File No. CV-11-9159-00CL

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**")

APPLICATION RECORD

(returnable March 31, 2011)

VOLUME I OF III

March 31, 2011

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Lawyers for the Applicants

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TAB 1

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(the "**Applicants**")

NOTICE OF APPLICATION

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicants. The claim made by the Applicants appears on the following page.

THIS APPLICATION will come on for a hearing on Thursday, March 31, 2011, at 8:30am, at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the Applicants, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the Applicants, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES,

LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date March , 2011

Issued by _____
Local registrar

Address of court office: 330 University Avenue, Toronto, Ontario

TO: **SERVICE LIST**

APPLICATION

1. Priszm Income Fund ("**Priszm Fund**"), Priszm Inc. ("**Priszm GP**"), Priszm Canadian Operating Trust ("**Priszm Trust**") and Kit Finance Inc. ("**Kit Finance**" and together with Priszm Fund, Priszm GP and Priszm Trust, the "**Applicants**") make application for an Initial Order substantially in the form attached at tab 3 of the Application Record, among other things:

(a) abridging the time for service of this Notice of Application and dispensing with service on any person other than those served;

(b) declaring that the Applicants are parties to which the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") applies;

(c) declaring that Priszm Limited Partnership ("**Priszm LP**" and together with the Applicants, the "**Priszm Entities**") shall enjoy the benefit of the protections provided to the Applicants under the Initial Order;

(d) appointing FTI Consulting Canada Inc. as an officer of this Court to monitor the assets, businesses and affairs of the Priszm Entities (in such capacity, the "**Monitor**");

(e) appointing 2279549 Ontario Inc. as Chief Restructuring Officer of the Priszm Entities (the "**CRO**");

(f) staying all proceedings taken or that might be taken in respect of the Priszm Entities, their directors and officers, the CRO and the Monitor;

(g) authorizing the Priszm Entities to file with this Court a plan of compromise or arrangement;

(h) authorizing and empowering the Priszm Entities to obtain and borrow under a credit facility (the "**DIP Facility**") from Prudential Investment Management Inc. ("**Prudential**") in the amount not exceeding $3 million unless permitted by further Court Order;

(i) declaring certain suppliers of goods and services to the Priszm Entities (the "**Critical Suppliers**") to be critical suppliers as contemplated by s. 11.4 of the CCAA and requiring them to continue to supply the Priszm Entities on the same terms and conditions as currently exist as amended by the Initial Order;

(j) granting the following priority charges over the property of the Priszm Entities such charges to rank ahead of all other existing security interests of any persons, except for any person who is a "secured creditor", as defined in the CCAA, as of the date of the Initial Order and who has not received notice of this Application:

(A) a charge in favour of counsel to the Priszm Entities, the proposed Monitor, the proposed Monitor's counsel and the CRO in the maximum amount of $1.5 million to secure payment of their fees and disbursements incurred in connection with this proceeding (the "**Administration Charge**");

(B) a charge to secure payment to the Critical Suppliers in the amount of the value of the goods and/or services received by the Priszm Entities after the date of the Initial Order as security for payment less all amounts paid to the Critical Suppliers in respect of such goods and services (the "**Critical Supplier Charge**");

(C) a charge in the amount of $3 million in favour of Prudential to secure the DIP Facility (the "**DIP Charge**"); and

(D) a charge to protect the directors and officers of the Priszm Entities from certain potential liabilities in the amount of $9.8 million (the "**Directors' Charge**");

(k) granting such further and other relief as this Honourable Court may deem just.

2. The grounds for the application are:

(a) Priszm LP is a franchisee of Yum! Restaurants International (Canada) LP (the "**Franchisor**") and owns and operates 428 KFC, Taco Bell and Pizza Hut restaurants in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario and Quebec;

(b) the Priszm Entities employ approximately 6,500 employees, all of whom work in Canada;

(c) the Priszm Entities experienced declining sales and profitability in 2009 and 2010 fiscal years and, as a result, defaulted under their various credit facilities, including under their senior secured indebtedness to Prudential, and the agreement with the Franchisor;

(d) as a result of declining sales and the inability to secure additional or alternate financing due to the problems in the credit markets, the Priszm Entities are currently insolvent as they cannot meet their liabilities as they come due;

(e) in September 2010 the Priszm Entities commenced a sales process in order to divest of some of their restaurant assets and ultimately entered into agreement of purchase and sale with Soul Restaurants Canada Inc.

(formerly 7716443 Canada Inc.) for the sale of 231 operating restaurants in Ontario and British Columbia (the "**Soul Sale Transaction**");

(f) Kit Finance, Priszm Inc and Prism LP entered into a sales process agreement with Prudential on February 1, 2011 with respect to a sales process for the remaining restaurant assets (the "**Sale Process**") and retained Canaccord Genuity to act as financial advisor and sales agent in connection with the Sales Process;

(g) the Applicants are entities to which the CCAA applies;

(h) Priszm LP carries on operations integral and closely related to the businesses of the Applicants and it is therefore appropriate to extend the protections of the Initial Order to Priszm LP;

(i) the Priszm Entities require a stay of proceedings and the other relief sought in order to close the Soul Sale Transaction and complete the Sales Process and provide going concern outcome for the Priszm Entities' approximately 6,500 employees, as well as their various suppliers and creditors;

(j) having the DIP Facility in place is considered prudent by the Priszm Entities and it has only been made available on condition that Prudential be granted the DIP Charge and certain other protections;

(k) the Critical Suppliers are essential to the continued operation of the Priszm Entities;

(l) as the trustees and directors have stated their intention to resign their positions either prior to or immediately after the granting of an Initial Order, the appointment of the CRO is needed to ensure ongoing corporate governance;

(m) the provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;

(n) Rules 2.03, 3.02, 14.05(2) and 16 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended and section 106 of the Ontario *Courts of Justice Act*, R.S.O. 1990, c. C.43 as amended; and

(o) such further and other grounds as counsel may advise and this Honourable court may permit.

3. The following documentary evidence will be used at the hearing of the application:

(a) the Affidavit of Deborah Papernick sworn March 31, 2011, and the exhibits attached thereto;

(b) the Pre-Filing Report of the proposed Monitor dated March 31, 2011 and the appendices attached thereto; and

(c) such further and other evidence as counsel may advise and this Honourable Court may permit.

March 31, 2011

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Lawyers for the Applicants

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ONTARIO
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COMMERCIAL LIST

Proceeding commenced at Toronto

NOTICE OF APPLICATION

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TAB 2

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(the "**Applicants**")

AFFIDAVIT OF DEBORAH PAPERNICK
(sworn March 31, 2011)

I, Deborah Papernick, of the City of Thornhill, Province of Ontario, MAKE OATH AND SAY:

1. I am the Chief Financial Officer of the Applicant Priszm Inc. ("**Priszm GP**") and as such have knowledge of the matters to which I hereinafter depose, except where otherwise stated. I have also reviewed the records, press releases, and public filings of and have spoken with certain of the trustees, directors, officers and/or employees of Priszm GP and the Applicants Priszm Income Fund ("**Priszm Fund**"), Priszm Canadian Operating Trust ("**Priszm Trust**") and Kit Finance Inc. ("**Kit Finance**"), as necessary, and where I have relied upon such information do verily believe such information to be true.

2. All references to currency in this affidavit are references to Canadian dollars, unless otherwise indicated.

I. INTRODUCTION

3. This affidavit is sworn in support of an application by Priszm Fund, Priszm Trust, Priszm GP and Kit Finance (collectively, the "**Applicants**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). The Applicants are also seeking to have the stay of proceedings and other benefits of an Initial Order under the CCAA extended to Priszm Limited Partnership ("**Priszm LP**"). Priszm Fund, Priszm Trust, Priszm GP, Priszm LP and Kit Finance will be referred to collectively herein as the "**Priszm Entities**". Any reference in this affidavit to "**Priszm**" shall be a reference to one or more of the Priszm Entities as the context dictates.

4. The Priszm Entities own and operate 428 KFC, Taco Bell and Pizza Hut restaurants in seven provinces across Canada. As described in greater detail below, as a result of declining sales, significant capital expenditure requirements, and the inability to secure additional or alternate financing, the Priszm Entities cannot meet their liabilities as they come due and are therefore insolvent.

5. This Application has been authorized by the Board of Trustees of Priszm Fund and Priszm Trust, the Boards of Directors of Priszm GP and the shareholder of Kit Finance.

II. THE PRISZM ENTITIES

Overview of Business and Operations

6. Priszm LP is a franchisee of Yum! Restaurants International (Canada) LP (the "**Franchisor**") and is Canada's largest independent quick service restaurant operator. Priszm LP is the largest operator of the KFC concept in Canada, accounting for approximately 60% of all KFC product sales in Canada. In addition, Priszm LP operates a number of multi-branded restaurants that combine a KFC restaurant with either a Taco Bell or a Pizza Hut restaurant.

7. KFC is Priszm LP's largest brand. While product offerings vary throughout the worldwide system, traditional KFC restaurants offer fried "chicken-on-the-bone" products, primarily marketed under the name Original Recipe®. Taco Bell specializes in Mexican-style food products, including various types of tacos, burritos, gorditas, chalupas and salads. Pizza Hut is the only "national" pizza franchise chain in Canada and the brand has one of the largest sales volumes in Canada. Priszm LP's sales are dominantly from the KFC brand, with the balance from Taco Bell and a minor Pizza Hut presence.

8. As of March 25, 2011, the Priszm Entities had approximately 6,500 employees and operated 428 restaurants in seven provinces: British Columbia, Alberta, Manitoba, Ontario, Quebec, Nova Scotia and New Brunswick. 97 restaurants were locations

where a host KFC restaurant is combined with either a Taco Bell concept or a Pizza Hut concept. Priszm LP's restaurants serve over one million customers each week.

Corporate Structure of the Priszm Entities

Priszm Fund

9. Priszm Fund (formerly Priszm Canadian Income Fund) is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated September 23, 2003, as amended from time to time.

10. Priszm Fund indirectly holds an approximate 60% interest in Priszm LP through the ownership of regular partnership units. Priszm Fund does not carry on business, does not have officers and is entirely dependent for its results on the operations, assets and performance of Priszm LP.

11. Priszm Fund is administered by the trustees of Priszm Fund and by its administrator, Priszm GP, pursuant to an administration agreement among, *inter alia*, Priszm Fund and Priszm GP dated November 10, 2003 (the "**Administration Agreement**"). Under the Administration Agreement, Priszm GP agreed to provide or arrange for the provision of services required in the administration of Priszm Fund, including those necessary to (a) ensure compliance by Priszm Fund with its continuous disclosure obligations under applicable securities legislation, (b) provide for the

calculation of distributions to unitholders, and (c) provide general accounting, bookkeeping and administrative services to Priszm Fund.

12. The trust units of Priszm Fund (the "**Units**") are listed for trading on the Toronto Stock Exchange under the symbol "QSR.UN". As of March 25, 2011, Priszm Fund had 15,225,726 Units issued and outstanding for an aggregate amount of $137.4 million in capital contributions.

13. The principal and head office of Priszm Fund is located at 101 Exchange Avenue, Vaughan, Ontario L4K 5R6.

Priszm Trust

14. Priszm Trust is an unincorporated, limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated September 24, 2003, as amended from time to time, and is wholly-owned by Priszm Fund. Priszm Trust was created to acquire and hold 15,550,000 ordinary units of Priszm LP representing approximately 60% of the outstanding partnership units of Priszm LP and approximately 60% of the outstanding common shares in the capital of Priszm GP.

Priszm LP

15. Priszm LP (formerly KIT Limited Partnership) is a limited partnership formed under the laws of Manitoba. The business of Priszm LP is to develop, acquire, make investments in and conduct the business and ownership, operation and lease of assets

and property in connection with the quick service restaurant business in Canada, together with all activities ancillary or incidental thereto.

16. Priszm Fund indirectly owns approximately 60% of Priszm LP. The remaining approximately 40% interest is directly owned by Obelysk Inc. (formerly Scott's Restaurants Inc.) ("**Obelysk**") through its ownership of subordinated limited partnership units and exchangeable limited partnership units of Priszm LP and common shares in the capital of Priszm GP.

17. The general partner of Priszm LP is Priszm GP.

18. The principal and head office of Priszm LP is located at 101 Exchange Avenue, Vaughan, Ontario L4K 5R6.

Priszm GP

19. Priszm GP (formerly KIT Inc.) is a corporation established under the laws of Canada to act as the general partner of Priszm LP. Priszm Fund indirectly owns approximately 60% of the outstanding common shares of Priszm GP and Obelysk directly owns approximately 40% of the outstanding common shares of Priszm GP.

20. The principal and head office of Priszm GP is located at 101 Exchange Avenue, Vaughan, Ontario L4K 5R6.

Kit Finance

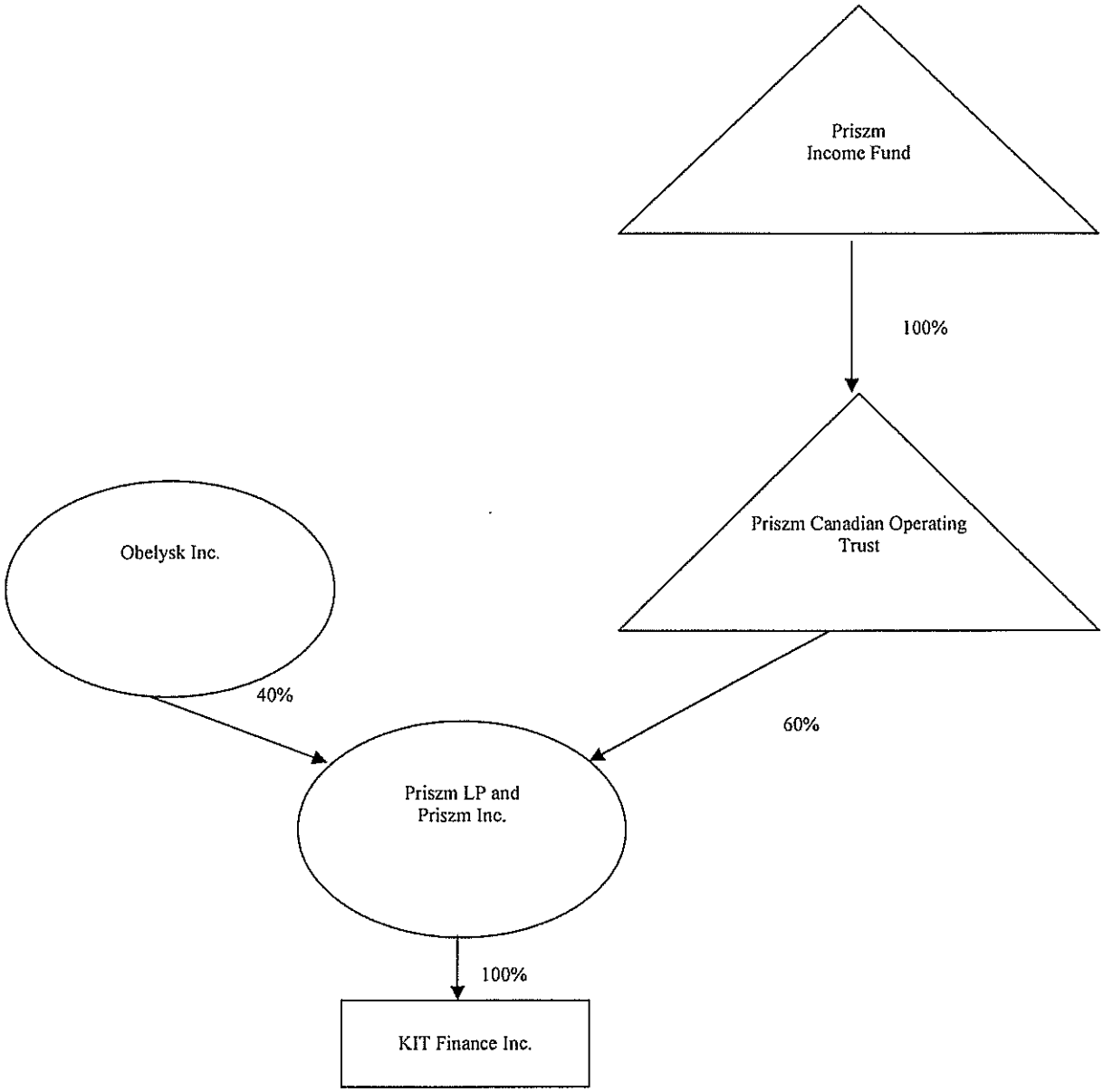
21. Kit Finance is a corporation established under the laws of Alberta. Kit Finance is

wholly-owned by Priszm GP.

22. Kit Finance was created to act as the borrower under the Prudential Loan (as defined below). Kit Finance has no material assets.

Corporate Chart

23. The following chart demonstrates the corporate structure of the Priszm Entities.



Properties and Facilities

24. The Priszm Entities' 428 restaurants are located in the following seven provinces of Canada:

- British Columbia – 45 restaurants
- Alberta – 44 restaurants
- Manitoba – 18 restaurants
- Ontario – 186 restaurants
- Quebec - 86 restaurants
- New Brunswick - 28 restaurants
- Nova Scotia – 21 restaurants

25. With the exception of three properties which are owned, Priszm LP leases all of its restaurant premises as well as its head office. The majority of leases are long term, with the average term being over 13 years (assuming the exercise of all renewal options).

26. A total of 188 of the restaurants are leased from Scott's Real Estate Investment Trust ("**Scott's REIT**"). Six properties which are leased from Scott's REIT have been either assigned or sub-leased to other tenants or are in the process of being marketed for assignment. Three of the restaurants are leased from Obelysk.

27. All leases are currently in good standing in all respects, other than some required leasehold improvements that have not been made at three locations.

28. Priszm LP also has lease obligations on ten former restaurant locations and the site of its former salad producing plant. Four of the former restaurant locations remain vacant, while six of the locations have been sublet to various sub-tenants. Approximately one half of the space at the former salad producing plant has also been sublet on a short-term expiring in September 2011. In addition to these arrangements, Priszm LP has a subletting arrangement with respect to premises located at 6277 Mississauga Road, Streetsville, Ontario where it both operates a KFC-branded restaurant and sublets office space to a subtenant and restaurant space to a competitor.

Employees

29. As at March 25, 2011, Priszm GP employed approximately 6,500 employees, of whom approximately 1,000 were salaried and 5,500 were hourly. Approximately five of the salaried employees and 4,350 of the hourly employees are employed on a part-time basis.

30. 29 restaurants located in British Columbia employing approximately 420 employees are covered by a collective bargaining agreement with the Canadian Auto Workers' union ("**CAW**"), CAW Local 3000. The current collective bargaining agreement expired on June 30, 2010. Priszm GP and CAW are presently involved in a collective bargaining process. The parties have met eight times but have yet to come to a negotiated settlement. A provincial mediator has been assigned to the file and is working with the parties on the outstanding issues. The parties have met two times

with the assistance of the provincial mediator; however, they remain divided on a number of key issues.

31. Nine restaurants located in Quebec employing approximately 140 employees are covered by a collective bargaining agreement with Metallos Local 9400. The current collective bargaining agreement expired on November 10, 2010. Priszm GP is currently scheduled to commence collective bargaining on April 11, 2011.

32. Priszm GP sponsors the Pension Plan for the Employees of Priszm Inc. (Ontario Registration #1102094) (the "**Pension Plan**") for former employees of Priszm Brandz Inc., who were formerly employed by Scott's Food Services Inc. and associated companies. The Pension Plan is a defined contribution pension plan registered under the *Pension Benefits Act* (Ontario) and *Income Tax Act* (Canada) and is funded via a group annuity contract with Sun Life Financial Assurance Company of Canada. Effective as of August 1, 2002, the Pension Plan was amended such that no new members could be enrolled in the Pension Plan. There are 89 members for whom Priszm GP makes and collects contributions for under the Pension Plan and remits such employer and employee contributions on a bi-weekly basis in coordination with payroll processing. As of March 25, 2011, all contributions due and owing to the Pension Plan in respect of both employer and employee contributions have been remitted to the Pension Plan fund.

33. The Priszm Entities maintain the following four benefits plans for their employees:

- Hourly Employee Plan (for employees employed in stores located in provinces other than British Columbia) and Hourly Employee Plan (for employees employed in stores located in British Columbia) which provide health and dental coverage to full time employees (defined based on a threshold number of hours worked per week) on a cost shared basis. These plans also provide life insurance and accidental death and dismemberment coverage with an option for employees to increase coverage at their cost; and

- Restaurant Management Employee Plan and Restaurant Support Centre Employee Plan which include options to either be fully funded by the employer for health and dental coverage or an enhanced plan to be cost shared by the employer and employee. These plans also provide life insurance and accidental death and dismemberment coverage with an option for employees to increase coverage at their cost to include coverage for short term disability, long term disability and an employee assistance program. Employees in these plans are also eligible to participate in Priszm GP's Registered Retirement Savings Plan with the employer matching a percentage (depending on years of participation in the plan) of the employee's contributions to the plan.

Supply Chain

34. UPGC, Inc. ("**UPGC**") is a not-for-profit cooperative owned by all KFC, Taco Bell and Pizza Hut franchisees in Canada. UPGC was set up to act as a central procurement service and manage all of the purchasing for the Canadian franchisees of the KFC, Taco Bell and Pizza Hut concepts in Canada, including Priszm LP. UPGC handles all negotiations with suppliers and distributors, but does not take title to goods, and the franchisee is financially obligated to pay for the ordered product.

35. The Priszm Entities' restaurants receive direct restaurant delivery from processors of fresh chicken. There are seven suppliers that 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.

36. Other food and restaurant consumables (such as salads, beverages, bread products and branded packaging) are supplied by dozens of different suppliers. Orders and deliveries occur up to three times per week.

37. The Priszm Entities produce a significant amount of both organic and inorganic waste and utilize the services of a number of suppliers of waste disposal services and related cleaning services. The Priszm Entities utilize the services of one primary pest control service for both regular maintenance as well as addressing specific pest issues as they arise.

38. In addition, the Priszm Entities utilize the services of certain technicians who repair the appliances and various information technology services in the operation of their stores, processing customer payments and for accounting and reporting purposes.

39. As described in more detail below, a number of the suppliers of chicken, other food and restaurant consumables, waste disposal and pest control services, and information technology services are critical to the ongoing business of Priszm.

Advertising Co-operatives

40. Pursuant to the Franchise Agreement (as defined below), Priszm LP, as do all KFC franchisees, contributes a percentage of its gross revenues (exclusive of sales taxes) ranging between 1% and 3.7% to various advertising cooperatives associated with the three brands it operates to fund the purchase of advertising. Attached as **Exhibit "A"** is a table listing the co-operatives and the percentage of gross revenues (exclusive of sales taxes) that are paid to each cooperative to fund the purchase of advertising. All outstanding invoices have been paid

Franchise Agreement

41. Priszm LP entered into a Master Franchise Agreement with the Franchisor effective November 10, 2003 (the "**Master Franchise Agreement**"). Pursuant to the Master Franchise Agreement (a copy of which is attached as **Exhibit "B"**), the Franchisor and Priszm LP are deemed to have executed a separate and individual franchise agreement for each restaurant in the form of the International Franchise

Agreement attached to the Master Franchise Agreement. The Master Franchise Agreement was amended by the Master Franchise Agreement Amendment Agreement dated November 25, 2009 (the "**Franchise Amending Agreement**"). The Master Franchise Agreement, as amended by the Franchise Amending Agreement, and the individual agreements deemed to have been executed for each restaurant shall be referred to hereafter collectively or in respect of each outlet as the "**Franchise Agreement**".

42. Priszm LP is a franchisee and does not control the brands associated with the restaurants which it operates. All aspects of product offering, marketing, restaurant design, and advertising are significantly influenced by the Franchisor, or other groups (such as advertising co-operatives), which directly impacts both sales and profitability of the Priszm Entities.

43. The majority of Priszm LP's Franchise Agreements, which cover the use of the KFC, Taco Bell and Pizza Hut trademarks, expire over a period of five years, commencing in November 2009. Under the terms of the Franchise Agreement, Priszm LP is able to extend its rights for an additional ten years upon payment of a renewal fee and the making of required capital investments in order to upgrade the renewed restaurants to the standards currently specified by the Franchisor.

44. In the fourth quarter of the fiscal year ended December 27, 2009 ("**FY2009**"), Priszm LP renewed the franchise agreements for the first group of restaurants whose terms were set to expire, covering 69 locations, and paid a renewal fee of $2 million.

45. In connection with the Franchise Amending Agreement signed in November 2009, Priszm LP also agreed to upgrade 75 restaurants in 2010, whose terms were set to expire, at an anticipated aggregate cost of between $15.0 million and $16.5 million. Priszm LP was required to complete upgrades to 34 of the 75 restaurants by July 15, 2010, an additional 25 restaurants by September 15, 2010 and the remaining 16 restaurants by November 10, 2010. Of the 75 restaurants Priszm LP agreed to upgrade, a total of nine were upgraded during 2010. As described in greater detail below, spending on franchise upgrades was suspended during the third quarter of 2010, due to sustained declines in same store sales results which resulted in significantly reduced cash flow and profitability.

46. As described in greater detail below, the terms of 70 of the restaurants operated by Priszm LP expired on February 28, 2011. The term of one additional franchise agreement has expired since. The Priszm Entities have continued to operate all restaurants in the ordinary course.

47. Under the Franchise Agreement, approximately $100 million of additional capital upgrades will be required in the next three years, inclusive of the upgrades that were due to be completed by the Priszm Entities in 2010.

Cash Management System

48. In the ordinary course of its business, the Priszm Entities use a centralized cash management system (the "**Cash Management System**") to, among other things, collect funds and pay expenses associated with their operations.

49. Cash sales at the retail stores are collected in local deposit accounts maintained at the Royal Bank of Canada ("**RBC**"), Canadian Imperial Bank of Commerce ("**CIBC**"), Toronto-Dominion Bank ("**TD**"), Bank of Nova Scotia ("**BNS**"), Bank of Montreal ("**BMO**"), and National Bank of Canada ("**National**"). Approximately 1-2 times (or as required) each week, funds from the local deposit accounts are swept into a collection account denominated in Canadian dollars (the "**Canadian Dollar Collection Account**") maintained at RBC in the name of Priszm LP.

50. Credit and debts sales at the retail stores are managed by Global Payments Inc. On a daily basis, Global Payments Inc. transfers the net receipt to Priszm LP's deposit account at CIBC (the "**CIBC Deposit Account**"). Funds from the CIBC Deposit Account are swept on an as needed basis to the Canadian Dollar Collection Account.

51. Disbursements are made from the Canadian Dollar Collection Account as required to operate the business. The Priszm Entities' payroll is funded through the Canadian Dollar Collection Account. Ceridian Canada Ltd. is responsible for disbursing funds directly to the Priszm Entities' employees and making necessary statutory remittances.

Assets

52. The Priszm Entities' major assets were valued in Priszm Fund's Annual Financial Statements for the 2010 fiscal year ("**FY2010**"), as at December 26, 2010, at:

Current Assets		$20.6 million
Cash and cash equivalents	$13.9 million	
Trade and other accounts receivable	$1.3 million	
Inventories	$3.6 million	
Prepaid expenses	$1.7 million	
Other assets	$0.22 million	
Other receivables		$0.4 million
Future Income Taxes		$0.1 million
Property and equipment		$53.7 million
Franchise Rights		$23.5 million
Goodwill		$17.1million
Total		$115.4 million

53. Priszm LP owns the following properties (collectively, the "**Real Properties**") at which Priszm restaurants are operated:

a) 190 Pelham Road, St. Catharines, Ontario;

b) 1580 Boulevard Cure Labelle, Laval, Quebec; and

c) 27 High Street, Bridgewater, Nova Scotia.

54. I am advised by Maria Konyukhova of Stikeman Elliott LLP, counsel to the Priszm Entities, and do verily believe, that as at March 25, 2011, the Real Properties were encumbered by:

a) A notice of lease in favour of Yum! Brands Canada Management Holding, Inc. registered on November 20, 2003; and

b) A mortgage in favour of Computershare Trust Company of Canada ("**Computershare**") in the original amount of $100,000,000 registered on January 31, 2006. Computershare is the Collateral Agent under the Note Purchase Agreement (as defined below).

Liabilities

Note Purchase and Private Shelf Agreement

55. Pursuant to a note purchase and private shelf agreement dated January 12, 2006 (the "**Original Note Purchase Agreement**") between KIT Finance, Priszm GP, Prudential Investment Management, Inc., and each Prudential affiliate a party thereto (collectively, "**Prudential**"), KIT Finance issued and sold (a) $73,596,400 in aggregate principal amount of its 6.795% Series A Senior Secured Guaranteed Notes due January 13, 2011, and (b) $2,036,700 of its senior secured promissory notes bearing interest at a fixed interest rate of 8.09% due in full on November 11, 2011 with payment of interest due on a monthly basis (the "**Shelf Notes**"). A copy of the Original Note Purchase Agreement (without schedules and exhibits) is attached as **Exhibit "C"**.

56. Kit Finance loaned the proceeds of the Prudential Loan to Priszm LP, however, the interest charges are recorded directly at the Priszm LP level and do not flow through to Kit Finance.

57. The Original Note Purchase Agreement has been subsequently amended by the following amendments (collectively, the "**Prudential Loan Amendments**" and together with the Original Note Purchase Agreement, the "**Note Purchase Agreement**"):

a) Amendment No. 1 to the Note Purchase and Private Shelf Agreement, dated as of January 31, 2006;

b) Amendment No. 2 to the Note Purchase and Private Shelf Agreement, dated as of July 11, 2006;

c) Amendment No. 3 to the Note Purchase and Private Shelf Agreement, dated as of June 21, 2007;

d) Amendment No. 4 to the Note Purchase and Private Shelf Agreement dated as of February 29, 2008;

e) Amendment No. 5 to the Note Purchase and Private Shelf Agreement dated as of September 7, 2008;

f) Amendment No. 6 to the Note Purchase and Private Shelf Agreement dated as of March 26, 2009;

g) Waiver and Amendment No. 7 to Note Purchase and Private Shelf Agreement dated as of December 22, 2009;

h) Amendment No. 8 to Note Purchase and Private Shelf Agreement dated as of March 12, 2010 (the "**March 2010 Amendment**");

i) Amendment No. 9 to Note Purchase and Private Shelf Agreement dated as of January 19, 2011 (the "**January 2011 Amendment**"); and

j) Amendment No. 10 to the Note Purchase and Private Shelf Agreement dated as of February 2, 2011 (the "**February 2011 Amendment**").

Copies of the Prudential Loan Amendments are attached collectively as **Exhibit "D"**.

58. The Prudential Loan is guaranteed by and secured by substantially all of the assets of Priszm LP and Priszm GP and by limited recourse guarantees and pledge agreements granted by Priszm Fund and Priszm Trust. Copies of the guarantees and security agreements granted by Priszm Fund, Priszm Trust, Priszm LP, Priszm GP, and the security agreement granted by Kit Finance are available upon request.

59. The March 2010 Amendment required early repayments of the debt principal of the Prudential Loan in the amounts of $4 million on March 15, 2010, $4 million on May 31, 2010, and $2 million on August 4, 2010, plus interest yield maintenance amounts. The Priszm Entities made all three repayments of principal.

60. The March 2010 Amendment also contains covenants that required Priszm LP to meet a minimum amount of earnings before interest expenses, tax expenses, and amortization expenses (the "**Prudential Financial Covenant**") each quarter during the fiscal year ending December 26, 2010 ("**FY2010**").

61. The March 2010 Amendment also required Priszm Fund to deliver a fully executed letter of intent on or before June 30, 2010, from a bona fide lender, committing to refinance the outstanding amount on both tranches of the Prudential Loan on or before December 31, 2010.

Convertible Debentures

62. On June 22, 2007, Priszm Fund completed an offering of $30 million aggregate principal amount of debentures (the "**Subordinated Debentures**") due June 30, 2012 on a private placement basis. The Subordinated Debentures bear interest at a rate of 6.5% per annum payable semi-annually in arrears on June 30 and December 31. The Subordinated Debentures are convertible at a conversion price of $12.28 per unit at the holders' option into fully paid units of Priszm Fund at any time prior to the close of business on the earlier of June 30, 2012 and the business day immediately preceding the date fixed for redemption. A copy of the Trust Indenture for the Subordinated Debentures is attached hereto as **Exhibit "E"**.

63. Priszm Fund loaned the proceeds of the Subordinated Debentures to Priszm LP pursuant to an unsecured promissory note.

Other Liabilities

64. In addition to the foregoing, as at February 20, 2011, the Priszm Entities has approximately $39.1 million of accrued and unpaid liabilities, including:

(a)	Trade Payables	$12.1 million
(b)	Continuing Fee (royalty) Payments	$6.7 million
(c)	Advertising Contributions	$1.1 million
(d)	Accrued Payroll (including statutory liabilities) and Accrued Vacation Pay	$8.3 million
(e)	Accrued Sales Taxes	$2.0 million
(f)	Other Payables and Accrued Liabilities	$8.9 million

III. FINANCIAL DIFFICULTIES AND THE NEED FOR CCAA PROTECTION

Causes of Financial Difficulties

65. Priszm LP operates its restaurants as franchisee and is highly dependent on the Franchisor for numerous aspects of its business. As a result of the nature of franchising and the Franchise Agreement, the success of Priszm LP depends, to a significant extent, on the vitality of the KFC, Taco Bell, and Pizza Hut concepts and in particular the ability to ensure those concepts are adapted to consumer demand and the competitive market of Canada, the ability to identify and react to new trends in the Canadian restaurant

industry, including the development of popular new Canadian-relevant menu items, and the continued efforts of the Franchisor to support the Canadian franchisees.

66. The KFC and Taco Bell brands experienced significant same store sales declines in 2009 and 2010. This resulted in significant same store sales declines for the Priszm Entities as follows:

Year	Quarter	Same Store Sales Growth/Decline
FY2011	Q1	(6.2%)*
FY2010	Full Year	(4.4%)
	Q4	(1.6%)
	Q3	(5.0%)
	Q2	(5.1%)
	Q1	(7.1%)
FY2009	Full Year	(3.3%)

*** Preliminary; financial statements not closed.**

Financial Results

67. As a result of same store sales declines for the KFC and Taco Bell brands, the Priszm Entities experienced financial performance in FY2009 and FY2010 that was below both prior years' performance and budgeted expectations.

