This document is important and requires your immediate attention. If you are in doubt as to how to deal with this document, you should consult your investment dealer, broker, bank manager or other professional advisor.

This Offer has not been approved by any securities regulatory authority nor has any securities regulatory authority passed upon the fairness or merits of the Offer or upon the adequacy of the information contained in this document. Any representation to the contrary is an offence.

June 26, 2009

OFFER TO PURCHASE FOR CASH

up to a maximum of 1,000,000 of the outstanding preferred, retractable, redeemable, cumulative Units of

Kingsway Linked Return of Capital Trust

at a purchase price of C$12.00 per Unit by

KFS Capital LLC

(an indirect wholly-owned subsidiary of Kingsway Financial Services Inc.)

KFS Capital LLC (the "Offeror"), an indirect wholly-owned subsidiary of Kingsway Financial Services Inc. ("KFS"), hereby offers (the "Offer") to purchase, on the terms and subject to the conditions contained in the accompanying Offer to Purchase, up to a maximum of 1,000,000 of preferred, retractable, redeemable, cumulative units (the "Units") of Kingsway Linked Return of Capital Trust ("KLROC") validly tendered pursuant to the Offer, at a purchase price per Unit ("Purchase Price") of C$12.00. The Offer will be open for acceptance until 5:00 p.m. (Toronto time) on August 4, 2009 (the "Expiry Time"), unless extended or withdrawn by the Offeror.

Unitholders who wish to accept the Offer may do so by making a tender ("Tender") pursuant to which they agree to sell to the Offeror at C$12.00 per Unit a specified number of Units owned by them. Any number of Units tendered to the Offer, up to a maximum of 1,000,000 Units, will be purchased (subject to the conditions described in section 3 of the Offer to Purchase, "Conditions of the Offer"). If more than the maximum number of Units for which the Offer is made are tendered to the Offer and not withdrawn, the Units to be purchased from each tendering unitholder will be determined on a pro rata basis according to the number of Units tendered by each unitholder, disregarding fractions, by rounding down to the nearest whole number of Units.

All Units purchased by the Offeror pursuant to the Offer will be purchased at the Purchase Price. Unitholders will receive the Purchase Price in cash. All payments to unitholders will be subject to deduction of applicable withholding taxes.

The Offer is not conditional on any minimum number of Units being tendered. The Offer is, however, subject to the conditions described in section 3 of the Offer to Purchase, "Conditions of the Offer".

The Units are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "KSP.UN". On June 25, 2009 (the last trading day before the Offer was announced), the closing price of the Units on the TSX was C$10.70 per Unit. The Purchase Price represents a premium of 12.1% over the closing price of the Units on the TSX on June 25, 2009 and a premium of 16.1% over the volume-weighted average trading price of Units on the TSX during the last 20 days on which the Units had traded prior to the announcement of the Offer. See section 6 of the Offering Circular, "Price Range of Units and Distributions". **Unitholders are advised to obtain current market quotations for the Units**.

At June 25, 2009, there were 3,120,000 Units outstanding. KFS beneficially owns 18,700 Units, representing approximately 0.60% of the outstanding Units. **Stilwell Value Partners IV LP (KLROC's largest unitholder, and whose affiliate, Joseph Stilwell, is a director of KFS and the chair of the Capital Committee of the Board of Directors of KFS that recommended to the Board of Directors the making of the Offer) beneficially owns 314,000 Units, representing approximately 10.06% of the outstanding Units. Stilwell Value Partners IV LP has advised the Offeror that it intends to tender all of the Units it owns to the Offer.**

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Kingsway America Inc., in its capacity as manager of the Offeror, and the board of directors of KFS have approved the making of the Offer. Neither the Offeror or its manager, nor KFS or its board of directors, makes any recommendation to unitholders about whether to tender Units to the Offer. Unitholders should consider the reasons for accepting the Offer set out in section 4 of the Offering Circular, "Background of, Purpose and Reasons for the Offer". Unitholders should also consider the income tax consequences of accepting the Offer. See section 15 of the Offering Circular, "Certain Canadian Federal Income Tax Considerations" and section 16 of the Offering Circular, "Certain United States Federal Income Tax Considerations", as applicable.

KLROC has issued the Units under the CDSX book entry system administered by CDS Clearing and Depository Services Inc. ("CDS"). Accordingly, a nominee of CDS is the sole registered holder of the outstanding Units and beneficial ownership of the outstanding Units is evidenced through book entry credits to securities accounts of CDS participants (eg, banks, trust companies and securities dealers), who act as agents on behalf of beneficial owners who are their customers, rather than by physical certificates. **In order to tender Units to the Offer, unitholders must complete the documentation and follow the instructions to be provided by CDS and CDS participants. Unitholders who wish to tender Units to the Offer should contact their nominees for assistance.** See section 2 of the Offer to Purchase, "Manner of Acceptance".

Questions regarding the Offer and this document may be directed to Kingsdale Shareholder Services Inc. (the "Information Agent") at its address and telephone number set forth below and on the last page of this document. Unitholders may also contact their professional advisors for assistance. See also "Summary Term Sheet". Additional copies of this document may be obtained without charge on request from the Information Agent.

This document does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from or on behalf of, unitholders in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of such jurisdiction. The Offeror may, however, in its sole discretion, take such action as it may deem necessary to extend the Offer to unitholders in any such jurisdiction.

The Information Agent for the Offer is:	*The Depositary for the Offer is:*
Kingsdale Shareholder Services Inc.	
The Exchange Tower, 130 King Street West Suite 2950, P.O. Box 361 Toronto, Ontario M5X 1E2 North American Toll Free Phone: 1-866-581-0510 Email: contactus@kingsdaleshareholder.com Facsimile: 416-867-2271 and North American Toll Free Facsimile: 1-866-545-5580 Outside North America, Banks and Brokers Call Collect: 416-867-2272	

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NOTICE TO UNITHOLDERS IN THE UNITED STATES

The Offer is made for the securities of a Canadian issuer. The Offer is subject to applicable disclosure requirements in Canada. U.S. unitholders should be aware that such requirements are different from those in the United States.

The enforcement by unitholders of civil liabilities under United States federal securities laws or the securities or "blue sky" laws of any state within the United States may be affected adversely by the fact that KFS is incorporated under the laws of Canada and that substantially all of its officers and directors are non-residents of the United States, that some or all of the experts named in the Offering Circular are non-residents of the United States and that a substantial portion of the assets of the Offeror and said persons are located outside the United States. It may be difficult to effect service of process on KFS, its officers and directors and the experts named in the Offering Circular. Additionally, it might be difficult for unitholders to enforce judgments of United States courts based on civil liability provisions of the U.S. federal securities laws or the securities or "blue sky" laws of any state within the United States in a Canadian court against KFS or any of its non-U.S. resident executive officers or directors or the experts named in the Offering Circular or to bring an original action in a Canadian court to enforce liabilities based on the federal or state securities laws against such persons.

U.S. unitholders should be aware that acceptance of the Offer will have certain tax consequences under United States and Canadian laws. See section 16 of the Offering Circular, "Certain United States Federal Income Tax Considerations" and section 15 of the Offering Circular, "Certain Canadian Federal Income Tax Considerations — Non-Residents of Canada".

CURRENCY

All references to dollars, $ or C$ in this document are to Canadian dollars. All references to US$ in this document are to U.S. dollars. On June 25, 2009 (the last trading day before the Offer was announced) the noon rate of exchange as reported by the Bank of Canada was C$1.00 = U.S.$0.8636.

CAUTIONARY STATEMENT FOR FORWARD-LOOKING INFORMATION

This document may contain statements that constitute forward-looking information or statements ("forward-looking statements"), that include, but are not limited to, statements respecting KFS's cost reduction and debt repurchase plans. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. KFS and the Offeror caution you not to place undue reliance upon such forward-looking statements, which speak only as of the date they are made. The words "anticipate", "believe", "estimate", and "expect" and similar expressions are intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual events or KFS's actual results or performance to differ from the projected events, results or performance contained in such forward-looking statements. **Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those indicated in any forward-looking statements.** KFS and the Offeror expressly disclaim any intention or obligation to revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws.

TABLE OF CONTENTS

GLOSSARY

In this document, unless the subject matter or context is inconsistent therewith, the following terms have the following meanings:

"**Board of Directors**" means the board of directors of the KFS.

"**Book Entry Confirmation**" means a confirmation of a book entry transfer of Units into the Depositary's account established at CDS in accordance with the terms of the Offer.

"**business day" means** any day other than a Saturday, a Sunday and a statutory holiday in Toronto, Ontario, Canada or in New York, NY, USA.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**CDS Participant**" means a participant in the CDSX book entry system administered by CDS.

"**Code**" means the United States Internal Revenue Code of 1986.

"**CRA**" means the Canada Revenue Agency.

"**Depositary**" means Kingsdale Shareholder Services Inc.

"**Expiration Date**" means August 4, 2009 or such later date to which the Offer may be extended by the Offeror.

"**Expiry Time**" means 5:00 p.m. (Toronto time) on the Expiration Date or such later time on the Expiration Date to which the Offer may be extended by the Offeror.

"**Formal Valuation**" means the valuation prepared by Blackmont Capital Inc. and attached as Schedule A hereto.

"**Independent Trustees**" means the independent trustees of KLROC.

"**Information Agent**" means Kingsdale Shareholder Services Inc.

"**IRS**" means the United States Internal Revenue Service.

"**KFS**" means Kingsway Financial Services Inc., a corporation incorporated under the laws of the Province of Ontario, a leading non-standard automobile insurer and commercial automobile insurer in North America, and the parent company of the Offeror.

"**KLROC**" means Kingsway Linked Return of Capital Trust, an investment trust established under the laws of the Province of Ontario and issuer of the Units.

"**Letter of Acceptance and Transmittal**" means the letter of acceptance and transmittal in the form attached as Schedule B hereto.

"**MI 61-101**" means Multilateral Instrument 61-101 — Protection of Minority Security Holders in Special Transactions, adopted by the Ontario Securities Commission and the Autorité des marchés financiers (Québec), as amended.

"**Offer**" means the offer to purchase up to a maximum of 1,000,000 Units at the Purchase Price, the terms and conditions of which are set forth in the Offer to Purchase, the Offering Circular and the Letter of Acceptance and Transmittal.

"**Offer to Purchase**" means the attached offer to purchase.

"**Offering Circular**" means the attached offering circular.

"**Offeror**" means KFS Capital LLC, an indirect wholly-owned subsidiary of KFS.

"**person**" means and includes any individual, sole proprietorship, partnership, joint venture, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, a trustee, executor, administrator or other legal representative and any governmental authority or any agency or instrumentality thereof.

"**Purchase Price**" means C$12.00 per Unit.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators.

"**Tax Act**" means the *Income Tax Act* (Canada), including all regulations made thereunder and all amendments to such statute and regulations from time to time.

"**Tender**" means a tender delivered by a unitholder who wishes to accept the Offer pursuant to which the unitholder agrees to sell to the Offeror at the Purchase Price a specified number of Units owned by such unitholder, pursuant to the terms and conditions set forth in the Offer to Purchase, the Offering Circular and the Letter of Acceptance and Transmittal.

"**Trustees**" means the trustees of KLROC.

"**unitholder**" means the registered or beneficial holder of outstanding Units, as the context requires.

"**Units**" means preferred, retractable, redeemable, cumulative units of Kingsway Linked Return of Capital Trust.

"**TSX**" means the Toronto Stock Exchange.

SUMMARY TERM SHEET

We are providing this summary term sheet for your convenience. The information contained in this summary term sheet is not meant to be a substitute for the information contained in the Offer to Purchase and the Offering Circular and is qualified in its entirety by the information contained in the Offer to Purchase and the Offering Circular. You are strongly urged to read the Offer to Purchase and the Offering Circular in their entirety and consult your own professional advisor before making a decision regarding whether to tender your Units to the Offer.

1. Why is the Offeror offering to purchase my Units and why should I tender?

We are offering to purchase your Units because KFS believes that, in light of the recent trading history of the Units, the purchase of Units represents an investment opportunity for KFS and is an appropriate use of KFS's available cash on hand.

The Board of Directors of KFS and the manager of the Offeror, Kingsway America Inc., have approved the making of the Offer. Neither KFS or its Board of Directors, nor the Offeror or its manager, makes any recommendation to unitholders about whether to tender Units to the Offer. In deciding whether to accept the Offer, unitholders should consider, among other things, that:

- the Purchase Price represents a premium of 12.1% over the closing price of the Units on the TSX on June 25, 2009 (the last trading day before the Offer was announced);
- the Purchase Price represents a premium of 16.1% over the volume-weighted average trading price of Units on the TSX during the last 20 days on which the Units had traded prior to the announcement of the Offer;
- Stilwell Value Partners IV LP (KLROC's largest unitholder, and whose affiliate, Joseph Stilwell, is a director of KFS and the chair of the Capital Committee of the Board of Directors of KFS that recommended to the Board of Directors the making of the Offer) beneficially owns approximately 10.06% of the outstanding Units and has advised the Offeror that it intends to tender all of the Units it owns to the Offer;
- The independent trustees (the "Independent Trustees") of KLROC engaged Blackmont Capital Inc. ("Blackmont") to prepare a formal valuation of the Units in accordance with Canadian securities laws. In the formal valuation, Blackmont determined that, as of June 18, 2009 and subject to the assumptions, limitations and qualifications set out therein, the fair market value of the Units was in the range of C$10.00 to C$14.00 per Unit. See section 5 of the Offering Circular, "Valuation". The Purchase Price represents the midpoint of the valuation range. Unitholders are urged to read the formal valuation in its entirety included as Schedule A to this document.

See section 4 of the Offering Circular, "Background of, Purpose and Reasons for the Offer".

Unitholders are urged to evaluate carefully all information contained in the Offer to Purchase and the Offering Circular, to consult their professional advisors and to make their own decisions about whether to tender Units to the Offer. Unitholders should also consider the income tax consequences of accepting the Offer. See section 15 of the Offering Circular, "Certain Canadian Federal Income Tax Considerations" and section 16 of the Offering Circular, "Certain United States Federal Income Tax Considerations", as applicable.

