

Court File No. 11-CL-_____

**PRISZM INCOME FUND,
PRISZM CANADIAN OPERATING TRUST,
PRISZM INC. AND KIT FINANCE INC.**

**PRE-FILING REPORT TO THE COURT SUBMITTED BY
FTI CONSULTING CANADA INC., IN ITS CAPACITY AS
PROPOSED MONITOR**

March 31, 2011

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF PRISZM INCOME FUND, PRISZM CANADIAN OPERATING TRUST,
PRISZM INC. AND KIT FINANCE INC.

**PRE-FILING REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.
IN ITS CAPACITY AS PROPOSED MONITOR**

INTRODUCTION

1. FTI Consulting Canada Inc. ("**FTI Consulting**" or the "**Proposed Monitor**") has been informed that Priszm Income Fund, Priszm Canadian Operating Trust, Priszm Inc. and Kit Finance Inc. (collectively, the "**Applicants**") intend to make an application under the *Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended* (the "**CCAA**") for an initial order (the "**Initial Order**") granting, *inter alia*, a stay of proceedings against the Applicants and against Priszm Limited Partnership (together with the Applicants, the "**Priszm Entities**") until April 30, 2011, (the "**Stay Period**") and appointing FTI Consulting as monitor (the "**Monitor**"). The proceedings to be commenced by the Applicants under the CCAA will be referred to herein as the "**CCAA Proceedings**".

2. FTI Consulting has been acting as financial advisor to the Prizm Entities since December 13, 2010, and is therefore familiar with the business and operations of the Prizm Entities, their personnel, the key issues and stakeholders in these CCAA Proceedings. FTI Consulting is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended*, and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA. FTI Consulting has provided its consent to act as Monitor.

3. The purpose of this report is to inform the Court on the following:
 - (a) The state of the business and affairs of the Prizm Entities and the causes of their financial difficulty and insolvency;

 - (b) The independent opinion on the validity and enforceability of the various security held by Computershare Trust Company of Canada (the “**Security Agent**”) as agent for Prudential Investment Management, Inc., The Prudential Insurance Company of America, Pruco Life Insurance Company and Prudential Retirement Insurance and Annuity Company (collectively, “**Prudential**”) being prepared by counsel to the Proposed Monitor;

 - (c) The proposed sale of 231 store locations to Soul Restaurants Canada Inc., an affiliate of Soul Foods Group, a U.K. based franchisee of YUM! Restaurants International (the “**Soul Transaction**”) and the marketing process being undertaken for the business and assets not subject to the Soul Transaction (the “**Marketing Process**”);

 - (d) The Prizm Entities’ weekly cash flow forecast to July 1, 2011 (the “**March 30 Forecast**”);

- (e) The Applicants' request for approval of interim financing of up to US\$3 million pursuant to Amendment No. 11 to the Note Purchase and Shelf Agreement dated as of March 31, 2011 (the "**DIP Amendment**") and for approval of a charge securing any advances thereunder (the "**DIP Lender's Charge**") and the Proposed Monitor's recommendation thereon;

- (f) The Applicants' request for an Order declaring certain persons to be critical suppliers to the Prizm Entities (the "**Critical Suppliers**"), requiring Critical Suppliers to supply certain goods and services to the Prizm Entities on terms and conditions that are consistent with existing supply arrangements and past practices, as may be amended by the Initial Order, and granting a charge in favour of the Critical Suppliers (the "**Critical Supplier Charge**") and the Proposed Monitor's recommendation on the foregoing;

- (g) The Applicants' request for an Order appointing 2279549 Ontario Inc. ("**227**") as Chief Restructuring Officer (the "**CRO**") on the terms set out in the agreement made between 227 and the Prizm Entities dated March 30, 2011 (the "**CRO Agreement**") and the Proposed Monitor's recommendation thereon;

- (h) The Applicants' request for approval of a charge in the amount of \$9.8 million securing the indemnification by the Prizm Entities of (a) their directors and officers against obligations and liabilities that they may incur as directors or officers of the Prizm Entities, and (b) the CRO and Deborah Papernick against any obligations and liabilities that they may incur as CRO of the Prizm Entities, after the commencement of the CCAA Proceedings, except to the extent that, with respect to any individual, the obligation or liability was incurred as a result of the individual's gross negligence or wilful misconduct (the "Directors' Charge") and the Proposed Monitor's recommendation thereon; and
 - (i) The Applicants' request for approval of a charge securing the fees and expenses of the Monitor, its counsel, the CRO and counsel to the Prizm Entities in the amount of \$1.5 million (the "**Administration Charge**") and the Proposed Monitor's recommendation thereon.
4. In preparing this report, the Proposed Monitor has relied upon unaudited financial information of the Prizm Entities, the Prizm Entities' books and records, certain financial information prepared by the Prizm Entities and discussions with the Prizm Entities' management. The Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Proposed Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the affidavit of Deborah Papernick, Chief Financial Officer of the Prizm Entities, sworn March 30, 2011, and filed in support of the CCAA application (the “**Papernick Affidavit**”).
6. This report should be read in conjunction with the Papernick Affidavit as certain information contained in the Papernick Affidavit has not been included herein in order to avoid unnecessary duplication. The Papernick Affidavit will be available at <http://cfcanada.fticonsulting.com/prizm> if the Proposed Monitor is appointed as Monitor in the CCAA Proceedings.

PRISZM ENTITIES’ BUSINESS & AFFAIRS AND CAUSES OF INSOLVENCY

7. The Prizm Entities are Canada’s biggest franchisee of KFC, Taco Bell and Pizza Hut restaurants, operating 428 restaurants in seven provinces across Canada. The Prizm Entities have approximately 6,500 full- and part-time employees.
8. The restaurants are operated under franchise agreements with Yum! Restaurants International (Canada) LP (the “**Franchisor**”) and, in all but three cases, are operated in leased locations. The Prizm Entities’ head office is located in Vaughan, Ontario, and is also leased, with space sub-let to the Franchisor and two other sub-tenants. The Prizm Entities have an additional 11 leased locations that are non-operational.
9. 188 of the locations are leased from Scott’s Real Estate Investment Trust (“**Scott’s REIT**”), a publicly traded entity. 3 restaurant locations and the head office location are leased from Obelysk Inc. (“**Obelysk**”). Obelysk holds a 40% interest in Prizm LP and Prizm Inc. and a 24.4% interest in Scott’s REIT. Mr. John I. Bitove, Chairman and Chief Executive Officer of Prizm until his resignation on March 30, 2011, is also the Chairman and Chief Executive Officer of Obelysk, Scott’s REIT and one of the Prizm head office sub-tenants.

10. The business and affairs of the Prizm Entities and the causes of their insolvency are described in the Papernick Affidavit. The Proposed Monitor has reviewed the Papernick Affidavit and discussed the business and affairs of the Prizm Entities and the causes of their insolvency with senior management personnel of the Prizm Entities and is of the view that the Papernick Affidavit provides a fair summary thereof.

INDEPENDENT SECURITY OPINION

11. A description of the Prizm Entities' debt facilities is provided in the Papernick Affidavit. Osler, Hoskin & Harcourt LLP ("**Osler**"), which will act as independent counsel to the Monitor if FTI Consulting is appointed as Monitor in the CCAA Proceedings, has been asked to provide an opinion on the validity and enforceability of the security held by the Security Agent. In provinces where Osler does not have an office, local representative counsel has been retained to assist. The results of that opinion will be provided to the Court once completed.

THE SOUL TRANSACTION AND THE MARKETING PROCESS

12. As described in the Papernick Affidavit, the targeted closing date for the Soul Transaction is April 18, 2011 and the Prizm Entities would seek Court approval of the Soul Transaction prior to closing. If appointed as Monitor in the CCAA Proceedings, the Proposed Monitor will provide a report on the Soul Transaction in conjunction with any motion for its approval brought by the Prizm Entities.
13. As described in the Papernick Affidavit, the Prizm Entities are in the process of seeking offers for the acquisition of the locations that are not part of the Soul Transaction with the assistance of Canaccord Genuity, and expressions of interest covering all operating locations have been received. If appointed as Monitor in the CCAA Proceedings, the Proposed Monitor will provide a report on the Marketing Process and the engagement of Canaccord Genuity in conjunction with any motion for their approval by the Prizm Entities.

THE PRISZM ENTITIES' CASH FLOW FORECAST

14. The March 30 Forecast, together with management's report on the cash-flow statement as required by section 10(2)(b) of the CCAA, is attached hereto as Appendix A. The March 30 Forecast shows a positive net cash flow of approximately \$4.8 million in the period March 26 to July 1, 2011, and is summarized below:

	\$M
Receipts:	
Sales	120.8
Other	1.2
Total Receipts	122.0
Disbursements:	
Store costs	68.6
Occupancy costs	13.8
IT	0.9
Fixed asset vendors	1.0
Repairs & maintenance	1.9
Marketing	1.5
Other vendors	6.8
Royalties	0.0
Co-op marketing	5.2
Legal fees	0.5
Bank fees	0.6
Interest	0.0
Sales taxes	9.5
Legal & professional fees	4.1
Other	0.4
Total Disbursements	114.8
Excess of Receipts over Disbursements	7.2
Pre-filing payment of Notes	(2.4)
Net Cash Flow	4.8
Opening Cash	4.9
Closing Cash	9.7

15. Section 23(1)(b) of the CCAA states that the Monitor shall:

“review the company's cash-flow statement as to its reasonableness and file a report with the court on the monitor's findings;”

16. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1 (“**CAIRP SOP 09-1**”), the Proposed Monitor hereby reports as follows:
- (a) The March 30 Forecast has been prepared by the management of the Prizm Entities for the purpose described in Note 1, using the Probable and Hypothetical Assumptions set out in Notes 2 to 14.
 - (b) The Proposed Monitor’s review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of the management and employees of the Prizm Entities. Since Hypothetical Assumptions need not be supported, the Proposed Monitor’s procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the March 30 Forecast. The Proposed Monitor has also reviewed the support provided by management of the Prizm Entities for the Probable Assumptions, and the preparation and presentation of the Cash-Flow Statement.
 - (c) Based on its review, nothing has come to the attention of the Proposed Monitor that causes it to believe that, in all material respects:
 - (i) the Hypothetical Assumptions are not consistent with the purpose of the March 30 Forecast;
 - (ii) as at the date of this report, the Probable Assumptions developed by management are not suitably supported and consistent with the plans of the Prizm Entities or do not provide a reasonable basis for the March 30 Forecast, given the Hypothetical Assumptions; or
 - (iii) the March 30 Forecast does not reflect the Probable and Hypothetical Assumptions.

- (d) Since the March 30 Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the March 30 Forecast will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by the Proposed Monitor in preparing this report.
 - (e) The March 30 Forecast has been prepared solely for the purpose described in Note 1 on the face of the March 30 Forecast and readers are cautioned that it may not be appropriate for other purposes.
17. The March 30 Forecast does not reflect the closing of the Soul Transaction which, subject to Court approval, is targeted to close effective April 17, 2011. For illustrative purposes, the Prizm Entities have prepared a cash flow forecast using the same underlying assumptions as the March 30 Forecast but on the assumption that the Soul Transaction closes as targeted. This forecast, which excludes sale proceeds, is also included in Appendix A.