68. The Priszm Entities reported EBITDA for FY2009 of $25.4 million (adjusted to remove a one time gain resulting from the disposition of a salad production facility for approximately $9.2 million, one-time restructuring charge of $1.3 million and one-time insurance gain of $0.9 million) representing a $7.6 million or 23% decline from EBITDA recorded in the prior fiscal year ended December 28, 2008 ("**FY2008**").

69. Total sales for FY2010 were approximately $415.8 million compared to $441.8 million in FY2009. As a result, EBITDA for FY2010 fell to $16.5 million representing a decrease of approximately $8.9 million or 35% from FY2009.

70. Cost of restaurant sales and restaurant operating expenses decreased in FY2010 on a dollar basis as a result of lower store count and declining sales. Despite operational control at the store level, these expenses increased on a percentage of sales basis due to the fixed components that could not be reduced as sales fell.

71. In addition, the Priszm Entities' business is seasonal. Revenues in the first two quarters of the fiscal year are slightly lower than in the latter two quarters. On average, in each fiscal reporting quarter over the last three years, the percentage of annual sales achieved by quarter is as follows: first quarter (12 weeks) 21%, second quarter (12 weeks) 24%, third quarter (12 weeks) 25% and fourth quarter (16 weeks) 30%. The Priszm Entities do not expect an improvement in their sales or cash position in the first half of 2011. Notwithstanding that the second and third quarters are the most profitable, the projected improvement in the business will not be sufficient to allow the Priszm Entities to become viable given their capital expenditure and debt obligations.

72. Copies of Priszm Fund's consolidated financial statements for the past 12 months are attached as the following Exhibits:

Exhibit "F" – First Quarter 2010 Interim Consolidated Financial Statements

Exhibit "G" – Second Quarter 2010 Interim Consolidated Financial Statements

Exhibit "H" - Third Quarter 2010 Interim Consolidated Financial Statements

Exhibit "I" – 2010 Annual Audited Consolidated Financial Statements

Defaults under the Prudential Loan

73. As a result of slower than forecast sales during the third quarter of FY2010, on September 5, 2010, Priszm Fund breached the Prudential Financial Covenant. Priszm Fund remains in non-compliance today. As a result of the non-compliance, both tranches of the Prudential Loan became callable by Prudential.

74. As described above, the March 2010 Amendment required Priszm Fund to deliver a fully executed letter of intent on or before June 30, 2010, from a bona fide lender, committing to refinance the outstanding amount of both tranches of the Prudential Loan on or before December 31, 2010. Priszm Fund was unable to deliver a letter of intent by June 30, 2010.

75. In an effort to conserve cash, the debt interest payment due on December 10, 2010 was not paid. On January 19, 2011, Priszm LP, Priszm GP and Kit Finance and Prudential entered into a forbearance agreement whereby Prudential agreed to temporarily suspend any action on account of the existing defaults and forbear from exercising their remedies until January 31, 2011, subject to an earlier termination in the event of certain events of default (the "**January Forbearance**"). A copy of the January Forbearance is attached hereto as **Exhibit "J"**.

76. On February 1, 2011, Priszm LP, Priszm GP and Kit Finance and Prudential entered into a second forbearance agreement until May 20, 2011, subject to earlier termination in certain circumstances (the "**February Forbearance**"). A copy of the February Forbearance is attached hereto as **Exhibit "K"**.

77. Priszm LP, Priszm GP, and Kit Finance and Prudential entered into an Amended and Restated Forbearance Agreement dated March 31, 2011 which amends and restates the February Forbearance (the "**March Forbearance**"). A copy of the March Forbearance is attached hereto as **Exhibit "L"**.

Defaults under the Franchise Agreement

78. As discussed above, under the terms of the Franchise Agreement, Priszm LP was required to complete upgrades to 75 restaurants whose terms were scheduled to expire in 2010 pursuant to the Franchise Agreement. Priszm LP completed the upgrades to only nine restaurants.

79. Due to the decreases in sales, management's focus on debt refinancing, liquidity and cash preservation, as well as some development related logistical issues, Priszm LP suspended investments related to these facility upgrades and opted not to pay the franchise renewal fee that was due on August 10, 2010.

80. Following discussions between Priszm LP and the Franchisor, the term of the 70 franchise agreements for outlets that were scheduled to expire on November 10, 2010 were extended by the Franchisor until December 10, 2010. On November 17, 2010, Priszm LP paid $200,000 in renewal fees related to the nine restaurants, as well as an additional $900,000 for further franchise renewals as it continued to pursue its alternatives in advance of the December 10, 2010 revised expiry date.

81. In its continuing efforts to conserve cash, particularly in light of the traditional sales declines during the winter, Priszm LP withheld payment of the continuing fee payable pursuant to the Franchise Agreement on December 7, 2010 and has failed to pay the continuing fees to the Franchisor since December 2010. On December 10, 2010, the Franchisor provided Priszm LP an extension on the unpaid continuing fee until January 15, 2011. Interest is accruing on the unpaid continuing fees. The Priszm Entities do not intend to pay the outstanding or accruing continuing fees to the Franchisor during the term of their proceedings under the CCAA.

82. On February 2, 2011, the Franchisor extended the term of the 70 franchise agreements whose initial term was scheduled to expire on November 10, 2010, until February 28, 2011 (the "**Franchisor February Extension**"). A copy of the Franchisor February Extension is attached hereto as **Exhibit "M"**.

83. No further extensions have been granted directly to Priszm by the Franchisor. However, on or about January 28, 2011, the Franchisor and Prudential entered into an agreement pursuant to which the Franchisor and Prudential documented their agreement to establish and cooperate in respect of a sales process for the sale of Priszm's business (the "**Stakeholder Agreement**"). Pursuant to the Stakeholder Agreement, the Franchisor agreed with Prudential (but not with the Priszm Entities) to continue to forebear on collecting the continuing fees and other amounts owing and accruing pursuant to the Franchise Agreement (other than the Advertising Contributions). In addition, the Franchisor agreed with Prudential (but not with the Priszm Entities) to extend and not provide for the termination of expired franchises until the earlier of the sale of such franchises and May 20, 2011, provided that Prudential has not abandoned its support for the sales process established with the Franchisor and Priszm is continuing to operate outside of an insolvency proceeding (other than a proceeding consented to by the Franchisor).

84. As a result, Priszm LP remains in breach of the Franchise Agreement for failure to pay the continuing fees. The Priszm Entities have continued to operate all restaurants in the ordinary course with the full knowledge and apparent consent of the Franchisor.

Default under the Subordinated Debentures

85. On December 31, 2010, Priszm Fund failed to make the interest payment of $0.975 million due in respect of the Subordinated Debentures. The Trust Indenture governing the Subordinated Debentures provides for a 15-day cure period upon a failure to pay interest.

86. On January 18, 2011, Priszm Fund notified the Debenture Trustee of the Subordinated Debentures that as of December 15, 2010, events of default had occurred under the Prudential Loan, which events were continuing, and notice of those events had been given to the holders of the Subordinated Debentures. A copy of such notice is attached hereto as **Exhibit "N"**. Pursuant to the terms of the Subordinated Debentures, the effect of the notice is that no payment on the Subordinated Debentures may be made unless and until the Prudential Loan has been paid or satisfied in full or the events of default have been cured or waived.

Restructuring Efforts

87. The Priszm Entities undertook extensive measures in 2010 to increase their profitability. Among other things, the Priszm Entities closed nine under-performing restaurants and attempted to sub-lease a further 24 underperforming restaurants but were unsuccessful in finding tenants for the locations.

88. The Priszm Entities also took several measures to improve operational performance, most notably with respect to lowering food waste at the store level and improving labour productivity by training, monitoring and enforcing adherence to operating guidelines for the respective line items. In addition, the Priszm Entities conducted a comprehensive review of overhead costs at the end of 2009 and eliminated several positions in the restaurant service centre. The measures taken by the Priszm Entities resulted in a decrease of $1 million in general and administrative expenses in FY2010 compared to previous years.

89. In early 2010, the Priszm Entities engaged investment banker Canaccord Genuity to assist in their efforts to restructure their long term loan facilities and investment obligations. Working in conjunction with the Priszm Entities' existing lender, Prudential, Canaccord Genuity contacted a total of 74 parties with respect to a potential financing. 24 parties conducted preliminary due diligence. Management made presentations to 7 of those 24 parties.

90. Some of the potential lenders expressed an interest in taking part in one or more refinancing alternatives. However, the challenging credit markets and a lack of agreement on certain business issues with the Franchisor resulted in the discontinuation of refinancing efforts.

Initial Sales Process

91. In September 2010, the Priszm Entities commenced a sales process in an effort to divest some of their restaurants and engaged PricewaterhouseCoopers Corporate Finance Inc. ("**PWC**") to assist in identifying potential buyers.

92. As a result of this sales process, on December 11, 2010, Priszm LP and Priszm GP entered into an Asset Purchase Agreement with Soul Restaurants Canada Inc. (formerly 7716443 Canada Inc.) (the "**Purchaser**"), an affiliate of Soul Foods Group, a U.K. based franchisee of the Franchisor, for the sale of 232 operating restaurants in Ontario and British Columbia for an aggregate purchase price of approximately $46.4 million before customary purchase price adjustments, subject to, among other things, satisfactory due diligence and financing by the purchaser by January 15, 2011 (the "**APA**"). The number of stores was subsequently reduced to 231 with no reduction in the purchase price.

93. Both the due diligence and financing conditions were satisfied by January 15, 2011. The transaction under the APA (the "**Soul Sale Transaction**") remains subject to customary closing conditions, the obligation to obtain the consent of a required number of landlords and material contract counterparties to the assignment of such leases and

contracts, and the consent of both the Franchisor and Prudential. Although the Franchisor and Prudential have not yet granted their consent, it is my understanding that both parties are supportive of the Soul Sale Transaction and this filing, which will facilitate completion of the transaction.

Bridge Loan

94. During December 2010, the Board of Trustees of the Priszm Fund and Boards of Directors of the Priszm Entities determined that additional financing was required if the Priszm Entities were to continue operating in the short to medium term. The Priszm Entities approached Prudential and the Franchisor for bridge funding in December 2010.

95. On January 19, 2011, in conjunction with the January Forbearance, Prudential and Priszm Fund executed the January 2011 Amendment. The January 2011 Amendment provided Priszm Fund with a short-term supplemental facility of up to $4 million and ensured the business had sufficient liquidity to continue operations while a longer-term plan was developed. The facility bears interest at 10% per annum with a maximum one draw per week and matured on January 31, 2011.

96. On February 1, 2011, in conjunction with the February Forbearance, Prudential and Priszm Fund executed the February 2011 Amendment. The February 2011 Amendment extended the maturity date of the Prudential Loan, as amended, until May 20, 2011 and provided Priszm with another short-term supplemental facility of up to

$2.9 million, in addition to the $3.7 million previously drawn under the January 2011 Amendment. The facility bears interest at 10% per annum with a maximum one draw per week and also expires on May 20, 2011.

Second Sales Process

97. As described above, throughout FY2010, the Priszm Entities engaged with, *inter alia*, Prudential in an attempt to secure refinancing or identify restructuring alternatives. On January 14, 2011, representatives of the Priszm Entities met with Prudential and the Franchisor. The Priszm Entities were advised that the Franchisor would not provide any further forbearances or extensions unless the Priszm Entities proceeded towards a closing of the transaction contemplated under the APA by January 31, 2011 and expeditiously conducted a sales process for the remaining restaurants and assets of the Priszm Entities.

98. In conjunction with the February Forbearance, Priszm LP, Priszm GP, and Kit Finance and Prudential entered into an agreement dated as of February 1, 2011, pursuant to which Priszm agreed to use their best commercial efforts to comply with the sale process described therein. On March 9, 2011, Prudential agreed to amend the date for receiving expressions of interest to March 22, 2011 (as amended, the "**Sales Process**").

99. On February 10, 2011, Priszm Fund retained Canaccord Genuity to act as financial advisor and sales agent in connection with the potential sale of some or all of its restaurants and commenced the Sales Process.

100. Should the CCAA application be granted by the Court, the Priszm Entities intend to return to Court shortly for approval and ratification of the Sales Process undertaken by the Priszm Entities and the retention of Canaccord Genuity.

The Priszm Entities are Insolvent

101. In summary, for the reasons described above, the Priszm Entities are insolvent. The Priszm Entities failed to pay amounts owing under the Prudential Loan, the Subordinated Debentures or the franchise continuing fees as they came due and remain unable to do so today. Priszm has negotiated a transaction that would see its 231 restaurants in Ontario and British Columbia continue to operate and would preserve approximately 3,700 jobs. The Priszm Entities require the protection of the CCAA in order to close the sale to the Purchaser and complete the Sales Process. I am informed by Maria Konyukhova of Stikeman Elliott LLP, counsel to the Priszm Entities, and do verily believe that Priszm LP does not qualify as an applicant under the CCAA. However, as the sole operating entity of the Priszm business, it requires the benefit of the CCAA Initial Order.

IV. KEY EMPLOYEE RETENTION PLANS

102. To ensure retention of key personnel while the Priszm Entities attempted to refinance, restructure and sell the business, the Priszm Entities offered 41 key personnel retention bonuses (the "**KERPs**").

103. The KERPs were the subject of extensive negotiations between the Board of Directors of Priszm GP, the KERP participants, and Prudential.

104. The amounts payable to the KERP participants who are members of senior management will be paid upon the earlier of (a) the closing of one or more transactions pursuant to which all of the Priszm Entities' restaurants are sold, restructured and/or closed, and (b) August 31, 2011.

105. The amounts payable to the KERP participants who are not members of senior management will be paid upon the earlier of (a) the date on which they are informed in writing that their employment is no longer required by Priszm, and (b) July 31, 2011 (and with respect to one employee who had previously negotiated an agreement with the Priszm Entities, April 30, 2011).

106. As security for their obligations under the KERPs, the Priszm Entities established trusts in favour of the KERP participants.

107. Under the terms of the KERPs, in order to receive the incentive bonuses, the KERP participants cannot have resigned, been terminated with cause or have failed to perform their duties and responsibilities diligently, faithfully or honestly. The existing terms of employment will continue for the KERP participants during the CCAA proceedings.

V. PROPOSED INITIAL ORDER

Critical Suppliers and Critical Supplier Charge

108. The Priszm Entities' business is entirely reliant on their ability to prepare, cook and sell their products. Given the perishable nature of their products, the Priszm Entities maintain very little inventory and rely on an uninterrupted flow of deliveries and continued availability of various products. In addition, the Priszm Entities are highly dependent on continued and timely provision of waste disposal, pest control, appliance repair and information technology services and various utilities.

109. Accordingly, with the assistance of the proposed monitor, the Priszm Entities have identified a number of suppliers that are critical to the ongoing operation of their business, which can be organized into the five different categories discussed above:

a) Chicken suppliers;

b) Other food and restaurant consumables;

c) Utility service providers;

d) Suppliers of waste disposal and pest control services; and

e) Providers of appliance repair and information technology services.

A complete listing of the suppliers considered critical by the Priszm Entities (the "**Critical Suppliers**") is attached hereto as **Exhibit "O"**.

110. Any interruption of supply by the Critical Suppliers could have an immediate adverse impact on the Priszm Entities' business, operations and cash flow. Accordingly, the Priszm Entities are seeking an Order:

a) designating the Critical Suppliers as critical suppliers;

b) requiring the Critical Suppliers to continue to supply on terms and conditions that are consistent with existing arrangements and past practices, as may be amended by the payment terms set forth in the listing attached at Exhibit "O". The Priszm Entities have attempted to treat similar suppliers equally and have sought to create a consistent and workable regime that can be administered by the Priszm Entities. Therefore, the Priszm Entities are requesting amended terms that are consistent within each category. A result of this is that in some circumstances a particular supplier's payment terms have been extended; and

c) granting a charge over all of the assets, property and undertaking of the Priszm Entities (the "**Property**") in the amount of the value of the goods and/or services received by the Priszm Entities after the date of the Initial Order as security for payment less all amounts paid to the Critical Suppliers in respect of such goods and services (the "**Critical Supplier Charge**"). The Critical Supplier Charge is proposed to have the priority set forth in paragraph 128 hereof.

DIP Financing and DIP Charge

111. While the Cashflow Forecast (as defined below) indicates that the Priszm Entities do not expect to require any additional financing prior to June 31, 2011, actual funding requirements are highly sensitive to timing variances, variances in forecast sales (which can be quite volatile), and other assumptions underlying the Cashflow Forecast. In addition, the ability to borrow funds from a Court-approved debtor-in-possession ("**DIP**") facility (secured by the DIP Lender's Charge (as defined below)) will be crucial to retain the confidence of the Priszm Entities' creditors, employees and suppliers and will enhance the prospects of a going concern outcome. Accordingly, having a DIP facility in place is considered prudent by the Priszm Entities.

112. Subject to certain conditions, upon the Priszm Entities' commencement of CCAA proceedings, Prudential (in such capacity, the "**DIP Lender**") has agreed to extend to the Priszm Entities a debtor-in-possession financing facility (the "**DIP Facility**") with maximum availability of $3 million pursuant to Amendment No. 11 to the Note

Purchase and Private Shelf Agreement dated as of March 31, 2011 (the "**DIP Amendment**"). A copy of the DIP Amendment is attached hereto as **Exhibit "P"**.

113. The DIP Facility is to be secured by the existing security held by or on behalf of the DIP Lender securing the Prudential Loan (the "**Prudential Security**") and a charge over the Property (the "**DIP Lender's Charge**") to rank ahead of all other charges except the Administration Charge (as defined below) and the Critical Supplier Charge any person who is a "secured creditor", as defined in the CCAA, as of the date of the Initial Order and who has not received notice of this Application. The DIP Lender's Charge will not secure any obligations of the Priszm Entities to Prudential that existed prior to the date of the Initial Order.

114. 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. Advances under the DIP Amendment are repayable in full on maturity, being May 20, 2010. The DIP Amendment also provides for the mandatory repayment of Excess Cash Amounts (as defined in the DIP Amendment).

115. Under the terms of the proposed Initial Order, upon the occurrence of an event of default under the DIP Amendment and the the March Forbearance and upon seven days notice to the Priszm Entities and the Monitor, the DIP Lender may exercise any and all of its rights and remedies against the Priszm Entities or the Property under or

pursuant to the DIP Amendment, the Note Purchase Agreement, the Prudential Security and the DIP Lender's Charge, including without limitation:

a) to cease making advances to the Priszm Entities and set off and/or consolidate any amounts owing by the DIP Lender to the Priszm Entities against the obligations of the Priszm Entities to the DIP Lender under the DIP Amendment;

b) to make demand, accelerate payment and give other notices; or

c) to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Priszm Entities and for the appointment of a trustee in bankruptcy of the Priszm Entities.

116. Events of Default under the March Forbearance include, among others:

a) Failure to complete the Soul Sale Transaction by April 29, 2011 with the amount and application of proceeds from such sale being satisfactory to Prudential;

b) Failure to receive formal final bids with respect to at least 90% of the Priszm Entities' locations not transferred as part of the Soul Sale Transaction by May 9, 2011;

c) Failure to obtain Court approval of the sale of at least 90% of the Priszm Entities' locations not transferred as part of the Soul Sale Transaction by May 20, 2011; and

d) Occurrence of any Material Adverse Change[1] (as defined in the March Forbearance), provided that the mere filing of the within application under CCAA by the Priszm Entities does not constitute a Material Adverse Change.

117. It is a condition precedent to the availability of the DIP Facility that the Initial Order under the CCAA be in form and substance satisfactory to the DIP Lender. I am informed by Patrick Shea of Gowlings LLP, counsel to the DIP Lender and do verily believe that the form of the proposed Initial Order is acceptable to the DIP Lender.

Directors' and Officers' Charge

118. The trustees and directors of the Priszm Entities have stated that it is their intention to resign their positions either prior to or immediately after the granting of an Initial Order. Accordingly, and in order to ensure ongoing corporate governance, the

[1] Defined in the March Forbearance as a material adverse change in the business, condition, assets, liabilities, operations or financial performance of the Priszm Entities after the date of the March Forbearance, except for (x) any such material adverse change that is demonstrated to have resulted directly from changes that occurred after the date of the March Forbearance in the general business conditions in the industry in which the Obligors operate, and (y) any material adverse change in the Priszm Entities' financial performance that is highly temporary in nature and is demonstrated to have resulted directly from the public announcement of the Priszm Entities' CCAA proceedings, or (b) a 10% negative variance in cash position as at the end of any fiscal week of the Priszm Entities from the value for such week end contained in the latest cash flow projections for the Priszm Entities filed with the Court in connection with the Priszm Entities' CCAA proceedings.

Priszm Entities are seeking an Order appointing 2279549 Ontario Inc. as Chief Restructuring Officer (the "**CRO**").

119. The Priszm Entities will also require the continued participation of their officers and other executives who manage the business, commercial activities and internal affairs of the Priszm Entities. These individuals are essential to the ongoing stability of the Priszm Entities' business while these proceedings are underway.

120. I am advised by Maria Konyukhova of Stikeman Elliott LLP, counsel to the Priszm Entities, and do verily believe that in certain circumstances directors can be held liable for certain obligations of a company owing to employees and government entities. As of March 25, 2011, the Priszm Entities are liable for unpaid accrued wages, vacation pay, statutory employee deductions and unpaid sales and services taxes of approximately $6.6 million.

121. Priszm GP maintains directors' and officers' liability insurance (the "**D&O Insurance**") for the directors and officers of Priszm GP. The current D&O Insurance policy provides a total of $31 million in coverage ($10 million in coverage; plus $10 million and $5 million in excess coverage; plus $5 million in Side A DIC and $1 million in Side A DIC). In addition, there are also contractual indemnities which have been given to the directors by Priszm GP. Priszm GP does not have sufficient funds to satisfy those indemnities should its directors and officers be found responsible for the full amount of the potential directors' liabilities. In addition, the deductible for certain

claims is $100,000 and the presence of a large number of exclusions creates a degree of uncertainty.

122. The proposed Initial Order contemplates the establishment of a charge (the "**Directors' Charge**") on the Property in the amount of $9.8 million to protect: (a) the directors and officers against obligations and liabilities that they may incur as directors or officers of the Priszm Entities, and (b) the CRO and Deborah Papernick against any obligations and liabilities that they may incur as CRO of the Priszm Entities after the commencement of the CCAA proceedings, except to the extent that the obligation or liability was incurred as a result of the individual's gross negligence or wilful misconduct.

123. It is expected that the D&O Insurance will provide sufficient coverage to protect the directors and officers from all of the above costs and expenses, and the proposed Initial Order provides that the charge shall only apply to the extent that the D&O Insurance is not adequate. However, due to the potential for significant personal liability, the Priszm Entities are seeking the charge on the Property as security for the indemnification obligations.

Administration Charge

124. The Priszm Entities are also seeking a first-ranking charge on the Property (the "**Administration Charge**") to rank ahead of all other charges and ahead of all other existing security interests of any persons, except for any person who is a "secured

creditor", as defined in the CCAA, as of the date of the Initial Order and who has not received notice of this Application in the maximum amount of $1.5 million to secure the fees and disbursements incurred in connection with services rendered to the Priszm Entities both before and after the commencement of the CCAA proceedings by counsel to the Priszm Entities, the Monitor, the Monitor's counsel, and the CRO (as defined below).

125. The Priszm Entities worked with the proposed monitor to estimate the proposed quantum of the Administration Charge and believe it to be reasonable and appropriate in view of the complexities of the Priszm Entities' CCAA proceedings and the services to be provided by the beneficiaries of the Administration Charge.

126. I am advised by Patrick Shea of Gowlings LLP, counsel to the DIP Lender, and do verily believe, that Prudential, both in its capacity as existing secured lender and in its capacity as DIP Lender, has consented to the granting of the Administration Charge and its proposed priority status.

Summary of the Proposed Rankings of the Court-Ordered Charges

127. The effect of the proposed Court-ordered charges in relation to each other:

a) First - the Administration Charge;

b) Second - the Critical Supplier Charge;

c) Third - the DIP Charge; and

d) Fourth - the Directors' Charge.

128. It is proposed that the Court-ordered charges will rank ahead of all other existing security interests of any persons, except for any person who is a "secured creditor", as defined in the CCAA, as of the date of the Initial Order and who has not received notice of this Application.

VI. OVERVIEW OF THE 13-WEEK CASH FLOW FORECAST

129. As at March 25, 2011, Priszm Fund's consolidated cash balance was approximately $4.9 million.

130. Priszm Fund has prepared a 14-week Consolidated Cash Flow Forecast for the period of March 28, 2011 to July 1, 2011 (the "**Cashflow Forecast**") that forecasts Priszm Fund's receipts, disbursements and financing requirements. A copy of the Cashflow Forecast is attached as **Exhibit "Q".**

131. The Cashflow Forecast estimates that for the period of March 28, 2011 to July 1, 2011, Priszm Fund will have total receipts of $122.1 million, total operating disbursements of $114.8 million for net cash flow of $7.2 million.

VII. MONITOR

132. On or about December 13, 2010, FTI was retained by the Priszm Entities to provide advice on their restructuring options with a view to acting as Monitor in CCAA proceedings should such proceedings be necessary and if appointed by the Court. In

the course of fulfilling its mandate, FTI has become intimately familiar with the Priszm Entities' business and their current financial difficulties. FTI 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.

133. FTI has consented to act as the Court-appointed Monitor of the Priszm Entities, subject to Court approval.

134. I am advised by Nigel Meakin of FTI and do verily believe that FTI intends to file a pre-filing report in conjunction with the Priszm Entities' request for relief under the CCAA.

VIII. PURPOSE OF AFFIDAVIT

135. This affidavit is sworn in support of the Priszm Entities' application for protection pursuant to the CCAA and for no improper purpose.

SWORN BEFORE ME at the City of Toronto, Province of Ontario, on March 31, 2011.

Commissioner for Taking Affidavits

Deborah Papernick

Daniel Alexander Tiberini, a Commissioner, etc., Province of Ontario, while a Student-at-Law. Expires May 5, 2012.

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.

Court File No: 11-CL_____

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

AFFIDAVIT OF DEBORAH PAPERNICK
(Sworn March 31, 2011)

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Lawyers for the Applicants

This is Exhibit "A"
to the affidavit of Deborah Papernick,
sworn before me on the 31st day
of March, 2011

Commissioner for Taking Affidavits

Priszm LP Advertising Cooperatives and Percentage of Gross Revenue Contributed by Priszm LP

Name of Advertising Co-operative	% of Gross Revenues
KFC National Adv Comm C.A.B.	1.25%
KFC National Adv Co-op (Media)	1.25%
B.C. KFC Marketing Co-op(1)	2.00%
KFC Alberta Marketing Co-op	2.00%
KFC Manitoba Marketing Co-op	2.00%
Fried Chicken Ont Operators[1]	2.00%
Les Franchise P.F.K. Du Quebec	2.00%
KFC Atlantic Canada Co-op	1.00%
PH National Adv Co-op[2]	1.00%
PH CAB	1.00%
PH Ontario Adv Co-op	2.00%
TB Adv Co-op	3.70%
TB National Adv Creative Fund	1.00%

[1] There are 21 stores in Ontario and 1 store in British Columbia that have reduced rates being contributed to their respective regional cooperatives since they are deemed not to benefit from the provincial media buy (eg. remote locations). These reduced rates range from 0.25% to 0.5%.

[2] Pursuant to the advertising co-operative agreement, the 7 KFC-PH restaurants in Quebec pay only 0.25% of gross revenues to the PH National Adv Co-op in respect PH brand sales.

This is Exhibit "B"
to the affidavit of Deborah Papernick,
sworn before me on the 31st day
of March, 2011

Commissioner for Taking Affidavits

MASTER FRANCHISE AGREEMENT

between

YUM! RESTAURANTS INTERNATIONAL (CANADA) LP

and

KIT LIMITED PARTNERSHIP

Effective 10 November 2003

MASTER FRANCHISE AGREEMENT dated 10th day of November, 2003,

BETWEEN

Yum! Restaurants International (Canada) LP ("Yum! Canada" or "Franchisor"), 10 Carlson Court, Ste. 400, Etobicoke, Ontario, M9W 6L2

AND

KIT Limited Partnership ("Franchisee"), 101 Exchange Avenue, Vaughan, Ontario L4K 5R6

BACKGROUND FACTS:

Yum! Canada and/or its Affiliated Companies has developed a unique and valuable system for the preparation, marketing, and sale of certain quality food products under various trademarks, service marks, and trade names owned by them.

The System is a comprehensive restaurant system for the retailing of a limited menu of uniform and quality food products, emphasizing prompt and courteous service in a clean and wholesome atmosphere that is intended to be particularly attractive to families. The foundation and essence of the System is the adherence by franchisees to standards and policies providing for the uniform operation of all restaurants within the System including, but not limited to, serving designated food and beverage products; using only prescribed equipment and building layout and design; and strict adherence to designated food and beverage specifications and to prescribed standards of quality, service, and cleanliness in restaurant operations. Compliance by franchisees with the foregoing standards and policies in conjunction with the trademarks, service marks, and trade names provides the basis for the valuable goodwill and wide acceptance of the System. Moreover, Franchisee's performance of the obligations contained in the Master Franchise Agreement (the "Agreement") and Franchise Agreements, as well as its adherence to the tenets of the System, constitute the essence of the license provided for herein.

Yum! Canada is entitled to grant to third parties, and has agreed to grant to Franchisee, the right to use the System, the System Property, and the Marks on the terms and conditions of this Agreement and the Franchise Agreements.

THE PARTIES AGREE:

1. DEFINITIONS

1.1 In this Agreement, the following terms have the meanings set forth below:

"Effective Date" means the date written at the top of this page.

"Franchise Agreement" means each franchise agreement deemed to have been executed pursuant to Clause 2 of this Agreement in the form attached hereto as Attachment 1 for each Outlet specified in Schedule D to the Franchise Agreement attached hereto as Attachment 1.

"Outlets" means the restaurants located at the addresses specified in Schedule D to Attachment 1.

2. FRANCHISE AGREEMENTS

2.1 As of the Effective Date, Franchisor grants to Franchisee and Franchisee accepts 466 single-site franchises to operate the Outlets on the terms and conditions of the Franchise Agreement attached hereto as Attachment 1.

2.2 As of the Effective Date, Franchisor and Franchisee are deemed to have executed a separate and individual Franchise Agreement for each Outlet. Franchisor and Franchisee agree and acknowledge that each of them may, within its sole discretion, exercise any right, claim, or power under a Franchise Agreement separately and individually with respect to each Outlet. The Schedule B of the Franchise Agreement for each Outlet is deemed to include the respective terms for the Outlet Address, Concept, and Term specified in Schedule D to the Franchise Agreement attached hereto as Attachment 1.

3. TERM AND TERMINATION

3.1 Unless otherwise provided in this Clause 3, the term of this Agreement will continue until the expiration or termination of the last operative Franchise Agreement.

3.2 Without limiting Clause 15 of the Franchise Agreements, Franchisor is entitled to terminate this Agreement and/or the Franchise Agreements, either individually or collectively, by notice to Franchisee, effective upon receipt by Franchisee, in the event that:

(a) Franchisee or any Guarantor breaches Clause 1.3, 5.1, 8, 9, 13, or 14 of the Franchise Agreement, as applicable; or

(b) Franchisee breaches any term or condition of this Agreement or of any clause of the Franchise Agreement other than Clause 1.3, 5.1, 8, 9, 13, or 14 and, after notice by Franchisor, fails to cure the breach to Franchisor's satisfaction within the cure period stated in the notice, such cure period to reflect the nature of the breach.

4. MISCELLANEOUS

4.1 This Agreement will inure to the benefit of Franchisor and its respective successors and assigns and may be transferred or assigned by Franchisor to any party without the prior approval of Franchisee or the Guarantors upon notice from Franchisor. With effect from receipt by Franchisee of the Transfer Notice, Franchisor shall be released from all obligations of this Agreement and Franchisee shall have a new contract on the same terms as this Agreement with the relevant successor or assignee named in the Transfer Notice.

4.2 This Agreement, the Franchise Agreements, and any related documents executed by the parties contemporaneously with this Agreement constitute the entire agreement between the parties with respect to their subject matter and supersede all prior negotiations, agreements or understandings.

4.3 The terms and conditions of this Agreement may be changed only in writing signed by all parties.

4.4 This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario. Franchisors and Franchisee hereby submit to the jurisdiction of the courts in Ontario and agree that all disputes concerning, arising from, or related to this Agreement shall be submitted to and determined by the courts in Ontario

4.5 References to Attachments are to attachments to this Agreement and the Attachments form part of this Agreement.

4.6 Any notice or other communication required or permitted under this Agreement shall be in writing and properly addressed to the addressee at the address specified in this Agreement (or any other address notified by the addressee) and will be deemed received by the addressee on the earlier of the date of delivery, the date of transmission if sent by facsimile with receipt confirming completion of transmission, or three (3) days after the date of posting if sent by pre-paid security or registered post.

4.7 Franchisee is an independent contractor and is not, by virtue of this Agreement, an agent, representative, joint venturer, partner, or employee of Franchisor. Furthermore, no fiduciary relationship exists between Franchisee and Franchisor by virtue of this Agreement.

4.8 To the extent of any inconsistency between this Agreement and the Franchise Agreement, the terms of this Agreement shall prevail. In all other respects, the parties to the Franchise Agreement confirm and ratify and do not in any way limit, waive, or release, the provisions of the Franchise Agreement.

EXECUTED as an Agreement.

Yum! Restaurants International (Canada) LP
by its general partner Yum! Brands Canada Management Holding, Inc.

By [Signature]: _____

[Printed Name] _____

[Title] _____

KIT Limited Partnership, by its general partner KIT Inc.

By [Signature]: _____

[Printed Name] _____

[Title] _____

ATTACHMENT 1

Tricon
Restaurants International

International Franchise Agreement

GFP
Global Franchise Partnering

International Franchise Agreement

AGREEMENT dated _____ **day of** _____ **, 20**___

BETWEEN: **THE FRANCHISOR REFERRED TO IN SCHEDULE B ("Franchisor")**

AND: **THE FRANCHISEE REFERRED TO IN SCHEDULE B ("Franchisee")**

BACKGROUND FACTS

Franchisor and/or its Affiliated Companies have developed a unique and valuable system for the preparation, marketing and sale of certain quality food products under various trademarks, service marks and trade names owned by them.

