UNDERWRITING AGREEMENT

September 21, 2005

PRIVATE AND CONFIDENTIAL

KIK Custom Products Limited,
as administrator for,
KCP Income Fund
33 MacIntosh Blvd.
Concord, Ontario
L4K 4L5

Attention: Mr. David Cynamon, Chief Executive Officer

Dear Sirs:

TD Securities Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc. and Genuity Capital Markets (the **"Underwriters"**) understand that KCP Income Fund (the **"Fund"**) proposes to issue and sell units of the Fund (the **"Units"**).

Upon and subject to the terms and conditions set forth herein, the Underwriters hereby severally offer to purchase or to arrange for substituted purchasers to purchase all but not less than all of 7,400,000 Units at a price of $11.00 per Unit (the "**Purchase Price**") for gross proceeds of $81,400,000 (the **"Offering"**) and to offer such Units for sale by way of private placement to purchasers resident in all the provinces of Canada (the **"Qualifying Jurisdictions"**) and the United States pursuant to the provisions hereof. By its acceptance hereof, the Fund agrees to the right of the Underwriters to substitute purchasers resident in the Qualifying Jurisdictions in connection with the Offering.

If the Closing Date (as defined herein) occurs after October 31, 2005, the Purchase Price shall be reduced by the Purchase Price Reduction (as defined herein).

In consideration of the Underwriters' services to be rendered in connection with the Offering, the Fund shall pay, or cause to be paid, to the Underwriters, a cash commission (the **"Underwriters' Commission"**) in the amount of $2,035,000 (representing $0.275 per Unit) in the manner contemplated by Section 6.2. TD Securities Inc. is to act as sole book runner in connection with the Offering.

The Fund agrees that the Underwriters will be permitted to appoint, at their sole expense, other registered dealers (or other dealers duly qualified in their respective jurisdictions) (the **"Selling Group"**) as their agents to assist in the Offering and that the Underwriters may determine the remuneration payable by the Underwriters to such other dealers appointed by them.

This offer is conditional upon and subject to the additional terms and conditions set forth below.

1. Interpretation

1.1 In addition to the terms defined above, unless expressly provided otherwise, where used in this Agreement, the following terms shall have the following meanings, respectively:

(a) **"1933 Act"** means the United States Securities Act of 1933.

(b) **"Acquired Companies"** means APG and the other "Acquired Companies" within the meaning ascribed to such term in the Acquisition Agreement;

(c) **"Acquisition Agreement"** means the stock purchase agreement dated September 19, 2005 between KIK International LLC, APG, all of the shareholders of APG and Satish Shah, as sellers' representative, pursuant to which KIK International LLC agreed to purchase all of the shares of APG;

(d) **"Administration Agreement"** means the administration agreement entered into as of August 23, 2002 among the Fund, KOT, KLP, KIK LP Holdings Inc. and KIK Custom Products Limited as amended from time to time;

(e) **"Administrator"** means KIK Custom Products Limited in its capacity as administrator pursuant to the Administration Agreement;

(f) **"affiliate"** has, with respect to the relationship between two or more companies, the meaning given to it in the *Securities Act* (Ontario) as amended from time to time and, with respect to the relationship between two or more persons any of which are not companies, a person shall be deemed to be an affiliate of another person if one of them is controlled by the other or if both are controlled by the same person, and for this purpose, control means the right, directly or indirectly, to direct or cause the direction of the management of the affairs of a person, whether by ownership of securities, by contract or otherwise;

(g) **"Agreement"** means this Underwriting Agreement including the Schedules attached hereto and any instrument amending this Agreement; and "hereof", "hereto", "hereunder" and similar expressions mean and refer to this Agreement and not to a particular Article, Section, Subsection or Paragraph;

(h) **"APG"** means APG, Inc., a corporation existing under the laws of Indiana;

(i) **"APG Business"** means the business carried on by the Acquired Companies;

(j) **"business day"** means a day other than a Saturday, Sunday or statutory or banking holiday in the City of Toronto;

(k) **"Closing"** means the closing of the Offering;

(l) **"Closing Date"** means October 20, 2005 or such other date as may be agreed upon by the Fund and the Underwriters;

(m) **"Computershare"** means Computershare Trust Company of Canada;

(n) **"Credit Facility"** means the non-revolving term loan and revolving operating facility dated as of May 17, 2005 provided by a Canadian chartered bank to the Fund and/or certain of its subsidiaries in the aggregate amount of approximately US$130 million;

(o) **"Debt Instrument"** means any loan, bond, debenture, promissory note or other instrument evidencing material indebtedness for borrowed money or other material liability;

(p) **"Declaration of Trust"** means the declaration of trust of the Fund made as of the 9th day of July, 2002, as amended;

(q) **"Environmental Laws"** shall have the meaning ascribed to such term in Section 4.24;

(r) **"Exchange Agreement"** means the agreement dated as of August 23, 2002 among the Fund, KOT, the Vendors and KLP granting to the Vendors the right to require KLP to exchange their KLP Exchangeable Units for Units;

(s) "**Exchangeable Debentures**" means the 6.5% exchangeable unsecured subordinated debentures of KIK Acquisition Company issued on May 17, 2005;

(t) "**Existing Business**" means the business carried on by the Fund and the Subsidiaries, but for greater certainty, not including the APG Business, as described in the Public Information Record;

(u) **"Fund Audited Financial Statements"** means the audited consolidated financial statements of the Fund for the year ended December 31, 2004, together with the notes thereto and the auditors' report thereon;

(v) **"Fund Unaudited Financial Statements"** means the unaudited interim financial statements of the Fund for the six month period ended July 2, 2005, together with the notes thereto;

(w) **"Governmental Body"** means any federal, provincial, state, local, municipal, foreign, or other government body, agency, tribunal or other authority, including any administrative, executive, judicial, legislative, police, regulatory, or taxing authority;

(x) **"Hazardous Materials"** means any substance, material or waste which is regulated by or with respect to which liability or standards of conduct are imposed under any Environmental Laws relating to such substance or otherwise relating to the environment or human health or safety, including any substance which is defined as "hazardous waste", "hazardous material", "hazardous substance", "pollutant" or "contaminant" under any provision of Environmental Law, including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 6901 et seq., and including petroleum, petroleum products, asbestos, asbestos-containing material, urea formaldehyde and polychlorinated biphenyls;

(y) **"including"** means including without limitation;

(z) **"Indemnified Party"** shall have the meaning ascribed to such term in Section 8.1;

(aa) **"Indenture"** means the trust indenture dated as of May 17, 2005 among the Fund, KIK Acquisition Company and Computershare Trust Company of Canada, governing the terms of the Exchangeable Debentures;

(bb) **"insiders"** shall have the meaning ascribed to such term in Section 4.28(c);

(cc) **"KLP"** means KIK Holdings Limited Partnership, a limited partnership formed under the laws of the State of Delaware;

(dd) **"KLP Exchangeable Units"** means the Class B exchangeable units of KLP;

(ee) **"KLP Ordinary Units"** means the Class A units of KLP;

(ff) **"KOP"** means KIK Operating Partnership, a partnership formed under the laws of the Province of Ontario;

(gg) **"KOT"** means KIK Operating Trust, a trust established under the laws of the Province of Ontario and governed by the amended and restated declaration of trust of KOT dated as of August 23, 2002 under the laws of the Province of Ontario, as the same may be amended from time to time;

(hh) **“Leased Premises”** means the premises that are material to the Fund or any of the Subsidiaries, taken as a whole, and which the Fund or any of the Subsidiaries occupies as tenant;

(ii) **“Lien”** means any mortgage, charge, pledge, hypothecation, security interest, assignment, lien (statutory or otherwise), charge, title retention agreement or arrangement, restrictive covenant or other encumbrance of any nature, or any other arrangement or condition which, in substance, secures payment or performance of an obligation;

(jj) **“Material Adverse Effect”** means an effect with respect to any person that is materially adverse to the business, assets, financial condition, earnings, operations or prospects of such person;

(kk) **“Material Agreement”** means any material note, indenture or other form of indebtedness and any contract, agreement (written or oral), instrument, lease or other document to which the Fund or any of the Subsidiaries are a party or by which a material portion of the Fund’s or any Subsidiaries’ assets are bound;

(ll) **“material change”** means any material change for the purposes of the Securities Laws or any of them or where undefined under the applicable Securities Laws of a jurisdiction means, as the context requires, a change in the business, operations or capital of the Fund and the Subsidiaries, taken as a whole, that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the Fund and includes, without limitation, a decision to implement such a change made by, as applicable, the trustees of the Fund or the board of directors of the Administrator, or senior management of the Fund or the Subsidiaries who believe that confirmation of the decision by the relevant trustees or board of directors of the Administrator is probable;

(mm) **"material fact"** means a material fact for the purposes of the Securities Laws or any of them or where undefined under the applicable Securities Laws of a jurisdiction means a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of the securities of the Fund as the context requires;

(nn) **"misrepresentation"** means a misrepresentation as defined under the Securities Laws or any of them or where such term is not defined under the Securities Laws of a jurisdiction or in circumstances in which no particular laws of a jurisdiction are applicable, a misrepresentation as defined under the *Securities Act* (Ontario);

(oo) **"Offered Units"** means the Units offered for sale pursuant to the Offering;

(pp) **"Outstanding Exchangeable Securities"** means all rights, agreements or options, present or future, contingent or absolute, or any right or privilege capable of becoming a right, agreement or option, for the purchase, subscription or issuance of any units in the capital of the Fund or any other security convertible or exchangeable for units in the capital of the Fund, including options granted to officers, directors or employees, whether issued pursuant to an established plan or otherwise;

(qq) **"Permitted Encumbrances"** means: (i) security granted under the Credit Facility (ii) any "Permitted Liens" (as such term is defined under the Acquisition Agreement); (iii) security granted in connection with the issuance of the Senior Notes; (iv) liens for taxes and other governmental charges and assessments not yet due or delinquent or being contested in good faith by appropriate proceeding; (v) liens imposed by law and incurred in the ordinary course of business for obligations not yet due or delinquent; (vi) liens in respect of pledges or deposits under workers' compensation, social security or similar laws; (vii) easements, restrictions and reservations of record, if any; (viii) building and zoning by-laws, laws, ordinances and regulations; (ix) other liens, encumbrances or imperfections on property which are not material in amount and do not materially detract from the value of or materially impair the existing use of the property affected by such lien, encumbrance or imperfection;

(rr) **"person"** includes any individual, corporation, limited partnership, general partnership, joint stock corporation or association, joint venture association, corporation, trust, bank, trust corporation, land trust, investment trust, society or other entity, organization, syndicate, whether incorporated or not, trustee, executor or other legal personal representative, and governments and agencies and political subdivisions thereof;

(ss) **"Private Placement Exemptions"** means the prospectus and registration exemptions pursuant to which the Offered Units are to be offered for sale in each of the Qualifying Jurisdictions and the United States;

(tt) **"proceedings"** shall have the meaning ascribed to such term in Section 4.22;

(uu) **"Public Information Record"** means all press releases, material change reports, financial statements, prospectuses and all other documents that have been filed with or delivered by or on behalf of the Fund to the Securities Commissions pursuant to the Securities Laws;

(vv) **“Purchase Price”** has the meaning given to that term in the Preamble;

