30 months
Sean P. Curtis	\$347,000	30 months
Michael W. Jones	\$62,377	30 months
Kevin J. Stephenson	\$45,003	30 months

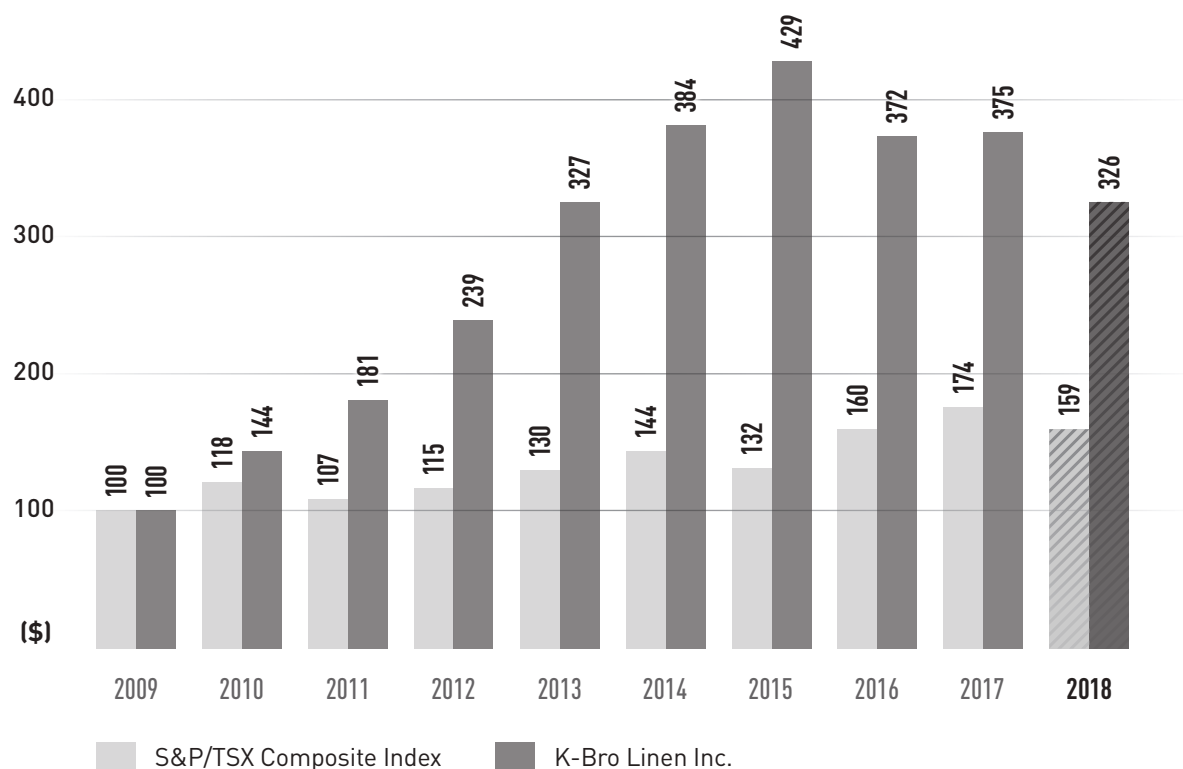
<sup>1</sup> Under the terms of the LTIP, 25% of the LTIP grant vests on the Determination Date defined as May 15, 2019 and the remaining 75% vests on the second November 30 subsequent to the Determination Date (in this case November 2021).

All Directors and executive officers of the Corporation are prohibited from entering into transactions that have the effect of hedging the economic value of any direct or indirect interests that a Director or executive officer may have in Shares.

## OTHER COMPENSATION

Executives receive other benefits that the CNCG Committee believes are reasonable and consistent with its overall executive compensation program. Benefits include participation in the Corporation's Registered Retirement Savings Plan ("RRSP") and traditional health and welfare programs. In addition, the Corporation provides perquisites such as vehicle allowances to certain senior executives.

# PERFORMANCE GRAPH <sup>(1)(2)</sup>



<sup>1</sup> The graph reflects the total cumulative return, assuming reinvestment of all dividends, of \$100 invested on December 31, 2009 in each of the Shares of the Corporation and the S&P/TSX Composite (TRIV) Index.

<sup>2</sup> The year-end values of each investment shown on the graph are based on share price appreciation plus dividend reinvestment.

Compensation levels for the NEOs over the period between 2009 to 2018 are generally consistent with the trend of total return on investment charted for K-Bro in the performance graph, reflecting the proportion of at-risk compensation for the NEOs. Total direct compensation for the NEOs consisting of base salary, annual cash incentive payment and the value of the annual LTI award is used for the comparison over the period.

A significant portion of compensation is equity-based and the value is directly related to Share price performance in the current economic environment. The total direct

compensation for the NEOs in 2018 totals \$4,120,578 million and represents 1.7% of revenue for 2018.

The CNCG Committee annually reviews the total compensation earned and accruing to the President and Chief Executive Officer since her appointment and relates it to the total shareholder return during the same period. In its last review, the CNCG Committee reviewed the total compensation earned by the President and Chief Executive Officer for the year ended December 31, 2018 and found it to be reasonable.

## NAMED EXECUTIVE OFFICERS

K-Bro's NEOs are the Chief Executive Officer, Chief Financial Officer and the next three highest paid officers. The following profiles below provide a short biography of each of the Corporation's NEOs.

### **LINDA J. MCCURDY, MBA** *PRESIDENT & CHIEF EXECUTIVE OFFICER*

Ms. McCurdy joined K-Bro in May 1998 as Chief Financial Officer and became President & Chief Executive Officer in January 2000. Prior to joining K-Bro, she was Chief Financial Officer of Canadian Inovotech Inc., a biochemical products processor. Ms. McCurdy's prior experience also includes six years at the Overwaitea Food Group where she held a number of financial positions. Ms. McCurdy is a Chartered Professional Accountant and has an MBA from the University of Western Ontario.

### **KRISTIE L. PLAQUIN, CPA CA** *CHIEF FINANCIAL OFFICER*

Ms. Plaquin joined K-Bro in August 2001 and was the Chief Financial Officer from January 2004 through May 2005 during which time the Corporation completed its Initial Public Offering and debt financings. After stepping away from K-Bro for a year through 2005 - 2006, Ms. Plaquin served as Director of Financial Planning during which time she played a lead role in all of K-Bro's growth and financing initiatives. Ms. Plaquin served as Interim Chief Financial Officer from August 2014 to June 2015 at which point she assumed the role on a permanent basis. Ms. Plaquin joined K-Bro from PricewaterhouseCoopers LLP and holds a Bachelor of Commerce degree from the University of Alberta and a Chartered Professional Accountant.

### **SEAN P. CURTIS** *SENIOR VICE-PRESIDENT & CHIEF OPERATING OFFICER*

Mr. Curtis joined K-Bro in 1984 and has over 34 years of experience in the laundry and linen services industry. As Senior Vice President, Mr. Curtis works directly with K-Bro's President & Chief Executive Officer in the areas of plant expansions, capital equipment installations and business development into new markets.

### **MICHAEL W. JONES** *MANAGING DIRECTOR, FISHERS*

Mr. Jones has 33 years of experience in the UK commercial laundry sector. He joined Fishers in 2000 and was appointed Managing Director in 2014 during a period in which the business was under private equity ownership. Since K-Bro acquired Fishers on November 27, 2017, Mr. Jones has continued as Managing Director and works closely with K-Bro's President and Vice President to develop and grow K-Bro's UK business.

### **KEVIN J. STEPHENSON** *GENERAL MANAGER, TORONTO*

Mr. Stephenson has over 24 years of laundry experience in the institutional laundry sector. Mr. Stephenson began his career with K-Bro in the Edmonton facility and has held many positions ranging from customer service to all aspects of production. In 2006, he made the transition to Operations Manager in our newly acquired Victoria facility and eventually become the GM of Victoria in 2010. Mr. Stephenson assumed the role of General Manager of the Toronto facility in 2017 and is responsible for the day to day operation of our newly built facility in Mississauga.