The System is a comprehensive restaurant system for the retailing of a limited menu of uniform and quality food products, emphasizing prompt and courteous service in a clean and wholesome atmosphere which is intended to be particularly attractive to families. The foundation and essence of the System is the adherence by franchisees to standards and policies providing for the uniform operation of all restaurants within the System including, but not limited to, serving designated food and beverage products; the use of only prescribed equipment and building layout and designs; and strict adherence to designated food and beverage specifications and to prescribed standards of quality, service and cleanliness in restaurant operations. Compliance by franchisees with the foregoing standards and policies in conjunction with the trademarks, service marks and trade names provides the basis for the valuable goodwill and wide acceptance of the System. Moreover, Franchisee's performance of the obligations contained in this Agreement and adherence to the tenets of the System constitute the essence of the license provided for herein.

Franchisor is entitled to grant to third parties, and has agreed to grant to Franchisee, the right to use the System, the System Property and the Marks on the terms and conditions of this Agreement.

In this Agreement, capitalized terms have the meanings specified in Schedule A. Site-specific information and financial terms are set forth in Schedule B, and contractual modifications and amendments are set forth in Schedule C.

THE PARTIES AGREE:

1. GRANT OF FRANCHISE

1.1 Franchisor grants to Franchisee the right to use the System, the System Property and the Marks for the Term solely in connection with the conduct of the Business at the Outlet and subject to the terms and conditions of this Agreement.

1.2 At all times during the Term, Franchisee will use its best endeavors to develop the Business and to increase the Revenues.

1.3 Franchisee will not, without Franchisor's prior written approval:

(a) conduct all or any part of the Business at any location other than the Outlet; or

(b) sub-license to any other party the right to use, or otherwise permit or authorize any other party to use, the System, the System Property or the Marks or any part thereof.

1.4 No exclusive territory, protection or other right in the contiguous space, area or market of the Outlet is expressly or impliedly granted to Franchisee. Franchisor reserves the right to use, and to grant to other

parties the right to use, the Marks, the System and the System Property or any other marks, names or systems in connection with any product or service (including, without limitation, the Approved Products) in any manner or at any location other than the Outlet. Franchisee acknowledges that, as of the Date of Grant, Franchisor and its Affiliated Companies and franchisees operate Outlets conforming to the Concept and also operate other systems for the sale of food products and services which may be competitive with the System and may compete directly with the Business.

2. INITIAL FEE AND CONTINUING FEE

2.1 On or before the Date of Grant, Franchisee will pay the initial fee specified in Schedule B to Franchisor.

2.2 On or before each Due Date, Franchisee will pay the Continuing Fee to Franchisor. Each payment of the Continuing Fee will be accompanied by a statement of the Revenues for the relevant Accounting Period, in the form required by Franchisor from time to time.

2.3 Franchisee's payments pursuant to Clauses 2.1 and 2.2 are in consideration solely for the grant of rights in Clause 1.1 and not for Franchisor's performance of any specific obligations or services.

3. MANUALS AND STANDARDS

3.1 At all times during the Term, Franchisee must comply with all of the Standards and the Manuals and all applicable laws, regulations, rules, by-laws, orders and ordinances in its conduct of the Business. The Manuals are incorporated by reference into this Agreement. To the extent of any inconsistency between any provision of the Manuals and any provision of this Agreement, the provision of this Agreement will prevail.

3.2 Franchisor may at any time change any of the Standards or Manuals or introduce new Standards or Manuals by giving notice to Franchisee. Franchisor will specify in the notice a period, reflecting the nature of the change or introduction, within which the new Standards or Manuals must be implemented. Franchisee acknowledges and agrees that such changed or introduced Standards or Manuals will bind Franchisee upon receipt of Franchisor's notice as provided in Clause 22, and Franchisee will implement such changes or introductions within the period specified in the notice. In the event of any inconsistency between Franchisor's version and Franchisee's version of the Manuals, Franchisor's version will prevail.

3.3 In order to determine Franchisee's compliance with the Manuals and the terms and conditions of this Agreement, Franchisor and its agents or representatives will have the right at all times during opening hours to enter and inspect the Outlet without prior notice to Franchisee.

3.4 Franchisor will lend one copy of the Manuals to Franchisee, and Franchisee will not reproduce or part with possession of the Manuals without Franchisor's prior written approval. Franchisee will return all copies of the Manuals to Franchisor immediately upon the expiration or termination of this Agreement or upon Franchisor's request.

4. UPGRADES

Franchisor may, by notice to Franchisee, at any time require Franchisee to upgrade, modify, renovate or replace all or part of the Outlet or any of its fittings, fixtures or signage or any of the equipment, systems or inventory used in the Outlet, in order to procure compliance by Franchisee with the Standards and the Manuals. Franchisee acknowledges and agrees that such upgrades, modifications, renovations or replacements may require significant capital expenditures and/or periodic financial commitments by Franchisee. In its notice to Franchisee, Franchisor will specify a period, reflecting the nature of the upgrade, modification, renovation or replacement, within which the upgrade, modification, renovation or replacement must be implemented, and Franchisee will comply with the implementation period specified in the notice.

5. APPROVED PRODUCTS AND SUPPLIES

5.1 Franchisee will not prepare, market or sell any product or service other than the Approved Products or conduct any business other than the Business at the Outlet without Franchisor's prior written approval. Franchisor will from time to time notify Franchisee of the Approved Products and will specify those of the Approved Products which must be offered for sale at the Outlet as permanent menu items and at what times.

5.2 Franchisor may, by notice to Franchisee, at any time change or withdraw any Approved Product or add new Approved Products. Franchisee will implement such changes, withdrawals and additions within the period specified in the notice.

5.3 Franchisee will purchase the supplies, materials, equipment and services used in the Business exclusively from suppliers and using distributors who have been approved in writing by Franchisor prior to the time of supply and distribution in accordance with the approval procedures in the Manuals. Franchisee will not have any claim or action against Franchisor in connection with any non-delivery, delayed delivery or non-conforming delivery of any supplier or distributor whether or not approved by Franchisor.

6. ADVERTISING

6.1 Franchisee will not execute or conduct any advertising or promotional activity in relation to the Business or the System without Franchisor's prior written approval.

6.2 Franchisee will participate in such national and regional advertising, promotions, research and tests as Franchisor from time to time requires and Franchisee will not have any claim or action against Franchisor in connection with the level of success of any such advertising, marketing, promotion, research or test.

6.3 Franchisee will spend, in the manner directed by Franchisor in writing from time to time, an amount not less than the Advertising Contribution on advertising, promoting, marketing and researching the products and services of the Business and the System. Franchisor may at any time during the Term direct Franchisee:

(a) to pay all or part of the Advertising Contribution to a national or regional co-operative advertising/ marketing fund specified by Franchisor; or

(b) to spend all or part of the Advertising Contribution on such local or regional advertising, promotional and research expenditures as are approved by Franchisor, in accordance with the requirements and guidelines set out in the Manuals; provided that if Franchisee fails to spend the full amount as directed by Franchisor, Franchisee will pay the unspent amount to Franchisor within the period specified in a written demand from Franchisor, and upon receipt of the unspent amount, Franchisor either will contribute the amount to an applicable national or regional co-operative advertising/ marketing fund or will spend the amount on national or regional advertising, promotions or research conducted by Franchisor in its discretion; or

(c) without limiting the above, to pay all or part of the Advertising Contribution to Franchisor, in which event Franchisor will apply the Advertising Contribution to the costs of national or regional advertising, promotions and/or research conducted by Franchisor in its discretion.

6.4 Any amount paid by Franchisee to a national or regional co-operative advertising/marketing fund or to Franchisor pursuant to Clause 6.3 will not be required to be spent for the specific benefit, either direct or indirect, of Franchisee or the Business and no express or implied trust will be created in respect of such amount.

7. TRAINING

Franchisor will provide, or Franchisor may certify Franchisee to provide, and Franchisee, the Principal Operator and all of Franchisee's employees must undertake, such initial and ongoing training and assistance as Franchisor in its discretion considers appropriate. Franchisee will bear the full cost of attendance by Franchisee, the Principal Operator and Franchisee's employees at training programs. Franchisee will ensure that all store management working at the Outlet have been certified by Franchisor as having successfully completed Franchisor's current management training programs from time to time.

8. MARKS AND SYSTEM PROPERTY

8.1 The Marks, the System Property and the goodwill associated with them are the exclusive property of Franchisor and/or its Affiliated Companies. Franchisee will acquire no right, interest or benefit in or to them other than the rights of use granted under this Agreement. All accretions in the goodwill associated with the Marks and the System Property resulting from Franchisee's use thereof are solely for the benefit of Franchisor and its Affiliated Companies. Upon the expiration or termination of this Agreement for any reason, Franchisee will have no claim whatsoever against Franchisor for compensation for any goodwill associated with the Marks and the System Property.

8.2 Franchisee will use the Marks only in such form and manner as is specifically approved by Franchisor, and Franchisee will follow Franchisor's instructions regarding proper usage of the Marks in all respects. Franchisor may, by notice to Franchisee, at any time change or withdraw any of the Marks or designate new Marks, and Franchisee will implement such changes, withdrawals and additions within the period specified in the notice.

8.3 Franchisee will not use in the operation of the Business any trademarks, service marks, trade names or indicia other than the Marks without Franchisor's prior written approval. Franchisee will not use, register or apply to register any trademarks, service marks, trade names or indicia similar to the Marks or that in any way suggest an association or affiliation with the System.

8.4 Franchisee will do nothing to prejudice, damage or contest the validity of the Marks, the System Property, the goodwill associated with them or the ownership of them by Franchisor or its Affiliated Companies. Franchisee will cooperate fully with Franchisor in the protection and defense of the Marks and the System Property, which will be undertaken solely by Franchisor. Franchisee will promptly notify Franchisor of any actual or potential infringements of, or claims or actions brought by third parties in respect of, the Marks or the System Property. Franchisor will take all appropriate actions to protect and defend the Marks and the System Property and will fund the costs of such actions, except where such actions are necessitated or contributed to by the fault or negligence of Franchisee.

8.5 Any improvements to, and inventions and products derived from the Marks, the System Property or the Business during the Term, including those attributable to Franchisee, will be the exclusive property of Franchisor or its Affiliated Companies and will be promptly disclosed by Franchisee to Franchisor. Franchisee hereby assigns to Franchisor all present and future right, title and interest throughout the world in and to any such improvements, inventions and products. Franchisee will take all actions and execute all documents required by Franchisor for this purpose.

8.6 Where appropriate, Franchisor will apply to enter Franchisee as a registered or permitted user of the Marks with any governmental entity, and Franchisee agrees to join with Franchisor in any such application. Franchisee acknowledges that upon termination or expiration of this Agreement, Franchisor may unilaterally cancel such entry.

9. CONFIDENTIALITY

Franchisee will at all times during and after the Term keep confidential and not disclose to any person, other than with Franchisor's prior written approval, the terms of this Agreement and any related agreements, the Standards, the Manuals, all other materials containing or referring to the System Property and all other information concerning the System, the System Property, the Approved Products or Franchisor's business and affairs which may come to Franchisee by any means during the Term. Franchisee may disclose the Manuals to Franchisee's employees, on a need-to-know basis, only for the purposes of the Business and provided that Franchisee at all times uses best endeavors to ensure that Franchisee's employees retain in confidence the Manuals and any other materials or information disclosed to them with Franchisor's approval. This obligation of confidentiality does not apply in respect of information in the public domain or previously known to Franchisee otherwise than by breach of any obligation of confidentiality, or disclosure required by law or an order of any court or tribunal. Franchisee acknowledges that any breach of this obligation of confidentiality may cause substantial irreparable damage to Franchisor and that, in addition to damages or other monetary compensation, injunctive or other equitable or immediate relief may be appropriate.

10. ACCOUNTING RECORDS

10.1 Franchisee will establish and maintain an accounting system incorporating methods, procedures, records and equipment approved by Franchisor and in compliance with the Manuals.

10.2 Franchisee will retain all records relating to the Business for the period required by the relevant tax authorities and Franchisor and its agents or representatives will have the right at any reasonable time to inspect and audit the records wherever they are located. Franchisee will fully cooperate and will instruct its employees, agents or representatives to fully cooperate with Franchisor and its agents or representatives during such inspections and audits. If any inspection or audit discloses a deficiency in Franchisee's payment of any amount payable or required to be spent by Franchisee pursuant to this Agreement, Franchisee will immediately pay to Franchisor the deficiency plus late payment interest pursuant to Clause 11.2. If the deficiency is equal to or greater than 2% of the correct amount, Franchisee will also immediately pay to Franchisor all of the costs incurred by Franchisor in the inspection or audit.

11. PAYMENTS BY FRANCHISEE

11.1 Franchisee will pay all amounts due to Franchisor pursuant to this Agreement:

(a) in the currency specified in Schedule B or such other currency as Franchisor notifies Franchisee from time to time using, where applicable, the exchange rate for conversion to the specified currency which is posted on the day before the due date for payment by such bank as is specified by Franchisor from time to time;

(b) into the bank account specified in Schedule B or in such other manner as Franchisor notifies Franchisee from time to time; and

(c) without any deduction or set-off and free of any taxes payable in respect of such payments, other than as required by law.

11.2 Without limiting Franchisor's right to terminate this Agreement pursuant to Clause 15, in the event that any amount is not paid by Franchisee to Franchisor when due:

(a) such amount will bear late payment interest calculated on a daily basis from the due date for payment at the rate specified in Schedule B, and this interest will continue to apply after any judgment; and

(b) without limiting the foregoing, Franchisor may apply any amount or credit owed by Franchisor to Franchisee towards satisfaction of the outstanding amount due from Franchisee.

11.3 Franchisor reserves the right to apply payments from Franchisee in any manner and to any indebtedness owed to Franchisor as Franchisor may deem appropriate.

11.4 Franchisee will pay promptly when due all taxes, duties, charges and levies payable in respect of the Business and all debts and other financial obligations incurred in the operation of the Business, including, without limitation, all obligations to suppliers.

12. INSURANCE, INDEMNITY AND GUARANTEE

12.1 At all times during the Term, Franchisee will at its cost maintain the insurances prescribed in the Manuals. Franchisor must be named as an additional insured party on the policies of insurance. Franchisee will on demand deliver to Franchisor certificates of insurance and will not commit any act or omission which may render the insurances void or voidable.

12.2 Franchisee will indemnify and keep indemnified Franchisor, its Affiliated Companies and their agents, employees, directors, successors and assigns from and against any and all claims, liabilities, losses, costs and damages (including legal costs and expenses) arising directly or indirectly in connection with or related to Franchisee's conduct of the Business. Franchisor's exercise of any right pursuant to this Agreement (including, without limitation, any exercise of any power of attorney granted by Franchisee to Franchisor) or any act or omission by any agent, representative, contractor, licensee or invitee of Franchisee, other than where any such claim, liability, loss, cost or damage arises solely as a result of Franchisor's fault or negligence.

12.3 As a precondition to the grant of rights pursuant to Clause 1.1, Franchisee will procure the execution by the Guarantors of a guarantee of Franchisee's obligations and liabilities under this Agreement, in the form required by Franchisor and including such covenants by the Guarantors regarding the terms and conditions of this Agreement as Franchisor may require.

13. PROTECTION OF SYSTEM PROPERTY AND GOODWILL OF SYSTEM

13.1 Franchisee covenants that, during the Term, neither Franchisee nor any Affiliated Company of Franchisee will directly or indirectly in any capacity, whether on its own account or as a member, shareholder, director, employee, agent, partner, joint venturer, advisor, consultant or lender, have any interest in, be engaged in or perform any services for any business within the in-Term area specified in Schedule B involving the wholesale or retail preparation, marketing or sale of any food products without Franchisor's prior written approval, provided that Franchisor will not unreasonably withhold its approval unless one of the following categories of products individually constitutes more than 20% of the food products sold in the business:

(a) pizza products; or

(b) pizza and pasta products (collectively); or

(c) ready-to-eat chicken products; or

(d) Mexican food products; or

(e) beef burger products.

13.2 Franchisee covenants that, for the period specified in Schedule B following the expiration, termination or transfer of this Agreement, neither Franchisee nor any Affiliated Company of Franchisee will directly or indirectly in any capacity, whether on its own account or as a member, shareholder, director, employee, agent, partner, joint venturer, advisor, consultant or lender, have any interest in, be engaged in or perform any services for any business within the post-Term area specified in Schedule B involving the preparation, marketing or sale of products similar to the food products sold in the Business under the Marks.

14. TRANSFERS AND CHARGES

14.1 Franchisee will not charge, pledge or otherwise create any encumbrance, security interest or lien in respect of any interest in or right under this Agreement. Franchisee will not charge, pledge or otherwise create any encumbrance, security interest or lien in respect of any other interest in or other asset of the Business without Franchisor's prior written approval.

14.2 Franchisee will not sell, transfer or gift the Business or this Agreement or any interest in this Agreement without first obtaining Franchisor's written approval of the proposed transferee and then complying with all of Franchisor's transfer procedures specified in the Manuals, including, without limitation:

(a) in the case of transfers to parties *other than* a spouse, daughter or son of Franchisee (or an entity wholly owned or controlled by such spouse, daughter or son), paying to Franchisor the transfer fee specified in Schedule B and the costs and expenses incurred by Franchisor in connection with the transfer and all accrued monetary obligations owed by Franchisee to Franchisor;

(b) in the case of transfers to a spouse, daughter or son of Franchisee (or an entity wholly owned or controlled by such spouse, daughter or son), paying to Franchisor the transfer fee for family members specified in Schedule B and the costs and expenses incurred by Franchisor in connection with the transfer and all accrued monetary obligations owed by Franchisee to Franchisor;

(c) executing a deed of release in the form required by Franchisor; and

(d) procuring the execution by the transferee, and by such guarantors as Franchisor requires, of such guarantee and other documentation as Franchisor requires.

14.3 Franchisee will not, directly or indirectly:

(a) permit any sale, transfer, gift, charge or pledge by any party of any interest or share in Franchisee;

(b) issue any new share in Franchisee to any party who is not a shareholder at the Date of Grant; or

(c) permit any reconstruction, reorganization, amalgamation or other material change in the structure or financial condition of Franchisee,

without first obtaining Franchisor's written approval and, in the event of a change in the direct or indirect control of Franchisee, then complying with all of Franchisor's transfer procedures specified in the Manuals, including, without limitation:

(i) in the case of transfers of the controlling interest or shareholding to parties *other than* a spouse, daughter or son of the controlling shareholder (or an entity wholly owned or controlled by such spouse, daughter or son) of Franchisee, paying to Franchisor the transfer fee specified in Schedule B and the costs and expenses incurred by Franchisor in connection with the transfer;

(ii) in the case of a transfer of the controlling interest or shareholding to the spouse, daughter or son of the controlling shareholder (or an entity wholly owned or controlled by such spouse, daughter or son) of the Franchisee, paying to Franchisor the transfer fee for family members specified in Schedule B and the costs and expenses incurred by Franchisor in connection with the transfer; and

(iii) procuring the execution by the former and new controlling shareholders of such guarantee and deed of release documentation as Franchisor requires.

14.4 If Franchisee proposes any sale or transfer of the Business, this Agreement, any interest in this Agreement or any interest or shareholding in Franchisee, Franchisee will notify Franchisor of the agreed terms and conditions, and Franchisor will have the right itself to elect to proceed, or to nominate a third party who will proceed, as the purchaser/transferee with the sale or transfer at the same purchase price and otherwise on substantially the same terms and conditions within 60 days of receipt of Franchisee's notice. If Franchisor exercises this right, Franchisee will proceed in good faith to complete the sale or transfer to Franchisor or the nominated third party as soon as practicable. If Franchisor does not exercise this right, Franchisee will apply to Franchisor for written approval of the proposed transferee pursuant to Clauses 14.2 and 14.3. If Franchisee does not complete the sale or transfer to the proposed transferee within 60 days of receipt of notice from Franchisor declining to exercise this right, then Franchisor's right of first refusal under this Clause will be reinstated.

15. DEFAULT AND TERMINATION

15.1 Franchisor may terminate this Agreement by notice to Franchisee effective upon receipt by Franchisee of the notice, and/or adopt any of the remedies specified in Clause 15.2, if any of the following events occur:

(a) Franchisee is unable to pay its debts as and when they become due or becomes insolvent or a liquidator, receiver, manager, administrator or trustee in bankruptcy (or local equivalent) of Franchisee or the Business is appointed, whether provisionally or finally, or an application or order for the winding up of Franchisee is made or Franchisee enters into any composition or scheme of arrangement;

(b) Franchisee or any Guarantor breaches any of the terms and conditions of Clauses 1.3, 5.1, 8, 9, 13 and 14;

(c) subject to any cure period enjoyed by the Guarantors pursuant to Clause 15.1(i), any Guarantor breaches any term or condition of the guarantee referred to in Clause 12.3;

(d) Franchisee or any Guarantor commits any crime, offence or act which in Franchisor's reasonable judgment is likely to adversely affect the goodwill of the Business, the Marks, the System or the System Property;

(e) Franchisee knowingly or negligently maintains false records in respect of the Business or submits any false report to Franchisor;

(f) Franchisee abandons or ceases to operate the Business for more than 3 consecutive days without Franchisor's prior written approval, provided that such approval will not be unreasonably withheld by Franchisor where the abandonment or cessation is caused by war, civil commotion, fire, flood, earthquake, act of God, industrial action or unrest or any other cause beyond Franchisee's control which Franchisee has used best endeavors to prevent and remedy;

(g) Franchisee takes any action to prejudice, damage or contest the validity of the Marks or the System Property, the goodwill associated with them or the ownership of them by Franchisor or its Affiliated Companies;

(h) any other agreement between Franchisor and Franchisee (or between their respective Affiliated Companies or between one party and an Affiliated Company of the other party) is terminated;

(i) Franchisor notifies Franchisee that Franchisee or any Guarantor has breached any term or condition of this Agreement (other than Clauses 1.3, 5.1, 8, 9, 13 and 14) or any other agreement between

Franchisor and Franchisee and/or any Guarantor (or their respective Affiliated Companies) relating to the Business and Franchisee or the Guarantor does not fully cure the breach to Franchisor's satisfaction within the cure period which is specified by Franchisor in the notice as reflecting the nature of the breach; or

(j) Franchisee or any Guarantor breaches any term or condition of this Agreement (other than Clauses 1.3, 5.1, 8, 9, 13 and 14) or any other agreement between Franchisor and Franchisee and/or any Guarantor (or their respective Affiliated Companies) relating to the Business in circumstances where, in the preceding 24-month period, Franchisee has been sent 2 notices pursuant to Clause 15.1(i), whether or not Franchisee or the relevant Guarantor cured the prior breaches to Franchisor's satisfaction.

15.2 If any event specified in Clause 15.1 occurs, Franchisor may, in addition and without prejudice to its rights under Clause 15.1:

(a) terminate, by notice to Franchisee, Franchisee's right under Clause 18 to renew the franchise;

(b) terminate any development or option rights in respect of any system or concept granted to Franchisee pursuant to any other agreement between Franchisee and Franchisor (or their respective Affiliated Companies);

(c) itself take whatever actions it considers necessary to cure the breach at Franchisee's cost (including, without limitation, administrative costs), such cost to be payable by Franchisee to Franchisor within the period specified in a written demand from Franchisor; or

(d) limit or withhold the supply of any products, supplies, materials, equipment or services supplied to Franchisee by Franchisor or its Affiliated Companies.

15.3 Without limiting Clause 15.2, if any event specified in Clause 15.1 occurs, Franchisor may, in addition and without prejudice to its rights under Clause 15.1, take control of the Business for such period as Franchisor considers appropriate, for the purpose of rectifying any breach of this Agreement and retraining Franchisee and/or Franchisee's employees at Franchisee's cost, such cost to be payable by Franchisee within the period specified in a written demand from Franchisor. During this period, Franchisee and its employees must continue to attend the Outlet to perform their responsibilities in the conduct of the Business, but subject to the directions of Franchisor. Any obligations, liabilities or costs incurred in respect of the Business during this period will be Franchisee's responsibility, and the indemnity in Clause 12.2 will apply. Franchisee agrees that the provisions of Clause 17 will also apply in respect of any entry into the Outlet by Franchisor pursuant to this clause.

15.4 Franchisor's exercise of any of its rights under this Clause 15 will be in addition to and not in limitation of any other rights and remedies it may have in the event of any breach or default by Franchisee.

16. CONSEQUENCES OF TERMINATION

16.1 Immediately upon the expiration or termination of this Agreement, Franchisee will:

(a) pay all amounts owing to Franchisor;

(b) discontinue all use of the Marks and the System Property and otherwise cease holding out any affiliation or association with Franchisor or the System unless authorized pursuant to another written agreement with Franchisor;

(c) dispose of all materials bearing the Marks and all proprietary supplies in accordance with Franchisor's instructions; and

(d) if Franchisor so requires, de-identify the Outlet in accordance with Franchisor's instructions.

16.2 If Franchisee fails to fulfill any of its obligations under Clause 16.1, Franchisor may itself take whatever actions it considers necessary to fulfill those obligations and invoice Franchisee for the full cost of such actions, such invoice to be payable within 7 days.

16.3 For 60 days from the termination of this Agreement, Franchisor will have the option to purchase, or to nominate a third party to purchase, any of the supplies held by Franchisee at cost price and any of the equipment or signage at the Outlet at a price equal to book value less depreciation or as otherwise agreed, and free of any charges or other security interests.

16.4 The rights and obligations under Clauses 8, 9, 10.2, 11, 12.2, 13.2, 15.2(c), and 16 will survive the expiration or termination of this Agreement.

17. RIGHTS OF ENTRY

17.1 Notwithstanding anything to the contrary in Clause 3.3, Franchisee expressly authorizes Franchisor and its agents or representatives to enter the Outlet, without prior notice to Franchisee, for the purposes of Clauses 10.2, 15.2(c) and 16.2.

17.2 Franchisee hereby waives, and releases Franchisor from, any rights, actions or claims which Franchisee may at any time have against Franchisor in connection with Franchisor's entry into the Outlet for the purposes of this Agreement, provided that Franchisor and its agents and representatives use all reasonable care in exercising such rights of entry.

17.3 Franchisee will execute any documents required by Franchisor in connection with Franchisor's entry into the Outlet and use its best endeavors to procure any consent required from any third party in connection with Franchisor's entry into the Outlet.

18. RENEWAL

If the conditions set forth below are satisfied upon the expiration of the Term, Franchisee shall have the right to renew this Agreement once, upon the identical contractual and financial terms set forth herein (except this Clause 18), for one renewal term specified in Schedule B:

(a) Franchisee requests the renewal in writing no more than 18 months and no less than 12 months prior to the expiration of the Term;

(b) Franchisee satisfies Franchisor's operational and other renewal criteria specified in Schedule B;

(c) Franchisee's right to renew the franchise has not been terminated under Clause 15.2(a);

(d) Franchisee is not, at the expiration of the Term, in breach of any term or condition of this Agreement or any other agreement between Franchisor and Franchisee (or their respective Affiliated Companies);

(e) Franchisee timely and fully has paid all amounts due to Franchisor pursuant to this Agreement during the 12 months preceding the expiration of the Term;

(f) No Guarantor or Affiliated Company of Franchisee is, at the expiration of the Term, in violation of Clauses 8, 9, 13 or 14;

(g) Franchisee upgrades the Outlet to Franchisor's then current Standards for new outlets prior to the expiration of the Term;

(h) Franchisee pays the renewal fee specified in Schedule B to Franchisor at least 90 days prior to the expiration of the Term;

(i) Franchisee obtains an extension of the lease for the Outlet, if applicable, for the period of the renewal term; and

(j) Franchisee is in compliance with and obtains all necessary governmental approvals and documentation for such renewal.

If Franchisee timely and fully satisfies each of the above conditions prior to and upon expiration of the Term, Franchisor will memorialize the renewal by transmitting to Franchisee a Notice of Renewal. Franchisee's right to renew is exercisable only once, however, and this Clause 18 shall be excluded from and of no effect during any renewal term.

19. DISPUTE RESOLUTION

19.1 Franchisor and Franchisee will endeavor to resolve by mutual negotiation any dispute arising between them in connection with this Agreement.

19.2 If Franchisor and Franchisee fail to resolve any dispute by mutual negotiation, the parties may refer the dispute to a mutually agreed mediator for non-binding mediation. The parties will bear the costs of any mediation equally.

19.3 Such dispute resolution procedures will not in any way prejudice or limit Franchisor's ability to exercise its rights under Clause 15 at any time, including, without limitation, Franchisor's rights to apply for any order, judgment or other form of relief in any court or tribunal.

20. PRINCIPAL OPERATOR

Franchisee hereby appoints the Principal Operator specified in Schedule B to be primarily responsible for the management of the Business and to transact with Franchisor, on behalf of Franchisee, in relation to all matters arising under this Agreement. Franchisee acknowledges that Franchisor will deal with the Principal Operator on the basis that the Principal Operator will have the authority to transact with Franchisor on behalf of and in the name of Franchisee. Franchisee may not change the Principal Operator without prior notice to Franchisor.

21. EMPLOYEE TRANSFERS

During the Term, Franchisee will not, without Franchisor's prior written approval, directly or indirectly employ or seek to employ any employees at or above the grade of manager who at the time is, or any time during the prior six (6) months was, employed by Franchisor or any other franchisee of Franchisor.

22. NOTICES

Any notice or other communication required or permitted under this Agreement will be in writing and properly addressed to the addressee at the address specified in Schedule B of this Agreement (or any other address notified by the addressee) and will be deemed received by the addressee on the earlier of the date of delivery, the date of transmission if sent by facsimile with receipt confirming completion of transmission or, if sent by pre-paid security or registered post, the deemed postal receipt date specified in Schedule B.

23. MISCELLANEOUS

23.1 This Agreement constitutes the entire agreement between the parties with respect to its subject matter and supersedes all prior negotiations, agreements or understandings.

23.2 Franchisee is an independent contractor and is not an agent, representative, joint venturer, partner or employee of Franchisor. No fiduciary relationship exists between Franchisor and Franchisee.

23.3 This Agreement will inure to the benefit of Franchisor, its successors and assigns and may be transferred by Franchisor to any party without Franchisee's prior approval upon notice to Franchisee. With effect from receipt by Franchisee of such notice, Franchisor is released from all obligations of this Agreement, and Franchisee will have a new contract on the same terms as this Agreement with the transferee, successor or assignee named in the notice.

23.4 The delay or failure of any party to exercise any right or remedy pursuant to this Agreement will not operate as a waiver of the right or remedy and a waiver of any particular breach will not be a waiver of any other breach. All rights and remedies under this Agreement are cumulative and the exercise of one right or remedy will not limit the exercise of any other right or remedy.

23.5 If any part of this Agreement is held to be void, invalid or otherwise unenforceable, Franchisor may elect either to modify the void, invalid or unenforceable part to the extent necessary to render it legal, valid and enforceable or to sever the void, invalid or unenforceable part, in which event the remainder of this Agreement will continue in full force and effect.

23.6 The terms and conditions of this Agreement may be changed only in writing signed by both parties. Notwithstanding the above, Franchisee acknowledges and agrees that Franchisor may change the Standards and the Manuals from time to time pursuant to Clause 3.2 upon notice to Franchisee.

23.7 This Agreement will be governed by and construed in accordance with the law of the territory specified in Schedule B and the parties agree to submit to the non-exclusive jurisdiction of the courts of that territory.

23.8 Franchisee will pay to Franchisor all reasonable legal expenses incurred by Franchisor in connection with this Agreement, including, without limitation, any stamp duty and any expenses incurred in connection with the lawful enforcement of this Agreement, but excluding Franchisor's internal legal costs in the preparation of this Agreement.

23.9 This Agreement is executed in English. A local language translation may be attached, which the parties intend to be identical to the English text. However, if any dispute arises as to the interpretation of the language of this Agreement, the English text will govern unless otherwise prohibited under the law of the territory specified in Schedule B.

23.10 In the interpretation of this Agreement, unless the context indicates a contrary intention:

(a) the obligations of more than one party will be joint and several;

(b) words denoting the singular include the plural and vice-versa and words denoting any gender include all genders;

(c) headings are for convenience only and do not affect interpretation;

(d) references to Clauses and Schedules are to clauses and schedules of this Agreement and the Schedules

form part of this Agreement; and

(e) this Agreement may be executed in any number of counterparts, each of which will be deemed an original but which together will constitute one instrument.

23.11 The terms and conditions set out in the Schedules are incorporated into and form part of this Agreement. In the event of any inconsistency between any provision of the Schedules and any other provision of this Agreement, the provisions of the Schedules will prevail.

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FRANCHISEE'S REPRESENTATION

Franchisee represents to Franchisor that:

(a) Franchisee has reviewed this Agreement with the assistance and advice of independent legal counsel and understands and accepts the terms and conditions of this Agreement;

(b) Franchisee has relied upon its own investigations and judgment in entering this Agreement, after receiving legal and financial advice, and no inducements, representations or warranties, other than those expressly set forth in this Agreement, have been given in respect of the System, the Business or this Agreement; and

(c) Franchisee acknowledges that the establishment and operation of the Business will involve significant financial risks and that the success of the Business will depend upon the skills and financial capacity of Franchisee and also upon changing economic and market conditions and that such risks, skills and conditions are not in any way guaranteed or underwritten by Franchisor.

EXECUTED AS AN AGREEMENT

SIGNED FOR AND ON BEHALF OF FRANCHISOR

_____

_____

SIGNED FOR AND ON BEHALF OF FRANCHISEE

_____

_____

SCHEDULE A
DEFINITIONS

Accounting Period means any one of the periods making up Franchisor's financial year.

Advertising Contribution means the percentage of Revenues specified in Schedule B.

Affiliated Companies means any companies which are part of one or more ownership structures ultimately controlled by a common parent corporation or common shareholders.

Approved Products means the products from time to time approved by Franchisor for sale in the Business.

Business means the business of preparing, marketing and selling the Approved Products under the Marks at the Outlet pursuant to this Agreement.

Concept means the concept franchised to Franchisee pursuant to this Agreement and specified in Schedule B.

Continuing Fee means the percentage of Revenues specified in Schedule B.

Date of Grant means the date specified in Schedule B.

Due Date means the date specified in Schedule B.