(ww) **“Purchase Price Reduction”** means the amount per Unit to be distributed by the Fund to Unitholders who are Unitholders of record on October 31, 2005 and payable within 30 days of October 31, 2005;

(xx) **“Purchasers”** means, collectively, the purchasers of the Offered Units pursuant to the Offering;

(yy) **“Qualifying Jurisdictions”** means all the provinces of Canada;

(zz) **“Returns”** has the meaning given to that term in Subsection 4.15(a);

(aaa) **“Securities Commissions”** means, collectively, the securities commissions or similar regulatory authorities in each of the Qualifying Jurisdictions and, for the purposes of Section 4.3 only, all provinces and territories of Canada;

(bbb) **“Securities Laws”** means, collectively, unless specifically stated otherwise, the applicable securities legislation of each of the Qualifying Jurisdictions and, for the purposes of Section 4.3 only, all provinces and territories of Canada, the published regulations, rules, rulings and orders made thereunder, the applicable policy statements multilateral or national instruments and similar instruments issued or adopted by the Securities Commissions and the rules of the TSX;

(ccc) **"Selling Group"** means, collectively, those registered dealers appointed by the Underwriters to assist in the Offering;

(ddd) **"Senior Notes"** means the senior secured guaranteed notes, series A of KIK Holdco Company issued in November 2003 on a private placement basis to certain institutional purchasers for gross proceeds of US$67,000,000 which mature on November 20, 2008 and bear interest at a fixed rate of 5.13%;

(eee) **"Standard Listing Conditions"** has the meaning given to that term in Section 4.5;

(fff) **"Subscription Agreements"** means, collectively, the subscription agreements entered into between the Purchasers and the Fund in connection with the Offering;

(ggg) **"Subsidiaries"** means 3068072 Nova Scotia Company, KIK Nominee Inc., KIK International LLC, KIK (Houston) Inc., KIK (SG) Holdings LLC, KIK (Louisiana) Inc., KIK-NoCal Inc., KIK Custom Products, Inc., KIK (Tacoma) Inc., KIK-SoCal Inc., KIK (Georgia) LLC, Hi-Lex LLC, Sewell Products of

Florida LLC, KIK (Virginia) LLC, KIK (Mississippi) LLC, KIK (Indianapolis) LLC, KIK (Denver) LLC, KIK Custom Products Limited, KIK LP Holdings Inc., KLP, KIK Acquisition Company, KIK Holdco Company, KOP Holdings Company, KOT, KOP;

(hhh) "**Survival Limitation Date**" means the date which is two years after the Closing Date, provided, however, that with respect to the representations and warranties set forth in Section 4.15 and any corresponding representations and warranties contained in documents submitted pursuant to this Agreement related thereto and in connection with the transaction of purchase and sale of the Offered Units contemplated by this Agreement, "**Survival Limitation Date**" means the date which is until, but not beyond, the expiration of the period, if any, during which an assessment, reassessment or other form of recognized document assessing liability for any taxes or assessments referred to in Section 4.15 (including interest and penalties) under applicable tax legislation could be issued;

(iii) **"Tax Affiliate"** has the meaning given to that term in Subsection 4.15(a) of this Agreement;

(jjj) **"Taxes"** means all taxes, charges, fees, levies, or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, license, withholding, payroll, employment, social security, unemployment, excise, estimated, severance, stamp, occupation, property, or other taxes, customs duties, fees, assessments, or charges of any kind whatsoever, including, without limitation, all interest and penalties thereon, and additions to tax or additional amounts imposed by any taxing authority, domestic or foreign, upon a Subsidiary or any Tax Affiliate;

(kkk) **"Time of Closing"** means 10:00 a.m. (Toronto time) on the Closing Date or such earlier or later time as may be agreed upon between the Fund and the Underwriters;

(lll) **"Transaction Documents"** means, collectively, this Agreement, the Subscription Agreements and the Acquisition Agreement and all ancillary documents related thereto;

(mmm) **"TSX"** means the Toronto Stock Exchange;

(nnn) **"United States"** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

(ooo) **"Units"** means units of the Fund; and (ppp) **“Vendors”** means the persons who, prior to completion of the Fund’s initial public offering, owned shares, options to acquire shares, or warrants to acquire shares, of the predecessor entity to KIK Holdco Company and KOP and the entities controlled by them.

1.2 The division of this Agreement into sections, subsections, paragraphs and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections, Subsections, Paragraphs, Schedules and other subdivisions are to sections, subsections, paragraphs, schedules and other subdivisions of this Agreement.

1.3 Words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine gender and words importing persons shall include firms and corporations and vice versa.

1.4 Wherever reference is made in this Agreement to a calculation to be made or financial statements or documents to be prepared in accordance with “generally accepted accounting principles”, such reference shall be deemed to be to the generally accepted accounting principles from time to time approved by the relevant body in the applicable jurisdiction, applicable as at the date on which such calculation is made or required to be made or such financial statements or documents are prepared or required to be prepared in accordance with generally accepted accounting principles, with such variations therefrom as are specified or required by the Securities Laws.

1.5 All amounts expressed herein in terms of money refer to lawful currency of Canada and all payments to be made hereunder shall be made in such currency.

1.6 This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

1.7 The following are the Schedules attached to this Agreement, which Schedules (including the representations, warranties and covenants set out therein) are deemed to be a part hereof and are hereby incorporated by reference herein:

Schedule “A”	-	Outstanding Exchangeable Securities
Schedule “B”	-	Indemnity
Schedule “C”	-	United States Offers and Sales
Schedule “D”	-	Opinion of Canadian Counsel to the

Fund

1.8 Time shall be of the essence hereof and with respect to the parties' respective obligations hereunder.

2. Nature of Transaction

2.1 Each Purchaser resident in Canada shall purchase Units under one or more Private Placement Exemptions so that the purchases will be exempt from the prospectus and registration requirements, as applicable, of the Securities Laws. Each Purchaser who is not resident in Canada shall purchase Units in accordance with such procedures as the Fund and the Underwriters may mutually agree, acting reasonably, in order to fully comply with the Securities Laws and the applicable securities laws of that jurisdiction. The Fund hereby agrees to comply with all securities regulatory filing requirements on a timely basis in connection with the distribution of the Offered Units to the Purchasers, including, without limitation, by filing within the periods stipulated under Securities Laws, at the Fund's expense, all private placement forms required to be filed by the Fund and the Purchasers, respectively, in connection with the Offering and paying all filing fees required to be paid in connection therewith so that the distribution of the Offered

Units may lawfully occur without the necessity of filing a prospectus or any similar document under the Securities Laws. The Underwriters agree to assist the Fund in all reasonable respects to secure compliance with all regulatory requirements in connection with the Offering. The Underwriters will notify the Fund with respect to the identity of each Purchaser as soon as practicable and with a view to leaving sufficient time to allow the Fund to secure compliance with all relevant regulatory requirements under the Securities Laws.

3. Covenants and Representations of the Underwriters

3.1 The Underwriters covenant with the Fund that it will: (a) conduct activities in connection with the distribution of the Offered Units in compliance with the Securities Laws; (b) not deliver to any Purchaser any document that would constitute an "offering memorandum" as defined in the *Securities Act* (Ontario); (c) not solicit offers to purchase or sell the Offered Units so as to require registration thereof or filing of a prospectus with respect thereto under the laws of any jurisdiction including, without limitation, the United States of America or any state thereof, and not solicit offers to purchase or sell the Offered Units in any jurisdiction outside of Canada where the solicitation or sale of the Offered Units would result in any ongoing disclosure requirements in such jurisdiction or any registration requirements in such jurisdiction except for the filing of a notice or report of the solicitation or sale; and (d) on or prior to the Closing Date obtain from each Purchaser an executed Subscription Agreement in a form reasonably acceptable to the Fund and to the Underwriters relating to the transactions herein contemplated, together with all documentation as may be necessary in connection with subscriptions for the Offered Units. The Underwriters shall use their reasonable efforts to cause members of the Selling Group, if any, to ensure that they comply with the above and shall be responsible for any contravention of the above by any such Selling Group member.

3.2 The Underwriters make the representations, warranties and covenants applicable to them in Schedule "C" hereto and agree, on behalf of themselves and their United States affiliates, for the benefit of the Fund, to comply with the U.S. selling restrictions imposed by the laws of the United States and set forth in Schedule "C" hereto, which forms part of this Agreement. They also agree to obtain such an agreement of each member of the Selling Group. Notwithstanding the foregoing provisions of this Section 3.2, an Underwriter will not be liable to the Fund under this Section 3.2 or Schedule "C" hereto with respect to a violation by another Underwriter or by another member of the Selling Group of the provisions of this Section 3.2 or Schedule "C" hereto if the Underwriter first mentioned is not itself also in violation.

4. Representations, Warranties and Covenants of the Fund

The Fund hereby represents, warrants and covenants to and with the Underwriters and hereby acknowledges that the Underwriters are relying on such representations and warranties in entering into this Agreement that:

4.1 Organization and Standing

(a) The Fund (i) has been duly created and is validly existing as a trust under the laws of the Province of Ontario and the trustees have been duly appointed as trustees of the Fund and (ii) can carry out its affairs in compliance with the terms and provisions of the Declaration of Trust, and the Declaration of Trust is a legal, valid and binding obligation of the trustees enforceable against them by the beneficiaries of the Fund in accordance with the terms of the Declaration of Trust;

(b) each of the Subsidiaries is duly organized and validly existing under the laws of its jurisdiction of formation; and

(c) no proceedings have been instituted or, to the knowledge of the Fund, are pending for, the dissolution or liquidation of the Fund or the Subsidiaries.

4.2 **Power and Authorization**

(a) Each of the Fund and the applicable Subsidiaries has all requisite legal power and authority to execute and deliver the Transaction Documents, to create, sell, issue and deliver the Offered Units and to carry out and perform its obligations under the terms of the Transaction Documents, and all requisite action has been taken, will have been taken by the Time of Closing, by the Fund and the applicable Subsidiaries to authorize the execution and delivery of such documents by KIK Custom Products Limited, as Administrator on behalf of the Fund;

(b) the Transaction Documents and the Offered Units, have been, or, as the case may be, will at the Time of Closing be, duly executed and delivered by KIK Custom Products Limited, as Administrator on behalf of the Fund, and, when so executed and delivered, will constitute valid and binding obligations of the Fund enforceable against it in accordance with their respective terms, subject to bankruptcy, insolvency and other laws affecting the rights of creditors generally;

(c) the Offered Units have been, or will be prior to the Time of Closing, created and allotted and, when issued in accordance with the applicable terms of the Transaction Documents, the Offered Units will be validly issued, fully paid and non-assessable securities of the Fund and will not have been issued in violation of or subject to any pre-emptive rights or contractual rights to purchase securities issued by the Fund;

(d) the form and terms of the certificate for the Offered Units will have been approved and adopted by the trustees of the Fund on or prior to the Closing Date and will comply with all legal requirements, and will not conflict with the Declaration of Trust;

(e) each of the Fund and the Subsidiaries has all requisite power and authority to carry on its business as now conducted and to own or lease and operate its properties and assets; and

(f) the Fund has conducted and is conducting its business in compliance, in all material respects, with the terms and provisions of the Declaration of Trust.

