

K·BRO

K-BRO LINEN INC.

ANNUAL INFORMATION FORM

MARCH 19, 2020

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MEANING OF CERTAIN REFERENCES

All references to “K-Bro”, “the Corporation”, “us”, “our” or “we” in this Annual Information Form (“AIF”) includes K-Bro Linen Inc. and its wholly owned subsidiaries, including the operations controlled and consolidated by them, unless otherwise indicated. All references to “Management” refer to directors and executive officers of the Corporation.

Unless specifically stated otherwise, all dollar references are to Canadian dollars. All references to “fiscal 2019” refer to the 12-month period from January 1, 2019 to December 31, 2019. All references to “fiscal 2018” refer to the 12-month period from January 1, 2018 to December 31, 2018. All references to “fiscal 2017” refer to the 12-month period from January 1, 2017 to December 31, 2017.

FORWARD LOOKING INFORMATION

In the interest of providing shareholders of the Corporation (“Shareholders”) with information regarding future plans and operations, this AIF contains forward-looking information that represents internal expectations, estimates or beliefs concerning, among other things, future activities or future operating results of the Corporation and various components thereof. The use of any of the words “anticipate”, “continue”, “expect”, “may”, “will”, “project”, “should”, “could”, “intend”, “plan”, “believe”, and similar expressions suggesting future outcomes or events are intended to identify forward-looking information. Statements regarding such forward-looking information reflect Management’s current beliefs and are based on information currently available to Management.

These statements are not guarantees of future performance and are based on Management’s estimates and assumptions that are subject to inherent risks and uncertainties, which could cause K-Bro’s actual performance and financial results in future periods to differ materially from the forward-looking information contained in this AIF and in K-Bro’s 2019 annual management’s discussion and analysis, which is incorporated by reference herein and is filed under the Corporation’s profile on SEDAR at www.sedar.com. These risks and uncertainties include, among other things: (i) risks associated with acquisitions, including the possibility of undisclosed material liabilities; (ii) K-Bro’s competitive environment; (iii) utility and labour costs; (iv) K-Bro’s dependence on long-term contracts with the associated renewal risk; (v) increased capital expenditure requirements; (vi) reliance on key personnel; (vii) changing trends in government outsourcing; (viii) changes or proposed changes to minimum wage laws in Ontario, British Columbia, Alberta, Quebec, Saskatchewan and the UK, which could have an adverse effect on expenses in respect of employees situated in those jurisdictions and while a portion of such expenses may be passed on to or be recoverable from customers, there can be no assurances that that will occur; (ix) the availability of future financing; (x) global textile demand; (xi) the adverse impact of the coronavirus (COVID-19) pandemic on the Corporation, which is likely to be significant, particularly to our hospitality segment; and (xii) foreign currency risk. Please refer to page 20 of this AIF for a discussion of these and other risks and uncertainties involved in K-Bro’s operations. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include: (i) volumes and pricing assumptions; (ii) utility costs; (iii) expected impact of labour cost initiatives; (iv) the level of capital expenditures; and (v) global and Canadian economic conditions.

Although the forward-looking information contained in this AIF is based upon what Management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements regarding forward-looking information included in this AIF may be considered “financial outlook” for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this AIF.

All forward-looking information in this AIF is qualified by these cautionary statements. Readers are cautioned not to place undue importance on forward-looking information. Forward-looking information in this AIF is presented only as of the date made and readers should not rely upon such information as of any other date. The Corporation uses forward looking statements because it believes such statements provide useful information with respect to the currently expected future operations and financial performance of the Corporation and cautions readers that the information may not be appropriate for other purposes. Except as required by law, the Corporation disclaims any

intention or obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

CORPORATE STRUCTURE

K-Bro Linen Inc. (the “Corporation” or “K-Bro”) was incorporated under the *Business Corporations Act (Alberta)* (“ABCA”) on November 20, 2010. The Corporation succeeded K-Bro Linen Income Fund (the “Fund”) following the completion of its conversion on January 1, 2011 from an income trust to a corporation pursuant to a court-approved plan of arrangement under the ABCA (the “Conversion”).

K-Bro is the largest owner and operator of laundry and linen processing facilities in Canada. K-Bro and its wholly owned subsidiaries operate across Canada and the U.K and provide a range of linen services to healthcare institutions, hotels and other commercial accounts that include the processing, management and distribution of general linen and operating room linen.

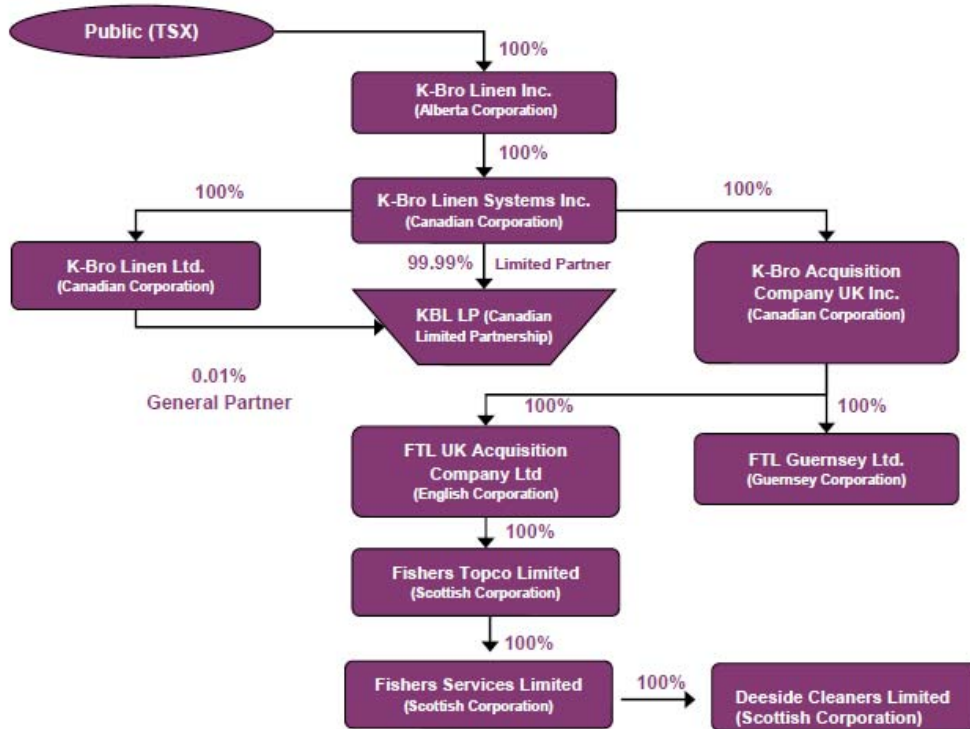
The Corporation’s operations in Canada include nine processing facilities and two distribution centres under three distinctive brands: K-Bro Linen Systems Inc., Buanderie HMR and Les Buanderies Dextraze. The Corporation operates in ten Canadian cities: Québec City, Montréal, Toronto, Regina, Saskatoon, Prince Albert, Edmonton, Calgary, Vancouver and Victoria.

The Corporation’s operations in the UK include Fishers Topco Ltd. (“Fishers”) which was acquired by a wholly owned subsidiary of K-Bro on November 27, 2017. Fishers, established in 1900, is a leading commercial laundry business in Scotland and the North East of England. Fishers operates laundry and linen processing facilities in Scotland and provides linen rental, workwear hire and cleanroom garment services to the hospitality, healthcare, manufacturing and pharmaceutical sectors. Fishers operates in five cities: Cupar, Perth, Newcastle, Livingston, and Coatbridge.

The Corporation is a reporting issuer in all of the provinces and territories of Canada. The registered and head office of the Corporation is located at #14903-137 Avenue, Edmonton, Alberta, T5V 1R9 and its head office telephone number is 780.453.5218.

Intercorporate Relationships

The following organization chart sets forth the relationships between the Corporation and its material subsidiaries, as well as their respective jurisdictions of incorporation or formation and K-Bro's ownership stake as at December 31, 2019:



GENERAL DEVELOPMENT OF THE BUSINESS

History

K-Bro was founded in the early 1950s as an Edmonton-based cloth diaper laundering company. Since then, K-Bro has grown organically through acquisitions and by entry into new markets. K-Bro's expansion beyond its roots began in the 1980s, when the Corporation moved into the healthcare and hospitality segments of the laundry and linen services industry in both Edmonton and Toronto. As of March 19, 2020, K-Bro operates nine laundry and linen processing facilities and two distribution centers in ten cities across Canada, and six facilities across Scotland and the North East of England, employing approximately 2,000 and 700 employees, respectively.

Recent milestones in K-Bro's development have included:

- 2017 – opened a new processing plant in Mississauga to service the Greater Toronto area;
- 2017 – completed an equity offering of 1,518,000 common shares of the Corporation (“Common Shares”) at \$38.00 per Common Share to fund the build out of the Corporation’s facilities in Toronto and Vancouver, to repay indebtedness and for general corporate purposes;
- 2017 – acquired Fishers for £35.0 million, less a working capital adjustment of £1.1 million (the “Purchase Price”). The Purchase Price comprised a cash payment of £4.3 million (net of the £1.1 million

working capital adjustment) plus the repayment of Fishers' outstanding debt facilities in the amount of £29.6 million.

- 2017 – completed an equity offering of 924,600 Common Shares at \$37.35 per Common Share to acquire Fishers;
- 2018 – opened a new processing plant in Burnaby to service the Greater Vancouver area, refurbished one its existing two facilities and consolidated existing operations into the new and refurbished facilities; and
- 2018 – completed the acquisition of 9306145 Canada Corp. operating as Linitek., a private hospitality linen-focused processing plant in Calgary, Alberta.
- 2019 – completed the acquisition of Deeside Cleaners Ltd., a private hospitality linen-focused processor located in Aberdeen, UK.

DESCRIPTION OF THE BUSINESS – CANADIAN OPERATIONS

Overview

K-Bro is the largest owner and operator of laundry and linen processing facilities in Canada. The Corporation provides a range of services to large healthcare institutions, hotels and other commercial accounts. These services include the processing, management and distribution of linen, including sheets, blankets, towels, operating room linen and a variety of other types of linen.

K-Bro's contracts with its Canadian healthcare customers typically range from seven to ten years. K-Bro's contracts in the Canadian hospitality sector typically range from two to five years.

Industry and Market

K-Bro provides laundry and linen services primarily to the healthcare and hospitality sectors. Typical services offered by K-Bro include the processing, management and distribution of general and operating room linens ("KOR Services"), including sheets, blankets, towels, tablecloths, surgical gowns and drapes and other linen. Other types of processors in K-Bro's industry in Canada include independent/private owned facilities (i.e., typically, small single facility companies), public sector central laundries and public and private sector on-premise laundries ("OPLs"). Participants in other segments of the laundry and linen services industry, such as uniform rental companies (which own and launder uniforms worn by their customers' employees) and facilities management companies (which manage public sector central laundries and OPLs), typically do not offer services that significantly overlap with those offered by K-Bro.