# SUMMARY COMPENSATION TABLE

The following table sets forth all annual and long-term compensation earned by the NEOs during the three (3) most recently completed financial years:

(\$CDN) Name & Principal Position	Year	Base Salary	Annual Incentive Cash Bonus <sup>(1)</sup>	Share-Based Awards <sup>(2)</sup>	All Other Compensation <sup>(3)</sup>	Total Compensation <sup>(4)</sup>
<b>Linda J. McCurdy</b>	2018	521,000	677,300	677,300	41,405	1,917,005
<i>President &amp; Chief</i>	2017	507,000	659,100	759,100	41,008	1,966,208
<i>Executive Officer</i>	2016	494,000	642,200	642,200	40,113	1,818,513
<b>Sean P. Curtis</b>	2018	347,000	208,200	347,000	30,455	932,655
<i>Sr. Vice-President &amp;</i>	2017	337,000	202,200	337,000	29,806	906,006
<i>Chief Operating Officer</i>	2016	330,000	198,000	330,000	29,526	887,526
<b>Kristie L. Plaquin</b>	2018	270,000	81,000	189,000	20,566	560,566
<i>Chief Financial Officer</i>	2017	245,000	73,500	171,500	18,369	508,369
	2016	240,000	72,000	147,479	18,169	477,648
<b>Michael W. Jones<sup>(5)</sup></b>	2018	311,883	-	62,377	46,084	420,343
<i>Managing Director,</i>	2017	25,481	4,040	-	4,184	33,705
<i>Fishers Services Limited</i>	2016					
<b>Kevin J. Stephenson</b>	2018	180,000	40,500	45,003	24,505	290,008
<i>General Manager,</i>	2017	171,292	52,500	87,503	24,509	335,805
<i>Toronto</i>	2016	134,000	40,200	28,566	23,638	226,404

<sup>1</sup> Amount consists of annual cash bonuses awarded for the fiscal year noted, to be paid in the subsequent year.

<sup>2</sup> These amounts are equity based awards made pursuant to the Corporation's long-term incentive plan; values noted are the total amount granted to the respective employees and are issued from treasury based on the five-day volume weighted average closing price of the Shares of the TSX for the period ending May 15 of any given year.

<sup>3</sup> Represents contributions by the Corporation to Registered Retirement Savings Plans that match executive contributions up to 4% for the plan, as well as contributions for car allowances, health plans and other fees.

<sup>4</sup> The Corporation does not itself employ, pay or award compensation to any executive officers. During the year ended December 31, 2018, certain officers of K-Bro Linen Systems Inc. performed policy-making functions in respect of the business of the Corporation, whose securities constitute the only ultimate investment of the Corporation. Accordingly, they may be considered for the purposes of disclosure requirements to be executive officers of the Corporation and disclosure of compensation earned by them as officers of K-Bro.

<sup>5</sup> K-Bro acquired Fishers on November 27, 2017. Accordingly, compensation information prior to such date in respect of Michael Jones has been omitted. For 2017, the compensation information disclosed in respect of Mr. Jones represents the period from November 27, 2017 (the date of K-Bro's acquisition of Fishers) to December 31, 2018. The amounts reflected in the table above have been translated from GBP to CAD at a rate of 1.73.

## LONG-TERM INCENTIVE PLAN AWARDS – OUTSTANDING AT END OF YEAR

The following table summarizes all cash and share-based awards outstanding at the end of December 31, 2018 for each NEO.

### SHARE-BASED AWARDS

Name	Number of Shares	Vesting Date	Market Value of Unvested Share-Based Awards <sup>(1)</sup>
Linda J. McCurdy	12,357	November 30, 2019	413,218
	16,840	November 30, 2020	563,130
Sean P. Curtis	6,350	November 30, 2019	212,344
	7,476	November 30, 2020	249,997
Kristie L. Plaquin	2,838	November 30, 2019	94,903
	3,804	November 30, 2020	127,206
Michael W. Jones	-	November 30, 2019	-
	-	November 30, 2020	-
Kevin J. Stephenson	721	November 30, 2019	24,110
	1,941	November 30, 2020	64,907

<sup>1</sup> Based on the closing price of the Shares on December 31, 2018 of \$33.44 per share.

## LONG-TERM INCENTIVE PLAN AWARDS – VALUE VESTED DURING THE YEAR

The following table sets forth details of all LTI awards which vested during the most recently completed year.

### SHARE-BASED AWARDS

Name	Number of Shares	Grant Date	Market Value of Share-Based Awards <sup>(1)</sup>
Linda J. McCurdy	11,262	May 15, 2016	468,008
	5,614	May 15, 2018	189,798
Sean P. Curtis	5,415	May 15, 2016	225,028
	2,493	May 15, 2018	84,283
Kristie L. Plaquin	2,653	May 15, 2016	103,547
	1,269	May 15, 2018	52,740
Michael W. Jones	-	May 15, 2016	-
	-	May 15, 2018	-
Kevin J. Stephenson	736	May 15, 2016	28,726
	648	May 15, 2018	26,931

<sup>1</sup> The market values of the LTI grants issued on May 15, 2016 are based on the volume weighted average price (VWAP) cost per Share of \$41.56 in the open market. The market values of the LTI grants issued on May 15, 2018 are based on the volume weighted average price (VWAP) cost per Share of \$33.81 in the open market.



## RETIREMENT BENEFIT PLANS

Each of the NEOs is eligible to participate in a self-directed group RRSP under which K-Bro matches contributions made by each individual up to a maximum of 4% of the individual's base salary. Amounts matched by K-Bro vest immediately. The Corporation does not have defined benefit or defined contribution pension plans.

## TERMINATION & CHANGE OF CONTROL BENEFITS

In the event of termination for any reason other than cause, disability, death or conviction of a felony, Ms. McCurdy is entitled to a payment equal to 12 months of her base salary plus one month for every full year of completed service as the Chief Executive Officer (such calculation excluding the first year in the role), to a maximum entitlement of 24 months plus the average annual bonus in the three preceding years multiplied by one-sixth multiplied by the number of years of service in the role as the Chief Executive Officer (such calculation excluding the first year in the role). Ms. McCurdy is also entitled to the continuation of benefits for the minimum required statutory notice period.

Ms. McCurdy's employment contract includes a one-year non-competition clause as well as a three-year non-solicitation clause and confidentiality provisions. The non-competition and non-solicitation restrictions are subject to waiver upon the written consent of the Board, which consent may be unreasonably withheld but not exercised in bad faith.

In the event of termination for any reason other than cause, disability, death or conviction of a felony, Messrs. Curtis is entitled to a lump sum payment equal to 12 months of his base salary and continuation of benefits for the minimum required statutory notice period. Employment contracts for these individuals include a one-year non-competition clause as well as a three-year non-solicitation clause and confidentiality provisions. The non-competition and non-solicitation restrictions are subject to waiver upon the prior written consent of the Board, which consent may be unreasonably withheld but not exercised in bad faith. No change of control benefits exist under the employment contracts of the remaining NEOs, other than the immediate vesting of such individual's rights under the LTIP.

Under the terms of the LTIP, any Shares and/or cash, as applicable, awarded to or earned by the NEOs under the LTIP to the date of the triggering event shall immediately vest if there is:

- termination without cause;
- retirement (as defined under the LTIP);
- resignation on a basis which constitutes constructive dismissal;
- termination due to death or disability; or
- change of control of the Corporation.

The following table provides details regarding the estimated incremental payments by the Corporation to each of the NEOs on a change of control or termination without cause, assuming a triggering event occurred on January 1, 2018.

Name	Base Salary <sup>(1)</sup>	Annual Incentive Cash Bonus <sup>(2)</sup>	Accelerated Value of of Unvested LTI <sup>(2)</sup>	Total
Linda J. McCurdy	1,042,000	1,978,600	976,348	3,996,948
Sean P. Curtis	347,000	-	462,341	809,341
Kristie L. Plaquin	-	-	222,108	222,108
Michael W. Jones	-	-	-	-
Kevin J. Stephenson	-	-	89,017	89,017

<sup>1</sup> Upon termination for reasons noted above, not upon change in control.

<sup>2</sup> Based on the closing price of the Common Shares on December 31, 2018 of \$33.44 per share.