2. How many Units will the Offeror purchase pursuant to the Offer?

At June 25, 2009, 3,120,000 Units were outstanding. The Offer is not conditional on any minimum number of Units being tendered. We will purchase up to a maximum of 1,000,000 Units. If more than the maximum number of Units for which the Offer is made are tendered to the Offer and not withdrawn, the Units to be purchased from each tendering unitholder will be determined on a pro rata basis according to the number of Units tendered by each unitholder, disregarding fractions, by rounding down to the nearest whole number of Units.

3. How will the Offeror pay for the Units purchased pursuant to the Offer?

All Units purchased pursuant to the Offer will be purchased at the Purchase Price. Unitholders will receive the Purchase Price in cash. All payments to unitholders will be subject to deduction of applicable withholding taxes. The Offeror will fund the purchase of Units pursuant to the Offer, together with the fees and expenses of the Offer, from available cash on hand. See section 17 of the Offering Circular, "Source of Funds" and section 19 of the Offering Circular, "Fees and Expenses".

4. What will happen if I do nothing?

If you do nothing, you will continue to hold the number of Units that you owned before the Offer.

5. Will KLROC continue as a publicly traded entity following completion of the Offer?

Yes. KLROC will also continue to be subject to the continuous disclosure requirements of applicable Canadian securities laws.

6. What does Stilwell Value Partners IV LP intend to do?

At June 25, 2009, Stilwell Value Partners IV LP (KLROC's largest unitholder, and whose affiliate, Joseph Stilwell, is a director of KFS and the chair of the Capital Committee of the Board of Directors of KFS that recommended to the Board of Directors the making of the Offer) beneficially owned 314,000 Units representing approximately 10.06% of the outstanding Units. Stilwell Value Partners IV LP has advised us that it intends to tender all of the Units it owns to the Offer.

7. Will KFS's directors and senior officers tender their Units?

As noted above, our director Joseph Stilwell has advised us that his affiliate, Stilwell Value Partners IV LP, intends to tender all of its Units to the Offer. Brian Reeve, the only other director or officer of KFS who beneficially owns Units, has advised us that he does not intend to tender the 10,000 Units he beneficially owns to the Offer.

8. What is the recent market price of the Units ?

On June 25, 2009 (the last trading day before the Offer was announced), the closing price of the Units on the TSX was C$10.70. See section 6 of the Offering Circular, "Price Range of Units and Distributions". **Unitholders are advised to obtain current market quotations for the Units.**

9. Will I have to pay any fees or commissions?

You should consult your CDS Participant (eg, your bank, trust company or securities dealer) to determine whether transaction costs are applicable.

We will not pay any fees or commissions to any person for soliciting tenders of Units pursuant to the Offer. Banks, trust companies and investment dealers will be reimbursed, upon request, by us for reasonable and necessary costs and expenses incurred by them in forwarding materials to their customers.

10. Is the Offer subject to any conditions?

Yes. The conditions of the Offer are described in section 3 of the Offer to Purchase, "Conditions of the Offer".

11. When does the Offer expire?

The Offer is open for acceptance until 5:00 p.m. (Toronto time) on August 4, 2009, unless we extend or withdraw the Offer.

12. Can the Offer be extended, varied or withdrawn?

Yes. Subject to applicable law, we may extend or vary the Offer in our sole discretion. See section 4 of the Offer to Purchase, "Extension and Variation of the Offer". We may also withdraw the Offer under certain circumstances. See section 3 of the Offer to Purchase, "Conditions of the Offer".

13. How do I accept the Offer?

KLROC has issued the Units under the CDSX book entry system administered by CDS. Accordingly, a nominee of CDS is the sole registered holder of the outstanding Units and beneficial ownership of the outstanding Units is evidenced through book entry credits to securities accounts of CDS Participants (eg, banks, trust companies and securities dealers), who act as agents on behalf of beneficial owners who are their customers, rather than by physical certificates. **In order to tender Units to the Offer, unitholders must complete the documentation and follow the instructions to be provided by CDS and CDS Participants. Unitholders who wish to tender Units to the Offer should contact their nominees for assistance.** See section 2 of the Offer to Purchase, "Manner of Acceptance".

14. What happens if my Units are not purchased under the terms of the Offer?

The ownership of Units not purchased by the Offeror under the terms of the Offer will continue to be reflected in the book entry system administered by CDS unaffected by the Offer.

15. If I tender my Units, can I subsequently withdraw them?

Yes, subject to the provisions of the Offer to Purchase and applicable law. See section 5 of the Offer to Purchase, "Withdrawal Rights" and section 9 of the Offer to Purchase, "Other Terms".

16. When will the Offeror take up and pay for Units tendered under the Offer?

See section 6 of the Offer to Purchase, "Take-up and Payment for Tendered Units".

17. In what currency will the Offeror pay for Units purchased under the Offer?

The Offeror will pay the Purchase Price in Canadian dollars. On June 25, 2009, the noon rate of exchange as reported by the Bank of Canada was C$1.00 = U.S.$0.8636.

18. What are the Canadian income tax consequences for Canadian residents and non-residents?

See section 15 of the Offering Circular, "Certain Canadian Federal Income Tax Considerations".

19. What are the U.S. income tax consequences for residents of the United States?

See section 16 of the Offering Circular, "Certain United States Federal Income Tax Considerations".

20. Will tendering unitholders be entitled to receive KLROC's second quarter distribution?

Each unitholder of record on June 29, 2009 will be entitled to receive KLROC's quarterly distribution of C$0.3125 per Unit payable on June 30, 2009, whether or not they tender Units under the Offer.

21. Who can I call with additional questions?

Questions regarding the information contained in this document should be directed to the Information Agent at 1-866-581-0510 (toll free) or 416-867-2272 (outside North America, call collect). Unitholders may also contact their professional advisors for assistance.

OFFER TO PURCHASE

June 26, 2009

To the Unitholders of Kingsway Linked Return of Capital Trust.

1. The Offer

The Offeror offers to purchase, on the terms and subject to the conditions contained in this Offer to Purchase, up to a maximum of 1,000,000 Units validly tendered pursuant to the Offer.

Purchase Price

As promptly as practicable following the Expiry Time, and on the terms and subject to the conditions contained in this Offer to Purchase, the Offeror will pay for the Units purchased at the Purchase Price of C$12.00 per Unit. All Tenders will be subject to adjustment to avoid the purchase of fractional Units. All payments to unitholders will be subject to deduction of applicable withholding taxes.

Number of Units and Proportionate Purchase

At June 25, 2009, 3,120,000 Units were outstanding. The Offer is not conditional on any minimum number of Units being tendered. The Offeror will purchase up to a maximum of 1,000,000 Units. If more than the maximum number of Units for which the Offer is made are tendered to the Offer and not withdrawn, the Units to be purchased from each tendering unitholder will be determined on a pro rata basis according to the number of Units tendered by each unitholder, disregarding fractions, by rounding down to the nearest whole number of Units.

Expiry Time

The Offer will be open for acceptance until 5:00 p.m. (Toronto time) on August 4, 2009, unless extended or withdrawn by the Offeror in accordance with the terms of this Offer to Purchase.

Announcement of Number of Units Validly Tendered and Aggregate Purchase Price

The Offeror will publicly announce the number of Units validly tendered to the Offer and the aggregate purchase price as promptly as practicable after the Expiry Time.

2. Manner of Acceptance

KLROC has issued the Units under the CDSX book entry system administered by CDS. Accordingly, a nominee of CDS is the sole registered holder of the outstanding Units and beneficial ownership of the outstanding Units is evidenced through book entry credits to securities accounts of CDS Participants (eg, banks, trust companies and securities dealers), who act as agents on behalf of beneficial owners who are their customers, rather than by physical certificates. **In order to tender Units to the Offer, unitholders must complete the documentation and follow the instructions to be provided by CDS and CDS Participants.**

The Offeror understands that the CDS Participants will deliver the relevant documentation to the beneficial owners of Units. Unitholders who wish to accept the Offer may do so by making valid Tenders. A unitholder who wishes to make a Tender will be required to specify, among other things, the number of Units that it wishes to sell.

Unitholders wishing to accept the Offer will be required to comply with the book entry delivery procedures established by CDS. In accordance with these procedures and for purposes of the Offer, the Depositary will establish an account with respect to the Units at CDS. Any CDS Participant may make book entry delivery of the Units (on behalf of a unitholder wishing to accept the Offer) by causing CDS to credit such Units to the Depositary's account by book entry prior to the Expiry Time in accordance with the procedures of CDS. Compliance with the procedures of CDS will be evidenced by the Depositary's receipt of a Book Entry Confirmation. **Unitholders who wish to tender Units to the Offer should contact their nominees for assistance.**

Unitholders who tender Units to the Offer shall also be deemed to have completed and submitted a Letter of Acceptance and Transmittal and to have agreed to be bound by the terms thereof, including:

(a) the representation and warranty by each of the tendering unitholders that:

(1) it has full power and authority to tender and to sell, assign and transfer the Units being tendered;

(2) it owns the Units being tendered free and clear of all liens, restrictions, charges, encumbrances, claims, equities and rights of others of any nature whatsoever and has not sold, assigned or transferred, or agreed to sell, assign or transfer, any of the Units being tendered to any other person; and

(3) if and when the Units being tendered are taken up by the Offeror, the Offeror will acquire good title thereto, free and clear of all liens, restrictions, charges, encumbrances, claims, equities and rights of others of any nature whatsoever; and

(b) the agreement by each of the tendering unitholders that it has accepted and agreed to the terms of the Offer as set forth in the Offer to Purchase.

A copy of the Letter of Acceptance and Transmittal is attached to this document as Schedule B. Additional copies of the Letter of Acceptance and Transmittal may be obtained from the SEDAR website at www.sedar.com or without charge from the Information Agent.

3. Conditions of the Offer

Notwithstanding any other provision of this Offer to Purchase, the Offeror shall not be required to accept for purchase, to purchase or to pay for any Units tendered under the Offer, and may withdraw the Offer or postpone payment for Units tendered, if, at any time before the take-up of any of such Units, any of the following events shall have occurred (or shall have been determined by the Offeror to have occurred) which, in the sole judgment of the Offeror, in any such case and regardless of the circumstances, makes it inadvisable to proceed with the Offer or with the take-up of Units:

(a) there shall have been threatened, taken or pending any action or proceeding by any government or governmental authority or regulatory or administrative agency in any jurisdiction, or by any other person in any jurisdiction, before any court or governmental authority or regulatory or administrative agency in any jurisdiction:

(1) challenging or seeking to cease trade, make illegal, delay or otherwise directly or indirectly restrain or prohibit the making of the Offer, the acceptance for payment of some or all of the Units by the Offeror or otherwise directly or indirectly relating in any manner to or affecting the Offer; or

(2) seeking material damages or that otherwise, in the sole judgment of the Offeror, has or may have a material adverse effect on the Units or the business, income, assets, liabilities, condition (financial or otherwise), properties, operations, results of operations or prospects of KFS and its subsidiaries taken as a whole or has impaired or may materially impair the contemplated benefits of the Offer to KFS;

(b) there shall have been threatened, taken or pending any action or proceeding or any approval withheld or any statute, law, rule, regulation, stay, decree, judgment or order or injunction proposed, sought, enacted, enforced, promulgated, amended, issued or deemed applicable to the Offer or KFS or any of its subsidiaries by or before any court, government or governmental authority or regulatory or administrative agency in any jurisdiction or by any other person in any jurisdiction that, in the sole judgment of the Offeror, might directly or indirectly result in any of the consequences referred to in clause (1) or (2) of paragraph (a) or would or might prohibit, prevent, restrict or delay consummation of the Offer or make it inadvisable to proceed with the Offer;

(c) there shall have occurred:

(1) any general suspension of trading in, or limitation on prices for, securities on any securities exchange or in the over-the-counter market in Canada or the United States;

(2) the declaration of a banking moratorium or any suspension of payments in respect of banks in Canada or the United States (whether or not mandatory);

(3) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving Canada or the United States;

(4) any limitation by any government or governmental authority or regulatory or administrative agency or any other event that, in the sole judgment of the Offeror, might affect the extension of credit by banks or other lending institutions;

(5) any change in the general political, market, economic or financial conditions that has or may have a material adverse effect on KFS's business, operations or prospects or the trading in, or value of, the Units;

(6) in the case of any of the foregoing existing at the time of commencement of the Offer, a material acceleration or worsening thereof;

(d) the Offeror shall have concluded, in its sole judgment, that the Offer or the take-up and payment for any or all of the Units by the Offeror is illegal or not in compliance with applicable law, or that necessary exemptions or approvals under applicable securities legislation, are not available to the Offeror for the Offer and, if required under any such legislation, the Offeror shall not have received the necessary exemptions from or approvals or waivers of the appropriate courts or applicable securities regulatory authorities in respect of the Offer; or

(e) changes shall have occurred or been proposed to the Tax Act or to the publicly available administrative policies or assessing practices of the CRA that, in the sole judgment of the Offeror, is detrimental to KLROC or the unitholders generally.

The foregoing conditions are for the sole benefit of the Offeror and may be asserted by the Offeror in its sole discretion regardless of the circumstances (including any action or inaction by the Offeror) giving rise to any such conditions, or may be waived by the Offeror, in its sole discretion, in whole or in part at any time before the take-up of Units. The failure by the Offeror at any time to exercise its rights under any of the foregoing conditions shall not be deemed a waiver of any such right; the waiver of any such right with respect to particular facts and other circumstances shall not be deemed a waiver with respect to any other facts and circumstances; and each such right shall be deemed an ongoing right which may be asserted at any time or from time to time. Any determination by the Offeror concerning any of the events described in this section 3 shall be final and binding on all parties.

Any waiver of a condition or the withdrawal of the Offer by the Offeror shall be deemed to be effective on the date on which notice of such waiver or withdrawal by the Offeror is delivered or otherwise communicated to the Depositary at its principal office in Toronto, Ontario, Canada. The Offeror, after giving notice to the Depositary of any waiver of a condition or the withdrawal of the Offer, shall immediately make a public announcement of such waiver or withdrawal and provide or cause to be provided notice of such waiver or withdrawal to the TSX and the applicable Canadian securities regulatory authorities. If the Offer is withdrawn, the Offeror shall not be obligated to take up, accept for purchase or pay for any Units tendered under the Offer.