While recognized industry statistics are not available, Management estimates that the size of the market for services offered by K-Bro to the healthcare and hospitality segments of the Canadian laundry and linen services industry is between \$550 million and \$700 million, including between \$450 and \$550 million of revenue derived from the healthcare segment and between \$100 and \$150 million derived from the hospitality segment.

Management believes that the healthcare and hospitality segments of the laundry and linen services industry represent a stable base of annual recurring business with opportunities for growth as additional healthcare beds and funds are made available to meet the needs of an aging Canadian population.

Linen processing requirements in the hospitality segment are, to a significant extent, related to the number of hotel rooms and associated hotel room occupancy rates. The numbers of hotel rooms across Canada and associated occupancy rates in Canada have remained relatively consistent over the past five years. However, Management believes that Canadian hotel room occupancy rates will be significantly impacted in at least the short-term as a result of the coronavirus (COVID-19) pandemic, which is expected to decrease the willingness and ability of the global population to travel to and within Canada.

Industry Characteristics and Trends

Management believes that the healthcare and hospitality segments of Canada's linen services industry exhibit the following primary characteristics and trends.

Stable Industry with Moderate Cyclicity

The linen processing requirements of healthcare and hospitality institutions are generally stable as the number of approved hospital beds in the healthcare system and hotel rooms remains fairly constant. However, Management believes that Canadian hotel room occupancy rates will be significantly impacted in at least the short-term as a result of the coronavirus (COVID-19) pandemic, which is expected to decrease the willingness and ability of the global population to travel to and within Canada. In addition, a characteristic of the industry is that service relationships are typically formalized through contracts, ranging up to ten years in the healthcare segment and two to five years in the hospitality segment. In general, customer turnover rates are low.

The healthcare segment of the laundry and linen services industry in Canada exhibits moderate seasonality as usage falls during holiday seasons. Linen processing volumes in the hospitality segment exhibit more seasonality compared with the healthcare segment as usage typically increases in the summer months.

Outsourcing and Privatization

Healthcare institutions in many large Canadian cities currently process all or a portion of their linens through public sector central laundries or on-premise laundries located within public sector facilities. Management believes that there are often advantages to healthcare institutions in outsourcing the processing of healthcare linen to private sector laundry companies such as K-Bro. Management believes that larger private sector companies such as K-Bro that have economies of scale and significant management expertise can provide laundry and linen services on a more comprehensive and cost-effective basis than customers can achieve through operating their own laundry facilities. In recent years, healthcare institutions in Vancouver, Calgary, Edmonton, Saskatchewan and, to a lesser extent, Southern Ontario have elected to outsource their linen processing requirements. As the largest provider of laundry and linen services to healthcare and hospitality customers in Canada, K-Bro believes that it is well-positioned to capitalize on any further outsourcing of volume.

Fragmentation

Most Canadian cities have at least one and sometimes several private sector competitors operating in the healthcare and hospitality segments of the laundry and linen services industry. Management is monitoring the impact of its Canadian competitors and new initiatives undertaken by such competitors in order to respond as appropriate. Presently, the Company competes with its competitors by providing exceptional customer service at competitive prices.

Management believes that the presence of these operators provides acquisition and consolidation opportunities for larger industry participants with the financial means to complete acquisitions, such as K-Bro.

Customers and Sectors

K-Bro's customers include some of the largest healthcare and hospitality institutions in Canada. K-Bro's healthcare customers include hospitals and long-term care facilities. Most of K-Bro's hospitality customers (typically 250+ rooms) generate between 500,000 and 3 million pounds of linen per year. However, Management believes that Canadian hotel room occupancy rates will be significantly impacted in at least the short-term as a result of the coronavirus (COVID-19) pandemic, which is expected to decrease the willingness and ability of the global population to travel to and within Canada. Healthcare customers typically generate approximately 500,000 pounds of linen per year for a hospital and up to 40 million pounds of linen per year for a healthcare region.

For the year ended December 31, 2019, the relative revenue contributions from K-Bro's healthcare and hospitality customers were approximately 55% and 45%, respectively on a consolidated basis.

Operations

As part of the provision of laundry and linen services, K-Bro has invested in linen, carts and equipment. These significant investments enable K-Bro to maintain a high level of service over long periods of time for its customers from its highly automated and efficient plants. The following paragraphs describe the various steps involved in the processing of linen for K-Bro's healthcare and hospitality customers.

Linen Purchases and Linen Management

K-Bro is typically responsible for purchasing linen for its healthcare customers, while its hospitality customers generally own and purchase their own linen. Each healthcare contract specifies the amount of linen that K-Bro must purchase at the commencement of the contract term. K-Bro is required to replace linen on a monthly basis during the life of the contract and the typical healthcare contract provides for a specified reimbursement to be paid to K-Bro for such expenditures. Linen required is readily available from numerous domestic and foreign sources at pricing that is reflective of a competitive global market for textile sales as well as the commodity prices of inputs, such as cotton. Historically, K-Bro has not been required to replace linen at a cost to K-Bro in excess of the maximum reimbursable amounts. Linen, on average over all different types, has a two-year life cycle. Management believes that owning healthcare linen gives it greater control over linen quality and quantity, which is important both for customer satisfaction and K-Bro's operating processes (i.e., poor quality linen draws customer complaints and is more difficult to process). Most of K-Bro's customer contracts include penalty provisions for shortfalls in linen shipments and for linen that does not meet well-defined and measurable quality standards. K-Bro has entered into fixed price linen supply contracts for three-year terms in an effort to limit our exposure to increases in cotton pricing.

The majority of K-Bro's processed volume of linen is for healthcare authorities, such as Alberta Health Services, Fraser Health Authority, Vancouver Coastal Health Authority and 3sHealth, which represent a number of different institutions. In these cases, K-Bro consolidates and standardizes (or "pools") linen, purchasing and processing the same pool of linen for all customers using a common stock of linen. This provides significant operating benefits to K-Bro, as it eliminates the need to manage each institution's volume separately and reduces costs for the associated health authority.

Linen Processing

K-Bro's employees or its customers collect the soiled linen in designated soiled linen collection containers, known as "tubs". Tubs of soiled linen are transported using K-Bro's delivery fleet that includes mid-size trucks and tractor trailers. In Vancouver and Saskatchewan, K-Bro outsources portions of its deliveries by utilizing third party delivery companies. Once collected, the soiled linen is delivered to K-Bro's facilities to be unloaded and staged on the washfloor for processing.

The majority of K-Bro's laundry is processed in tunnel washers. Tunnel washers are generally more efficient than smaller industrial washers, which reduces the Corporation's natural gas, electricity and water consumption and labour costs. After the washing and water extraction processes are completed, linen is automatically transported into the dryers. Once the drying process is completed, linen is discharged and automatically conveyed to the finishing department for ironing and dryfold. Any linen requiring ironing is processed by advanced ironers that employ automated feeders and folders to ensure high quality and productivity. Product that does not require ironing (i.e., terry towels) is processed in the dryfold department through automated folding equipment or "small piece folders".

Following laundering and processing, fully loaded exchange carts are placed onto delivery vehicles for return to the healthcare facility. The full exchange carts are delivered to the end-user department and the return linen cart is sent back to the K-Bro plant for refilling. Tubs and carts used in this process are owned by K-Bro at each of its facilities, other than in Edmonton.

Management and Labour Force

K-Bro's general managers have been in the industry from five to 30+ years, and three began their careers at K-Bro in other roles before being promoted to their current positions. K-Bro's organizational structure has been developed to enable the general managers of its plants to focus on growth and operations in their individual markets, while enabling aggressive business development and tight management controls through K-Bro's separate corporate team. K-Bro's Chief Executive Officer has been with the Corporation for twenty-two years and has served in this capacity for the past seventeen years.

As of the date hereof, K-Bro employs approximately 2,000 people, approximately 1,800 of whom are employed on an hourly basis, with the balance being salaried plant and corporate personnel. K-Bro's Toronto plant employees are covered by collective bargaining agreements with the United Food and Commercial Workers union (the "UFCW"), which represents approximately 200 employees. The UFCW collective bargaining agreement in Toronto expires in October 2020. K-Bro's Québec City plant employees are covered by collective bargaining agreements with the UFCW, which represents approximately 80 employees. This collective bargaining agreement expires December 31, 2020. K-Bro's original Vancouver plant has approximately 370 employees who are covered by a collective agreement with Teamsters Canada which expires in 2020. K-Bro's Regina facility has approximately 200 employees who are covered by a collective agreement with the UFCW which expires in March 2024. The Edmonton, Calgary, Victoria, Montréal and second Vancouver plant employees are not unionized.

Utility Cost Management

As a significant portion of K-Bro's cost structure relates to the consumption of natural gas and electricity, K-Bro has entered into fixed price natural gas and electricity contracts with fixed terms between one and two years to fix the price on a portion of its natural gas and electricity requirements over this time period. Upon expiration of these contracts, K-Bro will be subject to prevailing market rates. K-Bro reviews its natural gas and electricity requirements and the related forward pricing regularly to determine if it is feasible and desirable to lock in additional volumes or years.

Intellectual Property

Management believes that several of the trademarks, names and logos (collectively, the "identities") owned by K-Bro enjoy significant brand recognition and market awareness throughout the Canadian laundry and linen industry. As a result, K-Bro takes an active approach to protecting its brand identities. K-Bro has registered trademarks for several of its owned and licensed brand names, logos and designs, including the name, design and logo for each of "K-Bro", "K-Bro Linen Systems" and "KOR Services", as well as the identities for its locally branded operations in Québec.

Changes to Contracts

On March 1, 2020, K-Bro was awarded a one-year extension to provide laundry and linen services to Alberta Health Services, Calgary ("AHS"). The contract extends the existing relationship between K-Bro and AHS.

Environmental Protection

K-Bro does not use toxic materials or produce hazardous waste in its laundry facilities. All waste water is discharged through the municipal sewer system in compliance with applicable environmental laws and regulations and is regularly tested by the relevant authorities to ensure compliance with local by-laws. Compliance with environmental laws and regulations has not and is not expected to give rise, in the aggregate, to any material adverse financial or operational effects upon K-Bro's business. Also, such compliance has not and is not expected to affect K-Bro's competitive position. Environmental laws and regulations and their interpretation, however, have changed rapidly over the years and may continue to do so in the future.

DESCRIPTION OF THE BUSINESS – UK OPERATIONS

Overview

Fishers, established in 1900, is a leading commercial laundry business in Scotland and the North East of England. Fishers operates laundry and linen processing facilities in Scotland and provides linen rental, workwear hire and cleanroom garment services to the hospitality, healthcare, manufacturing and pharmaceutical sectors. Fishers' client base includes major hotel chains and prestigious venues across Scotland and the North East of England. Fishers operates six facilities in Scotland and the North East of England which are located in Cupar, Perth, Newcastle, Livingston and Coatbridge.