THE DIP AMENDMENT AND PROPOSED DIP LENDER'S CHARGE

18. Prudential has agreed to provide additional funding pursuant to the DIP Amendment, a copy of which is attached hereto as Appendix B. While the March 30 Forecast indicates that the Prizm Entities do not expect to draw under the DIP Amendment during the forecast period, actual borrowing requirements are highly sensitive to timing variances, variances in forecast sales, which can be quite volatile and the other assumptions underlying the March 30 Forecast. Accordingly, having the DIP Amendment in place is considered prudent by the Prizm Entities, Prudential and the Monitor and should assist with maintaining stability during the CCAA Proceedings.

19. Subject to the terms and conditions of the DIP Amendment, Prudential has agreed to lend up to US\$3 million to the Prizm Entities. Advances under the DIP Facility will bear interest at the rate of 10% per annum and are subject to an issuance fee of 1%, subject to an aggregate maximum issuance fee of US\$30,000. There is no “facility stand-by fee” or “unused line fee” under the DIP Amendment.
20. Advances under the DIP Amendment are repayable in full upon the occurrence of an Event of Default (as defined in the DIP Amendment) or on maturity, being May 20, 2011. In addition, the DIP Amendment provides for the mandatory repayment of Excess Cash Amounts, as defined in the DIP Amendment. There is no obligation under the DIP Amendment to make any payment in respect of pre-filing indebtedness.
21. In the Proposed Monitor’s view, the conditions of the DIP Amendment are customary for this type of financing, including the issuance of a Court order granting the advances under the DIP Amendment a super-priority charge over all assets of the Prizm Entities, which charge would have priority over all other encumbrances against the assets of the Prizm Entities other than the proposed Administration Charge, the Critical Supplier Charge and security interests in favour of any person who is a “secured creditor” as defined in the CCAA as of the date of the Initial Order and was not served with notice of the application.
22. Section 11.2(4) of the CCAA, sets out certain factors that should be considered, among other things, in deciding whether to make an order granting an interim financing charge. These factors, and the Proposed Monitor’s comments thereon, are as follows:
 - (a) *The period during which the company is expected to be subject to proceedings under the CCAA*
Subject to any Order that may be made by the Court in respect of the motion to be brought by the Prizm Entities for approval of the

Marketing Process, the Prizm Entities anticipate that the Marketing Process should be completed by May 20, 2011. This date coincides with the maturity of the DIP Amendment. The Proposed Monitor has carefully considered the possible timelines associated with the Marketing Process and has no reason to believe that it cannot be achieved;

(b) *How the company's business and affairs are to be managed during the proceedings*

The Prizm Entities' Chief Financial Officer and Chief Operations Officer have agreed to stay in place despite the proposed commencement of CCAA proceedings. The Prizm Entities are proposing the appointment of the CRO in place of the boards of directors and trustees that have resigned or will resign immediately following the granting of the Initial Order. The Prizm Entities intend that it be "business as usual" insofar as customers and suppliers are concerned;

(c) *Whether the company's management has the confidence of its major creditors*

The Prizm Entities' major secured creditor is Prudential, which has received notice of the CCAA Proceedings and has provided its consent to the relief requested. The proposed CRO has the confidence of Prudential, which has consented to the appointment. In respect of the CCAA Proceedings and the Marketing Process, the Prizm Entities and its management will also receive the benefit of the assistance of their experienced legal counsel, the Proposed Monitor and Canaccord Genuity;

(d) *Whether the loan would enhance the prospects of a viable compromise or arrangement being made in respect of the company*

While the March 30 Forecast indicates that the Prizm Entities will not need to draw under the DIP Amendment during the forecast period if all underlying assumptions are met, additional funding may be required to continue operations if there are major timing variances or changes in underlying assumptions. While the primary focus of the CCAA Proceedings is to seek buyers for the Prizm Entities' assets, a restructuring remains an option in the event that the Marketing Process is not successful. The Proposed Monitor is of the view that a continuation of operations would likely enhance the prospects both of the Marketing Process succeeding and of a viable plan of arrangement in the event that such a plan is proposed;

(e) *The nature and value of the company's property*

As described in the Papernick Affidavit, the Prizm Entities' assets consist primarily of leasehold real estate, equipment and inventory. Nothing has come to the attention of the Proposed Monitor in respect of the nature of the Prizm Entities' property that ought to be given particular consideration in connection with the DIP Lender's Charge. As described in the Papernick Affidavit, the purchase price under the Soul Transaction is in excess of \$42 million. The value of the Prizm Entities' remaining property will be determined through the Marketing Process.

(f) *Whether any creditor would be materially prejudiced as a result of the proposed charge*

It is not proposed that the DIP Lender's Charge would rank in priority to Encumbrances in favour of any person who is a "secured creditor" as defined in the CCAA as at the date of the Initial Order who has not received notice of the application. The proposed interim financing will provide the Prizm Entities the opportunity to continue operations while undertaking the Marketing Process and to maximize recoveries

for stakeholders in the event that circumstances result in additional borrowing requirements. Borrowings under the DIP Amendment are limited to a maximum of US\$3 million. The DIP Lender's Charge is limited to the amount outstanding under the DIP Amendment. The Proposed Monitor believes that any potential detriment caused to the Prizm Entities' creditors by the DIP Lender's Charge is outweighed by the benefits that it creates;

(g) *Other potential considerations*

The Proposed Monitor and its counsel have researched the terms of recent DIP financings based on information publicly available, a summary of which is attached hereto as Appendix C. While the Prizm Entities have not sought interim financing proposals other than the DIP Amendment, based on the Proposed Monitor's experience and its research of the terms of recent DIP financings, the Proposed Monitor believes that the terms of the DIP Amendment are in line with or better than market. Furthermore, given the lack of inventory and accounts receivable, it is highly unlikely that the Prizm Entities would be able to obtain financing from an asset-based lender.

23. Accordingly, the Proposed Monitor respectfully recommends that this Honourable Court grant the Applicants' request for approval of the DIP Amendment and the granting of the DIP Lender's Charge.

CRITICAL SUPPLIERS AND PROPOSED CRITICAL SUPPLIER CHARGE

24. Section 11.4 of the CCAA states:

“(1) On application by a debtor company and on notice to the secured creditors who are likely to be affected by the security or charge, the court may make an order declaring a person to be a critical supplier to the company if the court is satisfied that the

person is a supplier of goods or services to the company and that the goods or services that are supplied are critical to the company's continued operation.

(2) If the court declares a person to be a critical supplier, the court may make an order requiring the person to supply any goods or services specified by the court to the company on any terms and conditions that are consistent with the supply relationship or that the court considers appropriate.

(3) If the court makes an order under subsection (2), the court shall, in the order, declare that all or part of the property of the company is subject to a security or charge in favour of the person declared to be a critical supplier, in an amount equal to the value of the goods or services supplied under the terms of the order.

(4) The court may order that the security or charge rank in priority over the claim of any secured creditor of the company.”

25. The Prizm Entities' business is entirely dependent on the ability to prepare, cook and sell its products. Given the nature of its products, the Prizm Entities maintain very little inventory and rely on an uninterrupted flow of deliveries of inputs and the availability of various services and utilities.
26. The Prizm Entities have identified a number of suppliers that are critical to the ongoing operation of the business. Any interruption of supply by these suppliers could have an immediate adverse impact on the business, operations and cash flow. Accordingly, the Applicants' seek an Order pursuant to section 11.4 of the CCAA designating such suppliers as critical suppliers, requiring such suppliers to continue to supply on terms and conditions consistent with existing supply arrangements and past practices, as may be amended by the Initial Order and granting a charge as security for payments for goods and services supplied.

27. The Critical Suppliers are comprised of five groups, each as described below:

CHICKEN SUPPLIERS

28. Nine suppliers provide chicken to the restaurants, with orders and deliveries occurring up to three times per week. Each store typically utilizes only one supplier and chicken is raised to the KFC size specification.

OTHER FOOD AND DISTRIBUTORS

29. Twenty-two organizations are the major suppliers of other food and restaurant consumables such as salads, beverages, bread products and branded packaging. Orders and deliveries occur up to three times per week.

UTILITIES

30. The restaurants could not be operated without heat, power and water services. While utility services do not commonly suspend service in a CCAA proceeding, it is typical for such service providers to demand additional cash security of one- to two-months billings. Given the Prizm Entities' cash flow forecast and limited access to additional working capital funding, the adverse impact on cash flow could jeopardize the ability to continue operations if the Prizm Entities were required to provide such security.

WASTE DISPOSAL & PEST CONTROL SERVICES

31. A significant amount of both organic and inorganic waste is produced by the operation of the restaurants. Interruption of waste disposal or pest control services could have significant health and safety implications and cause operational difficulties. The majority of waste disposal services to the restaurants are supplied by eight companies. Pest control is sole-sourced.

REPAIR & INFORMATION TECHNOLOGY SERVICES

32. Cooker repairs must be carried out by dealer authorized technicians, and the Proposed Monitor is informed there is only one such authorized technician supplier in each region of the Prizm Entities operations. Information technology services are critical to the operation of the stores, processing customer payments and for accounting and reporting purposes.

MONITOR'S COMMENTS AND RECOMMENDATION

33. The Proposed Monitor has discussed the Prizm Entities' assessment of those suppliers considered to be critical and concurs with the Prizm Entities' view that interruption of supply or adverse changes to existing supply terms and conditions could have a significant and immediate detrimental impact on the Prizm Entities' business, operations and cash flow. The Proposed Monitor notes that the proposed payment terms would result in some small additional credit terms for certain suppliers over existing arrangements, but would provide for operational ease and efficiency in the making of payments by the Prizm Entities and the monitoring of such payments by the Monitor.
34. The granting of the Critical Supplier Charge would provide security for ongoing credit terms and is net neutral to creditors as it simply addresses supplier concerns with respect to the timing of payments and does not impact the overall total of payments to be made to continue operations. Furthermore, the Monitor understands that Prudential has consented to the granting of the Critical Supplier Charge in priority to the DIP Lender's Charge and its pre-filing security.

35. Based on information provided by the Prizm Entities, the Monitor estimates that the maximum amount outstanding from time to time that would be subject to the Critical Supplier Charge would be approximately \$6.2 million. Given the purchase price of the Soul Transaction and the expressions of interest received for the remaining stores, the Monitor is of the view that the Critical Supplier Charge provides adequate security for the credit that would be advanced by the Critical Suppliers.
36. Accordingly, the Monitor respectfully recommends that this Honourable Court grant the Applicants' request for the granting of an Order pursuant to section 11.4 of the CCAA designating certain suppliers as critical suppliers, requiring such suppliers to continue to supply on terms and conditions consistent with existing supply arrangements and past practices, as may be amended by the Initial Order, and granting a charge as security for payments for goods and services supplied.