4. Extension and Variation of the Offer

Subject to applicable law, the Offeror expressly reserves the right, in its sole discretion, and regardless of whether or not any of the conditions specified in section 3 of this Offer to Purchase, "Conditions of the Offer", shall have occurred, at any time or from time to time, to extend the period of time during which the Offer is open or to vary the terms and conditions of the Offer by giving written notice, or oral notice to be confirmed in writing, of extension or variation to the Depositary. The Offeror shall cause the Depositary to provide to CDS and unitholders, where required by law, as soon as practicable thereafter, a copy of the notice in the manner set forth in section 8 of this Offer to Purchase, "Notice". Promptly after giving notice of an extension or variation to the Depositary, the Offeror shall immediately make a public announcement of the extension or variation and provide or cause to be provided notice of such extension or variation to the TSX and the applicable Canadian securities regulatory authorities. Any notice of extension or variation will be deemed to have been given and be effective on the day on which it is delivered or otherwise communicated to the Depositary at its principal office in Toronto, Ontario, Canada.

If the terms of the Offer are varied (other than a variation consisting solely of the waiver of a condition of the Offer), the period during which Units may be deposited pursuant to the Offer shall not expire before 10 business days after the notice of variation has been given to unitholders unless otherwise permitted by applicable law. During any such extension or in the event of any variation, all Units previously tendered and not taken up or withdrawn will remain subject to the Offer and may be accepted for purchase by the Offeror in accordance with the terms of the Offer, subject to section 5 of this Offer to Purchase, "Withdrawal Rights". An extension of the Expiry Time or a variation of the Offer does not constitute a waiver by the Offeror of its rights in section 3 of this Offer to Purchase, "Conditions of the Offer". If the Purchase Price being offered for the Units under the Offer is increased, the increased Purchase Price will be paid to all tendering unitholders whose Units are taken up under the Offer, whether or not such Units were taken up before the increase.

Notwithstanding the foregoing, except as required by applicable Canadian securities laws, the Offer may not be extended by the Offeror if all the terms and conditions of the Offer have been complied with (except those waived by the Offeror), unless the Offeror first takes up and pays for all Units properly tendered under the Offer and not withdrawn. An extension without taking up is required in certain circumstances where withdrawal rights apply.

5. Withdrawal Rights

Except as otherwise provided in this section 5, tenders of Units under the Offer will be irrevocable. Unless otherwise required or permitted by applicable law, any Units tendered under the Offer may be withdrawn on behalf of the depositing unitholder:

(a) at any time before the Units have been taken up by the Offeror pursuant to the Offer;

(b) at any time before the expiration of 10 business days from the date upon which either:

(1) a notice of change relating to a change which has occurred in the information contained in the Offer, which change is one that would reasonably be expected to affect the decision of a unitholder to accept or reject the Offer (other than a change that is not within the control of the Offeror or of an affiliate of the Offeror) in the event that such change occurs before the Expiry Time or after the Expiry Time but before the expiry of all rights of withdrawal in respect of the Offer; or

(2) a notice of variation concerning a variation in the terms of the Offer (other than a variation consisting solely of the waiver of a condition of the Offer);

is delivered to CDS as the registered holder of Units but only if such tendered Units have not been taken up by the Offeror at the time of the notice and subject to abridgement of that period pursuant to such order or orders as may be granted by Canadian courts or securities regulatory authorities; or

(c) at any time after three business days from the date the Offeror takes up such tendered Units, if such tendered Units have not been paid for by the Offeror.

For a withdrawal to be effective, a written or printed copy of a notice of withdrawal must be received by the Depositary before the applicable times specified above. Any such notice must be signed by the CDS Participant in the same manner as the CDS Participant's name is listed on the applicable Book Entry Confirmation and must specify, among other things, the number of Units withdrawn. Unitholders who wish to withdraw Units should contact their nominees for assistance and to obtain copies of the relevant documentation. A unitholder's nominee may set deadlines for the withdrawal of Units tendered under the Offer that are earlier than those specified above.

Any Units properly withdrawn will thereafter be deemed not tendered for purposes of the Offer and withdrawals of tendered Units may not be rescinded. However, withdrawn Units may be retendered before the Expiration Date by again following the procedures described in section 2 of this Offer to Purchase, "Manner of Acceptance".

If the Offeror is delayed in taking up or paying for Units or is unable to pay for Units, then, without prejudice to the Offeror's rights, Units may not be withdrawn except to the extent that unitholders are entitled to withdrawal rights as set forth in this section 5 or pursuant to applicable law.

6. Take-up and Payment for Tendered Units

Upon the terms and subject to the conditions of the Offer and subject to and in accordance with applicable Canadian securities laws, the Offeror will take up Units properly tendered under the Offer in accordance with the terms of this Offer to Purchase as soon as practicable after the Expiration Date (and in any event not later than 10 days after the Expiration Date in accordance with applicable Canadian securities laws). Any Units taken up will be paid for as soon as practicable (and in any event not later than three business days after they are taken up in accordance with applicable Canadian securities laws).

The Offeror reserves the right, in its sole discretion, to delay taking up or paying for any Units or to withdraw the Offer and not take up or pay for any Units if any condition specified in section 3 of this Offer to Purchase, "Conditions of the Offer", is not satisfied or waived by giving written notice thereof or other communication confirmed in writing to the Depositary. The Offeror also reserves the right, in its sole discretion, and notwithstanding any other condition of the Offer, to delay taking up and paying for Units in order to comply, in whole or in part, with any applicable law.

The Offeror will pay for Units taken up under the Offer by providing the Depositary with sufficient funds (by bank transfer or other means satisfactory to the Depositary) to pay for the Units taken up under the Offer. The Depositary will forward the funds to CDS and settlement will be effected by CDS in accordance with its settlement procedures.

Payments to unitholders will be made in Canadian dollars and net of any applicable withholding taxes.

Tendering unitholders will not be obligated to pay brokerage fees or commissions to the Offeror or the Depositary. However, unitholders should consult their own nominees to determine whether any fees or commissions are payable to

them in connection with tendering Units under the Offer. The Offeror will pay all fees and expenses of the Information Agent and the Depositary and all mailing costs in connection with the Offer.

The Offeror will not, under any circumstances, pay any interest by reason of any delay in making payment to any person.

The ownership of Units not purchased by the Offeror under the terms of the Offer will continue to be reflected in the book entry system administered by CDS unaffected by the Offer.

7. Liens and Distributions

Units purchased by the Offeror under the Offer shall be acquired by the Offeror free and clear of all liens, charges, encumbrances, security interests, claims, restrictions and equities whatsoever, together with all rights and benefits arising therefrom, provided that any distributions that may be paid, issued, distributed, made or transferred on or in respect of such Units to unitholders of record on or before the date upon which the Units are taken up and paid for under the Offer shall be for the account of such unitholders. Each unitholder of record on that date will be entitled to receive that distribution, whether or not such unitholder tenders Units under the Offer.

8. Notice

Without limiting any other lawful means of giving notice, any notice to be given by the Offeror or the Depositary under the Offer will be deemed to have been properly given if it is mailed by ordinary mail to CDS and, unless otherwise specified under applicable law, will be deemed to have been received on the first business day following the date of mailing. The Offeror understands that, upon receipt of any such notice, CDS will provide a notice to the CDS Participants in accordance with the applicable CDS policies and procedures for the book entry system then in effect.

9. Other Terms

The Offeror reserves the right to permit unitholders holding physical certificates representing Units (if any) to accept the Offer by completing a letter of acceptance and transmittal and delivering the certificates representing such Units.

The Offeror reserves the right to transfer to one or more affiliates of KFS the right to purchase all or any portion of the Units deposited under the Offer. Any such transfer will not relieve the Offeror of its obligations under the Offer and will not prejudice the rights of KLROC unitholders depositing Units to receive payment for Units validly tendered and taken up pursuant to the Offer.

No person has been authorized to give any information or to make any representation on behalf of the Offeror other than as contained in this Offer to Purchase and the Offering Circular and, if any such information or representation is given or made, it must not be relied upon as having been authorized by the Offeror.

The Offer and all contracts resulting from the acceptance thereof shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each party to a contract resulting from an acceptance of the Offer unconditionally and irrevocably attorns to the jurisdiction of the courts of the Province of Ontario.

The Offeror, in its sole discretion, shall be entitled to make a final and binding determination of all questions relating to the interpretation of the Offer, the validity of any acceptance of the Offer and the validity of any withdrawal of Units. The Offeror reserves the right to reject any tender of Units under the Offer determined by it not to be in proper form or the acceptance for payment of Units that may (in the opinion of the Offeror's counsel) be unlawful. The Offeror also reserves the right to permit the Offer to be accepted in a manner other than set forth in section 2 of this Offer to Purchase, "Manner of Acceptance", and to waive any defect or irregularity in the tender of any particular Units . No tender of Units will be deemed to be properly made until all defects and irregularities have been cured or waived. Unless waived, all defects or irregularities in connection with tenders of Units must be cured within such time as the Offeror shall determine. **None of the Offeror, the Depositary, the Information Agent and any other person is or will be obligated to give notice of defects or irregularities in respect of any tender or withdrawal of Units or other matter relating to the Offer except as expressly provided in this Offer to Purchase, and none of them shall incur any liability for failure to give any such notice.** The Offeror's interpretation of the terms and conditions of the Offer (including this Offer to Purchase, the Offering Circular and the Letter of Acceptance and Transmittal) will be final and binding.

The Offer is not being made to, nor will deposits be accepted from or on behalf of, unitholders in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of such jurisdiction. The Offeror

may, however, in its sole discretion, take such action as it may deem necessary to extend the Offer to unitholders in any such jurisdiction.

This Offer to Purchase, together with the Offering Circular, constitutes the take-over bid circular required under Canadian securities laws with respect to the Offer. The Offering Circular contains additional information relating to KFS, the Offeror, KLROC and the Offer, and the Offeror urges you to read it in its entirety.

Date: June 26, 2009

KFS Capital LLC

(Signed) SCOTT WOOLNEY
Vice-President, Kingsway America Inc., Manager of KFS Capital LLC

(Signed) MARC ROMANZ
Vice-President, Kingsway America Inc., Manager of KFS Capital LLC

OFFERING CIRCULAR

This Offering Circular is being furnished in connection with the Offer made by the Offeror to purchase, on the terms and subject to the conditions contained in the Offer to Purchase, up to a maximum of 1,000,000 Units validly tendered pursuant to the Offer. The terms of the accompanying Offer to Purchase and the Letter of Acceptance and Transmittal are incorporated into and form part of this Offering Circular. Unitholders should refer to the Offer to Purchase for details of the terms and conditions of the Offer, including details with respect to tender mechanics, withdrawal rights and manner of payment. Terms defined in the Offer to Purchase and not otherwise defined herein have the same meaning in this Offering Circular.

1. KFS Capital LLC and Kingsway Financial Services Inc.

KFS Capital LLC (the "Offeror") is a limited liability company organized under the laws of the State of Delaware with no operations and an indirect wholly-owned subsidiary of Kingsway Financial Services Inc.

Kingsway Financial Services Inc. ("KFS"), a corporation incorporated under the laws of the Province of Ontario, is a leading non-standard automobile insurer and commercial automobile insurer in North America. Kingsway's primary businesses are the insuring of automobile risks for drivers who do not meet the criteria for coverage by standard automobile insurers, and commercial automobile insurance. KFS operates through wholly-owned insurance subsidiaries in Canada and the U.S. which it is currently consolidating into three operating units to reduce overhead and strengthen its competitive position. KFS also operates reinsurance subsidiaries in Barbados and Bermuda. The common shares of Kingsway Financial Services Inc. are listed on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE"), under the trading symbol "KFS".

KFS is subject to the reporting requirements of applicable Canadian and U.S. securities laws and the rules, policies and guidelines of the TSX and the NYSE and in accordance therewith files reports and other information with Canadian and U.S. securities regulatory authorities, the TSX and the NYSE.

The principal and registered office of KFS is located at 7120 Hurontario Street, Suite 800, Mississauga, Ontario, L5W 0A9.

2. Kingsway Linked Return of Capital Trust

Kingsway Linked Return of Capital Trust ("KLROC") is an investment trust established under the laws of the Province of Ontario. KLROC's investment objectives are to provide unitholders with quarterly fixed cumulative distributions of C$0.3125 per Unit, and to pay unitholders, on or about June 30, 2015, (the "Redemption Date") an amount per Unit equal to the original subscription price of C$25.

KLROC used the net proceeds of its initial public offering of Units to subscribe for and purchase all of the limited partnership units (the "LP Units") of KL Limited Partnership ("KL LP"), which, in turn, used the proceeds of such subscription to pre-pay its purchase obligations under a forward securities purchase agreement (the "Purchase Agreement") with The Bank of Nova Scotia ("BNS" or "the Counterparty") in order to gain exposure to the "Kingsway Note".

The Kingsway Note was issued by Kingsway ROC GP ("Kingsway ROCGP"), a general partnership organized under the laws of the State of Delaware (whose partners are KFS, as to a 99.99% interest and Metro Claim Services Inc., a wholly-owned subsidiary of KFS, as to a 0.01% interest), to Kingsway Note Trust, an investment trust established under the laws of the Province of Ontario ("KN Trust"), and is unconditionally guaranteed as to payments of principal, interest and other amounts by KFS and by Kingsway America Inc., a corporation incorporated under the laws of the State of Delaware and a wholly-owned subsidiary of KFS. The Kingsway Note bears interest at a rate of 7.12% per annum on the outstanding principal amount of C$74,141,236, payable quarterly, and matures on June 30, 2015. The Kingsway Note is subject to early redemption by Kingsway ROCGP from June 30, 2010, at redemptions amounts that vary based upon the date fixed for early redemption. For a complete description of the Kingsway Note, see KLROC's prospectus dated June 29, 2005, available on www.sedar.com under KLROC's profile.

Under the Purchase Agreement, the Counterparty is to deliver to Scotia Capital Inc. (in such capacity, the "Administrator"), as administrator of KL LP and on behalf of KL LP, on or about June 15, 2015, a specified portfolio (the "Portfolio") consisting of securities (the "Portfolio Securities") of certain specified Canadian public issuers listed on TSX with a value related to the redemption proceeds paid by KN Trust to holders of its units (the holder of all of the outstanding units of KN Trust at the time of the original issuance of the Units was the Counterparty) in connection with the repayment on maturity of the Kingsway Note by Kingsway ROCGP. KL LP will then distribute proceeds from the sale of

the Portfolio Securities to KLROC, as sole holder of the LP Units. KLROC will, in turn, distribute amounts received by it from KL LP to unitholders.