Industry and Market

Fishers' provides laundry and linen services to healthcare, hospitality and other commercial customers. Typical services offered by Fishers include the processing, management and distribution of general, workwear and clean room garment services. Other types of processors in Fishers' industry in the United Kingdom include independent privately-owned facilities (i.e., typically, small single facility companies), public sector central laundries and public and private sector OPLs.

While recognized industry statistics are not available, Management estimates that the size of the market for services offered by Fishers to the healthcare and hospitality segments of the UK and the laundry and linen services industry in Scotland and the North East of England to be approximately £750 million and £100 million, respectively.

Linen processing requirements in the hospitality segment are, to a significant extent, related to the number of hotel rooms and associated hotel room occupancy rates. The numbers of hotel rooms across the United Kingdom and associated occupancy rates in the United Kingdom have remained relatively consistent over the past five years. However, Management believes that UK hotel room occupancy rates will be significantly impacted in at least the short-term as a result of the coronavirus (COVID-19) pandemic, which is expected to decrease the willingness and ability of the global population to travel to and within the UK.

Industry Characteristics and Trends

Management believes that the healthcare and hospitality segments of the United Kingdom's linen services industry exhibit the following primary characteristics and trends.

Stable Industry with Moderate Cyclicity

The linen processing requirements of healthcare and hospitality institutions are generally stable as the number of approved hospital beds in the healthcare system and hotel rooms remains fairly constant. However, Management believes that UK hotel room occupancy rates will be significantly impacted in at least the short-term as a result of the coronavirus (COVID-19) pandemic, which is expected to decrease the willingness and ability of the global population to travel to and within the UK. In addition, a characteristic of the industry is that service relationships are typically formalized through contracts, ranging up to two to five years in the hospitality segment. In general, customer turnover rates are low.

Linen processing volumes in the hospitality segment exhibit seasonality compared with the healthcare segment as usage typically increases in the summer months.

Fragmentation

Most cities in the United Kingdom have at least one and sometimes several private sector competitors operating in the healthcare and hospitality segments of the laundry and linen services industry. Management is monitoring the impact of its UK competitors and new initiatives undertaken by such competitors in order to respond as

appropriate. Presently, Fishers competes with its competitors by providing exceptional customer service at competitive prices.

Customers

Fishers' customers include some of the major hotel chains operating in Scotland. Fishers' largest hospitality customers (typically 250+ rooms) have historically generated between 800,000 and 1.3 million pounds of linen per year.

Fishers' nine largest customers collectively account for approximately 30% of Fishers' total revenue, the largest of which accounts for approximately 14% of Fishers' total fiscal 2019 revenue. Loss of revenue from these customers could have a significant effect on K-Bro. See also "Description of the Business – UK Operations – Changes to Contracts" and "Risk Factors".

Operations

As part of the provision of laundry and linen services, Fishers has invested in linen, carts and equipment. These significant investments enable Fishers' to maintain a high level of service over long periods of time for its customers from its highly automated and efficient plants. The following section describes the various steps involved in the processing of linen for Fishers' healthcare and hospitality customers.

Linen Purchases and Linen Management

Fishers' is typically responsible for purchasing linen for its customers. Fishers' is required to supply linen to quota and is required to replace linen during the life of the contract. Linen required is readily available from numerous domestic and foreign sources at pricing that is reflective of a competitive global market for textile sales as well as the commodity prices of inputs, such as cotton. Linen, on average over all different types, has a two-year life cycle. Management believes that owning the linen gives it greater control over linen quality and quantity, which is important both for customer satisfaction and operating processes (i.e., poor quality linen draws customer complaints and is more difficult to process).

Linen Processing

Fishers' employees or its customers collect the soiled linen from customer sites and transport it using Fishers' delivery fleet. Once collected, the soiled linen is delivered to Fishers facilities to be unloaded and staged on the washfloor for processing.

The majority of Fishers' laundry is processed in tunnel washers. Tunnel washers are generally more efficient than smaller industrial washers, which reduces Fishers' natural gas, electricity and water consumption and labour costs. After the washing and water extraction processes are completed, linen is automatically transported into the dryers. Once the drying process is completed, linen is discharged and automatically conveyed to the finishing department for ironing and dryfold. Any linen requiring ironing is processed by advanced ironers that employ automated feeders and folders to ensure high quality and productivity. Product that does not require ironing (i.e., terry towels) is processed in the dryfold department through automated folding equipment or "small piece folders".

Following laundering and processing, fully loaded carts are placed onto delivery vehicles for return to the hospitality facility.

Management and Labour Force

Fishers' Chief Executive Officer has been in the laundry industry for 35 years and has been with Fishers for 20 years, serving as its CEO since 2014. Fishers' employs a team of six experienced operations managers, directly leading their local site management teams.

As of the date hereof, Fishers' employs approximately 700 people, approximately 630 of whom are employed on an hourly basis, with the balance being salaried plant employees. Fishers' plant employees are covered by a collective bargaining agreement with the GMB union, which represents approximately 20 employees and has an indefinite expiry date. The balance of Fishers' workforce is not unionized.

Utility Cost Management

As a significant portion of Fishers' cost structure relates to the consumption of natural gas and electricity, Fishers' has entered into fixed price natural gas and electricity contracts with fixed terms between one and two years to fix the price on a portion of its natural gas and electricity requirements over this time. Upon expiration of these contracts, Fishers' will be subject to prevailing market rates. Fishers' reviews its natural gas and electricity requirements and the related forward pricing regularly to determine if it is feasible and desirable to lock in additional volumes or years.

Intellectual Property

Management believes that several of the identities owned by K-Bro enjoy significant brand recognition and market awareness throughout the UK laundry and linen industry. As a result, K-Bro takes an active approach to protecting its identities. K-Bro has registered trademarks for several of its owned and licensed brand names, logos and designs, including the name, design and logo for "Fishers".

Changes to Contracts

During 2019, Fishers lost its contract with Whitbread Group PLC, which had been included in its top 10 accounts, to a competitor. This customer accounted for approximately 14% of Fishers' annual revenues, and the loss of volume will take place in the first half of 2020.

During 2019, Fishers renewed or extended contracts with three of its top 10 customers. Contracts with three of Fishers' top 10 customers are due to be renewed or extended in 2020.

Environmental Protection

Fishers' does not use toxic materials or produce hazardous waste in its laundry facilities. All waste water is discharged through the municipal sewer system in compliance with applicable environmental laws and regulations and is regularly tested by the relevant authorities to ensure compliance with local by-laws. Compliance with environmental laws and regulations has not and is not expected to give rise, in the aggregate, to any material adverse financial or operational effects upon Fishers' business. Also, such compliance has not and is not expected to affect Fishers' competitive position. Environmental laws and regulations and their interpretation, however, have changed rapidly over the years and may continue to do so in the future.

DIRECTORS AND EXECUTIVE OFFICERS

As at March 19, 2020, the directors and executive officers of the Corporation as a group held, directly or indirectly, in the aggregate, 423,607 Common Shares, representing approximately 4.0% of the issued and outstanding Common Shares.

Directors

The following table sets out the Corporation's directors as at March 19, 2020, their respective municipalities of residence, position(s) with the Corporation and their principal occupations for at least the last five years. Each director shall hold office until the next annual meeting of the Corporation's Shareholders or until such person's successor is appointed or elected.

Name and Municipality of Residence	Position with the Corporation	Principal Occupation	Director Since ¹
Ross S. Smith ^{2,3} West Vancouver, British Columbia	Chair	Corporate Director	December 2004
Matthew B. Hills Boston, Massachusetts	Director	Private Equity Investor	December 2004
Steven E. Matyas ^{2,3} Toronto, Ontario	Director	Corporate Director	December 2004
Michael B. Percy ^{2,3} Edmonton, Alberta	Director	Dean, emeritus Alberta School of Business for the University of Alberta	June 2015
Linda J. McCurdy Toronto, Ontario	Director, President & Chief Executive Officer	President & Chief Executive Officer, K-Bro Linen Systems Inc.	December 2004

¹ All of the directors previously served as trustees of the Fund; subsequent to the Conversion, all of the trustees continued as directors of the Corporation. Mr. Percy served on the board of directors until September 2014, at which point he resigned to serve of Chief of Staff to the Premier of Alberta. He re-joined K-Bro's board of directors in June 2015.

² Member of the Audit Committee

³ Member of the Compensation, Nominating and Corporate Governance Committee

Executive Officers

The following table sets out the Corporation's executive officers as at March 19, 2020, their respective municipalities of residence and their principal occupations for at least the last five years:

Name and Municipality of Residence	Positions Held	From	To
Linda J. McCurdy Toronto, Ontario	President & Chief Executive Officer K-Bro Linen Systems Inc.	2000	Present
Sean P. Curtis St. Albert, Alberta	Senior Vice-President & Chief Operating Officer K-Bro Linen Systems Inc.	1999	Present
Kristie L. Plaquin St. Albert, Alberta	Chief Financial Officer/Interim Chief Financial Officer K-Bro Linen Systems Inc.	2014	Present

Biographies

Set forth below is a description of the background of the directors and executive officers of the Corporation. Each of the directors and executive officers of the Corporation has been engaged for more than five years in his or her present principal occupation or in other capacities with K-Bro, except as set forth below.

Ross Smith, Chair, Director. Mr. Smith is a Fellow of the Institute of Chartered Professional Accountants of British Columbia with extensive experience in accounting and consulting and has served major public and private companies from an audit and securities perspective. He had a 35-year career at KPMG LLP where he held various roles, including Senior Partner for British Columbia, prior to his retirement in 1998. In 2010, Mr. Smith was honoured with a Lifetime Achievement Award from the Institute of Chartered Accountants of British Columbia. Mr. Smith sits on the board of Rotherham Holdings Ltd and Canfor. He is also a former member of the board of HSBC Bank Canada, and a former Governor of the University of British Columbia.

Matthew Hills, Director. Mr. Hills was a Managing Director of LLM Capital Partners, a private equity firm, through 2019. He was previously the senior partner at BG Affiliates, the private equity group that acquired the Corporation in 1997. Mr. Hills has also held positions at Signature Capital, LEK Partnership, Drexel Burnham Lambert and Bain & Company. Mr. Hills provides advisory consulting services to the Corporation. He received an MBA from Harvard Business School and a BA (Economics and Politics) from Brandeis University. Mr. Hills is a director of Centric Health Corp. (TSX-listed), on the advisory board of PHT Chemical International, and is a director for hedge funds managed by Basso Capital Management.