4.3 **Standing Under Securities Laws**

(a) The Fund is a reporting issuer, or the equivalent thereof, under the Securities Laws of all provinces and territories of Canada. The Fund is not currently in default in any material respect of any requirement of the securities laws of any and the Fund is not included on a list of defaulting reporting issuers maintained by any of the securities commissions or similar regulatory authorities in any of the Qualifying Jurisdictions. In particular, without limiting the generality of the foregoing, the Fund is in compliance at the date hereof with its obligations to make timely disclosure of all material changes relating to it and no such disclosure has been made on a confidential basis and there is no material change relating to the Fund that has occurred and with respect to which the requisite material change report has not been filed. The Public Information Record does not contain a misrepresentation at the date of filing thereof that has not been corrected since filing; and

(b) the Fund covenants to use its best efforts to maintain its status as a reporting issuer in the Qualifying Jurisdictions and to maintain such status, not in default, from the date hereof up to and including February 20, 2006.

4.4 **Authorized and Issued Capital**

The Fund is authorized to issue an unlimited number of Units, of which, as of the date hereof, 36,497,342 Units have been duly and validly issued and are outstanding as fully paid and non-assessable Units.

4.5 **Listing of Units**

The issued and outstanding Units are listed and posted for trading solely on the TSX, and no order ceasing or suspending trading in any securities of the Fund or the trading of any of the Fund's issued securities has been issued and no proceedings for such purpose are, to the knowledge of the Fund, pending or threatened. As of the Closing Date, the Offered Units will be conditionally approved for listing on the TSX, subject only to satisfaction by the Fund of customary post-closing conditions imposed by the TSX in similar circumstances (the "**Standard Listing Conditions**").

4.6 **Transfer Agent and Registrar**

Computershare at its principal offices in the city of Toronto has been duly appointed as the transfer agent and registrar of the Fund with respect to the Units.

4.7 **Outstanding Exchangeable Securities**

Except as contemplated by the Exchange Agreement and the Indenture (and as disclosed in the Public Information Record) and as set forth on Schedule "A" hereto:

(a) no person has any written or oral agreement, option, warrant, rights of conversion, understanding or commitment, or any right or privilege capable of becoming such (i) under which the Fund or any of the Subsidiaries is, or may become, obligated to issue any of its securities or (ii) for the purchase of any security (including debt) of the Fund, any of the Subsidiaries or any part of the Existing Business; and

(b) no Subsidiary owns, or has any agreement to acquire, any equity securities or other securities of any person, other than other Subsidiaries, or any direct or indirect equity or ownership interest in any other business;

4.8 **Agreements Affecting Voting or Control**

Except as disclosed in the Public Information Record, there is no agreement in force or effect which in any manner affects or will affect the voting or control of any of the securities of the Fund or any of the Subsidiaries.

4.9 **Subsidiaries**

(a) As of the date of this Agreement: (i) KOT is wholly-owned of record and beneficially by the Fund; (ii) KIK Custom Products Limited is owned of record and beneficially by KOT as to the majority equity interest (being 410,521.35 common shares or approximately 87.3%) and by the Vendors as to minority equity interests (being 52,005.52 common shares or approximately 12.7%); (iii) KIK LP Holdings Inc. is wholly-owned of record and beneficially by KOT; (iv) KLP is owned of record and beneficially as to an approximately 87.3% economic interest by KIK LP Holdings Inc. (as the sole holder of KLP Ordinary Units and a general partnership interest representing no economic interest), KIK Custom Products Limited (as to a 0.01% general partnership interest) and the Vendors as to an approximately 12.7% economic interest (through holdings of 5,200,552 KLP Exchangeable Units); and each of the Subsidiaries, other than KOT, KIK Custom Products Limited, KIK LP Holdings Inc. and KLP, is wholly-owned either directly of record or indirectly beneficially by KLP, in each case with good and marketable title, free and clear of all Liens other than pursuant to Permitted Encumbrances;

(b) immediately following the Time of Closing: (i) all of the issued and outstanding securities of APG shall be wholly-owned of record and beneficially by KIK International LLC and (ii) all of the issued and outstanding securities of the Acquired Companies shall be beneficially and wholly-owned by KIK International LLC;

(c) each of the Subsidiaries has been duly organized in its respective jurisdiction, and each of the Subsidiaries is and will be upon Closing up-to-date in all filings and in good standing under the laws of such jurisdiction, as the case may be. The issued and outstanding securities of each of the Subsidiaries have been duly authorized and validly issued and are outstanding as fully paid securities and no person has any right, agreement or option, present or future, contingent or absolute, or any right or privilege capable of becoming a right, agreement or option, for the purchase from the Fund of any interest in any of such securities or for the issue or allotment of any unissued shares in the capital of any Subsidiary or any other security convertible into or exchangeable for any such securities;

(d) except for the Subsidiaries, no affiliate of the Fund holds beneficial title to any material assets of the Fund;

(e) except as disclosed in the Public Information Record, there is no agreement in force or effect which in any manner affects or will affect the voting or control of any of the securities of the Fund or any of the Subsidiaries; and

(f) except for the Subsidiaries, the Fund does not hold, directly or indirectly, any shares, other securities, options or rights to subscribe for shares or other securities of any corporation, partnership or other entity.

4.10 **Conduct of Business**

(a) The Fund and each of the Subsidiaries have all requisite power and authority necessary to, and are duly licensed, registered or qualified to, carry on each of its businesses, including the Existing Business, as now conducted and to own or lease or operate or manage each of its properties and assets in all jurisdictions in which the Fund and each of the Subsidiaries currently carries on business, including the Existing Business, and/or owns or leases each of its properties and assets and, to the knowledge of the Fund, have conducted and are conducting each of its businesses, including the Existing Business, in compliance with all applicable laws, rules and regulations of each jurisdiction in which the Fund and each of the Subsidiaries carries on business, including the Existing Business, where the failure to do so would have a Material Adverse Effect on the Fund and the Subsidiaries, taken as a whole.

(b) The Fund and each of the Subsidiaries are to the knowledge of the Fund and its officers and trustees, duly licensed, registered or qualified in all jurisdictions in which the Fund and each of the Subsidiaries owns, leases or operates its property or carries on business, including the Existing Business, to enable each of its businesses, including the Existing Business, to be carried on as now or proposed to be conducted and to enable the Fund and each of the Subsidiaries to own, lease and operate its property and assets where the failure to do so would have a Material Adverse Effect on the Fund and the Subsidiaries, taken as a whole and all such licences, registrations and qualifications are and will as at the Closing Date be valid, subsisting and in good standing; and

(c) except as disclosed in the Public Information Record, since December 31, 2004, there has not been any material adverse change in the affairs, prospects, operations or condition of the Existing Business and no event has occurred or circumstance exists which may result in a material adverse change.

4.11 **Properties, Business and Assets**

The Fund and the Subsidiaries have , good and marketable title to the property and assets owned by them and hold a valid leasehold interest in all property leased by them, in each case, free and clear of all mortgages, charges and other encumbrances except for Permitted Encumbrances or those which would not individually or in the aggregate reasonably be expected to have a Material Adverse Effect on the Fund and the Subsidiaries, taken as a whole. All agreements under which the Fund or the Subsidiaries hold an interest in a property, business or asset are, to the knowledge of the Fund, in good standing according to their terms where the failure to be so would have a Material Adverse Effect on the Fund or the Subsidiaries, taken as a whole.

4.12 **Permits, Licenses, etc.**

Neither the Fund nor any of the Subsidiaries have received any notice of proceedings relating to the revocation or modification of any certificate, authority, permit or license necessary to conduct the business now owned or operated by it which, if the subject of an unfavourable decision, ruling or finding would have a Material Adverse Effect on the Fund and the Subsidiaries, taken as a whole.

4.13 **No Conflict**

(a) the execution, delivery and performance by the Fund and the Subsidiaries, as the case may be, of the Transaction Documents, and the issuance, sale and delivery of the Offered Units:

(i) have been duly authorized by all requisite legal action the part of such entities;

(ii) do not require the consent, approval, authorization, registration or qualification of or with any governmental authority, stock exchange, Securities Commission or other securities regulatory authority or other third party, except (A) those which have been obtained; (B) those as may be required (and will be obtained prior to the Time of Closing) under applicable Securities Laws; and (C) those required as a condition to the closing under the Acquisition Agreement (and will be obtained prior to the closing of the transactions contemplated by the Acquisition Agreement);

(iii) do not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition), require a consent or approval under, result in a breach or a violation of, or conflict with or result in a default under, or allow any other person to exercise any rights under, any of the terms or provisions of the Declaration of Trust or organizational documents, limited liability company agreement, partnership agreement or by-laws of the Fund or any of the Subsidiaries or resolutions of the board of directors or trustees (or any committee thereof), as applicable, partners or securityholders of any of the Fund or the Subsidiaries or any judgment, decree, order or award of any court, Governmental Body or arbitrator having jurisdiction over any of the Fund or the Subsidiaries or any material agreement, license or permit to which any of the Fund or the Subsidiaries is a party or by which the Existing Business may be affected;

(iv) do not and will not result in the violation of any law; and

(v) do not and will not give rise to any Lien on or with respect to the properties or assets now owned or hereafter acquired by the Fund or the Subsidiaries other than Permitted Encumbrances, or the acceleration of or the maturity of any debt under any indenture, mortgage, lease, agreement or instrument binding or affecting any of them or any of their properties (other than those which terminate by the Time of Closing or in respect of which waivers or consents have been received or will be received prior to the Time of Closing).

4.14 **Auditors**

The auditors of the Fund who audited the Audited Financial Statements delivered to the security holders of the Fund are independent public accountants as required by the Securities Laws and there has never been any reportable disagreement (within the meaning of National Instrument 51-102) with the present or any former auditor of the Fund.

4.15 **Taxes**

(a) the Fund and the Subsidiaries and any affiliated, combined or unitary group of which the Fund or a Subsidiary is or was a member, as the case may be (a **"Tax Affiliate"**), has: (i) timely filed (or has had timely filed on behalf of the Fund and the Subsidiaries) or shall file within the time required by the applicable legislation all returns, declarations, reports, estimates, information returns, elections, and statements (**“Returns”**) required to be filed or sent by it in respect of any Taxes or required to be filed or sent by it by any taxing authority having jurisdiction since incorporation to and including the filing period ending on or before Closing and all such Returns have been or will be prepared in accordance with the provisions of the applicable legislation, and, fairly and correctly represent or will represent for the purposes of the legislation which is applicable to the particular Return all information contained therein for the period reflected in such Return; (ii) timely and properly paid (or has had paid on its behalf) or shall pay all Taxes shown to be due and payable on such Returns; (iii) established on the most recent consolidated balance sheet of the Fund forming part of the Fund Audited Financial Statements and/or the Fund Unaudited Financial Statements, as applicable, in accordance with generally accepted accounting principles, reserves that are adequate for the payment of any Taxes in respect of any period to the date of the most recent consolidated balance sheet of the Fund forming part of the Audited Financial Statements and/or the Unaudited Financial Statements not yet due and payable; and (iv) has withheld or collected and remitted all amounts to be withheld or collected and remitted by it in respect of any Taxes;

(b) there are no encumbrances for Taxes upon any assets of the Fund or the Subsidiaries or of any Tax Affiliate, except encumbrances for Taxes not yet due;

(c) no deficiency for any Taxes has been proposed, asserted or assessed against the Fund or the Subsidiaries or the Tax Affiliates that has not been resolved and paid in full. No waiver, extension or comparable consent given by the Fund or the Subsidiaries or the Tax Affiliates regarding the application of the statute of limitations with respect to any Taxes or Returns is outstanding, nor is any request for any such waiver or consent pending; and

(d) none of the Fund or the Subsidiaries or any Tax Affiliate has requested any extension of time within which to file any Return, which Return has not since been filed within such extension time.