# COMPENSATION OF DIRECTORS

Director compensation is designed to appropriately compensate independent Directors for their knowledge and contributions while maintaining a focus on the low-cost structure of the Corporation.

The Board approved the following compensation components for Directors, other than Ms. McCurdy, who is not entitled to director compensation. Each Director is also entitled to reimbursement for all out-of-pocket expenses to attend Board and committee meetings. Directors are not compensated for return travel to attend Board meetings. Annual Board and Committee retainers are paid quarterly in arrears and pro-rated for partial service. The total cash earned in retainers and fees for these services by outside Directors in 2018 was \$382,950.

The following table sets out the retainers and fees for the years ended December 31, 2018 and 2017.

Name	2018	2017
Board Chair Retainer	56,500	56,500
Director Retainer - Cash	27,500	27,500
Director Retainer - Equity <sup>(1)</sup>	42,500	27,500
Audit Committee Chair Retainer	11,000	11,000
Other Committee Chair Retainer	5,000	5,000
Committee Member Retainer		
Board Meeting Fees	1,400	1,400
Committee Meeting Fees	1,250	1,250

<sup>1</sup> The Board Member Retainers paid in treasury shares on an annual basis under the terms of the long-term incentive plan, subject to the discretion of the CNCG Committee..

Members of Management who serve as Directors do not receive any additional remuneration for acting in their capacity as a Director.

## DIRECTORS' SUMMARY COMPENSATION TABLE

The following table provides information regarding compensation paid to the Directors of the Corporation for the year ended December 31, 2018 in respect of their services. All Directors are also reimbursed for the reasonable expenses incurred in connection with all Board and committee meetings.

	Board Retainer	Committee Chair Retainer	Board & Committee Meeting Fees	Total Retainers & Fees Earned	Board Retainer (Equity)	Total Compensation	Other <sup>(1)</sup>	Total
Ross. S. Smith	56,500	11,000	16,050	83,550	42,500	126,050	-	126,050
Matthew B. Hills	27,500		9,800	37,300	42,500	79,800	138,000	217,800
Steven E. Matyas	27,500	5,000	16,050	48,550	42,500	91,050	-	91,050
Michael B. Percy	27,500	-	16,050	43,550	42,500	86,050	-	86,050
<b>Total</b>	<b>139,000</b>	<b>16,000</b>	<b>57,950</b>	<b>212,950</b>	<b>170,000</b>	<b>382,950</b>	<b>138,000</b>	<b>520,950</b>

<sup>1</sup> Refer to *Interest of Informed Persons in Material Transactions*.

## DIRECTORS' & OFFICERS' INSURANCE

Under policies purchased by K-Bro, approximately \$15 million of insurance is in effect for the Directors and officers of K-Bro against liability for any actual or alleged error, misstatement, misleading statement, act, omission, neglect or breach of duty in discharging their duties, individually or collectively. K-Bro is also insured under these policies in the event it is permitted or required by law to indemnify individual Directors and officers.

## INDEBTEDNESS OF DIRECTORS OR NAMED EXECUTIVE OFFICERS

No Director, proposed Director nominee, NEO or employee, or former Director, NEO or employee of the Corporation nor any of their associates or affiliates, is, or has been at any time since the beginning of the last completed financial year, indebted to the Corporation or any of its subsidiaries nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by the Corporation or any of its subsidiaries.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

The Corporation incurred expenses in the normal course of business for advisory consulting services provided by Mr. Matthew Hills, Director, relating to acquisitions, strategic initiatives and other corporate activities. The amounts charged are recorded at their exchange amounts and are subject to normal trade terms. For the year ended December 31, 2018, the Corporation incurred such fees totalling \$138,000.

Other than as set forth above, or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any Director or executive officer, proposed nominee for election as a Director or any Shareholder holding more than 10% of the Shares or any associate or affiliate of any of the foregoing in any transaction in the preceding financial year or any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation or any of its subsidiaries.

## REPORT OF THE AUDIT COMMITTEE

The primary mandate of the Audit Committee is to:

- support the Board in fulfilling its over-sight responsibilities regarding the integrity of the Corporation's accounting and financial reporting, internal controls and disclosure controls;
- ensure the compliance by the Corporation with legal and regulatory requirements, including reporting and timeliness of filings with regulatory authorities;
- ensure the qualification, independence and performance of the Corporation's external auditors; and
- oversee the Corporation's risks, creditworthiness, treasury plans and financial policy, and the whistleblower and complaint procedures.

For more information on the Audit Committee, including the text of its charter document, refer to the Audit Committee section in our Annual Information Form for the year ended December 31, 2018.

The Board has determined that each member of the Audit Committee is independent and financially literate (as such terms are defined by applicable securities law), and that Ross Smith is an audit committee financial expert and has accounting or related financial management expertise as defined by applicable securities laws. Information regarding the education and experience of the Audit Committee members is contained in our Annual Information Form for the year ended December 31, 2018.

## AUDIT COMMITTEE WORK PLAN

The Audit Committee meets at least once each quarter and reports on its activities to the Board. Activities reviewed are based on its mandate and annual work plan. At each regularly scheduled quarterly meeting, the Audit Committee has the opportunity to meet separately, *in-camera* with each of the executive team and the external auditors.

The following sets forth highlights of the actions taken by the Audit Committee in 2018.

## Financial Reporting

- received presentations from the Chief Financial Officer and made inquiries related to the quarterly and annual financial performance and operating results of the Corporation, including its reporting segments, relative to results in prior periods and to investor expectations;
- reviewed, throughout the year, any changes or adoption of significant accounting policies and significant estimates impacting the current and future financial statements of the Corporation;
- reviewed and discussed with the Chief Executive Officer and the Chief Financial Officer their readiness to certify the annual and interim financial statements and related disclosure materials of the Corporation, as required under Canadian securities legislation;
- reviewed and recommended to the Board for approval the public release and filing of the annual audited consolidated financial statements and quarterly unaudited consolidated financial statements of the Corporation, including related news releases and Management's discussion and analysis; and
- reviewed and recommended to the Board for approval key securities filings that contain financial information, including the Annual Information Form;

## External Auditors

- oversaw the work of the external auditors;
- reviewed and approved the annual audit plan;
- monitored the progress of the external audit;
- received reports on the external auditors' internal quality control procedures, independence and confidentiality procedures;
- met quarterly with the external auditors without Management present;
- recommended to shareholders the appointment of external auditors;
- reviewed and set the compensation of the external auditors; and
- reviewed and pre-approved all audit, audit-related and non-audit services provided by the external auditors or their affiliates.

## Accounting & Financial Management

- reviewed and approved the Corporation's major accounting policies, including alternatives and potential key management estimates and judgments;
- reviewed with Management the Corporation's financial policies and compliance with these policies;
- reviewed reports regarding the status of capital markets and implications thereof for K-Bro and its financing plans, such as renewal and amendments to its credit facilities;
- received reports regarding taxation matters including any tax adjustments and status of existing and projected tax provisions; and
- reviewed and discussed with Management at each regularly scheduled quarterly meeting the results of significant capital expenditures and recommended to the Board any capital project spending approvals in excess of previous budgetary authorizations.

## Audit Committee Related Governance

- reviewed and approved the Audit Committee's annual work plan;
- received and reviewed with Management updates throughout the year regarding changing governance-related laws, rules and emerging best practices and implications of the proposals of Canadian regulators with respect to the Audit Committee; and
- reviewed expenses of the Chair and Chief Executive Officer.

## ON BEHALF OF THE AUDIT COMMITTEE



ROSS S. SMITH, CHAIR



MICHAEL PERCY



STEVEN E. MATYAS

# REPORT OF THE COMPENSATION, NOMINATING & CORPORATE GOVERNANCE COMMITTEE

The primary mandate of the CNCG Committee is to:

- develop the Corporation's compensation philosophy and guidelines on executive compensation;
- oversee succession planning for the executive team;
- determine the goals and objectives for the Chief Executive Officer with respect to compensation;
- evaluate the Chief Executive Officer's performance and recommend compensation based upon results of such evaluation; and
- determine the compensation for the Senior Vice-President and Chief Financial Officer upon recommendation from the Chief Executive Officer.