Steven Matyas, Director. Mr. Matyas most recently served as the Chief Executive Officer for Staples Retail Inc., where he has held several positions of increased responsibility since 1991. Mr. Matyas previously served as Executive Vice-President and Chief Operating Officer at Flertom Investments Inc., a chain of card, gift, and stationary stores. He held the same position at SuperPharm Ltd., a chain of franchised pharmacies. Mr. Matyas is a director of Baycrest Hospital Foundation, as well as a director of Kal Tire and INEO Technologies (TSX listed). Mr. Matyas received a BSc (Genetics) from the University of Toronto.

Michael Percy, Director. Mr. Percy most recently served as the Chief of Staff to Premier Prentice of Alberta; prior to this, Dr. Percy was a Professor of Strategic Management at the Alberta School of Business at the University of Alberta and served as Dean at the Alberta School of Business for three consecutive terms. Mr. Percy received a BA (Honours) from the University of Victoria, and an MA(Economics) and a PhD (Economics) from Queen's University. Mr. Percy previously served as a director for ATB Financial, Epcor Utilities Inc., Matrikon, Sawridge, and Timber Holdings.

Linda McCurdy, Director, 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.

Sean 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 & CEO in the areas of plant expansions, capital equipment installations and business development into new markets.

Kristie Plaquin, Chief Financial Officer. Ms. Plaquin has been with the Corporation since 2001 and has been its Chief Financial Officer from January 2004 through May 2005, during which time the Corporation completed its initial public offering and subsequent debt financings. After a temporary absence from K-Bro from 2005 to 2006, Ms. Plaquin served as K-Bro's Director of Financial Planning from 2007 to 2014, during which time she played a lead role in K-Bro's growth and financing initiatives until assuming her current role as K-Bro's CFO. 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 designation.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation:

- (a) no director or executive officer of the Corporation is, or has been in the last ten years, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity, (a) was the subject of a cease trade order or similar order, or an order that denied the relevant company access to any exemptions under securities legislation, for a period of more than 30 consecutive days; or (b) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the relevant company being the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; and
- (b) no director, executive officer or shareholder holding a sufficient number of securities to materially affect control of the Corporation (a) is or has been in the last ten years a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets or (b) has within the last ten years made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

DESCRIPTION OF CAPITAL STRUCTURE

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

Common Shares

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

Preferred Shares

The directors of the Corporation may, prior to the issuance of preferred shares, determine the series designation, rights, privileges, restrictions and conditions attaching to the preferred shares of each series including, without limiting the generality of the foregoing: (i) the rate, amount of method of calculation of any dividends; (ii) redemption and/or purchase rights; (iii) voting rights, and (iv) conversion rights, all subject to the filing of Articles of Amendment in accordance with the ABCA to designate each series of preferred shares. As of March 19, 2020, there were no preferred shares issued or outstanding.

MARKET FOR SECURITIES

The Common Shares are listed on the Toronto Stock Exchange (the “TSX”) under the trading symbol “KBL”. The following table sets out the market price ranges and trading volumes for the Common Shares on the TSX for each month during fiscal 2019.

	Volume (Shares)	Monthly High (\$)	Monthly Low (\$)
January	118,594	\$ 37.99	\$ 32.74
February	69,346	\$ 38.07	\$ 36.53
March	133,085	\$ 38.60	\$ 35.04
April	203,568	\$ 39.91	\$ 37.10
May	107,214	\$ 40.25	\$ 38.05
June	48,975	\$ 40.54	\$ 38.26
July	137,968	\$ 41.87	\$ 39.02
August	77,806	\$ 40.01	\$ 38.10
September	240,314	\$ 39.81	\$ 35.78
October	117,796	\$ 37.25	\$ 35.79
November	191,298	\$ 41.99	\$ 36.45
December	133,306	\$ 43.16	\$ 39.76

DIVIDEND INFORMATION

The Board has adopted a dividend policy with the intent to pay a monthly dividend of \$0.1000 per Common Share. The Board periodically reviews the Corporation's dividend policy in the context of the Corporation's overall profitability, free cash flow, capital requirements and other business needs.

To date, the Corporation has declared three monthly dividends of \$0.1000 per Common Share in respect of fiscal 2020, payable on February 14, March 13, and April 15 to Shareholders of record at the close of business on January 31, February 29, and March 31, respectively.

The Corporation's dividend policy is at the discretion of the Board. There can be no guarantee that the Corporation will maintain its dividend policy.

The following table sets forth the monthly cash dividend per Common Share paid by the Corporation for each of its three most recently completed financial years

Period	Record Date	Payment Date	Per Share (\$)	Total Dividend
January	January 31, 2019	February 15, 2019	\$ 0.10000	\$ 1,055,994
February	February 28, 2019	March 15, 2019	\$ 0.10000	\$ 1,055,994
March	March 31, 2019	April 15, 2019	\$ 0.10000	\$ 1,055,994
Q1, 2019			\$ 0.30000	\$ 3,167,981
April	April 30, 2019	May 15, 2019	\$ 0.10000	\$ 1,055,994
May	May 31, 2019	June 14, 2019	\$ 0.10000	\$ 1,060,438
June	June 30, 2019	July 15, 2019	\$ 0.10000	\$ 1,060,438
Q2, 2019			\$ 0.30000	\$ 3,176,870
July	July 31, 2019	August 15, 2019	\$ 0.10000	\$ 1,060,438
August	August 31, 2019	September 13, 2019	\$ 0.10000	\$ 1,060,438
September	September 30, 2019	October 13, 2019	\$ 0.10000	\$ 1,060,438
Q3, 2019			\$ 0.30000	\$ 3,181,316
October	October 31, 2019	November 15, 2019	\$ 0.10000	\$ 1,060,438
November	November 30, 2019	December 13, 2019	\$ 0.10000	\$ 1,060,438
December	December 31, 2019	January 15, 2020	\$ 0.10000	\$ 1,060,438
Q4, 2019			\$ 0.30000	\$ 3,181,316
Total, 2019			\$ 1.20	\$ 12,707,483

Period	Record Date	Payment Date	Per Share (\$)	Total Dividend
January	January 31, 2018	February 15, 2018	\$ 0.10000	\$ 1,050,850
February	February 28, 2018	March 15, 2018	\$ 0.10000	\$ 1,050,850
March	March 31, 2018	April 13, 2018	\$ 0.10000	\$ 1,050,850
Q1, 2018			\$ 0.30000	\$ 3,152,551
April	April 30, 2018	May 15, 2018	\$ 0.10000	\$ 1,050,850
May	May 31, 2018	June 15, 2018	\$ 0.10000	\$ 1,055,994
June	June 30, 2018	July 13, 2018	\$ 0.10000	\$ 1,055,994
Q2, 2018			\$ 0.30000	\$ 3,162,837
July	July 31, 2018	August 15, 2018	\$ 0.10000	\$ 1,055,994
August	August 31, 2018	September 14, 2018	\$ 0.10000	\$ 1,055,994
September	September 30, 2018	October 13, 2018	\$ 0.10000	\$ 1,055,994
Q3, 2018			\$ 0.30000	\$ 3,167,982
October	October 31, 2018	November 15, 2018	\$ 0.10000	\$ 1,055,994
November	November 30, 2018	December 14, 2018	\$ 0.10000	\$ 1,055,994
December	December 31, 2018	January 15, 2019	\$ 0.10000	\$ 1,055,994
Q4, 2018			\$ 0.30000	\$ 3,167,982
Total, 2018			\$ 1.20	\$ 12,651,353

Period	Record Date	Payment Date	Per Share (\$)	Total Dividend
January	January 31, 2017	February 15, 2017	\$ 0.10000	\$ 802,348
February	February 28, 2017	March 15, 2017	\$ 0.10000	\$ 802,348
March	March 31, 2017	April 14, 2017	\$ 0.10000	\$ 802,348
Q1, 2017			\$ 0.30000	\$ 2,407,044
April	April 30, 2017	May 15, 2017	\$ 0.10000	\$ 954,148
May	May 31, 2017	June 15, 2017	\$ 0.10000	\$ 958,390
June	June 30, 2017	July 14, 2017	\$ 0.10000	\$ 958,390
Q2, 2017			\$ 0.30000	\$ 2,870,928
July	July 31, 2017	August 15, 2017	\$ 0.10000	\$ 958,390
August	August 31, 2017	September 15, 2017	\$ 0.10000	\$ 958,390
September	September 30, 2017	October 13, 2017	\$ 0.10000	\$ 958,390
Q3, 2017			\$ 0.30000	\$ 2,875,172
October	October 31, 2017	November 15, 2017	\$ 0.10000	\$ 958,390
November	November 30, 2017	December 15, 2017	\$ 0.10000	\$ 958,390
December	December 31, 2017	January 15, 2018	\$ 0.10000	\$ 1,050,850
Q4, 2017			\$ 0.30000	\$ 2,967,632
Total, 2017			\$ 1.20	\$ 11,120,777

AUDIT COMMITTEE INFORMATION

The Audit Committee of the Board operates under a written mandate and terms of reference that sets out, among other things, its responsibilities and composition requirements. A copy of Audit Committee's mandate and terms of reference is attached to this AIF as Appendix A. As at the date hereof, the members of the Audit Committee are Ross Smith (Chair), Steven Matyas and Michael Percy. In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as noted under "Directors and Officers".

The Audit Committee mandate and terms of reference requires all members to be "financially literate", as such term is defined under applicable securities law. "Financially literate" means the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be found in the Corporation's consolidated financial statements. Based on an assessment of the employment experience or education of the current members of the Audit Committee, as described above, the Directors believe that all of the current members of the Audit Committee are financially literate. In addition, the Audit Committee mandate and terms of reference contains independence requirements applicable to each member and each member currently meets those requirements. The Audit Committee has adopted policies and procedures with respect to the pre-approval of audit and permitted non-audit services to be provided by the Corporation's auditor, which is currently PricewaterhouseCoopers LLP. Any such services must be permitted services and must be pre-approved by the Audit Committee pursuant to this policy. The Audit Committee must also pre-approve the audit services and associated audit fees to be paid. Pre-approval policies in respect of non-audit services are described in our Audit Committee mandate and terms of reference attached hereto as Appendix A.

The following table discloses fees billed to us by our auditor, PricewaterhouseCoopers LLP, for services rendered during fiscal 2019 and 2018:

Service	2019	2018
Audit fees ⁽¹⁾	\$366,893	\$441,110
Tax fees ⁽²⁾	\$252,499	\$271,973
All other fees ⁽³⁾		\$2,410

⁽¹⁾ Includes fees for quarterly interim reviews and professional advisory services related to equity offerings and the acquisition of Fishers

⁽²⁾ Includes fees for tax advice, tax planning and review of compliance returns

⁽³⁾ Includes fees for advisory services

RISK FACTORS

The following are certain risk factors relating to the Corporation and the business of K-Bro, which investors should carefully consider before making an investment decision with respect to the Corporation's Common Shares. These risk factors are a summary of certain risk factors and are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. These risks and uncertainties are not the only ones facing K-Bro. Additional risks and uncertainties not presently known to K-Bro, or that the Corporation currently deems immaterial, may also impair the operations of the Corporation. If any such risks actually materialize, the business, financial condition, liquidity and results of operations of K-Bro could be materially adversely affected and the ability of the Corporation to pay dividends on the Common Shares could be adversely affected.