In order to permit KLROC to fund the quarterly distributions due on the Units, the cash portion of retraction amounts payable and any early redemption of the Units, the Purchase Agreement is to be partially settled prior to the Redemption Date by the Counterparty delivering Portfolio Securities to the Administrator, on behalf of KL LP. KL LP is to use the proceeds received from the sale of such Portfolio Securities to make distributions on the LP Units. KLROC then distributes the amounts received by it from KL LP to the unitholders or to retracting unitholders, as the case may be.

The Units are listed on the TSX under the trading symbol "KSP.UN". KLROC is subject to the rules, policies and guidelines of the TSX. KLROC is exempt from the reporting requirements of Canadian securities laws applicable to reporting issuers on the conditions that, among others, unitholders receive the interim unaudited and annual audited financial statements, accompanying management's discussion and analysis of the financial condition and results of operations and annual report of KFS, and KFS continues to file with the Canadian securities regulators its interim unaudited and annual audited financial statements, annual information form, management information circular and, where applicable, its annual report. Provided that such conditions are met, KLROC is not required to file with the Canadian securities regulators, or to mail to unitholders, similar financial statements and other continuous disclosure documents with respect to KLROC. KLROC is, however subject to the requirement to file material change reports in the event of any material change in the affairs of KLROC which is not also a material change in respect of KFS.

The principal place of business of KLROC and the registered office of the Administrator are located at Scotia Plaza, 40 King Street West, Toronto, Ontario, M5W 2X6.

3. Kingsway Linked Return of Capital Trust Units

KLROC is authorized to issue an unlimited number of Units, each of which represents an equal, undivided interest in the net assets and net income of the KLROC. KLROC may not issue any securities other than the Units.

The Units will be redeemed by KLROC on the Redemption Date at a price per Unit equal to the "Redemption Price", which will equal the lesser of (i) the original subscription price of C$25, together with any accrued and unpaid distributions; and (ii) the amount received by KLROC from KL LP as distributions on the LP Units held by KLROC from proceeds from the sale of Portfolio Securities which are delivered to the Administrator, on behalf of KL LP, on the settlement of the Purchase Agreement.

The Units are not subject to early redemption prior to June 30, 2010, except upon an acceleration of the Kingsway Note following an event of default thereunder. On and after such date, in the event that Kingsway ROCGP exercises its option to redeem the Kingsway Note, KLROC may redeem, on any quarterly distribution date, all, but not less than all, of the outstanding Units upon the payment of an redemption amount in cash (the "Early Redemption Price") that varies based upon the date fixed for early redemption (the "Early Redemption Date"), together with an amount equal to all accrued and unpaid distributions to, but excluding, the Early Redemption Date.

Each Unit entitles a unitholder to the same rights and obligations as a unitholder of any other Unit and no unitholder is entitled to any privilege, priority or preference in relation to any other unitholder in its capacity as such. Each unitholder is entitled to one vote for each Unit held (other than insiders of KLROC, whose voting rights are curtailed in certain circumstances — see section 4 of this Offering Circular, "Background of, Purpose and Reasons for the Offer") and is entitled to participate equally with respect to any and all distributions made by KLROC. On termination of KLROC, all unitholders of record holding outstanding Units are entitled to receive the Redemption Price (or Early Redemption Price, as the case may be) for their Units and their *pro rata* share of the remaining assets of KLROC, if any. For a complete description of the Units, see KLROC's prospectus dated June 29, 2005, available on www.sedar.com under KLROC's profile.

At June 25, 2009, 3,120,000 Units were issued and outstanding. Stilwell Value Partners IV LP (KLROC's largest unitholder, and whose affiliate, Joseph Stilwell, is a director of KFS and the chair of the Capital Committee of the Board of Directors of KFS that recommended to the Board of Directors of KFS the making of the Offer) beneficially owns 314,000 (representing approximately 10.06% of the outstanding Units). Unitholders should consider the fact that the largest Unitholder of KLROC intends to tender all of its Units to the Offer.

4. Background of, Purpose and Reasons for the Offer

In December, 2008, the Board of Directors publicly announced certain cost-cutting initiatives as part of its 2009 business planning and its 2009-2010 strategic planning process. As a part of this cost-cutting initiative, on June 5, 2009, the Board of Directors authorized management to withdraw ratings provided by Standard and Poor's and by Dominion Bond Rating Service in connection with its outstanding debt and securities and the Units.

As part of management's ongoing review of its capital strategy, on June 1, 2009, a U.S. dollar currency swap agreement related to the Kingsway Note was unwound.

On May 7, 2009, the Board of Directors delegated to its Capital Committee the authority to repurchase debt of KFS up to a maximum of C$40 million, subject to an assessment of liquidity levels, market conditions and any costs related to the unwinding of hedges and other related financial instruments. On June 5, 2009, the Capital Committee of the Board of Directors recommended to the Board of Directors the making of an offer for the Units and sought the authority to work with management on advancing a proposed purchase of Units. The Board of Directors authorized such actions.

KFS management contacted the trustees of KLROC (the "Trustees") on June 4, 2009 to inform them of a potential offer to purchase Units and the need to proceed with the preparation of the independent formal valuation, described below, required by Canadian securities laws. KFS management also advised the Trustees that, subject to the approval of the Board of Directors, they intended to proceed with an offer to purchase Units regardless of the conclusions of the formal valuation. On June 10, 2009, the Independent Trustees retained Blackmont Capital Inc. ("Blackmont") to prepare the required formal valuation of the Units, and the Independent Trustees subsequently supervised the preparation of that formal valuation.

In connection with the capital restructuring program of KFS, and in light of the recent trading history of the Units, KFS believes that the purchase of Units represents an investment opportunity for KFS and is an appropriate use of KFS's available cash on hand.

The Board of Directors of KFS and the manager of the Offeror have approved the making of the Offer. Neither KFS or its Board of Directors, nor the Offeror or its manager, makes any recommendation to unitholders about whether to tender Units to the Offer. In deciding whether to accept the Offer, unitholders should consider, among other things, that:

- the Purchase Price represents a premium of 12.1% over the closing price of the Units on the TSX on June 25, 2009 (the last trading day before the Offer was announced);
- the Purchase Price represents a premium of 16.1% over the volume-weighted average trading price of Units on the TSX during the last 20 days on which the Units had traded prior to the announcement of the Offer;
- Stilwell Value Partners IV LP (KLROC's largest unitholder, and whose affiliate, Joseph Stilwell, is a director of KFS and the chair of the Capital Committee of the Board of Directors of KFS that recommended to the Board of Directors the making of the Offer) beneficially owns approximately 10.06% of the outstanding Units and has advised the Offeror that it intends to tender all of the Units it owns to the Offer; and
- The Independent Trustees engaged Blackmont to prepare a formal valuation of the Units. In the formal valuation, Blackmont determined that, as of June 18, 2009 and subject to the assumptions, limitations and qualifications set out therein, the fair market value of the Units was in the range of C$10.00 to C$14.00 per Unit. See section 5 of the Offering Circular, "Valuation". The Purchase Price represents the midpoint of the valuation range. Unitholders are urged to read the formal valuation in its entirety included as Schedule A to this document.

Subject to certain exceptions, Canadian securities laws prohibits the Offeror and its affiliates from acquiring any Units, other than pursuant to the Offer, until at least 20 business days after the Expiration Date or the date of termination of the Offer. Neither KFS nor the Offeror has any intention of making purchases of Units, in the normal course on a published market or otherwise, prior to such time. Subject to applicable law, KFS or the Offeror may, after such time, purchase additional Units on the open market, in private transactions, through issuer bids or otherwise. Any such purchases may be on terms that are more or less favourable to unitholders than the terms of the Offer. Any possible future purchases by KFS or the Offeror will depend on many factors, including the market price of the Units, KFS's business and financial position, the results of the Offer and general economic and market conditions.

As the Offeror and KFS are proposing to purchase Units under the Offer for investment purposes, subject to applicable law and to the proviso in the preceding paragraph, KFS and the Offeror may in the future acquire additional Units or dispose of Units they own as investment conditions warrant.

Neither KFS nor the Offeror have any plans or proposals for subsequent transactions involving KLROC. Under the terms of the KLROC declaration of trust, KFS and its affiliates, as "insiders" of KLROC within the meaning of Ontario securities laws, are not permitted to vote the Units they beneficially own in respect of any matter requiring the affirmative votes of the holders of more than 66⅔% of the Units represented at a meeting unitholders called for the purpose of, among other matters:

(a) a change in the purposes of KLROC including the investment objectives of KLROC;

(b) a change in the investment restrictions of KLROC;

(c) a change in the basis of calculating fees or other expenses that are charged to KLROC which could result in a material increase in charges to KLROC;

(d) a change in the Administrator, other than a change resulting from an affiliate of such person assuming such position, or a termination by KLROC of the administration agreement;

(e) a change in the auditors of KLROC; and

(f) any amendment, modification or variation in the provisions or rights attaching to the Units if such change would materially adversely affect the rights attaching to the Units.

Neither the Offeror or its manager, Kingsway America Inc., nor KFS or its Board of Directors, makes any recommendation to unitholders about whether to tender Units to the Offer. No person has been authorized to make any such recommendation. Unitholders are urged to evaluate carefully all information contained in the Offer to Purchase and the Offering Circular, to consult their professional advisors and to make their own decisions about whether to tender Units to the Offer. Unitholders should also consider the income tax consequences of accepting the Offer. See section 15 of the Offering Circular, "Certain Canadian Federal Income Tax Considerations" and section 16 of the Offering Circular, "Certain United States Federal Income Tax Considerations", as applicable.

5. Valuation

The valuation requirements of Multilateral Instrument 61-101 — Protection of Minority Security Holders in Special Transactions ("MI 61-101"), adopted by certain securities regulatory authorities in Canada and applicable to insider bids generally, are applicable in connection with the Offer. Having determined that Blackmont was a qualified and an independent valuator within the meaning of MI 61-101, on June 10, 2009, the Independent Trustees retained Blackmont to prepare the required formal valuation of the Units. The Independent Trustees subsequently supervised the preparation of that formal valuation.

A copy of Blackmont's formal valuation is attached to this document as Schedule A. Unitholders are urged to read the formal valuation in its entirety.

Credentials of Blackmont

Blackmont is one of Canada's largest independent investment banking firms, with operations in all facets of corporate finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. The formal valuation expressed by Blackmont represents the opinion of Blackmont, and the form and content thereof have been approved for release by a committee of its directors, each of whom is experienced in merger, acquisition, divestiture and valuation matters.

Relationships with Interested Parties

Neither Blackmont nor any of its affiliated entities is an associated or affiliated entity or an issuer insider of KFS, the Offeror, or any of their respective affiliates or associates (an "Interested Party"). Blackmont has not provided financial advisory services to an Interested Party other than pursuant to the engagement by the Independent Trustees in respect of the formal valuation. There are no understandings, agreements or commitments between Blackmont and KLROC, KFS or the Offeror or any of their respective affiliates or associates with respect to any future business dealings. However, Blackmont may in the future, in the ordinary course of business, seek to perform financial advisory or investment banking services for any one or more of them from time to time. In addition, Blackmont is a wholly-owned subsidiary of CI Financial Corp. The Bank of Nova Scotia (an affiliate of KLROC's Administrator) holds approximately 37% of the common shares of CI Financial Corp. Neither Blackmont nor the Independent Trustees are of the view that this fact impacts on the independence of Blackmont.

Blackmont acts as a trader and dealer, both as principal and agent, in all major Canadian financial markets and, as such, may have had or may in the future have positions in securities of KLROC or any Interested Party and, from time to time, may have executed or may execute transactions on behalf of KLROC or any Interested Party or on behalf of other clients for which it receives compensation. As an investment dealer, Blackmont conducts research on securities and may, in the ordinary course of business, provide research reports and investment advice to its clients on investment matters, including matters involving an investment in KLROC.

6. Price Range of Units and Distributions

The Units are listed on the TSX. The following tables set forth trading statistics on the TSX for the six month period preceding the announcement of the Offer, as compiled from published financial sources.

	Price per Unit			Daily Volume on TSX				
	High	Low	Volume Weighted Average Price		High	Low	Average Daily Volume	# of trading days
December 2008	$ 8.56	$6.20	$ 7.33	December 2008	22,386	300	9,587	21
January 2009	$11.00	$7.75	$ 9.22	January 2009	5,500	50	1,941	21
February 2009	$10.50	$8.25	$ 9.03	February 2009	34,450	100	6,493	19
March 2009	$ 9.10	$7.35	$ 8.26	March 2009	10,150	100	3,278	22
April 2009	$10.00	$7.60	$ 9.42	April 2009	3,300	17	1,330	21
May 2009	$10.00	$9.01	$ 9.67	May 2009	6,450	17	2,129	21
June (1st-25th) 2009	$10.99	$8.70	$10.34	June (1st-25th) 2009	6,463	0	1,808	19

On June 25, 2009 (the last trading day before the Offer was announced), the closing price of the Units on the TSX was C$10.70.

The Trust's investment objectives with respect to the Units are to provide the holders of the Units with quarterly fixed cumulative distributions of C$0.3125 per Unit. During the two-year period preceding the date of the Offer, KLROC has paid quarterly distributions of C$0.3125 per Unit.

7. Previous Distributions of Units

KLROC has not distributed Units other than pursuant to its initial public offering completed in July 2005. In its initial public offering, KLROC issued 3,120,000 Units at C$25 per Unit for total gross proceeds of C$75 million.

8. Ownership of Units and Acceptance of the Offer

At June 25, 2009, KFS beneficially owns 18,700 Units, representing approximately 0.60% of the outstanding Units.

To the knowledge of the Offeror and KFS, after reasonable inquiry, no individual or corporation beneficially owns, directly or indirectly, or exercises control or direction over Units carrying more than 10% of the voting rights attached to the Units, except Stilwell Value Partners IV LP (KLROC's largest unitholder, and whose affiliate, Joseph Stilwell, is a director of KFS and the chair of the Capital Committee of the Board of Directors of KFS that recommended to the Board of Directors the making of the Offer) which beneficially owns approximately 10.06% of the outstanding Units. Stilwell Value Partners IV LP has advised the Offeror that it intends to tender all of the Units it owns to the Offer.