The members of the CNCG Committee as at the date of this Information Circular are Messrs. Smith, Percy and Matyas, all of whom are independent Directors. Mr. Matyas serves as the Chair of the CNCG Committee.

The Board is of view that the CNCG Committee collectively has the knowledge, experience and background to fulfill its mandate, and that each of the members of the CNCG Committee has direct experience relevant to his responsibilities regarding executive compensation.

In particular, Mr. Matyas is the Chief Executive Officer for Staples Retail Inc. Both Mr. Matyas and Mr. Smith have extensive experience with numerous public companies. These collective skills and extensive experience enable the CNCG Committee to make decisions on the suitability of the Corporation's compensation policies and practices.

## CNCG COMMITTEE WORK PLAN

The CNCG Committee held one meeting in 2018 and held "in-camera" sessions without the presence of management of the Corporation at the end of the meeting.

The CNCG Committee retained the services of Mercer and PricewaterhouseCoopers, independent advisory firms, to assist in the valuation of LTI awards and provide recommendations to the Board. Total professional fees billed for these scopes of work were \$54,338 and \$12,625 in fiscal 2018 and 2017, respectively.

## ASSESSMENT OF RISK ASSOCIATED WITH THE CORPORATION'S COMPENSATION POLICIES & PRACTICES

The CNCG Committee has assessed the Corporation's compensation plans and programs for its executive officers to ensure alignment with the Corporation's business plan and strategy and to evaluate the potential risks associated with those plans and programs. The CNCG Committee has concluded that the compensation policies and practices do not create any risks that are reasonably likely to have a material adverse effect on the Corporation.

The CNCG Committee considers the risks associated with executive compensation and corporate incentive plans when designing and reviewing such plans and programs.

## CNCG COMMITTEE APPROVAL

The CNCG Committee has reviewed and discussed with management of the Corporation the compensation disclosure in this document, including the information in the Board of Directors section, the Executive Compensation section and the Directors Compensation section. It has recommended that the disclosure be included in this Information Circular.

*ON BEHALF OF THE COMPENSATION,  
NOMINATING & CORPORATE  
GOVERNANCE COMMITTEE*



STEVEN E. MATYAS, CHAIR



MICHAEL PERCY



ROSS S. SMITH

# STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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

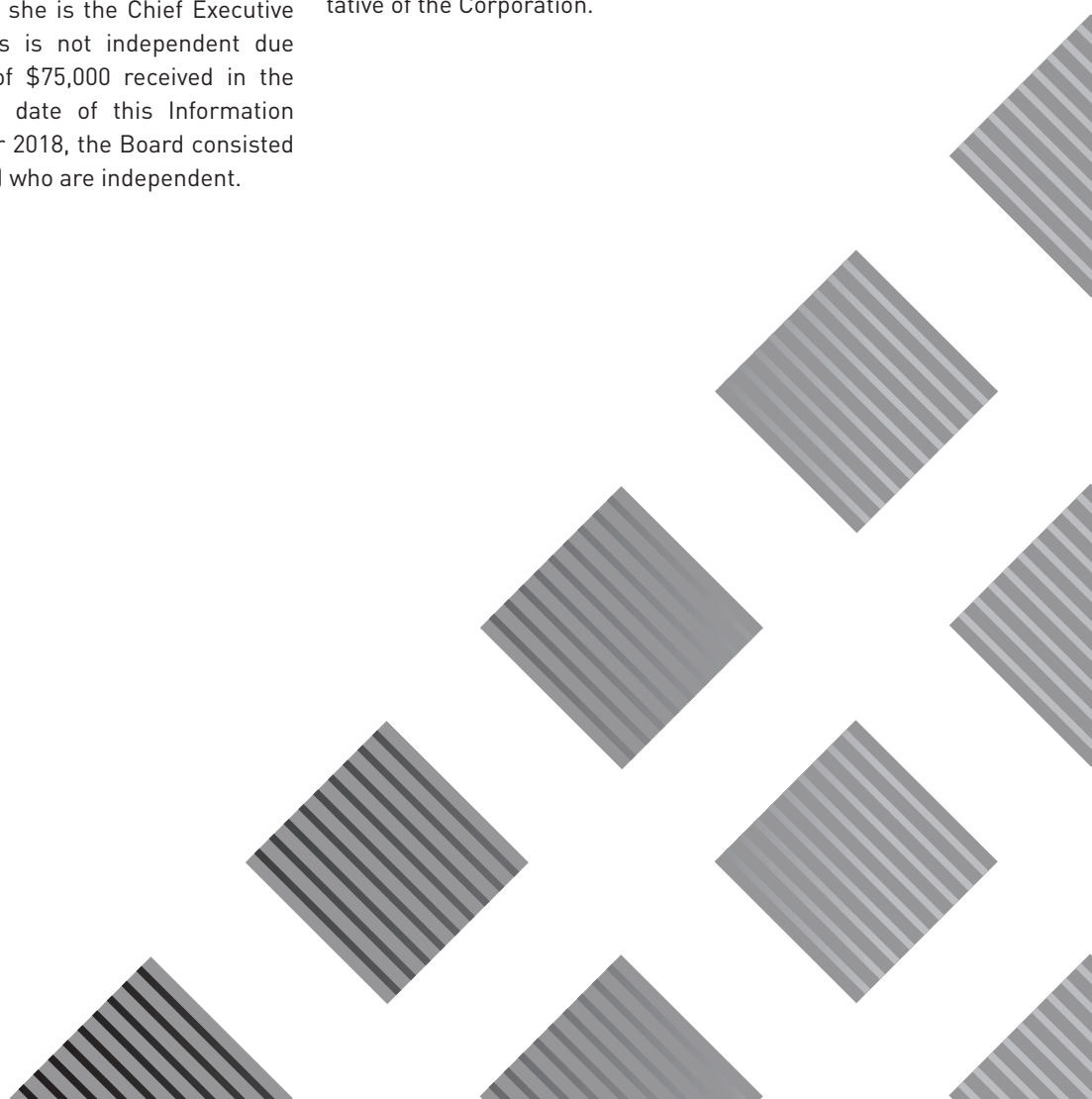
The Board and Management recognize that effective corporate governance practices are fundamental to the long-term success of the Corporation. Sound corporate governance contributes to Shareholder value through increased confidence. In light of the Governance Guidelines and best practice standards in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

## COMPOSITION OF THE BOARD OF DIRECTORS

The Board is currently composed of five Directors. Ms. McCurdy is not independent as she is the Chief Executive Officer of K-Bro and Mr. Hills is not independent due to consulting fees in excess of \$75,000 received in the 12-month period prior to the date of this Information Circular. As such, for fiscal year 2018, the Board consisted of a majority of Directors (3 of 5) who are independent.

The Board functions independently of the non-independent Directors by holding *in-camera* sessions without the non-independent Directors present. Our policy is to hold an *in-camera* session at each regularly scheduled meeting of the Board and each committee and such policy was complied with at each Board and committee meeting in 2018. From time to time, the Board or a committee may convene additional meetings to consider specific matters that arise before the next scheduled meeting, and *in-camera* sessions generally are not held during those additional meetings.

To facilitate its own effectiveness, the Board has identified certain key expectations for its members. Directors are expected to attend all meetings of the Board and any committees of which they are a member and are also expected to prepare thoroughly in advance of each meeting in order to actively participate in the discussions and decision-making. In addition, each Director is expected to develop and maintain a thorough knowledge of K-Bro's strategy, business, operations, financial position, industry and markets and be an effective ambassador and representative of the Corporation.



## BOARD CHAIR

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

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

## BOARD MANDATE

The Board adopted a written mandate (the “Mandate of the Board”) to confirm the Board’s ongoing duties and responsibility for stewardship of the Corporation. A copy of the Mandate of the Board is attached to this Information Circular as Schedule “A”. The Board is responsible for supervising the activities and managing the investments and affairs of the Corporation. The Board discharges certain responsibilities either directly or through the Audit Committee, the CNCG Committee and the Disclosure Committee, made up of the Chief Executive Officer and Chief Financial Officer. Please see “Statement of Governance Practices – Disclosure Committee”.