Risks Related to K-Bro and the Laundry and Linen Services Industry

For additional information regarding changes to the Corporation's business expected in 2020 and known trends, commitments, events or uncertainties, see K-Bro's "2019 Management's Discussion and Analysis", and in particular, the "Outlook" and "Critical Risks and Uncertainties" sections thereof, which are incorporated by reference herein.

Ability to Maintain Profitability and Manage Growth

There can be no assurance that K-Bro's business and growth strategy will enable K-Bro to sustain profitability in future periods. K-Bro's future operating results will depend on a number of factors, including its ability to continue to successfully execute its strategic initiatives. There can be no assurance that K-Bro will be successful in achieving its strategic plan or that this strategic plan will enable K-Bro to maintain its historical revenue growth rates or to sustain profitability. Failure to successfully execute any material part of K-Bro's strategic plan could have a material adverse effect on K-Bro's business, financial condition, liquidity and operating results.

Historically, a portion of our growth has come from acquisitions. K-Bro continues to evaluate opportunities for acquiring businesses that may supplement the Corporation's growth. However, there can be no assurance that we will be able to locate and purchase suitable acquisitions. In addition, the success of any acquisition depends in part on our ability to integrate the acquired company with the Corporation's existing operations. The process of integrating acquired businesses may involve unforeseen difficulties and may require a disproportionate amount of Management's attention and our financial and other resources. Although the Corporation conducts due diligence investigations prior to each acquisition, there can be no assurance that we will discover or adequately protect against all material liabilities of an acquired business for which we may be responsible as a successor owner or operator. The failure to successfully integrate these acquired businesses or to discover such liabilities could adversely affect our consolidated results of operations.

Ability to Open New, Cost Effective Processing Plants

We plan to expand our presence in existing markets and enter new markets. The opening of new processing plants is necessary to gain the capacity required for this expansion. Our ability to open new operating facilities depends on our ability to identify attractive locations, attract suitable staff, negotiate leases or real estate purchase agreements on acceptable terms, identify and obtain adequate utility and water sources and comply with environmental regulations, zoning laws and other similar factors. Any inability to effectively identify and manage these items may adversely affect our expansion efforts, and, consequently, adversely affect our financial performance.

Coronavirus (COVID-19) Pandemic

In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China which has resulted in global travel restrictions which has had, and is expected to continue to have, an adverse impact on the Corporation's hospitality business. In recent weeks, we have seen significantly reduced hotel occupancy rates as compared to before COVID-19 affected travel. More recently, demand for both business and leisure airline travel

on a global basis has declined significantly due to COVID-19, and airlines are responding by cancelling additional flights, including domestic flights. We expect COVID-19 to continue to have a significant negative impact on the Corporation's hospitality revenue and are unable to predict how long that impact will continue. To date, we have seen a slight increase in our healthcare business as a result of COVID-19.

Global Economic Factors

Negative economic conditions, in Canada, the UK and elsewhere may adversely affect our financial performance. The level of unemployment, inflation, tax rates and other changes in tax laws and other economic factors could adversely affect the demand for K-Bro's services. Increases in labor costs, including healthcare and insurance costs, labor shortages or shortages of skilled labor, higher material costs for items such as fabrics and textiles, higher interest rates, inflation, foreign exchange rates, higher tax rates and other changes in tax laws and other economic factors could increase our costs of linens and ancillary products and other services and selling and administrative expenses. As a result, these factors could adversely affect our sales and consolidated results of operations.

In addition, the extent of the impact of COVID-19 on the healthcare and hospitality businesses and our financial and operational performance will depend on future developments, including the duration, spread and severity of the outbreak, the duration and geographic scope of related travel advisories and restrictions and the extent of the impact of COVID-19 on overall demand for personal and business travel, all of which are highly uncertain and cannot be predicted. If hotels continue to experience significantly reduced occupancy rates for an extended period, our 2020 consolidated results of operations will be significantly impacted. The extent to which the outbreak affects our earnings will depend in part on our ability to implement various measures intended to reduce expenses, including consolidating production capacity. Earnings in the hospitality segment may be particularly affected if reduced demand for travel continues. Additionally, our suppliers or other third parties we rely upon may experience delays or shortages, and the Corporation may experience a labour shortage which could have an adverse effect on our business prospects and results of operations.

Reliance on Key Personnel

The success of K-Bro's business depends on the abilities, experience and personal efforts of Management, including their ability to retain and attract skilled employees and local managers. The loss of the services of such key personnel could have a material adverse effect on the business, financial condition or future prospects of the Corporation.

We believe that a key component of our success is our corporate culture which has been imparted by Management throughout our corporate organization. This factor, along with our entire operation, depends on our ability to attract and retain key employees. Competitive pressures within and outside our industry may make it more difficult and expensive for us to attract and retain key employees which could adversely affect our business.

Increased Competition

K-Bro operates in a competitive industry and competes with national, regional and local providers. Service, price, quality, and convenience to the customer are the competitive elements in this industry. If existing or future competitors seek to gain or retain market share by reducing prices, K-Bro may be required to lower prices, which would hurt its results of operations. The Corporation's competitors may also compete with K-Bro for acquisition candidates, which can increase the price for acquisitions and reduce the number of available acquisition candidates. In addition, our customers and prospects may decide to perform certain services in-house instead of outsourcing these services to us. These competitive pressures could adversely affect our sales and consolidated results of operations.

In addition to competition provided by its laundry processor competitors, K-Bro also competes against suppliers of single-use disposable linens, particularly in its K-Bro Operating Room ("KOR") business of providing reusable

surgical packs. Management estimates that suppliers of disposable packs currently control 80% of the overall operating room linen market in Canada.

These risks are managed primarily by entering into long-term contracts where possible, providing a comprehensive program of services, adhering to the highest possible quality and service standards and providing a cost-effective service through the economies of large-scale processing plants and purchasing. However, there can be no assurance that contract renewals or extensions will be achieved given the competitive environment faced by the Corporation.

Fuel and Energy Costs

The price of fuel and energy needed to operate our delivery vehicles and processing equipment is unpredictable and fluctuates based on events outside the Corporation's control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries, regional production patterns, limits on refining capacities, natural disasters and environmental concerns. Increases in fuel and energy costs could adversely affect our consolidated financial condition and consolidated results of operations.

If K-Bro engages in activities to manage its commodity price exposure, it may forego the benefits it would otherwise experience if commodity prices were to decrease. No alternatives are presently available to K-Bro to manage its exposure to changes in the price of water. In addition, commodity derivative contracts activities could expose K-Bro to losses. To the extent that K-Bro engages in risk management activities related to commodity prices, it will be subject to credit risks associated with counterparties with which it contracts.

Textile Demand

The Corporation is a significant buyer of linens, the majority of which are constructed from cotton or cotton-blended textiles. Variations in global demand could result in an increase to cotton futures pricing and consequently the amount cost of the linens to K-Bro.

The re-useable linen products we use are sourced from a wide variety of suppliers, each of which have international exposure. We require all of our suppliers to comply with applicable laws, including labour and environmental laws, and otherwise commit to our required supplier standards of conduct. Our ability to find qualified suppliers who meet our standards, and to access products in a timely and efficient manner is a significant challenge, especially with respect to suppliers located and goods sourced outside Canada. Political and economic stability in the countries in which foreign suppliers are located, the financial stability of suppliers, suppliers' failure to meet our supplier standards, the cost and availability of raw materials to suppliers and transport availability are beyond our control. In addition, Canadian and UK foreign trade policies, tariffs and other impositions on imported goods and trade sanctions imposed on certain countries are beyond our control. These and other factors affecting our suppliers and our access to products could adversely affect our results of operations.

Significant increases in the price of cotton and other materials could result in higher linen costs and, consequently, have an adverse effect on K-Bro's earnings if K-Bro is not successful in offsetting such increases through cost reduction efforts.

Customer Concentration

A large portion of K-Bro's revenues are concentrated in a relatively small number of customers. Revenues from customers that have accounted for significant sales in the past, either individually or as a group, may not reach or exceed historical levels in any future period. Customer concentration increases credit risk and other risks associated with particular customers and particular products, including risks related to market demand for our services and regulatory and other operating risks.

Dependence on the Public Sector

A significant portion of K-Bro's revenue is derived from contracts with various hospital and health care institutions which are government owned and funded. Consequently, any reduction in demand for K-Bro's services by the public sector, whether due to funding constraints, changing capital spending plans or willingness to outsource, would likely have an adverse effect on K-Bro if that business is not replaced from within the private sector. The current trend in healthcare is to outsource certain services and redeploy internal capital and resources towards core healthcare initiatives; however, individual institutions and regional authorities continually assess and review their outsourcing strategy, the outcome of which could have an adverse effect on K-Bro. In addition, certain contracts contain "no-fault" termination rights in favour of the hospital or health authority. In the event any hospital or health authority exercises this termination right, such hospital or health authority would be obligated to pay the Company certain contractual termination payments.

Changes in Laws

Changes to any of the laws, rules, regulations or policies to which K-Bro is subject could have a significant impact on K-Bro's business. There can be no assurance that K-Bro will be able to comply with any future laws, rules, regulations and policies. Failure by K-Bro to comply with appropriate laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse impact on K-Bro's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact K-Bro's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

Environmental Matters

K-Bro's facilities are subject to stringent federal, provincial and municipal laws and regulations relating to the protection of the environment and health and safety matters, including those governing waste water discharges, management, recycling and disposal of hazardous materials and waste, cleanup of contamination, and worker exposure to hazardous materials. The operation of our business entails risks under environmental laws and regulations. We could incur significant costs, including, without limitation, clean-up costs, fines, sanctions and claims by regulators or third parties for property damage and personal injury as a result of violations or liabilities under these laws and regulations. As a result of violations of these laws and regulations, among other things, we could be required to reduce or cease use of certain equipment and/or limit or stop production at certain facilities. These consequences could have a material adverse effect on our results of operations and financial condition and disrupt customer relationships.

Under environmental laws, an owner or operator of real estate may be required to pay the costs of removing or remediating hazardous materials located on or emanating from property, whether or not the owner or operator knew of or was responsible for the presence of such hazardous materials. While we regularly engage in environmental due diligence in connection with acquisitions, we can give no assurance that locations that have been acquired or leased have been operated in compliance with environmental laws and regulations during prior periods or that future uses or conditions will not make us liable under these laws or expose us to regulator or third-party legal action.