APPOINTMENT OF CRO

37. The remaining trustees and directors of the Prizm Entities have stated that it is their intent to resign their positions immediately after the application under the CCAA has been heard. In order to provide for appropriate ongoing corporate governance, the Applicants seek an Order appointing 227 as Chief Restructuring Officer and an Order providing similar protections to the CRO as are proposed for the Monitor under the Initial Order. 227 is an entity incorporated by Ms. Deborah Papernick, the Prizm Entities' Chief Financial Officer, for the purposes of being appointed as CRO in the CCAA Proceedings and Ms. Papernick will have day-to-day responsibility for the execution of the role of CRO on behalf of 227.
38. It is contemplated that the CRO will have responsibility for overseeing the Prizm Entities' day-to-day operations and affairs as well as the Prizm Entities' restructuring, including the potential sale of assets, subject to a requirement that the CRO shall consult with the Monitor regarding material issues relating to the CCAA Proceedings.

39. 227 has consented to the appointment as CRO, subject to the approval of the Court and subject to obtaining the protections contemplated in the proposed Order.
40. A copy of the CRO Agreement is attached hereto as Appendix D, with the commercially sensitive financial terms redacted. The Proposed Monitor understands that CRO Agreement has been approved by the boards of trustees and directors of the Prizm Entities and that Prudential has consented to the CRO Agreement. The Proposed Monitor has reviewed the terms of the CRO Agreement, including the financial terms, and is of the view that such terms are reasonable in the circumstances and that the cost of the CRO Agreement is lower than would be the case if the Prizm Entities were to engage the services of a third-party chief restructuring officer. An unredacted copy of the CRO Agreement will, of course, be made available to the Court with appropriate confidentiality safeguards in place if so requested.
41. The Proposed Monitor is also of the view that the appointment of a CRO is appropriate in the circumstances and in the best interests of Prizm Entities and their stakeholders. It is also the Proposed Monitor's view that, in the circumstances of these proceedings, Ms. Papernick (acting through 227) is the logical and best qualified candidate for the position of CRO. Furthermore, the appointment of a CRO unconnected with the Prizm Entities would be substantially less cost effective. Accordingly, the Proposed Monitor respectfully recommends that this Honourable Court grant the Applicants' request for the appointment of 227 as CRO and for the protections described above.

THE PROPOSED DIRECTORS' CHARGE

42. The Prizm Entities are seeking the Directors' Charge in the amount of \$9.8 million. While the Proposed Monitor has been informed that the directors and trustees of the Prizm Entities have resigned or will resign immediately after the granting of the Initial Order, the remaining officers of the Prizm Entities and the CRO have requested that the Prizm Entities seek the Directors' Charge to protect them in the event that they are found liable for obligations secured thereby.
43. The Proposed Monitor has reviewed the underlying calculations upon which the Prizm Entities have based the estimate of the potential liability in respect of directors' statutory obligations and is of the view that the Directors' Charge is reasonable in relation to the quantum of the estimated potential liability.

THE PROPOSED ADMINISTRATION CHARGE

44. The Applicants are seeking an Administration Charge in the amount of \$1.5 million with priority over all encumbrances against the Prizm Entities' assets except for Encumbrances in favour of any person that is a "secured creditor" as defined in the CCAA and who has not received notice of the Administration Charge.
45. The beneficiaries of the Administration Charge if granted would be the Monitor, the Monitor's counsel, the CRO and counsel to the Prizm Entities.
46. The Proposed Monitor understands that Prudential, both in its capacities as existing secured lender and as DIP Lender, has consented to the granting of the Administration Charge and its priority status.

47. The Proposed Monitor has reviewed the underlying assumptions upon which the Prizm Entities have based the quantum of the proposed Administration Charge, the complexities of the CCAA Proceedings and the services to be provided by the beneficiaries of the Administration Charge and believes that limit of \$1.5 million is reasonable in the circumstances. The Proposed Monitor also believes that it is appropriate that the proposed beneficiaries of the Administration Charge be afforded the benefit of a charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.

CONCLUSION

48. The Monitor is of the view that the relief requested by the Applicants is necessary, reasonable and justified. The Monitor is also of the view that granting the relief requested will provide the Prizm Entities the best opportunity to undertake the CCAA Proceedings, to preserve value and maximize recoveries for the Prizm Entities' stakeholders.
49. Accordingly, the Monitor respectfully recommends that the Applicants' request for an initial order pursuant to the CCAA and the ancillary relief described in this Report be granted by this Honourable Court.

The Proposed Monitor respectfully submits to the Court this Pre-Filing Report.

Dated this 31st day of March, 2011.

FTI Consulting Canada Inc.
The Proposed Monitor of
Priszm Income Fund, Priszm Canadian Operating Trust,
Priszm Inc. and Kit Finance Inc.



Nigel D. Meakin
Senior Managing Director

Toni Vanderlaan
Managing Director

Appendix A

The March 30 Forecast

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF PRISZM INCOME FUND, PRISZM CANADIAN OPERATING TRUST,
PRISZM INC. AND KIT FINANCE INC.

(the "Applicants")

**REPORT ON CASH FLOW STATEMENT
(paragraph 10.2(b) of the CCAA)**

The management of Prizm Income Fund, Prizm Canadian Operating Trust, Prizm Inc. and KIT Finance Inc. ("Prizm" or the "Companies") has developed the assumptions and prepared the attached statement of projected cash flow of the Company as of the 28th day of March 2011, consisting of a 14 week cash flow for the period March 28, 2011 to July 1, 2011 (the "March 28 Cash Flow").

The hypothetical assumptions are reasonable and consistent with the purpose of the projections as described in Note 1 to the cash flow, and the probable assumptions are suitably supported and consistent with the plans of the Company and provide a reasonable basis for the March 28 Cash Flow. All such assumptions are disclosed in Notes 2 to 14.

Since the March 28 Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The March 28 Cash Flow has been prepared solely for the purpose outlined in Note 1, using a set of hypothetical and probable assumptions set out in Notes 2 to 14. Consequently, readers are cautioned that the March 28 Cash Flow may not be appropriate for other purposes.

Dated at Vaughan this 30th day of March 2011.



Deborah Papernick

Priszm Income Fund



Deborah Papernick

Priszm Canadian Operating Trust



Deborah Papernick

Priszm Inc.



Deborah Papernick

Kit Finance Inc.



Deborah Papernick, Chief Financial Officer

Priszm LP

Notes:

- 1) The purpose of this cash flow projection is to determine the liquidity requirements of Prizm during the forecast period.
- 2) Receipts from operations have been forecast based on historical trends in collections, the sales forecast for the forecast period has been forecast based on recent trends adjusted for the impact of non-recurring promotional activities from the prior year to the current period.
- 3) Payroll and Benefits costs are based on actual payroll funding in the months leading up to the forecast period and include any impacts on labour levels as a result of forecast changes in sales levels.
- 4) Distributor disbursements are forecast based on historical trends in these costs as a percentage of sales.
- 5) Disbursements for the purchase of chicken are forecast based on a combination of historical analysis of chicken costs as a percentage of sales combined with expected changes in pricing over the forecast period.
- 6) Rent disbursements are based on historical analysis of rent expenses at a store-level basis adjusted to reflect bi-monthly payments as permitted under the Initial Order.
- 7) Royalties are forecast based on the terms of underlying royalty agreements with the Franchisor which assess royalties as a percentage of sales. Royalties are assumed to remain unpaid during the course of the CCAA.
- 8) Co-Op Advertising disbursements are forecast based on underlying agreements with various national and regional advertising cooperatives which are determined as a percentage of sales.
- 9) Forecast Tax disbursements reflect historical rates and forecast sales and disbursements.
- 10) Legal and Professional fees are based on estimates provided by legal and financial advisors currently involved in the case.
- 11) The cash flow does not reflect interest charges being levied by Yum! with respect to unpaid royalties.
- 12) The repayment of \$2,425k is a pre-filing repayment of the Series 1 and 2 2011 Notes.
- 13) The cash flow includes a DIP facility as approved in the Initial Order.
- 14) An adjustment was made to the results in the week ending February 18, 2011 to reflect that Prudential has applied payments received to date against principle. The payment had been recorded in the cash flow against interest and pr

Appendix B

The DIP Amendment

KIT FINANCE INC.
AMENDMENT NO. 11 TO NOTE PURCHASE AND
PRIVATE SHELF AGREEMENT

As of March 31, 2011

**To each of the Current Noteholders
Named in Annex 1 hereto**

Ladies and Gentlemen:

KIT FINANCE INC., an Alberta corporation (together with its successors and assigns, the “**Company**”), and **PRISZM INC.**, a Canadian corporation formerly known as “KIT Inc.” (together with its successors and assigns, “**Priszm Inc.**”, and together with the Company, collectively, the “**Obligors**”), each hereby agrees with you as follows:

1. PRELIMINARY MATTERS.

1.1. Note Issuance, etc.

The Company issued and sold (a) C\$73,596,400 in aggregate principal amount of its 6.795% Series A Senior Secured Guaranteed Notes originally due January 13, 2011 (as in effect and as may be amended, restated, replaced or otherwise modified from time to time, the “**Series A Notes**”) and (b) C\$2,036,700 of its Shelf Notes (as in effect and as may be amended, restated, replaced or otherwise modified from time to time, the “**Shelf Notes**”); the Company also issued and, in part from time to time, sold, (c) US\$3,700,000 of its senior secured guaranteed promissory notes originally due January 31, 2011 (as in effect and as may be amended, restated, replaced or otherwise modified from time to time, the “**Initial Series 2011 Notes**”) and (d) \$2,900,000 of its senior secured guaranteed promissory notes due May 20, 2011 (as in effect and as may be amended, restated, replaced or otherwise modified from time to time, the “**Second Series 2011 Notes**”); the Initial Series 2011 Notes and the Second Series 2011 Notes herein referred to as the “**Series 2011 Notes**”, and together with the Series A Notes and the Shelf Notes, collectively, the “**Existing Notes**”), in each case pursuant to a Note Purchase and Private Shelf Agreement, dated as of January 12, 2006, entered into by and among the Obligors, Prudential Investment Management, Inc. (“**Prudential**”) and each of the Purchasers listed in Annex A attached thereto, as amended by (i) Amendment No. 1 to Note Purchase and Private Shelf Agreement dated as of January 31, 2006, (ii) Amendment No. 2 to Note Purchase and Private Shelf Agreement, dated as of July 11, 2006, (iii) Amendment No. 3 to Note Purchase and Private Shelf Agreement dated as of June 21, 2007, (iv) Amendment No. 4 to Note Purchase and Private Shelf Agreement dated as of February 29, 2008, (v) Amendment No. 5 to Note Purchase and Private Shelf Agreement dated as of September 7, 2008, (vi) Amendment No. 6 to Note Purchase and Private Shelf Agreement dated as of March 26, 2009, (vii) Waiver and Amendment No. 7 to Note Purchase and Private Shelf Agreement dated as of December 22, 2009, (viii) Waiver and Amendment No. 8 to Note Purchase and Private Shelf Agreement dated as of March 12, 2010,

(ix) Amendment No. 9 to Note Purchase and Private Shelf Agreement dated as of January 19, 2011 and (x) Amendment No. 10 to Note Purchase and Private Shelf Agreement (“**Amendment No. 10**”) dated as of February 1, 2011 (as so amended, the “**Existing Note Agreement**”; and as amended by this Amendment No. 11 to Note Purchase and Private Shelf Agreement (together with all Annexes, Exhibits, Schedules and attachments hereto, this “**Amendment Agreement**” or this “**Agreement**”), the “**Note Agreement**”). The register for the registration and transfer of the Notes indicates that the Persons named in Annex 1 hereto (collectively, the “**Current Noteholders**”) are currently the holders of the entire outstanding principal amount of the Existing Notes.