Guarantors means the guarantors specified in Schedule B and such other guarantors as Franchisor requires in connection with any approved transfer of any interest or share in Franchisee.

Manuals means the manuals, notices and correspondence published or issued from time to time by Franchisor in any form, containing the Standards and other requirements, rules, procedures and guidelines relating to the System.

Marks mean the trademarks, service marks, trade names and other similar rights owned by Franchisor or its Affiliated Companies and designated by Franchisor from time to time for use in the Business.

Outlet means the outlet conforming to the Concept at the address specified in Schedule B.

Principal Operator means the principal operator appointed by Franchisee pursuant to Clause 20.

Revenues means all gross receipts received by Franchisee as payment for the Approved Products and for all other goods and services sold at or from the Outlet or the Business and all service fees but excludes sales or other tax receipts required by law to be remitted, and in fact remitted by Franchisee, to any government authority and no adjustment for cash shortages from cash registers will be made.

Standards means the standards, specifications and other requirements of the System as determined, changed, or added to by Franchisor from time to time, including, without limitation, the standards, specifications and other requirements related to the preparation, marketing and sale of the Approved Products, customer service procedures, the design, decor and fit-out of the Outlet, the equipment at the Outlet, and the content, quality and use of advertising and promotional materials.

System means the system for the preparation, marketing and sale of food products used in operating the Concept.

System Property means the contents of the Manuals and all other know how, information, specifications, systems and data used by Franchisor in or in respect of the System, including, without limitation, trade secrets, copyrights, designs, patents and other intellectual property.

Term means the period specified in Schedule B.

Tricon
Restaurants International

SCHEDULE B
INFORMATION SCHEDULE

THIS IS SCHEDULE B REFERRED TO IN THE FRANCHISE AGREEMENT BETWEEN FRANCHISOR AND FRANCHISEE DATED NOVEMBER 10, 2003.

Franchisor:	Yum! Restaurants International (Canada) LP
Franchisor Address:	10 Carlson Court, Ste. 400 Etobicoke, ON M9W 6L2
Franchisee:	KIT Limited Partnership
Franchisee Address:	101 Exchange Avenue Vaughan, Ontario L4K 5R6
Advertising Contribution:	5% of Revenues
Bank: (Clause 11.1)	The Royal Bank of Canada
Bank Account: (Clause 11.1)	Bank #003, Transit #1032, Account #113-237-2
Concept:	See Schedule D
Continuing Fee:	6% of Revenues
Currency: (Clause 11.1)	Canadian Dollars (unless otherwise specified)
Date of Grant:	November 10, 2003
Due Date:	10 days after each Franchisor Accounting Period and delivered to Franchisor
Governing Law Territory (Clause 23.7)	Province of Ontario and the federal laws of Canada applicable therein
Guarantors:	The Fund The Trust KIT GP Priszm Brandz LP Any Person holding from time to time 20% or more of the issued and outstanding units of the Fund (or securities

	exchangeable, directly or indirectly, for units of the Fund) on a non-fully diluted basis John I. Bitove Scott's Restaurants Inc.
In-Term Restraint Area: (Clause 13.1)	World-wide
Initial Fee: (Clause 2.1)	A sum in Canadian dollars equivalent to U.S.$37,600.00 for each KFC Concept Outlet and a sum in Canadian dollars equivalent to U.S.$56,400.00 for each Multibrand Concept Outlet.
Interest Rate: (Clause 11.2)	18% per annum calculated and paid monthly
Outlet Address:	See Schedule D
Post-Term Restraint Area: (Clause 13.2)	Canada
Post-Term Restraint Period: (Clause 13.2)	18 months
Postal Receipt Date: (Clause 22)	3 days after the date of posting
Principal Operator: (Clause 20)	John I. Bitove
Renewal Criteria: (Clause 18(b))	(a) Franchisor's then current training programs must be in use in all Outlets. (b) All Outlet Managers and Area Managers and the Principal Operator must be trained and certified under Franchisor's current management training programs. (c) Franchisee must use a field management structure approved by Franchisor. (d) No instance has occurred in the preceding 24 months in which Franchisee was notified of a breach of Franchisor's operational standards, as set forth in the Standards and Manual, but failed to cure such breach fully and timely. (e) Throughout the Term, Franchisee must have

	participated either directly, or via a Franchisor brand Marketing Co-operative, in Franchisor's consumer P&L tracking programs from time to time, including (without limitation) brand tracking research, CHAMPS Checks and/or other customer experience monitoring.
Renewal Fee: (Clause 18(h))	A sum in Canadian dollars equivalent to U.S.$18,800.00 for each KFC Concept Outlet and a sum in Canadian dollars equivalent to U.S.$28,200.00 for each Multibrand Concept Outlet, in each case CPI adjusted for each year of the Term and in each case as identified in Schedule D.
Renewal Term: (Clause 18)	10 years
Term: (Clause 1.1)	See Schedule D
Transfer Fee (new Franchisees): (Clauses 14.2(a) and 14.3(c)(i))	The equivalent in Canadian dollars of $5,400.00 U.S. Funds (CPI adjusted for each year of the Term) for each Outlet, subject to an aggregate maximum amount of the equivalent in Canadian dollars of $1,000,000.00 U.S. Funds together with all external costs and expenses incurred by Franchisor to effect the transfer (including, without limitation, all legal and other professional fees, costs and expenses).
Transfer Fee (Family Members): (Clauses 14.2(b) and 14.3(c)(ii))	All external costs and expenses incurred by Franchisor to effect the transfer (including, without limitation, all legal and other professional fees, costs and expenses).
Transfer Fee: (existing Franchisees in good standing meeting all Expansion Criteria) (Clauses 14.2(b) and 14.3(c)(ii))	All external costs and expenses incurred by Franchisor to effect the transfer (including, without limitation, all legal and other professional fees, costs and expenses).

EXECUTED AS AN AGREEMENT

SIGNED FOR AND ON BEHALF OF FRANCHISOR

John P. Daly, Vice President, Franchise
Yum! Brands Canada Management Holding, Inc.
in its capacity as General Partner of
Yum! Restaurants International (Canada) LP

SIGNED FOR AND ON BEHALF OF FRANCHISEE

KIT Limited Partnership, by its general partner KIT Inc.

SCHEDULE C
ADDITIONAL CLAUSES

THIS IS SCHEDULE C REFERRED TO IN THE FRANCHISE AGREEMENT BETWEEN FRANCHISOR AND FRANCHISEE DATED NOVEMBER 10, 2003.

C1. MANUALS AND STANDARDS

The last sentence of Clause 3.2 is deleted and replaced by the following:

"In the event of any inconsistency in or dispute about the contents of a portion of the Manuals, the version of the relevant portion shall prevail that most recently either (a) was transmitted to Franchisee (as evidenced by a facsimile receipt, e-mail or regular mail return receipt, delivery confirmation, or other acknowledgement by an employee, agent, or representative of Franchisee), or (b) was contained on an internet site of Franchisor."

Clause 3.4 is amended to include the following:

"Franchisor hereby approves Franchisee to make one copy of the Manuals per Outlet, and Franchisee hereby agrees that such copies fall within Franchisee's obligation to return all copies of the Manuals pursuant to Clause 3.4."

C2. UPGRADES

Without limiting Clause 4, and subject to the renewal criteria of Clause 18 and Schedule B, Franchisor undertakes:

(a) not to require Franchisee to complete, during each of the Term and any Renewal Term, more than one comprehensive refurbishment of all fittings, fixtures, signage, equipment, systems and inventory in the front-of-house area of the Outlet to then current Standards (a "FOH Upgrade"); and

(b) not to require Franchisee to complete, during each of the Term and any Renewal Term, more than one comprehensive refurbishment of all fittings, fixtures, signage, equipment, systems and inventory in the back-of-house area of the Outlet to then current Standards (a "BOH Upgrade"); and

(c) in any event, not to require Franchisee to complete any FOH Upgrade or BOH Upgrade during the last two years of the Term and any Renewal Term.

C3. APPROVED PRODUCTS AND SUPPLIES

The following shall be added as a new Clause 5.4:

"During the Term, Franchisee shall be free to fix its own prices for Approved Products, notwithstanding that the Franchisor may recommend prices for such Approved Products. Franchisee agrees with the Franchisor that throughout the Term it shall not enter into any Agreement, arrangement or concerted practice with any other franchisee of the Franchisor or any other person whatsoever in relation to the prices at which the Franchisee will sell Approved Products."

C4. PAYMENTS BY FRANCHISEE

Clause 11.1(a) shall be replaced with:

"The Franchisee shall during the term pay only in the currency detailed in Schedule B."

C5. INSURANCE, INDEMNITY AND GUARANTEE

The following shall be added as Clause 12.4:

"Each of the Trust, the Fund, the GP and any Person holding from time to time 20% or more of the issued and outstanding units of the Fund (or securities exchangeable, directly or indirectly, for units of the Fund) on a non-fully diluted basis must guarantee Franchisee's obligations and liabilities under this Agreement in the form required by Franchisor and including such covenants by the Guarantors regarding the terms and conditions of this Agreement as Franchisor may require. A Person who, subsequent to the Date of Grant, becomes required pursuant to this Clause 12.4 to guarantee Franchisee's obligations and liabilities under this Agreement must execute and deliver to Franchisor a guarantee in the form required by Franchisor within 30 days of such date."

C6. PROTECTION OF SYSTEM PROPERTY AND GOODWILL OF SYSTEM

Clause 13.1 shall be deleted in its entirety and replaced with the following:

"Franchisee covenants that during the Term, neither Franchisee nor any Affiliated Company of Franchisee will directly or indirectly in any capacity, whether on its own account or as a member, shareholder, director, employee, agent, partner, joint venturer, advisor, consultant or lender, have any interest in, be engaged in or perform any services for any business within the in-Term area specified in Schedule B involving the wholesale or retail preparation,

marketing or sale of any food products without Franchisor's prior written approval, provided that Franchisor will not unreasonably withhold its approval unless one of the following categories of products individually constitutes more than 20% of the food products sold in the business:

(a) pizza products; or

(b) pizza and pasta products (collectively); or

(c) ready-to-eat chicken products; or

(d) Mexican food products; or

(e) beef burger products; or

(f) fish products."

C7. TRANSFERS AND CHARGES

To clarify Clause 14, once Franchisor has approved a proposed transferee, the proposed transferee and such guarantors as Franchisor requires must execute all documentation necessary for them to accept all duties and obligations of the franchisee and guarantors, respectively, under the existing International Franchise Agreement for the remaining balance of the Term.

Notwithstanding the provisions of Clause 14.2, Franchisee is permitted to transfer an ownership interest in the Agreement to a spouse or child without formal approval from Franchisor provided that, at the time of transfer, the individual receiving the interest (1) has worked in a management capacity for Franchisee in the business covered by this Agreement for a period of at least one year prior to the transfer, (2) has successfully completed all training courses required by Franchisor, and (3) agrees to participate in the management of Franchisee's business during the time the individual maintains the ownership interest.

Clause 14.3 shall be deleted in its entirety and replaced with the following:

"Franchisee will not, directly or indirectly:

(a) permit any sale, transfer, gift, charge or pledge by any party of any LP Units or GP Common Shares, other than a transfer of LP Units and GP Common Shares between the limited partners of Franchisee on the Date of Grant as expressly contemplated by the exchange and escrow agreement dated as of the Date of Grant among, *inter alia,* all of the

partners of Franchisee, a true and complete copy of which has been provided to Franchisor;

(b) permit a change of control (directly or indirectly) of Franchisee or KIT GP;

(c) issue any new partnership units in Franchisee or shares in KIT GP to any party who is not a partner of KIT LP or a shareholder of KIT GP, respectively, at the Date of Grant; or

(d) permit any reconstruction, reorganization, amalgamation or other material change in the structure or financial condition of Franchisee or KIT GP, other than an internal reorganization or amalgamation involving Franchisee and one or more of its wholly-owned subsidiaries,

without first obtaining Franchisor's written approval and, in the event of a change in the direct or indirect control of Franchisee or KIT GP, then complying with all of Franchisor's transfer procedures specified in the Manuals, including without limitation:

(i) in the case of transfers of the controlling interest or shareholding to parties *other than* a spouse, daughter or son of the controlling shareholder (or an entity wholly owned or controlled by such spouse, daughter or son) of Franchisee, paying to Franchisor the transfer fee specified in Schedule B and the costs and expenses incurred by Franchisor in connection with the transfer;

(ii) in the case of a transfer of the controlling interest or shareholding to the spouse, daughter or son of the controlling shareholder (or an entity wholly owned or controlled by such spouse, daughter or son) of the Franchisee, paying to Franchisor the transfer fee for family members specified in Schedule B and the costs and expenses incurred by Franchisor in connection with the transfer; and

(iii) procuring the execution by the former and new controlling shareholders of such guarantee and deed of release documentation as Franchisor requires."

The first sentence of Clause 14.4 shall be deleted in its entirety and replaced with the following:

"If Franchisee proposes any sale or transfer of the Business, this Agreement, any interest in this Agreement or any interest or shareholding in Franchisee (other than transfers expressly contemplated by the exchange and escrow

agreement dated as of the Date of Grant among, *inter alia,* all of the partners of Franchisee, a true and complete copy of which has been provided to Franchisor), Franchisee will notify Franchisor of the agreed terms and conditions, and Franchisor will have the right itself to proceed, or to nominate a third party who will proceed, as the purchaser/transferee with the sale or transfer at the same purchase price and otherwise on substantially the same terms and conditions within 60 days of receipt of Franchisee's notice."

C8. DEFAULT AND TERMINATION

The terms "other agreement" in Clause 15.1(h) shall be limited to a site outlet, franchise, or master franchise agreement, a shareholders' deed, a guarantee, a release or any other agreement that the parties thereto expressly subject to this clause. Furthermore, where the "other agreement" is a site outlet, franchise, or master franchise agreement that is terminated for an outlet-level, operational default within the control of the Outlet manager, Clause 15.1(h) shall be operable only where, in the preceding 24-month period, Franchisor has terminated for any reason two other Outlets operated by Franchisee or its Affiliated Companies.

Line one of Clause 15.1(j) is amended to include the term "materially" between the terms "Guarantor" and "breaches". Line five of Clause 15.1(j) is amended to include the term "material" between the terms "prior" and "breaches".

The following shall be added as Clause 15.1(k):

"Franchisee fails to open Outlet to the public for Business within twelve (12) months from Date of Grant, Franchisor shall terminate the Agreement, and in addition to any of its other remedies, be entitled to retain the deposit or the entire amount of the initial franchise fee, as the case may be."

The following shall be added as Clause 15.1(l):

"a "take-over bid", as defined in the Securities Act, is made for the units of the Fund (or any other securities of the Fund that are outstanding from time to time) or the trust units of the Trust (or any other securities of the Trust that are outstanding from time to time), or a "change of control" occurs with respect to either the Fund or the Trust, or in the event any reconstruction, reorganization, amalgamation or other material change in the structure of either the Fund or the Trust occurs;"

The following shall be added as Clause 15.1(m):

"in the event that a Person who is required pursuant to Clause 12 to guarantee to the Franchisor the obligations of Franchisee under this Agreement does not, within 30 days of becoming so obligated, deliver to Franchisor a duly executed guarantee in the form required by the Franchisor."

Line two of Clause 15.2(c) is amended to substitute the terms "out-of-pocket expenses, including but not limited to attorneys' fees and other legal expenses" for the terms "administrative costs".

Clause 15.3 shall be deleted in its entirety.

The following shall be added as Clause 15.5:

"For the purpose of Clause 15.1(l), a "change of control" will occur if, following the Date of Grant, any Person (including such Person's "associates" and "affiliates", as such terms are defined in the Securities Act) becomes the beneficial owner of more than 20% of the outstanding units of the Fund (or any other securities of the Fund that are outstanding from time to time) or the trust units of the Trust (or any other securities of the Trust that are outstanding from time to time), other than with the prior consent of the Franchisor."

C9. CONSEQUENCES OF TERMINATION

To clarify Clause 16.3, equipment or signage (but not supplies) shall be valued at fair market value or book value less depreciation, whichever is greater. If the parties fail to agree on a price, the value of equipment or signage shall be determined by an agreed-upon appraiser.

C10. RENEWAL

To clarify Clause 18(e), a temporary and non-material delay in payment that is caused by war, civil commotion, fire, flood, earthquake, act of God or industrial action or unrest and is cured timely shall not constitute a violation of the Clause 18(e) renewal condition.

Clause 18(i) is deleted.

C11. EMPLOYEE TRANSFERS

Clause 21 is amended to include the following:

"During the Term, Franchisor will not, without Franchisee's prior written approval, directly or indirectly employ or seek to employ any employees at or

above the grade of manager who at the time is, or any time during the prior six (6) months was, employed by Franchisee."

C12. MISCELLANEOUS

Clause 23.9 shall be deleted in its entirety and replaced with the following:

"Franchisee confirms that it is satisfactory that this Agreement, as well as all other documents relating hereto, including notices, have been and shall be written in the English language only. (Les parties aux présentes confirment leur volonté que cette convention de meme que tous les documents, y compris tous avis, s'y rattachant, soient rédigés en langue anglaise seulement.)"

C13. NO COMMON EMPLOYER

It is expressly agreed that the parties to this Agreement are not related and that they do not operate in common any franchise including the business conducted at the Outlet. If, however, any governmental authority, including but not limited to any Labour Relations Board or Tribunal, makes any ruling that requires, or has the effect of requiring Franchisor and Franchisee to jointly negotiate a collective bargaining agreement with a bargaining agent representing Franchisee's employees by virtue of any common employer, successorship or similar ruling, Franchisee acknowledges and agrees that during the course of any such mandated collective bargaining, Franchisor shall have the exclusive right to negotiate and settle the terms of any and all collective agreement binding upon Franchisor and/or Franchisee. Franchisor will, if deemed expedient, consult Franchisee in connection with such collective bargaining arrangements, however, no consultation shall be required and any such discussion shall not fetter Franchisor's discretion with respect to any compromises or agreements made in the course of negotiating such collective agreement. Pursuant to this section Franchisee irrevocably and unconditionally appoints Franchisor as its lawful attorney and/or agent with full power to negotiate, settle and bind Franchisee to a collective agreement with any mandated common bargaining agent of Franchisor. Franchisee agrees to accept and be bound by the terms of any collective agreement negotiated or settled by Franchisor. It is expressly recognized and agreed that this section is for the sole purpose of addressing the need to bargain collectively with Franchisee as a result of a ruling set forth herein and that the parties are not desirous of bargaining jointly in respect of their operations. The parties recognize that in the absence of such a ruling, Franchisee has the sole right to bargain on its own behalf with any duly accredited party and that Franchisor has no right to participate in such bargaining process.

C14. INVESTMENT CANADA ACT

a) Notwithstanding any other provision of this Agreement, the exercise of any right granted herein to Franchisor including any right to acquire any of the business rights of Franchisee or to exercise a first right of refusal contained herein shall be subject to any requisite compliance with the terms of the Investment Canada Act.

b) Franchisee represents and warrants that Franchisee is a "Canadian" as that term is defined in the Investment Canada Act.

C15. SALES TRANSFER POLICIES

At its sole discretion, Franchisor may introduce or withdraw from time-to-time Sales Transfer Policies that will be reflected in the Franchise Policies Manual relevant to this Agreement. While determining the need for and content of these policies will be at Franchisor's sole discretion, Franchisor will seek appropriate Franchisee input.

C16. WITH RESPECT TO SCHEDULE A

After the word "authority" in the definition of "Revenue" in Schedule A, the last clause of the definition is revised as follows:

"and no adjustment for cash shortages from cash registers, or for the cost of debit cards, credit cards or any other form of credit payment will be made."

The following definitions shall be added to Schedule A:

"**Fund** means Priszm Canadian Income Fund, an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario.

GP Common Shares means the common shares in the capital of KIT GP.

KIT GP means KIT Inc., a corporation incorporated under the *Canada Business Corporations Act* and the general partner of Franchisee.

LP Units means, collectively, the ordinary limited partnership units, the exchangeable limited partnership units and the subordinated limited partnership units of Franchisee.

Person means a natural person, partnership, limited partnership, limited liability partnership, corporation, joint stock company, trust, unincorporated association, limited liability company, joint venture or other entity or governmental or regulatory authority or entity.

Securities Act means the *Securities Act* (Ontario), as amended from time to time.

Trust means Priszm Canadian Operating Trust, an unincorporated, limited purpose trust established under the laws of the Province of Ontario."

EXECUTED AS AN AGREEMENT

SIGNED FOR AND ON BEHALF OF FRANCHISOR

John P. Daly, Vice President, Franchise
Yum! Brands Canada Management Holding, Inc.
in its capacity as General Partner of
Yum! Restaurants International (Canada) LP

SIGNED FOR AND ON BEHALF OF FRANCHISEE

KIT Limited Partnership, by its general partner KIT Inc.

SCHEDULE D
OUTLETS

THIS IS SCHEDULE D REFERRED TO IN THE FRANCHISE AGREEMENT BETWEEN FRANCHISOR AND FRANCHISEE DATED NOVEMBER 10, 2003.

Store Number	Outlet Address	Concept	Term
6311	1610 The Queensway, Etobicoke, ON	TB/KFC 2-N-1 Multibrand Outlet	6 Years
1300	2000 Jane Street North York, ON	KFC	6 Years
1305	3351 Lawrence Ave. E., Scarborough, ON	KFC	6 Years
1311	2567 Eglinton Ave. E., Scarborough, ON	KFC	6 Years
1330	7161 Goreway Drive Mississauga, ON	KFC	6 Years
1331	1338 Kennedy Road, Scarborough, ON	KFC	6 Years
1333	466 Queen Street W. Toronto, ON	KFC	6 Years
1340	1743 Albion Road, Etobicoke, ON	KFC	6 Years
1436	450 Wharncliffe Road, London, ON	KFC	6 Years
1744	1440-52 Street N.E. Calgary, ALB	KFC	6 Years
1922	250 The East Mall, Etobicoke, ON	KFC	6 Years

Store Number	Outlet Address	Concept	Term
1930	1700 Wilson Ave., North York, ON	KFC	6 Years
1000	6310 Quinpool Rd., Halifax, NS	KFC	6 Years
1551	6566 Lundys Lane, Niagara Falls, ON	KFC	6 Years
1909	300 Borough Drive, Scarborough, ON	KFC	6 Years
1918	210 City Centre Dr., Mississauga, ON	KFC	6 Years
1919	3100 Howard Ave., Windsor, ON	KFC	6 Years
1921	220 Yonge Street, Toronto, ON	KFC	6 Years
1905	2151 Bd Lapiniere, Brossard, PQ	KFC	6 Years
1520	446 Norfolk Street South, Simcoe, ON	KFC	6 Years
1309	563 Gerrard Street E. Toronto, ON	KFC	6 Years
1313	1265 Lawrence Ave. W. North York, ON	KFC	6 Years
1318	2032 Kipling Ave. N. Etobicoke, ON	KFC	6 Years
1321	511 Queen Street S. Bolton, ON	KFC	6 Years
1322	1 Steeles Avenue E. Brampton, ON	KFC	6 Years

Store Number	Outlet Address	Concept	Term
1334	636 Bloor Street W. Toronto, ON	KFC	6 Years
1336	2500 Danforth Avenue, Toronto, ON	KFC	6 Years
1338	2296 Eglinton Ave. W. Toronto, ON	KFC	6 Years
1351	1630 Queen St. E. Toronto, ON	KFC	6 Years
1371	4559 Hurontario St. Mississauga, ON	KFC	6 Years
1740	5012-16 Avenue N. W. Calgary, ALB	KFC	6 Years
1741	9310 Macleod Tr. s. Calgary, ALB	KFC	6 Years
1742	3818 Brentwood Road N.W., Calgary, ALB	KFC	6 Years
1746	1000-20 Crowfoot Cres. N.W., Calgary, ALB	KFC	6 Years
1748	6620-4th Street N.E., Calgary, ALB	KFC	6 Years
1749	1240 17-Avenue S.W. Calgary, ALB	KFC	6 Years
1750	1320 Edmonton TR. N.E., Calgary, ALB	KFC	6 Years
1751	905-37 Street S.W. Calgary, ALB	KFC	6 Years

Store Number	Outlet Address	Concept	Term
1753	4315-17 Avenue S.E., Calgary, ALB	KFC	6 Years
1754	8338-18 Street S.E. Calgary, ALB	KFC	6 Years
1755	5335 Falsbridge Dr. N.E., Calgary, ALB	KFC	6 Years
1756	15325 Bannister Rd. S. E. Calgary, ALB	KFC	6 Years
1757	170 Stewart Green S.W., Calgary, ALB	KFC	6 Years
1911	390 North Front St., Belleville, ON	KFC	6 Years
1923	1105 Wellington Rd. S., London, ON	KFC	6 Years
1928	1980 Ogilvie Road, Gloucester, ON	KFC	6 Years
1934	110 Place D'Orleans Drive, Orleans, ON	KFC	6 Years
1341	55 Harvest Moon Drive, Markham, ON	KFC	6 Years
1345	655 Davis Drive, Newmarket, ON	KFC	6 Years
1364	896 Burnhamthorpe Road, Mississauga, ON	KFC	6 Years
1365	1971 Finch Ave. W. North York, ON	KFC	6 Years

Store Number	Outlet Address	Concept	Term
1366	2002 Middlefield Road, Markham, ON	KFC	6 Years
1375	301 Dundas Street West, Whitby, ON	KFC	6 Years
1439	689 Hamilton Road, London, ON	KFC	6 Years
1743	2439-54 Avenue S.W. Calgary, ALB	KFC	6 Years
1745	11440 Braeside Drive S.W. Calgary, ALB	KFC	6 Years
1747	13750 Bow Bottom Trail S.E., Calgary, ALB	KFC	6 Years
1752	5006 Centre Street N. Calgary, ALB	KFC	6 Years
1944	235-1485 Portage Ave., Winnipeg, MN	KFC	6 Years
1946	519 Westmorland Rd., Saint John, NB	KFC	6 Years
1369	27 Ruth Avenue, Brampton, ON	KFC	6 Years
1372	973 Simcoe Street North, Oshawa, ON	KFC	6 Years
1373	474 Simcoe Street South, Oshawa, ON	KFC	6 Years
1374	574 King Street East, Oshawa, ON	KFC	6 Years

Store Number	Outlet Address	Concept	Term
1377	15 Westney Heights Rd. Ajax, ON	KFC	6 Years
1378	25 Thickson Road, Whitby, ON	KFC	6 Years
1402	932 St. Laurant Blvd., Ottawa, ON	KFC	6 Years
1406	2919 Bank Street, Ottawa, ON	KFC	6 Years
1409	4027 Innes Road, Gloucester, ON	KFC	6 Years
1411	41 Dufferin Street, Perth, ON	KFC	6 Years
1910	25 Peel Centre Dr., Brampton, ON	KFC	6 Years
1913	1355 Kingston Road, Pickering, ON	KFC	6 Years
1914	500 Rexdale, Blvd. Etobicoke, ON	KFC	6 Years
1916	6364 Yonge St., North York, ON	KFC	6 Years
1924	31 Tapscott Road, Scarborough, ON	KFC	6 Years
1926	900 Dufferin St. Toronto, ON	KFC	6 Years
1927	1800 Shepperd Ave. E. Toronto, ON	KFC	6 Years
1929	700 Lawrence Ave. W. North York, ON	KFC	6 Years

Store Number	Outlet Address	Concept	Term
1933	5000 Hwy #7 East, Markham, ON	KFC	6 Years
1937	85 Ellesmere Road, Scarborough, ON	KFC	6 Years
1938	151 Market Place, Scarborough, On	KFC	6 Years
1414	145 Madawaska Blvd. Arnprior, ON	KFC	6 Years
1912	17600 Yonge Street N. Newmarket, ON	KFC	6 Years
1940	444 Yonge Street, Toronto, On	KFC	6 Years
1314	10459 Yonge Street, Richmond Hill, ON	KFC	6 Years
1316	235 Sheppard Ave. E. North York, ON	KFC	6 Years
1317	1760 Lawrence Ave. E.	KFC	6 Years
1320	188 The Queensway, Etobicoke, ON	KFC	6 Years
1332	9557 Yonge Street, Richmond Hill, ON	KFC	6 Years
1353	1871 O'Connor Drive, North York, ON	KFC	6 Years
1355	5863 Highway #7, Markham, ON	KFC	6 Years

Store Number	Outlet Address	Concept	Term
1356	5109 Sheppard Ave. E., Scarborough, ON	KFC	6 Years
1367	60 Dundas Street E. Mississauga, ON	KFC	6 Years
1301	3765 Keele Street, North York, ON	KFC	7 Years
1304	1638 Avenue Road, North York, ON	KFC	7 Years
1308	6114 Yonge Street, North York, ON	KFC	7 Years
1310	3495 Sheppard Ave. E., Scarborough, ON	KFC	7 Years
1327	1221 Dundas Street W., Toronto, ON	KFC	7 Years
1329	415 Mt. Pleasant Rd. Toronto, ON	KFC	7 Years
1335	2774 Victoria Park, North York, ON	KFC	7 Years
1405	1677 Bank Street, Ottawa, ON	KFC	7 Years
1413	70 Raglan Street East, Renfrew, ON	KFC	7 Years
1415	45 Munro St., Carleton Place, ON	KFC	7 Years

Store Number	Outlet Address	Concept	Term
1600	679 Henderson Hwy Winnipeg, MN	KFC/TB 2-N-1 Multibrand Outlet	7 Years
1602	1330 McPhillips St. Winnipeg, MN	KFC	7 Years
1604	1873 Portage Ave. Winnipeg, MN	KFC	7 Years
1606	1651 Regent Ave. Winnipeg, MN	KFC	7 Years
1607	750 Sherbrook St. Winnipeg, MN	KFC	7 Years
1608	1100 St. Mary's Rd. Winnipeg, MN	KFC/TB 2-N-1 Multibrand Outlet	7 Years
1609	16 Lakewood Blvd. Winnipeg, MN	KFC/TB 2-N-1 Multibrand Outlet	7 Years
1610	2079 Pembina Hwy Winnipeg, MN	KFC/TB 2-N-1 Multibrand Outlet	7 Years
1611	13-1030 Keewatin ST. Winnipeg, MN	KFC/TB 2-N-1 Multibrand Outlet	7 Years
1613	1103 Pembina Hwy, Winnipeg, MN	KFC	7 Years
1615	1125 Main St. Winnipeg, MN	KFC/TB 2-N-1 Multibrand Outlet	7 Years
1621	458 Princess Ave. Brandon, MN	KFC	7 Years
1622	321 Main St. Selkirk, MN	KFC	7 Years
1623	14 Brandt Rd. Steinbach, MN	KFC/TB 2-N-1 Multibrand Outlet	7 Years

Store Number	Outlet Address	Concept	Term
1624	1350-18th St. Brandon, MN	KFC/TB 2-N-1 Multibrand Outlet	7 Years
1932	3401 Dufferin Street, North York, ON	KFC	7 Years
1941	416 King Street West, Oshawa, ON	KFC	7 Years
1942	1000 Gerrard Street East, Toronto, ON	KFC	7 Years
1303	965 Dundas Street. E. Mississauga, ON	KFC	7 Years
1306	4755 Leslie Street, North York, ON	KFC	7 Years
1307	190 Queen Street E. Brampton, ON	KFC	7 Years
1312	3719 Lakeshore Blvd., Etobicoke, ON	KFC	7 Years
1325	2799 Kingston Road, Scarborough, ON	KFC	7 Years
1326	9025 Torbram Road, Brampton, ON	KFC	7 Years
6307	730 Yonge Street, Toronto, ON	TB/KFC 2-N-1 Multibrand Outlet	7 Years
6308	1 Richmond Street West, Toronto, ON	TB/KFC 2-N-1 Multibrand Outlet	7 Years
1208	347 BD St-Joseph, Hull, PQ	KFC	7 Years
1209	258 Rue Notre-Dame, Gatineau, PQ	KFC	7 Years

Store Number	Outlet Address	Concept	Term
1210	164 BD Greber, Pointe Garineau, PQ	KFC	7 Years
1323	3517 Dundas Street W. Toronto, ON	KFC	7 Years
1337	1300 Weston Road, Toronto, ON	KFC	7 Years
1400	2795 St. Josephs Blvd. Orleans, ON	KFC	7 Years
1416	475 Hazeldean Rd. Kanata, ON	KFC	7 Years
1426	716 Main Street E., Hamilton, ON	KFC	7 Years
1429	631 King Street W. Hamilton, ON	KFC	7 Years
1431	706 Queenston Road, Hamilton, ON	KFC	7 Years
1437	1072 Adelaide Street North, London, ON	KFC	7 Years
1438	1683 Dundas Street, London, ON	KFC	7 Years
1442	850 Wellington Road South, London, ON	KFC	7 Years
1446	3006 Dougall Road, Windsor, ON	KFC	7 Years
1451	7435 Tecumseh Rd. E. Windsor, ON	KFC	7 Years

Store Number	Outlet Address	Concept	Term
1452	27 Amy Croft Road, Lakeshore, ON	KFC	7 Years
1702	4259-23 Ave. Edmonton, ALB	KFC	7 Years
1706	51 Kaska Rd. Sherwood Park, ALB	KFC	7 Years
1708	12504-137 Ave. Edmonton, ALB	KFC	7 Years
1709	10021-178 St. Edmonton, ALB	KFC	7 Years
1714	10321-34th Ave., Edmonton, ALB	KFC	7 Years
1716	6655-178 St. Edmonton, ALB	KFC	7 Years
1717	11343-104 Ave. Edmonton, ALB	KFC	7 Years
1720	2 Hebert Rd. St. Albert, ALB	KFC	7 Years
1723	12408-111 Avenue Edmonton, ALB	KFC	7 Years
1915	1680 Richmond St. London, ON	KFC	7 Years
1207	195 Rue Principale, Aylmer, PQ	KFC	7 Years
1401	1687 Montreal Road Ottawa, ON	KFC	7 Years
1403	1096 Wellington Street, Ottawa, ON	KFC	7 Years