Other than as set forth in the table below, no securities of KLROC are owned by any director or officer of the Offeror or KFS or, to the knowledge of the Offeror and KFS and their respective directors and officers, after reasonable inquiry, by: (i) any associate or affiliate of an insider of the Offeror or KFS; (ii) any insider of the Offeror or KFS other than a director or officer of the Offeror or KFS, or (iii) any person or company acting jointly or in concert with the Offeror or KFS.

To the knowledge of the Offeror and KFS, after reasonable inquiry, the following table indicates, at June 25, 2009, the number of Units beneficially owned, directly or indirectly, or over which control or direction is exercised, by each director and senior officer of KFS and their respective associates and any person or company acting jointly or in concert with the Offeror or KFS:

Name	Relationship with KFS	Number of Units	% of Outstanding Units
J. Brian Reeve	Director of KFS	10,000	0.32%
Joseph Stilwell[(1)]	Director of KFS	314,000	10.06%

(1) Held by Stilwell Value Partners IV LP, an affiliate of Joseph Stilwell.

Joseph Stilwell has advised us that his affiliate, Stilwell Value Partners IV LP, intends to tender all of its Units to the Offer. Brian Reeve, the only other director or officer of KFS who beneficially owns Units, has advised us that he does not intend to tender the 10,000 Units he beneficially owns to the Offer. Other than as set forth above, none of the directors and senior officers of KFS and, to the knowledge of those individuals (after reasonable inquiry), none of their associates intends to tender any Units to the Offer. Unitholders should consider the fact that the largest Unitholder of KLROC intends to tender all of its Units to the Offer.

9. Previous Purchases and Sales of Units

Of the 18,700 Units beneficially owned by KFS at June 25, 2009, 12,500 were purchased on May 26, 2009 at C$9.74 per Unit and 6,200 were purchased on June 3, 2009 at C$9.795 per Unit. Both of those transactions were done for investment purposes, and other than those transactions, neither KFS nor the Offeror has purchased or sold any Units in the 12 month period preceding the Offer.

To the knowledge of the Offeror, after reasonable inquiry, no person or company named under "Ownership of Units and Acceptance of the Offer" has purchased or sold any Units during the twelve month period preceding the Offer other than:

Name	Relationship with KFS	Number of Units Purchased or sold	Purchase or Sale Price	Transaction Date
Joseph Stilwell[(1)]	Director of KFS	10,000	$5.41	November 25, 2008
		6,300	$6.50	November 26, 2008
		6,500	$6.96	December 1, 2008
		11,100	$6.87	December 3, 2008
		10,900	$7.03	December 5, 2008
		14,400	$7.53	December 9, 2008
		30,100	$7.33	December 11, 2008
		12,000	$7.36	December 12, 2008
		12,300	$7.45	December 16, 2008
		10,500	$7.37	December 18, 2008
		15,600	$7.43	December 19, 2008
		10,000	$7.76	December 22, 2008
		8,800	$7.92	December 23, 2008
		5,800	$8.07	January 6, 2009
		1,500	$9.99	January 8, 2009
		8,300	$9.77	January 28, 2009
		25,100	$9.99	February 9, 2009
		8,500	$8.50	February 10, 2009
		8,700	$8.50	February 11, 2009
		7,700	$8.40	February 12, 2009
		10,900	$8.87	February 20, 2009
		11,600	$8.99	February 24, 2009
		9,200	$8.97	March 2, 2009
		15,500	$7.95	March 9, 2009
		10,000	$7.95	March 10, 2009
		4,800	$7.93	March 16, 2009
		12,500	$8.81	March 27, 2009
		8,300	$9.08	April 6, 2009
		7,100	$9.94	April 17, 2009

(1) Purchases effected, and Units are held by, Stilwell Value Partners IV LP, an affiliate of Joseph Stilwell.

10. Commitments to Acquire Units

Other than pursuant to the Offer, there are no commitments to acquire Units of KLROC by the Offeror or KFS or any of their respective directors or officers or, to the knowledge of the Offeror and KFS and their respective directors and officers after reasonable enquiry, by: (i) any associate or affiliate of an insider of the Offeror or KFS; (ii) any insider of the

Offeror or KFS other than a director or officer of the Offeror or KFS; or (iii) any person acting jointly or in concert with the Offeror or KFS.

11. Benefits from the Offer

No person or company named under "Ownership of Units and Acceptance of the Offer" will receive any direct or indirect benefit from accepting or refusing to accept the Offer (other than consideration available to any unitholder who does or does not participate in the Offer).

12. Contracts, Arrangements and Understandings

There are no agreements, commitments or understandings made or proposed to be made between the Offeror and KFS and any of the trustees of KLROC or the Administrator.

Except as otherwise disclosed in the Offer to Purchase and the Offering Circular, there are no contracts, arrangements or understandings, formal or informal, between the Offeror or KFS and any securityholder of KLROC with respect to the Offer, or between the Offeror or KFS and any person, with respect to any securities of KLROC in relation to the Offer.

There are no agreements, commitments or understandings made between the Offeror or KFS and KLROC relating to the Offer, nor any agreement, commitment or understanding that could affect control of KLROC that can reasonably be regarded as material to a Unitholder in deciding whether to deposit securities under the Offer.

13. Material Changes in the Affairs of KLROC

Except as described or referred to in the Offer to Purchase and the Offering Circular, neither the Offeror nor KFS (a) is aware of any plans or proposals for material changes in the affairs of KLROC, (b) has information which indicates that any material change in the affairs of KLROC has occurred since the date of the last published financial statements of KFS, other than the making of this Offer by the Offeror, and such other material changes as have been publicly disclosed by KFS or KLROC, and (c) has knowledge of any other matter that has not previously been generally disclosed but which would reasonably be expected to affect the decision of unitholders to accept or reject the Offer.

14. Prior Valuations

There were no prior valuations (as defined in MI 61-101) in the 24 months prior to the date of the Offer. In connection with the funding of the quarterly distributions due on the Units and the associated partial settlement of the Purchase Agreement referred to under section 2 of this Offering Circular, "Kingsway Linked Return of Capital Trust", Scotia Capital Inc. (as administrator of KN Trust) prepares, in accordance with Canadian generally accepted accounting principles, on a quarterly basis, unaudited statements of net assets of KN Trust (the owner of the Kingsway Note). While these statements are not prepared for purposes of valuing KLROC or any of its assets, because the economic value of the Units is related to the value of the Kingsway Note and the value of KN Trust units, the quarterly unaudited statements of net assets of KN Trust may be of relevance to unitholders. These unaudited statements are included in Schedule C hereto, and will be available on www.sedar.com concurrently with the filing of this document. These statements were not prepared at the request of the Offeror or KFS, and the Offeror and KFS disclaim any responsibility for their preparation, content and purposes for which they are put to use.

15. Certain Canadian Federal Income Tax Considerations

The Offeror has been advised by Ogilvy Renault LLP, counsel to the Offeror, that the following is a summary of the principal Canadian federal income tax considerations under the Tax Act, as of the date hereof, generally applicable to a unitholder in respect of the sale of Units to the Offeror pursuant to the Offer.

This summary is based on the provisions of the Tax Act in force on the date hereof and counsel's understanding of the current administrative policies and practices of the Canada Revenue Agency ("CRA") published in writing by the CRA prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments") and assumes that all such Proposed Amendments will be enacted in their present form. No assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action, or changes in the administrative policies and practices of the CRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations which may differ materially from those described in this summary.

This summary does not apply to a unitholder that is a "financial institution" for purposes of section 142.2 of the Tax Act or a "specified financial institution" as defined for purposes of the Tax Act or a unitholder to which the "functional currency" reporting rules in subsection 261(4) of the Tax Act apply, nor does it apply to a unitholder an interest in which is a tax shelter investment for the purposes of the Tax Act. Such unitholders should consult their own tax advisors.

This summary assumes that KLROC qualifies as a "mutual fund trust" (as defined in the Tax Act) and will continue to so qualify throughout the period during which unitholders hold any Units. If the Fund were not to so qualify at any time, the tax consequences to unitholders described herein would in some respects be materially different.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice or representations to any particular unitholder. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to the transactions described in the Offering Circular. No advance income tax ruling has been applied for or obtained from the CRA to confirm the tax consequences of any of the transactions described in the Offering Circular. The income or other tax consequences will vary depending on a unitholder's particular circumstances, including the country, province or other jurisdiction in which the unitholder resides or carries on business. Unitholders should consult their own legal and tax advisors with respect to the tax consequences to them based on their particular circumstances.

Residents of Canada

The following portion of the summary is generally applicable to a unitholder who, at all relevant times, for purposes of the Tax Act: (a) is, or is deemed to be, resident in Canada; (b) deals at arm's length with KLROC or the Offeror; (c) is not affiliated with KLROC or the Offeror; and (d) holds Units as capital property. Units generally will be considered capital property to a unitholder unless the unitholder holds such Units in the course of carrying on a business, or the unitholder has acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain unitholders whose Units might not otherwise qualify as capital property may be eligible to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have the Units, and every other "Canadian security" (as defined in the Tax Act) owned by such holder, deemed to be capital property in the taxation year of the election and all subsequent taxation years.

A unitholder who disposes of Units to the Offeror under the Offer will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition for the Units exceed (or are less than) the aggregate of the adjusted cost base (determined in accordance with the Tax Act) of the Units to the unitholder immediately before the disposition and any reasonable costs of disposition. For this purpose, the proceeds of disposition for a Unit will be equal to the Purchase Price.

Capital Gains and Capital Losses

A unitholder will be required to include one-half of any such capital gain (a "taxable capital gain") in income. Subject to the detailed rules in the Tax Act, a unitholder will generally be required to deduct one-half of any such capital loss (an "allowable capital loss") against taxable capital gains realized in the year of disposition. Allowable capital losses not deducted in the taxation year in which they are realized may be carried back and deducted in any of the three preceding years, or carried forward and deducted in any following year, against taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

A unitholder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6⅔% on its "aggregate investment income" for the year, which is defined to include the "eligible portion" of its taxable capital gains.

Minimum Tax

Capital gains realized by an individual or certain trusts may give rise to a liability for alternative minimum tax.

Qualified Investments

If the Fund ceases to qualify as a mutual fund trust within the meaning of the Tax Act, the Units may cease to be a qualified investment for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered disability savings plan, a registered education savings plan, a deferred profit sharing plan or a tax-free savings account (each a "Registered Plan") under the Tax Act. See "Certain Canadian Federal Income Tax Considerations — Ceasing to Qualify as Mutual Fund Trust" below.

Non-Residents of Canada

The following portion of the summary is generally applicable to a unitholder who at all relevant times, for the purposes of the Tax Act: (a) is not resident, nor deemed to be resident, in Canada; (b) deals at arm's length with KLROC or the Offeror; (c) is not affiliated with KLROC or the Offeror; (d) holds Units as capital property; and (e) does not use or hold, and is not deemed to use or hold, Units in connection with carrying on a business in Canada. Special rules which are not discussed in this summary may apply to a non-resident unitholder that is an insurer carrying on business in Canada and elsewhere or an authorized foreign bank.

A non-resident unitholder will not be subject to tax under the Tax Act in respect of any capital gain realized on the disposition of its Units to the Offeror under the Offer, unless the Units constitute "taxable Canadian property" of the unitholder.

A Unit will be taxable Canadian property to a non-resident unitholder if, at any time during the 60-month period immediately preceding the disposition, not less than 25% of the issued Units of KLROC belonged to the non-resident unitholder, persons with whom the non-resident unitholder did not deal at arm's length for purposes of the Tax Act or the non-resident unitholder together with such persons. A Unit may also be deemed to be taxable Canadian property of a non-resident unitholder in certain other circumstances set out in the Tax Act. A Unit will also be taxable Canadian property to a non-resident unitholder at any time that the Fund does not qualify as a "mutual fund trust" for purposes of the Tax Act. See "Certain Canadian Federal Income Tax Considerations — Ceasing to Qualify as Mutual Fund Trust" below.

If the Units are taxable Canadian property to a non-resident unitholder, any capital gain realized on the disposition of such Units to the Offeror under the Offer will be calculated in the same manner as described above under "Certain Canadian Federal Income Tax Considerations — Residents of Canada". One-half of any such capital gain will be included in the non-resident unitholder's income as a taxable capital gain, subject to any exemption from tax pursuant to the provisions of an applicable income tax treaty or convention. Unitholders to whom the Units constitute taxable Canadian property should consult their tax advisors.

A non-resident unitholder whose Units are taxable Canadian property will be required to file a Canadian income tax return reporting the disposition of such Units, even if no gain is realized on the disposition or the gain is exempt from Canadian tax pursuant to an applicable income tax treaty or convention.

Ceasing to Qualify as Mutual Fund Trust

In order for KLROC to qualify as a "mutual fund trust" for purposes of the Tax Act, it must comply with prescribed conditions relating to the number of its unitholders, dispersal of ownership of its units and public trading of its units. Depending, in part, on the number of Units acquired pursuant to the Offer and the number of unitholders owning Units following the acquisition, it is possible that the Fund will fail to comply with the prescribed conditions following the acquisition of Units by the Offeror pursuant to the Offer. If the Fund fails to comply with the prescribed conditions at any time following the acquisition, the Fund will cease to qualify as a mutual fund trust either immediately upon such failure to comply with the prescribed conditions or after the end of the year in which the Fund fails to comply with the prescribed conditions.

Unitholders who continue to hold Units at any time that the Fund does not qualify as a mutual fund trust may be subject to adverse income tax consequences, including the following:

- Units held by non-resident unitholders will constitute "taxable Canadian property" at any time that the Fund does not qualify as a mutual fund trust. See "Certain Canadian Federal Income Tax Considerations — Non-Residents of Canada". In addition, the notification and withholding provisions of section 116 of the Tax Act will generally apply to a non-resident unitholder in such circumstances.
- Units will not constitute qualified investments for Registered Plans.

