

August 10, 2009

*A clarion is a medieval trumpet that had clear, shrill tones. Trumpets were often used to get people's attention when making announcements. We are also using "clarion" in the context of making announcements, as well as being thought-provoking when sharing our information and opinions with those people who are interested in new investment ideas.*

## for your Information

### WE WANT YOUR INPUT!

**And, we are getting it! Thanks to those who have responded. We appreciate (and followed up, sometimes used) your ideas. Keep them coming.**

We are asking our Subscribers to give us suggestions for companies they would like to have us cover under our two specialized research report formats: *StockPotentials* and **Technicalities**.

These company reports are not issuer-sponsored, and have been selected by the analyst on the belief they could be of interest.

Reports in the *StockPotentials* category are generally written on companies that have interesting prospects, good share price appreciation potential, but insufficient or nil research coverage.

Reports in the **Technicalities** category are written on large-cap companies and have a technical perspective.

If there are companies on which you would like eResearch to write about, please let us know. Send your suggestions to:  
Bob Weir, Managing Director,  
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[bweir@eresearch.ca](mailto:bweir@eresearch.ca).

## Topic: Sector Rotation

Last week the indexes trended higher. The S&P/TSX Composite flirted with 11,000. The DJIA30 rests comfortably above 9,000, although it is still a ways to 10,000 which, as a nice round number, is likely to provide upside resistance for a while. Or not. The Nasdaq broke through 2,000 but ended the week right on that number. The more enlightening S&P500 broke 1,000 and looks like it may be able to stay north of that barrier as well.

The markets have staged a remarkable advance since the March 9<sup>th</sup> lows. Part of it reflects the oversold position that the markets succumbed to. Part of it reflects the good, but inevitable, recovery signs that are popping up on the economic front. But, as we set out in last week's Clarion, there are still a lot of dark clouds that have to move out before there is clear sailing.

In the meantime, there has been an interesting sideshow occurring in the various sub-sectors of the market. To wit, the following sector indexes have recorded substantial gains since March 9 and are candidates for areas in which to lock in profits:

(1) Financials (banks, insurance, diversified)	82.4%
(2) Information Technology	52.8%
(3) Industrials	49.0%
(4) Energy (integrated o&g, equipment/services, explor'n/production)	40.9%

The laggards, and this is where I would now be concentrating, but keeping in mind that we are probably going to endure a much-needed correction that probably will not be completed until a few months from now:

(1) Consumer Staples	4.2%
(2) Telecommunications	6.9%
(3) Utilities	12.5%

## Bob Weir

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## Quick Facts

### 12-Mo. Chart (KBL.UN)



Source: [www.bigcharts.com](http://www.bigcharts.com)

**Closing Price  
(August 7/09):  
\$12.29**

**52-Week High-Low:  
\$12.69 - \$8.50**

**Average Daily Volume:**  
50-day: **9,200**  
200-day: **13,000**

**Shares Outstanding:  
7.00 million**

**Market Capitalization:  
\$86.0 million**

### Salient Statistics (P.S.): (trailing 12 months)

**Earnings: \$0.98**  
**Cash Flow: \$2.00**  
**Book: \$9.06**  
**Enterprise: \$13.25**  
**Distribution: \$1.10**  
**Pay-Out: 59.1%**

**Year-End:  
December 31**

**Symbol:  
TSX-V: KBL.UN**

## Stock-of-the-Week

### K-Bro Linen Income Fund (KBL.UN: TSX)

K-Bro Linen Income Fund (“K-Bro” or the “Fund”), through subsidiary K-Bro Linen Systems Inc., is the largest healthcare and hospitality laundry and linen processor in Canada. Services include the collection, laundering, delivery, and replenishing of linen.

The Fund operates processing facilities in British Columbia (Victoria and Vancouver), Alberta (Calgary and Edmonton), Ontario (Toronto), and Quebec (Quebec City).

Revenues are generated by: (a) publicly-funded long-term contracts with health-care institutions, such as acute care and long-term care hospitals (79%); and (b) hospitality industry customers, such as large downtown hotels (21%).

K-Bro intends to grow its operations in both existing and new markets by capitalizing on the Fund’s strengths and competitive advantages. It expects to achieve this by: (a) securing and maintaining long-term contracts with health-care and hospitality customers; (b) extending core services to new markets (through acquisitions or new facilities); and (c) introducing related services (example: sterilization of operating room linen packs).

The Fund’s biggest challenge is the successful renewal of existing contracts as well as winning new ones.

Since K-Bro is registered as an income fund, under the new income tax rules revealed in 2007, it will have to convert to a dividend-paying corporation by the 2011 taxation year. In fact, the Fund is aiming for a December 31, 2010 conversion.

Recently-released Q2 results saw a slight decrease in revenues attributable to a softening in the hospitality sector as a result of the difficult economy. However, there was substantial EBITDA margin improvement and, in the absence of write-downs and loss on disposals as occurred last year, net income more than doubled in Q2/09 compared to Q2/08.

