K-BRO LINEN INC.

ANNUAL INFORMATION FORM

MARCH 12, 2014

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MEANING OF CERTAIN REFERENCES

All references to "K-Bro", "the Corporation", "us", "our" or "we" in this Annual Information Form includes K-Bro Linen Inc. and its wholly owned subsidiaries, K-Bro Linen Systems Inc., K-Bro Linen Limited, and K-Bro LP, which includes the operations controlled and consolidated by them, unless otherwise indicated. All references to "Management" refer to directors and senior officers of the Corporation.

Unless specifically stated otherwise, all references to "fiscal 2013" refer to the 12-month period from January 1, 2013 to December 31, 2013. All references to "fiscal 2012" refer to the 12-month period from January 1, 2012 to December 31, 2012. All references to "fiscal 2011" refer to the 12-month period from January 1, 2011 to December 31, 2011.

FORWARD LOOKING INFORMATION

In the interest of providing shareholders ("Shareholders") of K-Bro Linen Inc. (the "Corporation") with information regarding future plans and operations, this Annual Information Form ("AIF") contains forward-looking information that represents internal expectations, estimates or beliefs concerning, among other things, future activities or future operating results and various components thereof. The use of any of the words "anticipate", "continue", "expect", "may", "will", "project", "should", "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 the Corporation's 2013 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; and (vii) the availability of future financing. 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; and (iv) the level of capital expenditures. 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. Forward-looking information in this AIF is presented only as of the date made. 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.

ADDITIONAL GAAP AND NON-GAAP MEASURES

This AIF also makes reference to certain additional GAAP and non-GAAP measures to assist in assessing the Corporation's financial performance. Additional GAAP and non-GAAP measures do not have any standard meaning under Generally Accepted Accounting Principles prescribed by International Financial Reporting Standards ("GAAP") and are therefore unlikely to be comparable to similar measures presented by other issuers.

For a complete description of K-Bro's use of additional GAAP and non-GAAP measures, please see the heading, "*Terminology*" in the Corporation's 2013 annual management's discussion and analysis, which is filed under K-Bro's profile on SEDAR at www.sedar.com.

CORPORATE STRUCTURE

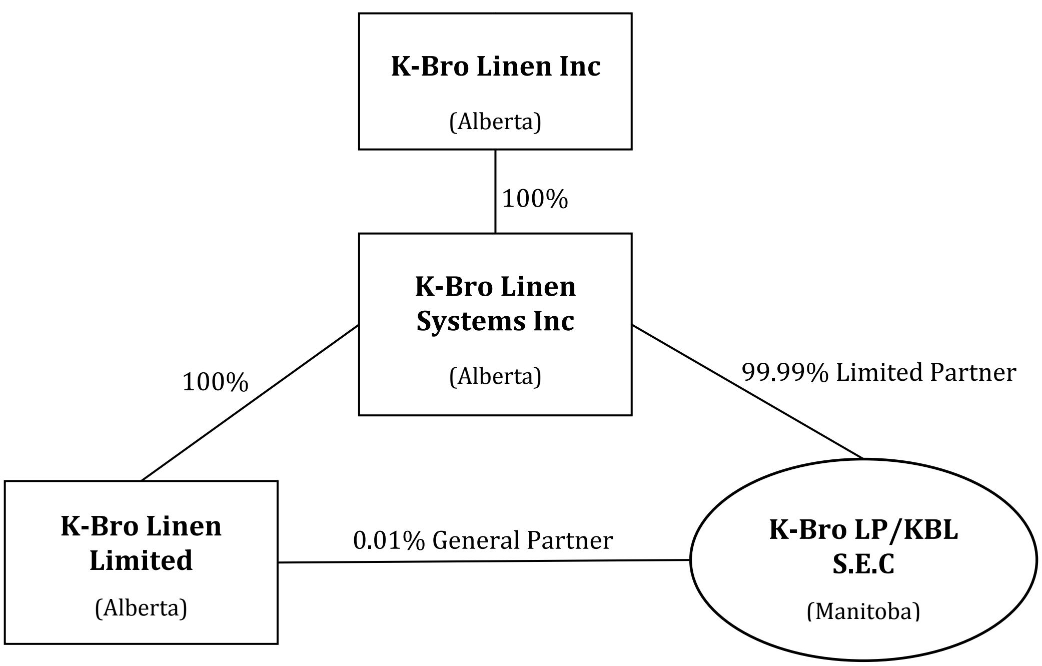
K-Bro Linen Inc. was incorporated under the *Business Corporations Act (Alberta)* ("ABCA") on November 20, 2010. The Corporation succeeded the K-Bro Linen Income Fund (the "Fund") following the completion of the conversion on January 1, 2011 from an income trust to a corporation pursuant to a court-approved plan of arrangement under the ABCA (the "Conversion"). Prior to its dissolution following completion of the Conversion, the Fund was an unincorporated, open-ended limited purpose trust established under the laws of the Province of Alberta by a declaration of trust dated December 10, 2004, as amended and restated on February 3, 2005. The Fund was created for the purpose of acquiring, directly or indirectly, all of the issued and outstanding securities of K-Bro Linen Systems Inc. from certain employees and executives thereof and K-Bro Holdings L.P.