Unitholders who do not tender their Units pursuant to the Offer should consult their legal or tax advisors regarding the tax consequences to them in the event KLROC ceases to qualify as a mutual fund trust.

16. Certain United States Federal Income Tax Considerations

The following summary describes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) with respect to the sale of Units to the Offeror pursuant to the Offer. The following summary does not purport to be a complete analysis of all of the potential U.S. federal income tax considerations that may

be relevant to particular U.S. Holders in light of their particular circumstances nor does it deal with persons that are subject to special tax rules, such as:

- dealers in stocks, securities or currencies;
- securities traders that use a mark-to-market accounting method;
- banks and financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt organizations;
- qualified retirement plans or other tax-deferred accounts;
- corporations that accumulate earnings to avoid U.S. federal income tax;
- persons holding Units as part of a straddle, hedge or conversion transaction or as part of a synthetic security or other integrated transaction;
- persons who are subject to the alternative minimum tax;
- persons who or that are, or may become, subject to the expatriation provisions of the Internal Revenue Code of 1986 (the "Code");
- persons whose functional currency is not the U.S. dollar;
- persons who acquired Units in a compensation transaction; and
- direct, indirect or constructive owners of 10% or more of the Units.

In addition, this summary does not address persons that hold an interest in a partnership or other pass-through entity that holds Units, or tax considerations arising under the laws of any state, local or non-U.S. jurisdiction.

The following is based on the Code, Treasury regulations promulgated thereunder, and administrative rulings and court decisions, in each case as in effect on the date hereof, all of which are subject to change, possibly with retroactive effect.

As used herein, the term "U.S. Holder" means a beneficial owner of Units that is (i) a citizen or individual resident of the U.S., (ii) a corporation (or an entity classified as a corporation for U.S. federal tax purposes) created or organized in or under the laws of the U.S. or any political subdivision thereof, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if a U.S. court is able to exercise primary supervision over its administration and one or more U.S. persons, within the meaning of Section 7701(a)(30) of the Code, have authority to control all of its substantial decisions, or if a valid election is in effect to be treated as a U.S. person.

The tax treatment of a partner in a partnership (or other entity classified as a partnership for U.S. federal tax purposes) may depend on both the partnership's and the partner's status. Partnerships that are beneficial owners of Units, and partners in such partnerships, should consult their own tax advisors regarding the U.S. federal, state, local and non-U.S. tax considerations applicable to them.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, UNITHOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY UNITHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON UNITHOLDERS UNDER THE CODE; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE OFFEROR OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) UNITHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A U.S. Holder whose Units are purchased by the Offeror pursuant to the Offer will generally be treated, for U.S. federal income tax purposes, as disposing of the Units in a taxable transaction. The U.S. Holder will generally recognize gain or loss in an amount equal to the difference between (i) the U.S. dollar value of the amount received by the U.S. Holder, and (ii) the U.S Holder's "adjusted tax basis" in the purchased Units.

Based on the nature of KLROC's income and assets, the Offeror believes that Units will be treated as shares of a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes. Gain from the disposition of shares in a PFIC is generally subject to U.S. federal income tax under a regime that is materially more onerous than the U.S. federal income tax rules that generally apply to gain from the disposition of other investment securities. In general, any such gain will be allocated ratably to each day that the U.S. Holder has held the Units. Amounts allocated to the taxable year of the U.S. Holder in which the disposition occurs will be treated as ordinary income. Amounts allocated to prior taxable years will be subject to tax at the highest rate in effect for the relevant taxable year with respect to ordinary income, increased by an interest charge at the rate applicable to income tax deficiencies, applied to the period from the due date for the U.S. Holder's U.S. federal income tax return (determined without regard to extensions) for the relevant taxable year to the due date for the U.S. Holder's U.S. federal income tax return (determined without regard to extensions) for the taxable year in which the disposition occurs.

In addition, the basis step-up rule, under which the basis of appreciated property acquired from a decedent is generally increased to fair market value on the date of the decedent's death, does not apply to shares of a PFIC if the decedent was a U.S. citizen or resident at any time when he or she held the PFIC shares. With respect to depreciated property, however, the general basis step-down rule applies to PFIC shares. As a result, a U.S. Holder's initial tax basis in Units acquired from a decedent who had at any time been a U.S. Holder will be the lesser of the decedent's adjusted tax basis in the Units immediately prior to death and the fair market value of the Units at death.

The U.S. federal income tax treatment of a particular U.S. Holder may be affected by the U.S. Holder's particular circumstances, including elections that U.S. Holders may make under the Code to apply a tax regime that is materially different from the PFIC rules described above. **Each U.S. Holder, therefore, is strongly urged to consult its own tax advisor regarding the U.S. federal income tax consequences of tendering Units pursuant to the Offer under the U.S. Holder's particular circumstances.**

The U.S. dollar value of the amount received by a U.S. Holder pursuant to the Offer will be calculated by reference to the exchange rate in effect on the date of receipt of the payment, regardless of whether the payment is actually converted into U.S. dollars. If any Canadian dollars received by a U.S. Holder are later converted into U.S. dollars, the U.S. Holder may recognize gain or loss on the conversion, which will be treated as ordinary gain or loss. Such gain or loss generally will be treated as gain or loss from sources within the United States for United States foreign tax credit purposes. U.S. Holders should consult their own tax advisors concerning the possibility of foreign currency gain or loss if any such Canadian dollars are not converted into U.S. dollars on the date of receipt.

Any cash proceeds received by a U.S. Holder pursuant to the Offer will generally be subject to information reporting and may also be subject to backup withholding if the U.S. Holder does not provide certain identifying information or meet certain other conditions. Amounts withheld under the backup withholding rules are not additional taxes and may be credited against a U.S. Holder's U.S. federal income tax liability, provided that the U.S. Holder furnishes the required information to the Internal Revenue Service.

U.S. Holders who do not tender their Units pursuant to the Offer should consult their tax advisors regarding the implications of the PFIC rules for their continued ownership of Units in light of their particular circumstances.

17. Source of Funds

The Offeror will spend up to C$12,000,000 (excluding fees and expenses) to purchase Units pursuant to the Offer. The Offeror will fund the purchase of Units pursuant to the Offer, together with the fees and expenses of the Offer, from available cash on hand.

18. Depositary

The Offeror has appointed Kingsdale Shareholder Services Inc. to act as a depositary for the Offer.

19. Fees and Expenses

The Offeror has retained Kingsdale Shareholder Services Inc. to act as the depositary in connection with the Offer. The Depositary will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities in connection with the Offer, including certain liabilities under Canadian securities laws.

The Offeror has retained Kingsdale Shareholder Services Inc. to act as information agent in connection with the Offer. The Information Agent will receive reasonable and customary compensation for its services, will be reimbursed for

certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities in connection with the Offer, including certain liabilities under Canadian securities laws.

Under Canadian securities laws, the Offeror is responsible to pay the fees of the independent valuator engaged by the Independent Trustees of KLROC to provide the formal valuation attached as Schedule A hereto.

The Offeror will not pay any fees or commissions to any broker or dealer or any other person for soliciting deposits of Units pursuant to the Offer. Brokers, dealers, commercial banks and trust companies will, upon request, be reimbursed by the Offeror for reasonable and necessary costs and expenses incurred by them in forwarding materials to their customers.

The Offeror expects to incur expenses of approximately C$550,000 in connection with the Offer which include filing, advisory, legal, accounting, depositary, formal valuation and printing fees.

20. Legal Matters

Certain legal matters with respect to the Offer will be passed upon for the Offeror and KFS by Ogilvy Renault LLP.

21. Directors' Approval

The manager of the Offeror and the Board of Directors of KFS have approved the contents of the Offer to Purchase and the Offering Circular and the sending, communication or delivery of the Offer to Purchase and the Offering Circular to the unitholders of KLROC.

22. Statutory Rights

Securities legislation of the provinces and territories of Canada provides unitholders with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to the unitholders. However, these rights must be exercised within prescribed time limits. Unitholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

CONSENTS

TO: The manager of KFS Capital LLC and to the Directors of Kingsway Financial Services Inc.

We refer to our formal valuation dated June 26, 2009, attached as Schedule A to the take-over bid circular of KFS Capital LLC dated June 26, 2009, which we prepared for the Independent Trustees of Kingsway Linked Return of Capital Trust for the offer accompanying such circular. We consent to the filing of our formal valuation with the securities regulatory authorities and the inclusion of our formal valuation in such circular.

Toronto, Ontario
June 26, 2009

(Signed) BLACKMONT CAPITAL INC.

TO: The manager of KFS Capital LLC and to the Directors of Kingsway Financial Services Inc.

We hereby consent to the inclusion of our name in section 15 of the Offering Circular, "Certain Canadian Federal Income Tax Considerations", and in section 20 of the Offering Circular, "Legal Matters", and to the references to our opinion contained in the take-over bid circular of KFS Capital LLC dated June 26, 2009.

Toronto, Ontario
June 26, 2009

(Signed) OGILVY RENAULT LLP

CERTIFICATE

KINGSWAY FINANCIAL SERVICES INC.

June 26, 2009

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

(Signed) Colin Simpson
President and Chief Executive Officer

(Signed) Daniel Brazier
Chief Financial Officer

On behalf of the Board of Directors

(Signed) Spencer Schneider
Director

(Signed) Terence Kavanagh
Director

CERTIFICATE

KFS CAPITAL LLC

June 26, 2009

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

(Signed) Scott Wollney
Vice-President, Kingsway America Inc.,
Manager of KFS Capital LLC

(Signed) Marc Romanz
Vice-President, Kingsway America Inc.,
Manager of KFS Capital LLC

SCHEDULE A

Blackmont Capital Inc.
181 Bay Street, Suite 900
Toronto, Ontario, M5J 2T3

June 26, 2009

The Independent Trustees
Kingsway Linked Return of Capital Trust
Scotia Plaza, 40 King Street West
Toronto, Ontario, M5W 2X6

To the Independent Trustees:

Blackmont Capital Inc. ("Blackmont") understands that Kingsway Linked Return of Capital Trust ("KLROC" or the "Trust") has been informed by Kingsway Financial Services Inc. ("Kingsway" or "KFS") of its intention through KFS Capital LLC (the "Offeror"), an indirect wholly-owned subsidiary of KFS, to offer to purchase up to a maximum of 1 million of preferred, retractable, redeemable, cumulative units (the "Units") of KLROC (the "Offer") at a purchase price per Unit ("Purchase Price") of $12.00.

The terms of the Offer will be more fully described in the Trustees' Circular (the "Circular") and the Offeror's Circular (the "Offering Circular"), which will be mailed to holders of Units ("Unitholders").

Blackmont also understands that the independent trustees of the Trust (the "Independent Trustees"), each of whom is independent of the Offeror, KFS and their respective affiliates and associates, will consider the Offer and may make recommendations thereon to the trustees of the Trust (the "Trustees"). The Independent Trustees have retained Blackmont to prepare and deliver to the Independent Trustees a formal valuation in respect of the Offer (the "Valuation") in accordance with the requirements of Multilateral Instrument 61-101.

Engagement

The Independent Trustees initially contacted Blackmont regarding a potential advisory assignment on June 8, 2009, and Blackmont was formally engaged by the Independent Trustees through an agreement among the Trust, KFS and Blackmont (the "Engagement Agreement") dated June 10, 2009. The terms of the Engagement Agreement provide that Blackmont is to be paid a fee for its services under the Engagement Agreement by KFS. The compensation to Blackmont under the Engagement Agreement does not depend in whole or in part on the conclusions reached in the Valuation or the successful outcome of the Offer. In addition, Blackmont is to be reimbursed for its reasonable out-of-pocket expenses and the Trust and KFS also agreed to indemnify Blackmont in respect to certain liabilities that might arise out of the engagement. Blackmont consents to the inclusion of the Valuation in its entirety and a summary thereof, provided such summary is in a form acceptable to Blackmont, in the Circular and the Offering Circular and to the filing thereof, as necessary, by the Trust with the securities commissions or similar regulatory authorities in each province of Canada.

Relationship With Interested Parties

Neither Blackmont nor any of its affiliated entities is an associated or affiliated entity or an insider issuer of KFS, the Offeror, or any of their respective affiliates or associates (an "Interested Party"). Blackmont has not provided financial advisory services to an Interested Party other than pursuant to the Engagement Agreement. There are no understandings, agreements or commitments between Blackmont and the Trust, KFS or the Offeror or any of their respective affiliates or associates with respect to any future business dealings. However, Blackmont may in the future, in the ordinary course of business, seek to perform financial advisory or investment banking services for any one or more of them from time to time. In addition, Blackmont is a wholly-owned subsidiary of CI Financial Corp. The Bank of Nova Scotia (an affiliate of the Trust's administrator, Scotia Capital Inc. (the "Administrator")) holds approximately 37% of the common shares of

CI Financial Corp. Neither Blackmont nor the Independent Trustees are of the view that this fact impacts on the independence of Blackmont.

Blackmont acts as a trader and dealer, both as principal and agent, in all major Canadian financial markets and, as such, may have had or may in the future have positions in securities of the Trust or any Interested Party and, from time to time, may have executed or may execute transactions on behalf of the Trust or any Interested Party or on behalf of other clients for which it receives compensation. As an investment dealer, Blackmont conducts research on securities and may, in the ordinary course of business, provide research reports and investment advice to its clients on investment matters, including matters involving an investment in the Trust or any Interested Party.

Credentials of Blackmont Capital Inc.

Blackmont is one of Canada's largest independent investment banking firms, with operations in all facets of corporate finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. The Valuation expressed herein represents the opinion of Blackmont and the form and content herein have been approved for release by a committee of its directors, each of whom is experienced in merger, acquisition, divestiture and valuation matters.