Store Number	Outlet Address	Concept	Term
1404	690 Bank Street, Ottawa, ON	KFC	7 Years
1412	415 Pembroke Street East, Pembroke, ON	KFC	7 Years
1418	1943 Baseline Road, Ottawa, ON	KFC	7 Years
1419	917 Richmond Road, Ottawa, ON	KFC	7 Years
1427	45 Parkdale Ave. N. Hamilton, ON	KFC	7 Years
1428	1222 Barton Street E. Hamilton, ON	KFC	7 Years
1430	133 Highway 8 Stoney Creek, ON	KFC	7 Years
1440	1291 Commissioners Road W. London, ON	KFC	7 Years
1441	1275 Highbury Avenue, London, ON	KFC	7 Years
1443	654 Wonderland Road South, Windsor, ON	KFC	7 Years
1447	1797 Huron Church Rd., Windsor, ON	KFC	7 Years
1450	4320 Tecumseh Rd. E. Edmonton, ALB	KFC	7 Years

Store Number	Outlet Address	Concept	Term
1701	2813 Millwood Rd. NW, Edmonton, ALB	KFC	7 Years
1703	5702-75 St. Edmonton, ALB	KFC	7 Years
1704	3512-137 Ave. Edmonton, ALB	KFC	7 Years
1705	5807-137 Ave. Edmonton, ALB	KFC	7 Years
1711	13010-97 St. Edmonton, ALB	KFC	7 Years
1713	8505-109 St. Edmonton, ALB	KFC/TB 2-N-1 Multibrand Outlet	7 Years
1715	3349-1118 Ave. N.W. Edmonton, ALB	KFC/TB 2-N-1 Multibrand Outlet	7 Years
1721	8036-118 Ave. Edmonton, ALB	KFC/TB 2-N-1 Multibrand Outlet	7 Years
1722	4950-101 Avenue Edmonton, ALB	KFC/TB 2-N-1 Multibrand Outlet	7 Years
1920	50 Rideau St. Ottawa, ON	KFC	7 Years
4518	1 Richmond B1 Napanee, ON	PH/KFC 2-N-1 Multibrand Outlet	7 Years
1407	1556 Merivale Road, Nepean, ON	KFC	7 Years
1408	724 Fallowfield Road, Nepean, ON	KFC	7 Years

Store Number	Outlet Address	Concept	Term
1410	21 Main Street East, Smiths Falls, ON	KFC	7 Years
1425	307 Cannon Street E. Hamilton, ON	KFC	7 Years
1448	1916 Wyandotte St. W. Windsor, ON	KFC	7 Years
1001	75 Tacoma Dr., Dartmouth, NS	KFC	8 Years
1002	179 Wyse Rd. Dartmouth, NS	KFC/TB 2-N-1 Multibrand Outlet	8 Years
1003	18 Titus St. Halifax, NS	KFC	8 Years
1004	247 Herring Cove Halifax, NS	KFC	8 Years
1006	960 Cole Harbour Rd. Dartmouth, NS	KFC/TB 2-N-1 Multibrand Outlet	8 Years
1018	679 Sackville Dr. Lower Sackville, NS	KFC/TB 2-N-1 Multibrand Outlet	8 Years
1339	2377 Finch Avenue, W. North York, ON	KFC	8 Years
1343	625 Lakeshore Road E. Mississauga, ON	KFC/PH 2-N-1 Multibrand Outlet	8 Years
1344	891 Pape Avenue, Toronto, On	KFC	8 Years
1346	3015 Winston Churchill Blvd., Mississauga, ON	KFC	8 Years

Store Number	Outlet Address	Concept	Term
1347	5500 Lawrence Ave. E. Scarborough, ON	KFC	8 Years
1349	239 Scarlett Road Toronto, ON	KFC	8 Years
1350	433 Roncesvalles Ave. Toronto, ON	KFC	8 Years
1352	66 Wellesley St., E. Toronto, On	KFC	8 Years
1354	1891 Rathburn Road East, Mississauga, ON	KFC	8 Years
1357	2848 Ellesmere Road, Scarborough, ON	KFC	8 Years
1358	3359 Danforth Avenue, Scarborough, ON	KFC	8 Years
1360	1340 Kinston Road, Pickering, On	KFC	8 Years
1361	2104 Hwy #7 Concord, ON	KFC	8 Years
1362	1050 Islington Ave. Etobicoke, ON	KFC	8 Years
1363	4200 Sheppard Ave. E. Scarborough, ON	KFC	8 Years
1449	1485 Erie Street E. Windsor, ON	KFC	8 Years
1707	1020 Sherwood Dr. Sherwood Park, ALB	KFC	8 Years

Store Number	Outlet Address	Concept	Term
1719	15630-87 Ave. N.W. Edmonton, ALB	KFC/TB 2-N-1 Multibrand Outlet	8 Years
1501	45 Essa Road, Barrie, ON	KFC	8 Years
1504	70 First Street Collingwood, ON	KFC	8 Years
1505	375 King Street Midland, ON	KFC	8 Years
1506	786 Chemong Road Peterborough, ON	KFC	8 Years
1509	507 Division Street Cobourg, ON	KFC	8 Years
1510	63 Lindsay Street, Lindsay, ON	KFC	8 Years
1511	209 King Street, Bowmanville, ON	KFC	8 Years
1783	244 Edmonton Trail, Airdrie, ALB	KFC	8 Years
1785	220 Ridge Road, Strathemore, ALB	KFC	8 Years
1786	435-2 Street Brooks, ALB	KFC	8 Years
1787	5716-50 Avenue Drayton Valley, ALB	KFC	8 Years
1790	4725-65th Avenue Camrose, ALB	KFC	8 Years
1788	224-2 Avenue West Cochrane, ALB	KFC	8 Years

Store Number	Outlet Address	Concept	Term
1503	1274 Mosley Street Wasaga Beach, ON	KFC	8 Years
1782	4702-58 Street Stettler, ALB	KFC	8 Years
1780	601-1 Ave. W. High River, ALB	KFC	8 Years
1781	Hwy 9 East Hanna, ALB	KFC	8 Years
1784	5106-46 Street Olds, ALB	KFC	8 Years
1513	274 North Front Street Belleville, ON	KFC	8 Years
1516	499 Dundas Street, Cambridge, ON	KFC	8 Years
1518	79 Charing Cross Street, Brantford, ON	KFC	8 Years
1519	27 Dalhousie Street Brantford, ON	KFC	8 Years
1523	979 Talbot Street, St. Thomas, ON	KFC	8 Years
1525	134 Talbot St. W. Leamington, ON	KFC	8 Years
1528	346 St. Clair Street, Chatham, ON	KFC	8 Years
1543	50 Wellington St., Guelph, ON	KFC	8 Years
1904	1401 Boul Talbot, Chicoutimi, ON	KFC	8 Years

Store Number	Outlet Address	Concept	Term
1545	1001 3rd Avenue Owen Sound, On	KFC	8 Years
1547	379 Ontario St. St. Catherines, ON	KFC	8 Years
1555	1245 Brookdale Ave. Cornwall, ON	KFC	8 Years
1556	1326 Second Street, Cornwall, ON	KFC	8 Years
1557	827 Mc Gill Street Hawkesbury, ON	KFC	8 Years
1546	675 St. David Street, Fergus, ON	KFC	8 Years
1553	311 Main Street, Dunville, ON	KFC	8 Years
1554	322 Argyle Street South, Caledonia, ON	KFC	8 Years
1559	28 Dumfries Street Paris, ON	KFC	8 Years
1507	738 Lansdowne Street, Peterborough, ON	KFC	8 Years
1514	464 Dundas Street Belleville, ON	KFC	8 Years
1527	541 Queen Street, Chatham, ON	KFC	8 Years
1529	1314 Dufferin St. Wallaceburg, ON	KFC	8 Years

Store Number	Outlet Address	Concept	Term
1535	405 Cote Avenue, Chelmsford, ON	KFC	8 Years
1536	1656 Main Street West, Val Caron, ON	KFC	8 Years
1539	319 N. Cumberland Street, Thunder Bay ON	KFC	8 Years
1548	60 Hartzell Road, St. Catherines, ON	KFC	8 Years
1549	486-500 Grantham Ave., St. Catherines, ON	KFC	8 Years
1552	3567 Portage Road, Niagara Falls, ON	KFC	8 Years
1502	353 Duckworth Street, Barrie, ON	KFC	8 Years
1508	55 Mill Street, Port Hope, ON	KFC	8 Years
1517	916 King Street E. Cambridge, ON	KFC	8 Years
1544	620 Scottsdale Dr. Guelph, ON	KFC	8 Years
1550	190 Pelham Road, St. Catherines, ON	KFC	8 Years
1100	5601 Bd Leger, Montreal, PQ	KFC	8 Years
1101	351 Av. Regina, Verdun, PQ	KFC	8 Years

Store Number	Outlet Address	Concept	Term
1102	8710 Rue Sherbrooke E. Montreal, PQ	KFC	8 Years
1105	3000 BD St-Charles, Kirkland, PQ	KFC	8 Years
1110	4310 Rue Papineau Montreal, PQ	KFC	8 Years
1115	1110 Rue Provost, Lachine, PQ	KFC	8 Years
1116	9205 Bd Lacordaire, St-Leonard, PQ	KFC	8Years
1117	8575 Bd Pie IX Montreal, PQ	KFC	8 Years
1118	1700 Rue Jarry E. Montreal, PQ	KFC	8 Years
1119	5272 Rue Sherbrooke O. Montreal, PQ	KFC	8 Years
1120	3090 Rue Hochelaga, Montreal, PQ	KFC	8 Years
1121	4980 Bd Des Sources Pierrefonds, PQ	KFC	8 Years
1124	1595 Cote Vertu St. Laurent, PQ	KFC	8 Years
1125	3300 Rue Masson Montreal, PQ	KFC	8 Years
1127	6625 Av. Victoria Montreal, PQ	KFC	8 Years

Store Number	Outlet Address	Concept	Term
1129	1551 Bd Shevchenko, Lasalle, PQ	KFC	8 Years
1103	1670 De La Concorde E. Duvernay, PQ	KFC	9 Years
1104	3199 Boul Taschereau, Greenfield Park PQ	KFC	9 Years
1106	2997 Ch. Chambly, Longueuil, PQ	KFC	9 Years
1108	1375 St-Jean Baptiste, Pointe Trembles, PQ	KFC	9 Years
1109	990 Rue Montarville, Boucherville, PQ	KFC	9 Years
1111	140 BD Ste-Foy Longueuil, PQ	KFC	9 Years
1112	6240 Rue Beaubien Est, Montreal, PQ	KFC	9 Years
1114	1689 BD Des Laurentides, Vimont, PQ	KFC	9 Years
1123	3486 Bd Dagenais O, Fabreville, PQ	KFC	9 Years
1126	1580 Bd Cure Labelle, Laval, PQ	KFC	9 Years

Store Number	Outlet Address	Concept	Term
1130	6445 Taschereau Blvd., Brossard, PQ	KFC	9 Years
1171	104 Bd Arthur-Sauve, St. Eustache, PQ	KFC	9 Years
1172	1117 Bd Manseau Joliette, PQ	KFC	9 Years
1175	650 Bd Taschereau, La Prairie, PQ	KFC	9 Years
1179	590 Rue Principale, Ste Agathe, PQ	KFC	9 Years
1176	291 Bd Des Laurentides, St-Jerome, PQ	KFC	9 Years
1177	60 BD Cure Labelle Ste Therese, PQ	KFC	9 Years
1180	947 Bd Des Seigneurs, Terrebonne, PQ	KFC	9 Years
1182	180 Rue Fiset, Sorel, PQ	KFC/PH 2-N-1 Multibrand Outlet	9 Years
1185	703 Rue Principale, Grandby, PQ	KFC	9 Years
1187	1533 Rue Sud Cowansville, PQ	KFC/PH 2-N-1 Multibrand Outlet	9 Years
1188	379 Rue Child Coaricook, PQ	KFC/PH 2-N-1 Multibrand Outlet	9 Years
1190	845 Boul Perigny, Chambly, PQ	KFC	9 Years

Store Number	Outlet Address	Concept	Term
1192	129 Bd Danjou Chateauguay, PQ	KFC	9 Years
1901	3131 C. Vertu St. Laurent, PQ	KFC	9 Years
1195	88 Rue Rouleau, Rimouski, PQ	KFC	9 Years
1196	969 Rue Du Phare O Matane, PQ	KFC	9 Years
1197	685 Bd Lafleche Baie Comeau, PQ	KFC	9 Years
1198	602 Av. Laure Sept-Iles, PQ	KFC	9 Years
1199	774 Bd Talbot, Chicoutimi, PQ	KFC	9 Years
1200	3814 Bd Harvey, Jonquiere, PQ	KFC	9 Years
1202	50 Rue Collard O. Alma, PQ	KFC	9 Years
1213	620 Rue Notre-Dame O, Victoriaville, PQ	KFC	9 Years
1216	14 Rue Fusey, Cap Madeleine, PQ	KFC	9 Years
1217	1483 Rue St-Marc Shawinigan, PQ	KFC	9 Years
1150	9460 Bould Henri Bourassa, Charlesbourg, PQ	KFC	9 Years

Store Number	Outlet Address	Concept	Term
1152	3309 Chemin Ste Foy, Ste Foy, PQ	KFC	9 Years
1157	140 Route Pres. Kennedy Levis, PQ	KFC	9 Years
1173	85 Boul Brien, Repentigny, PQ	KFC	9 Years
1174	680 Bd Du Seminaire St-Jean, PQ	KFC	9 Years
1178	335 Sir Wilfrid Laurier, Beloeil, PQ	KFC	9 Years
1183	665 Rue Conseil, Sherbrooke, PQ	KFC	9 Years
1184	1465 Rue King Ouest, Sherbrooke, PQ	KFC	9 Years
1186	50 Rue Merry Nord Magog, PQ	KFC	9 Years
1191	314 Ch. Larocque, Valleyfield, PQ	KFC	9 Years
1515	90 Main Street, Picton, ON	KFC	9 Years
1521	7 King Street, Delhi, ON	KFC	9 Years
1522	80 Talbot Street West Aylmer, ON	KFC	9 Years
1524	46 Main Street E. Kingsville, ON	KFC	9 Years

Store Number	Outlet Address	Concept	Term
1526	196 Talbot Street Blenheim, ON	KFC	9 Years
1530	5 Mill Street W. Tilbury, ON	KFC	9 Years
1534	582 Kathleen Street West Sudbury, ON	KFC	9 Years
1541	161 Trunk Road, Sault Ste Marie, ON	KFC	9 Years
1802	1147 Davie St. Vancouver, BC	KFC	9 Years
1806	4605 E. Hastings St. Burnaby, BC	KFC	9 Years
1807	10565 King George Hwy, Surrey, BC	KFC	9 Years
1808	6487 Knight St. Vancouver, BC	KFC	9 Years
1811	2255 Lonsdale, Ave. N.Vancouver, BC	KFC	9 Years
1813	22219 Lougheed Hwy Maple Ridge, BC	KFC	9 Years
1814	2190 Kingsway Vancouver, BC	KFC	9 Years
1815	1531 Johnston Rd. White Rock, BC	KFC	9 Years
1818	9056-152nd St. Surrey, BC	KFC	9 Years
1819	602 Clarke Rd. Coquitlam, BC	KFC	9 Years

Store Number	Outlet Address	Concept	Term
1820	13577-73rd Ave. Surrey, BC	KFC	9 Years
1823	32843 S. Fraser Way Abbottsford, BC	KFC	9 Years
1824	795 E. Broadway, Vancouver, BC	KFC	9 Years
1826	45843 Yale Rd. W. Chilliwack, Bc	KFC	9 Years
1827	8751 No. 1Rd. Richmond, BC	KFC	9 Years
1828	19971-64th Ave. Langley, BC	KFC	9 Years
1832	45367 Luckakuck Way Sardis, BC	KFC	9 Years
1835	20185-88th Ave. Langley, BC	KFC	9 Years
1836	208-10111 No.3 Rd Richmond, BC	KFC	9 Years
1837	2677 Clearbrook Rd. Abbotsford, BC	KFC	9 Years
1860	1555 Hillside Ave. Victoria, BC	KFC	9 Years
1861	3140 Douglas St. Victoria, BC	KFC	9 Years
1862	731 Goldstream Ave. Victoria, BC	KFC	9 Years
1870	603 Main St. Penticton, BC	KFC	9 Years

Store Number	Outlet Address	Concept	Term
1872	4102 Redford St. Port Alberni, BC	KFC	9 Years
1873	150 N. Terminal Ave. Nanaimo, BC	KFC	9 years
1874	3110 32nd Street Vernon, BC	KFC	9 years
1875	855 8th Street North Kamloops, BC	KFC	9 years
1900	3035 Le Carrefour Laval, PQ	KFC	9 years
1903	7077 Boul Newman PQ	KFC	9 years
1947	6401 Boul des Galaries Quebec, PQ	KFC	9 Years
1800	5094 Kingsway Burnaby, BC	KFC	9 Years
1803	726 6th Street New Westminister, BC	KFC	9 Years
1805	2560 W. Broadway Vancouver, BC	KFC	9 Years
1831	5100 48th Avenue Delta, BC	KFC	9 Years
1838	12121 72 Avenue Surrey, BC	KFC	9 Years
1945	5201 Duke Street Halifax, NS	KFC	9 Years

Store Number	Outlet Address	Concept	Term
1016	96 Warwick Street Digby, NS	KFC	9 Years
1021	467 King Street Windsor, NS	KFC	9 Years
1022	2897 Highway #1 Coldbrook, NS	KFC	9 Years
1023	643 Reeves Street Port Hawkesbury, NS	KFC	9 Years
1024	731 Central Avenue Greenwood, NS	KFC	9 Years
1030	3260 Plummer Avenue Mew Waterford, NS	KFC	10 Years
1035	225 King Street St. Stephen, NB	KFC	10 Years
1036	210 Bliss Street Oromocto, NB	KFC	10 Years
1154	11025 Boul L'Ormiere Neuchatel, PQ	KFC	10 Years
1158	315 Boul Ste Anne Beauport, PQ	KFC	10 Years
1159	870 Blvd. Rochette Beauport, PQ	KFC	10 Years
1201	466 Ste Genevieve Chicoutimi, PQ	KFC	10 Years
1205	230 8E Avenue Dolbeau, PQ	KFC	10 Years

Store Number	Outlet Address	Concept	Term
1206	991 BD Marotte Roberval, PQ	KFC	10 Years
1211	125 Rue Bethany Lachute, PQ	KFC/PH 2-N-1 Multibrand Outlet	10 Years
1212	650 BD Paquette Mont Laurier PQ	KFC/PH 2-N-1 Multibrand Outlet	10 Years
1214	1605 BD St Joesph Drummondville, PQ	KFC	10 Years
1215	1080 BD Des Recollets Trois Rivieres, PQ	KFC	10 Years
1877	4750 Lakelse Avenue Terrace, BC	KFC	10 Years
1883	310 Oliver Street Williams Lake, BC	KFC	10 Years
1886	520 Cranbrook Street Cranbrook, BC	KFC	10 Years
1887	555 Notre Dame Dr. Kamloops, BC	KFC	10 Years
1888	520 Highway 33 W Kelowna, BC	KFC	10 Years
1889	3620 Gellantly Road Westbank, BC	KFC	10 Years
1890	6896 Island Highway N. N. Nanaimo	KFC/TB 2-N-1 Multibrand Outlet	10 Years
1891	3-3151 Lakeshore Road	KFC	10 Years

Store Number	Outlet Address	Concept	Term
	Kelowna, BC		
1153	3101 Boul Pere Lelievre Duberger, PQ	KFC	10 Years
1194	231 Hotel de Ville Riviere du Loup, PQ	KFC	10 Years
1203	2020 BD Mellon Jonquiere, PQ	KFC	10 Years
1204	936 BD Ducharme La Tuque, PQ	KFC	10 Years
1218	31 BD Smith Sud Thetford Mines, PQ	KFC	10 Years
1219	1550 1E Avenue O. St. Geo. Beauce, BC	KFC	10 Years
1882	230 N.E. Ross Street Salmon Arm, BC	KFC	10 Years
1885	2305 Beacon Avenue Sidney, BC	KFC	10 Years
1893	1584 Highway 99 Squamish, BC	KFC/TB 2-N-1 Multibrand Outlet	10 Years
1931	40 King Street West Toronto, ON	KFC	10 Years
1954	Unit # F101, 2525 – 36 Street N.E. Calgary, AB	KFC	10 Years
1040	138 Water Street Campbellton, NB	KFC	10 Years

Store Number	Outlet Address	Concept	Term
1041	145 Pleasant St. Newcastle, NB	KFC	10 Years
1043	184 Old Hampton Hwy Quispamsis, NB	KFC	10 Years
1045	186 Main St. Sussex, NB	KFC	10 Years
1048	131 South Albion St. Amherst, NS	KFC	10 Years
1054	413 Cloverdale Rd. Riverview, NB	KFC	10 Years
1015	536 Main St. Yarmouth, NS	KFC/TB 2-N-1 Multibrand Outlet	10 Years
1019	9097 Commercial St. New Minas, NS	KFC/PH 2-N-1 Multibrand Outlet	10 Years
1020	27 High St. Bridgewater, NS	KFC	10 Years
1026	4 West Wood Blvd. Upper Tantallon, NS	KFC	10 Years
1027	25 Keltic Drive Sydney River, NS	KFC/TB 2-N-1 Multibrand Outlet	10 Years
1031	325 Prince St. Sydney, NS	KFC	10 Years
1032	545 Westmorland Place, Saint John, NB	KFC/TB 2-N-1 Multibrand Outlet	10 Years
1033	621 Fairville Blvd. Saint John, NB	KFC	10 Years

Store Number	Outlet Address	Concept	Term
1034	87 Lansdowne Ave. Saint John, NB	KFC	10 Years
1037	283 Main St. Fredericton, NB	KFC	10 Years
1038	439 E. Prospect Fredericton, NB	KFC	10 Years
1039	180 Madowaska Rd. Grand Falls, NB	KFC	10 Years
1044	180 Blvd. Hebert Edmundston, NB	KFC	10 Years
1046	370 Connell Street Woodstock, NB	KFC	10 Years
1051	9 James St. Antigonish, NS	KFC	10 Years
1052	674 East River Rd. New Glasgow, NS	KFC	10 Years
1055	945 Mountain Rd. Moncton, NB	KFC	10 Years
1056	477 Paul St. Moncton, NB	KFC	10 Years
1057	451 Paul St. Dieppe, NB	KFC/TB 2-N-1 Multibrand Outlet	10 Years
1193	2975 Bd Laframboise St-Hyacinthe, PQ	KFC	10 Years
1315	829 ST. Clair Ave. W. Toronto, ON	KFC/PH 2-N-1 Multibrand Outlet	10 Years
1017	279 Main St.	KFC	10 Years

Store Number	Outlet Address	Concept	Term
	Liverpool, NS		
1025	Elmsdale Shopping Centre, Elmsdale, NS	KFC	10 Years
1029	109 King St. North Sydney, NS	KFC	10 Years
1042	435 St. Peter Ave. Bathurst, NB	KFC/PH 2-N-1 Multibrand Outlet	10 Years
1047	3409-9 Rue Principale, Tracadie, NB	KFC	10 Years
1049	221 West River Rd. Pictou, NS	KFC	10 Years
1131	420 Autoroute Chomedey Oue , Laval, PQ	KFC	10 Years
1156	615 4Ieme Ave. St. Romuald, PQ	KFC	10 Years
1160	581 Wilfrid Hamel Blvd. Quebec, PQ	KFC/PH 2-N-1 Multibrand Outlet	10 Years
1181	91 Bd Harwood Dorion, PQ	KFC/PH 2-N-1 Multibrand Outlet	10 Years
1220	2024 Monseigneur-Langlois Blvd. Valleyfield, PQ	KFC/PH 2-N-1 Multibrand Outlet	10 Years
1221	556 Voie De Deserte, Route 132 St. Constant, PQ	KFC/PH 2-N-1 Multibrand Outlet	10 Years
1324	15492 Yonge Street	KFC/PH 2-N-1	10 Years

Store Number	Outlet Address	Concept	Term
	Aurora, ON	Multibrand Outlet	
1500	315 Bayfield St. N. Barrie, ON	KFC	10 Years
1512	178 Front Street Trenton, ON	KFC	10 Years
1531	325 Talbot Street North Essex, ON	KFC/PH 2-N-1 Multibrand Outlet	10 Years
1532	1300 Lasalle Blvd. Sudbury, ON	KFC	10 Years
1533	1341 Martindale Road, Sudbury, ON	KFC	10 Years
1537	2013 Arthur Street East, Thunder Bay, ON	KFC	10 Years
1538	825 Red River Road, Thunder Bay, ON	KFC	10 Years
1540	136 Grand Trunk Avenue, Dryden, ON	KFC	10 Years
1542	389 Great Northern Road Sault Ste Marie, ON	KFC	10 Years
1616	3651 Portage Avenue Winnipeg, MN	KFC/TB 2-N-1 Multibrand Outlet	10 Years
1724	9626-160 Avenue NW Edmonton, ALB	KFC/TB 2-N-1 Multibrand Outlet	10 Years
1908	100 Anderson Rd S.E.	KFC	10 Years

Store Number	Outlet Address	Concept	Term
	Calgary, ALB		
1949	3050 Boul De Portland Sherbrooke, PQ	KFC	10 Years
1950	499 Main Street Brampton, ON	KFC/TB 2-N-1 Multibrand Outlet	10 Years
1951	Promenade Circle, Unite #F113 Thornhill, ON	KFC/TB 2-N-1 Multibrand Outlet	10 Years
1952	Unite #T40, 100 Bayshore Drive Nepean, ON	KFC/TB 2-N-1 Multibrand Outlet	10 Years
4310	2765 Lakeshore Blvd. W. Etobicoke, ON	PH/KFC 2-N-1 Multibrand Outlet	10 Years
4613	3116 Roblin Blvd. Winnipeg, MN	PH/KFC 2-N-1 Multibrand Outlet	10 Years
4625	260 Roblin Blvd. Winkler, MN	PH/KFC 2-N-1 Multibrand Outlet	10 Years
6316	16599 Yonge Street Newmarket, ON	TB/KFC 2-N-1 Multibrand Outlet	10 Years
6317	900 Dufferin St. Toronto, ON	TB/PH/KFC 3-N-1 Multibrand Outlet	10 Years
6601	1275 Portage Avenue Winnipeg, MN	TB/KFC 2-N-1 Multibrand Outlet	10 Years

EXECUTED AS AN AGREEMENT

SIGNED FOR AND ON BEHALF OF FRANCHISOR

John P. Daly, Vice President, Franchise
Yum! Brands Canada Management Holding, Inc.
in its capacity as General Partner of
Yum! Restaurants International (Canada) LP

SIGNED FOR AND ON BEHALF OF FRANCHISEE

KIT Limited Partnership, by its general partner
KIT Inc.

This is Exhibit "C"
to the affidavit of Deborah Papernick,
sworn before me on the 31st day
of March, 2011

Commissioner for Taking Affidavits

EXECUTION VERSION

KIT FINANCE INC.

Guaranteed by

KIT INC., KIT LIMITED PARTNERSHIP AND THEIR SUBSIDIARIES

NOTE PURCHASE AND PRIVATE SHELF AGREEMENT

Dated January 12, 2006

C$73,596,400 6.795% SERIES A SENIOR SECURED GUARANTEED NOTES
DUE JANUARY 13, 2011

US$1,800,000 (or the Canadian Dollar Equivalent thereof)
SECURED PRIVATE SHELF FACILITY

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KIT FINANCE INC.
101 Exchange Avenue
Vaughn, Ontario L4K5RG

Guaranteed By:
KIT INC., KIT LIMITED PARTNERSHIP AND THEIR SUBSIDIARIES

As of January 12, 2006

Prudential Investment Management, Inc.
("**Prudential**")

Each Prudential Affiliate a party hereto and such
other Prudential Affiliates (as hereinafter defined)
which become bound by certain provisions of
this Agreement as hereinafter provided (the "**Purchasers**")

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

Ladies and Gentlemen:

KIT FINANCE INC., an Alberta corporation (together with its successors and assigns, the "**Company**"), and **KIT INC.**, a Canadian corporation (together with its successors and assigns, "**KIT Inc.**", and together with the Company, the "**Obligors**"), each hereby agrees with you as follows:

1. AUTHORIZATION OF ISSUE OF SERIES A NOTES.

1A. Authorization of Issue of Series A Notes. The Company will authorize the issue and sale of its senior secured guaranteed promissory notes (the "**Series A Notes**") in the aggregate principal amount of C$73,596,400 to be dated the date of issue thereof, to mature January 13, 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 6.795% per annum and on overdue principal, Yield-Maintenance Amount and overdue interest at the rate specified therein, and to be substantially in the form of Exhibit A-1 attached hereto. The terms "**Series A Note**" and "**Series A Notes**" as used herein shall include each Series A Note delivered pursuant to any provision of this Agreement and each Series A Note delivered in substitution or exchange for any such Series A Note pursuant to any such provision.

1B. Purchase and Sale of Series A Notes. Subject to the terms and conditions herein set forth, the Company hereby agrees to issue and sell to each Series A Purchaser and, each Series A Purchaser agrees to purchase from the Company the aggregate principal amount of Series A Notes set forth opposite its name on the Series A Purchaser Schedule attached hereto at 100% of such aggregate principal amount. On January 12, 2006 or any other date prior to January 12, 2006 upon which the Company and the Series A Purchasers may agree (herein called the "**Effective Date**"), the Company will deliver to each Series A Purchaser at the offices of

Prudential Capital Group in New York, NY (or such other location as agreed by the Series A Purchasers and the Company), one or more Series A Notes registered in its name, evidencing the aggregate principal amount of Series A Notes to be purchased by such Series A Purchaser and in the denomination or denominations specified with respect to such Series A Purchaser in the Series A Purchaser Schedule attached hereto, against payment of the purchase price thereof by transfer of immediately available funds for credit to the Company's account as specified in a funding instruction letter from the Company delivered at least one New York Business Day prior to the Effective Date. If requested by the Company, Prudential shall arrange for a swap of U.S. Dollars for Canadian Dollars so that the purchase price of the Series A Notes is paid in Canadian Dollars. The aggregate purchase price to be paid for the Series A Notes is C$73,596,400.

2. PURCHASE AND SALE OF SHELF NOTES.

2A. Authorization of Issue of Shelf Notes. The Company will authorize the issue and sale of its additional senior secured guaranteed promissory notes (the "**Shelf Notes**") in the aggregate principal amount of the Available Facility Amount (including the equivalent in Canadian Dollars), to be dated the date of issue thereof, to mature, in the case of each Shelf Note so issued, 5 years and one day after the date of original issuance thereof, to have an average life, in the case of each Shelf Note so issued, of 5 years and one day after the date of original issuance thereof, to bear interest on the unpaid balance thereof from the date thereof at the rate per annum, and to have such other particular terms, as shall be set forth, in the case of each Shelf Note so issued, in the Confirmation of Acceptance with respect to such Shelf Note delivered pursuant to paragraph 2G, and to be substantially in the form of (i) Exhibit A-2(i) attached hereto, in the case of Shelf Notes denominated in U.S. Dollars and (ii) Exhibit A-2(ii) attached hereto, in the case of Shelf Notes denominated in Canadian Dollars. The terms "**Shelf Note**" and "**Shelf Notes**" as used herein shall include each Shelf Note delivered pursuant to any provision of this Agreement and each Shelf Note delivered in substitution or exchange for any such Shelf Note pursuant to any such provision. The terms "**Note**" and "**Notes**" as used herein shall include each Series A Note and each Shelf 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. Notes which have (i) the same final maturity, (ii) the same principal prepayment dates (if any), (iii) the same principal prepayment amounts (as a percentage of the original principal amount of each Note), (iv) the same interest rate, (v) the same interest payment periods (if any), (vi) the same currency specification and (vii) the same date of issuance (which, in the case of a Note issued in exchange for another Note, shall be deemed for these purposes to be the date on which such Note's ultimate predecessor Note was issued), are herein called a "**Series**" of Notes.

2B. Facility. Prudential is willing to consider, in its sole discretion and within limits which may be authorized for purchase by Prudential and Prudential Affiliates from time to time, the purchase of Shelf Notes by Prudential Affiliates pursuant to this Agreement. The willingness of Prudential to consider such purchase of Shelf Notes is herein called the "**Facility**". All aggregate principal amounts of Shelf Notes and Accepted Notes shall be calculated in U.S. Dollars with the aggregate amount of any Shelf Notes denominated or Accepted Notes to be denominated in Canadian Dollars instead of U.S. Dollars being converted to U.S. Dollars at the rate of exchange used by Prudential to calculate the U.S. Dollar Equivalent at the time of the applicable Acceptance under paragraph 2G. **NOTWITHSTANDING THE WILLINGNESS OF PRUDENTIAL TO CONSIDER PURCHASES OF SHELF NOTES BY**

PRUDENTIAL AFFILIATES, THIS AGREEMENT IS ENTERED INTO ON THE EXPRESS UNDERSTANDING THAT NEITHER PRUDENTIAL NOR ANY PRUDENTIAL AFFILIATE SHALL BE OBLIGATED TO MAKE OR ACCEPT OFFERS TO PURCHASE SHELF NOTES, OR TO QUOTE RATES, SPREADS OR OTHER TERMS WITH RESPECT TO SPECIFIC PURCHASES OF SHELF NOTES, AND THE FACILITY SHALL IN NO WAY BE CONSTRUED AS A COMMITMENT BY PRUDENTIAL OR ANY PRUDENTIAL AFFILIATE.

2C. Issuance Period. Shelf Notes may be issued and sold pursuant to this Agreement until the earlier of (i) the second anniversary of the date of this Agreement, (or if such anniversary is not a Business Day, the Business Day next preceding such anniversary) and (ii) the thirtieth day after Prudential shall have given to the Company, or the Company shall have given to Prudential, written notice stating that it elects to terminate the issuance and sale of Shelf Notes pursuant to this Agreement (or if such thirtieth day is not a Business Day, the Business Day next preceding such thirtieth day). The period during which Shelf Notes may be issued and sold pursuant to this Agreement is herein called the **"Issuance Period"**.