As a result of the Conversion, the Corporation came to own, directly and indirectly, all of the outstanding units of the Fund. Following completion of the Conversion, the Fund ceased to be a reporting issuer under applicable Canadian securities legislation. The Conversion involved, among others, K-Bro Linen Income Fund, K-Bro Linen Systems Inc., and K-Bro Linen Limited. Prior to the Conversion the Corporation did not carry on any active business, other than executing certain agreements pursuant to and required by the Conversion. Despite the change in legal structure from a trust to a corporation on January 1, 2011, there were no changes in K-Bro's business activities, business strategy, officers or directors.

As a result of the Conversion, the Corporation is a reporting issuer in all 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, its subsidiaries and the partnership, as well as their respective jurisdictions of incorporation or establishment and K-Bro ownership as at December 31, 2013:



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 2014, K-Bro operates eight laundry and linen processing facilities in seven cities across Canada and employs approximately 1,600 employees.

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

- 1997 – K-Bro business was sold to a private investment firm which added required capital to the company for processing plants in Calgary and Vancouver;
- 2005 – an initial public offering of 4,343,862 units was completed at $10.00 per unit and K-Bro Linen Income Fund was listed for trading on the Toronto Stock Exchange;
- 2006 – completed the acquisition of *Premier Linen Supply Ltd.*, a hospitality linen focused processing plant in Victoria, British Columbia, using funds from a secondary equity offering of 1,080,000 units at $13.90 per unit;
- 2008 – completed an equity offering of 1,508,700 units at $12.85 per unit and acquired the operations of *Buanderie HMR Inc.*, a hospitality linen focused processor in Québec City, Québec;
- 2010 – acquired a second processing plant in Vancouver which is focused on luxury hotels in the Greater Vancouver and Whistler resort areas; and,
- 2011 – completed the Conversion from an income fund trust structure into the Corporation, and acquired the operations of *Les Buanderies Dextraze*, a processing plant focused on luxury hotel accommodations in the greater Montréal area; and,
- 2013 – awarded long-term contract from *3sHealth* (Health Shared Services Saskatchewan) to construct and operate a processing plant in Regina, Saskatchewan to provide healthcare linen services to the entire province.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

Overview

K-Bro is one of the largest owner and operators 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. Management believes that K-Bro is the leading private processor of laundry and linen in each of the markets in which it operates.

K-Bro's contracts with its healthcare customers typically range from seven to ten years. Contracts in the hospitality sector typically range from two to five years. K-Bro is the exclusive provider of laundry and linen services to most of its customers. Management expects that K-Bro's long standing relationships, customer knowledge, quality services and value added services will be beneficial when contract renewals are due. Listed in the table immediately below are examples of K-Bro's significant customer contracts, together with the expiry dates for such contracts and the number of institutions represented.

Significant Customer Contract Expiry Dates

Customer	Expiry	Number of Institutions
Health Shared Services Saskatchewan (Regina)	2025	200+
Alberta Health Services (Edmonton)	2023	7
Provincial Health Services Authority (Vancouver)	2020	6
Providence Health Care Society (Vancouver)	2020	4
Mount Sinai Hospital (Toronto)	2020	1
Alberta Health Services (Calgary)	2018	7
St. Michael's Hospital (Toronto)	2016	1
Hospital for Sick Children (Toronto)	2016	1
Vancouver Coastal Health Authority (Vancouver)	2015/2020	3/7
Fraser Health Authority (Vancouver)	2015/2020	5/4

Industry and Market

K-Bro provides laundry and linen services to Canadian healthcare, hospitality and other commercial customers. 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 privately 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 $750 and $900 million, including between $550 and $650 million of revenue derived from the healthcare segment and between $200 and $250 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 demographic.