1.2. Requested Actions.

The Obligors have requested that the Current Noteholders amend certain provisions of the Existing Note Agreement, and that the Current Noteholders conditionally agree to purchase a new series of senior secured promissory notes entitled the “**Post-Petition Notes**”, all as more particularly provided for herein.

2. DEFINED TERMS.

Capitalized terms used herein and not defined herein have the respective meanings given them pursuant to Amendment No. 10 or, if not defined therein, in the Noteholder Forbearance Agreement (defined below), or, if not defined therein, in the Note Agreement.

3. AMENDMENTS TO AMENDMENT NO. 10 AND TO EXISTING NOTE AGREEMENT.

Subject to Section 5 hereof, Amendment No. 10 and the Existing Note Agreement are hereby amended as set forth in this Section 3 (the “**Amendments**”):

3.1. Amendment and Restatement of Section 1.3 through Section 1.7 of Amendment No. 10.

Section 1.3 through Section 1.7, inclusive, of Amendment No. 10 are hereby amended and restated in their entirety as follows:

“1.3 Authorization of Post-Petition Notes.

The Company has authorized the issue and sale of its senior secured guaranteed promissory notes (as may be amended, restated, replaced or otherwise modified from time to time, the “**Post-Petition Notes**”; the Post-Petition Notes, the Series 2011 Notes, and the Existing Notes, are herein collectively referred to as the “**Notes**”) in the maximum aggregate principal amount of up to US\$3,000,000 at any time, to be dated the date of issue thereof, to mature May 20, 2011, to bear interest on the unpaid balance thereof from the date thereof until the principal thereof shall have become due and payable at the rate of 10.00% *per annum* and on overdue

principal and overdue interest at the rate specified in the Note Agreement, to have such other terms as are provided in the Note Agreement, and to be substantially in the form attached as Exhibit A-5 to the Note Agreement. For the avoidance of doubt, and subject to the terms and conditions provided herein and in the Note Agreement, the Post-Petition Notes shall be issued and sold to the Current Noteholders from time to time as provided herein and in the Note Agreement, ratably to each Current Noteholder based on the percentage of each such Post-Petition Note as set forth in the Post-Petition Notes Purchaser Schedule (defined below); subject to the terms and conditions contained herein and in the Note Agreement, the Company shall be entitled to issue Post-Petition Notes, and the Current Noteholders shall be obligated to purchase such Post-Petition Notes, from the Effective Date through May 13, 2011 (the “**Post-Petition Notes Issuance Period**”). In no event shall the aggregate principal amount of all Post-Petition Notes outstanding at any time hereunder and under the Note Agreement exceed US\$3,000,000 at any time. For the avoidance of doubt, the obligation of each Noteholder to purchase any Post-Petition Note at any time shall be limited so that any such proposed issuance or purchase would not cause the aggregate principal amount of Post-Petition Notes outstanding to exceed US\$3,000,000. The terms “**Post-Petition Note**” and “**Post-Petition Notes**” as used herein shall include each Post-Petition Note delivered pursuant to any provision of this Agreement and each Post-Petition Note delivered in substitution or exchange for any such Post-Petition Note pursuant to any such provision. Each of the Post-Petition Notes shall constitute a “**Note**” for all purposes, including under the Note Agreement, the other Transaction Documents and the Security Documents.

1.4 Purchase and Sale of Post-Petition Notes.

Subject to the terms and conditions set forth herein and in the Note Agreement, the Company may (but shall not be obligated to) issue and sell to each Current Noteholder, and each Current Noteholder agrees to purchase from the Company during the Post-Petition Notes Issuance Period, Post-Petition Notes up to an amount outstanding at any time as is set forth opposite its name on the Post-Petition Notes Purchaser Schedule attached as Annex 1C to the Note Agreement (the “**Post-Petition Notes Purchaser Schedule**”), at 100% of such aggregate principal amount from time to time.

1.5 Purchase and Sale Mechanics.

On any Business Day during the Post-Petition Notes Issuance Period, the Obligors may, by delivery to the Current Holders of a Verified Issuance Notice (as defined below) prior to 1:00 pm Eastern time, inform the Current Holders of its intention to issue Post-Petition Notes on the immediately following Business Day (such immediately following Business Day with respect to such Verified Issuance Notice is herein referred to as a “**Proposed Issuance Date**”). On such Proposed Issuance Date, the Obligors shall execute and deliver to each Current Noteholder at the offices of Prudential Capital Group in New York, NY (and any other such location directed by the Current Noteholders), a Post-Petition Note registered in its name, dated the date of issuance, evidencing the principal amount of such Post-Petition Note to be purchased by such Current Noteholder (denominated in U.S. Dollars), which principal amount shall constitute the respective percentage (as set forth in the Post-Petition Notes Purchaser Schedule) for such Current Holder of the aggregate amount of Post-Petition Notes issued and sold on such date, against payment of the purchase price thereof by transfer of immediately available U.S. Dollar funds for credit to the

Company's account as set forth on Exhibit C hereto. The aggregate amount of Post-Petition Notes that may be issued on any Proposed Issuance Date shall be no less than US\$100,000, and any greater amount shall be in even aggregate increments of US\$25,000.

1.6 Verified Issuance Notice.

(a) As used herein, "**Verified Issuance Notice**" means a written issuance notification as described in this Section 1.6, certified by a Senior Financial Officer or the Chief Restructuring Officer of the Company and delivered to the Current Noteholders by 1:00 pm Eastern time on any Business Day (other than the last Business Day) during the Post-Petition Notes Issuance Period (such written issuance notification shall be delivered to the Current Noteholders via email transmission to the addresses set forth on the Post-Petition Notes Purchaser Schedule, and confirmed by Company personnel by telephone contact with each recipient of such email prior to 1:00 pm on such date), which written issuance notification shall not have been superseded pursuant to Section 1.6(b) hereof. Such written issuance notification shall constitute the Company's irrevocable determination to issue Post-Petition Notes on the Proposed Issuance Date, and shall be prepared, delivered and consist of, and be subject to, the following: (i) the certification by the Company that the representations and warranties contained in Section 4 hereof are true and correct on and as of the date of such certification, that no Default or Event of Default other than the "Specified Defaults" as defined in the Noteholder Forbearance Agreement exist at such time; (ii) the satisfaction of the Current Noteholders in their sole discretion with respect to the form and substance of all orders, if any, that have been entered in respect of the Obligor's application pursuant to the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), including with respect to priority and preference on collateral, and after such application is made, the continuation of such proceeding; (iii) the Company shall have previously, in consultation with the monitor in the CCAA proceedings in respect of, *inter alia*, the Company (the "**CCAA Proceedings**"), FTI Consulting Canada Inc. (in such capacity, the "**Monitor**") prepared a cash projection on a cash-book basis that is current as of the Monday immediately prior to the date of delivery of such Verified Issuance Notice (or, if such date of delivery is a Monday, such projection shall be current as of such date), the contents of which have been reviewed by the Monitor and as to which the Monitor has provided a report substantially in the form set forth as Exhibit D hereto; (iv) such cash projection shall be accompanied by a certificate of a Senior Financial Officer or the Chief Restructuring Officer of the Company setting forth the Company's request for additional funds to be met through the issuance of Post-Petition Notes at such time, with the requested amount of such additional funds supported by such cash projection; (v) such cash projection and such certificate of a Senior Financial Officer or the Chief Restructuring Officer of the Company shall be delivered to the Current Noteholders, and the Current Noteholders' financial advisor RSM Richter Corporation ("**Richter**"), by 5:00 pm on the Business Day that is two Business Days immediately prior to the Proposed Issuance Date; (vi) if the Current Noteholders and Richter are satisfied with such cash projection and if clauses (i) to (v) above have been satisfied or waived, such Post-Petition Notes shall be purchased in accordance with the terms hereof; and (vii) if the Current Noteholders or Richter are not satisfied with such cash projection, then they shall promptly contact the Monitor and Richter and the Monitor shall consult and use

reasonable commercial efforts to come to agreement on any discrepancies as quickly as possible. If after such consultation the Current Noteholders and Richter are satisfied with such cash projection and any changes thereto, such Post-Petition Notes shall be purchased in accordance with the terms hereof.

(b) If the Current Noteholders and Richter are not satisfied with such cash projection and cannot come to agreement on any discrepancies with the Company and/or the Monitor, the Current Noteholders may thereafter inform the Company, prior to 5:00 pm Eastern time on the Business Day immediately prior to the Proposed Issuance Date, that they will not purchase such Post-Petition Notes on the Proposed Issuance Date, such written issuance notification shall be superseded and the Company shall thereafter not issue and sell such Notes on such Proposed Issuance Date and the Current Noteholders shall have no obligation to purchase any such Notes.

(c) On the date of issuance of any Post-Petition Notes, the Company shall pay to each Current Noteholder an issuance fee equal to one percent (1.00%) of the principal amount of the Post-Petition Notes issued to such Current Holder on such date, up to an aggregate issuance fee for the Post-Petition Notes of US\$30,000, after receipt of which no additional issuance fee shall be due and payable in connection with the issuance of Post-Petition Notes.

(d) The Company shall be entitled to issue Post-Petition Notes no more than one time during each calendar week.

1.7 Required Prepayments of the Post-Petition Notes.

(a) On each Wednesday during the Forbearance Period the Obligors will make a payment on the Post-Petition Notes in the aggregate amount of the Excess Cash Amount determined at such time (which payment shall be applied to the Post-Petition Notes in the manner set forth in Section 1.7(c) hereof). As used herein, the term “**Excess Cash Amount**” means, as of any Wednesday, the excess, if any, of (1) the Obligors’ cash balance as of the immediately preceding Friday over (2) US\$2,000,000. Notwithstanding the foregoing (x) the calculation of Excess Cash Amount shall be reduced by (i) the maximum amount of Post-Petition Notes that the Obligors could have issued to the Noteholders by delivery of a Verified Issuance Notice on such Wednesday and (ii) the additional cash amount required (beyond such balance of \$2,000,000) to pay current-week disbursements in accordance with the Obligors’ cash flow projections, (x) the amount of such payment shall be rounded (up or down) to the nearest increment of US\$25,000, (y) a prepayment need not be made hereunder if the aggregate amount of such payment would be less than US\$100,000 and (z) the calculation of “Excess Cash Amount” shall exclude any proceeds arising directly from the Disposition of any Assets of the Obligor Group, Prizm Income Fund or Prizm Canadian Operating Trust that has been approved by the Court.