Additionally, we must maintain compliance with various permits and licenses issued to us in connection with our operations. Any failure on our part to maintain such compliance or to apply for and receive such permits and licenses could have a material adverse effect on our ability to continue operations at a particular location.

Employee Relations and Collective Agreements

Significant portions of our labour force (approximately 40%) are unionized and are subject to collective bargaining agreements with our production employees. While we believe that our employee relations are satisfactory, any work stoppage resulting from a strike or lockout could have a material adverse effect on K-Bro's business, financial condition and results of operations, including increased labour costs and service disruptions. In addition, significant

union representation would require us to negotiate with many of our employees collectively and could adversely affect our results by restricting our ability to maximize the efficiency of our operations.

There can be no assurance that any of the Corporation's collective agreements will be successfully renegotiated upon their expiration. Furthermore, there may be a significant effect on the operations of K-Bro in the event that the negotiations are unsuccessful.

Unionization campaigns could be materially disruptive to our business and could adversely affect our consolidated results of operations.

In addition, K-Bro's clients employ workers governed under collective agreements. Any work stoppage or labour disruption experienced by K-Bro's clients could affect the amount and timing of K-Bro services required.

Labour Shortages and Increased Labour Costs

Our success depends in part on our ability to attract employees with needed skills in the regions in which we operate. Our ability to meet labour needs while controlling associated costs is subject to a number of external factors, including employment levels, employee-turnover rates, changing demographics, prevailing wage rates, minimum wage legislation, health and other insurance costs, governmental labour and employment requirements or increased competition for employees. If we are not able to attract skilled employees or face increased labour costs as a result of any of such factors it may impact our operational capacity or associated costs and have a material adverse effect on our results of operation, business and financial position.

Unexpected Events

Unexpected events, including, without limitation, fires at facilities, natural disasters, public health emergencies (including the coronavirus (COVID-19) pandemic), unplanned utility outages, supply disruptions, failure of equipment or systems or changes in laws and/or regulations impacting our business, could adversely affect our operating results. These events could result in disruption of customer service, physical damage or temporary closure of one or more key operating facilities, or the temporary disruption of information systems.

Credit Facility and Debt Service

Changes in current market conditions, deterioration in our business performance, or adverse changes in the economy could limit our access to capital markets.

Financial markets have experienced disruptions in the past, including, among other things, volatility in security prices, diminished liquidity and credit availability, rating downgrades and declining valuations of certain investments. There can be no assurance that the financial markets will not experience disruptions in the future, or that future disruptions may be more severe than those previously experienced. These disruptions could lead to challenges in our business and negatively impact our financial results. A tightening of credit in financial markets could adversely affect the ability of our customers and suppliers to obtain financing for significant purchases and operations and could result in a decreased spending for our services.

K-Bro currently has a \$100 million financial covenant-based credit facility (the "Credit Facility") with a single Canadian bank which expires on July 31, 2022. In the event that the facility is not renewed or extended, indebtedness under the facility will become repayable. There is also a risk that the Credit Facility will not be renewed for the same amount or on the same terms. Any of these events could affect K-Bro's ability to fund ongoing operations and make future dividend payments.

The Credit Facility is subject to floating interest rates and, therefore, is subject to fluctuations in interest rates. Interest rate fluctuations are beyond the Corporation's control and there can be no assurance that interest rate fluctuations will not have a material adverse effect on the Corporation's earnings and in turn reduce cash available for future cash dividends to Shareholders.

Covenants in the Credit Facility include, among others, covenants that limit the ability of K-Bro to incur additional debt, make liens, dispose of assets, consolidate, merge or acquire other businesses, pay dividends or make other distributions and amend material contracts. These covenants restrict numerous aspects of the business of K-Bro.

K-Bro is required to comply with covenants under the Credit Facility. The failure to comply with the terms of the Credit Facility would, after the expiration of available cure periods, entitle the lender to accelerate all amounts outstanding under the Credit Facility, and upon such acceleration, the lender would be entitled to begin enforcement procedures against the assets of the Corporation.

K-Bro's ability to satisfy the restrictive covenants under the Credit Facility may be affected by events beyond its control. K-Bro routinely reviews such covenants based on actual and forecast results and has the ability to make changes to its development plans and/or dividend policy to comply such covenants under the Credit Facility. If K-Bro becomes unable to pay its debt service charges or otherwise commits an event of default such as bankruptcy, the lender may foreclose on such assets of K-Bro or sell working interests in K-Bro. K-Bro has incurred no events of default under the terms of the Credit Facility.

Transaction Processing Systems

Our business relies on our computer systems to provide customer information, process customer transactions and provide other general information necessary to manage our businesses. We have an active disaster recovery plan in place that is frequently reviewed and tested. However, our computer systems are subject to damage or interruption due to system conversions, power outages, computer or telecommunication failures, computer viruses, security breaches, catastrophic events and usage errors by our employees. If our computer systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them, and we may have interruptions in our ability to service our customers. This disruption caused by the unavailability of our computer systems could adversely affect our sales and consolidated results of operations.

Information Security

The efficient operation of the K-Bro's business is dependent on computer hardware and software systems. In the ordinary course of K-Bro's business, K-Bro collects and stores sensitive data, including intellectual property, proprietary business information and identifiable personal information of its employees and customers. The Corporation's information technology and infrastructure may be vulnerable to attacks by hackers and cyberterrorists motivated by, among others, geopolitical, financial or activist reasons, or breached due to employee error, malfeasance or other disruptions. Any such attack or breach could compromise K-Bro's networks and the information K-Bro stores could be accessed, publicly disclosed, lost, stolen or compromised. Any such attack, breach, access, disclosure or loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruptions to K-Bro's operations, decreased performance, increased costs and damage to K-Bro's reputation, which could have a material adverse effect on its business, financial condition, results of operations and cash flow. To mitigate this risk, K-Bro has implemented security measures, including employee training, monitoring and testing, maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access and to reduce the likelihood of disruptions to its IT systems. The Corporation also has security processes, protocols and standards that are applicable to its third-party service providers. Despite these measures, all of the Corporation's information systems, including its back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, electronic theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events. The Corporation or its third-party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Corporation's security measures or those of our third-party service providers' information systems.

Foreign Exchange Risk

Currency fluctuations may affect the Corporation's financial performance. The Corporation's primary functional currency is the Canadian dollar. The Corporation's currency exposure primarily relates to purchases of equipment incurred in connection with the commissioning of new facilities, the costs of which are typically denominated in U.S. dollars. Additionally, a portion of the Corporation's business is conducted and denominated in pounds sterling as a result of the Acquisition. Any fluctuations in the value of the pound sterling relative to the Canadian dollar may, therefore, result in variations in the comprehensive income of the Corporation. From time to time, the Corporation may use a limited number of derivative financial instruments to manage its foreign currency exposure.

Risks Relating to the Business of Fishers

The risk factors set forth in this AIF and noted above for the Canadian operations and in documents incorporated herein by reference relating to the Corporation's business apply equally in respect of Fishers' business in the United Kingdom.

Seasonality of the Hospitality Industry

Fishers is highly dependent on the hospitality industry. The hospitality industry is seasonal in nature, which can be expected to cause fluctuations in revenues, operating expenses and cash flows. The Corporation's earnings may be adversely affected by factors outside the Corporation's control, including weather conditions and poor economic factors in certain markets in which Fishers operates. The Corporation can provide no assurances that cash flows will be sufficient to offset any shortfalls that occur as a result of these seasonal fluctuations.

Coronavirus (COVID-19) Pandemic

In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China which has resulted in global travel restrictions which has had, and is expected to continue to have, an adverse impact on the Corporation's hospitality business. In recent weeks, we have seen significantly reduced hotel occupancy rates as compared to before COVID-19 affected travel. More recently, demand for both business and leisure airline travel on a global basis has declined significantly due to COVID-19, and airlines are responding by cancelling additional flights, including domestic flights. We expect COVID-19 to continue to have a significant negative impact on Fisher's hospitality revenue and are unable to predict how long that impact will continue.

Business Impact and Risk Factors Regarding Brexit

On January 24, 2020, the United Kingdom and the European Union ("EU") signed a withdrawal agreement, setting out the terms of the United Kingdom's departure and how to implement the United Kingdom's withdrawal from the European Union ("Brexit") (the "Withdrawal Agreement"). On January 30, 2020, the Withdrawal Agreement was ratified. The United Kingdom withdrew from the EU on January 31, 2020 and is currently operating within an 11-month "Transitional Period" terminating on December 31, 2020. During this Transitional Period, the United Kingdom and EU will seek to negotiate the terms of the United Kingdom's future relationship to the EU. If the United Kingdom and the EU fail to agree the terms of a comprehensive free-trade agreement prior to the end of the Transitional Period, it is anticipated that the United Kingdom would be required to trade with the EU and other countries under the rules of the World Trade Organisation and thereby lose access to the EU's "Single Market" and "Customs Union".

The uncertainty of the Transitional Period could have a material adverse effect on global economic conditions and the stability of global financial markets and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets, including in Europe in particular. The Corporation cannot be sure that its business, financial condition, and results of operations will not be materially adversely affected by the effects of increased market volatility on asset valuations, currency exchange rates and credit ratings.

The Corporation may incur additional costs and expenses as it adapts to potential divergences in the United Kingdom's regulatory and taxation regimes as a result of Brexit. Although the market reaction to the Brexit shock

was reassuringly orderly, the ultimate impact remains very unclear, as the fate of institutional and trade arrangements between the United Kingdom and the EU is uncertain. The long-term shape of relations between the United Kingdom and the EU, and the extent to which their mutual trade and financial flows will be curtailed, will likely become clear only after several years. Adding to the uncertainty is the impact of the referendum results on political sentiment in other EU members, as well as on global pressure to adopt populist, inward-looking policies.

Possibility of Scottish Independence

A large majority of the population of Scotland wanted to remain in the EU, and one of the key arguments for Scotland remaining in the United Kingdom in its 2014 independence referendum was EU membership.

Should Scotland vote to leave the United Kingdom, the details of any changes are impossible to predict with certainty at present and will depend on post-referendum negotiations and agreements between the Scottish government and other organizations at UK and EU levels. Independence could result in, *inter alia*, changes in Scotland's monetary system, currency, taxation, regulatory and legal framework, and membership of the EU. Some possible outcomes of independence could have an adverse effect on the Corporation's business, financial condition and results of operations in the future.

Potential Increase in National Living Wage

The Corporation's operations in the United Kingdom are subject to legislation governing such matters as wage rates, overtime, working conditions and citizenship requirements. There are proposals under consideration in the United Kingdom from time to time to increase the national living wage, including an increase from £8.21 to £8.72 that is planned to take effect in April 2020. Increases in the national living wage could have a material adverse effect on the Corporation's business, financial condition and results of operations in the future, as labour constitutes a significant portion of Fishers' cost structure, and portions of its operations in the United Kingdom are reliant upon minimum wage labour.