Linen processing requirements in the hospitality segment are, to a significant extent, related to the number of hotel rooms and room occupancy rates. The numbers of hotel rooms across Canada and their occupancy rates have remained relatively consistent during the past five years.

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 Cyclicality

The linen processing requirements of healthcare and hospitality institutions are generally stable as evidenced by the stability in the number of approved hospital beds in the healthcare system and hotel rooms. In addition, a characteristic of the industry is that service relationships are typically formalized through contracts. Contracts in the healthcare segment are typically long term (up to ten years), while contracts in the hospitality segment typically range from two to five years. In general, customer turnover rates are low.

The healthcare segment of the laundry and linen services industry 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 increases in the summer months.

Outsourcing and Privatization

Healthcare institutions in many large Canadian cities currently process all of, 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 in operating their own laundry facilities. In recent years, healthcare institutions in Vancouver, Calgary, Edmonton 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 believes that the presence of these operators provides acquisition and consolidation opportunities for larger industry participants with the financial means to complete acquisitions.

Customers and Sectors

K-Bro's customers include some of the largest healthcare and hospitality institutions in Canada. 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. Most healthcare customers generate between 500,000 pounds of linen per year for a hospital and up to 30 million pounds of linen per year for a healthcare region.

For fiscal 2013, the relative revenue contributions from K-Bro's healthcare and hospitality customers were approximately 68% and 32%, respectively, which is compares to 69% and 31%, respectively, in fiscal 2012.

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 (although certain hospitality customer contracts do require K-Bro to own and manage the 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 world 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.

The majority of K-Bro's processed volume is for healthcare institutions — such as Alberta Health Services, Fraser Health Authority and Vancouver Coastal Health Authority — that 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 Collection and Transportation

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 include mid-size trucks and several tractor trailers. In Vancouver, K-Bro outsources portions of its deliveries by utilizing third party delivery companies. Once collected, the soiled linen is delivered to K-Bro's facility to be unloaded and staged on the washfloor for processing.

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.

Soil Sort and Washfloor

Healthcare linen is sorted prior to washing into different categories (e.g. by product, colour and soil content). The sorting is accomplished by various automated conveyance systems. Once sorted, linen is automatically transported by way of monorail or conveyance systems to washers for laundering.

The majority of K-Bro's laundry is processed in tunnel washers. Tunnel washers are very large (up to 70 feet long) long-life stainless steel cylinders with up to 19 different washing chambers. The chambers are designed to operate independently and can operate at different temperatures, chemistry and water levels to allow for a number of different products to be laundered simultaneously. Depending on the size of the tunnel washer, up to 7,000 pounds of laundry can be processed hourly. Tunnel washers are generally more efficient than smaller industrial washers, which reduces K-Bro's natural gas, electricity and water consumption and labour costs.

Tunnel washers use compression extraction to remove water from the linen following the washing stage. Wet linen from the tunnel washer is automatically discharged into a perforated basket where the linen is compressed under significant pressure by a hydraulic press in order to extract the water for reuse. Once this process is completed, the linen is automatically conveyed to the dryers.

Dryers

After the washing and water extraction processes are completed, linen is automatically transported into the dryers. Linens are dried for predetermined lengths of time and temperatures based on the linen type. Volume from the conventional washers is loaded into conventional dryers. Once the drying process is completed, linen is discharged and automatically conveyed to the finishing department for ironing and dryfold.

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 (e.g. terry towels) is processed in the dryfold department through automated folding equipment or "small piece folders". After completing the ironing and dryfold process, finished hospitality linen is counted, placed into sanitized carts and tubs, weighed and loaded onto delivery vehicles for return to the customer. Finished healthcare linen is conveyed automatically to the cart makeup department and generally stored by linen classification on a gravity-fed linen storage system known as a "flowrack".