(b) The Obligors shall provide notice of any payment to be made pursuant to Section 1.7(a) as soon as practicable but in no event later than the time of such payment, by delivery to the Noteholders of a notice of payment (such notice to be delivered to the Persons, and via the email addresses with telephone confirmations, provided herein with respect to delivery of a

Verified Issuance Notice for a new issuance of Post-Petition Notes) specifying the Excess Cash Amount and accompanied by the Obligors' detailed calculation of such amount.

(c) Each payment received pursuant to this Section 1.7 shall be applied *first*, to the outstanding Post-Petition Notes, to the principal thereof until the amount of such payment is exhausted, applied ratably with respect to all such Post-Petition Notes held by all Noteholders, to the extent of all of the outstanding principal amount of Post-Petition Notes at such time, and *second*, to the payment of all interest accrued and unpaid with respect to the Post-Petition Notes.“

3.2 Confirmation with respect to Certain Interest Accruals and Payments.

The Obligors and the Noteholders hereby confirm (a) that, notwithstanding the provisions of Section 1.7(c) of Amendment No. 10 as in effect immediately prior to the Effective Date, the payments received on or prior to the date hereof from the Obligors in respect of the Initial Series 2011 Notes and the Second Series 2011 Notes, have been applied to reduce the outstanding principal amount of such Notes and have not been applied to interest (which remains outstanding and unpaid); (b) that, while interest continues to accrue on all outstanding Notes, and notwithstanding the terms of such Notes, payment of accrued interest in respect of the Notes (other than with respect to the Post-Petition Notes) has been deferred until the earlier of (i) payment of the underlying principal amount of the Notes and (ii) the occurrence of a “Forbearance Termination Event” as defined in the Amended and Restated Noteholder Forbearance Agreement dated as of March 31, 2011 between the Noteholders and the Obligors (as amended, restated, supplemented or modified from time to time, the “**Noteholder Forbearance Agreement**”); and (c) notwithstanding any provisions of Amendment No. 9, Amendment No. 10 or the Note Agreement to the contrary, no Initial Series 2011 Notes and no Second Series 2011 Notes shall be issuable or issued on or at any time after the Effective Date.

3.3 Amendment of Note Agreement.

The Existing Note Agreement is hereby amended as provided for by this Amendment Agreement in the manner specified in Exhibit A hereto (the “**Note Agreement Amendments**”).

4. REPRESENTATIONS AND WARRANTIES OF THE OBLIGORS.

To induce you to enter into this Amendment Agreement and to consent to the Amendments, each of the Obligors represents and warrants as follows:

4.1. Organization, Power and Authority, etc.

Each Obligor is a corporation duly organized and existing in good standing under the laws of its jurisdiction of organization and has all requisite power and authority to enter into and perform its obligations under this Amendment Agreement.

4.2. Authorization, etc.

Assuming the effectiveness of the Initial Order granted by the Court in the CCAA Proceedings, this Amendment Agreement has been duly authorized by all necessary corporate action on the part of each Obligor, and constitutes a legal, valid and binding obligation of each Obligor, in each case, enforceable against the such Obligor in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.3. Legal Validity.

(a) Assuming the effectiveness of the Initial Order granted by the Court in the CCAA Proceedings, the execution and delivery of this Amendment Agreement by each of the Obligors and compliance by each of the applicable Obligors with its obligations hereunder: (i) are within the powers of such Obligor; and (ii) are legal and do not conflict with, result in any breach of, constitute a default under, or result in the creation of any Lien upon any property of such Obligor under the provisions of: (1) any charter instrument or bylaw to which such Obligor is a party or by which such Obligor or any of its property may be bound; (2) any order, judgment, decree or ruling of any court, arbitrator or governmental authority applicable to such Obligor or its property; or (3) any agreement or instrument to which such Obligor is a party or by which such Obligor or any of its property may be bound or any statute or other rule or regulation of any governmental authority applicable to such Obligor or its property.

(b) Assuming the effectiveness of the Initial Order granted by the Court in the CCAA Proceedings, this Amendment Agreement has been duly authorized by all necessary action on the part of the Obligors, has been duly executed and delivered by a duly authorized officer of each applicable Obligor, and constitutes a legal, valid and binding obligation of the applicable Obligors, enforceable in accordance with its terms, except that enforceability may be limited by applicable bankruptcy, reorganization, arrangement, insolvency, moratorium, or other similar laws affecting the enforceability of creditors' rights generally and subject to the availability of equitable remedies.

4.4. No Defaults.

No event has occurred and no condition exists that, upon the execution and delivery of this Amendment Agreement, would constitute a Default or an Event of Default, other than the "Specified Defaults" as defined in the Noteholder Forbearance Agreement.

4.5. Benefit of Security.

The obligations of the Obligors in respect of the Note Agreement and the Notes are entitled to the full and ratable benefit of the Security. The Post-Petition Notes shall have the full benefit of the Security. In addition, any Post-Petition Notes issued on or after the filing of an application by the Obligors pursuant to the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "CCAA") shall be secured by all or substantially all of the assets

of the Obligors, and (assuming the effectiveness of the Initial Order granted by the Court in the CCAA Proceedings) shall have priority as to time and right of payment and shall have priority with respect to such collateral in accordance with the terms of the Initial Order.

5. EFFECTIVENESS OF THE AMENDMENTS.

The Amendments shall become effective as of the first date written above (the “**Effective Date**”) upon the satisfaction, on or before the Effective Date, of all of the following conditions:

(a) the receipt by each of the Obligors of the duly executed and delivered written consent to this Amendment Agreement by the Current Noteholders and receipt by Prudential and the Current Noteholders of the duly executed and delivered written consent to this Amendment Agreement from each of the Obligors;

(b) the payment by the Obligors of all legal fees and disbursements incurred by the Current Noteholders, including without limitation the fees and expenses of their various counsels and financial advisor; and

(c) all documents and papers relating to this Amendment Agreement shall be satisfactory to the Current Noteholders and their counsel.

6. EXPENSES.

Whether or not the Amendments become effective, the Obligors will promptly (and in any event within three Business Days of receiving any statement or invoice therefor) pay all fees, expenses and costs relating to this Amendment Agreement, including, but not limited to, the reasonable fees of the Current Noteholders’ special counsel, Bingham McCutchen LLP, and the Current Noteholders’ special Canadian counsel, Gowlings, incurred in connection with the preparation, negotiation and delivery of the Amendment Agreement and any other documents related thereto. Notwithstanding the foregoing, the Company will on the date of execution and delivery hereof, pay the fees and expenses of Bingham McCutchen LLP incurred through the date of execution and delivery hereof. Nothing in this Section shall limit the obligations of the Obligors pursuant to paragraph 14B of the Existing Note Agreement.

7. REAFFIRMATION.

Each of the Company and Prizm Inc. hereby (i) acknowledges and affirms all of its obligations under the terms of each Security Document and Transaction Document to which it is a party, including, without limitation, the Omnibus Amendment Agreement, and in the case of Prizm Inc, the KIT Inc. Guarantee, and agrees all such agreements shall continue to remain in full force and effect, and (ii) acknowledges and agrees that such Security Documents and Transaction Documents, including, without limitation, the Omnibus Amendment Agreement, and

in the case of Prizm Inc., the Kit Inc. Guarantee, shall secure and guaranty the obligations under the Note Agreement and the Notes pursuant to the terms thereof.

8. MISCELLANEOUS.

8.1. Part of Existing Note Agreement; Future References, etc.

This Amendment Agreement shall be construed in connection with and as a part of the Note Agreement and, except as expressly amended by this Amendment Agreement, all terms, conditions and covenants contained in the Existing Note Agreement are hereby ratified and shall be and remain in full force and effect. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Amendment Agreement may refer to the Note Agreement without making specific reference to this Amendment Agreement, but nevertheless all such references shall include this Amendment Agreement unless the context otherwise requires.

8.2. Counterparts; Effectiveness.

This Amendment Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto. Delivery of an executed signature page by facsimile or electronic transmission shall be effective as delivery of a manually signed counterpart of this Amendment Agreement.

8.3. Governing Law.

THIS AMENDMENT AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

If you are in agreement with the foregoing, please so indicate by signing the acceptance below on the accompanying counterpart of this Amendment Agreement and returning it to the Company, whereupon it will become a binding agreement among each of you and each of the Obligor.

KIT FINANCE INC.

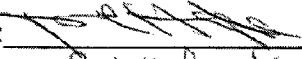
By: DP
Name: Deborah Papernick
Title: CFO

PRISZM INC.

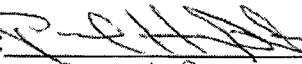
By: DP
Name: Deborah Papernick
Title: CFO

The foregoing Amendment Agreement is hereby accepted as of the date first above written.

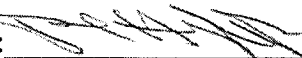
**PRUDENTIAL INVESTMENT
MANAGEMENT, INC.**

By: 
Name: Paul H. Procyk
Title: Vice President

**THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA**

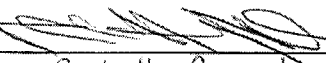
By: 
Name: Paul H. Procyk
Title: Vice President

PRUCO LIFE INSURANCE COMPANY

By: 
Name: Paul H. Procyk
Title: Assistant Vice President

**PRUDENTIAL RETIREMENT
INSURANCE AND ANNUITY
COMPANY**

By: Prudential Investment Management,
Inc., its investment manager

By: 
Name: Paul H. Procyk
Title: Vice President

[Signature page to Amendment No. 11 to Note Purchase and Private Shelf Agreement]

Annex 1

CURRENT NOTEHOLDERS

The Prudential Insurance Company of America

Pruco Life Insurance Company

Prudential Retirement Insurance and Annuity Company

NOTE AGREEMENT AMENDMENTS

1. Paragraph 2A of the Existing Note Agreement shall be amended to amend and restate the penultimate sentence thereof in its entirety as follows:

“The terms “Note” and “Notes” as used herein shall include each Series A Note, each Shelf Note, each Series 2011 Note, each Second Series 2011 Note and each Post-Petition Note delivered pursuant to any provision of this Agreement and each Note delivered in substitution or exchange for any such Note pursuant to any such provision.”

2. Paragraph 4 of the Existing Note Agreement shall be amended by inserting the following new paragraph 4J at the end thereof to read as follows:

“4J Certain Terms of the Post-Petition Notes. On or around March 31, 2011, the Company’s additional senior secured guaranteed promissory notes due May 20, 2011 (as amended from time to time, the “**Post-Petition Notes**”) were authorized within and pursuant to Amendment No. 11 to Note Purchase and Private Shelf Agreement, dated as of March 31, 2011, between the Obligors and the holders of the Notes at such time (the “**11th Amendment**”). As further set forth in the 11th Amendment and herein, such Post-Petition Notes may be issued from time to time and, subject to the terms and conditions contained therein and herein, each such issuance shall be made to the Persons identified on the schedule attached as Annex 1C hereto (the “**Post-Petition Notes Purchaser Schedule**”). The Post-Petition Notes shall: (i) constitute “Notes” for all purposes hereunder and under the other Transaction Documents and the Security Documents, (ii) be denominated in U.S. Dollars and be subject to issue up to a maximum aggregate principal amount of US\$3,000,000, (iii) be dated the date of issue thereof, (iv) mature on May 20, 2011, (v) bear interest on the unpaid balance thereof from the date thereof until the principal thereof shall have become due and payable at the rate of 10.00% *per annum* and on overdue principal and overdue interest at the Default Rate, (vi) be subject to prepayment in full together with all accrued interest thereon at any time without penalty or premium and without payment of a Yield-Maintenance Amount upon at least 5 Business Days notice to the holders thereof, and (vii) be substantially in the form attached as Exhibit A-5 hereto.”