Scope of Review

In connection with our Valuation, we have reviewed and relied upon without attempting to verify the completeness or accuracy thereof or carried out, among other things, the following:

1. the most recent draft of the Circular in our possession dated June 26, 2009;
2. the most recent draft of the Offering Circular in our possession dated June 26, 2009;
3. the audited annual financial statements of the Trust and Kingsway Note Trust ("KN Trust") for the years ended December 31, 2007 and 2008;
4. annual reports of Kingsway for the years ended December 31, 2006, 2007 and 2008;
5. annual information forms of the Trust dated March 28, 2008 and March 30, 2009;
6. the unaudited interim reports of Kingsway for the quarters ended June 30, 2008, September 30, 2008 and March 31, 2009;
7. the unaudited Statements of Net Assets of KN Trust for the quarters from June 30, 2007 to March 31, 2009;
8. the unaudited Statements of Net Assets of the Trust for the quarter ended March 31, 2009;
9. management information circulars of Kingsway dated May 8, 2008 and April 23, 2009;
10. annual information forms of Kingsway dated March 28, 2008 and March 27, 2009;
11. unaudited operations forecast for the Trust, prepared by the Administrator, for the quarters ending June 30, 2009, September 30, 2009 and December 31 2009;
12. unaudited operations forecast for KN Trust, prepared by the Administrator, for each of the calendar years beginning December 31, 2009 and ending June 30, 2015;
13. draft of the unpublished ratings report from DBRS of Kingsway and its affiliates;
14. most recent public Standard & Poor's rating filings of KLROC and Kingsway from Standard & Poor's;
15. most recent A.M. Best reports of Kingsway and its affiliates;
16. the final prospectus of the Trust dated June 29, 2005 in respect of its initial public offering ("IPO") of $78.0 million of Trust Units;
17. the final non-offering prospectus of KN Trust dated June 29, 2005;
18. the Guaranteed Note indenture dated July 14, 2005 issued by Kingsway ROC GP;
19. the Note Purchase Agreement dated July 14, 2005 between Kingsway ROC GP, KN Trust and Kingsway;
20. the Lincoln General Insurance Company Proposed RBC plan dated May 7, 2009, Amendment No. 1 thereto dated May 22, 2009 and Amendment No. 2 thereto dated May 28, 2009;
21. discussions with the Trust's tax advisors and legal counsel and a review of the legal opinion of Stikeman Elliot LLP at the time of the closing of its IPO in 2005;

22. public information relating to the business, operations, financial performance and stock trading history of the Trust and other selected public entities considered by us to be relevant;

23. public information with respect to other transactions and offerings of a comparable nature considered by us to be relevant;

24. public information regarding the financial services industry, insurance industry and of KFS generally;

25. representations contained in certificates addressed to us, dated as of the date hereof, from senior officers of the Trust and KFS as to the completeness and accuracy of the information upon which the Valuation is based; and

26. such other corporate, industry and financial market information, investigations and analyses as Blackmont considered necessary or appropriate in the circumstances.

In addition, Blackmont has participated in discussions with management of KFS regarding the past and current business operations, financial conditions and future prospects of KFS. Blackmont has also participated in discussions with the Administrator regarding the organization structure of the Trust and its financial projections. Blackmont has also participated in discussions with the Independent Trustees, Stikeman Elliot LLP, legal counsel to the Trust and with Ogilvy Renault LLP, counsel to the Offeror, in connection with the Offer.

The Valuation has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of Investment Industry Regulatory Organization of Canada ("IIROC") but IIROC has not been involved in the preparation or review of this valuation.

Prior Valuations

The Trust has represented to Blackmont that there have not been any prior valuations (as defined in Multilateral Instrument 61-101) of the Trust or its material assets or its securities in the past twenty-four month period. However, Blackmont has been made aware by KFS, the Trust and the Administrator that in connection with the funding of the quarterly distributions due on the Units and the associated partial settlement of the above-noted Note Purchase Agreement, Scotia Capital Inc. (as administrator of KN Trust) prepares, in accordance with Canadian generally accepted accounting principles, on a quarterly basis, unaudited statements of net assets of KN Trust (the owner of the Kingsway Note (as defined below)). We understand from KFS, the Trust and the Administrator that while these statements are not prepared for purposes of valuing KLROC or any of its assets, because the economic value of the Units is related to the value of the Kingsway Note and the value of KN Trust units, the quarterly unaudited statements of net assets of KN Trust may be of relevance to Unitholders. These unaudited statements will be included in the Offering Circular, and will be available on www.sedar.com.

Assumptions and Limitations

Blackmont has relied upon, and has assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions and representations obtained by us from public sources, or provided to us by the Trust, by KFS, or by Interested Parties or otherwise obtained by us pursuant to or in connection with the Engagement Agreement, and our Valuation is conditional upon such completeness, accuracy and fair presentation. We have not been requested to or attempted to verify independently the accuracy, completeness or fairness of presentation of any such information, data, advice, opinions and representations. Without limiting the foregoing, Blackmont has not met with the independent auditors of the Trust, KN Trust or KFS and we have relied upon and assumed the accuracy and fair presentation of the audited financial statements and the reports of the auditors thereon of each of the Trust, KN Trust and KFS.

In preparing the Valuation, Blackmont has made several assumptions including that all final versions of documents will conform in all material respects to the drafts provided to Blackmont, conditions precedent to the completion of the Offer can be satisfied in due course, all consents, permissions, exemptions or orders of relevant regulatory authorities or other parties will be obtained, without adverse condition or qualification, the procedures being followed to implement the Offer are valid and effective, the Circular and Offering Circular will be distributed to the Unitholders in accordance with the applicable laws, and the disclosure in the Circular and Offering Circular will be accurate in all material respects and will comply, in all material respects, with the requirements of all applicable laws and in particular but without limitation, Blackmont has assumed the accuracy of the information and opinions contained under the heading "Certain Canadian Federal Income Tax Considerations" and the assumptions regarding the future tax status of the Trust and its Unitholders as set out in the Offering Circular.

With reference to the budgets, forecasts, projections or estimates provided to Blackmont by or on behalf of the Trust and KN Trust and used in its analyses, Blackmont notes that projecting future results of any entity is inherently subject to uncertainty.

KFS and the Trust have represented to Blackmont in certificates delivered as of the date hereof, among other things, that: (i) KFS and the Trust have no information or knowledge of any facts relating to KFS and the Trust which would reasonably be expected to affect materially the Valuation that have not otherwise been publicly disclosed by KFS and the Trust or disclosed to Blackmont; (ii) to the extent that any of the information or data is historical, to the knowledge of KFS or the Trust there have been no changes in material facts or new material facts relating to such data which have not been disclosed to Blackmont or updated by more current information or data publicly disclosed or disclosed to Blackmont; and that (iii) there is no plan or proposal for any "material change" (as defined in the *Securities Act (Ontario)*) in the business or affair of KFS that could materially affect the Trust, or the Trust that has not been publicly disclosed or otherwise disclosed to Blackmont in writing.

The Valuation is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at June 18, 2009 (the "Valuation Date") and the condition and prospects, financial and otherwise, of the Trust, KFS, KN Trust and their respective subsidiaries and affiliates, as they were reflected in the information and as they have been represented to Blackmont in discussions with management of such entities. In its analyses and in preparing the Valuation, Blackmont made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Blackmont or any party involved in the Offer.

The Valuation has been provided for the use of the Independent Trustees and may not be used by any other person or relied upon by any other person other than the Independent Trustees without the express prior written consent of Blackmont. The Valuation is given as at the Valuation Date and Blackmont disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Valuation which may come or be brought to Blackmont's attention after the Valuation Date. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Valuation after the Valuation Date, Blackmont reserves the right to change, modify or withdraw the Valuation.

Blackmont believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Valuation. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Valuation is not to be construed as a recommendation to any holder of Units as to whether or not to accept the Offer. Furthermore, Blackmont is not a legal, tax or accounting expert and expresses no opinion concerning any legal, tax or accounting matters concerning the Offer.

In providing the Valuation, Blackmont expresses no opinion as to the trading price or value of the Units following the announcement or completion of the Offer.

Overview of Kingsway Financial Services Inc.

Kingsway is a leading non-standard automobile insurer and commercial automobile insurer in North America. Kingsway's primary businesses are the insuring of automobile risks for drivers who do not meet the criteria for coverage by standard automobile insurers, and commercial automobile insurance.

Kingsway operates through wholly-owned insurance subsidiaries in both Canada and the U.S. The common shares of Kingsway are listed on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE") under the trading symbol "KFS".

Overview of Kingsway Linked Return of Capital Trust

The Trust commenced operations on July 14, 2005, when it completed its IPO of 3,120,000 Units for gross proceeds of $78,000,000. The Trust used the net proceeds of the IPO to subscribe for and purchase all of the units of KL Limited Partnership. The Trust was created to provide the Unitholders with exposure to a $74,141,236 principal amount, 7.12% fixed rate senior unsecured note due June 30, 2015, (the "Kingsway Note") which was issued by Kingsway ROC GP and is unconditionally guaranteed as to payments of principal, interest and other amounts by Kingsway and Kingsway America Inc., a wholly owned subsidiary of Kingsway. The Trust has not issued any securities since the date of the IPO.

Investment Objectives

According to the Trust's annual information forms, the Trust's investment objectives are:

i) Distributions: to provide the Unitholders with quarterly fixed cumulative distributions of $0.3125 per Unit ($1.2500 per annum to yield 5.00% on $25.00 per Unit (the "Subscription Price"). The Units' distributions consist primarily of returns of capital and may, in certain circumstances, include capital gains distributions; and

ii) Capital repayment: to pay to the Unitholders, on or about June 30, 2015 (the "Redemption Date") an amount per Unit equal to the Subscription Price.

Definition of Fair Market Value

For purposes of the Valuation, fair market value is defined as the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act. Blackmont has not made any downward adjustments to the value of the Units to reflect the liquidity of the Units, the effect of the Offer on the Units, or the fact that Units do not form part of a controlling interest.

KLROC Valuation

Valuation Methods

The Valuation is based on the methodologies and assumptions that Blackmont considered appropriate in the circumstances for the purposes of arriving at a range of fair market value of the Units as at the Valuation Date. Fair market value of the Units was analyzed on a going-concern basis and is expressed on a per unit basis.

In determining the fair market value of the Units, Blackmont relied upon the following methodologies:

i) Adjusted Book Value approach; and

ii) Comparable Companies approach.

In addition, Blackmont reviewed historical trading data for the Trust.

Adjusted Book Value Approach

The adjusted book value approach involves calculating a value range for the Trust based initially upon the book value of the Trust as at the Valuation Date. This value is then adjusted to reflect the actual market value of the assets and liabilities of the Trust as at that date. In particular, the market value of the Kingsway Note must be reflected in the Valuation as well as the present value of all ongoing expenses of the Trust and KN Trust. Other assets and liabilities of the Trust and KN Trust are adjusted where appropriate.

In determining the market value of the Kingsway Note, Blackmont reviewed the public trading information of selected debt securities of North American companies in the insurance industry, with a focus on yield to maturity of a subset of property & casualty insurance companies. In addition to selecting debt securities by industry, such securities were also selected on the basis of comparable credit rating and maturity as the Kingsway Note.

The prices of the debt securities as at the Valuation Date were sourced from Bloomberg. In the case of illiquid or unreported debt securities, prices were estimated based on debt securities with similar credit ratings and maturities or NASD TRACE (Trade Reporting and Compliance Engine) market activity which monitors the last reported transaction price of each individual debt security.

In determining the present value of all ongoing expenses of the Trust and KN Trust, Blackmont reviewed forecasts of the Trust and KN Trust prepared by the Administrator. Blackmont found the forecasts to be reasonable and made adjustments to reflect events subsequent to the preparation of the forecasts, specifically, the elimination of fees relating to the credit rating agencies and additional legal costs to be incurred by the Trust from the Offer.

Blackmont made no adjustments to the combined net assets of the Trust and KN Trust as at March 31, 2009.

Yield to Maturity and Discount Rates

Blackmont is of the view that the results of the comparable bond yields analysis provide a useful valuation benchmark. Blackmont determined that the low end of the valuation range is supported by the Kingsway America Inc. debt security at a yield to maturity of 27.3% and the high end of the valuation range is supported by the average of the comparable debt securities at a yield to maturity of 16.8%.

Summary of Adjusted Book Value Approach

The calculation of net asset value per unit is outlined below:

(in millions, except yields and per share amounts)	Low	High
Selected Yield to Maturity	**27.3%**	**16.8%**
Implied Present Value of:		
Kingsway Note	$ 30.5	$ 47.2
Ongoing Expenses	($2.6)	($3.2)
	$ 27.9	$ 44.0
Other Net Assets of the Trust and KN Trust	$ 2.3	$ 2.3
Net Asset Value	$ 30.2	$ 46.3
Units Outstanding	3.12	3.12
Indicative Value Range per Unit	**$ 9.69**	**$14.85**

Based upon the foregoing, the Adjusted Book Value approach produced a net asset value of the Units, expressed on a per unit basis, in the range of $9.69 to $14.85 per Unit.

Comparable Companies Approach

Blackmont considered the comparable companies trading analysis in determining the fair market value of the Units. For the purposes of its analysis, Blackmont identified and reviewed the yield to maturity of a number of public preferred securities with similar characteristics to the Trust. Blackmont reviewed preferred securities on the basis of credit rating, structure and maturities.

Based on the comparable companies approach, Blackmont selected what it considered to be reasonable representative yields to maturity. Furthermore, Blackmont attributed less weight to this analysis compared to the Adjusted Book Value approach due to the limited number of comparable companies. The results of the comparable companies approach are summarized below:

(in millions, except yields and per share amounts)	Low	High
Selected Yield to Maturity	**26.4%**	**16.2%**
Subscription Value of Units	$78.0	$ 78.0
Implied Value of Units based on Yield to Maturity	$28.3	$ 44.8
Units Outstanding	3.12	3.12
Indicative Value Range per Unit	**$9.08**	**$14.36**

The resulting values calculated using the comparable companies approach confirm our Adjusted Book Value approach value range and, in Blackmont's opinion, do not require any adjustment.

Based upon the foregoing, the comparable companies approach produced value of the Units, expressed on a per unit basis, in the range of $9.08 to $14.36 per Unit.

Historical Trading Data

As part of its consideration, Blackmont reviewed the 52-week trading range of the Units and the 5-Day volume weighted average price ("VWAP") , 10-Day VWAP, and 20-day VWAP of the Units.

	Low	High
52-Week Trading Range per Unit	$4.17	$12.29
5-Day VWAP, 10-Day VWAP and 20-Day VWAP per Unit	$9.89	$10.47

Blackmont believes the VWAP is more representative of fair market value than the 52-week trading range. Blackmont attributed less weight to the historical trading data and put more emphasis on the Adjusted Book Value approach and the Comparable Companies approach.