4.16 **Material Agreements**

Neither the Fund, any of the Subsidiaries nor, to the knowledge of the Fund, any other person is in default in the observance or performance of any term or obligation to be performed by it under any Material Agreement and no event has occurred which with notice or lapse of time or both would constitute such a default, in any such case which default or event would have a Material Adverse Effect on the Fund and the Subsidiaries, taken as a whole.

4.17 **No Brokers or Finders Fee**

Except for the Underwriters, there is no person acting or purporting to act at the request of the Fund, who is entitled to any brokerage or finder's fee in connection with the transactions contemplated by the Transaction Documents and in the event any person acting or purporting to act for the Fund establishes a claim for any such fee from the Purchasers, the Fund covenants to indemnify and hold harmless each Underwriter with respect thereto and with respect to all costs reasonably incurred in the defence thereof

4.18 **Records**

The minute books and records of the Fund and each of the Subsidiaries contain, in all material respects, minutes of all meetings of directors, trustees, unitholders, securityholders and members held since formation.

4.19 **Distributions**

Except for the provisions of the Declaration of Trust, there is not in any Material Agreement, any restriction upon or impediment to the declaration or payment of distributions by the trustees of the Fund or the payment of distributions by the Fund to the holders of its Units.

4.20 **Financial Information**

(a) The Fund Audited Financial Statements and the Fund Unaudited Financial Statements:

(i) have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with those of preceding fiscal periods;

(ii) present fully, fairly and correctly, in all material respects, the assets, liabilities and financial condition of the Fund as at December 31, 2004 and July 2, 2005, respectively, and the results of its operations and the changes in its financial position for the periods then ended; and

(iii) contain and reflect adequate provision or allowance for all reasonably anticipated liabilities, expenses and losses of the Fund; and

(b) since December 31, 2004, neither the Fund nor the Subsidiaries has made any change in accounting principles or practices from those utilized in the preparation of the financial statements of the Fund.

4.21 **Leases and Leased Premises**

With respect to each of the Leased Premises, the Fund or each applicable Subsidiary occupies and has the exclusive right to occupy and use the Leased Premises and each of the leases pursuant to which the Fund or each applicable Subsidiary occupies the Leased Premises is in good standing and in full force and effect in all material respects. The performance of obligations pursuant to and in compliance with the terms of the Transaction Documents and the completion by the Fund and each applicable Subsidiary of the transactions described herein, will not afford any of the parties to such leases or any other person the right to terminate such lease or result in any additional or more onerous obligations under such leases.

4.22 **Litigation**

There is no action, suit, proceeding or investigation, at law or in equity, by any person, nor any arbitration, administrative or other proceeding by or before any governmental entity pending (collectively, **"proceedings"**) or, to the knowledge of the Fund, threatened, and no event has occurred which might give rise to any proceedings against or affecting the Fund, the Subsidiaries, the Existing Business or any of their respective properties, rights or assets and there is no judgment, decree, injunction, rule, award or order of any court, government, department, board, commission, agency, arbitrator or similar body outstanding against the Fund, the Subsidiaries, the Existing Business which, in each case, would have a Material Adverse Effect on the Fund and the Subsidiaries, taken as a whole, or, if determined adversely to the Fund, the Subsidiaries or the Existing Business, would have a Material Adverse Effect on the Existing Business or the financial condition or future prospects of the Fund and the Subsidiaries, taken as a whole, or which would affect the consummation of the transactions contemplated by the Transaction Documents.

4.23 **Debt Instruments**

Other than as disclosed in the Audited Financial Statements and notes thereto, the Unaudited Financial Statements and notes thereto, the Acquisition Agreement or as incurred in the ordinary course of business, the Fund and the Subsidiaries are not parties to, bound by or subject to:

(a) any Debt Instrument; or

(b) any agreement, contract or commitment to create, assume or issue any Debt Instrument.

4.24 **Environmental Matters**

(a) Neither the Fund nor any of the Subsidiaries has been in violation of, in connection with the ownership, use, maintenance or operation of its property and assets, including the Leased Premises, any applicable federal, provincial, state, municipal or local laws, by-laws, regulations, orders, policies, permits, licences, certificates or approvals having the force of law, domestic or foreign, relating to environmental, Hazardous Materials, health or safety matters (collectively in this Section **"Environmental Laws"**), which would have a Material Adverse Effect on the Fund and the Subsidiaries, taken as a whole;

(b) without limiting the generality of Subsection 4.24(a), the Fund and each of the Subsidiaries has, to the knowledge of the Fund:

(i) operated the Leased Premises and those other properties owned, leased or managed by it; and

(ii) received, handled, used, stored, treated, shipped and disposed of all pollutants, contaminants, hazardous or toxic materials, controlled or dangerous substances or wastes and Hazardous Materials, in material compliance with all applicable Environmental Laws, except for any non-compliance that has been resolved and addressed in all material respects as required by applicable Environmental Laws;

(c) (i) there are no orders, rulings or directives issued, pending or, to the knowledge of the Fund, threatened against the Fund or any of the Subsidiaries under or pursuant to any Environmental Laws requiring any work, repairs, construction or capital expenditures with respect to the property or assets of the Fund or any of the Subsidiaries (including the Leased Premises) which would have a Material Adverse Effect on the Fund and the Subsidiaries, taken as a whole; and

(d) no notice with respect to any of the matters referred to in Subsections 4.24(a), 4.24(b) or 4.24(c), including any alleged violations by the Fund or any of the Subsidiaries, with respect thereto has been received by the Fund or any of the Subsidiaries, and no writ, injunction, order or judgement is outstanding, and no legal proceeding under or pursuant to any Environmental Laws or relating to the ownership, use, maintenance or operation of the property and assets of the Fund or any of the Subsidiaries (including the Leased Premises), is commenced, in progress or awaiting decision or to the knowledge of the Fund threatened, which would have a Material Adverse Effect on the Fund and the Subsidiaries, taken as a whole. To the knowledge of the Fund, there are no grounds on which any such legal proceeding might be commenced with any reasonable likelihood of success which would have a Material Adverse Effect on the Fund and the Subsidiaries, taken as a whole.

4.25 **The Offering and Compliance with Securities Laws**

(a) The net proceeds of the Offering will be used to finance the acquisition of APG, and for additional capital expenditures and transaction costs;

(b) The Fund will promptly comply with all filing and other requirements under the Securities Laws in connection with the Offering;

(c) The Fund shall ensure that as of the Closing Date, the Offered Units are conditionally approved for listing on the TSX, subject only to satisfaction by the Fund of the Standard Listing Conditions;

(d) The Declaration of Trust, all indentures, agreements and instruments under which the Offered Units are created and issued, including the Transaction Documents, shall be in form and substance reasonably satisfactory to the Underwriters; and

(e) The description of the Fund's relationship with the Underwriters as described in section 8.16 of the Subscription Agreements is accurate and complete.

4.26 **Insurance**

The Fund and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are customary in the businesses in which they engage or propose to engage, and the Fund and the Subsidiaries have no reason to believe that they will not be able to renew their existing insurance coverage as and when such coverage expires or obtain similar coverage from similar insurers as may be necessary to continue their business at a similar cost to that of their existing coverage.

4.27 **Restrictions on Further Issues or Sales and Transfers**

During the period commencing the date of this Agreement and ending on the day which is 90 days following the Closing Date, the Fund will not, directly or indirectly, without the prior written consent of TD Securities Inc. (which consent will not be unreasonably withheld), issue, offer, sell, negotiate or enter into an agreement or announce an intention to sell or issue, grant any option to purchase, transfer, assign or otherwise dispose of any Units or any securities convertible into or exchangeable for any Units (except in connection with the exchange, transfer, conversion or exercise rights of existing outstanding securities or existing commitments to issue securities), or announce any intention to effect the foregoing, other than the Offered Units to be issued upon Closing.

4.28 **Other**

(a) Except as disclosed in the Public Information Record, none of the trustees, directors, officers or employees of the Fund or any of the Subsidiaries, any person who owns, directly or indirectly, more than 10% of any class of securities of the Fund or securities of any person exchangeable for more than 10% of any class of securities of the Fund or any associate or affiliate of any of the foregoing, had or has any material interest, direct or indirect, in any material transaction or any proposed material transaction with the Fund or the Subsidiaries which, as the case may be, materially affects, is material to or will materially affect the Fund and the Subsidiaries, taken as a whole;

(b) neither the Fund nor the Subsidiaries have any obligations to any securityholder of the Fund or the Subsidiaries or their affiliates, other than obligations which (i) are disclosed in the Public Information Record or (ii) which have been disclosed to the Underwriters in writing;

(c) except as disclosed in the Public Information Record, and other than pursuant to this Agreement, no trustee, officer, director or employee of the Fund or any Subsidiary or any member of the immediate family of any such trustee, officer, director or employee, or any entity in which any of such persons owns any beneficial interest (other than any publicly-held corporation whose stock is traded on a national securities exchange or in the over-the-counter market and less than one percent of the stock of which is beneficially owned by any of such persons) (collectively "insiders"), has any agreement with the Fund or any Subsidiaries, (other than normal employment arrangements), any loan to or from the Fund or any Subsidiaries or any interest in any property, real, personal or mixed, tangible or intangible, used in or pertaining to the Existing Business, other than ownership of capital stock or equivalent ownership interest of the Fund or the Subsidiaries.