Cart Makeup

K-Bro delivers clean linen to its healthcare customers using a cart exchange system, whereby each hospital unit is assigned two exchange carts — one of which is located at the K-Bro plant and the other at the hospital unit. Every 24 hours K-Bro collects empty, or partially empty, carts at the hospital and returns them to its facilities for refilling, while also delivering carts filled with processed linen to the hospital. Daily quotas for each healthcare institution are filled by K-Bro employees taking the appropriate pieces off of the flowrack and filling the empty carts to an established quota. The finished exchange carts awaiting delivery are stored in a holding area at the K-Bro plant until the next exchange takes place.

Management and Labour Force

Seven of the general managers at K-Bro's laundry facilities have each been in the industry from 19 to 30 years, and six 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 fifteen years, and has served in this capacity for the past thirteen years.

K-Bro employs in excess of 1,600 people, approximately 1,400 of whom are hourly employees 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 ("UFCW"), which represents approximately 210 employees and with Teamsters Canada ("Teamsters"), which represents approximately 20 employees. The UFCW collective bargaining agreement expired in October 2013 and is presently under re-negotiation. During August 2013, the Teamsters collective bargaining agreement was renegotiated retroactively to January 1, 2013 and is in effect until December 31, 2016. K-Bro's Québec City plant employees are covered by collective bargaining agreements with the UFCW, which represents approximately 65 employees. This collective bargaining agreement expires December 31, 2014. K-Bro's original Vancouver plant has approximately 220 employees who are covered by a collective agreement with the Teamsters which expires in 2017. The Edmonton, Calgary, Victoria, Montréal and second Vancouver plant employees are not unionized.

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 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.

Economic Dependence

For fiscal years 2013 and 2012, K-Bro earned more than 45% of its revenue from three customers. See note 26 to the Corporation's consolidated financial statements for the years ended December 31, 2013 and 2012. Loss of revenue from these customers could have a material effect on K-Bro. See also "Risk Factors".

DIRECTORS AND OFFICERS

As at March 12, 2014, the directors and senior officers of the Corporation as a group held, directly or indirectly, in the aggregate, 263,412 Common Shares of K-Bro Linen Inc., representing 3.7% of the issued and outstanding Common Shares.

The following tables set out, for each of the directors of the Corporation and senior officers of K-Bro, the person's name, municipality of residence, position(s) with the Corporation, as the case may be, and their principal occupation. 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.

Directors

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	Managing Director, LLM Capital Partners	December 2004
Steven E. Matyas[2,3] Toronto, Ontario	Director	President, Staples Canada Inc.	December 2004
Michael B. Percy[2,3] Edmonton, Alberta	Director	Professor, University of Alberta, School of Business	May 2007
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

[2] Member of the Audit Committee

[3] Member of the Compensation, Nominating and Corporate Governance Committee

Officers

The following table sets out the Corporation's officers as of March 12, 2014, 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 & General Manager (Edmonton) K-Bro Linen Systems Inc.	1999	Present
Christopher T.J. Burrows Edmonton, Alberta	Vice-President & Chief Financial Officer K-Bro Linen Systems Inc.	2010	Present
	Vice-President, Finance & Administration The Churchill Corporation	2007	2009
Ronald J. Graham Vancouver, British Columbia	General Manager (Vancouver) K-Bro Linen Systems Inc.	2002	Present
Jeffrey R. Gannon Calgary, Alberta	General Manager (Calgary) K-Bro Linen Systems Inc.	2003	Present
Jerry M. Ostrzyzek Toronto, Ontario	General Manager (Toronto) K-Bro Linen Systems Inc.	1995	Present

Biographies

Set forth below is a description of the background of the Directors and Officers of the Corporation. Each of the Directors and executive officers of the Corporation has been engaged for more than five years in his 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 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 is chair of the boards of *Kal Tire Holdings Ltd*, and *N&T Properties Ltd.*, a member of the boards of *Canfor Corporation*, and *Rotherham Holdings Ltd.* He is also a member of the Canadian Advisory Board of *Marsh Canada Limited*. 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 is a Managing Director of LLM Capital Partners, a private equity firm. He was the senior partner at BG Affiliates, the private equity group that acquired the Corporation in 1997. Matt has also held positions at *Signature Capital*, *LEK Partnership*, *Drexel Burnham Lambert* and *Bain & Company*. Mr. Hills provides advisory consulting services to the Corporation primarily in the area of acquisitions. He received an MBA from Harvard Business School and a BA (Economics and Politics) from Brandeis University.