## POSITION DESCRIPTIONS

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

The Chair of the Board is responsible for, among other things, overseeing the Board discharge of its duties, governing the

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

## ORIENTATION & CONTINUING EDUCATION

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

Directors also participate in a continuing education program that, among other things, assists Directors in maintaining or enhancing their skills and abilities as Directors and to ensure that their knowledge and understanding of the Corporation remains current. The continuing education program was developed to help Directors maintain or enhance their skills and abilities, and update their knowledge and understanding of the Corporation and its industry. The key components of the program include:

*Regular briefings.* Directors are briefed regularly (and at least on a quarterly basis) on strategic issues affecting the Corporation, and these briefings include reviews of the competitive environment, K-Bro’s performance relative to its peers, and any other developments that could materially affect the Corporation’s business. The briefings are conducted by the Chief Executive Officer, Chief Financial Officer and other members of the executive management team, as well as external advisors to the Corporation.

*Internal educational seminars.* The Board also plans training activities to be held at certain meetings, in addition to regular education sessions and presentations made to the Board. For example, recent presentations have been made to the Board relating to proposed new accounting standards.

## COMMUNICATION WITH SHAREHOLDERS

The Board and Management welcome engagement with Shareholders and encourage Shareholders to express their views. To allow Shareholders to provide timely and



meaningful feedback, K-Bro has developed practices appropriate for its Shareholder base to facilitate constructive engagement. Examples of such practices include meetings with institutional investors and with organizations representing a significant number of Shareholders, maintenance of the investor relations information provided on K-Bro's website and establishing methods of hearing from Shareholders on an ongoing basis. The Directors review and approve the contents of major disclosure documents, including K-Bro's annual financial statements, annual information form ("AIF"), management's discussion and analysis, and information circular.

The Directors review annually and approve K-Bro's Confidentiality, Disclosure and Trading Policy, which addresses how K-Bro interacts with analysts, investors and the public, and contains measures to avoid selective disclosure in accordance with the Corporation's policies and procedures and legal disclosure requirements. Procedures are in place to provide timely information to current and potential investors and respond to their inquiries. The Chief Financial Officer is responsible for maintaining communications with the investing public. It is K-Bro's intention that every Shareholder inquiry should receive a prompt response. Corporate staff is available to Shareholders by telephone, email and fax, and significant financial disclosure documents are available on K-Bro's website at [www.k-brolinen.com](http://www.k-brolinen.com) and under K-Bro's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## CODE OF BUSINESS CONDUCT & ETHICS

The Corporation has adopted a Code of Business Conduct and Ethics (the "Code") that sets out the principles that should guide the behaviour of Directors, officers and employees of K-Bro. The Code addresses, among other things, the following issues:

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

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

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

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

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

The Code is available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com) or the Corporation's website at [www.k-brolinen.com](http://www.k-brolinen.com).

## NOMINATION OF DIRECTORS

The CNCG Committee, composed entirely of independent Directors, oversees the recruitment and selection of all proposed Director nominees for the Board and recommends to the Board such individuals for election to the Board at each annual meeting of Shareholders or to fill vacancies on the Board from time to time. The CNCG Committee reviews annually the competencies, skills and personal qualities required of Board members, as a whole, taking into account the needs of the Corporation at the time and any formal criteria established by the Board. The CNCG Committee also reviews and makes recommendations to the Board concerning any change in the size of the Board to facilitate effective decision-making.

For the CNCG Committee to recommend an individual for nomination, candidates are assessed on their individual qualifications, diversity, experience, and expertise and must exhibit the highest degree of integrity, professionalism, values and independent judgment. The CNCG Committee believes that the Board should be comprised of Directors with a broad range of experience and expertise and who are able to devote sufficient time and resources to their duties as Directors. Although the CNCG Committee and the Board do not adhere to any formal quotas in determining Board membership, the CNCG Committee and the Board encourages the promotion of diversity as more fully described below. Where beneficial, the CNCG Committee may engage the services of a search firm to assist in the identification of Director candidates with the necessary skills or experience.

## AUDIT COMMITTEE

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

## DISCLOSURE COMMITTEE

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

The responsibilities of the Disclosure Committee include:

- developing and implementing the Disclosure Policy;
- monitoring the effectiveness of and compliance with the Disclosure Policy;

- ensuring that the Corporation and its subsidiaries' Directors, officers and certain employees are educated with respect to disclosure issues and the Disclosure Policy;
- reviewing and authorizing any public disclosure of (including electronic, written and oral disclosure) made by the Corporation in advance of its public release; and
- monitoring the Corporation's website on a regular basis to ensure that: the website is up to date and accurate; all material information is dated when posted or modified; outdated information is moved to an archive; the archived material is retained for six years; all documents filed on SEDAR are concurrently posted to the website; and all material supplemental information given to analysts, investors and other market professionals are also posted on the website.

## ASSESSMENTS

The CNCG Committee is responsible for developing and recommending to the Board a process for reviewing the competencies, skills and effectiveness of the Board as a whole, its Committees and the contributions of individual Directors on a regular basis. The CNCG Committee is also responsible for overseeing the execution of the review process approved by the Board and Management. During the review process the CNCG Committee considers: (i) input from Directors, where appropriate; (ii) attendance of Directors at meetings of the Board of and any Committee; (iii) the Mandate of the Board; (iv) the charter of each Committee; (v) applicable position descriptions for the Chairs of the Board of Directors and each Committee; and (vi) the competencies and skills each individual Director is expected to bring to the Board and each Committee.

## TERM LIMITS

The Corporation has not adopted formal term limits for Directors or other mechanisms of Board renewal. Overall tenure is based upon a member's continuing contribution, the ongoing needs of the Corporation and annual election by Shareholders. The CNCG Committee reviews on a regular basis the makeup of the Board and particular skill sets which would be beneficial to the overall strategy and evolving business requirements of the Corporation. In addition, the CNCG Committee assesses each Director in order to ensure that the Board is balanced between highly experienced directors with long-term institutional knowledge and those with a fresh perspective. The Board is of the view that such a review process is more effective than implementing term limits or other mechanisms of Board renewal (such as a mandatory retirement age).



## WOMEN ON THE BOARD & IN EXECUTIVE OFFICES

The Corporation has not adopted a written policy specifically relating to the identification and nomination of women directors nor does the Board or the CNCG Committee consider the level of representation of women on the Board or in executive positions when nominating candidates for election to the Board or when making Management appointments. Instead, the Board and the CNCG Committee evaluates potential nominees to the Board by reviewing the qualifications of the nominee, and determines their relevance by taking into consideration the then current Board composition and the anticipated skills required to round out the capabilities of the Board. Similarly, the Board assesses candidates for executive positions with the Corporation based on experience, skill and merit. However, the Corporation values diversity, including, without limitation, diversity of experience, perspective, education, race, gender and national origin as part of its overall business strategy and may consider diversity when identifying Board nominees and appointing executive officers.

The Board has not set specific targets as to the number of women Board members or the number of women in executive positions. The Board believes that the most effective way to achieve its goal of increasing the representation of women in leadership roles at all levels of the organization is to identify high-potential women within the Corporation and work with them to ensure they develop the skills, acquire the experience and have the opportunities necessary to become effective leaders. The Board will, however, evaluate the appropriateness of adopting targets in the future.

As at the date of this Information Circular, one woman is a member of the Board (representing 20% of the Director nominees) and two women hold executive positions which include the Chief Executive Officer and the Chief Financial Officer.

## OTHER BUSINESS

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

## ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found at [www.sedar.com](http://www.sedar.com) or our website at [www.k-brolinen.com](http://www.k-brolinen.com). Additional financial information is contained in the Corporation's audited Consolidated Financial Statements for the years ended December 31, 2018 and 2017, and the Corporation's annual management's discussion and analysis of financial condition and results of operations for fiscal 2018. Copies of the Annual Information Form, the Corporation's Annual Report (including management's discussion and analysis), consolidated financial statements and this Information Circular may be obtained by written request to K-Bro Linen Systems Inc., 14903 – 137 Avenue, Edmonton, Alberta, T5V 1R9, Attention: Chief Financial Officer. The Corporation may require the payment of a reasonable charge if the request is made by a person that is not a Shareholder.