Risks Inherent in an Investment in Common Shares

Unpredictability and Volatility of Market Price

Shares of a publicly traded company do not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Common Shares will trade cannot be predicted. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly operating results, distributions and other factors. The market price for the Common Shares may be adversely affected by changes in general market conditions, fluctuations in the market for equity or debt securities and numerous other factors beyond the control of the Corporation. The annual yield on the Common Shares as compared to the annual yield on other financial instruments may also influence the price of the Common Shares in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Common Shares.

Payment of Dividends

K-Bro's dividend policy is at the discretion of its lender and the Board. Future dividends, if any, will depend on results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that the Board may deem relevant. Accordingly, the payment of dividends by K-Bro and the level thereof is uncertain.

Dilution and Sale of Common Shares

Pursuant to its articles of incorporation, the Corporation is authorized to issue an unlimited number of Common Shares for the consideration and on those terms and conditions as are established by the Board without the

approval of any Shareholders. Any further issuance of Common Shares, including issuance under the provisions of K-Bro's long-term incentive plan, may dilute the interests of existing Shareholders. Furthermore, the Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive.

Sales of a substantial number of Common Shares by a significant Shareholder in the public market or otherwise could adversely affect the prevailing market prices of the Common Shares and could impair the Corporation's ability to raise additional capital through an offering of Common Shares. The possible perception among the public that these sales will occur could also produce the same effect.

Dividends Depend on Performance of Subsidiaries

Although the Corporation intends to pay dividends on its Common Shares, there can be no assurance regarding the amounts of income to be generated by the operating subsidiaries of the Corporation or ultimately distributed to the Corporation from these operating subsidiaries. The ability of the Corporation to make dividend payments, and the actual amount paid, is currently entirely dependent on the operations and assets of its subsidiaries, and is subject to various factors including their respective financial performances, obligations under the Credit Facility, fluctuations in working capital, the sustainability of K-Bro's profit margin and its capital expenditure requirements. Dividends are not guaranteed and may fluctuate with the performance of K-Bro's subsidiaries. There can be no assurance regarding the actual levels of dividends by the Corporation. The market value of the Common Shares may deteriorate if the Corporation is unable to meet its dividend targets in the future, and such deterioration may be material.

Capital Investment

The timing and amount of capital expenditures by the Corporation will directly affect the amount of cash available for distribution by the subsidiaries to the Corporation. Dividends may be reduced, or even eliminated, at times when the Board deems it necessary to make significant capital or other expenditures.

Tax-Related Risks

The income of the Corporation and its related entities must be computed in accordance with jurisdictional tax laws, all of which may be changed in a manner that could adversely affect the amount of cash available for distribution to Shareholders. There can be no assurance that Canadian or UK federal income tax laws and administrative policies respecting the treatment of corporations will not be changed in a manner which adversely affects Shareholders.

There can be no assurance that taxation authorities will not seek to challenge certain tax positions taken by the Fund, the Corporation or related entities. Such a challenge, if successful, could materially adversely affect the amount of free cash available for distribution.

In the future, income tax laws or other laws may be changed or interpreted in a manner that adversely affects K-Bro or its Shareholders. Tax authorities having jurisdiction over K-Bro or its Shareholders may disagree with how K-Bro calculates its income for tax purposes to the detriment of K-Bro and its Shareholders.

Effective Internal Controls

Effective internal controls are necessary for us to provide reliable financial reports. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. While we continue to evaluate our internal controls, we cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. If we fail to maintain the adequacy of our internal controls or if we or our auditor were to discover material weaknesses in our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting. Failure to achieve and maintain an effective internal control environment could

cause us to be unable to produce reliable financial reports or to prevent fraud. This may cause investors to lose confidence in our reported financial information, which could have a material adverse effect on the market price of the Common Shares.

LEGAL PROCEEDINGS

To the knowledge of the Corporation, there are no legal proceedings which the Corporation or any of its subsidiaries is a party to or of which any of their property is subject to which would be material to the Corporation or any of its subsidiaries nor is the Corporation aware of any proceedings that would be material to the Corporation or its subsidiaries which are contemplated or pending.

REGULATORY ACTIONS

K-Bro has not been the subject of:

- (a) any penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during its most recently completed financial year;
- (b) any other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision during its most recently completed financial year; or
- (c) settlement agreements which the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority during its most recently completed financial year.

CONFLICTS OF INTEREST

As at the date hereof, the Corporation is not aware of any existing or potential material conflicts of interest between the Corporation or its subsidiaries or K-Bro's directors or executive officers.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of our directors or executive officers or any Shareholders who beneficially own more than 10% of any class of outstanding voting securities of the Corporation, or any known associates or affiliates of such persons, in any transaction within the three most recently completed financial years except as noted below.

K-Bro has incurred expenses in the normal course of business for advisory consulting services provided by Mr. Matthew Hills, a director, primarily relating to acquisitions. The amounts charged are recorded at their exchange amounts and are subject to normal trade terms. For the year ended December 31, 2019, the Corporation incurred such fees totalling \$137,500 (December 31, 2018 - \$137,500).

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Corporation's auditors are PricewaterhouseCoopers LLP, Stantec Tower, 10220 103 Avenue NW, Edmonton, Alberta, T5J 0K4.

AST Trust Company (Canada) acts as both transfer agent and registrar for the Corporation. Registers of transfers of securities are maintained in Calgary, Alberta.

MATERIAL CONTRACTS

Except for those contracts entered into in the ordinary course of business, K-Bro has entered into the following material contracts:

Credit Facility

K-Bro entered into an agreement with a Canadian chartered bank (the “Bank”) for the provision of a revolving credit facility to accommodate the Corporation’s working capital requirements and for general corporate purposes including ongoing asset acquisitions.

The Credit Facility is a senior secured revolving credit facility in the principal amount of \$100 million. The amount drawn and outstanding at December 31, 2019 was \$63.6 million, including outstanding letters of credit. During fiscal 2019, the Bank reviewed the Corporation’s performance and opted to renew the Credit Facility through to July 31, 2022 as well as increase the amount available from \$85 million to \$100 million. Loans under the Credit Facility are repayable without any prepayment penalties, and bear interest at a floating rate based on the Canadian dollar prime rate or on the applicable bankers’ acceptance rates plus, in each case, an applicable margin to those rates.

Pursuant to the Credit Facility, the Bank maintains its security over substantially all of the assets of K-Bro and its subsidiaries. In addition, the Corporation has provided an unlimited guarantee in respect of all obligations of K-Bro to the Bank, secured by, among other things, a general security interest over all of the Corporation’s assets. Covenants in the Credit Facility include, among others, covenants that limit the ability of the Corporation to incur additional debt, make liens, dispose of assets, consolidate, merge or acquire other businesses, pay dividends or make other distributions, and amend material contracts. These covenants restrict numerous aspects of the business of the Corporation. Moreover, financial performance covenants require K-Bro, among other things, to maintain up to a maximum total debt-to-EBITDA ratio and up to a maximum total fixed charge coverage ratio. The failure by K-Bro to rectify any non-compliance with any of its covenants or obligations within an appropriate cure period would constitute an event of default and would entitle the lender to accelerate all amounts outstanding under the Credit Facility, and upon such acceleration, the Bank would be entitled to begin enforcement procedures against the assets of K-Bro Linen Systems Inc. or the Corporation, including accounts receivable, inventory and equipment. The Bank would then be repaid from the proceeds of such enforcement proceedings, using all available assets. Only after such repayment and the payment of any other secured and unsecured creditors would the Shareholders of the Corporation receive any proceeds from the liquidation of K-Bro’s assets.

The Credit Facility could in certain circumstances restrict K-Bro’s ability to make payments in respect of the Common Shares, including limiting distributions, unless sufficient funds are available for the repayments of indebtedness and the payment of interest expenses and taxes. A copy of the Corporation’s amended and restated credit agreement can be accessed through K-Bro’s profile on the SEDAR website at www.sedar.com.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report, opinion or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 *Continuous Disclosure Obligations* by the Corporation during, or related to, our most recently completed financial year.

PricewaterhouseCoopers LLP, our auditor, is independent of the Corporation in accordance with the auditor's rules of professional conduct in the Province of Alberta and the Rules of professional conduct as per the United Kingdom Financial Reporting Council's Ethical Standard for integrity, objectivity and independence.

ADDITIONAL INFORMATION

Additional information relating to K-Bro can be found at www.sedar.com or our website at www.k-brolinen.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, will be contained in the Corporation's management information circular related to the annual meeting of Shareholders to be held on June 10, 2020. Additional financial information is contained in the Corporation's audited consolidated financial statements for the years ended December 31, 2019 and 2018, and the annual management's discussion and analysis of financial condition and results of operations for fiscal 2019.

Vous pouvez obtenir des renseignements supplémentaires sur la Société, y compris les documents déposés auprès des autorités de réglementation, sur notre site Web, au www.k-brolinen.com et sur le site Web des autorités canadiennes en valeurs mobilières au www.sedar.com, le site Web du Système électronique de données, d'analyse et de recherche (« SEDAR »).

APPENDIX A

K-BRO LINEN INC.

AUDIT COMMITTEE CHARTER (the “Charter”)

1. Purpose

The Audit Committee (the “**Committee**”) is appointed by the board of directors (the “**Board**”) of K-Bro Linen Inc. (the “**Corporation**”) to assist in the oversight and evaluation of:

- the quality and integrity of the financial statements of the Corporation;
- the internal control and financial reporting systems of the Corporation;
- the compliance by the Corporation with legal and regulatory requirements in respect of financial disclosure;
- the qualification, independence and performance of the Corporation’s independent auditors;
- the performance of the Corporation’s Chief Financial Officer; and
- any additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

In addition, the Committee provides an avenue for communication between the independent auditor, management, other employees and the Board concerning accounting, financial reporting and auditing matters.

The Committee is directly responsible for the appointment, compensation, retention (and termination) and oversight of the work of the independent auditor (including oversight of the resolution of any disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing audit reports or performing other audit, review or attest services for the Corporation.

While the Committee has the responsibilities and powers set forth in this Charter, the Committee is not responsible for:

- planning or conducting audits,
- certifying or determining the completeness or accuracy of the Corporation’s financial statements or that those financial statements are in accordance with generally accepted accounting principles, or
- guaranteeing the report of the Corporation’s independent auditor.

The fundamental responsibility for the Corporation’s financial statements and disclosure rests with management and the independent auditors are responsible for auditing those financial statements. It is not the duty of the Committee to conduct investigations, to itself resolve

disagreements (if any) between management and the independent auditor or to ensure compliance with applicable legal and regulatory requirements on a day to day basis.