2D. Periodic Spread Information. Provided no Default or Event of Default exists, not later than 9:30 A.M. (New York City local time) on a Business Day during the Issuance Period if there is an Available Facility Amount available on such Business Day, the Company may request by facsimile or telephone, and Prudential will, to the extent reasonably practicable, provide to the Company on such Business Day (or, if such request is received after 9:30 A.M. (New York City local time) on such Business Day, on the following Business Day), information (by facsimile or telephone) with respect to various spreads at which Prudential might be interested in purchasing Shelf Notes of different average lives; *provided, however*, that the Company may not make such requests more frequently than once in every five Business Days or such other period as shall be mutually agreed to by the Company and Prudential. The amount and content of information so provided shall be in the sole discretion of Prudential but it is the intent of Prudential to provide information which will be of use to the Company in determining whether to initiate procedures for use of the Facility. Information so provided shall not constitute an offer to purchase Shelf Notes, and neither Prudential nor any Prudential Affiliate shall be obligated to purchase Shelf Notes at the spreads specified. Information so provided shall be representative of potential interest only for the period commencing on the day such information is provided and ending on the earlier of the fifth Business Day after such day and the first day after such day on which further spread information is provided. Prudential may suspend or terminate providing information pursuant to this paragraph 2D for any reason, including its determination that the credit quality of the Company has declined since the date of this Agreement.

2E. Request for Purchase. The Company may from time to time during the Issuance Period make requests for purchases of Shelf Notes (each such request being herein called a **"Request for Purchase"**). Each Request for Purchase shall be made to Prudential by facsimile or overnight delivery service, and shall (i) specify the currency (which shall be either U.S. Dollars or Canadian Dollars) of the Shelf Notes covered thereby, (ii) specify the aggregate principal amount of Shelf Notes covered thereby, which shall not be greater than the Available Facility Amount (or its Canadian Dollar Equivalent) at the time such Request for Purchase is made, (iii) specify the principal amounts, final maturities (which shall be 5 years and one day

from the date of issuance), principal prepayment dates (if any), and amounts (which shall result in an average life of 5 years and one day) and interest payment periods (quarterly in arrears) of the Shelf Notes covered thereby; (iv) specify the use of proceeds of such Shelf Notes; (v) specify the proposed day for the closing of the purchase and sale of such Shelf Notes, which shall be a Business Day during the Issuance Period not less than 7 Business Days and not more than 15 Business Days after the making of such Request for Purchase; (vi) specify the number of the account and the name and address of the depository institution to which the purchase prices of such Shelf Notes are to be transferred on the Closing Day for such purchase and sale; (vii) certify that the representations and warranties contained in paragraph 8 are true and correct in all material respects on and as of the date of such Request for Purchase (including that the proceeds will not be used for the purpose of financing a Hostile Tender Offer), subject to such changes and exceptions thereto, if any, as may be indicated in the Request for Purchase and are reasonably acceptable to Prudential; (viii) certify that there exists on the date of such Request for Purchase no Event of Default or Default; and (ix) be substantially in the form of Exhibit C-1 attached hereto. Each Request for Purchase shall be in writing and shall be deemed made when received by Prudential.

2F. Rate Quotes. Not later than five Business Days after the Company shall have given Prudential a Request for Purchase pursuant to paragraph 2E, Prudential may, but shall be under no obligation to, provide to the Company by telephone or facsimile, in each case between 9:30 A.M. and 1:30 P.M. New York City local time (or such later time as Prudential may elect) interest rate quotes for the several currencies, principal amounts, maturities, principal prepayment schedules (if any), and interest payment periods of Shelf Notes specified in such Request for Purchase (each such interest rate quote provided in response to a Request for Purchase herein called a "**Quotation**"). Each Quotation shall represent the interest rate per annum payable on the outstanding principal balance of such Shelf Notes, until such balance shall have become due and payable, at which Prudential or a Prudential Affiliate would be willing to purchase such Shelf Notes at 100% of the principal amount thereof.

2G. Acceptance. Within 30 minutes after Prudential shall have provided any interest rate quotes pursuant to paragraph 2F or such shorter period as Prudential may specify to the Company (such period herein called the "**Acceptance Window**"), the Company may, subject to paragraph 2H, elect to accept on behalf of the Company a Quotation as to not greater than the Available Facility Amount specified in the related Request for Purchase. Such election shall be made by an Authorized Officer of the Company notifying Prudential by telephone or facsimile within the Acceptance Window that the Company elects to accept such interest rate quotes, specifying the Shelf Notes (each such Shelf Note being herein called an "**Accepted Note**") as to which such acceptance (herein called an "**Acceptance**") relates. The day the Company notifies Prudential of an Acceptance with respect to any Accepted Notes is herein called the "**Acceptance Day**" for such Accepted Notes. Any Quotation as to which Prudential does not receive an Acceptance within the Acceptance Window shall expire, and no purchase or sale of Shelf Notes hereunder shall be made based on such expired Quotation. Subject to paragraph 2C and 2H and the other terms and conditions hereof, the Company agrees to issue and sell to Prudential or a Prudential Affiliate, and Prudential agrees to purchase, or cause the purchase by a Prudential Affiliate of, the Accepted Notes at 100% of the principal amount of such Accepted Notes, which purchase price shall be paid in the currency in which such Shelf Notes are to be denominated. As soon as practicable following the Acceptance Day, the Company, Prudential

and each Prudential Affiliate which is to purchase any such Accepted Notes will execute a confirmation of such Acceptance substantially in the form of Exhibit C-2 attached hereto (herein called a "**Confirmation of Acceptance**"). If the Company should fail to execute and return to Prudential within three Business Days following receipt thereof a Confirmation of Acceptance with respect to any Accepted Notes, Prudential or any Prudential Affiliate may at its election at any time prior to its receipt thereof cancel the closing with respect to such Accepted Notes by so notifying the Company in writing.

2H. Market Disruption. Notwithstanding the provisions of paragraph 2G, any Quotation provided pursuant to paragraph 2F shall expire if prior to the time an Acceptance with respect to such Quotations shall have been provided to Prudential in accordance with paragraph 2G (i): in the case of any Shelf Notes to be denominated in U.S. Dollars, the domestic market for U.S. Treasury securities or derivatives shall have closed or there shall have occurred a general suspension, material limitation, or significant disruption of trading in securities generally on the New York Stock Exchange or in the domestic market for U.S. Treasury securities or derivatives, or (ii) in the case of Shelf Notes to be denominated in Canadian Dollars, the markets for the relevant government securities or the spot and forward currency market, the financial futures market or the interest rate swap market shall have closed or there shall have occurred a general suspension, material limitation, or significant distribution of trading, then such interest rate quotes shall expire, and no purchase or sale of Shelf Notes hereunder shall be made based on such expired Quotation. If the Company thereafter notifies Prudential of the Acceptance of any such Quotation, such Acceptance shall be ineffective for all purposes of this Agreement, and Prudential shall promptly notify the Company that the provisions of this paragraph 2H are applicable with respect to such Acceptance.

2I. Facility Closings. Not later than 11:30 A.M. (New York City local time) on the Closing Day for any Accepted Notes, the Company will deliver to each Purchaser listed in the Confirmation of Acceptance relating thereto at the offices of the Prudential Capital Group in New York, NY (or such other address as Prudential may specify in writing), the Accepted Notes to be purchased by such Purchaser in the form of one or more Shelf Notes in authorized denominations as such Purchaser may request for each Series of Accepted Notes to be purchased on such Closing Day, dated the Closing Day and registered in such Purchaser's name (or in the name of its nominee), against payment of the purchase price thereof by transfer of immediately available funds for credit to the Company's account specified in the Request for Purchase of such Shelf Notes. If the Company fails to tender to any Purchaser the Accepted Notes to be purchased by such Purchaser on the scheduled Closing Day for such Accepted Notes as provided above in this paragraph 2I, or any of the conditions specified in paragraph 3B shall not have been fulfilled by the time required on such scheduled Closing Day, the Company shall, prior to 1:00 P.M., New York City local time, on such scheduled Closing Day notify Prudential (which notification shall be deemed received by each Purchaser) in writing whether (i) such closing is to be rescheduled (such rescheduled date to be a Business Day during the Issuance Period not less than one Business Day and not more than 10 Business Days after such scheduled Closing Day (the "**Rescheduled Closing Day**")) and certify to Prudential (which certification shall be for the benefit of each Purchaser) that the Company reasonably believes that it will be able to comply with the conditions set forth in paragraph 3B on such Rescheduled Closing Day and tender such Accepted Notes on the Rescheduled Closing Day and that the Company will pay the Delayed Delivery Fee in accordance with paragraph 2J(3) or (ii) such closing is to be canceled and the

Company will pay the Cancellation Fee as provided in paragraph 2J(4). In the event that the Company shall fail to give such notice referred to in the preceding sentence, Prudential (on behalf of each Purchaser) may at its election, at any time after 1:00 P.M., New York City local time, on such scheduled Closing Day, notify the Company in writing that such closing is to be canceled and the company is obligated to pay the Cancellation Fee as provided in paragraph 2J(4). Notwithstanding anything to the contrary appearing in this Agreement, the Company may elect to reschedule a closing with respect to any given Accepted Notes on not more than one (1) occasion, unless Prudential shall have otherwise consented in writing.

2J. Fees.

2J(1) Commitment Fee. At the time of the execution and delivery of this Agreement by the Company and Prudential, the Company will pay to Prudential, for its services in structuring the facilities provided herein, in immediately available funds a one-time fee (herein called the "**Commitment Fee**") in the amount of US$100,000.

2J(2) Facility Fee. The Company will pay to each Purchaser of such Series of Shelf Notes in immediately available funds a fee (herein called the "**Facility Fee**") on each Closing Day (other than the Effective Date) in an amount equal to 0.125% of the U.S. Dollar Equivalent of the aggregate principal amount of Shelf Notes sold to such Purchaser on such Closing Day. Such fee shall be payable in U.S. Dollars.

2J(3) Delayed Delivery Fee. If the closing of the purchase and sale of any Accepted Note is delayed for any reason beyond the original Closing Day for such Accepted Note, the Company will pay to the Purchaser of such Accepted Note (a) on the earlier of the Cancellation Date or the actual closing date of such purchase and sale, and (b) if earlier, the next Business Day following 90 days after the Acceptance Day for such Accepted Note and on the Business Day following the end of each 90 day period ending thereafter, a fee (herein called the "**Delayed Delivery Fee**") in respect of such Accepted Note equal to:

(i) in the case of an Accepted Note denominated in U.S. Dollars, the product of (a) the amount determined by Prudential to be the amount by which the bond equivalent yield per annum of such Accepted Note exceeds the investment rate per annum on an alternative U.S. Dollar investment of the highest quality selected by Prudential and having a maturity date or dates the same as, or closest to, the Rescheduled Closing Day from time to time fixed for the delayed delivery of such Accepted Note, (b) the principal amount of such Accepted Note, and (c) a fraction the numerator of which is equal to the number of actual days elapsed from and including the original Closing Day for such Accepted Note to but excluding the date of such payment, and the denominator of which is 360; and

(ii) in the case of an Accepted Note denominated in Canadian Dollars, the sum of (a) the product of (x) the amount by which the bond equivalent yield per annum of such Accepted Note exceeds the arithmetic average of the Overnight Interest Rates on each day from and including the original Closing Day for such Accepted Note, (y) the principal amount of such Accepted Note, and (z)

a fraction the numerator of which is equal to the number of actual days elapsed from and including the original Closing Day for such Accepted Note to but excluding the date of such payment, and the denominator of which is 360, and (b) the costs and expenses (if any) incurred by such Purchaser or its affiliates with respect to any interest rate, currency exchange or similar agreement entered into by the Purchaser or any such affiliate in connection with the delayed closing of such Accepted Notes.

In no case shall the Delayed Delivery Fee be less than zero. The Delayed Delivery Fee described in this clause 2J(3) shall be paid in the currency in which the Accepted Notes are denominated. Nothing contained herein shall obligate any Purchaser to purchase any Accepted Note on any day other than the Closing Day for such Accepted Note, as the same may be rescheduled from time to time in compliance with paragraph 2I.

2J(4) Cancellation Fee. If the Company at any time notifies Prudential in writing that the Company is canceling the closing of the purchase and sale of any Accepted Note, or if Prudential or any Prudential Affiliate notifies the Company in writing under the circumstances set forth in the last sentence of paragraph 2H or the penultimate sentence of paragraph 2I that the closing of the purchase and sale of such Accepted Note is to be canceled, or if the closing of the purchase and sale of such Accepted Note is not consummated on or prior to the last day of the Issuance Period (the date of any such notification, or the last day of the Issuance Period, as the case may be, being herein called the **"Cancellation Date"**), the Company shall pay the Purchaser which shall have agreed to purchase such Accepted Note in immediately available funds an amount (the **"Cancellation Fee"**) equal to:

(i) in the case of an Accepted Note denominated in U.S. Dollars, the product of (a) the principal amount of such Accepted Note and (2) the quotient (expressed in decimals) obtained by dividing (y) the excess of the ask price (as determined by Prudential) of the Hedge Treasury Note(s) on the Cancellation Date over the bid price (as determined by Prudential) of the Hedge Treasury Note(s) on the Acceptance Day for such Accepted Note by (z) such bid price, with the foregoing bid and ask prices as reported on Bridge\Telerate Service, or if such information ceases to be available on the Bride\Telerate Service, any publicly available source of such market data selected by Prudential, and rounded to the second decimal place; and

(ii) in the case of an Accepted Note denominated in Canadian Dollars, the aggregate of all unwinding costs incurred by such Purchaser or its affiliates on positions executed by or on behalf of such Purchaser or its affiliates in connection with the proposed lending in Canadian Dollars and fixing the coupon in Canadian Dollars, *provided, however*, that any gain realized upon the unwinding of any such positions shall be offset against any such unwinding costs. Such positions include (without limitation) currency and interest rate swaps, futures and forwards, government bond (including U.S. Treasury bond) hedges and currency exchange contracts, all of which may be subject to substantial price volatility. Such costs may also include (without limitation) losses incurred by such

Purchaser or its affiliates as a result of fluctuations in exchange rates. All unwinding costs incurred by such Purchaser shall be determined by Prudential or its affiliate in accordance with generally accepted financial practice.

In no case shall the Cancellation Fee be less than zero.

2K. **Swaps.** If requested by the Company, Prudential shall arrange for a swap of U.S. Dollars for Canadian Dollars so that the purchase price of the Shelf Notes is paid in Canadian Dollars.

3. CONDITIONS OF CLOSING.

3A. Conditions to Effectiveness.

Prudential and the Series A Purchasers' obligations to enter into this Agreement and to make the Facility available to the Company and to purchase the Series A Notes is subject to the satisfaction, on or before the Effective Date of the following conditions:

3A(1) KIT Inc. and KIT LP Guarantees. The Series A Purchasers and Prudential shall have received a guarantee from each of KIT Inc. and KIT LP, dated as of the date hereof, in favor of the holders from time to time of the Notes, in the forms of Exhibit D-1 and Exhibit D-2, respectively, attached hereto (as amended, restated or supplemented from time to time, the "**KIT Inc. Guarantee**" and the "**KIT LP Guarantee**," respectively).

3A(2) Series A Notes. Such Series A Purchaser shall have received the Series A Note(s) to be purchased by such Series A Purchaser, dated the Effective Date.

3A(3) A Private Placement Number. Such Series A Purchaser shall have received a Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in connection with the Securities Valuation Office of the National Association of Insurance Commissioners) for the Series A Note(s) to be purchased by it.

3A(4) Non-Compete Agreement. Prudential and the Series A Purchasers shall have received a fully executed copy of the non-compete agreement of John Bitove in favor of the holders of Notes, dated the date hereof (the "**Non-compete Agreement**", *provided, however*, Schedule A attached thereto may be delivered by February 1, 2006.

3A(5) Opinions of Counsel. Prudential and the Series A Purchasers shall have received:

(i) from Bingham McCutchen LLP, a favorable opinion satisfactory to Prudential and the Series A Purchasers as to such matters incident to the matters herein contemplated as such Persons may reasonably request;

(ii) from Gowling Lafleur Henderson LLP, a favorable opinion satisfactory to Prudential and the Series A Purchasers as to such matters incident to the matters herein contemplated as such Persons may reasonably request; and

(iii) from (a) Stikeman Elliott LLP, special counsel to members of the Obligor Group and (b) Taylor McCaffrey LLP, special counsel to KIT LP, favorable opinions, satisfactory to Prudential and the Series A Purchasers as to such other matters as such Persons may reasonably request, and substantially in the forms of Exhibit E-1 and Exhibit E-2, respectively, attached hereto. Each of the Obligors hereby directs each such counsel to deliver such opinion, agrees that the issuance and sale of any Series A Notes will constitute a reconfirmation of such direction, and understands and agrees that Prudential and each Series A Purchaser receiving such an opinion will and is hereby authorized to rely on such opinion.

3A(6) Representations and Warranties; No Default. The representations and warranties contained in this Agreement and each of the other Transaction Documents shall be true and correct on and as of the Effective Date; there shall exist on the Effective Date no Event of Default or Default; and each of the Obligors shall have delivered to Prudential and the Series A Purchasers an Officer's Certificate, dated the Effective Date, to both such effects substantially in the form attached hereto as Exhibit F.

3A(7) Constitutive and Authorization Documents. Prudential and the Series A Purchasers shall have received from each member of the Obligor Group a certificate substantially in the form of Exhibit G attached hereto, certifying as to the incumbency of the Persons executing the Transaction Documents and other documents in connection therewith on behalf of such member of the Obligor Group and attaching copies of such member of the Obligor Group's constitutive documents, as in effect on the Effective Date, good standing certificates and resolutions authorizing its execution and delivery of the Transaction Documents to which it is a party, and certifying as to such other matters as Prudential and the Series A Purchasers may reasonably request.

3A(8) Termination of Existing Credit Facility and Liens.

(i) The Company shall have provided evidence in form and substance satisfactory to Prudential and each of the Series A Purchasers that all outstanding amounts under the Existing Credit Facility have been paid in full and the Existing Credit Facility has been terminated prior to or on the Effective Date; and

(ii) all actions necessary to terminate or release any and all Liens on the Collateral (as such term is defined in the Existing Credit Facility), other than Permitted Liens, shall have been taken in accordance with the provisions of the Security Documents (as such term is defined in the Existing Credit Facility).

3A(9) Payment of Commitment Fee. The Company shall have paid the Commitment Fee to Prudential in accordance with paragraph 2J(1).

3A(10) Payment of Closing Expenses. The Company shall have paid at the closing the fees, charges and disbursements of the special counsel to Prudential and the Purchasers as presented by such counsel in a statement on the Effective Date and for which the Obligors are responsible in accordance with paragraph 14B.

3A(11) Proceedings. All proceedings taken or to be taken in connection with the transactions contemplated hereby and all documents incident thereto shall be satisfactory in form and substance to Prudential and each of the Series A Purchasers, and each Purchaser shall have received all such counterpart originals or certified or other copies of such documents as it may reasonably request.

3B. Conditions to Closing Each Purchase of Shelf Notes. The obligation of any Purchaser to purchase and pay for any Shelf Notes is subject to the satisfaction, on or before the Closing Day for any Shelf Notes of the following conditions:

3B(1) Shelf Notes. Such Purchaser shall have received the Shelf Notes(s) to be purchased by such Purchaser, dated the applicable Closing Day with respect to such Shelf Notes.

3B(2) Private Placement Number. Such Purchaser shall have received a Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in connection with the Securities Valuation Office of the National Association of Insurance Commissioners) for the Shelf Notes to be purchased by it.

3B(3) Opinions of Counsel. The Purchasers shall have received:

(i) from Bingham McCutchen LLP, a favorable opinion satisfactory to the Purchasers as to such matters incident to the matters herein contemplated as it may reasonably request; and

(ii) from Stikeman Elliott LLP, special counsel to the members of the Obligor Group, favorable opinions, satisfactory to the Purchasers as to such other matters as such Purchaser may reasonably request, and substantially in the forms of Exhibit E-1, attached hereto, as so modified to only deal with matters related to the issuance of the Shelf Notes. Each of the Obligors hereby directs each such counsel to deliver such opinion, agrees that the issuance and sale of any Shelf Notes will constitute a reconfirmation of such direction, and understands and agrees that each Purchaser receiving such an opinion will and is hereby authorized to rely on such opinion.

3B(4) Representations and Warranties; No Default. The representations and warranties contained in this Agreement and each of the other Transaction Documents shall be true and correct in all material respects on and as of the Closing Day; except to the extent of (a) changes caused by the transactions herein contemplated, and (b) such changes or exceptions thereto as may be indicated in the Request for Purchase and are reasonably acceptable to the Purchasers. In addition, there shall exist on such Closing Day, no Event of Default or Default; and each of the Obligors shall have delivered to such Purchaser an Officer's Certificate, dated the Effective Date, to both such effects substantially in the form attached hereto as Exhibit F.

3B(5) Constitutive and Authorization Documents. Such Purchaser shall have received from each member of the Obligor Group, a certificate substantially in the form of Exhibit G attached hereto, certifying as to the incumbency of the Persons executing the

Shelf Notes and other documents, agreements and certificates in connection therewith on behalf of such member of the Obligor Group and attaching copies of such member of the Obligor Group's constitutive documents, as in effect on such Closing Day, good standing certificates, and, where applicable, the resolutions authorizing its execution of and issuance of the Shelf Notes, and certifying as to such other matters as the Purchasers may reasonably request.

3B(6) Purchase Permitted by Applicable Laws. The purchase of and payment for the Shelf Notes to be purchased by such Purchaser on the applicable Closing Day (including the use of the proceeds of such Shelf Notes by the Company) shall not violate any applicable law or governmental regulation (including, without limitation, Section 5 of the Securities Act or Regulation T, U or X of the Board of Governors of the Federal Reserve System) and shall not subject such Purchaser to any tax, penalty, liability or other onerous condition under or pursuant to any applicable law or governmental regulation, and such Purchaser shall have received such certificates or other evidence as it may request to establish compliance with this condition.

3B(7) Payment of Certain Fees. The Company shall have paid to Prudential or any Purchaser, as applicable, any fees due them pursuant to or in connection with this Agreement, including any Facility Fee due pursuant to paragraph 2J(2) and any Delayed Delivery Fee due pursuant to paragraph 2J(3).

3B(8) Payment of Closing Expenses. The Obligors shall have paid at the closing the fees and disbursements of the special counsel to Prudential and the Purchasers as presented by such counsel in a statement on the Closing Day and for which the Obligors are responsible in accordance with paragraph 14B.

3B(9) Proceedings. All proceedings taken or to be taken in connection with the transactions contemplated hereby and all documents incident thereto shall be satisfactory in form and substance to such Purchaser, and such Purchaser shall have received all such counterpart originals or certified or other copies of such documents as it may reasonably request.

4. PREPAYMENTS.

4A. Required Prepayments.

4A(1) Required Prepayments of Series A Notes. The Series A Notes shall not be subject to scheduled principal prepayments. The entire principal amount of the Series A Notes, shall be paid by the Company on January 13, 2011 at par, together with accrued and unpaid interest thereon, but without the payment of any Yield-Maintenance Amount or any premium.

4A(2) Required Prepayments of Shelf Notes. Each Series of Shelf Notes shall not be subject to scheduled principal prepayments. The entire principal amount of each Series of Shelf Notes shall be paid by the Company on the maturity dated specified in such Shelf Note, at par, together with accrued and unpaid interest thereon, but without the payment of any Yield-Maintenance Amount or any premium.

4B. Optional Prepayment With Yield-Maintenance Amount. At the sole option of the Company, the Notes shall be subject to prepayment, in whole at any time or from time to time in part (in integral multiples of US$100,000 and in a minimum amount of US$1,000,000 on any day that is an interest payment date, determined in accordance with paragraph 4C, assuming, for purposes of calculation of the U.S. Dollar Equivalent referred to in such paragraph, that the date of such notice is the date of prepayment), at 100% of the principal amount so prepaid plus accrued and unpaid interest thereon to the prepayment date and the Yield-Maintenance Amount, if any, with respect to each such Note. Any partial prepayment of the Notes pursuant to this paragraph 4B shall be applied in satisfaction of remaining required payments of principal in inverse order of their scheduled due dates.

4C. Notice of Optional Prepayment. The Company shall give the holder of each Note to be prepaid pursuant to paragraph 4B irrevocable written notice of such prepayment not less than 10 Business Days prior to the prepayment date, specifying such prepayment date, the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of the Notes held by such holder to be prepaid on that date and that such prepayment is to be made pursuant to paragraph 4B. Notice of prepayment having been given as aforesaid, the principal amount of the Notes specified in such notice, together with accrued and unpaid interest thereon to the prepayment date and together with the Yield-Maintenance Amount, if any, herein provided, shall become due and payable on such prepayment date.

4D. Prepayments. Any prepayments made on the Notes (excluding prepayment made under paragraph 4F) shall be made in accordance with the procedures described in paragraphs 4B and 4C and shall include 100% of the principal amount so prepaid plus accrued and unpaid interest thereof to the payment date and the Yield-Maintenance Amount, if any, with respect to each such Note. In the case of each prepayment of less than the entire unpaid principal amount of all outstanding Notes pursuant to paragraphs 4B or 4F, the amount to be prepaid shall be applied pro rata to all outstanding Notes of all Series according to the respective unpaid principal amounts thereof.

4E. No Acquisition of Notes. The Obligors shall not, and shall not permit any of their Subsidiaries or Affiliates to, prepay or otherwise retire in whole or in part prior to their stated final maturity (other than by prepayment pursuant to paragraphs 4B or 4F or upon acceleration of such final maturity pursuant to paragraph 7A), or purchase or otherwise acquire, directly or indirectly, Notes held by any holder.

4F. Offer to Prepay Upon Change in Control.

4F(1) Notice of Change in Control or Control Event. The Company will, within five (5) Business Days after any Responsible Officer has knowledge of the occurrence of any Change in Control or Control Event, give written notice (by facsimile and overnight delivery service) of such Change in Control or Control Event to each holder of Notes unless notice in respect of such Change in Control (or the Change in Control contemplated by such Control Event) shall have been given pursuant to paragraph 4F(3). If a Change in Control has occurred, and otherwise such notice shall contain and constitute an offer to prepay the Notes as described in paragraph 4F(3) and shall be accompanied by the certificate described in paragraph 4F(7).

4F(7) Officer's Certificate. Each offer to prepay the Notes pursuant to this paragraph 4F shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying (i) the Change in Control Prepayment Date, (ii) that such offer is made pursuant to this paragraph 4F, (iii) the principal amount of each Note offered to be prepaid, (iv) the interest and Yield-Maintenance Amount, if any, that would be due on each Note offered to be prepaid, accrued to the Change in Control Prepayment Date, (v) that the conditions of this paragraph 4F have been fulfilled, and (vi) in reasonable detail, the nature and date or proposed date of the Change in Control and certifying that no Default or Event of Default exists or would exist after giving effect to the prepayment contemplated by such offer.

4G. Default Rate.

(i) If an Event of Default specified in paragraphs 7A(i), 7A(ii), 7A(vii), 7A(viii) or 7A(ix) hereof shall occur; or

(ii) if any other Event of Default occurs and the Required Holders declare the Notes to be immediately due and payable pursuant to paragraph 7A hereof;

then, the rate of interest applicable to each Note then outstanding shall be at the Default Rate. Unless waived by the Required Holders, the Default Rate shall apply from the date of the Event of Default until the date such Event of Default or breach is cured, and interest accruing at the Default Rate shall be payable upon demand.

5. AFFIRMATIVE COVENANTS.

During the Issuance Period and so long as any Note or other amount owing under this Agreement or any other Transaction Document shall remain unpaid, the Obligors covenant as follows:

5A. Each holder of Notes shall have received the following documents, each duly executed and delivered by the party or parties thereto and in form and substance satisfactory to such holder:

5A(1) Security Documents.

(i) by February 1, 2006, members of the Obligor Group shall have engaged the services of a Person who agrees to serve as a collateral agent with respect to the Security for holders of Notes (the "**Collateral Agent**"), and each holder of Notes shall have received a copy of the collateral agency agreement entered into with such Collateral Agent, duly executed by the parties thereto and in form and substance satisfactory to such holder (the "**Collateral Agency Agreement**");

(ii) by February 1, 2006, a general security agreement in favor of the Collateral Agent from each member of the Obligor Group, constituting a first-priority Lien (but subject to any applicable Permitted Liens) on all personal

4F(2) Condition to Company Action. Neither Obligor will take any action that consummates or finalizes a Change in Control unless (i) at least thirty (30) days prior to such action the Company shall have given to each holder of Notes written notice (by facsimile and overnight delivery service) containing and constituting an offer to prepay the Notes as described in paragraph 4F(3), accompanied by the certificate described in paragraph 4F(7), and (ii) contemporaneously with such action, the Company prepays all Notes required to be prepaid in accordance with this paragraph 4F.

4F(3) Offer to Prepay Notes. The offer to prepay Notes contemplated by paragraphs 4F(1) and 4F(2) shall be an offer to prepay, in accordance with and subject to this paragraph 4F, all, but not less than all, of the Notes held by each holder (in this case only, "holder" in respect of any Note registered in the name of a nominee for a disclosed beneficial owner, shall mean such beneficial owner) of Notes on a date (the "**Change in Control Prepayment Date**") to be specified in such offer, *provided* that such Change in Control Prepayment Date will not be less than thirty (30) days and not more than sixty (60) days after the date of such offer (if the Change in Control Prepayment Date shall not be specified in such offer, the Change in Control Prepayment Date shall be the earlier of (i) the 60th day after the date of such offer and (ii) the date of the consummation of the Change in Control contemplated by such offer).

4F(4) Acceptance, Rejection. A holder of Notes may accept the offer to prepay made pursuant to paragraph 4F by causing a notice of such acceptance to be delivered to the Company at least ten (10) days prior to the Change in Control Prepayment Date. A failure by a holder of Notes to respond to an offer to prepay made pursuant to paragraph 4F shall be deemed to constitute an acceptance of such offer by such holder on the last date for acceptances provided for in this paragraph 4F(4).

4F(5) Prepayment. Prepayment of the Notes to be prepaid pursuant to this paragraph 4F shall be at 100% of the principal amount of such Notes, together with accrued and unpaid interest on such Notes and together with the Yield-Maintenance Amount, if any. The prepayment shall be made on the Change in Control Prepayment Date except as provided in paragraph 4F(6).

4F(6) Deferral Pending Change in Control. The obligation of the Company to prepay Notes pursuant to the offers required by paragraph 4F(3) and accepted in accordance with paragraph 4F(4) is subject to the occurrence of the Change in Control in respect of which such offers and acceptances shall have been made. In the event that such Change in Control does not occur on the Change in Control Prepayment Date in respect thereof, the prepayment shall be deferred until and shall be made on the date on which such Change in Control occurs. The Company shall keep each holder of Notes reasonably and timely informed of (i) any such deferral of the date of prepayment, (ii) the date on which such Change in Control and the prepayment are expected to occur, and (iii) any determination by the Company that efforts to effect such Change in Control have ceased or been abandoned (in which case the offers and acceptances made pursuant to this paragraph 4F in respect of such Change in Control shall be deemed rescinded).

property from time to time of each member of the Obligor Group, substantively in the form of Exhibit H attached hereto (as amended, restated or supplemented from time to time, the "**Security Agreement**");

(iii) by February 1, 2006, a pledge agreement in favor of the Collateral Agent from each member of the Obligor Group, constituting a first-priority Lien on all of the Capital Stock covered thereby, together with stock transfer powers, if any, substantively in the form of Exhibit I attached hereto (as amended, supplemented or otherwise modified from time to time, the "**Pledge Agreement**");

(iv) by February 1, 2006, landlord waivers from Scott's Real Estate Investment Trust, Yum! Brands Canada Management LP and Obelysk Inc. (collectively, the "**Principal Landlords**") with respect to any property leased by them to any member of the Obligor Group as of the Effective Date, each of such landlord waivers to be substantively in the form of Exhibit J attached hereto (as amended, supplemented or otherwise modified from time to time, the "**Landlord Waiver**");

(v) by February 1, 2006, a letter agreement between Yum! Brands Canada Management LP and the Collateral Agent with respect to the Franchise Agreements, substantively in the form of Exhibit K attached hereto (as amended, supplement or otherwise modified from time to time, the "**Yum Letter**");

(vi) by February 1, 2006, a movable hypothec and an immovable hypothec, each substantively in the form of Exhibit L and Exhibit M, respectively, attached hereto and other security documents as may be necessary for the purpose of creating and preserving in the Province of Québec and in any other relevant jurisdiction the Liens constituted by any of the foregoing;

(vii) by February 1, 2006, Mortgages and other agreements in favor of the Collateral Agent in order to establish first-priority Liens (but subject to any applicable Permitted Liens) on all Real Property as described on Schedule 5A(1)(vii) in the forms of Exhibit N and Exhibit O, respectively; and

(viii) by February 28, 2006, an account control agreement in favor of the Collateral Agent from each applicable financial institution with respect to each deposit account, securities account or commodities account of any member of the Obligor Group, each duly executed by the parties thereto and in form and substance satisfactory to the holders of Notes.

5A(2) Perfection of Liens.

(i) By February 1, 2006, each of Prudential and holders of Notes shall have received evidence satisfactory to it of the perfection of its Liens in any Capital Stock or uncertificated stock;

(ii) by February 1, 2006, Prudential and the holders of Notes shall have received (x) copies of reports listing all effective financing statements which name the members of the Obligor Group (under any present name and previous name) as debtor and which are filed in the offices of the their respective jurisdictions of organization and any other provinces as reasonably requested by such Persons and (y) evidence of the submission for registration of the Security Documents described in Schedule 5A(2)(ii) with respect to personal property in such jurisdictions as Prudential and the holders of Notes may require; and

(iii) by February 28, 2006, Prudential and the holders of Notes shall have received evidence of the submission for registration of the Security Documents described in Schedule 5A(2)(iii) with respect to Real property in such jurisdictions as Prudential and the holders of Notes may require.

5A(3) Opinions of Counsel. Each of Prudential and the holders of Notes shall receive:

(i) By February 1, 2006, from (a) Stikeman Elliott LLP, special counsel to the members of the Obligor Group; (b) Taylor McCaffrey LLP, special counsel to KIP LP and (c) Stewart McKelvey Stirling Scales LLP, special counsel to KIT LP, favorable opinions, satisfactory to Prudential and the holders of Notes as to such other matters as such holder may reasonably request. Each of the Obligors hereby directs each such counsel to deliver such opinion, agrees that the execution and delivery of the Security Documents will constitute a reconfirmation of such direction, and understands and agrees that each holder of Notes receiving such an opinion will and is hereby authorized to rely on such opinion; and

(ii) by February 1, 2006, from Gowling Lafleur Henderson LLP, a favorable opinion satisfactory to Prudential and the holders of Notes as to such matters incident to the matters herein contemplated as such Persons may reasonably request.