Steven Matyas, Director. Mr. Matyas is President of *Staples Canada Inc.*, which trades as *Staples Canada* and *Bureau en Gros* (Nasdaq: SPLS), where he has held various positions since 1991. Mr. Matyas previously served as Executive Vice-President and Chief Operating Officer at *Flertom Investments Inc*., a chain of card, gift, and stationery stores. He held the same position at *SuperPharm Ltd.*, a chain of franchised pharmacies. Mr. Matyas is a director of the Ryerson University School of Retail Advisory Board and is a director of the University of Alberta School of Retail Advisory Board. Mr. Matyas received a BSc (Genetics) from the University of Toronto.

Michael Percy, Director. Dr. Percy is a Professor of Strategic Management in the School of Business at the University of Alberta. Previously Dr. Percy served as Dean, School of Business for three consecutive terms. Dr. Percy also serves as a member and committee chair on the boards of *EPCOR Utilities Inc.* and *Alberta Treasury Branches* and as a director of the *Sawridge Group of Companies*. Dr. Percy received a BA (Honours) from the University of Victoria, and an MA (Economics) and PhD (Economics) from Queen's University.

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 Certified General Accountant, a Chartered Professional Accountant, and has an MBA from the University of Western Ontario.

Sean Curtis, Senior Vice-President & General Manager (Edmonton). Mr. Curtis joined K-Bro in 1984 and has over 30 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.

Christopher Burrows, Vice-President & Chief Financial Officer. Mr. Burrows joined K-Bro in June 2010. Prior to joining K-Bro, he was the Vice-President, Finance & Administration of *The Churchill Corporation* (TSX: CUQ). Mr. Burrows' experience also includes seven years with *KPMG LLP*. He is a Canadian Chartered Accountant, a US Certified Public Accountant and a Certified Human Resource Professional. Mr. Burrows received a BSc (Genetics) and a BCom (Accounting) from the University of Alberta and holds a Masters in Accounting from the University of Saskatchewan.

Jeff Gannon, General Manager (Calgary). Mr. Gannon joined K-Bro in 1992 and has over 22 years of experience in the laundry and linen services industry. Prior to being named General Manager (Calgary) in 2003, Mr. Gannon served as the Operations Manager of K-Bro's Edmonton facility. As General Manager (Calgary), Mr. Gannon is responsible for the overall management of the K-Bro's Calgary operations.

Ron Graham, General Manager (Vancouver). Mr. Graham originally joined K-Bro in 1984 and has over 30 years of experience in the laundry and linen services industry. Prior to returning to K-Bro and being named General Manager (Vancouver) in 2002, Mr. Graham worked as an independent consultant for the laundry and linen services industry in North America and the United Kingdom. As General Manager (Vancouver), Mr. Graham is responsible for the overall management of K-Bro's original Vancouver operations.

Jerry Ostrzyzek, General Manager (Toronto). Mr. Ostrzyzek joined K-Bro in 1987 and has over 27 years of experience in the laundry and linen services industry. Mr. Ostrzyzek has served as General Manager (Toronto) since 1995. As General Manager (Toronto), Mr. Ostrzyzek is responsible for the overall management of K-Bro's Toronto operations.

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 Corporation's Common Shares will be entitled to receive any dividends if, as and when declared by the Board or Directors. 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 12, 2014, there were no preferred shares issued or outstanding.

MARKET FOR SECURITIES

The Common Shares are listed on the Toronto Stock Exchange under the trading symbol "KBL". The following table sets out the market price ranges and trading volumes for the Common Shares on the Toronto Stock Exchange for each month during fiscal 2013.

	Volume (Shares)	Monthly High ($)	Monthly Low ($)
January	132,866	$ 30.41	$ 28.38
February	137,171	$ 31.99	$ 29.70
March	95,946	$ 33.44	$ 30.90
April	139,657	$ 33.99	$ 32.10
May	119,204	$ 36.80	$ 31.55
June	188,534	$ 35.07	$ 33.05
July	110,358	$ 37.75	$ 34.00
August	230,135	$ 36.13	$ 32.15
September	136,806	$ 33.70	$ 31.59
October	167,422	$ 35.61	$ 31.39
November	200,972	$ 36.62	$ 34.21
December	199,524	$ 40.50	$ 36.41

DIVIDEND INFORMATION

The Board of Directors (the "Board") has adopted a dividend policy with the intent to pay a monthly dividend of $0.09580CAD 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.