3. Paragraph 8I of the Existing Note Agreement shall be amended by amending and restating the last sentence at the end of Paragraph 8I to read as follows:

“Notwithstanding the first sentence of this paragraph 8I, the use of the proceeds from the issuance of the Second Series 2011 Notes and the Post-Petition Notes shall be for the general corporate purposes of the Obligors.”

4. Paragraph 11B of the Existing Note Agreement shall be amended by inserting each of the following defined terms in their respective alphabetical locations within such Paragraph 11B:

“**Post-Petition Notes**” shall have the meaning specified in paragraph 4J.”

“**Post-Petition Notes Purchaser Schedule**” shall have the meaning specified in paragraph 4J.”

“**11th Amendment**” shall have the meaning specified in paragraph 4J.”

5. The Annexes to the Existing Note Agreement shall be amended by inserting a new Annex entitled “Annex 1C to Note Agreement” immediately following Annex 1B to the Existing Note Agreement as is set forth on the following page:

“

Annex 1C to Note Agreement

POST-PETITION NOTES PURCHASER SCHEDULE

	<u>Aggregate Principal Amount of Notes to be Purchased</u>	<u>Percentage of each issuance of Post-Petition Notes</u>
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA	\$	85.43481%

- (1) All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

Account Name: Prudential Managed Portfolio
 Account No.: P86188 (please do not include spaces)

JPMorgan Chase Bank
 New York, NY
 ABA No.: 021-000-021

Each such wire transfer shall set forth the name of the Company, a reference to "[Description of Notes], PPN _____" and the due date and application (as among principal and interest) of the payment being made.

- (2) Address for all notices relating to payments:

The Prudential Insurance Company of America
 c/o Investment Operations Group
 Gateway Center Two, 10th Floor
 100 Mulberry Street
 Newark, NJ 07102-4077

Attention: Manager, Billings and Collections

- (3) Address for all other communications and notices:

The Prudential Insurance Company of America

c/o Prudential Capital Group - Corporate and Project
Workouts
Three Gateway Center, 18th Floor
100 Mulberry Street
Newark, NJ 07102

Attention: Managing Director

(4) Recipient of telephonic prepayment notices:

Manager, Trade Management Group
Telephone: (973) 367-3141
Facsimile: (888) 889-3832

(5) Contact Persons and email addresses for delivery of Verified Issuance Notice:

Paul Procyk: paul.procyk@prudential.com (973-367-3279)
Bobby Kofman: rkofman@rsmrichter.com (416-932-6228)
Scott Falk: scott.falk@bingham.com (860-240-2763)

(6) Address for Delivery of Notes:

Send physical security by nationwide overnight delivery service to:

Prudential Capital Group
1114 Avenue of the Americas, 30th Floor
New York, NY 10036

Attention: Thais M. Alexander, Esq.
Telephone: (212) 626-2067

(7) Tax Identification No.: 22-1211670

PURCHASER SCHEDULE

Aggregate Principal Amount of Notes to be Purchased	<u>Percentage of each issuance of Post Petition Notes</u>
--	--

PRUCO LIFE INSURANCE COMPANY

\$

12.03544%

- (1) All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

JPMorgan Chase Bank
New York, NY
ABA No.: 021-000-021
Account No.: P86192 (please do not include spaces)
Account Name: Pruco Life Private Placement

Each such wire transfer shall set forth the name of the Company, a reference to "[Description of Notes], PPN _____", and the due date and application (as among principal and interest) of the payment being made.

- (2) Address for all notices relating to payments:

Pruco Life Insurance Company
c/o The Prudential Insurance Company of America
c/o Investment Operations Group
Gateway Center Two, 10th Floor
100 Mulberry Street
Newark, NJ 07102-4077

Attention: Manager, Billings and Collections

- (3) Address for all other communications and notices:

Pruco Life Insurance Company
c/o Prudential Capital Group - Corporate and Project Workouts
Three Gateway Center, 18th Floor
100 Mulberry Street
Newark, NJ 07102

Attention: Managing Director

Exhibit A-7

(4) Recipient of telephonic prepayment notices:

Manager, Trade Management Group

Telephone: (973) 367-3141

Facsimile: (888) 889-3832

(5) Contact Persons and email addresses for delivery of Verified Issuance Notice:

Paul Procyk: paul.procyk@prudential.com (973-367-3279)

Bobby Kofman: rkofman@rsmrichter.com (416-932-6228)

Scott Falk: scott.falk@bingham.com (860-240-2763)

(6) Address for Delivery of Notes:

Send physical security by nationwide overnight delivery service to:

Prudential Capital Group
1114 Avenue of the Americas, 30th Floor
New York, NY 10036

Attention: Thais M. Alexander, Esq.

Telephone: (212) 626-2067

(7) Tax Identification No.: 22-1944557

PURCHASER SCHEDULE

	Aggregate Principal Amount of Notes to be Purchased	<u>Percentage of each issuance of Post Petition Notes</u>
PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY	\$	2.52974%

- (1) All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

JP Morgan Chase Bank
New York, NY
ABA No. 021000021

Account Name: PRIAC
Account No. P86329 (please do not include spaces)

Each such wire transfer shall set forth the name of the Company, a reference to "[Description of Notes], PPN _____" and the due date and application (as among principal and interest) of the payment being made.

- (2) Address for all notices relating to payments:

Prudential Retirement Insurance and Annuity
Company
c/o Prudential Investment Management, Inc.
Private Placement Trade Management
PRIAC Administration
Gateway Center Four, 7th Floor
100 Mulberry Street
Newark, NJ 07102
Telephone: (973) 802-8107
Facsimile: (888) 889-3832

- (3) Address for all other communications and notices:

Prudential Retirement Insurance and Annuity
Company
c/o Prudential Capital Group – Corporate Project and
Workouts

Three Gateway Center, 18th Floor
Newark, NJ 07102

Attention: Managing Director

- (4) Contact Persons and email addresses for delivery of Verified Issuance Notice:

Paul Procyk: paul.procyk@prudential.com (973-367-3279)

Bobby Kofman: rkofman@rsmrichter.com (416-932-6228)

Scott Falk: scott.falk@bingham.com (860-240-2763)

- (5) Address for Delivery of Notes:

Send physical security by nationwide overnight delivery service to:

Prudential Capital Group
1114 Avenue of the Americas, 30th Floor
New York, NY 10036

Attention: Thais M. Alexander, Esq.
Telephone: (212) 626-2067

- (6) Tax Identification No.: 06-1050034

“

6. The Exhibits to the Existing Note Agreement shall be amended by inserting a new Exhibit entitled “Exhibit A-5 to Note Agreement” immediately following Exhibit A-4 to the Existing Note Agreement as is set forth on the following page:

“

EXHIBIT A-5 to Note Agreement

[FORM OF POST-PETITION NOTE]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND MAY BE RESOLD ONLY IF REGISTERED PURSUANT TO THE PROVISIONS OF THE SECURITIES ACT OR IF AN EXEMPTION FROM REGISTRATION IS AVAILABLE, EXCEPT UNDER CIRCUMSTANCES WHERE NEITHER SUCH REGISTRATION NOR SUCH AN EXEMPTION IS REQUIRED BY LAW.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE [_____] [4 MONTHS AND A DAY AFTER THE DATE OF ISSUANCE].

KIT FINANCE INC.

10.00% POST-PETITION SENIOR SECURED GUARANTEED NOTE DUE MAY 20, 2011

No. R3-2011-[____]

PPN: _____

US\$[_____]

[DATE]

FOR VALUE RECEIVED, the undersigned, **KIT FINANCE INC.**, a corporation organized and existing under the laws of the province of Alberta (the “**Company**”), hereby promises to pay to [_____] or registered assigns, the principal sum of [_____] **U.S. DOLLARS (US\$[_____])** on May 20, 2011, with interest (computed on the basis of a 360-day year, 30-day month) (a) subject to clause (b), on the unpaid balance thereof from the date of this Note at the rate of 10.00% per annum, payable monthly, on the last day of each month, commencing with the next monthly payment date succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) following the occurrence and during the continuance of an Event of Default and in accordance with paragraphs 4G and 7A of the Note Agreement (as hereinafter defined), payable monthly as aforesaid (or, at the option of the registered holder hereof, on demand), on the unpaid balance of the principal and any overdue payment of interest at a rate per annum from time to time equal to the Default Rate.

Payments of principal of, and interest on, this Note are to be made at the main office of JP Morgan Chase Bank in New York City or at such other place as the holder hereof shall designate to the Company in writing, in lawful money of the United States of America.

This Note is a Post-Petition Note (as such term is defined in the Note Agreement defined below) and is a "Note" as defined therein and is issued pursuant to and governed by that certain Note Purchase and Private Shelf Agreement, dated as of January 12, 2006 (as amended from time to time, herein called the "**Note Agreement**"), between the Company and Prizm Inc., on the one hand, and the Persons identified as purchasers on the Post-Petition Notes Purchaser Schedule attached as Annex 1C thereto, on the other hand, and is entitled to the benefits thereof. As provided in the Note Agreement, this Note is subject to prepayment, in whole or from time to time in part on the terms specified in the Note Agreement. Defined terms used but not defined herein shall have the meanings ascribed to them in the Note Agreement.

Interest on this Note shall be computed on the basis of a 360-day year of twelve 30-day months. Solely for the purposes of any legislation respecting the statement of interest rates, the yearly rate of interest to which interest calculated for a period of less than one year on the basis of a year of 360 days consisting of twelve 30-day periods is equivalent, is such rate of interest multiplied by a fraction of which (i) the numerator is the product of (A) the actual number of days in the year commencing on the first day of such period, multiplied by (B) the sum of (y) the product of 30 multiplied by the number of completed months elapsed in such period and (z) the actual number of days elapsed in any incomplete month in such period; and (ii) the denominator is the product of (a) 360 multiplied by (b) the actual number of days in such period.

The theory of "deemed reinvestment" shall not apply to the computation of interest and no allowance, reduction or deduction shall be made for the deemed reinvestment of interest in respect of any payments. Calculation of interest shall be made using the nominal rate method, and not the effective rate method, of calculation.

This Note is secured by, and entitled to the benefits of, the collateral described in the Security Documents, and shall be further secured by all or substantially all of the assets of the Obligors, with priority as to time and right of payment and with priority respect to such collateral over all other Notes and all other obligations in respect of pre-existing indebtedness of the Obligors. Reference is made to, among other things, the Security Documents for the terms and conditions governing the collateral security for the obligations of the Company hereunder.

Payment of the principal of and interest on this Note has been guaranteed by Prizm Inc., KIT LP, the Fund and the Operating Trust in accordance with the terms of the KIT Guarantees and by the Subsidiary Guarantors in accordance with the terms of the Subsidiary Guarantees.