5. Conditions to Purchase Obligation

5.1 The following are conditions of the Underwriters' obligations to close the purchase of the Offered Units from the Fund as contemplated hereby, which conditions the Fund covenants to exercise its best efforts to have fulfilled at or prior to the Closing Date, which conditions may be waived in writing in whole or in part by the Underwriters:

(a) the Fund shall have made and/or obtained the necessary filings, approvals, consents and acceptances to or from, as the case may be, the Securities Commissions and the TSX required to be made or obtained by the Fund in connection with the Transaction Documents, on terms which are acceptable to the Fund and the Underwriters acting reasonably, it being understood that the Underwriters will do all that is reasonably required to assist the Fund to fulfill this condition;

(b) the TSX shall have conditionally approved the listing of the Offered Units, subject only to satisfaction by the Fund of the Standard Listing Conditions;

(c) the Fund's Board of Trustees shall have authorized and approved the Transaction Documents and all matters relating thereto;

(d) the transactions contemplated by the Acquisition Agreement and the implementation of the Acquisition shall be concurrently consummated in all material respects in accordance with the terms and conditions of the Acquisition Agreement without material amendment or waiver, in the determination of the Underwriters, acting reasonably;

(e) the Underwriters will have received certificates dated the Closing Date signed by the trustees or officers of the Administrator, on behalf of the Fund, as the case may be, and officers of the Subsidiaries as may be acceptable to the Underwriters, acting reasonably, in form and content satisfactory to the Underwriters, acting reasonably, with respect to:

(i) the organizational documents of the Fund and each applicable Subsidiary;

(ii) the resolutions of the trustees of the Fund and each applicable Subsidiary relevant to the allotment, issue and sale of the Offered Units and the authorization of the other agreements and transactions contemplated by this agreement; and

(iii) the incumbency and signatures of signing officers of the Fund or of the Administrator, on behalf of the Fund, as the case may be, and each applicable Subsidiary;

(f) each trustee of the Fund will provide a certificate stating that such trustee is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada);

(g) the Fund shall deliver a certificate of the Fund signed on behalf of the Fund by the Chief Executive Officer and Chief Financial Officer of the Fund or of the Administrator, on behalf of the Fund, as the case may be, addressed to the Underwriters and to the Purchasers and dated the Closing Date, in form and content satisfactory to the Underwriters' counsel, acting reasonably, certifying for and on behalf of the Fund, that:

(i) the Declaration of Trust attached to the certificate is a full, true and correct copy, unamended, and in effect on the date thereof;

(ii) the minutes or other records of various proceedings and actions of the Fund's board of trustees attached to the certificate relating to the matters contemplated by the Transaction Documents are full, true and correct copies thereof and have not been modified or rescinded as of the date thereof

(iii) no order ceasing or suspending trading in any securities of the Fund or prohibiting the issue and sale of the Offered Units or any of the Fund's issued securities has been issued or made by any stock exchange, securities commission or regulatory authority and is continuing and in effect, and no proceedings for such purpose are pending or threatened;

(iv) to the knowledge of such officers, there has been no material adverse change (actual, proposed or prospective, whether financial or otherwise) in the business, business prospects, affairs, operations, assets, liabilities (contingent or otherwise) or to the capital of the Fund and its Subsidiaries (taken as a whole) as of the date of this Agreement that has not been publicly disclosed;

(v) the representations and warranties of the Fund contained in this Agreement are true and correct as if made at the Time of Closing, with the same force and effect as if made by the Fund as at the Time of Closing after giving effect to the transactions contemplated hereby; and

(vi) the Fund has complied in all material respects with all the covenants and satisfied all the terms and conditions of this Agreement on its part to be complied with or satisfied at or prior to the Time of Closing,

and such statements will be true in fact at the Time of Closing;

(h) the Underwriters shall have received certificates, issued under section 72(8) of the *Securities Act* (Ontario) and similar provisions of the Securities Laws of the

Qualifying Jurisdictions stating that the Fund is a reporting issuer or equivalent under the Securities Laws and is not in default under the Securities Laws;

(i) the Fund will have caused favourable legal opinions to be delivered by its Canadian counsel, addressed to the Underwriters and to the Purchasers, in form and substance satisfactory to the Underwriters and their counsel, acting reasonably substantially similar to that set out in Schedule “D” hereto;

(j) the Fund will have caused any legal opinions required under the Acquisition Agreement to be delivered to the Buyer (as defined in the Acquisition Agreement) to be addressed to the Underwriters and to the Purchasers;

(k) the Fund will have caused favourable legal opinions with respect to certain tax matters to be delivered by its U.S. counsel, addressed to the Underwriters and to the Purchasers, in form and substance satisfactory to the Underwriters and their counsel, acting reasonably. With respect to U.S. counsel, the U.S. federal income tax matters to be addressed will be limited to: (i) the qualification of the Fund and KOT as a fixed investment trust; and (ii) the characterization of the promissory notes issued by KLP to KOT as debt;

(l) in giving the opinions described in Section 5.1(i), counsel to the Fund shall be entitled to rely, to the extent appropriate in the circumstances, upon local counsel and shall be entitled as to matters of fact not within their knowledge to rely upon certificates of fact from responsible persons in a position to have knowledge of such facts and their accuracy including certificates of the Fund's registrar and transfer agent, public officials and officers of the Fund and consents, approvals and certificates of government officials and regulatory authorities. The Fund agrees, and the aforesaid legal opinions shall expressly provide, that the Underwriters may deliver copies of the opinion to each of the addressees thereof;

(m) the Underwriters and the Purchasers shall have received an opinion of the Fund's U.S. counsel in form and substance reasonably satisfactory to the Underwriters and the Purchasers and their counsel and addressed to the Underwriters and the Purchasers, to the effect that registration under the 1933 Act of the Offered Securities is not required for the offer and sale thereof in the United States in accordance with the provisions of this Agreement;

(n) the representations and warranties of the Fund contained in this Agreement are true and correct, in all material respects, or, in the case of representations and warranties that are qualified by materiality, are true and correct, in each case as at the Time of Closing, with the same force and effect as if made as at the Time of

Closing after giving effect to the transactions contemplated in this Agreement and the Transaction Documents, and the Fund will have complied with all of the terms and conditions of this Agreement on its part to be complied with and satisfied at or prior to the Time of Closing;

(o) the Underwriters will have received such other certificates, opinions, agreements, materials or documents in form and substance satisfactory to the Underwriters as the Underwriters may reasonably request;

(p) the Underwriters shall have received the Underwriters' Commission; and

(q) the representations, warranties and covenants of both the Underwriters and the Fund as set out in Schedule "C" shall be true and correct.

6. Closing

6.1 The Offering will be completed on the Closing Date at the offices of the Fund's counsel, Goodmans LLP, 250 Yonge Street, Suite 2400, Toronto, ON M5B 2M6 at the Time of Closing or such other place, date or time as may be agreed to between the Fund and the Underwriters, provided that if the Fund has not been able to comply with each of the covenants and conditions set out herein required to be complied with by the Time of

Closing or such other date and time as may be mutually agreed to, and the covenants and conditions set out in the Subscription Agreements required to be completed by the Time of Closing or such other date and time as may be mutually agreed to, the respective obligations of the parties will terminate without further liability or obligation except for payment of expenses, indemnity and contribution provided for in this Agreement.

6.2 At the Time of Closing on the Closing Date, the Fund shall deliver, or cause to be delivered, the following to the Underwriters:

(a) certificates duly registered as the Underwriters may direct representing the Offered Units being purchased pursuant to the Offering;

(b) the requisite legal opinions and certificates as contemplated above;

(c) such further documentation as may be contemplated herein, reasonably requested by the Underwriters or their counsel or the applicable regulatory authorities may reasonably require; and

(d) the Underwriters' Commission,

against delivery of the Subscription Agreements and other documentation required to be provided by or on behalf of the Purchasers or the Underwriters pursuant to the Transaction Documents and payment by the Underwriters of the aggregate proceeds of the Offering to the Fund.

6.3 All terms and conditions of this Agreement shall be construed as conditions and any breach or failure to comply with any such terms and conditions shall entitle the Underwriters to terminate their obligations (and those of the Purchasers) with respect to the Offered Units by written notice to that effect if given to the Fund prior to the Time of Closing. It is understood that the Underwriters may waive in whole or in part, or extend the time for compliance with, any of such terms and conditions on its behalf and on behalf of the Purchasers without prejudice to their rights in respect of any such terms and conditions or any other subsequent breach or non-compliance, provided that to be binding on the Underwriters and the Purchasers, any such waiver or extension must be in writing.

6.4 Notwithstanding section 3.2 of the Subscription Agreement, the Underwriters shall be solely responsible for allocating the Offered Units among prospective Purchasers and the Fund shall accept such allocation unless said allocation is not substantially as set forth in the proposed allocation of the Offered Units reflected in the proposed list of purchasers previously delivered by the Underwriters to the Fund. Moreover, the Fund may not reject any proposed subscription for Offered Units unless:

(a) the form thereof does not correspond to the form of the Subscription Agreements;

(b) the aggregate number of Offered Units subscribed for exceeds the maximum number of Offered Securities to be sold under this Agreement; or

(c) the acceptance thereof would not be in compliance with the applicable Securities Laws or would be contrary to the provisions hereof.

7. Termination of Underwriters' Obligations

7.1 If any inquiry, investigation or other proceeding is instituted, threatened or announced or any order is made by any federal, provincial or other governmental authority in relation to the Fund or any of its respective subsidiaries (in each case, other than an inquiry, investigation, proceeding or order based upon the activities or alleged activities of the Underwriters or any selling firm) which, in the opinion of any of the Underwriters, acting reasonably, operates to prevent or restrict the distribution or trading of the Units, including the Offered Units, such Underwriter shall be entitled, at its option and in accordance with Section 7.4, to terminate its obligations under this Agreement by notice to that effect given to the Fund any time prior to the Closing Time.

7.2 Without limiting any of the foregoing provisions of this Agreement, and in addition to any other remedies which may be available to them, the Underwriters (or any of them) shall be entitled, at their (or its) option, to terminate and cancel without any liability on their part, their obligations under this Agreement to purchase the Offered Units by giving written notice to the Fund at any time prior to the Closing Time if:

(a) there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence, including acts of terrorism, war or like event, or any government action, law, regulation, inquiry, or other occurrence of any nature whatsoever which, in the opinion of any of the Underwriters, acting reasonably, seriously adversely affects, or involves, or will seriously affect, or involve, the financial markets in Canada or the United States, or the Existing Business, or the APG Business, or the business, operations or affairs of the Fund and the Subsidiaries, taken as a whole; or

(b) if trading in any securities of the Fund has been suspended or materially limited by the Ontario Securities Commission or the TSX or if trading generally on the TSX has been suspended or materially limited, or minimum or maximum prices for trading in any securities of the Fund have been fixed, or maximum ranges for prices in any securities of the Fund have been required, in each case, by the TSX or by order of the Ontario Securities Commission or any other governmental authority; or

(c) there should occur any material change (actual, contemplated or threatened) or a change in any material fact in relation to the Existing Business, the APG Business, the business, affairs, operations, assets, liabilities (contingent or otherwise), capital or ownership of the Fund and the Subsidiaries, taken as a whole, or the Units, which results or, in the opinion of the Underwriters (or any of them), after consultation with the Fund, has or is reasonably expected to have a significant adverse effect on the market price or value of the Units; or

(d) there is announced any change or proposed change in the taxation legislation of Canada or the United States or of any provinces of Canada or states of the United States applicable to income funds or similar entities or any changes or proposed changes in the administration or application of such legislation by any relevant taxing authority which, in the opinion of the Underwriters (or any of them), based on advice of counsel, would reasonably be expected to have a Material Adverse Effect on the Fund or on the market price or value of the Units.

7.3 The Fund agrees that all terms and conditions in Section 5 shall be construed as conditions and complied with so far as they relate to acts to be performed or caused to be performed by it, that it will use its best efforts to cause such conditions to be complied with, and that any breach or failure by the Fund to comply with any such conditions shall entitle any of the Underwriters to terminate its obligations to purchase the Offered Units by notice to that effect given to the Fund at or prior to the Closing Time, unless otherwise expressly provided in this Agreement. Each Underwriter may waive, in whole or in part, or extend the time for compliance with, any terms and conditions without prejudice to its rights in respect of any other terms and conditions or any other or subsequent breach or non-compliance, provided that any such waiver or extension shall be binding upon an Underwriter only if such waiver or extension is in writing and signed by the Underwriter.