During fiscal 2014, the Corporation has declared three monthly dividends of $0.09580CAD per Common Share, to be paid on February 14, March 14, and April 15 to Shareholders of record at the close of business on January 31, February 28, and March 31, respectively.

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

The following tables set forth the monthly cash dividend per Common Share paid by the Corporation for the preceding three years:

Period	Record Date	Payment Date		Per Share ($)		Total Dividend
January	January 31, 2013	February 15, 2013	$	0.09580	$	675,889
February	February 28, 2013	March 15, 2013	$	0.09580	$	675,889
March	March 31, 2013	April 15, 2013	$	0.09580	$	675,889
Q1, 2013			**$**	**0.28740**	**$**	**2,027,665**
April	April 30, 2013	May 15, 2013	$	0.09580	$	675,889
May	May 31, 2013	June 14, 2013	$	0.09580	$	675,889
June	June 30, 2013	July 15, 2013	$	0.09580	$	679,734
Q2, 2013			**$**	**0.28740**	**$**	**2,031,512**
July	July 31, 2013	August 15, 2013	$	0.09580	$	679,734
August	August 31, 2013	September 13, 2013	$	0.09580	$	679,734
September	September 30, 2013	October 15, 2013	$	0.09580	$	679,734
Q3, 2013			**$**	**0.28740**	**$**	**2,039,203**
October	October 31, 2013	November 15, 2013	$	0.09580	$	679,734
November	November 30, 2013	December 13, 2013	$	0.09580	$	679,734
December	December 31, 2013	January 15, 2014	$	0.09580	$	679,734
Q4, 2013			**$**	**0.28740**	**$**	**2,039,203**
2013			**$**	**1.15**	**$**	**8,137,583**

Period	Record Date	Payment Date		Per Share ($)		Total Dividend[(1)]
January	January 31, 2012	February 15, 2012	$	0.09167	$	642,273
February	February 29, 2012	March 15, 2012	$	0.09167	$	642,273
March	March 31, 2012	April 13, 2012	$	0.09167	$	642,273
Q1, 2012			**$**	**0.27501**	**$**	**1,926,819**
April	April 30, 2012	May 15, 2012	$	0.09167	$	642,273
May	May 31, 2012	June 15, 2012	$	0.09580	$	675,889
June	June 30, 2012	July 13, 2012	$	0.09580	$	675,889
Q2, 2012			**$**	**0.28327**	**$**	**1,994,051**
July	July 31, 2012	August 15, 2012	$	0.09580	$	675,889
August	August 31, 2012	September 14, 2012	$	0.09580	$	675,889
September	September 30, 2012	October 15, 2012	$	0.09580	$	675,889
Q3, 2012			**$**	**0.28740**	**$**	**2,027,667**
October	October 31, 2012	November 15, 2012	$	0.09580	$	675,889
November	November 30, 2012	December 14, 2012	$	0.09580	$	675,889
December	December 31, 2012	January 15, 2013	$	0.09580	$	675,889
Q4, 2012			**$**	**0.28740**	**$**	**2,027,667**
2012			**$**	**1.13**	**$**	**7,976,206**

(1) - The total amount of dividends paid was $0.09167 per share for Jan - Apr 2012 and $0.0958 per share for the remainder of the year; when rounded in thousands for the purposes of consolidated financial statement disclosure $7,977 of total dividends were paid for fiscal 2012.