5A(4) Fund and Operating Trust Guarantees. Each of Prudential and the holders of Notes shall receive by February 1, 2006, a limited recourse guarantee and pledge agreement from each of the Fund and the Operating Trust in favor of the holders from time to time of the Notes, substantively in the form of Exhibit D-3 attached hereto (collectively, the "**Limited Recourse Guarantees**").

5A(5) Schedule A to Non-Compete Agreement. By February 1, 2006, John Bitove shall deliver the completed Schedule A to the Non-compete Agreement.

5B. Intercreditor Agreement. Prior to members of the Obligor Group entering into the Bank Credit Agreement with the Bank Lenders, each holder of Notes shall have received a copy of the intercreditor agreement, duly executed and delivered by the party or parties thereto and in form and substance satisfactory to such holder, the (the "**Intercreditor Agreement**").

5C. Financial Statements. The Obligors covenant that they will deliver to each holder of any Notes in triplicate:

(i) as soon as practicable and in any event within 45 days after the end of each quarterly period in each Fiscal Year, consolidated statements of income, cash flows and unitholders' equity of the Fund and its Subsidiaries for the period from the beginning of the current Fiscal Year to the end of such quarterly period, and a consolidated balance sheet of the Fund and its Subsidiaries as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding Fiscal Year, all in reasonable detail and certified by an authorized financial officer of the Fund, subject to changes resulting from year-end adjustments; and

(ii) as soon as practicable and in any event within 45 days after the end of each quarterly period in each Fiscal Year, consolidated statements of income, cash flows and unitholders' equity of KIT LP and its Subsidiaries for the period from the beginning of the current Fiscal Year to the end of such quarterly period, and a consolidated balance sheet of KIT LP and its Subsidiaries as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding Fiscal Year, all in reasonable detail and certified by an authorized financial officer of KIT LP, subject to changes resulting from year-end adjustments; and

(iii) as soon as practicable and in any event within 90 days after the end of each Fiscal Year, consolidated statements of income, cash flows and unitholders' equity of the Fund and its Subsidiaries for such year, and a consolidated balance sheet of the Fund and its Subsidiaries as at the end of such year, setting forth in each case in comparative form corresponding consolidated figures from the preceding annual audit, all in reasonable detail and satisfactory in form to the Required Holder(s) and reported on by independent public accountants of recognized national standing selected by the Fund whose report shall be without limitation as to scope of the audit and satisfactory in substance to the Required Holder(s).

5D. Notice of Defaults. Together with each delivery of financial statements required by clauses (i) through (iii) above, KIT Inc. will and will ensure that KIT LP delivers to each holder of any Notes, an Officer's Certificate demonstrating (with computations in reasonable detail) compliance by each of KIT LP and KIT Inc. with the provisions of paragraphs 6F and 6H and stating that there exists no Event of Default or Default, or, if any Event of Default or Default exists, specifying the nature and period of existence thereof and what action KIT LP or KIT Inc. proposes to take with respect thereto. Together with each delivery of financial statements required by clause (iii) above, KIT LP or KIT Inc., as applicable, will deliver to each holder of any Notes, a certificate of such accountants stating that, in making the audit necessary for their report on such financial statements, they have obtained no knowledge of any Event of Default or Default, or, if they have obtained knowledge of any Event of Default or Default, specifying the nature and period of existence thereof. Such accountants, however, shall not be liable to anyone by reason of their failure to obtain knowledge of any Event of Default or Default which would not be disclosed in the course of an audit conducted in accordance with generally accepted auditing standards. Kit Inc. will and will ensure that KIT LP will also deliver to each holder of any Notes:

(i) promptly upon the transmission thereof, (a) copies of all such financial statements, proxy statements, notices and reports of any members of the Obligor Group sent to their public stockholders and copies of all registration statements (without exhibits) and all reports which any member of the Obligor Group files with SEDAR (or any governmental body or agency succeeding to the functions of SEDAR) and (b) copies of any documents and information furnished to any other government agency (except in the ordinary course of business), including the Canada Revenue Agency;

(ii) promptly upon receipt thereof, a copy of each other report submitted to any member of the Obligor Group by independent accountants in connection with any annual, interim or special audit made by them of the books of such member of the Obligor Group;

(iii) with reasonable promptness, such other financial data as such holder may reasonably request;

(iv) promptly, a copy of any amendment or waiver of any provision of any agreement or instrument referred to in paragraph 6K;

(v) not later than the time furnished to any Person, a copy of any certificate or notice given by any member of the Obligor Group to the agent for the Bank Lenders under the Bank Credit Agreement) and/or the Bank Lenders, or received by any member of the Obligor Group from the agent for the Bank Lenders or any Bank Lender in connection with the Bank Credit Agreement; and

(vi) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of each member of the Obligor Group, or compliance with the terms of this Agreement, the Notes or the other Transaction Documents, as Prudential or any holder of Notes may reasonably request.

5E. Employee Benefit Matters. Promptly and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that any member of the Obligor Group or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by such member or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by such member or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of such member or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect; or

(iv) receipt of notice of the imposition of a Material financial penalty (which for this purpose shall mean any tax, penalty or other liability, whether by way of indemnity or otherwise) with respect to one or more Non-U.S. Plans.

5F. Information Required by Rule 144A. Each Obligor covenants that it will, upon the request of the holder of any Note, provide such holder, and any qualified institutional buyer designated by such holder, such financial and other information as such holder may reasonably determine to be necessary in order to permit compliance with the information requirements of Rule 144A under the Securities Act in connection with the resale of Notes, except at such times as the Company is subject to and in compliance with the reporting requirements of section 13 or 15(d) of the Exchange Act. For the purpose of this paragraph 5F, the term "**qualified institutional buyer**" shall have the meaning specified in Rule 144A under the Securities Act.

5G. Other Information. The Obligors covenant that they will deliver to each Significant Holder:

5G(1) Notice of Default or Event of Default -- promptly, and in any event within five (5) Business Days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or under any of the Franchise Agreements or that any Person has given any notice or taken any action with respect to a claimed default of the type described in paragraph 7A(iii) of this Agreement, a written notice specifying the nature and period of existence thereof and what actions the members of the Obligor Group are taking or propose to take with respect thereto;

5G(2) Actions, Proceedings -- promptly after the commencement thereof, written notice of the filing or commencement of any action, suit or proceeding by or before any Governmental Authority or arbitration board or tribunal against or affecting any member of the Obligor Group or any Affiliate thereof that could reasonably be expected to result in a Material Adverse Effect;

5G(3) Material Adverse Effect -- prompt written notice of any other development that results in, or could reasonably be expected to result in a Material Adverse Effect.

5G(4) Information Furnished to Other Lenders -- not later than the time furnished to any lender (other than a holder of Notes) from any member of the Obligor Group, copies of each report, statement, document, notice or other item furnished to such

other lender in respect of any member of the Obligor Group pursuant to any instrument, agreement or other document related to any other Indebtedness of any member of the Obligor Group and, promptly following the effectiveness thereof, a copy of each amendment of, supplement to or waiver with respect to any such instrument, agreement or other document.

Each notice delivered under this paragraph shall be accompanied by a statement of a Responsible Officer or other executive officer of the Obligors setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

5H. Compliance with Law.

(i) Without limiting paragraph 6O, the Obligors will, and will cause the other members of the Obligor Group, to comply with all laws, ordinances or governmental rules or regulations to which each such Person is subject, including ERISA, the USA Patriot Act and Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of each such Person's properties or to the conduct of its businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(ii) Without limiting the preceding paragraph, the Obligors will, and will cause the other members of the Obligor Group, to (a) comply in all material respects with, and use reasonable best efforts to ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws; and (b) conduct and complete (or cause to be conducted and completed) all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and in a timely fashion comply in all material respects with all lawful orders and directives of all governmental authorities regarding Environmental Laws except to the extent that the failure to do the same or the same are being contested in good faith by appropriate proceedings and the pendency of such proceedings, in either case, could not be reasonably expected to have a Material Adverse Effect.

5I. Insurance. The Obligors will, and will cause the other members of the Obligor Group to, maintain, with financially sound and reputable insurers, insurance with respect to its respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

5J. Maintenance of Properties. The Obligors will, and will cause the other members of the Obligor Group, to maintain and keep, or cause to be maintained and kept, its

respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, *provided* that this paragraph shall not prevent any member of the Obligor Group from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and such member of the Obligor Group has concluded that such discontinuance could not reasonably be expected to result in a Material Adverse Effect.

5K. Payment of Taxes and Claims. The Obligors will, and will cause the other members of the Obligor Group, to file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on it or any of its properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of any member of the Obligor Group, *provided* that any member of the Obligor Group need not pay any such tax or assessment or claims if (i) the amount, applicability or validity thereof is contested by such member of the Obligor Group on a timely basis in good faith and in appropriate proceedings, and such member of the Obligor Group has established adequate reserves therefor in accordance with GAAP on such member's books or (ii) the nonpayment of all such taxes, assessments and claims in the aggregate could not reasonably be expected to result in a Material Adverse Effect.

5L. Corporate Existence, Etc. The Obligors will, and will cause the other members of the Obligor Group, to do or cause to be done all things necessary to preserve, renew and keep in full force and effect their legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of each of their respective businesses; *provided* that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under paragraph 6B.

5M. Books and Records; Inspection.

5M(1) The Obligors will, and will cause the other members of the Obligor Group, to keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to their business and activities. The Obligors will, and will cause the other members of the Obligor Group, to permit any holder of Notes designated in writing, at such holder's expense if no Default or Event of Default exists, and at the Company's expense if a Default or Event of Default does exist, to visit and inspect any of the properties of the members of the Obligor Group, to examine the corporate books and financial records of the members of the Obligor Group and make copies thereof or extracts therefrom, to discuss the affairs, finances and accounts of any of such corporations with the principal officers of the members of the Obligor Group and their independent public accountants and to verify the status of any Collateral, all at such reasonable times and as often as such holder may reasonably request.

5M(2) Limitation on Disclosure Obligation. The Obligors will not be required, and will not be required to cause the other members of the Obligor Group, to disclose the following information pursuant to paragraph 5M(1):

(i) information that any member of the Obligor Group determines after consultation with counsel qualified to advise on such matters that, notwithstanding the confidentiality requirements of paragraph 13, it would be prohibited from disclosing by applicable law or regulations without making public disclosure thereof; or

(ii) information that, notwithstanding the confidentiality requirements of paragraph 13, any member of the Obligor Group is prohibited from disclosing by the terms of an obligation of confidentiality contained in any agreement with any non-Affiliate binding upon the such member of the Obligor Group and not entered into in contemplation of this clause (ii), *provided* that such member of the Obligor Group shall use commercially reasonable efforts to obtain consent from the party in whose favor the obligation of confidentially was made to permit the disclosure of the relevant information and *provided further* that such member of the Obligor Group has received a written opinion of counsel confirming that disclosure of such information without consent from such other contractual party would constitute a breach of such agreement.

5N. Covenant to Guarantee Notes Equally. The Obligors covenant that if any Person Guarantees in any manner any Indebtedness of the members of the Obligor Group, they will simultaneously cause such Person to Guarantee the Notes equally and ratably with all Indebtedness Guaranteed by such Person for so long as such Indebtedness is Guaranteed and pursuant to documentation in form and substance reasonably satisfactory to the Required Holders.

5O. Subsidiary Guarantees; Security Documents. If any Person after the Effective Date becomes (whether upon its formation, by acquisition of stock or other interests therein or otherwise) a Subsidiary of a member of the Obligor Group (a "**New Subsidiary**"), such member of the Obligor Group will, not later than 10 days after such Person becomes a New Subsidiary cause such New Subsidiary (i) to become a Subsidiary Guarantor by entering into a Subsidiary Guarantee in favor of the holders from time to time of the Notes, in the form of Exhibit D-4 attached hereto (as amended, restated or supplemented from time to time, collectively, the "**Subsidiary Guarantees**") and (ii) delivering to the Collateral Agent, not later than 10 days after such Person becomes a New Subsidiary, security of the nature contemplated by paragraph 5A(1) with respect to such Person, together with related corporate documentation and legal opinions in form and substance satisfactory to the Required Holders.

5P. After Acquired Real Estate or Leasehold Interests.

Upon the acquisition by any member of the Obligor Group after the date hereof of any interest in any Real Property (wherever located) (each such interest being an "**After Acquired Property**"), such member shall immediately so notify the Collateral Agent and each holder of Notes, setting forth with specificity a description of the interest acquired and the location of such Real Property. The Required Holders shall notify such member of the Obligor Group whether it intends to require a Mortgage of any owned Real Property in the form previously delivered to the Collateral Agent. Upon receipt of such notice requesting a Mortgage in respect of owned Real Property or in connection with any leased Real Property to comply with the provisions or

paragraph 6Q, such member of the Obligor Group which has acquired such After Acquired Property shall furnish to the Collateral Agent (with copies to each holder of Notes) as soon as practicable thereafter, the following, each in form and substance satisfactory to the Collateral Agent: (i) to the extent not previously delivered to the Collateral Agent, a Mortgage with respect to such Real Property, duly executed by such member and in recordable form; (ii) evidence of the recording of the Mortgage referred to in clause (i) above in such office or offices as may be necessary or, in the opinion of the Collateral Agent or any holder of Notes, desirable, or such other actions as are necessary to, create and perfect a valid and enforceable first-priority Lien (subject to Permitted Encumbrances) on the property purported to be covered thereby in favor of the Collateral Agent, or to otherwise protect the rights of the Collateral Agent and the holders of Notes thereunder. The Obligors shall provide a landlord waiver, in substantially the form of the Landlord Waiver, with respect to any Real Property leased by an Obligor from the Principal Landlords. The Issuers shall pay all fees and expenses, including reasonable attorneys' fees and expenses, and all title insurance charges and premiums, incurred in complying with this paragraph 5P.

5Q. Further Assurances. The Obligors will, and will cause the other members of the Obligor Group, to execute any and all further documents, financing statements, agreements and instruments, and take all further action that may be required under applicable law, or that the Required Holders may reasonably request, in order to effectuate the transactions contemplated by the Transaction Documents and in order to grant, preserve, protect and perfect the validity and first priority (subject to Permitted Liens) of the security interests created or intended to be created by the Security Documents, it being understood that it is the intent of the parties that the Indebtedness owing hereunder and under the Notes shall be secured by, among other things, all the interests of the members of the Obligor Group in each Subsidiary, including any such interests acquired subsequent to the Effective Date. Such security interests and Liens will be created under the Security Documents in form and substance satisfactory to the Required Holders, and the Obligors will, and will cause the other members of the Obligor Group, to deliver or cause to be delivered to the holders of the Notes all such instruments and documents (including legal opinions in substantially the forms of Exhibit E-1 and Exhibit E-2, respectively, and lien searches) as the Required Holders shall reasonably request to evidence compliance with this paragraph 5Q.

5R. Maintain Credit Line. The Obligors will, and will cause certain members of the Obligor Group, to establish within twelve months of the Effective Date, the Bank Credit Agreement, and thereafter to maintain at all times credit facilities aggregating at least C$10,000,000.

5S. Pari Passu. Each of the Obligors covenants that it will, and will cause the other members of the Obligor Group, to ensure that the obligations under this Agreement and the Notes, do and will rank at least pari passu in right of payment with all such member's present and future senior secured Indebtedness.

6. NEGATIVE COVENANTS.

During the Issuance Period and so long thereafter as any Note or other amount due hereunder is outstanding and unpaid, each Obligor covenants as follows:

6A. Transactions with Affiliates. The Obligors will not, and will not allow the other members of the Obligor Group to, enter into, directly or indirectly, any transaction or Material group of related transactions (including the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than a member of the Obligor Group or a Wholly-Owned Subsidiary), except in the ordinary course and pursuant to the reasonable requirements of such member of the Obligor Group's business and upon fair and reasonable terms no less favorable to such member of the Obligor Group or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

6B. Merger, Consolidation, Etc.

6B(1) The Company will not consolidate with or merge with any other corporation or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person unless:

(i) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease substantially all of the assets of the Company (the "**Successor Corporation**"), shall be a solvent corporation organized and existing under the laws of a state of the United States of America (including, the District of Columbia) or Canada, or a province or territory of Canada, or with a majority of its assets and business located in the United States of America or Canada, and if the Company is not the Successor Corporation (x) such Successor Corporation shall have executed and delivered to each holder of Notes its assumption of the due and punctual performance and observance of each covenant and condition of each Transaction Document to which the Company is a party, and (y) shall have caused to be delivered to each holder of Notes an opinion of nationally recognized independent counsel, or other independent counsel reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof;

(ii) immediately prior to such transaction and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing; and

(iii) the Net Worth of the surviving Person (or any Successor Corporation pursuant to paragraph 6B(1)(i)) is at least as great as the Net Worth of the Company immediately prior to such merger or consolidation.

6B(2) The Obligors will not allow the other members of the Obligor Group to consolidate with or merge with any other corporation or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person unless:

(i) such merger, consolidation, conveyance, transfer or lease is with or to another Obligor or to a Wholly-Owned Subsidiary organized and existing under the laws of the United States of America or Canada, or a province or territory of Canada;

(ii) immediately prior to such transaction and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing; and

(iii) in the case of a merger or consolidation involving KIT LP, the Unitholder's Equity of KIT LP following the merger or consolidation is no less than the Unitholder's Equity of KIT LP immediately prior to such merger or consolidation.

No such conveyance, transfer or lease of substantially all of the assets of any member of the Obligor Group shall have the effect of releasing such member of the Obligor Group or any Successor Corporation that shall theretofore have become such in the manner prescribed in this paragraph 6B from its liability under this Agreement, the Notes or the other Transaction Documents to which it is a party.

6C. Liens. The Obligors will not, and will not allow the other members of the Obligor Group to, incur, assume or suffer to exist any Lien upon any of its assets now or hereafter owned, or upon the income or profits thereof, other than Permitted Liens. In any case wherein any such assets are subjected or become subject to a Lien in violation of this paragraph 6C, the Obligors will and will cause the other members of the Obligor Group, to make or cause to be made provision whereby the Notes will be secured equally and ratably with all obligations secured by such Lien, and in any case the Notes shall have the benefit, to the full extent that, and with such priority as the holders of Notes may be entitled under applicable law, of an equitable Lien on such assets; *provided, however*, that any Lien created, incurred or suffered to exist in violation of this paragraph 6C shall constitute an Event of Default hereunder, whether or not any such provision is made for an equal and ratable Lien pursuant to this paragraph 6C. In no event shall a Lien be granted by any member of the Obligor Group in respect of any of their respective property to or for the benefit of any of the Bank Lenders, unless concurrently therewith a Lien of equal priority (and on the same property) is granted to, or for the benefit of, the holders of the Notes and such Liens are subject to the Intercreditor Agreement.

6D. Limitations on Indebtedness. The Obligors will not, and will not allow the other members of the Obligor Group to, directly or indirectly, create, incur, assume or permit to exist any Indebtedness, except:

(i) Indebtedness created hereunder or under the other Transaction Documents;

(ii) Indebtedness of any member of the Obligor Group owed to the Company, KIT Inc., KIT LP or a Wholly-Owned Subsidiary; and

(iii) to the extent not included above in this paragraph 6D, other Indebtedness (including Indebtedness pursuant to the Bank Credit Documents) incurred by any member of the Obligor Group (for so long as such Person is an Obligor or Subsidiary Guarantor) in an aggregate amount (for all such Persons) not to exceed at any time C$40,000,000, *provided, however* that at no time will any member of the Obligor Group enter into a Swap Agreement.

6E. Restrictive Agreements. The Obligors will not, and will not allow the other members of the Obligor Group to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon the ability of any member of the Obligor Group, (i) to create, incur or permit to exist any Lien upon any of its property or assets or revenues, whether now or hereafter acquired, (ii) to pay dividends or make other distributions to any member of the Obligor Group with respect to any shares of its Capital Stock, (iii) to pay any Indebtedness owed to any member of the Obligor Group, (iv) to make or permit to exist loans or advances to any member of the Obligor Group, (v) make any payments to the holders of the Notes, or provide security or perform or observe any of its other covenants and agreements, as and when required hereunder; or (vi) to sell transfer, lease or otherwise dispose of any of its properties or assets to any member of the Obligor Group; *provided* that (x) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement or (except, in the case of clause (v)) the Bank Credit Agreement *provided* that no such restriction shall directly or indirectly restrict the ability of the Company to perform its obligations hereunder or under the Notes, and (y) such member of the Obligor Group may enter into such an agreement in connection with any Permitted Lien, so long as such prohibition or limitation is by its terms effective only against the property, assets or revenues subject to such Permitted Lien.

6F. Limitation on Restricted Payments. The Obligors will not, and will not allow the other members of the Obligor Group, to make or declare any Restricted Payments (other than any such payments to any other member of the Obligor Group); *provided* that members of the Obligor Group may make Restricted Payments to the Fund and the Trust to the extent of Distributable Cash so long as:

(i) no Default or Event of Default exists before or as a result of any such Restricted Payment; and

(ii) if such payment is made on or after November 12, 2006, the Obligor Group (or any member thereof) shall have credit facilities aggregating at least C$10,000,000 in place, on the date any such Restricted Payment is to be made which credit facilities do not terminate within 60 days of such date, *provided*, that (i) with respect to the period prior to November 12, 2006 through January 11, 2007, the Obligor Group (or any member thereof) shall have satisfied this provision if any member of the Obligor Group shall have received an executed commitment letter in respect of entering into the Bank Credit Agreement and (ii) with respect to any other period thereafter, if any of such credit facilities (including the applicable Bank Credit Agreement) expire within such 60 day period, members of the Obligor Group may make such payment if any member of the Obligor Group has received an executed commitment letter in respect of replacement credit facilities for an aggregate amount at least equal to the amount of the credit facilities that are expiring and that provides for a closing not later than the date such expiring credit facilities terminate.

6G. Sale of Assets. The Obligors will not, and will not allow the other members of the Obligor Group to, directly or indirectly, in a single transaction or a series of transactions, sell, lease, transfer, abandon or otherwise dispose of, or suffer to be sold, leased, transferred,

abandoned or otherwise disposed of (collectively, "**Transfer**"), any assets of any member of the Obligor Group except:

(i) any member of the Obligor Group may Transfer its assets in the ordinary course of business (including the disposal of obsolete or worn out assets not used or useful in such Person's business);

(ii) any member of the Obligor Group may Transfer its assets to any other member of the Obligor Group or any Subsidiary Guarantor;

(iii) any member of the Obligor Group may transfer all or substantially all of its assets as permitted by paragraph 6B;

(iv) any member of the Obligor Group may Transfer its assets involved in the sale of the properties described on Schedule 1 attached hereto; *provided* that, in the case of this paragraph (iv), the proceeds of such sales are reinvested within 180 days in similar assets which are subject to the Lien securing the Notes, the KIT Guarantees and the Subsidiary Guarantees; and

(v) any member of the Obligor Group may Transfer its assets in excess of the limitations set forth above (such assets collectively the "**Excess Assets**") only if the aggregate value of the proceeds of all such sales of Excess Assets does not exceed (a) in any Fiscal Year, 5% of the net book value Tangible Assets (determined as of end of the fiscal quarter ended immediately prior to such Transfer), and if the proceeds of Excess Assets are used to purchase other property of a similar nature (such property the "**Excess Replacement Assets**") within 180 days (before or after disposition) which are subject to the Lien securing the Notes, the KIT Guarantees and the Subsidiary Guarantees or (b) 15% of the net book value Tangible Assets over the life of the Notes (determined at any time by aggregating the dollar value of all the proceeds of Transfers as of such time including any proceeds of Excess Assets not reinvested in Excess Replacement Assets at such time, as a percentage of net book value Tangible Assets as of the end of the fiscal quarter ended immediately prior to such Transfer).

6H. Financial Covenants.

6H(1) Total Fixed Charge Coverage Ratio. KIT Inc. will not permit for any period of four consecutive fiscal quarters of KIT LP, the ratio of (a) the difference of (i) EBITDAR for such period minus (ii) Capital Expenditures of KIT LP and its Subsidiaries for such period to (b) the sum of (i) Interest Expense for such period plus (ii) required principal payments of Indebtedness made or required to be made by KIT LP or its Subsidiaries on a consolidated basis during such period plus (iii) Operating Rentals for such period to be less than 1.25 to 1.00.

6H(2) Total Indebtedness to EBITDA. KIT Inc. will not at any time, permit the ratio of (a) the sum of (i) Total Indebtedness plus (ii) the amount equal to eight (8)

times Operating Rentals for the four consecutive fiscal quarters most recently ended at such time to (b) EBITDAR for such period to be greater than 4.75 to 1.00.

6H(3) Minimum Cash Flow. KIT Inc. will not permit as of the last day of the fiscal quarter ending on (or closest to) each date below, the combined cash flow from the operations of KIT LP and its Subsidiaries for the period of the four consecutive fiscal quarters most recently ended at such time, determined in accordance with GAAP, minus (i) Capital Expenditures of KIT LP and its Subsidiaries, (ii) acquisition expenditures of KIT LP and its Subsidiaries and (iii) Restricted Payments permitted by paragraph 6F, in each case for such fiscal quarters, to be less than the following amounts for each of the following quarters:

Fiscal Quarter Ending Dates	Amount
December 31, 2005	(C$31,000,000)
March 31, 2006	(C$34,000,000)
June 30, 2006	(C$30,000,000)
September 30, 2006	(C$23,000,000)
December 31, 2006	(C$10,000,000)
March 31, 2007	(C$5,000,000)
June 30, 2007	(C$5,000,000)
September 30, 2007	(C$5,000,000)
December 31, 2007	(C$5,000,000)
March 31, 2008	(C$5,000,000)
June 30, 2008	(C$2,000,000)
September 30, 2008	(C$2,000,000)
December 31, 2008	(C$2,000,000)
March 31, 2009	C$0
June 30, 2009 and the last day of each fiscal quarter thereafter	C$1,000

6H(4) Two-Quarter Cash Flow. KIT Inc. will not permit as of the last day of the fiscal quarter ending on (or closest to) each date below, combined cash flow from operations of KIT LP and its Subsidiaries for the period of the two consecutive fiscal quarters most recently ended at such time, determined in accordance with GAAP, to be less than the following amounts for each of the following quarters.

Fiscal Quarter Ending Dates	Amount
December 31, 2005	C$20,000,000
March 31, 2006	C$14,000,000
June 30, 2006	C$12,500,000
September 30, 2006	C$24,000,000
December 31, 2006	C$28,000,000
March 31, 2007	C$17,500,000
June 30, 2007	C$12,000,000
September 30, 2007	C$20,000,000
December 31, 2007	C$25,000,000

Fiscal Quarter Ending Dates	Amount
March 31, 2008	C$20,000,000
June 30, 2008	C$15,000,000
September 30, 2008	C$20,000,000
December 31, 2008	C$25,000,000
March 31, 2009	C$20,000,000
June 30, 2009	C$15,000,000
September 30, 2009	C$20,000,000
December 31, 2009	C$25,000,000
March 31, 2010	C$20,000,000
June 30, 2010	C$15,000,000
September 30, 2010	C$20,000,000
December 31, 2010	C$25,000,000

6H(5) Quarterly Cash Flow. KIT Inc. will not permit as of the last day of the fiscal quarter ending on (or closest to) each date below, the combined cash flow from the operations of KIT LP and its Subsidiaries for the fiscal quarter most recently ended at such time, determined in accordance with GAAP, to be less than the following amounts for each of the following quarters:

Fiscal Quarter Ending Dates	Amount
December 31, 2005	C$10,000,000
March 31, 2006	C$1,000,000
June 30, 2006	C$5,000,000
September 30, 2006	C$10,000,000
December 31, 2006	C$10,000,000
March 31, 2007	C$5,000,000
June 30, 2007	C$5,000,000
September 30, 2007	C$10,000,000
December 31, 2007	C$10,000,000
March 31, 2008	C$5,000,000
June 30, 2008	C$5,000,000
September 30, 2008	C$10,000,000
December 31, 2008	C$10,000,000
March 31, 2009	C$5,000,000
June 30, 2009	C$10,000,000
September 30, 2009	C$10,000,000
December 31, 2009	C$10,000,000
March 31, 2010	C$5,000,000
June 30, 2010	C$10,000,000
September 30, 2010	C$10,000,000
December 31, 2010	C$10,000,000

6H(6) Leverage Ratio. The Obligors will not at any time, permit the ratio of Total Indebtedness at such time to EBITDA for the four consecutive fiscal quarters most recently ended at such time to be greater than 2.50 to 1.00.

6H(7) Minimum Unitholder's Equity. The Obligors will not, at any time, permit Unitholder's Equity to be less than C$200,000,000.

6I. Limitation on Investments. The Obligors will not, and will not allow the other members of the Obligor Group, to purchase, hold or acquire (including pursuant to any merger) any Capital Stock, evidences of Indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee (except pursuant to this Agreement or the Bank Credit Agreement) any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except that, so long as no Default or Event of Default is continuing or would be created thereby, KIT LP and KIT Inc. and its Subsidiaries may:

(i) hold equity interests in any other member of the Obligor Group;

(ii) purchase, hold or acquire Indebtedness pursuant to paragraph 6D;

(iii) make investments in Cash Equivalents, *provided* that the same are subject to the first priority security interest in the Collateral described in the Security Documents;

(iv) acquire additional KFC, Pizza Hut, Taco Bell and Long John Silver outlets pursuant to a Franchise Agreement (whether by way of the acquisition of the shares of a Subsidiary or the acquisition of the property comprising such outlets) so long as the acquisition price of each such outlet (or group of outlets) is in the aggregate amount of not more than C$5,000,000 in any Fiscal Year; and

(v) acquire additional KFC, Pizza Hut, Taco Bell and Long John Silver outlets pursuant to a Franchise Agreement (whether by way of the acquisition of the shares of a Subsidiary or the acquisition of the property comprising such outlets) so long as the acquisition price of any such outlet (or group of outlets) is paid in units of the Fund and/or cash and units of the Fund *provided* any cash component does not exceed the limit set forth in paragraph 6I(iii).

6J. Sale and Leaseback. The Obligors will not, and will not allow the other members of the Obligor Group, to enter into any arrangement with any Person providing for the leasing by any member of the Obligor Group, in each case, as lessee, of property which has been or is to be sold or transferred by such member to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or the lease obligation of such member.

6K. Most Favored Lender Status.

(i) If at any time after the Effective Date, the Bank Credit Agreement or any other agreement for Indebtedness for borrowed money to which any member of the Obligor Group is a party shall include any financial covenant, undertaking, default or other provision (or any thereof shall be amended or otherwise modified) that requires such member to achieve or not exceed specified measures of financial performance or financial condition, or restricts the ability of such member to merge, make acquisitions or other investments, pay dividends or buy back stock, incur Indebtedness, engage in any other transaction or corporate action or grant a lien on any or all of its property or otherwise grant collateral security (whether stated as an affirmative or negative covenant, an event of default or otherwise), and such covenant, undertaking, default or other provision is not contained in this Agreement and would be more beneficial to the holders of Notes than any analogous provision contained in this Agreement after giving effect to the provisions of paragraphs 5 and 6 hereof (together with the definitions of defined terms used therein, each an "**Additional Covenant**" and, collectively, the "**Additional Covenants**"), then the Company shall provide a notice to the holders of the Notes in respect of each such Additional Covenant. Immediately upon any member of the Obligor Group entering into any Additional Covenant, unless rejected by written notice to the Company within thirty days of such holders' receipt of such notice, such Additional Covenant shall be automatically deemed incorporated by reference into this Agreement, mutatis mutandis, as if set forth fully herein, effective as of the date when such Additional Covenant shall have become effective under the Bank Credit Agreement or such other Indebtedness agreement. Thereafter, upon the request of any holder of a Note, the Company shall enter into any additional agreement or amendment to this Agreement reasonably requested by such holder evidencing such incorporation.

(ii) Any amendment, waiver or other action by any party to the Bank Credit Agreement or any other agreement for Indebtedness for borrowed money with respect to any Additional Covenant which has been incorporated herein by reference (an "**Incorporated Provision**") shall be ineffective as to such Incorporated Provision unless such Incorporated Provision is amended or waived in accordance with the provisions of paragraph 14C hereof and then only to the extent of such amendment or waiver.

(iii) Upon the request of any holder of Notes or the Company, the holders of Notes and the Company shall enter into any additional agreement or amendment to this Agreement setting forth the Incorporated Provisions at length, mutatis mutandis.

6L. Line of Business. The Obligors will not, and will not allow the other members of the Obligor Group, to engage in any business if, as a result, the general nature of the business in which KIT Inc., its Subsidiaries and KIT LP, taken as a whole, would then be engaged would be substantially changed from the general nature of the business in which KIT Inc., its Subsidiaries and KIT LP, taken as a whole, are engaged on the Effective Date of this Agreement.

6M. Limitation on Business. Notwithstanding anything herein to the contrary, the Company will not engage in any business other than being a financing investment vehicle for KIT LP, the Fund and the Operating Trust and their Subsidiaries.

6N. Sale of Receivables. The Obligors will not, and will not allow the other members of the Obligor Group, to discount, pledge, sell with recourse, or otherwise sell or transfer any of its notes receivable or accounts receivable except receivables pledged or sold pursuant to banker's acceptance or trade letters of credit issued under the Bank Credit Agreement.

6O. Terrorism Sanctions Regulations. The Obligors will not, and will not allow the other members of the Obligor Group, to (i) become a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti Terrorism Order or (ii) engage in any dealings or transactions with any such Person.

6P. Deposit Accounts. From and after February 28, 2006, the Obligors shall not maintain any deposit accounts with any financial institution which has not entered into an account control agreement with the Collateral Agent, such account control agreement to be in form and substance reasonably satisfactory to the Required Holders.

6Q. Leases with Principal Landlords. The Obligors will not, and will not allow other members of the Obligor Group to (i) terminate at any time, any Real Property lease with any Principal Landlord identified on Schedule 6Q or (ii) enter into any new lease for Real Property with a Principal Landlord unless the Obligors or such members and such Principal Landlords have complied with the provisions of paragraph 5P.