2. Reports

The Committee shall report to the Board on a regular basis and, in any event, before the public disclosure by the Corporation of its quarterly and annual financial results. The reports of the Committee shall include any issues of which the Committee is aware with respect to:

- the quality or integrity of the Corporation’s financial statements;
- compliance by the Corporation with legal or regulatory requirements in respect of financial matters and disclosure;
- the performance and independence of the Corporation’s independent auditor;
- the adequacy and effectiveness of the Corporation’s systems of internal control (including risk management) established by management to safeguard the assets (real and intangible) of the Corporation; and
- the proper maintenance of accounting and other records.

The Committee shall also prepare, as required by applicable law, any audit committee report required for inclusion in the Corporation’s publicly filed documents.

3. Composition

The members of the Committee shall be three or more individuals who are appointed by the Board. The members of the Committee will be appointed to hold office until the next annual general meeting of the Corporation or until their successors are appointed. The Board may remove a member of the Committee at any time and may fill any vacancy occurring on the Committee. A member of the Committee may resign at any time and will cease to be a member of the Committee upon ceasing to be a director of the Corporation.

Each of the members of the Committee shall meet the standards for independence required by applicable regulatory, stock exchange and securities law requirements and, without limitation, shall be financially literate (or acquire that familiarity within a reasonable period after appointment). This shall, at a minimum, include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity that can reasonably be expected to be raised by the Corporation’s financial statements. No member of the Committee shall accept (directly or indirectly) any consulting, advisory or other compensatory fee from the Corporation (other than remuneration for acting in his or her capacity as a director) or be an “affiliated entity” of the Corporation or any of its subsidiaries. (For this purpose, a person is an “affiliated entity” of another if (i) that person, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the first person, or (ii) that person is an individual who is (x) both a director and an employee of an affiliated entity, or (y) an executive officer, general partner or managing member of an affiliated entity.) Without the approval of the Board, no member of the Committee shall concurrently serve on the audit committee of a competitor or client.

4. Responsibilities

It is recognized that, in fulfilling their responsibilities, members of the Committee are not full-time employees of the Corporation. As such, it is not the duty or responsibility of the Committee or its members to conduct “field work” or other types of auditing or accounting reviews or procedures or to determine that the Corporation’s financial statements are complete and accurate. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Corporation from which it receives information, and (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board).

The Committee shall have authority over, and shall be responsible for, the following specific matters:

4.1. Independent Auditors

The Committee shall:

- Recommend to the Board a firm of external auditors for nomination as the Corporation’s independent auditor for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attestation services for the Corporation.
- Establish and recommend to the Board the compensation of the independent auditor.
- Obtain confirmation from the independent auditor that it ultimately is accountable, and will report directly, to the Committee and the Board.
- Oversee the independent auditor and, in the context thereof, require the independent auditor to report directly to the Committee, including, among other things, any disagreement between management and the independent auditor regarding financial reporting and the resolution of each such disagreement.
- Adopt policies and procedures for the pre-approval of the retention of the Corporation’s independent auditor for all audit and permitted non-audit services to be provided to the Corporation or any of its subsidiaries (subject to any restrictions on such services imposed by applicable legislation), including procedures for the delegation of authority to provide such approval to one or more members of the Committee.
- At least annually, review the qualifications, performance and independence of the independent auditor. In doing so, the Committee should, among other things, undertake the measures set forth in Appendix “A” to this Charter.

4.2. The Audit Process, Financial Statements and Related Disclosure

The Committee shall, as it determines to be appropriate:

- Review with management and the independent auditor:
 - before public disclosure, the Corporation’s annual audited financial statements and quarterly unaudited financial statements, the Corporation’s accompanying disclosure of management’s discussion and analysis of financial condition and results of

operations (“**MD&A**”) and earnings press releases and make recommendations to the Board as to the approval and dissemination of those statements and disclosure;

- before public disclosure, financial information contained in any prospectuses, annual information forms, annual report to shareholders, management information circular and similar disclosure documents and make recommendations to the Board as to the approval and dissemination of such financial information;
- the adequacy of the procedures which have been established for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements, other than the public disclosure referred to in the immediately preceding paragraphs and periodically assess the adequacy of those procedures and consider whether they are complete and consistent with the information known to Committee members;
- the proposed audit plan and scope of review by the independent auditor and consider the extent the planned scope can be relied upon to detect weaknesses in internal controls, fraud or other illegal acts;
- financial information and any earnings guidance provided to analysts and rating agencies, recognizing that this review and discussion may be done generally (consisting of a discussion of the types of information to be disclosed and the types of presentations to be made) and need not take place in advance of the disclosure of each release or provision of guidance;
- any significant financial reporting issues and judgments made in connection with the preparation of the Corporation’s financial statements, including any significant changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that could significantly affect the Corporation’s financial statements;
- all critical accounting policies and practices used;
- all alternative treatments of financial information within International Financial Reporting Standards (“**IFRS**”) that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
- the use of “pro forma” or “adjusted” non-IFRS information;
- the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, transactions, arrangements and obligations (contingent or otherwise), on the Corporation’s financial statements;
- any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls or disclosure controls made to the Committee by the Chief Executive Officer and the Chief Financial Officer during their certification process in documents filed with applicable securities regulators;
- the adequacy of the Corporation’s internal accounting controls and management information systems and its financial, auditing and accounting organizations and

personnel and any special steps adopted in light of any material control deficiencies; and

- the establishment, and periodic review, of procedures for the review of financial information extracted or derived from the Corporation's consolidated financial statements.
- Review with management the Corporation's guidelines and policies with respect to risk assessment and the Corporation's major financial and business risk exposures and the steps management has taken to monitor and control such exposures.
- Review with the independent auditor:
 - the results of the external audit and the report thereon;
 - the quality as well as the acceptability of the accounting principles that have been applied;
 - any problems or difficulties the independent auditor may have encountered during the provision of its audit-related services, including any restrictions on the scope of activities or access to requested information and any significant disagreements with management, any management letter provided by the independent auditor or other material communication (including any schedules of unadjusted differences) to management and the Corporation's response to that letter or communication; and
 - any changes to the Corporation's significant accounting principles and practices suggested by the independent auditor and members of management.
- Review with management all related party transactions and the development of policies and procedures related to those transactions.
- Following completion of the annual audit, review with each of management and the independent auditors any significant issues, concerns or difficulties encountered during the course of the audit including:
 - restrictions on the scope of work or on access to required or requested information;
 - issues or concerns that arose during the course of the audit concerning the Corporation's internal accounting controls, or the fair presentation, completeness or accuracy of the financial statements; and
 - analyses prepared by management or the auditors setting forth significant financial reporting issues and judgments made in connection with preparation of the financial statements (including analysis of the effects of alternative treatments under generally accepted accounting principles).
- Periodically review reports on the Corporation's information technology systems that support the financial reporting process.
- Receive and review reports from other Board committees with regard to matters that could affect the audit or results of operations.

- Oversee appropriate disclosure of the Charter, and other information required to be disclosed by applicable legislation in the Corporation's public disclosure documents, including any management information circular distributed in connection with the solicitation of proxies from the Corporation's security holders.

4.3. Compliance

The Committee shall, as it determines appropriate:

- Review with the Corporation's Chief Financial Officer, other members of management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Corporation's financial statements or accounting policies.
- Review with the Corporation's external legal counsel legal matters that may have a material impact on the financial statements or accounting policies.
- Establish procedures for:
 - the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and
 - the confidential, anonymous submission by employees of the Corporation with concerns regarding any accounting or auditing matters.
- Review independent financial analyst commentary concerning the Corporation and its financial reporting.

4.4. Delegation

To avoid any confusion, the Committee responsibilities identified above are the sole responsibility of the Committee and may not be delegated to a different committee.

5. Meetings

The Chair of the Committee shall be selected by the Board. If the Chair of the Committee is not present, the members of the Committee may designate a Chair for the meeting by majority vote of the members of the Committee present.

The Committee shall meet in accordance with a schedule established each year by the Committee, and at other times that the Committee may determine. Notice of the time and place of every meeting may be given orally, in writing or by electronic communication to each member of the Committee and will be provided at least 48 hours prior to the time fixed for such meeting. A member of the Committee may, in any manner, waive notice of the meeting. Attendance of a Committee member at the meeting shall constitute waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

Quorum for all meetings shall be a majority of the Committee members. Meetings may be held in person, by video-conference, by telephone or by any combination of the foregoing. Minutes shall be maintained of all meetings of the Committee and copies of the minutes shall be made available to all members of the Board.

The Committee shall meet periodically with the Chief Financial Officer, the independent auditors and external legal counsel in separate sessions to discuss any matters that the Committee believes should be discussed privately. Meeting agendas shall be developed by the Chair of the Committee in consultation with the Corporation's management and the independent auditor. Committee members may propose agenda items through communication with the Chair of the Committee or the Chief Financial Officer. Agendas, together with appropriate briefing materials, shall be circulated to Committee members prior to meetings. At the discretion of the Committee, members of management and others may attend Committee meetings other than the separate sessions with the independent auditors, the Chief Financial Officer and the external legal counsel.

6. Resources and Authority

The Committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to engage and establish the compensation of, at the expense of the Corporation, outside advisors including experts in particular areas of accounting, legal counsel and other experts or consultants as it determines necessary to carry out its duties, without seeking approval of the Board or management. The Committee will advise the Board of any such action taken.

The Committee may require any of the Corporation's officers and employees to produce such information and reports as the Committee may deem appropriate in order for it to fulfill its duties. The Committee has the authority to conduct any investigation as it determines necessary to fulfill its responsibilities, and has the authority to communicate directly with the independent auditor as well as anyone in the Corporation.

7. Annual Evaluation

At least annually, the Committee shall, in a manner it determines to be appropriate:

- Perform a review and evaluation of the performance of the Committee and its members, including the compliance of the Committee with this Charter.
- Review and assess the adequacy of its Charter (including with respect to the procedures regarding the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements) and recommend to the Board any improvements to this Charter that the Committee determines to be appropriate.

APPROVED by the Board of Directors of K-Bro Linen Inc. on the 13th day of March, 2020

Appendix "A"

Qualifications, Performance and Independence of Independent Auditor

- Review the experience and qualifications of the senior members of the independent auditor's team.
- Confirm with the independent auditor that it is in compliance with applicable legal, regulatory and professional standards relating to auditor independence.
- Review and approve clear policies for the hiring by the Corporation of employees or partners or former employees or former partners of the current and former independent auditor.
- Review annual reports from the independent auditor regarding its independence and consider whether there are any non-audit services or relationships that may affect the objectivity and independence of the independent auditor and, if so, recommend that the Board take appropriate action to satisfy itself of the independence of the independent auditor.
- Obtain and review such report(s) from the independent auditor as may be required by applicable legal and regulatory requirements.
- Conduct an evaluation (taking into account the opinions of management) of the independent auditor's qualifications, performance and independence and present to the Board the Committee's conclusion in such regard.
- Review, as required, the independent auditor's plans with respect to the partner rotation.