7.4 The rights of termination contained in Sections 7.1, 7.2 and 7.3 may be exercised by any of the Underwriters and are in addition to any other rights or remedies any of the Underwriters may have in respect of any default, act or failure to act or non-compliance by the Fund in respect of any of the matters contemplated by this Agreement or otherwise. In the event of any such termination, there shall be no further liability on the part of the Underwriters to the Fund or on the part of the Fund to the Underwriters except in respect of any liability which may have arisen prior to or arise after such termination under Sections 8, 9 and 10. A notice of termination given by an Underwriter under Sections 7.1, 7.2 and 7.3 shall not be binding upon any other Underwriter.

8. Indemnity

8.1 The Fund agrees to indemnify and hold harmless the Underwriters, their affiliates, their respective directors, officers, employees, partners, agents (each being referred to as an **"Indemnified Party"**) pursuant to the terms as attached hereto as Schedule "B".

9. Contribution

9.1 In the event that the indemnity provided for in Section 8.1 is, for any reason, illegal or unenforceable as being contrary to public policy or for any other reason, the Underwriters and the Fund shall contribute to the aggregate of all losses, claims, costs, damages, expenses or liabilities (excluding loss of profits or consequential damages) of the nature provided for above such that the Underwriters shall be responsible for that portion represented by the percentage that the amount of the Underwriters' Commission payable to the Underwriters bears to the gross proceeds from the sale of the Offered Units and the Fund shall be responsible for the balance, provided that, in no event, shall the Underwriters be responsible for any amount in excess of the aggregate amount of the Underwriters' Commission actually received by it. In the event that the Fund may be held to be entitled to contribution from the Underwriters under the provisions of any statute or law, the Fund shall, in respect of the Underwriters, be limited to contribution in an amount not exceeding the lesser of: (i) the portion of the full amount of losses, claims, costs, damages, expenses and liabilities, giving rise to such contribution for which the Underwriters are responsible, as determined above, and (ii) the amount of the Underwriters' Commission actually received by the Underwriters. Notwithstanding the foregoing, a party guilty of fraudulent misrepresentation or negligence shall not be entitled to contribution from the other party. Any party entitled to contribution will, promptly after receiving notice of commencement of any claim, action, suit or proceeding against such party in respect of which a claim for contribution may be made against the other party under this Section 9.1, notify such party from whom contribution may be sought. In no case shall such party from whom contribution may be sought be liable under this Agreement unless such notice has been provided, but the omission to so notify such party shall not relieve the party from whom contribution may be sought from any other obligation it may have otherwise than under this Section 9.1. The right to contribution provided in this Section 9.1 shall be in addition and not in derogation of any other right to contribution which the Underwriters or the Fund may have by statute or otherwise by law.

10. <u>Expenses</u>

10.1 All expenses incurred from time to time in connection with the Offering, including the fees, GST and disbursements of the Underwriters' counsel and all of the Underwriters' travel and out-of-pocket expenses related to information meetings and travel, of or incidental to the sale, issue or distribution of the Offered Units and to all matters in connection with the transactions herein set forth shall be borne by the Underwriters, whether or not the Offering is completed, payable forthwith upon the receipt of an invoice.

11. Rights to Purchase

11.1 The obligation of the Underwriters to purchase the Offered Units at the Closing Time shall be several and not joint and several and shall be limited to the percentage of the Offered Units set out opposite the name of the Underwriters respectively below:

TD Securities Inc.	60%
National Bank Financial Inc.	13%
BMO Nesbitt Burns Inc.	9%
CIBC World Markets Inc.	9%
Genuity Capital Markets	9%

In the event that any of the Underwriters shall fail to purchase its applicable percentage of the Offered Units at the Closing Time, the others shall have the right, but shall not be obligated, to purchase on a *pro rata* basis all of the Offered Units which would otherwise have been purchased by that one of the Underwriters which is in default; provided that TD Securities Inc. shall be obligated to purchase all of the Offered Units unless this Agreement is terminated pursuant to Section 7. Nothing in this paragraph shall oblige the Fund to sell to the Underwriters less than all of the Offered Units or relieve from liability to the Fund any Underwriter which shall be so in default. In the event of a termination by the Fund of its obligations under this Agreement, there shall be no further liability on the part of the Fund to the Underwriters except in respect of any liability which may have arisen or may arise under Sections 8, 9 and 10.

12. Survival of Warranties, Representations, Covenants and Agreements

12.1 All warranties, representations, covenants and agreements of the Fund and the Underwriters herein contained or contained in documents submitted or required to be submitted pursuant to this Agreement shall survive the purchase by the Purchasers and shall continue in full force and effect for the benefit of the Purchasers, the Underwriters and/or the Fund, as the case may be, regardless of the Closing and regardless of any investigation which may be carried out by the Underwriters or the Purchasers on their behalf until the Survival Limitation Date, provided, however, that a claim for any breach of any of the representations and warranties contained in this Agreement or contained in documents submitted pursuant to this Agreement and in connection with the transaction of purchase and sale of the Offered Units contemplated by this Agreement involving fraud or fraudulent misrepresentation may be made at any time following the Closing Date. Without limiting the generality of the foregoing, the provisions contained in this Agreement in any way related to indemnification or contribution shall survive and continue in full force and effect, indefinitely.

13. Actions By Underwriters

13.1 All steps which must or may be taken by the Underwriters in connection with this Agreement, with the exception of the steps contemplated by Sections 6.3 (if and to the extent that it concerns any waiver of a material condition of the Closing), 7 and 8, may be taken by TD Securities Inc. on its own behalf and on behalf of the Underwriters, and each of the Underwriters authorizes the Fund to deal solely with, and to accept notification from, TD Securities Inc. with respect to any such steps on behalf of the Underwriters. TD Securities Inc. shall use its best efforts to consult with the Underwriters prior to taking any action on their behalf, and shall in any event advise the Underwriters of steps taken on their behalf.

14. Notice

14.1 Any notice or other communication to be given hereunder shall be in writing and shall be given by delivery or by facsimile, as follows:

if to the Fund:

KIK Custom Products Limited
as administrator for KCP Income Fund
33 MacIntosh Blvd.
Concord, ON L4K 4L5

Attention:	David Cynamon
Facsimile No.:	(905) 660-7333

with copies to:

Goodmans LLP
250 Yonge Street
Suite 2400
Toronto, ON M5B 2M6

Attention: Allan Goodman
Facsimile No.: (416) 979-1234

or if to the Underwriters:

c/o TD Securities Inc.
TD Bank Tower
66 Wellington Street West
9th Floor
Toronto, ON M5K 1A2

Attention: Peter Giacomelli
Facsimile No.: (416) 983-3176

with copies to:

Torys LLP
Suite 3000
Box 270, TD Centre
79 Wellington Street West
Toronto, ON M5K 1N2

Attention: Matthew W. Cockburn
Facsimile No.: (416) 865-7662

and if so given, shall be deemed to have been given and received upon receipt by the addressee or a responsible officer of the addressee if delivered, or four hours after being sent by facsimile and receipt confirmed during normal business hours at the location of the recipient, as the case may be. Any party may, at any time, give notice in writing to the others in the manner provided for above of any change of address or telecopier number.

14.2 This Agreement and the other documents herein referred to constitute the entire agreement between the Underwriters and the Fund relating to the subject matter hereof and supersede all prior agreements between the Underwriters and the Fund with respect to their respective rights and obligations in respect of the Offering.

14.3 This Agreement may be executed by facsimile and in one or more counterparts which, together, shall constitute an original copy hereof as of the date first noted above. Counterparts may be delivered by facsimile, e-mail or other form of electronic communication.

14.4 Notwithstanding the provisions of this Agreement, the obligations of the Fund are not personally binding upon:

(a) any registered or beneficial owner of the Fund's units (a **"Unitholder"**);

(b) any annuitant under a plan of which a Unitholder acts as a Fund or carrier; or

(c) the directors, officers, trustees, consultants, employees or Underwriters of the Fund,

and resort shall not be had to, nor shall recourse or satisfaction be sought from any of the foregoing or the private property of any of the foregoing, but only the property of the Fund shall be bound by such obligations.

14.5 This Agreement shall be governed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

[INTENTIONALLY LEFT BLANK]

If this Agreement accurately reflects the terms of the transaction which we are to enter into and if such terms are agreed to by the Fund, please communicate your acceptance by executing where indicated below and returning one originally executed copy to the Underwriters.

Yours very truly,

TD SECURITIES INC.

Per: *"Peter Giacomelli"*
Name: Peter Giacomelli
Title: Managing Director

NATIONAL BANK FINANCIAL INC.

Per: *"Peter Jelley"*
Name: Peter Jelley
Title: Managing Director

BMO NESBITT BURNS INC.

Per: *"Harold Wolkin"*
Name: Harold Wolkin
Title: Managing Director

CIBC WORLD MARKETS INC.

Per: *"Francis Mason"*
Name: Francis Mason
Title: Managing Director

GENUITY CAPITAL MARKETS

Per: *"Earl Rotman"*
Name: Earl Rotman
Title: Principal

The foregoing accurately reflects the terms of the transaction which we are to enter into and such terms are agreed to with effect as of the date first above written.

KCP INCOME FUND, by its adminstrator
KIK Custom Products Limited

Per: *"David Cynamon"*

Name: David Cynamon
Title: Chief Executive Officer

SCHEDULE "A"

OUTSTANDING EXCHANGEABLE SECURITIES

- 5,200,552 KLP Exchangeable Units
- US$79,545,000 principal amount of Exchangeable Debentures

SCHEDULE "B"

INDEMNITY

The Fund agrees to indemnify and hold harmless the Underwriters, their affiliates, their respective directors, officers, employees, partners, agents and each other person, if any, controlling the Underwriters or any of their affiliates (collectively, the **"Indemnified Parties"** and individually, an **"Indemnified Party"**), to the full extent lawful, from and against any and all expenses, losses, claims, actions, damages and liabilities, joint or several, (including the aggregate amount paid in reasonable settlement of any actions, suits, proceedings, investigations or claims and the reasonable fees and expenses of their counsel that may be incurred in advising with respect to and/or defending and/or settling any action, suit, proceeding, investigation or claim that may be made or threatened against any Indemnified Party but not including any amount for lost profits) to which any Indemnified Party may become subject or otherwise involved in any capacity under any statute or common law or otherwise insofar as such expenses, losses, claims, actions, damages or liabilities relate to, are caused by, result from, arise out of or are based upon, directly or indirectly, the performance of professional services rendered to the Fund by the Underwriters under the attached letter agreement or otherwise in connection with the matters referred to in such letter agreement.

Notwithstanding the foregoing, this indemnity shall cease to apply if and to the extent that a court of competent jurisdiction in a final judgment (in a proceeding to which the Underwriters were named as parties) that has become non-appealable shall determine that such expenses, losses, claims, actions, costs, damages or liabilities to which the Indemnified Party may be subject were caused by the negligence or willful misconduct of the Indemnified, Party.