First half 2009 results show revenue of \$43.2 million, up 4.2% over H1/08’s \$41.5 million, with EBITDA of \$7.6 million comparing to \$5.5 million. The EBITDA margin was 17.6% as against 13.2% a year earlier. The outlook for the balance of the year is positive, although the softer economy will have some negative effect. The Fund’s units currently enjoy a 9.0% yield.

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**New eResearch  
Material Since  
August 3, 2009:**

**1. Initiating Reports**

[International Road  
Dynamics Inc.](#)  
8/06/2009

[Brookfield Asset  
Management Inc.](#)  
8/06/2009

[K-Bro Linen Income  
Fund](#)  
8/04/2009

**2. Update Reports  
and Bulletins**

[Electrovaya Inc.](#)  
8/07/2009

**3. Analyst Articles**

[Pinnacle Digest](#)  
8/09/2009

[Pinnacle Digest](#)  
8/02/2009

In addition to these reports and articles, our full complement of research is available at [www.eresearch.ca](http://www.eresearch.ca)

## BriefCase

### *NewsBytes from August 3 – August 7, 2009*

Additional information on the companies featured in NewsBytes may be found at [www.sedar.com](http://www.sedar.com), and at [www.eresearch.ca](http://www.eresearch.ca). For the latest eResearch publications, see sidebar opposite.

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**Benton Resources Corp. (\$0.39 - August 4, 2009; BTC-TSX-V) ....** Benton Resources Corp. announced that a final agreement has been signed between Benton and Kennecott Canada Exploration Inc. (a wholly-owned subsidiary of Rio Tinto) on Benton's 100%-owned South Sibley nickel-PGM project in Ontario. Under the terms of the agreement, Kennecott can earn a 60% interest by incurring \$1.5 million in expenditures and paying Benton \$100,000 cash on or before December 31, 2013. After the initial earn-in, Kennecott has the option to increase its interest to 70% by December 31, 2015 and then to 80% by December 31, 2017

Benton has also provided an update on its ongoing exploration program (August 6, 2009). The Company has completed a work program at Golden Harp "Block A" in Ontario. Included in the program were line cutting, ground geophysics (induced polarization and magnetic), mapping and a soil geochemical survey. Several individual samples in the soil survey returned greater than 0.5 g/t gold, with the highest value being 5.11 g/t. In its update, Benton also reviewed the following projects: Saganaga (Ontario), Goodchild (Ontario), South Sibley (Ontario), Onion Lake (Ontario), and Kingurutik Lake (Labrador). For more on Benton, see eResearch's July 31, 2009 *StockPotentials* report.

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**Kola Mining Corporation (\$0.115 - August 5, 2009; KM-TSX-V) ....** Kola Mining Corporation announced that its Russian feasibility study at the Souker project (Kola Peninsula, Russia) is expected to be completed by the end of 2009 (in accordance with the license agreement). The study will include an update to the NI 43-101 compliant resource. The updated resource estimate will include cobalt. The Company is also completing additional metallurgical tests. Kola is on schedule to register its Souker deposit with the Russian State Committee on Resources.

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**Alexandria Minerals Corporation (\$0.06 - August 7, 2009; AZX-TSX-V) ....** Alexandria Minerals reported that Niogold Mining Corporation, the optionee on Alexandria's Siscoe East property in Val d'Or, Quebec, has intersected 43.67 g/t gold over 1.9 metres (core length) from hole SE-09-004. The drill hole tested the western contact area of the Bourslamaque Batholith granitic body, in the vicinity of the Sullivan mine which produced 1.1 million ounces of gold in the last century.

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**Seacliff Construction Corp. (\$7.32 - August 7, 2009; SDC-TSX) ....** Seacliff Construction Corp. announced that it intends to pay a dividend of \$0.05 per share, payable on September 30, 2009 to shareholders of record at September 15. The ex-dividend date will be September 10.

## Opportunity Knocks

These are challenging times, and we at eResearch are not immune to what is happening all around us. But, we are adapting to this difficult operating environment. We are fortunate in recently adding a new face to our Business Development Group. However, we are interested in adding one more to the team. Anyone with a penchant for sales, please contact us.

Also, having recently become a Limited Market Dealer, our Capital Services division requires someone with financing experience to lead our efforts.

If you are interested in either of the above, I can be reached at [bweir@eresearch.ca](mailto:bweir@eresearch.ca).

“Research is the bedrock underpinning all capital markets”

## Monthly Top Ten

The top ten downloads from [www.eresearch.ca](http://www.eresearch.ca) since August 1, 2009:

1. Weekly Clarion
2. Pinnacle Digest Interview with Mark Leibovit, August 2
3. Electrovaya Inc., *StockPotentials*, Perspective, August 7
4. Brookfield Asset Management Inc., Technicalities, August 6
5. K-Bro Linen Income Fund, *StockPotentials*, August 4
6. International Road Dynamics Inc., *StockPotentials*, August 6
7. NaiKun Wind Energy Group Inc., *StockPotentials*, Bulletin, July 31
8. Benton Resource Corp., *StockPotentials*, July 31
9. eResearch Distribution Platform
10. StockResearchPortal Mining Article Part 5, July 28

**eResearch is registered with the Ontario Securities Commission as a Securities Adviser and as a Limited Market Dealer.**