This Note is a registered Note and, as provided in and subject to the terms of the Note Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the Transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company shall not be affected by any notice to the contrary.

In case an Event of Default (other than a Specified Default), each as defined in the Note Agreement and/or the Noteholder Forbearance Agreement, shall occur and be continuing, the

principal of this Note may be declared or otherwise become due and payable in the manner, at the price and with the effect provided in the Note Agreement.

THIS NOTE IS INTENDED TO BE PERFORMED IN THE STATE OF NEW YORK AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAW OF SUCH STATE.

KIT FINANCE INC.

By: _____

Name:

Title:

“

Company wire transfer account information

FOR WIRE TRANSFERS IN U.S. DOLLARS

DESTINATION: (IBK)	CHASUS33 CHASE MANHATTAN BANK NEW YORK, NY ABA 021000021
PAY TO BANK: (BBK)	ROYCCAT2 ROYAL BANK OF CANADA TORONTO ONTARIO UID 055253
BENEFICIARY: (BNF)	/00002 4053435 (branch and account) PRISZM LP

Form of FTI report on cash flow projections

FTI Consulting Canada Inc. (“FTI Consulting”) hereby reports as follows:

1. The attached cash flow forecast (the “Forecast”) has been prepared by the management of KIT FINANCE INC. and PRISZM INC. (collectively, “Priszm”) for the purpose described in Note 1, using the Probable and Hypothetical Assumptions set out in Notes 2 to ___.
2. FTI Consulting’s review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of the management and employees of the Priszm. Since Hypothetical Assumptions need not be supported, FTI Consulting’s procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Forecast. FTI Consulting has also reviewed the support provided by management of the Priszm for the Probable Assumptions, and the preparation and presentation of the Forecast.
3. Based on its review, nothing has come to the attention of FTI Consulting that causes it to believe that, in all material respects:
 - a. the Hypothetical Assumptions are not consistent with the purpose of the Forecast;
 - b. as at the date of this report, the Probable Assumptions developed by management are not suitably supported and consistent with the plans of the Priszm or do not provide a reasonable basis for the Forecast, given the Hypothetical Assumptions; or
 - c. the Forecast does not reflect the Probable and Hypothetical Assumptions.
4. Since the Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, FTI Consulting expresses no assurance as to whether the Forecast will be achieved. FTI Consulting expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by FTI Consulting in preparing this report.
5. The Forecast has been prepared solely for the purpose described in Note 1 on the face of the Forecast, and readers are cautioned that it may not be appropriate for other purposes.

Appendix C

Summary of Recent DIP Terms

RECENT DIP PRICING

COMPANY	FILING DATE	LENDER(S) / AGENT	DIP STRUCTURE	MATURITY	INTEREST RATE	FEE(S)
Blackburn Developments Ltd.	02/23/2011	MAE Enterprises Ltd. (3rd Party Lender)	■ CDN\$0.5 million Non-Revolving Loan	6 months	■ 15% per annum	<ul style="list-style-type: none"> ■ Setup & Admin Fee of \$40K ■ Monitoring Fee of \$2.5K per month in the event the Stay is lifted ■ Extension Fee of \$25K on the 6 month anniversary of the initial advance and every 3 month anniversary thereafter until full repayment
Scanwood Canada Limited	02/04/2011	TCE Capital Corporation (3rd Party Lender)	■ CDN\$1 million Demand Revolving Loan	12 months	■ 18% per annum subject to a minimum guaranteed interest income for the initial 12 month term of \$125K	<ul style="list-style-type: none"> ■ Work & Due Diligence Fee of \$20K ■ All reasonable expenses and \$5K for Lender's legal counsel retainer
Boutique Jacob Inc.	11/18/2010	CIBC Asset-Based Lending Inc. (3rd Party Lender)	■ USD\$15 million revolving credit facility	12 months or the effective date of a plan of arrangement in the CCAA proceedings	■ Interest Rates were redacted from the commitment letter	■ Fees redacted from commitment letter

COMPANY	FILING DATE	LENDER(S)/ AGENT	DIP STRUCTURE	MATURITY	INTEREST RATE	FEE(S)
Tuscan Ventures Inc. and Tuscan Villas Ltd.	11/12/2010	Coast Capital Savings Credit Union (Existing Lender)	<ul style="list-style-type: none"> ■ CDN\$854K Senior Secured Super-Priority DIP Loan (the terms disclosed are related to the commitment letter in relation to this first loan) ■ An additional Construction DIP financing was also negotiated raising the total DIP proceeds to \$8.22 million (the court order refers to an amended commitment letter dated January 14, 2011 but it is not posted on the Monitor's website nor is it attached to any of the motion materials or affidavits available online) 	Repaid from the proceeds of sale of real property or on demand following default	<ul style="list-style-type: none"> ■ 12% per annum 	<ul style="list-style-type: none"> ■ Commitment Fee of 2% of the Principal Amount plus Lender's legal costs
Cow Harbour Construction Ltd.	04/07/2010	RBC (Existing Lender)	<ul style="list-style-type: none"> ■ \$15 million (reference is made to a commitment letter dated April 7, 2010 but no attachment is available online) 	Undisclosed	<ul style="list-style-type: none"> ■ Undisclosed 	<ul style="list-style-type: none"> ■ Undisclosed
Angiotech	1/28/2011	Wells Fargo (Existing Lender)	<ul style="list-style-type: none"> ■ US\$28 million revolving credit facility 	5 months	<ul style="list-style-type: none"> ■ Base Rate + 325 to 350 bps (Base Rate floor of 4%) ■ L + 350 to 375 bps ■ 350 bps on L/Cs 	<ul style="list-style-type: none"> ■ Upfront fee: \$560,000 (fee letter) ■ Servicing fee: \$2,500/month (fee letter) ■ Unused line: 50 bps
Altus Energy	12/21/2010	Century Services (Existing Lender)	<ul style="list-style-type: none"> ■ \$2.5 million credit facility 	1 month	<ul style="list-style-type: none"> ■ Fixed 21% 	<ul style="list-style-type: none"> ■ Facility fee: 2%
Medican Construction	5/26/2010	Paragon (Existing Lender)	<ul style="list-style-type: none"> ■ \$2.5 million credit facility 	1 month	<ul style="list-style-type: none"> ■ Fixed 12% 	<ul style="list-style-type: none"> ■ Upfront fee: 2% ■ Other fees: undisclosed
Atcon Construction	3/2/2010	Bank of Nova Scotia (Existing Lender)	<ul style="list-style-type: none"> ■ \$3 million demand operating facility 	On demand	<ul style="list-style-type: none"> ■ Fixed 3.5% for first 30 days. Thereafter, increase of 100 bps for each subsequent 30 day period up to a maximum of 700 bps 	<ul style="list-style-type: none"> ■ N/A

COMPANY	FILING DATE	LENDER(S)/ AGENT	DIP STRUCTURE	MATURITY	INTEREST RATE	FEE(S)
White Birch	2/24/2010	Credit Suisse / Black Diamond (Existing Lender)	■ US\$140 million delayed draw term loan facility	9 months (3 month extension at Lender/Agent discretion)	■ Base Rate + 900 bps (Base Rate floor of 3%) ■ L + 1000 bps (LIBOR floor of 2%)	■ Upfront fee: 2.5% arranger fee; 2.5% initial fee ■ Administrative fee: \$100,000 ■ Prepayment fee: 4% ■ Unused line: 200 bps
Signature Aluminum	1/29/2010	Biscayne Metals Finance (Existing Lender)	■ US\$1.5 million term loan	4 months	■ None	■ N/A
North Star	1/20/2010	GE Business / GE Capital (Existing Lender)	■ US\$40 million delayed draw term loan facility	6 months	■ Base Rate + 850 bps ■ L + 950 bps (LIBOR floor of 3%)	■ Unused line: 100 bps ■ Other fees determined by fee letter
Canwest LP	1/8/2010	Bank of Nova Scotia (Existing Lender)	■ \$25 million revolving credit facility (with a sub-facility for letters of credit)	6 months	■ Base Rate + 700 bps (Base Rate floor of 3.75%) ■ Canadian Prime Rate +700 bps (Canadian Prime Rate floor of 2.25%)	■ Unused line: 150 bps ■ Letter of credit exposure fee: 800 bps
Brainhunter	12/2/2009	TD Bank (Existing Lender)	■ \$7 million revolving credit facility	3 months (1 month extension if Lender consents)	■ Base Rate + 1000 bps	■ Upfront fee: 0.5% ■ Unused line: 100 bps ■ Extension fee: 1%
Big Sky Farms	11/10/2009	Bank of Nova Scotia / National Bank of Canada / Bank of Montreal / Farm Credit Canada (Existing Lender)	■ \$6.3 million revolving credit facility	5 months	■ Base Rate + 800 bps	■ Upfront fee: 2% ■ Unused line: 50 bps
Canwest Global	10/6/2009	CIT (Existing Lender)	■ \$100 million revolving asset based loan facility	12 months	■ Base Rate + 600 bps (Base Rate floor of 2.25%)	■ Unused line: 50 bps ■ Letter of credit exposure fee: 775 bps

COMPANY	FILING DATE	LENDER(S) / AGENT	DIP STRUCTURE	MATURITY	INTEREST RATE	FEE(S)
Barzel	9/15/2009	JP Morgan / CIBC (Existing Lender)	<ul style="list-style-type: none"> ■ US\$30 million revolving credit facility 	3 months	<ul style="list-style-type: none"> ■ Base Rate + 700 bps (Base Rate floor of 3%) ■ Canadian Prime Rate + 700 bps (Canadian Prime Rate floor of 3%) 	<ul style="list-style-type: none"> ■ Unused line: 50 bps ■ Other fees determined by separate agreement
Cooper-Standard	8/4/2009	Deutsche Bank / GE Capital / Banc of America / UBS (Existing Lender)	<ul style="list-style-type: none"> ■ US\$175 million delayed draw term loan facility ■ US\$25 million single draw incremental term loan facility 	12 months	<ul style="list-style-type: none"> ■ Base Rate + 850 bps (Base Rate floor of 4%) ■ L + 950 bps (LIBOR floor of 3%) 	<ul style="list-style-type: none"> ■ Upfront fee: 3.0% ■ Exit fee: 1% of terminated, repaid or prepaid amounts ■ Extension fee: 1% ■ Other fees determined by separate agreement
AbitibiBowater	4/29/2009	Bank of Montreal (3rd Party Lender)	<ul style="list-style-type: none"> ■ US\$100 million term loan facility 	12 months	<ul style="list-style-type: none"> ■ L + 175 bps ■ Base Rate + 75 bps 	<ul style="list-style-type: none"> ■ Upfront fee: 1% on execution; 1% on Effective Date ■ Prepayment fee: 1% ■ Unused line: 52.5 bps
Smurfit-Stone	1/26/09	JP Morgan / Deutsche Bank / GE Capital / Bank of America (Existing Lender)	<ul style="list-style-type: none"> ■ \$250 million ABL revolver (U.S. & CAN) ■ \$400 million TL (U.S. & CAN) ■ \$65 million ABL revolver (CAN) ■ \$35 million TL (CAN) 	12 months	<ul style="list-style-type: none"> ■ L + 650 bps (LIBOR floor of 3.50%) 	<ul style="list-style-type: none"> ■ Upfront fee: 1.0% ■ Unused line: 100 bps under 15-month extension option
Tronox Incorporated	1/12/09	Credit Suisse (Existing Lender)	<ul style="list-style-type: none"> ■ \$125 million ABL revolver ■ \$35 million existing L/Cs roll up into new second lien DIP facility 	12 months	<ul style="list-style-type: none"> ■ L + 950 bps (LIBOR floor of 3.50%) 	<ul style="list-style-type: none"> ■ Upfront fee: 3.0% ■ Unused line: 300 bps
Lyondell	1/06/09	Citigroup / UB / Apollo (Existing Lender)	<ul style="list-style-type: none"> ■ \$1.5 billion ABL revolver ■ \$3.25 billion new money term loan ■ \$3.25 billion roll-up junior term loan 	12 months	<ul style="list-style-type: none"> ■ L + 700 bps (LIBOR floor of 3.00%) ■ L + 1,000 bps (LIBOR floor of 3.00%) ■ L + 375 bps (LIBOR floor of 3.25%) 	<ul style="list-style-type: none"> ■ Upfront fees: 2.0% ■ Upfront fees: 1.75% ■ Upfront fee: 3.5% ■ Exit fee: 3.0%
Pilgrims	12/01/08	Bank of Montreal (Existing Lender)	<ul style="list-style-type: none"> ■ \$450 million priming ABL revolver ■ \$20 million L/C sub-limit 	12 months	<ul style="list-style-type: none"> ■ Base Rate + 800 bps 	<ul style="list-style-type: none"> ■ Upfront fee: 2.5% ■ Unused line: 50 bps