The Fund agrees that in case any legal proceeding shall be brought against the Fund and the Underwriters or any other Indemnified Party by any governmental commission or regulatory authority or any stock exchange or other entity having regulatory authority, either domestic or foreign, or if any such entity shall investigate the Fund and/or the Underwriters or any other Indemnified Party and the Underwriters or such other Indemnified Party shall be required to testify in connection therewith or shall be required to respond to procedures designed to discover information regarding, in connection with or by reason of the attached letter agreement, the engagement of the Underwriters thereunder, or the performance of professional services rendered to the Fund by the Underwriters thereunder, the Underwriters or such other Indemnified Party shall have the right to employ their own counsel in connection therewith, and the reasonable fees and expenses of such counsel as well as the reasonable costs (including an amount to reimburse the Underwriters for time spent by their, or any of their affiliates, directors, officers, employees, partners or Underwriters (collectively, **"Personnel"**) in connection therewith) and out-of-pocket expenses incurred by the Personnel in connection therewith shall be paid by the Fund as they occur.

Promptly after receiving notice of an action, suit, proceeding or claim against the Underwriters or any other Indemnified Party or receipt of notice of the commencement of any investigation which is based, directly or indirectly, upon any matter in respect of which indemnification may be sought from the Fund, the Underwriters will notify the Fund in writing of the particulars thereof, will provide copies of all relevant documentation to the Fund and, unless the Fund assumes the defence thereof, will keep the Fund advised of the progress thereof and will discuss all significant actions proposed. The omission so to notify the Fund shall not relieve the Fund of any liability which the Fund may have to the Underwriters or any other Indemnified Party except only to the extent that any such delay in giving or failure to give notice as herein required materially prejudices the defence of such action, suit, proceeding, claim or investigation or results in any material increase in the liability which the Fund would otherwise have under this indemnity had the Underwriters not so delayed in giving or failed to give the notice required hereunder.

The Fund shall be entitled, at its own expense, to participate in and, to the extent it may wish to do so, assume the defence thereof, provided such defence is conducted by experienced and competent counsel. Upon the Fund notifying the Underwriters in writing of its election to assume the defence and retaining counsel, the Fund shall not be liable to the Underwriters or any other Indemnified Party for any legal expenses subsequently incurred by them in connection with such defence. If such defence is assumed by the Fund, the Fund throughout the course thereof will provide copies of all relevant documentation to the Underwriters, will keep the Underwriters advised of the progress thereof and will discuss with the Underwriters all significant actions proposed.

Notwithstanding the foregoing paragraph, any Indemnified Party shall have the right, at the Fund’s expense, to employ counsel of such Indemnified Party’s choice, in respect of the defence of any action, suit, proceeding, claim or investigation if: (i) the employment of such counsel has been authorized by the Fund; or (ii) the Fund has not assumed the defence and employed counsel therefor within a reasonable time after receiving notice of such action, suit, proceeding, claim or investigation; or (iii) counsel retained by the Fund or the Indemnified Party has advised the Indemnified Party that representation of both parties by the same counsel would be inappropriate for any reason, including without limitation because there may be legal defences available to the Indemnified Party which are different from or in addition to those available to the Fund (in which event and to that extent, the Fund shall not have the right to assume or direct the defence on the Indemnified Party's behalf) or that there is a conflict of interest between the Fund and the Indemnified Party or the subject matter of the action, suit, proceeding, claim or investigation may not fall within the indemnity set forth herein (in either of which events the Fund shall not have the right to assume or direct the defence on the Indemnified Party's behalf).

No admission of liability and no settlement of any action, suit, proceeding, claim or investigation shall be made without the consent of the Indemnified Parties affected. No admission of liability shall be made and the Fund shall not be liable for any settlement of any action, suit, proceeding, claim or investigation made without its consent.

The Fund hereby acknowledges that the Underwriters acts as Fund for the other Indemnified Parties of the Fund's covenants under this indemnity with respect to such persons and the

Underwriters agrees to accept such Fund and to hold and enforce such covenants on behalf of such persons.

The indemnity and contribution obligations of the Fund hereunder shall be in addition to any liability which the Fund may otherwise have (including without limitation under the attached letter agreement), shall extend upon the same terms and conditions to the Indemnified Parties and shall be binding upon and enure to the benefit of any successors, permitted assigns, heirs and personal representatives of the Fund, the Underwriters and any other Indemnified Party. The foregoing provisions shall survive the completion of professional services rendered under the attached letter agreement or any termination of the authorization given by the attached letter agreement.

SCHEDULE "C"

UNITED STATES OFFERS AND SALES

This is Schedule "C" to the Underwriting Agreement between KCP Income Fund (the **"Fund"**) and TD Securities Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc. and Genuity Capital Markets (the **"Underwriters"**) dated September 21, 2005 (the **"Underwriting Agreement"**). Capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Underwriting Agreement and the following terms shall have the meanings indicated:

(a) **"1933 Act"** means the *United States Securities Act of 1933*, as amended;

(b) **"1934 Act"** means the *United States Securities Exchange Act of 1934*, as amended;

(c) **"Directed Selling Efforts"** means directed selling efforts as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule, it means, subject to the exclusions from the definition of directed selling efforts contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Offered Units and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the offering of the Offered Units;

(d) **"Foreign Issuer"** shall have the meaning ascribed thereto in Regulation S. Without limiting the foregoing, but for greater clarity, it means any issuer which is (a) the government of any country other than the United States, of any political subdivision thereof or a national of any country other than the United States; or (b) a corporation or other organization incorporated under the laws of any country other than the United States, except an issuer meeting the following conditions: (1) more than 50 percent of the outstanding voting securities of such issuer are held of record either directly or through voting trust certificates or depositary receipts by residents of the United States; and (2) any of the following: (i) the majority of the executive officers or directors are United States citizens or residents, (ii) more than 50 percent of the assets of the issuer are located in the United States, or (iii) the business of the issuer is administered principally in the United States;

(e) **"General Solicitation or General Advertising"** means **"general solicitation or general advertising"**, as used under Rule 502(c) of Regulation D under the 1933 Act, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising;

(f) **"Qualified Institutional Buyer"** means those "qualified institutional buyers" specified in Rule 144A under the 1933 Act;

(g) **“Regulation D”** means Regulation D adopted by the SEC under the 1933 Act;

(h) **“Regulation S”** means Regulation S adopted by the SEC under the 1933 Act;

(i) **“SEC”** means the United States Securities and Exchange Commission;

(j) **“Securities”** means the Offered Units;

(k) **“Substantial U.S. Market Interest”** means substantial U.S. market interest as that term is defined in Regulation S;

(l) **“United States”** means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia; and

(m) **“U.S. Subscription Agreement”** means the subscription agreement delivered to and executed by each Purchaser of Offered Units resident in the United States.

Representations, Warranties and Covenants of the Underwriters

The Underwriters acknowledge that the Offered Units have not been and will not be registered under the 1933 Act and may be offered and sold only in transactions exempt from or not subject to the registration requirements of the 1933 Act. Accordingly, the Underwriters represent, warrant and covenant to the Fund that:

1. The Underwriters have not offered and sold, and will not offer and sell, any Offered Units except (a) in an offshore transaction in accordance with Rule 903 of Regulation S or (b) within the United States as provided in paragraphs 2 through 11 below. Accordingly, none of the Underwriters, their affiliates nor any persons acting on their behalf, has made or will make (except as permitted in paragraphs 2 through 11 below) (i) any offer to sell or any solicitation of an offer to buy, any Offered Units to any person in the United States, (ii) any sale of Offered Units to any purchaser unless, at the time the buy order was or will have been originated, the purchaser was outside the United States, or the Underwriters, affiliate or person acting on behalf of any of them reasonably believed that such purchaser was outside the United States, or (iii) any Directed Selling Efforts in the United States with respect to the Offered Units.

2. The Underwriters have not entered and will not enter into any contractual arrangement with respect to the distribution of the Offered Units, except with their affiliates, any selling group members or with the prior written consent of the Fund. They shall require each selling group member to agree, for the benefit of the Fund, to comply with, and shall use their best efforts to ensure that each selling group member complies with, the same

provisions of this Schedule as apply to such Underwriters as if such provisions applied to such selling group member.

3. The Underwriters are duly registered as broker-dealers pursuant to section 15(b) of the 1934 Act and under the securities laws of each state in which such offers and sales of Offered Units were or will be made (unless exempted from the respective state's broker-dealer registration requirements) and are members in good standing with the National Association of Securities Dealers, Inc. All offers and sales of Offered Units in the United States were made and will be made in compliance with all applicable United States federal and state broker-dealer requirements.

4. Offers and sales of Offered Units in the United States shall not be made (i) by any form of General Solicitation or General Advertising or (ii) in any manner involving a public offering within the meaning of section 4(2) of the 1933 Act.

5. Any offer, sale or solicitation of an offer to buy Offered Units that has been made or will be made in the United States was or will be made only to Qualified Institutional Buyers in transactions that are exempt from registration in accordance with Rule 144A and available exemptions under all applicable state securities laws.

6. The Underwriters may offer the Offered Units in the United States only to offerees with respect to which the Underwriters have a pre-existing relationship and reasonable grounds to believe are Qualified Institutional Buyers and at the time of completion of each sale to a person in the United States, the Underwriters, their affiliates, and any person acting on its or their behalf will have reasonable grounds to believe and will believe, that each purchaser designated by the Underwriters to purchase Offered Units from the Fund is a Qualified Institutional Buyer.

7. Prior to completion of any sale of Offered Units in the United States, each Purchaser in the United States will be required to execute a U.S. Subscription Agreement, including a U.S. representation letter containing representations, warranties and agreements to the Fund substantially similar to those set forth in Schedule C to the Subscription Agreements.

8. All purchasers of the Offered Units in the United States shall be informed that the Offered Units have not been and will not be registered under the 1933 Act and the Offered Units are being offered and sold to such purchasers in reliance on the exemption from the registration requirements of the 1933 Act provided by Rule 144A thereunder.

9. At least one business day prior to the Closing Date, the Underwriters will provide the transfer agent with a list of all Purchasers of the Offered Units in the United States.

10. At Closing, the Underwriters will provide a certificate, substantially in the form of Appendix I to this Schedule "C", relating to the manner of the offer and sale of the Offered Units in the United States.

11. None of the Underwriters, their affiliates or any person acting on their behalf (other than the Fund, its affiliates and any person acting on their behalf, as to which no representation is made) has taken or will take, directly or indirectly, any action in violation of Regulation M under the 1934 Act in connection with the offer and sale of the Securities.

Representations, Warranties and Covenants of the Fund

The Fund represents, warrants, covenants and agrees that:

1. The Fund is a Foreign Issuer and reasonably believes that there is no Substantial U.S. Market Interest in the Offered Units.

2. The Fund is not, and as a result of the sale of the Units contemplated hereby will not be, required to be registered as an "investment company" under the *United States Investment Company Act of 1940*, as amended.

3. Except with respect to offers and sales to Qualified Institutional Buyers in reliance upon an exemption from the registration requirements of the 1933 Act, neither the Fund nor any of its affiliates, nor any person acting on its or their behalf, has made or will make: (A) any offer to sell, or any solicitation of an offer to buy, any Offered Units to a person in the United States; or (B) any sale of Offered Units unless, at the time the buy order was or will have been originated, the purchaser is (i) outside the United States or (ii) the Fund, its affiliates, and any person acting on their behalf reasonably believe that the purchaser is outside the United States.