## BOARD OF DIRECTORS APPROVAL

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

**DATED** at Edmonton, Alberta this **23rd day of April 2019**.

**ON BEHALF OF THE BOARD OF DIRECTORS**



**ROSS S. SMITH**  
**CHAIR OF THE BOARD OF DIRECTORS**  
**K-BRO LINEN INC.**

# SCHEDULE “A”

## MANDATE OF THE BOARD OF DIRECTORS

The purpose of this Mandate is to set out the mandate and responsibilities of the board of directors (the “Board”) of K-Bro Linen Inc. (the “Corporation”), as well as some of the policies and procedures that apply to the Board in discharging its duties and responsibilities, subject to the provisions of applicable statutes.

### 1) Composition

The Board shall be constituted with a majority of individuals who qualify as “independent” as such term is defined in National Policy 58-201 – Corporate Governance Guidelines (“NP 58-201”).

The Chair of the Board will be a duly elected member of the Board and will be “independent” as such term is defined in NP 58-201. The Chair will be appointed by the Board each year for a one (1) year term, with such appointment taking place at the first meeting of the Board following the annual general meeting of the shareholders of the Corporation. If at any time the Chair is not an independent director, the independent directors shall select an independent director to carry out the functions of a Lead Director. The Lead Director would chair regular meetings of the independent directors and assume other responsibilities that the independent directors as a whole have designated.

### 2) Responsibilities of the Board of Directors

The Board is responsible for the stewardship of the Corporation and in that regard shall be specifically responsible for:

- (a) adopting a strategic planning process and approving, on at least an annual basis, a budget, and evaluating and discussing a strategic plan for the upcoming year which takes into account, among other things, the opportunities and risks of the Corporation’s business and investments;
- (b) supervising the activities and managing the investments and affairs of the Corporation;
- (c) approving major decisions regarding the Corporation;
- (d) defining the roles and responsibilities of management;
- (e) reviewing and approving the business and investment objectives to be met by management;
- (f) overseeing management;
- (g) reviewing the Corporation’s debt strategy;
- (h) ensure that a system is in place to identify the principal risks to the Corporation and ensure implementation of appropriate procedures to manage these risks;
- (i) ensuring the integrity and adequacy of the Corporation’s internal controls and management information systems;
- (j) succession planning, including the appointment, training and supervision of management;
- (k) establishing committees of the Board, where required or prudent, and defining their respective mandates;
- (l) receiving and evaluating reports and recommendations from the committees of the Board from time to time;
- (m) maintaining records and providing reports to shareholders;
- (n) ensuring effective and adequate communication with shareholders, other stakeholders and the public;
- (o) determining the amount and timing of dividends or distributions to shareholders;
- (p) establish guidelines for the expectations and responsibilities of directors with respect to attendance at Board meetings and advance review of meeting materials;
- (q) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer and senior officers of K-Bro Linen Systems Inc. (“K-Bro”) and that the Chief Executive Officer and other senior officers create a culture of integrity throughout the organization;
- (r) adopting a communications policy which enables the Corporation to communicate effectively and addresses how the Corporation interacts with all of its stakeholders, including analysts and the public, contains measures for the Corporation to avoid selective disclosure and is reviewed at such intervals or times as the Board deems appropriate; and
- (s) developing the Corporation’s approach to governance, including developing a set of governance principles and guidelines that are specifically applicable to the Corporation and designed to ensure that the Corporation, its directors, officers and employees comply with all applicable laws, rules and regulations and conduct their business ethically and with honesty and integrity.

It is recognized that every director in exercising powers and discharging duties must act honestly and in good faith

with a view to the best interest of the Corporation. Directors must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In this regard, they will comply with their duties of honesty, loyalty, care, diligence, skill and prudence.

In addition, directors are expected to carry out their duties in accordance with policies adopted by the Board from time to time.

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

### 3) Meetings

The Board will meet not less than four (4) times per year: at least three (3) meetings to review quarterly results, and once (1) prior to the issuance of the annual financial results of the Corporation. The Board shall have an independent Chair and shall meet periodically without management present to ensure that the Board functions independently of management. At each Board meeting, unless otherwise determined by the Board, an *in camera* meeting of independent directors will take place. Individual directors shall be permitted to engage outside advisors at the cost of the Corporation, subject to the prior approval of the Compensation, Nominating and Corporate Governance Committee.

The Board appreciates having certain members of senior management attend each Board meeting to provide information and opinion to assist the directors in their deliberations. Management attendees will be excused for any agenda items which are reserved for discussion among directors only.

### 4) Board Meeting Agendas & Information

The Chair, in consultation with management, will develop the agenda for each Board meeting. Agendas will be distributed to the directors before each meeting, and all Board members shall be free to suggest additions to the agenda in advance of the meeting.

Whenever practicable, information and reports pertaining to Board meeting agenda items will be circulated to the directors in advance of the meeting. Reports may be presented during the meeting by members of the Board, management and/or staff, or by invited outside advisors. It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it will not be prudent or appropriate to distribute written materials in advance.

### 5) Measures for Receiving Shareholder Feedback

All publicly disseminated materials of the Corporation shall provide for a mechanism for feedback of shareholders.

### 6) Telephone Board Meetings

A director may participate in a meeting of the Board or in a committee meeting by means of telephone, electronic or such other communications facilities which permit all persons participating in the meeting to communicate with each other, and a director participating in such a meeting by such means is deemed to be present at the meeting.

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

### 7) Expectations of Management

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

### 8) Communications Policy

The Board approves the content of the Corporation's major communications to shareholders and the investing public including the Annual Report, Management Information Circular, the Annual Information Form and any prospectuses which may be issued. The Audit Committee shall review and recommend to the Board the approval of the quarterly and annual financial statements (including the Management Discussion & Analysis) and press releases relating to financial matters. The Board also has responsibility for monitoring all of the Corporation's external communications. However, the Board believes that it is the function of management to speak for the Corporation in its communications with the investment community, the media, customers, suppliers, employees, governments and the general public.

The Board shall have responsibility for reviewing the Corporation's policies and practices with respect to disclosure of financial and other information including insider reporting and trading. The Board shall approve and monitor the disclosure policies designed to assist the Corporation in meeting its objective of providing timely, consistent and credible dissemination of information, consistent with disclosure requirements under applicable securities law and the rules and regulations of the stock exchanges upon which the Corporation's securities are listed. The Board shall review the Corporation's policies relating to communications and disclosure on an annual basis.

Generally, communications from shareholders and the investment community will be directed to the Chief Executive Officer, who will coordinate an appropriate response depending on the nature of the communication. It is expected, if communications from stakeholders are made to the Chair or to other individual directors, management will be informed and consulted to determine any appropriate response.

## 9) Internal Control & Management Information Systems

The Board has responsibility for the integrity of the Corporation's internal control and management information systems, and all material matters relating to the Corporation and its business. Management is authorized to act, without Board approval, on all ordinary course matters relating to the Corporation's business.

The Audit Committee has responsibility for ensuring internal controls are appropriately designed, implemented and monitored and for ensuring that management and financial reporting is complete and accurate, even though management may be charged with developing and implementing the necessary procedures.

## 10) Review of the Mandate

The Board will review and assess the adequacy of this Mandate on an annual basis.

## 11) Changes to the Mandate

The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability on the part of the Corporation or its directors to shareholders, investors, customers, suppliers, competitors, employees or other persons, or to any other liability whatsoever on their part. The provisions of this Mandate may be amended at any time.