Valuation Summary

In addition to the foregoing, in arriving at our opinion of the value of the Units, Blackmont reviewed and considered the following:

i) Blackmont considered whether any benefit would accrue to the Offeror as a result of acquiring the Units. Blackmont was unable to identify any benefit other than the savings resulting from a reduction in interest otherwise payable to Unitholders following the completion of the Offer.

ii) Blackmont considered the implications of the unwinding of the currency swap held by Kingsway ROC GP which occurred on June 1, 2009. Blackmont is of the view that the credit spreads reflected in the yields to maturity that were selected for the Adjusted Book Value approach and Comparable Companies approach, compensate Unitholders for the potential additional risk of being unhedged. Therefore, no additional adjustment was made.

iii) Blackmont considered the implications to Kingsway of the run off plan of Lincoln General Insurance Company and the implications of the RBC plan which was determined by the Pennsylvania Insurance Department to be satisfactory and is being implemented. Blackmont believes the credit worthiness of Kingsway is reflected through the yields to maturity applied to the range of values in both the Adjusted Book Value approach and Comparable Companies approach.

Valuation Conclusion

Based upon and subject to the foregoing, Blackmont is of the opinion that, as of the Valuation Date, the fair market value of the Units is in the range of $10.00 to $14.00 per Unit representing an implied yield to maturity as at the Valuation Date of 27.1% and 18.3%, respectively.

Yours very truly,

(Signed) **Blackmont Capital Inc.**

SCHEDULE B

LETTER OF ACCEPTANCE AND TRANSMITTAL

in respect of the Offer to Purchase for cash
up to a maximum of 1,000,000 of the outstanding preferred, retractable, redeemable, cumulative Units of
Kingsway Linked Return of Capital Trust
at a purchase price of C$12.00 per Unit by
KFS Capital LLC dated June 26, 2009

THE OFFER EXPIRES AT 5:00 P.M. (TORONTO TIME) ON AUGUST 4, 2009, UNLESS EXTENDED OR WITHDRAWN

This Letter of Acceptance and Transmittal relates to an Offer dated June 26, 2009 by KFS Capital LLC to purchase for cash, on the terms and subject to the conditions contained in the Offer to Purchase, up to a maximum of 1,000,000 of the outstanding Units validly tendered pursuant to the Offer at a Purchase Price of C$12.00 per Unit.

The terms and conditions of the Offer to Purchase are incorporated by reference in this Letter of Acceptance and Transmittal. The term "unitholder" as used in this Letter of Acceptance and Transmittal means the beneficial owner of Units. All other capitalized terms used in this Letter of Acceptance and Transmittal have the meanings given to them in the Offer to Purchase and Offering Circular dated June 26, 2009.

To: **KFS Capital LLC**
And To: **Kingsdale Investor Services Inc., as depositary**

Acceptance of the Offer

The Offeror has issued the Units under the CDSX book entry system administered by CDS. Accordingly, a nominee of CDS is the sole registered holder of the outstanding Units and beneficial ownership of the outstanding Units is evidenced through book entry credits to securities accounts of CDS Participants (eg, banks, trust companies and securities dealers), who act as agents on behalf of unitholders who are their customers, rather than by physical certificates.

Unitholders wishing to accept the Offer will be required to comply with the book entry delivery procedures established by CDS. In accordance with these procedures and for purposes of the Offer, the Depositary will establish an account with respect to the Units at CDS. Any CDS Participant may make book entry delivery of Units (on behalf of a unitholder wishing to accept the Offer) by causing CDS to credit such Units to the Depositary's account by book entry prior to the Expiry Time in accordance with the procedures of CDS. Compliance with the procedures of CDS will be evidenced by the Depositary's receipt of a Book Entry Confirmation. **Unitholders who wish to tender Units to the Offer should contact their nominees for assistance.**

The Offeror understands that the CDS Participants will provide the relevant documentation to unitholders. See Appendix 1 of this Letter of Acceptance and Transmittal where the Offeror has reproduced the form of tendering instructions which it understands CDS will provide to CDS Participants. **In order to tender Units to the Offer, unitholders must complete the documentation and follow the instructions to be provided by CDS and CDS Participants.**

Unitholders who wish to accept the Offer may do so by making valid Tenders. A unitholder who wishes to make a Tender will be required to specify, among other things, the number of Units that it wishes to sell. A unitholder may make multiple Tenders but not in respect of the same Units.

Representations, Warranties and Agreement

Each unitholder who tenders Units to the Offer (a "tendering unitholder") will be deemed to have:

(a) represented and warranted to the Offeror and the Depositary that:

(1) the tendering unitholder has full power and authority to tender and to sell, assign and transfer the Units being tendered;

(2) the tendering unitholder owns the Units being tendered free and clear of all liens, restrictions, charges, encumbrances, claims, equities and rights of others of any nature whatsoever and has not sold, assigned or transferred, or agreed to sell, assign or transfer, any of the Units being tendered to any other person; and

(3) if and when the Units being tendered are taken up by the Offeror, the Offeror will acquire good title thereto, free and clear of all liens, restrictions, charges, encumbrances, claims, equities and rights of others of any nature whatsoever;

(b) accepted and agreed to the terms and conditions of the Offer as set forth in the Offer to Purchase; and

(c) agreed with the Offeror that any contract evidenced by or relating to the Offer shall be drawn exclusively in the English language (chaque porteur qui dépose des parts en réponse à l'offre est réputé avoir accepté que tout contrat attesté par l'offre, de même que tout contrat qui s'y rapporte, soient rédigés exclusivement en langue anglaise).

Subject to the acceptance for purchase by the Offeror of the Units tendered to the Offer in accordance with the terms of the Offer to Purchase and upon receipt by the Depositary (as the tendering unitholder's agent) of the Purchase Price for such Units , each tendering unitholder will be deemed to have sold, assigned and transferred to the Offeror all right, title and interest in and to all the Units being tendered and in and to all rights, benefits and claims in respect thereof.

Important Tax Information for U.S. Holders

In order to avoid backup withholding of U.S. federal income tax on payments pursuant to the Offer, a U.S. Holder (as defined in section 16 of the Offering Circular, "Certain United States Federal Income Tax Considerations") tendering Units must, unless an exemption applies, provide the Depositary with such holder's U.S. taxpayer identification number ("TIN"), certify under penalties of perjury that such TIN is correct, and provide certain other certifications by completing the Substitute Form W-9 included in this Letter of Acceptance and Transmittal as Appendix 2. If a U.S. Holder does not timely provide such holder's correct TIN or fails to provide the required certifications, the Internal Revenue Service ("IRS") may impose a penalty of US$50 on such holder and payment to such holder pursuant to the Offer may be subject to backup withholding currently at a rate of 28%.

All U.S. Holders tendering Units pursuant to the Offer should complete and sign the Substitute Form W-9 at Appendix 2 hereto to provide the information and certification necessary to avoid backup withholding (unless an applicable exemption exists and is proved in a manner satisfactory to the Offeror and the Depositary).

Backup withholding is not an additional tax. Rather, the amount of the backup withholding can be credited against the U.S. federal income tax liability of the person subject to the backup withholding, provided that the required information is given to the IRS. If backup withholding results in an overpayment of tax, a refund can be obtained by the U.S. Holder upon filing a U.S. federal income tax return.

A tendering U.S. holder is required to give the Depositary the TIN (i.e., social security number or federal employer identification number) of the record holder of the Units . If the Units are held in more than one name or are not registered in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

Certain U.S. Holders (including, among others, corporations, individual retirement accounts and certain foreign individuals and entities) are not subject to backup withholding but may be required to provide evidence of their exemption from backup withholding. Exempt U.S. Holders should indicate their exempt status on the Substitute Form W-9. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for more instructions.

U.S. Holders should consult their own tax advisors to determine whether they are exempt from these backup withholding and reporting requirements.

APPENDIX 1- TENDERING INSTRUCTIONS

COMPLETE BOX A AND, IF APPLICABLE, BOX B. IF BOX A IS NOT COMPLETED, THERE IS NO VALID TENDER OF UNITS

BOX A This box MUST be completed if Units are being tendered.
Number of Units tendered:

BOX B **NON-RESIDENTS** Check box below if the country of residence of the beneficial unitholder is other than Canada
☐ I confirm that I am not a resident of Canada

APPENDIX 2 — SUBSTITUTE FORM W-9

SUBSTITUTE **Form W-9** **Department of the Treasury** **Internal Revenue Service** **Request for Taxpayer Identification Number (TIN) and Certification**	Name: Address:	Individual ☐ Partnership ☐ Corporation ☐ Other (specify) ☐
PART I. TAXPAYER IDENTIFICATION NUMBER (TIN)		
Please provide your Taxpayer Identification Number in the space at right. For most individuals this is your social security number. If you do not have a number, see "Obtaining a Number" in the enclosed *Guidelines*. Certify by signing and dating below. If awaiting TIN, write "Applied For."		TIN: _____
PART II. EXEMPT RECIPIENTS		
For Payees Exempt from Backup Withholding, write "Exempt" in the space in this section and sign and date below. See the enclosed *Guidelines* and complete as instructed therein. _____		
PART III. CERTIFICATION		
Under penalties of perjury, I certify that: (1) The TIN shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me); and (2) I am not subject to backup withholding either because: (a) I am exempt from backup withholding, or (b) I have not been notified by the IRS that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; (3) I am a U.S. person (including a U.S. resident alien); and (4) any other information provided on this form is true, correct and complete. **CERTIFICATION INSTRUCTIONS** — You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). (Also see instruction in the enclosed *Guidelines*). Signature: _____ Date: _____, 20____		

YOU MUST ALSO COMPLETE THE FOLLOWING CERTIFICATE IF YOU WROTE "APPLIED FOR" IN PART I ABOVE.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (1) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office, or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number to the Payor prior to the time of payment, all payments made to me pursuant to the Offer will be subject to backup withholding at a rate of 28%.

_____
Signature

_____ _____, 20____
Name (Please Print) Date:

NOTE: FAILURE TO COMPLETE AND RETURN THIS SUBSTITUTE FORM W-9 MAY RESULT IN IRS PENALTIES AND BACKUP WITHHOLDING OF 28% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED "GUIDELINES" FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE W-9 FOR ADDITIONAL DETAILS.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

Guidelines for Determining the Proper Identification Number for the Payee (You) to Give the Payor. — Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payor. All "Section" references are to the Internal Revenue Code of 1986, as amended. "IRS" is the Internal Revenue Service.

For this type of account:	Give the NAME and SOCIAL SECURITY number of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account[1]
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor[2]
4. a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee[1]
b. So-called trust account that is not a legal or valid trust under State law	The actual owner[1]
5. Sole proprietorship or single-owner LLC	The owner[3]

For this type of account:	Give the NAME and EMPLOYER IDENTIFICATION number of:
6. Sole proprietorship or single-owner LLC	The owner[3]
7. A valid trust, estate, or pension trust	The legal entity[4]
8. Corporate or LLC electing corporate status on Form 8832	The corporation
9. Association, club, religious, charitable, educational, or other tax-exempt organization account	The organization
10. Partnership or multi-member LLC	The partnership
11. A broker or registered nominee	The broker or nominee
12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agriculture program payments	The public entity

(1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a social security number, that person's number must be furnished.

(2) Circle the minors' name and furnish the minor's social security number.

(3) You must show your individual name, but you may also enter your business or "doing business as" name. You may use either your social security number or your employer identification number (if you have one). If you are a sole proprietor, IRS encourages you to use your social security number.

(4) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the taxpayer identification number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

Note: *If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.*

SCHEDULE C

KINGSWAY NOTE TRUST

Statements of Net Assets
(unaudited)

	Actual March 31, 2009	Actual December 31, 2008	Actual September 30, 2008	Actual June 30, 2008	Actual March 31, 2008	Actual December 31, 2007	Actual September 30, 2007	Actual June 30, 2007
Assets								
Investment — Kingsway Note	$ 36,367,432	$ 43,247,629	$ 47,630,745	$ 56,581,781	$ 63,941,821	$ 61,009,941	$75,459,478	$74,260,817
Investment — Kingsway 8¼% Bonds	—	—	—	—	—	—	560,534	560,534
Investment — Government of Canada Bonds	2,107,500	2,113,476	1,753,554	1,455,971	1,480,331	558,000	556,886	556,886
Cash & Short Term Investments	189,490	58,913	167,169	311,409	157,340	914,679	201,405	16,569
Accrued Interest	24,926	13,577	20,714	11,165	16,035	6,356	11,790	28,500
Prepaid Expenses	5,864	7,670	0	4,209	8,613	620	0	5,200
	38,695,212	45,441,265	49,572,180	58,364,532	65,604,138	62,489,596	76,790,093	75,428,508
Liabilities								
Accounts Payable	26,449	47,440	17,483	16,822	25,575	25,769	21,161	11,737
	$ 38,668,763	**$ 45,393,824**	**$ 49,554,698**	**$ 58,347,712**	**$ 65,578,564**	**$ 62,463,827**	**$76,768,933**	**$75,416,770**
Unitholders' Equity								
Capital	$ 74,141,236	$ 74,141,236	$ 74,141,236	$ 74,141,236	$ 74,141,236	$ 74,141,236	$74,141,236	$74,141,236
Mark-to-Market on Kingsway Note	(37,773,804)	(30,893,607)	(26,510,491)	(17,559,455)	(10,199,415)	(13,131,295)	1,318,242	119,581
Mark-to-Market on Bonds	59,500	65,477	1,846	(103)	24,258	(3,386)	(35,264)	(35,264)
Realized Gain/(Loss) on Bonds	(42,299)	(42,299)	(42,299)	(42,299)	(42,299)	(42,298)	—	—
Cumulative net investment income	2,284,129	2,123,017	1,964,405	1,808,332	1,654,784	1,499,570	1,344,719	1,191,217
	$ 38,668,763	**$ 45,393,824**	**$ 49,554,698**	**$ 58,347,712**	**$ 65,578,564**	**$ 62,463,827**	**$76,768,933**	**$75,416,770**
Number of Units Outstanding	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000
Net Asset Value Per Unit	12.39	14.55	15.88	18.70	21.02	20.02	$ 24.61	$ 24.17

Any questions and requests for assistance may be directed to the Information Agent:

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The Depositary for the Offer is