COMPANY	FILING DATE	LENDER(S) / AGENT	DIP STRUCTURE	MATURITY	INTEREST RATE	FEE(S)
Circuit City	11/10/08	GECC, Wells Fargo / Bank of America (Existing Lender)	<ul style="list-style-type: none"> ■ \$1.1 billion revolving credit facility ■ \$350 million L/C sublimit ■ By December 29, 2008, commitment is reduced to \$900 million ■ US\$50 million ABL revolver (CAN) 	12 months	<ul style="list-style-type: none"> ■ L + 400 bps ■ 400 bps on L/Cs 	<ul style="list-style-type: none"> ■ Upfront fee: Undisclosed ■ Unused line: 75 bps
VeraSun Energy	11/04/08	Wayzata, Trilogy, AIG / UBS, Agstar (Existing Lender)	<ul style="list-style-type: none"> ■ \$190 million triple-draw term loan ■ \$30 revolving credit facility 	12 months	<ul style="list-style-type: none"> ■ Fixed 16.5% ■ L + 700 bps 	<ul style="list-style-type: none"> ■ Upfront fee: 2.0% ■ Exit Fee: 5.0% of amount prepaid
Greatwide	10/20/08	Cerberus, Centerbridge, D.E. Shaw / UBS (Existing Lender)	<ul style="list-style-type: none"> ■ \$73.6 million delayed draw term loan ■ \$60 million L/C sublimit for term loan cash collateralized L/Cs 	5 months	<ul style="list-style-type: none"> ■ Base Rate + 600 bps (Base Rate floor of 5.25%) ■ Base Rate + 600 bps + 325 bps backstop fee (925 bps all-in) 	<ul style="list-style-type: none"> ■ Upfront fee: 300 bps ■ Backend fee: sliding scale from 200 bps to cap of 800 bps
The Club at Lake Las Vegas	7/17/08	Credit Suisse (Existing Lender)	<ul style="list-style-type: none"> ■ \$127 million Term Loan 	12 months	<ul style="list-style-type: none"> ■ L + 950 bps 	<ul style="list-style-type: none"> ■ N/A
Greektown	5/29/08	Merrill Lynch & Wachovia (Existing Lender)	<ul style="list-style-type: none"> ■ \$15 million revolver ■ \$135 million term loan 	12 months	<ul style="list-style-type: none"> ■ L + 625 bps (LIBOR floor of 3.5%) ■ L + 625 bps (LIBOR floor of 3.25%) 	<ul style="list-style-type: none"> ■ N/A
Tropicana Entertainment	5/05/08	Silver Point Capital (Existing Lender)	<ul style="list-style-type: none"> ■ \$80 million term loan (revised 10/15) 	12 months	<ul style="list-style-type: none"> ■ L + 975 bps (LIBOR floor of 3.5%) (revised 10/15) 	<ul style="list-style-type: none"> ■ \$14,000/month ■ Unused line: 75 bps

Appendix D

CRO Agreement (Redacted)

March 30, 2011

Priszm Income Fund
101 Exchange Avenue
Vaughan, Ontario
L4K 5R6

Appointment of Chief Restructuring Officer (“CRO”)

We understand that it is anticipated that Priszm Income Fund (“**Priszm Fund**”), Priszm Canadian Operating Trust (“**Priszm Trust**”), Priszm Inc. (“**Priszm GP**”) and Kit Finance Inc. (“**Kit Finance**”) (collectively, the “**Applicants**”) will file for protection from their creditors pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the “**CCAA**”) and that all of the trustees of Priszm Fund and Priszm Trust and all of the directors of Priszm GP and Kit Finance will resign prior to or immediately after the filing. We understand that the Applicants are desirous of appointing someone to provide direction and control of the operation of the Applicants and Priszm Limited Partnership (“**Priszm LP**”) (collectively, the “**Priszm Entities**”) during the CCAA proceedings (the “**Proceedings**”).

The following sets out the terms for retaining the services of 2279549 Ontario Inc. to represent and advise the Priszm Entities as Chief Restructuring Officer (the “**CRO**”) in connection with the Proceedings.

The Engagement

During the scope of our engagement, the CRO will have the following powers, all of which will be carried out for, on behalf of and in the name of the Priszm Entities, subject to the terms of (a) the Initial Order issued by the Ontario Superior Court of Justice (the “**Court**”) in connection with the Proceedings; (b) Amendment No. 11 to the Note Purchase and Private Shelf Agreement dated as of March 31, 2011 (the “**DIP Amendment**”); and (c) any other order of the Court made in the Proceedings:

- (a) the power to direct the operation of the Priszm Entities carrying on the business of the Priszm Entities as the CRO deems necessary;
- (b) the power to take steps for the preservation and protection of the undertaking, property and assets of the Priszm Entities (the “**Property**”);
- (c) the power to initiate a draw under the DIP Amendment on behalf of the Priszm Entities;
- (d) the power to take such steps as the CRO deems are necessary or appropriate to maintain control over all receipts and disbursements arising out of the operations of the Priszm Entities;
- (e) the power to supervise and direct any sales process approved by the Court with

- respect to the Priszm Entities;
- (f) the power to negotiate and enter into agreements on behalf of the Priszm Entities with respect to the sale of the Property;
 - (g) the power to direct the Priszm Entities to apply to Court for any vesting order or orders which may be necessary or appropriate in order to convey the Property to a purchaser or purchasers thereof;
 - (h) the power to take any steps, enter into any agreements or incur any obligations as the CRO deems necessary or incidental to the exercise of the aforesaid powers, with such agreements and obligations to be those of the Priszm Entities and not of the CRO or Deborah Papernick personally;
 - (i) the power to provide information to the Monitor and Prudential Investment Management, Inc., The Prudential Insurance Company of America, Pruco Life Insurance Company and Prudential Retirement Insurance and Annuity Company (and their advisors) regarding the business and affairs of the Priszm Entities; and
 - (j) in consultation with Stikeman Elliott LLP, the power to direct the Priszm Entities to commence any proceeding and seek any order, or respond to any motion or application brought by any other person, in the Proceedings or otherwise;
- (the "**Engagement**").

We acknowledge that the Engagement is subject to approval by the Court of an order which shall be in form and substance satisfactory to the Priszm Entities and the CRO. We understand that you will include a request for Court approval of this agreement in the Priszm Entities' application for CCAA protection. Upon Court approval, we will commence the Engagement and continue the Engagement until our appointment is terminated by order of the Court or pursuant to the terms of this Agreement.

Fees and Indemnity

[REDACTED]

The reasonable fees incurred by counsel retained by the CRO to advise the CRO in connection with the negotiation and execution of this agreement and the execution by the CRO of its duties hereunder shall be paid by the Priszm Entities.

The Priszm Entities shall indemnify and hold harmless the CRO and Deborah Papernick against and from any obligations and liabilities that they both or either of them may incur as CRO of the Priszm Entities after the commencement of the Proceedings, except

in the event that the obligation or liability was incurred as a direct result of the CRO's or Deborah Papernick's gross negligence or wilful misconduct.

Role of Deborah Papernick

It is acknowledged and agreed that Deborah Papernick is and, notwithstanding the execution of this agreement, shall continue to be the Chief Financial Officer of Priszm Inc., in accordance with the terms of her existing arrangements and agreements in that capacity, subject to her right to resign from said position on reasonable notice. The Priszm Entities agree that nothing in this Agreement is inconsistent with or in violation of any Agreement which Deborah Papernick may have with any or all of the Priszm Entities in her capacity as Chief Financial Officer or otherwise, or, in the event it is in violation, such violation is hereby both waived and condoned.

The CRO shall provide the services of Deborah Papernick, who has particular knowledge and expertise applicable to the activities and affairs of the Priszm Entities, to act in such capacity and perform the services required herein on and subject to the terms and conditions contained herein. It is acknowledged and agreed that Deborah Papernick shall be the only individual who performs the services required by this engagement.

Termination with Notice

It is understood that the CRO may terminate this agreement and that the CRO shall end its engagement hereunder, on 14 calendar days written notice to the Priszm Entities and the Monitor. Notice shall be sent by way of email to counsel for each of the Monitor and the Priszm Entities.

If this letter meets with your approval and reflects your understanding of our role and responsibilities, please sign the enclosed duplicate copy and return it to me.

Yours truly,

2279549 Ontario Inc.

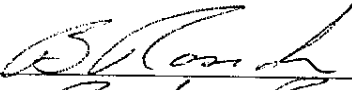
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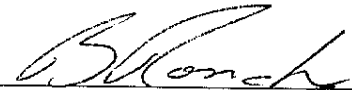
Deborah Papernick

We confirm our agreement to retain 2279549 Ontario Inc. as CRO on the terms described in this letter.

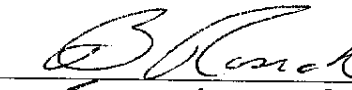
KIT FINANCE INC.

By: 
Name: Borden Kosiak
Title:


PRISZM INC.

By: 
Name: Borden Kosiak
Title:


**PRISZM LP, by its general partner,
PRISZM INC.**

By: 
Name: Borden Kosiak
Title

PRISZM CANADIAN OPERATING TRUST

By: 
Name: Borden Kosiak
Title

PRISZM INCOME FUND

By: 
Name: Borden Kosiak
Title