# POLICY OF PRACTICES FOR DIRECTORS

## Attendance at Meetings

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

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

## Preparation for Meetings

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

## Conduct at Meetings

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

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



## Knowledge of the Corporation's Business

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

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

## Personal Conduct

Directors are expected to:

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



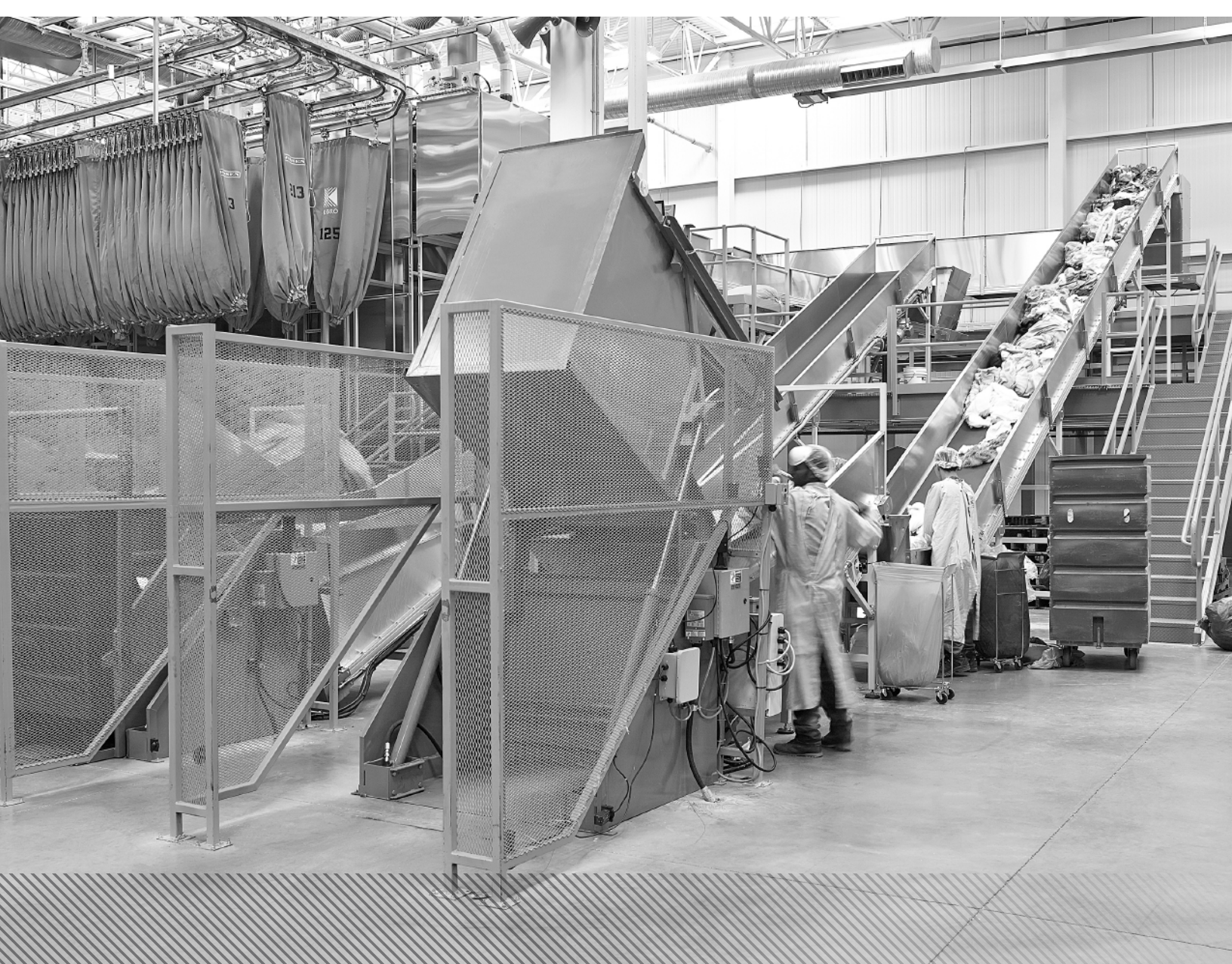


# SCHEDULE “B”

## SHAREHOLDER RIGHTS PLAN RESOLUTION

### *“BE IT RESOLVED:*

- 1) That the shareholder rights plan established pursuant to the shareholder rights plan agreement entered into between the Corporation and AST Trust Company (Canada) adopted on April 23, 2019 be and it is hereby approved, ratified and confirmed; and
- 2) That the Corporation hereby allow and instruct any director or officer to sign any document, enter into any agreement and take any steps considered necessary or desirable to give effect to this resolution and to ensure compliance with securities laws and regulations.”



# SCHEDULE “C”

## SUMMARY OF PRINCIPAL TERMS OF THE SHAREHOLDER RIGHTS PLAN

This summary is qualified in its entirety by reference to the text of the shareholder rights plan agreement entered into on April 23, 2019, between K-Bro Linen Inc. (the “Corporation”) and AST Trust Company (Canada), as amended from time to time in accordance with its terms (the “Rights Plan”), a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com). The Rights Plan became effective on April 23, 2019 (the “Effective Time”) and must be ratified by the shareholders of the Corporation (“Shareholders”) within six months of its adoption. Capitalized terms used in this summary without express definition have the meanings ascribed thereto in the Rights Plan.

### Issue of Rights

The Corporation issued one right (a “Right”) in respect of each common share (the “Shares”) outstanding at the close of business on the Business Day immediately preceding the Effective Time (the “Record Time”). The Corporation will issue Rights on the same basis for each Share issued after the Record Time but prior to the earlier of the Separation Time (as defined below) and the Expiration Time (as defined below).

### Rights Certificates & Transferability

Before the Separation Time, the Rights will be evidenced by the registered ownership of the Shares (whether or not evidenced by a certificate representing such Shares) and the Rights will not be transferable separate from the Shares. From and after the Separation Time, the Rights will be evidenced by separate Rights Certificates which will be transferable separate from and independent of the Shares.

### Exercise of Rights

Rights are not exercisable before the Separation Time. After the Separation Time and before the Expiration Time, each Right entitles the holder (other than holders described below) to acquire that number of Shares having an aggregate Market Price on the date of the occurrence of the Flip-in Event (as defined below) equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (subject to certain anti-dilution adjustments). Effectively, this means that a Shareholder, other than an Acquiring Person (as defined below) and certain persons related to such Acquiring Person as further described in the Rights Plan, can acquire additional Shares from treasury at half their Market Price after the Separation Time.

### Definition of “Acquiring Person”

Subject to certain exceptions, an Acquiring Person is a person who is the Beneficial Owner (as defined below) of 20% or more of the outstanding Shares.

### Definition of “Beneficial Ownership”

Under the Rights Plan, a person shall be deemed the “Beneficial Owner” of, and to have “Beneficial Ownership” of, and to “Beneficially Own”:

- 1) any securities of which such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person is the owner in law or equity;
- 2) any securities as to which such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person has the right to acquire upon the exercise of any Convertible Securities or pursuant to any agreement, arrangement or understanding, in each case if such right is exercisable immediately or within a period of 60 days thereafter; and
- 3) any securities which are subject to a lock-up or similar agreement to tender or deposit them into any Take-over Bid (as defined in the Rights Plan) made by such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person.

However, a person is not deemed the “Beneficial Owner” of, or to have “Beneficial Ownership” of, or to “Beneficially Own” securities under the Rights Plan where:

- 1) such securities have been deposited or tendered pursuant to a Take-over Bid, unless those securities have been taken up or paid for;
- 2) the holders of such securities have agreed to deposit or tender such securities to a Take-over Bid pursuant to a Permitted Lock-Up Agreement (as defined below);
- 3) such person is an investment fund or mutual fund manager, a trust company, a statutory body established to manage funds of public bodies, an agent of the Crown for the management of public assets, a pension fund or a pension fund administrator or trustee, as long as such person is not making a Take-over Bid or acting jointly or in concert with a person who is making a Take-over Bid, the whole as more fully described in the Rights Plan and subject to certain exceptions set forth therein; or



- 4) such person is a registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository.

### Definition of “Separation Time”

Separation Time occurs on the tenth trading day after the earlier of the following dates, or such later date as may be determined by the Board:

- 1) the first date of public announcement of facts indicating that a person has become an Acquiring Person;
- 2) the date of the commencement or announcement of the intent of a person to commence a Take-over Bid (other than a Permitted Bid or Competing Permitted Bid (as such terms are defined below)) or such later date as determined by the Board; and
- 3) the date on which a Permitted Bid or Competing Permitted Bid ceases to qualify as such; or such later date as determined by the Board of Directors.