Period	Record Date	Payment Date		Per Share ($)		Total Dividend
January	January 31, 2011	February 15, 2011	$	0.09167	$	642,146
February	February 28, 2011	March 15, 2011	$	0.09167	$	642,146
March	March 31, 2011	April 15, 2011	$	0.09167	$	642,146
Q1, 2011			**$**	**0.27501**	**$**	**1,926,438**
April	April 30, 2011	May 13, 2011	$	0.09167	$	642,146
May	May 31, 2011	June 15, 2011	$	0.09167	$	642,146
June	June 30, 2011	July 15, 2011	$	0.09167	$	642,146
Q2, 2011			**$**	**0.27501**	**$**	**1,926,438**
July	July 31, 2011	August 15, 2011	$	0.09167	$	642,146
August	August 31, 2011	September 15, 2011	$	0.09167	$	642,146
September	September 30, 2011	October 14, 2011	$	0.09167	$	642,146
Q3, 2011			**$**	**0.27501**	**$**	**1,926,438**
October	October 31, 2011	November 15, 2011	$	0.09167	$	642,146
November	November 30, 2011	December 15, 2011	$	0.09167	$	642,146
December	December 31, 2011	January 13, 2012	$	0.09167	$	642,273
Q4, 2011			**$**	**0.27501**	**$**	**1,926,565**
2011			**$**	**1.10**	**$**	**7,705,878**

AUDIT COMMITTEE INFORMATION

The Audit Committee of the Board of Directors operates under a written mandate and terms of reference that sets out, among other things, its responsibilities and composition requirements. A copy of the mandate and terms of reference is attached to this AIF as Appendix A. As at the date hereof, the members of the 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. 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 auditors, currently PricewaterhouseCoopers LLP. Any such services must be permitted services and must be pre-approved by the Committee pursuant to this policy. The Audit Committee must also pre-approve the audit services and the 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 auditors, PricewaterhouseCoopers LLP, for services rendered during 2013 and 2012:

Service	2013	2012
Audit fees	$ 117,000	$ 91,700
Audit-related fees[(1)]	$ 36,000	$ 36,000
Tax fees[(2)]	$ 1,775	$ 4,390
All other fees[(3)]	$ 9,250	$ 8,500

(1) Includes fees for quarterly interim reviews

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

(3) Includes fees for commodity tax advice and 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 is qualified in its 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 deem 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 2013 and known trends, commitments, events or uncertainties, see K-Bro's "2013 Management's Discussion and Analysis", 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. 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, 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.

Global Economic Factors

Negative economic conditions, in Canada 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, 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 operation.

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 operation. 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 operation.

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 contacts 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 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 operation.

Presently K-Bro is floating on the spot market for its natural gas and electricity requirements and is subject to prevailing market rates. K-Bro reviews its requirements and the forward pricing regularly to determine if it is feasible and desirable to lock in additional volumes or years. From time to time, K-Bro will enter into fixed price natural gas and electricity contracts with terms of up to five years to fix the price on a portion of its natural gas and electricity requirements.

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. During fiscal 2011 the cotton market experienced unprecedented prices as demand outstripped global production.

The re-useable linen products we use are sourced from a wide variety of suppliers each having 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 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.

K-Bro has entered into fixed price linen supply contracts for a one-year term in efforts to limit our exposure to the increase in cotton pricing. 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.

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.

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.

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 affect 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.

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 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. Environmental laws and regulations and their interpretation, however, have changed rapidly over the years and may continue to do so in the future.

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 are unionized and are subject to collective bargaining agreements with our production employees. Approximately 35% of K-Bro labour is unionized and their employment is governed by the terms of a collective agreement. 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.

In fiscal 2013 a new collective bargaining agreement was ratified by the Teamsters labour union in Toronto. 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.

K-Bro has also been and could continue to be the target of a unionization campaign by several unions. We will continue to oppose any unionization campaign. 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.

Unexpected Events

Unexpected events, including, without limitation, fires at facilities, natural disasters, public health emergencies, 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

Although we believe that we will be able to maintain sufficient access to the capital markets, changes in current market conditions, deterioration in our business performance, or adverse changes in the economy could limit our access to these 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 $40 million financial covenant-based credit facility with a single Canadian bank which expires on July 31, 2016. 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, ones 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 may be affected by events beyond its control. K-Bro routinely reviews the covenants based on actual and forecast results and has the ability to make changes to its development plans and/or dividend policy to comply with 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 the working interests. K-Bro has incurred no events of default under the terms of its credit facility agreement.

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 operation.

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 in recent years 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 the bank and the Board of Directors. 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 of Directors 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 Directors without the approval of any Shareholders. Any further issuance of Common Shares, including issuance under the provisions of the 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 applicable credit facilities, fluctuations in working capital, the sustainability of their margin and capital expenditure requirements. Dividends are not guaranteed and may fluctuate with the performance of the 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 cash distribution 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 of directors deems it necessary to make significant capital or other expenditures.