4. During the period in which the Offered Units are offered for sale, neither it nor any of its affiliates, nor any person acting on its or their behalf (i) has made or will make any Directed Selling Efforts in the United States, or (ii) has engaged in or will engage in any form of General Solicitation or General Advertising with respect to offers or sales of the Securities in the United States.

5. During the period in which the Offered Units are offered for sale, neither it nor any of its affiliates, nor any person acting on its or their behalf will take any action that would cause an exemption from the registration requirements of the 1933 Act to be unavailable for offers and sales of the Offered Units, pursuant to this Agreement or which would constitute a violation of Regulation M under the 1934 Act.

6. None of the Fund or any of its affiliates or any persons acting on their behalf has offered or sold, or will offer or sell, any of the Offered Units in the United States, except for offers and sales made through the Underwriters and their affiliates in compliance with this Schedule "C".

7. The Fund will notify Computershare Investor Services Inc. as soon as practicable upon it becoming a "domestic issuer", as defined in Regulation S.

APPENDIX I

UNDERWRITERS' CERTIFICATE

In connection with the offering of 7,400,000 units (the **"Offered Units"**) of KCP Income Fund (the **"Fund"**) pursuant to the Underwriting Agreement dated September 21, 2005 among the Fund and the Underwriters named therein (the **"Underwriting Agreement"**), the undersigned does hereby certify as follows:

(a) the Underwriters, or their affiliates who offered or sold Offered Units in the United States, are duly registered brokers or dealers with the United States Securities and Exchange Commission and are members of and in good standing with the National Association of Securities Dealers, Inc. on the date hereof and on the date the Offered Units were offered;

(b) all offers and sales of Offered Units in the United States have been effected in accordance with all applicable U.S. broker-dealer requirements;

(c) immediately prior to making any offer or sale of the Offered Units in the United States, we had reasonable grounds to believe and did believe that each offeree was a "qualified institutional buyer" within the meaning of Rule 144A under the 1933 Act (a "**Qualified Institutional Buyer**"), and, on the date hereof, we continue to believe that each person in the United States purchasing Offered Units is a Qualified Institutional Buyer;

(d) none of the Underwriters or any of their affiliates has made any directed selling efforts (as defined in Regulation S under the 1933 Act) in the United States with respect to the Offered Units or any form of general solicitation or general advertising (as those terms are used in Regulation D under the 1933 Act) in connection with the offer or sale of Offered Units including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising, in connection with the offer or sale of the Offered Units in the United States;

(e) Neither the Underwriters nor any member of the Selling Group, nor any of their affiliates, have taken or will take any action which would constitute a violation of Regulation M of the United States Securities and Exchange Commission under the *United States Securities Exchange Act of 1934*, as amended;

(f) the offering of the Offered Units in the United States has been conducted by the Underwriters and their affiliates in accordance with the terms of the Underwriting Agreement; and

(g) prior to any sale of Offered Units in the United States, the Underwriters caused each Purchaser in the United States to execute a U.S. Subscription Agreement, including a U.S. representation letter containing representations, warranties and agreements to the Fund substantially similar to those set forth in Schedule C to the Subscription Agreements.

Terms used in this certificate have the meanings given to them in the Underwriting Agreement unless otherwise defined herein.

Dated this ______ day of ■, 2005.

TD Securities (USA) LLC

Per: ________________________________

Name:

Title:

SCHEDULE "D"

OPINION OF CANADIAN COUNSEL TO THE FUND

1. the Fund (i) has been duly created and is validly existing as a trust under the laws of the Province of Ontario and the trustees have been appointed as trustees of the Fund, (ii) is duly registered, licensed or qualified to carry on business in the Province of Ontario and each jurisdiction in which the conduct of its business, including the Existing Business, as currently conducted and as presently proposed to be conducted, or the ownership, leasing or operation of its property and assets requires such registration, licensing or qualification and (iii) has all requisite power and authority to carry on its business, including the Existing Business as currently conducted and as presently proposed to be conducted and to own, lease and operate its property and assets and to issue, sell and deliver the Offered Units and to execute, deliver and perform its obligations under the Transaction Documents;

2. each of 3068072 Nova Scotia Company, KIK International LLC, KIK (Houston) Inc., KIK (SG) Holdings LLC, KIK-NoCal Inc., KIK (Tacoma) Inc., KIK-SoCal Inc., KIK (Georgia) LLC, Hi-Lex LLC, Sewell Products of Florida LLC, KIK (Virginia) LLC, KIK (Denver) LLC, KIK Custom Products Limited, KIK LP Holdings Inc., KLP, KIK Acquisition Company, KIK Holdco Company, KOP Holdings Company, KOT and KOP (i) is duly organized and validly existing under the laws of its jurisdiction of formation, (ii) is duly registered, licensed or qualified to carry on its business in the Province of Ontario and each jurisdiction in which the conduct of its business, including the Existing Business, as currently conducted and as presently proposed to be conducted, or the ownership, leasing or operation of its property and assets requires such registration, licensing or qualification, and (iii) has all requisite power and authority to carry on its business, including the Existing Business, as currently conducted and as presently proposed to be conducted, and to own, lease and operate its property and assets;

3. the authorized capital of the Fund consists of an unlimited number of Units of which, at the Time of Closing, 36,497,342 Units were duly issued and outstanding as fully paid and non-assessable Units;

4. the authorized capital of KIK Acquisition consists of an unlimited number of voting common shares without nominal or par value and non-voting common shares without nominal or par value, and that the number of common shares which are issued are issued and outstanding as fully paid and non-assessable;

5. KOT is authorized to issue an unlimited number of trust units of KOT;

6. the authorized capital of KIK Custom Products Limited consists of an unlimited number of common shares, and that the number of common shares which are issued are issued and outstanding as fully paid and non-assessable;

7. the authorized capital of KIK LP Holdings Inc. consists of an unlimited number of common shares, and that the number of common shares which are issued are issued and outstanding as fully paid and non-assessable;

8. KLP is authorized to issue an unlimited number of KLP Ordinary Units and an unlimited number of KLP Exchangeable Units;

9. the Fund is the registered owner of all of the issued and outstanding trust units of KOT and the KOT Notes;

10. KOT and the Vendors are the registered holders of all of the issued and outstanding common shares of KIK Custom Products Limited in such respective numbers as are consistent with the disclosure in the Public Information Record;

11. KOT is the registered owner of all of the issued and outstanding shares of KIK LP Holdings Inc.;

12. KIK Custom Products Limited is the registered owner of a general partnership interest in KLP in such size as is consistent with the disclosure in the Prospectus and satisfactory to the Underwriters, acting reasonably, KIK LP Holdings Inc. is the registered owner of a general partnership interest of KLP representing no economic interest and a number of KLP Ordinary Units as is consistent with the disclosure in the Prospectus and satisfactory to the Underwriters, acting reasonably, the Vendors are the registered owners of an aggregate of **[5,200,552]** KLP Exchangeable Units, and KOT is the registered owner of all of the outstanding debt securities of KLP;

13. the registered owner of all of the issued and outstanding shares or partnership interests or other applicable ownership interests of the Subsidiaries other than KOT, KIK Custom Products Limited and KLP, is either KLP or another Subsidiary;

14. immediately following the Time of Closing, all of the issued and outstanding securities of APG shall be wholly-owned of record by KIK International LLC;

15. based in part on a certificate as to certain factual matters of each of the Underwriters and the Fund, the Fund meets the requirements under the *Income Tax Act* (Canada) and the regulations thereunder to be a mutual fund trust;

16. the Fund has the necessary power and authority to create, issue, sell and deliver the Offered Units to be issued by the Fund under this Agreement, and such creation, issuance, sale and delivery of the Offered Units has been duly authorized by all necessary action on the part of the Fund;

17. on receipt of payment in full therefor, the Offered Units will be validly issued and outstanding as fully-paid and non-assessable Units;

18. all necessary action has been taken by the trustees of the Fund to authorize the execution and delivery by the Fund of this Agreement and the Transaction Documents and the

performance of its obligations hereunder and thereunder, and this Agreement and the Transaction Documents have been duly executed and delivered by or on behalf of the trustees or by the Administrator on behalf of the Fund, as the case may be, and constitute legal, valid and binding obligations of the Fund enforceable against it in accordance with its terms, provided that enforcement may be limited by bankruptcy, insolvency and other similar laws of general application affecting the enforcement of creditors' rights generally, that specific performance, injunctive relief and other equitable remedies may be granted only in the discretion of a court of competent jurisdiction and that rights of indemnity and/or contribution set out in this agreement may be limited by applicable law and such other usual qualifications;

19. the execution and delivery of this Agreement and the Transaction Documents, the fulfillment of the terms of those agreements and documents by the Fund, and the issuance, sale and delivery of the Offered Units:

    (a) do not require the consent, approval, authorization, registration or qualification of or with any governmental authority, stock exchange or Securities Commission, except those which have been obtained;

(b) do not and will not result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with:

(i) any of the terms, conditions or provisions of the organizational documents or resolutions of the securityholders, trustees or directors (as applicable), or any committee of trustees or directors (as applicable) of the Fund or any of the Subsidiaries or, to counsel's knowledge, any judgment or award of any court or arbitrator having jurisdiction over the Fund or any of the Subsidiaries; or

(ii) any federal laws of Canada or the United States or laws of the Provinces of Ontario or Nova Scotia or of the State of Delaware applicable to the Fund or any of the Subsidiaries;

20. the Fund is a reporting issuer under the securities legislation of each of the Qualifying Jurisdictions and is not in default of any requirement of such legislation relating to continuous disclosure;

21. the TSX has conditionally approved the listing of the Offered Units, subject to the Fund fulfilling all of the requirements of the TSX on or before ■, 2005;

22. the form and terms of the definitive certificate representing the Offered Units have been approved and adopted by the trustees of the Fund and conform to the requirements of applicable Securities Laws and the TSX, and do not conflict with the Declaration of Trust;

23. Computershare Trust Company of Canada, at its principal office in Toronto, Ontario has been duly appointed transfer agent and registrar for the Offered Units;

24. the issue and sale of the Offered Units is exempt, either by statute, rule, regulation or order, from the prospectus requirements of Securities Laws, and no prospectus or other document must be filed, proceeding taken or approval, permit, consent or authorization obtained by the Fund under Securities Laws to permit such issue and sale by the Fund to the Purchasers, subject to, where required, the filing by the Fund, within the time limit prescribed therefor, of duly completed reports in prescribed form relating to each such sale, accompanied by the requisite fees; and

25. the first trade in, or resale of, as applicable, the Offered Units is exempt from, or is not subject to, the prospectus and registration requirements of the Securities Laws and no filing, proceeding or approval will need to be made, taken or obtained under such laws in connection with any such trade (subject to the exceptions generally provided for in such opinions) provided that the conditions stated in section 2.5(2) of Multilateral Instrument

45-102 Resale of Securities are satisfied; and further provided that the trade is not a trade from the holdings of a person or trust or combination of persons or companies which constitutes a "control block" within the meaning of the Securities Laws.

26. Offered Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans (each as defined under the Tax Act) (collectively, "**Plans**") provided the Fund is a mutual fund trust and the Fund's registration as a "registered investment" under the Tax Act is not revoked.