### Definition of “Expiration Time”

Provided that the Rights Plan is ratified by the requisite majority of Independent Shareholders of the Corporation at the Meeting or any adjournment or postponement thereof, Expiration Time occurs on the date being the earlier of:

- 1) the time at which the right to exercise Rights is terminated under the terms of the Rights Plan; and
- 2) the close of business on the date the Rights Plan is first terminated in accordance with its terms and conditions (see “Term of the Rights Plan” below).

### Definition of a “Flip-in Event”

A Flip-in Event occurs when a person becomes an Acquiring Person. Upon the occurrence of a Flip-in Event, any Rights that are beneficially owned by an Acquiring Person or by certain persons related to the Acquiring Person or by persons to whom the Acquiring Person has transferred its Rights will become null and void as a result of which the Acquiring Person’s investment in the Corporation would be greatly diluted if a substantial portion of the Rights are exercised after a Flip-in Event occurs.

### Definition of “Permitted Bid”

A Permitted Bid is a Take-over Bid made by an Offeror (as defined in the Rights Plan) pursuant to a Take-over Bid circular that complies with the following conditions:

- 1) the Take-over Bid is made to all registered holders of Shares (other than Shares held by the Offeror);
- 2) the Take-over Bid must contain the following irrevocable and unqualified conditions:
  - a) no Shares shall be taken up or paid for:
    - i) prior to the close of business on a date which is not less than 105 days following the date of the bid, or such shorter minimum period as determined in accordance with section 2.28.2 or section 2.28.3 of National Instrument 62-104 – Take-Over Bids and Issuer Bids (“NI 62-104”) for which a Take-over Bid (that is not exempt from any of the requirements of Division 5 (Bid Mechanics) of NI 62-104) must remain open for deposits of securities thereunder, in the applicable circumstances at such time, pursuant to NI 62-104; and
    - ii) (b) unless, at the close of business on the date Shares are first taken up or paid for under such bid, more than 50% of the then outstanding Shares held by Independent Shareholders shall have been tendered or deposited pursuant to the bid and not withdrawn;
- 3) unless the Take-over Bid is withdrawn, Shares may be tendered or deposited at any time during the period which applies pursuant to the clause summarized in 2(i)(a) above, and any Shares tendered or deposited pursuant to the take-over bid may be withdrawn until taken up and paid for; and
- 4) if the condition summarized in 2(i)(b) above is satisfied, the Offeror may announce publicly the extension of the Take-over Bid for a period of not less than ten days from the date of such public announcement.



## Definition of “Competing Permitted Bid”

The Rights Plan allows a competing Permitted Bid (a “*Competing Permitted Bid*”) to be made while a Permitted Bid is in existence. A Competing Bid must satisfy all the requirements of a Permitted Bid other than the requirement that no Shares shall be taken up and paid for prior to the close of business on a date which is not less than 105 days following the date of the Permitted Bid. The Competing Permitted Bid shall also contain an irrevocable and unqualified condition that no Shares shall be taken up or paid for pursuant to the take-over bid prior to the close of business on the last day of the minimum initial deposit period and that such take-over bid must remain open for deposits of securities thereunder pursuant to NI 62-104 after the date of the take-over bid constituting the Competing Bid.

## Definition of “Permitted Lock-Up Agreement”

A Permitted Lock-Up Agreement is an agreement between a person making a Take-over Bid (the “Lock-up Bid”) and one or more holders (each a “Locked-up Person”) of Shares pursuant to which such Locked-up Persons agree to deposit or tender Shares to the Lock-up Bid and where the agreement:

- 1) (a) permits the Locked-up Person to withdraw Shares in order to tender or deposit such Shares to another Take-over Bid (or terminate the agreement in order to support another transaction) that represents an offering price for each Share that exceeds, or provides a value for each Share that is greater than, the offering price or value represented by or proposed to be represented by the Lock-up Bid; or
- (b) permits the Locked-up Person to withdraw Shares in order to tender or deposit such Shares to another Take-over Bid (or terminate the agreement in order to support another transaction) that represents an offering price for each Share that exceeds, or provides a value for each Share that is greater than, the offering price or value, by at least 7%, of the offering price or value that is represented by the Lock-up Bid;

- 2) permits the Locked-up Person to withdraw Shares in order to tender or deposit such Shares to another Take-over Bid (or terminate the agreement in order to support another transaction) if the number of Shares to be purchased under such other Take-over Bid or transaction exceeds the number of Shares offered to be purchased under the Lock-up Bid by as much or more than a specified number of Shares not greater than 7% of the number of Shares offered to be purchased under the Lock-up Bid, at an offering price for each Share that is not less than, or provides a value for each Share that is not less than, the offering price or value represented by the Lock-up Bid; and
- 3) provides for no “break-up” fees, “top-up” fees, penalties, payments, expenses or other amounts that exceed in the aggregate the greater of: (i) the cash equivalent of 2.5% of the price or value payable under the Lock-up Bid to the Locked-up Person, and (ii) 50% of the amount by which the price or value payable under another Take-over Bid or another transaction to a Locked-up Person exceeds the price or value of the consideration that such Locked-up Person would have received under the Lock-up Bid, to be payable, directly or indirectly, by such Locked-up Person pursuant to the agreement if any Locked-up Person fails to tender Shares pursuant thereto or withdraws Shares previously tendered thereto in order to tender such Shares to another Take-over Bid or support another transaction.

## Fiduciary Duties of Directors

The Rights Plan will not detract from or lessen duties of the Board, including the duty to act honestly and in good faith with a view to the best interests of the Corporation and its shareholders. The Board will continue to have the duty and power to take such actions and make such recommendations to the Shareholders as are considered appropriate.

## Redemption of Rights

The Rights may be redeemed by the Board at its option with the prior approval of the shareholders at any time before a Flip-in Event occurs at a redemption price of \$0.000001 per Right. In addition, the Rights will be redeemed automatically in the event of a successful Permitted Bid, Competing Permitted Bid or a bid for which the Board has waived, in accordance with the provisions of the Rights Plan, the operation of the Rights Plan.

## Waiver

Before a Flip-in Event occurs, the Board may waive the application of the “Flip-in” provisions of the Rights Plan to any prospective Flip-in Event which would occur by reason of a Take-over Bid made by a Take-over Bid circular to all registered holders of Shares. However, if the Board waives the Rights Plan with respect to a particular bid, it will be deemed to have waived the Rights Plan with respect to any other Take-over Bid made by Take-over Bid circular to all registered holders of Shares before the expiry of that first bid.

The Board may also waive the “Flip-in” provisions of the Rights Plan in respect of any Flip-in Event provided that the Board has determined that the Acquiring Person became an Acquiring Person through inadvertence and on the condition that such Acquiring Person reduces its ownership to such a level that it is no longer an Acquiring Person.

Other waivers of the “Flip-in” provisions of the Rights Plan will require prior approval of the Shareholders.

## Term of the Rights Plan

Provided that the Rights Plan is ratified by the requisite majority of Independent Shareholders of the Corporation at the Meeting or any adjournment or postponement thereof, the Rights Plan will be in effect until the date of the Corporation’s annual meeting of shareholders to be held in 2022, unless terminated earlier in accordance with the Rights Plan.

The Rights Plan must be reconfirmed by a resolution passed by the requisite majority of the votes cast by Independent Shareholders at the annual meeting of shareholders of the Corporation to be held in 2022 and at every third annual meeting of shareholders of the Corporation thereafter. If the Rights Plan is not so reconfirmed or is not presented for reconfirmation at such annual meeting, the Rights Plan and all outstanding Rights shall terminate and be void and of no further force and effect on and from the date of termination of such annual meeting.

## Amending Power

Except for minor amendments to correct clerical or typographical errors and amendments to maintain the validity of the Rights Plan as a result of a change in any applicable legislation or regulations or rules thereunder, consent of Shareholders is required for amendments to the Rights Plan before the Separation Time and consent of the holders of Rights is required for amendments to the Rights Plan after the Separation Time and before the Expiration Time.

## Rights Agent

AST Trust Company (Canada).

## Rightholder Not a Shareholder

Until a Right is exercised, the holder thereof as such will have no rights as a Shareholder.