Restrictions on Potential Growth

The payout by the Corporation of its available cash could make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of funds could limit the future growth of K-Bro.

Tax-Related Risks

The income of the Corporation and its related entities must be computed in accordance with Canadian 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 federal income tax laws and administrative policies respecting the treatment of corporations will not be changed in a manner which adversely affects Shareholders.

The Fund completed its conversion to a corporation from an income trust pursuant to a Plan of Arrangement. Prior to the Conversion, Unitholders of the fund received monthly payments in the form of distributions. Distributions comprised a return of capital portion (tax deferred) and a return on capital portion (taxable). The return of capital component reduced the cost basis of the Units held. Effective January 1, 2011, K-Bro paid dividends to its Shareholders. Dividends from K-Bro are taxed differently than distributions of the Fund in that dividends do not comprise a return of capital and thus are fully taxable.

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 flow cash available. Previous income fund structures generally involved significant amounts of inter-company or similar debt, generating substantial interest expense, which served to reduce earnings and therefore income tax payable. Management believes that the interest expense inherent in the structure of the Fund is supportable and reasonable. The Department of Finance released proposed amendments to the Tax Act that relate to the deductibility of interest and other expenses for income tax purposes for taxation years commencing after 2004. In general, the proposed amendments may deny the realization of losses in respect of a business if there is no reasonable expectation that the business will produce a cumulative profit over the period that the business can reasonably be expected to be carried on. The Corporation believes that during the period that K-Bro operated under the income fund structure it was reasonable to have expected the business of K-Bro to produce a cumulative profit over the expected period that the business was conducted.

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 auditors 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 prevent fraud. This may cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price.

LEGAL PROCEEDINGS

To the knowledge of management of K-Bro, there are no legal proceedings filed against K-Bro 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.

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 officers.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of our directors or senior 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, 2013, the Corporation incurred such fees totalling $137,500 (December 31, 2012 – $137,500).

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Corporation's auditors are PricewaterhouseCoopers LLP, #1501, 10088-102 Avenue, Edmonton, Alberta, T5J 3N5.

For fiscal 2013, 2012 and 2011, Valiant Trust Company acted as both transfer agent and registrar for the Corporation, with registers of transfers of securities maintained in Calgary, Alberta. Commencing on January 1, 2014, Canadian Stock Transfer Agency ("CSTA") was appointed as both transfer agent and registrar for the Corporation. CSTA maintains the securities transfer registers 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 contract:

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 Bank presently has extended the Credit Facility, which is a senior secured revolving credit facility in the principal amount of $40 million CAD. The amount drawn and outstanding at December 31, 2013 was $20.3 million, including outstanding letters of credit. During fiscal 2012, the Bank reviewed the Corporation's performance and opted to renew the Credit Facility through to July 31, 2016. 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 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, ones 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 lender 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 Corporation's common shares, including limiting distributions unless sufficient funds are available for the repayments of indebtedness and the payment of interest expenses and taxes.

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 or the Fund 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. As at the date of this AIF, PricewaterhouseCoopers LLP and its partners did not hold any registered or beneficial interests, directly or indirectly, in our securities or the securities of any of our associates or affiliates.

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 17, 2014. Additional financial information is contained in the Corporation's audited consolidated financial statements for the years ended December 31, 2013 and 2012, and the annual management's discussion and analysis of financial condition and results of operations for fiscal 2013.

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
(Adopted January 1, 2011)

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, financial management, other employees and the Board concerning accounting 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.

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.

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 effectiveness of systems of 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 (and may be replaced) by the Board. 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 person" of the Corporation. (For this purpose, an "affiliate" of a person is a person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the first person.) 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 the independent auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Corporation.

- Establish 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 to the Committee (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 (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:

    - the proposed audit plan and scope of review by 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;

    - the adequacy of the procedures 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 paragraph and periodically assess the adequacy of those procedures and consider whether they are complete and consistent with the information known to committee members;

    - 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 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. <u>Compliance</u>

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. <u>Delegation</u>

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. Quorum for all meetings shall be a majority of the Committee members. 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. Meeting agendas shall be developed by the Chair of the Committee in consultation with the Corporation's management and the independent auditors. 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 has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and has direct access to the independent auditors 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.

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.