7. EVENTS OF DEFAULT.

7A. Acceleration. If any of the following events shall occur and be continuing for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise):

(i) the Company defaults in the payment of any principal of, or Yield-Maintenance Amount payable with respect to any Note when the same shall become due, either by the terms thereof or otherwise as herein provided; or

(ii) the Company fails to pay any interest on any Note or any other amount due under this Agreement for a period of five (5) days after such amount becomes due; or

(iii) any member of the Obligor Group defaults (whether as primary obligor or as guarantor or other surety) in any payment of principal of or interest on any other Indebtedness beyond any period of grace provided with respect thereto and which has not been waived by the Person entitled to waive such default, or any member of the Obligor Group Company fails to perform or observe any other agreement, term or condition contained in any agreement under which any such obligation is created (or if any other event thereunder or under any such agreement shall occur and be continuing) and the effect of such failure

or other event is to cause, or to permit the holder or holders of such obligation (or a trustee on behalf of such holder or holders) to cause, such obligation to become due (or to be repurchased by any member of the Obligor Group) prior to any stated maturity and which has not been waived by the Person entitled to waive such default, *provided* that the aggregate amount of all obligations as to which such a payment default shall occur and be continuing and which had not been waived by the Person entitled to waive such default or such a failure or other event causing or permitting acceleration (or resale to any member of the Obligor Group) shall occur and be continuing exceeds at least C$5,000,000 in the aggregate,

(iv) any representation or warranty made by any member of the Obligor Group herein or in any of the other Transaction Documents, or by any member of the Obligor Group or any of their respective officers in any writing furnished in connection with or pursuant to this Agreement or any of the other Transaction Documents shall be false in any material respect on the date as of which made; or

(v) either Obligor fails to perform or observe any agreement contained in paragraph 6; or

(vi) any member of the Obligor Group fails to perform or observe any other agreement, term or condition contained herein or in any of the other Transaction Documents and such failure shall not be remedied within 30 days after any Responsible Officer obtains actual knowledge thereof; or

(vii) any member of the Obligor Group or any of their respective Subsidiaries commits an act of bankruptcy under the Bankruptcy and Insolvency Act (Canada), or institutes proceedings for its winding up, liquidation or dissolution, or takes action to become a voluntary bankrupt, or consents to the filing of a bankruptcy proceeding against it, or files a petition or other proceeding seeking reorganization, readjustment, arrangement, composition or similar relief under any bankruptcy law or insolvency law or consents to the filing of any such petition or other proceeding, or consents to the appointment of a receiver, liquidator, trustee or assignee in bankruptcy or insolvency of the whole or any material part of its property, or makes an assignment for the benefit of creditors, or publicly announces or admits in writing its inability to pay its debts generally as they become due, or suspends all or any substantial part of its usual business (other than as a result of force majeure, strikes, walk-outs or work stoppage due to failure of labor contract negotiations), or any action is taken by members of the Obligor Group or any shareholder or partner of any thereof in furtherance of any of the foregoing; or

(viii) proceedings are instituted in any court of competent jurisdiction by any Person other than the members of the Obligor Group or a shareholder or partner of any thereof for the winding up, liquidation or dissolution of the members of the Obligor Group, or for any reorganization, readjustment,

arrangement, composition or similar relief with respect to any thereof under any bankruptcy law or any other applicable insolvency law, or for the appointment of a receiver, liquidator, trustee or assignee in bankruptcy or insolvency of the whole or any material part of the property of the members of the Obligor Group, and at any time thereafter such proceeding is not contested by the appropriate Person, or if any order sought in any such proceeding is granted and at any time thereafter such order is not either dismissed or contested by the appropriate Person, and the effect thereof remains unstayed and in effect for more than 45 days; or

(ix) if an encumbrance (including without limitation an execution creditor) takes possession of any material portion of the property of the members of the Obligor Group; or

(x) one or more non-appealable judgments of a court of competent jurisdiction shall be rendered against the members of the Obligor Group or any of them for an aggregate amount exceeding C$5,000,000 (in each case exclusive of any amount adequately covered by insurance as to which the insurer has acknowledged coverage) and the Obligors shall fail to discharge such judgment(s) or to obtain a stay of execution within 30 days or the creditor takes action to execute on such judgment; or

(xi) if (a) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (b) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified either Obligor or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (c) the sum of (x) the aggregate "amount of unfunded benefit liabilities" (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, plus (y) the amount (if any) by which the aggregate present value of accrued benefit liabilities under all funded Non-U.S. Plans exceeds the aggregate current value of the assets of such Plans and Non-U.S. Plans allocable to such liabilities, shall exceed US$50,000,000, (d) any member of the Obligor Group or any ERISA Affiliate shall have incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (e) any member of the Obligor Group or any ERISA Affiliate withdraws from any Multiemployer Plan, (f) any member of the Obligor Group establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of such member thereunder, (g) any member of the Obligor Group fails to administer or maintain a Non-U.S. Plan in compliance with the requirements of any and all applicable laws, statutes, rules, regulations or court orders or any Non-U.S. Plan is involuntarily terminated or wound up or (h) any member of the Obligor Group becomes subject to the imposition of a financial penalty (which for this purpose shall mean any tax, penalty or other

liability, whether by way of indemnity or otherwise) with respect to one or more Non-U.S. Plans; and any such event or events described in clauses (a) through (h) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect.; or

(xii) KIT Inc. or KIT LP shall fail to observe or perform in any material respect any covenant, condition or agreement contained in the KIT Guarantees or any Subsidiary shall fail to observe or perform in any material respect any covenant, condition or agreement contained in the Subsidiary Guarantees; or

(xiii) the Security Documents shall, for any reason, be terminated, cease to be in full force and effect or cease to create a valid, perfected, first priority security interest in the Collateral described in the Security Documents subject to Permitted Liens or any party having granted any such security interests (or any successor thereto or representative thereof) shall make any claim or assertion to such effect, or any member of the Obligor Group (or any successor thereto or representative thereof) shall claim or assert that this Agreement, the KIT Guarantees, the Subsidiary Guarantees, the Security Documents or any right or remedy of any holder of Notes hereunder or thereunder shall not be enforceable in accordance with its terms; or

(xiv) any of the other Transaction Documents shall cease for any reason to be in full force and effect or any member of the Obligor Group thereto (other than any holder from time to time of a Note) shall purport to disavow its obligations thereunder, shall declare that it does not have any further obligation thereunder or shall contest the validity or enforceability thereof; or

(xv) a Change in Control shall occur and the Company fails to make an offer to purchase the Notes in accordance with paragraph 4F; or

(xvi) the termination of any Franchise Agreement by the franchisor thereof;

then (a) if such event is an Event of Default specified in clause (i) or (ii) of this paragraph 7A, Prudential may at its option during the continuance of such Event of Default, by notice in writing to the Company, terminate the Facility and/or the holder of any Notes may declare all of the Notes held by such holder to be, and all of the Notes held by such holder shall thereupon be and become, immediately due and payable together with interest accrued thereon and together with the Yield-Maintenance Amount, if any, payable with respect to such Notes, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Company, (b) if such event is an Event of Default specified in clauses (vii), (viii) or (ix) of this paragraph 7A with respect to the Company, the Facility shall automatically terminate and all of the Notes at the time outstanding shall automatically become immediately due and payable together with interest accrued thereon and together with the Yield-Maintenance Amount, if any, with respect to each Note, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Company, and (c) with respect to any other event constituting an Event of Default (but including an Event of Default described in clauses (i) and (ii) of this paragraph 7A), Prudential

may terminate the Facility or the Required Holder(s) of the Notes of any Series may at its or their option during the continuance of such Event of Default, by notice in writing to the Company, terminate the Facility and/or declare all of the Notes of such Series to be, and all of the Notes of such Series shall thereupon be and become, immediately due and payable together with interest accrued thereon and together with the Yield-Maintenance Amount, if any, with respect to each Note of such Series, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Company.

7B. Rescission of Acceleration. At any time after any or all of the Notes of any Series shall have been declared immediately due and payable pursuant to paragraph 7A, the Required Holder(s) of the Notes of such Series may, by notice in writing to the Company, rescind and annul such declaration and its consequences if (i) the Company shall have paid all overdue interest on the Notes of such Series, the principal of and Yield-Maintenance Amount, if any, payable with respect to any Notes of such Series which have become due otherwise than by reason of such declaration, and interest on such overdue interest and overdue principal and Yield-Maintenance Amount at the rate specified in the Notes of such Series, (ii) the Company shall not have paid any amounts which have become due solely by reason of such declaration, (iii) all Events of Default and Defaults, other than non-payment of amounts which have become due solely by reason of such declaration, shall have been cured or waived pursuant to paragraph 14C, and (iv) no judgment or decree shall have been entered for the payment of any amounts due pursuant to the Notes of such Series or this Agreement. No such rescission or annulment shall extend to or affect any subsequent Event of Default or Default or impair any right arising therefrom.

7C. Notice of Acceleration or Rescission. Whenever any Note shall be declared immediately due and payable pursuant to paragraph 7A, the Company shall forthwith give written notice thereof to the holder of each Note of each Series at the time outstanding.

7D. Other Remedies. If any Event of Default shall occur and be continuing, the holder of any Note may proceed to protect and enforce its rights under this Agreement and such Note and the other Transaction Documents by exercising such remedies as are available to such holder in respect thereof under applicable law, either by suit in equity or by action at law, or both, whether for specific performance of any covenant or other agreement contained in this Agreement or any other Transaction Document in aid of the exercise of any power granted in this Agreement. No remedy conferred in this Agreement or any other Transaction Document upon the holder of any Note is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy conferred herein, in any other Transaction Document or now or hereafter existing at law or in equity or by statute or otherwise.

8. REPRESENTATIONS, COVENANTS AND WARRANTIES.

Each of the Obligors represents, covenants and warrants as follows:

8A. Organization. Each Obligor is a corporation duly organized and existing in good standing under the laws of its jurisdiction of organization, each other member of the Obligor Group is duly organized and existing in good standing under the laws of the jurisdiction in which

it is formed, and each member of the Obligor Group has the power to own its respective property and to carry on its respective business as now being conducted.

8B. Financial Statements.

(i) The Obligors have heretofore furnished to Prudential on behalf of itself and the Series A Purchasers (i) a consolidated balance sheet and statements of income, unitholders equity and cash flows of the Fund and its Subsidiaries as of and for the Fiscal Year ended December 31, 2004, reported on by PricewaterhouseCoopers LLP, independent public accountants, and (ii) consolidating balance sheets of the Fund and its Subsidiaries setting forth such information separately for the member of the Obligor Group thereof and related consolidating statements of operations for the Fund and its Subsidiaries setting forth such information separately for each member of the Obligor Group thereof as of and for the Fiscal Year ending December 31, 2004, and including in comparative form the figures for the preceding Fiscal Year, certified by its chief Senior Financial Officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Fund and of its Subsidiaries as of such dates and for such periods in accordance with GAAP.

(ii) Since the date of delivery of either (i) the financial statements referenced in paragraph 8B(i) or (ii) the financial statements referred to in paragraph 5C(iii), whichever is later, there has been no Material Adverse Effect. Except as disclosed on Schedule 8B annexed hereto, the members of the Obligor Group have no liabilities, contingent or otherwise, not disclosed on the financial statements referred to earlier in this subsection (ii) and as of such dates and which are of the type required to be disclosed in accordance with GAAP, other than in respect of liabilities and obligations arising in the ordinary course of business.

8C. Actions Pending. There is no action, suit, investigation or proceeding pending or, to the knowledge of the Obligors, threatened against any member of the Obligor Group, or any properties or rights of such Persons, by or before any court, arbitrator or administrative or governmental body which could reasonably be expected, individually or in the aggregate to result in a Material Adverse Effect.

8D. Outstanding Debt. None of the members of the Obligor Group, has outstanding any Indebtedness except as permitted by paragraphs 6D and 6I. There exists no default(s) or event of default(s) under the provisions of any instrument(s) evidencing such Indebtedness or of any agreement(s) relating thereto.

8E. Title to Properties.

(i) Each member of the Obligor Group has good and marketable title to, or valid leasehold interests in, all its real and personal property material to its business, except for Permitted Liens. No member of the Obligor Group is a party to any contract, agreement, lease or instrument the performance of which, either

unconditionally or upon the happening of any event, will result in or require the creation of a Lien on any of its property or assets (now owned or hereafter acquired), except for agreements, leases or instruments related to Permitted Liens.

(ii) Each member of the Obligor Group owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by such member of the Obligor Group and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

8F. Taxes. Each member of the Obligor Group has timely filed all or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except Taxes (i) the amount of which, in the aggregate, is not Material, or (ii) that are being contested in good faith by appropriate proceedings and for which such member of the Obligor Group has set aside on its books adequate reserves.

8G. Conflicting Agreements and Other Matters. None of the members of the Obligor Group is a party to any contract or agreement or subject to any charter or other corporate restriction, which could reasonably be expected to result in a Material Adverse Effect. Neither the execution nor delivery of this Agreement, the Notes or any other Transaction Document, nor the offering, issuance and sale of the Notes, nor fulfillment of nor compliance with the terms and provisions hereof and of the Notes will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien (other than in favor of the Purchasers, the holders of the Notes and the Collateral Agent), upon any of the properties or assets of the any member of the Obligor Group pursuant to, the charter or by-laws of such Person, any award of any arbitrator or any agreement (including any agreement with stockholders of such Person), instrument, order, judgment, decree, statute, law, rule or regulation to which the Company is subject. None of the members of the Obligor Group is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of such Person, any agreement relating thereto or any other contract or agreement (including its charter or partnership agreement) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of such Person of the type to be evidenced by the Notes, or created by the KIT Guarantees or the Subsidiary Guarantees except for the Bank Credit Documents and except as set forth in the agreements listed in Schedule 8G attached hereto (as such Schedule 8G may have been modified from time to time by written supplements thereto delivered by the Company to Prudential and the Series A Purchasers).

8H. Offering of Notes. Neither the Company nor any agent acting on its behalf has, directly or indirectly, offered the Notes or any similar security of the Company for sale to, or solicited any offers to buy the Notes or any similar security of the Company from, or otherwise approached or negotiated with respect thereto with, any Person other than Prudential Affiliates, and neither the Company nor any agent acting on its behalf has taken or will take any action which would subject the offer, issuance or sale of the Notes to the provisions of Section 5 of the Securities Act or to the registration, qualification or similar provisions of any securities or Blue Sky law of any applicable jurisdiction.

8I. Use of Proceeds. The proceeds of the Notes will be used by the Company to make one or more loans to KIT LP, which funds will be used by KIT LP to refinance existing Indebtedness of KIT LP and to fund Capital Expenditures of KIT LP and its Subsidiaries. None of the proceeds of the sale of any Notes will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any "margin stock" as defined in Regulation U (12 CFR Part 207) of the Board of Governors of the Federal Reserve System (herein called "**margin stock**") or for the purpose of maintaining, reducing or retiring any Indebtedness which was originally incurred to purchase or carry any stock that is currently a margin stock or for any other purpose which might constitute the purchase of such Notes a "purpose credit" within the meaning of such Regulation U. Neither the Obligors nor any agent acting on their behalf has taken or will take any action which might cause this Agreement or the Notes to violate Regulation T, Regulation U or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Exchange Act, in each case as in effect now or as the same may hereafter be in effect. Margin stock does not constitute more than 5% of the value of the combined assets of the members of the Obligor Group, and the members of the Obligor Group do not have any present intention that margin stock will constitute more than 5% of the value of such assets.

8J. ERISA. No accumulated funding deficiency (as defined in section 302 of ERISA and section 412 of the Code), whether or not waived, exists with respect to any Plan (other than a Multiemployer Plan). No liability to the PBGC has been or is expected by the members of the Obligor Group or any ERISA Affiliate to be incurred with respect to any Plan (other than a Multiemployer Plan) by the members of the Obligor Group or any ERISA Affiliate which is or would be materially adverse to the business, property or assets, condition (financial or otherwise) or operations of the Company and its Subsidiaries taken as a whole. None of the members of the Obligor Group, or any ERISA Affiliate has incurred or presently expects to incur any withdrawal liability under Title IV of ERISA with respect to any Multiemployer Plan which is or would be materially adverse to the business, property or assets, condition (financial or otherwise) or operations of the members of the Obligor Group taken as a whole. The execution and delivery of this Agreement and the issuance and sale of the Notes will be exempt from or will not involve any transaction which is subject to the prohibitions of section 406 of ERISA and will not involve any transaction in connection with which a penalty could be imposed under section 502(i) of ERISA or a tax could be imposed pursuant to section 4975 of the Code. The representation by the Obligors in the next preceding sentence is made in reliance upon and subject to the accuracy of the representation of each Purchaser in paragraph 9B as to the source of funds to be used by it to purchase any Notes.

8K. Governmental Consents. Neither the nature of the members of the Obligor Group nor any of their respective businesses or properties, nor any relationship between any member of the Obligor Group and any other Person, nor any circumstance in connection with the offering, issuance, sale or delivery of the Notes or the use of the proceeds thereof is such as to require any authorization, consent, approval, exemption or any action by or notice to or filing with any court or administrative or governmental body (other than making the required routine securities law filings in Canada and payment of nominal fees in connection therewith set forth on Schedule 8K, and the filing of the UCC and similar financing statements or which have not otherwise been made or obtained) in connection with the execution and delivery of this Agreement and the other Transaction Documents, the offering, issuance, sale or delivery of the

Notes or fulfillment of or compliance with the terms and provisions hereof or of any other Transaction Document.

8L. Compliance With Laws. The members of the Obligor Group and all of their respective properties and facilities have complied at all times and in all respects with all foreign, federal, state, local and regional statutes, laws, ordinances and judicial or administrative orders, judgments, rulings and regulations, including without limitation, all Environmental Laws, except, in any such case, where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

8M. Disclosure. Neither this Agreement or any of the other Transaction Documents nor any other document, certificate or statement furnished to any Purchaser by or on behalf of any member of the Obligor Group in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact peculiar to any member of the Obligor Group which could reasonably be expected to result in a Material Adverse Effect and which has not been set forth in this Agreement. The financial projections delivered by KIT Inc. to Prudential and the Series A Purchasers are reasonable on the date delivered based on the good faith assumptions and estimates contained therein believed by KIT Inc. to be reasonable at the time and the best information available to the Obligors, it being recognized by Prudential, the Series A Purchasers and the holders of the Notes that such projections as to future events are not to be viewed as facts and that actual results during the period covered thereby may differ from the projected results or prospects for the business of the Company.

8N. Hostile Tender Offers. None of the proceeds of the sale of any Notes will be used to finance a Hostile Tender Offer.

8O. Investment Company Act. None of the members of the Obligor Group is an "investment company" or a company "controlled" by an "investment company" required to register within the meaning of the Investment Company Act of 1940, as amended.

8P. Foreign Assets Control Regulations, etc.

(i) Neither the sale of the Notes by the Company hereunder nor their use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(ii) No member of the Obligor Group (a) is a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order or (b) knowingly engages in any dealings or transactions with any such Person. The members of the Obligor Group are in compliance, in all material respects, with the USA Patriot Act.

(iii) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any payments to any governmental official or

employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended, assuming in all cases that such Act applies to the Company.

9. REPRESENTATIONS OF THE PURCHASERS.

Each Purchaser represents, covenants and warrants to each of the Obligors as follows:

9A. Nature of Purchase. Such Purchaser represents it is purchasing the Notes purchased by it hereunder for investment for its own account or for one or more separate accounts maintained by it or for the account of one or more pension or trust funds (or commingled pension trust funds) and not with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act, *provided* that the disposition of such Purchaser's property shall at all times be and remain within its control. Each Purchaser understands that the Notes have 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 such circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register any of the Notes. Such Purchaser is an "accredited investor" as contemplated in SEC rule 501 of Regulation D as in effect on the Effective Date or the applicable Closing Day, as applicable.

9B. Source of Funds. At least one of the following statements is an accurate representation as to each source of funds (a "**Source**") to be used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder:

(i) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("**PTE**") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the "**NAIC Annual Statement**")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(ii) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(iii) the Source is either (a) an insurance company pooled separate account, within the meaning of PTE 90-1 or (b) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (iii), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(iv) the Source constitutes assets of an "investment fund" (within the meaning of Part V of PTE 84-14 (the **"QPAM Exemption"**)) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "**control**" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (a) the identity of such QPAM and (b) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this clause (iv); or

(v) the Source constitutes assets of a "plan(s)" (within the meaning of Section IV of PTE 96-23 (the **"INHAM Exemption"**)) managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV of the INHAM exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "control" in Section IV(h) of the INHAM Exemption) owns a 5% or more interest in the Company and (a) the identity of such INHAM and (b) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (v); or

(vi) the Source is a governmental plan; or

(vii) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (vii); or

(viii) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this paragraph 9B, the terms "employee benefit plan," "governmental plan," and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

10. TAX INDEMNIFICATION.

All payments whatsoever under this Agreement and the Notes will be made by the Company in the Original Currency free and clear of, and without liability or withholding or deduction for or on account of, any present or future Taxes of whatever nature imposed or levied by or on behalf of any country or jurisdiction (or any political subdivision or taxing authority of or in such jurisdiction) (hereinafter a "**Taxing Jurisdiction**") other than the United States (or any political subdivision or taxing authority of or in the United States), unless the withholding, deduction or liability for or on account of such Tax is required by applicable law (as modified by applicable administrative practice of the taxation or other authority of any relevant Taxing Jurisdiction).

If any deduction or withholding for any Tax of a Taxing Jurisdiction from or through which payments are made shall at any time be required in respect of any amounts to be paid by the Company under this Agreement or the Notes, the Company agrees to pay to the relevant Governmental Authority of such Taxing Jurisdiction the full amount required to be withheld or deducted before penalties attach thereto or interest accrues thereon. The Company agrees that in such case, or if a holder is otherwise required to pay any Tax of a Taxing Jurisdiction from or through which payments are made in respect of any amounts paid by the Company under this Agreement or the Notes, then the Company shall pay to each holder of a Note such additional amounts (the "**Tax Reimbursement Amount**") as may be necessary in order that the net amounts paid to such holder pursuant to the terms of this Agreement or the Notes after such deduction, withholding or payment of Tax (including, without limitation, any required deduction, withholding or payment of Tax on or with respect to such Tax Reimbursement Amount), shall be not less than the amounts that were due and payable to such holder under the terms of this Agreement or the Notes in the absence of such Tax, *provided* that no payment of any Tax Reimbursement Amount shall be required to be made for or on account of:

(i) any Tax that would not have been imposed but for the existence of any present or former connection between such holder (or (x) a fiduciary, settlor, beneficiary, member of, shareholder of, or possessor of a power over, such holder, if such holder is an estate, trust, partnership or corporation or any Person other than the holder to whom the Notes or any amount payable thereon is attributable for the purposes of such Tax, or (y) a beneficial owner of the Note, in respect of any Note registered in the name of a nominee) and the relevant Taxing Jurisdiction, otherwise than by the mere holding of the relevant Note or the receipt of payments thereunder or in respect thereof, including, without limitation, such holder (or such other Person described in the above parenthetical) being or having been a citizen or resident thereof, being organized therein, or being or having been present or engaged in trade or business therein or having or having had an establishment, office, fixed base or branch therein, *provided* that this exclusion shall not apply with respect to a Tax that would not have been imposed but for the Company, after the date of the Closing, opening an office in, moving

an office to, reincorporating in, or changing the Taxing Jurisdiction from or through which payments on account of this Agreement or the Notes are made to, the Taxing Jurisdiction imposing the relevant Tax;

(ii) any Tax that would not have been imposed but for the delay or failure by such holder (following a written request by the Company) in the filing with the relevant Taxing Jurisdiction of Forms (as defined below) that are required to be filed by such holder to avoid or reduce such Taxes, *provided* that the filing of such Forms would not (in such holder's reasonable judgment) impose any unreasonable burden (in time, resources or otherwise) on such holder or result in any confidential or proprietary income tax return information being revealed, either directly or indirectly, to any Person and such delay or failure could have been lawfully avoided by such holder, and *provided further* that such holder shall be deemed to have satisfied the requirements of this clause (b) upon the good faith completion and submission of such Forms as may be specified in a written request of the Company no later than sixty (60) days after receipt by such holder of such written request (accompanied by copies of such Forms and related instructions, if any, all in the English language or with an English translation thereof); or

(iii) any combination of paragraphs 10(i) and 10(ii);

and *provided further* that in no event shall the Company be obligated to pay such Tax Reimbursement Amount to any holder of a Note (a) not resident in the United States of America or any other jurisdiction in which an original Purchaser is resident for tax purposes on the date of the Effective Date or any Closing Day in excess of the amounts that the Company would be obligated to pay if such holder had been a resident of the United States of America or such other jurisdiction, as applicable, for purposes of, and eligible for the benefits of, any double taxation treaty from time to time in effect between the United States of America or such other jurisdiction and the relevant Taxing Jurisdiction or (b) to any holder of a Note registered in the name of a nominee if under the law of the relevant Taxing Jurisdiction (or the current regulatory interpretation of such law) securities held in the name of a nominee do not qualify for an exemption from the relevant Tax and the Company shall have given timely notice of such law or interpretation to such holder.

By acceptance of any Note, the holder of such Note agrees, subject to the limitations of paragraph 10(ii) above, that it will from time to time with reasonable promptness (x) duly complete and deliver to or as reasonably directed by the Company all such forms, certificates, documents and returns provided to such holder by the Company (collectively, together with instructions for completing the same, "**Forms**") required to be filed by or on behalf of such holder in order to avoid or reduce any such Tax pursuant to the provisions of an applicable statute, regulation or administrative practice of the relevant Taxing Jurisdiction or of a tax treaty between the United States and such Taxing Jurisdiction or other applicable tax treaty and (y) provide the Company with such information with respect to such holder as the Company may reasonably request in order to complete any such Forms, *provided* that nothing in this paragraph 10 shall require any holder to provide information with respect to any such Form or otherwise if in the opinion of such holder such Form or disclosure of information would involve the disclosure of tax return or other information that is confidential or proprietary to such holder, and

provided further that each such holder shall be deemed to have complied with its obligation under this paragraph with respect to any Form if such Form shall have been duly completed and delivered by such holder to the Company or mailed to the appropriate taxing authority, whichever is applicable, within sixty (60) days following a written request of the Company (which request shall be accompanied by copies of such Form and English translations of any such Form not in the English language) and, in the case of a transfer of any Note, at least ninety (90) days prior to the relevant interest payment date.

If any payment is made by the Company to or for the account of the holder of any Note after deduction for or on account of any Taxes, and increased payments are made by the Company pursuant to this paragraph 10, then, if such holder at its sole discretion determines that it has received or been granted a refund of such Taxes, such holder shall, to the extent that it can do so without prejudice to the retention of the amount of such refund, reimburse to the Company, such amount as such holder shall, in its sole discretion, determine to be attributable to the relevant Taxes or deduction or withholding. Nothing herein contained shall interfere with the right of the holder of any Note to arrange its tax affairs in whatever manner it thinks fit and, in particular, no holder of any Note shall be under any obligation to claim relief from its corporate profits or similar tax liability in respect of such Tax in priority to any other claims, reliefs, credits or deductions available to it or oblige any holder of any Note to disclose any information relating to its tax affairs or any computations in respect thereof.

In the event that a deduction or withholding of Taxes is required at any time in respect of a payment under this Agreement or the Notes, the Company will furnish the holders of Notes, promptly and in any event within sixty (60) days after the date of any payment by the Company of any Tax in respect of any amounts paid under this Agreement or the Notes, the original tax receipt issued by the relevant Governmental Authority for all amounts deducted or withheld and paid to such Governmental Authority (or if such original tax receipt is not available or must legally be kept in the possession of the Company, a duly certified copy of the original tax receipt or any other reasonably satisfactory evidence of payment), together with such other documentary evidence with respect to such payments as may be reasonably requested from time to time by any holder of a Note.

If the Company is required by any applicable law, as modified by the administrative practice of the taxation or other authority of any relevant Taxing Jurisdiction, to make any deduction or withholding of any Tax in respect of which the Company would be required to pay a Tax Reimbursement Amount under this paragraph 10, but for any reason the Company does not make such deduction or withholding or such Tax is, for any reason, imposed directly against the holder of a Note with the result that a liability in respect of such Tax is assessed directly against the holder of any Note, then the Company will indemnify and promptly reimburse such holder for such Tax (including any related interest, penalties and expenses upon demand by such holder accompanied by any notice or assessment of such Taxes issued by the relevant Governmental Authority of the relevant Taxing Jurisdiction to such holder). In addition, the Company shall pay such holder additional amounts as may be necessary in order that the net amount receivable by such holder (including, without limitation, Taxes imposed on the reimbursed and additional amounts but excluding, for greater certainty, Taxes described in paragraphs 10(i), (ii) or (iii)) will be the amounts that would have been received in the absence of such Taxes.

If the Company makes payment to or for the account of any holder of a Note and such holder is entitled to a refund of the Tax to which such payment is attributable upon the making of a filing (other than a Form described above), then such holder shall, as soon as practicable after receiving written request from the Company (which shall specify in reasonable detail and supply the refund forms to be filed) use reasonable efforts to complete and deliver such refund forms to or as directed by the Company, subject, however, to the same limitations with respect to Forms as are set forth above.

The obligations of the Company under this paragraph 10 shall survive the payment or transfer or maturity of any Note and the provisions of this paragraph 10 shall also apply to successive Transferees of the Notes.

11. DEFINITIONS; ACCOUNTING MATTERS.

For the purpose of this Agreement, the terms defined in paragraphs 11A and 11B (or within the text of any other paragraph) shall have the respective meanings specified therein and all accounting matters shall be subject to determination as provided in paragraph 11C.

11A. Yield-Maintenance Terms.

"Called Principal" shall mean, with respect to any Note, the principal of such Note that is to be prepaid pursuant to paragraphs 4B or 4F or is declared to be immediately due and payable pursuant to paragraph 7A, as the context requires.

"Discounted Value" shall mean, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to the Called Principal, in accordance with accepted financial practice and at a discount factor (as converted to reflect the periodic basis on which interest on such Note is payable, if interest is payable other than on a semi-annual basis) equal to the Reinvestment Yield with respect to such Called Principal.

"Hedge Treasury Note(s)" shall mean, with respect to any Accepted Note, the United States Treasury Note designated by Prudential on the date the U.S. interest rate relevant to the coupon on the Notes is fixed, as the Treasury Note(s) which have a duration that is closest to the duration of the Notes. The price and/or yield of the Hedge Treasury Note(s) will be determined by Prudential by reference to such price and/or yield as reported by TradeWeb Group LLC (or, if such data for any reason ceases to be available through TradeWeb Group LLC, any publicly available source of similar market data), on the date of determination.

"Implied Rate Canadian Dollar Yield" shall mean, with respect to the Called Principal of any Note, the yield to maturity implied by (i) the yields reported, as of 10:00 a.m. (New York time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page 0#CABMK" on the Reuters Screen (or such other display as may replace "Page 0#CABMK" on the Reuters Screen) for actively traded benchmark Canadian Government bonds having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or if such yields are not reported as of such time or the yields reported shall not be ascertainable, (ii) the average of the yields for such securities as

determined by Recognized Canadian Government Bond Market Makers. Such implied yield will be determined, if necessary, by (a) converting quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded benchmark Canadian Government bonds with the maturity closest to and greater than the Remaining Average Life of such Called Principal, and (2) the actively traded benchmark Canadian Government bonds with the maturity closest to and less than the Remaining Average Life of such Called Principal.

"**Implied Rate U.S. Dollar Yield**" means with respect to the Called Principal of any Note, the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the Treasury Yield Monitor page of Standard & Poor's MMS - Treasury Market Insight (or, if Standard & Poor's shall cease to report such yields in MMS - Treasury Market Insight or shall cease to be Prudential's customary source of information for calculating yield-maintenance amounts on privately placed notes, then such source as is then Prudential's customary source of such information), or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable, the Treasury Constant Maturity Series yields reported, for the latest day for which such yields have been so reported as of the Business Day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than the Remaining Average Life of such Called Principal and (2) the actively traded U.S. Treasury security with the maturity closest to and less than the Remaining Average Life of such Called Principal.

"**Overnight Interest Rate**" means with respect to an Accepted Note denominated in a currency other than U.S. Dollars, the actual rate of interest, if any, received by the Purchaser which intends to purchase such Accepted Note on the overnight deposit of the funds intended to be used for the purchase of such Accepted Note, it being understood that reasonable efforts will be made by or on behalf of the Purchaser to make any such deposit in an interest bearing account.

"**Recognized Canadian Government Bond Market Makers**" shall mean, at any time, two internationally recognized dealers of Canadian Government bonds reasonably selected by the holders of at least 66 2/3% in principal amount of the Notes at the time outstanding.

"**Reinvestment Yield**" shall mean, with respect to the Called Principal of (i) any Note denominated in U.S. Dollars, the Implied Rate U.S. Dollar Yield, and (ii) any Note denominated in Canadian Dollars, the Implied Rate Canadian Dollar Yield. The Reinvestment Yield will be rounded to that number of decimals as appears in the coupon for the applicable Note.

"**Remaining Average Life**" shall mean, with respect to any Called Principal of any Note, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (x) the Called Principal in respect of such Note into (y) the sum of the products obtained by multiplying

(a) each Remaining Scheduled Payment of such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) which will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"**Remaining Scheduled Payments**" shall mean, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date.

"**Settlement Date**" shall mean, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to paragraphs 4B or 4F or is declared to be immediately due and payable pursuant to paragraph 7A, as the context requires.

"**Yield-Maintenance Amount**" shall mean, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Called Principal of such Note over the sum of (i) such Called Principal plus (ii) interest accrued thereon as of (including interest due on) the Settlement Date with respect to such Called Principal; *provided*, that the Yield-Maintenance Amount shall in no event be less than zero.

11B. Other Terms.

"**Acceptance**" shall have the meaning specified in paragraph 2G.

"**Acceptance Day**" shall have the meaning specified in paragraph 2G.

"**Acceptance Window**" shall have the meaning specified in paragraph 2G.

"**Accepted Note**" shall have the meaning specified in paragraph 2G.

"**Additional Covenant**" and "**Additional Covenants**" shall have the meanings specified in paragraph 6K.

"**Affiliate**" shall mean, at any time, and with respect to any Person, (i) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (ii) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of KIT Inc. or any Subsidiary or any corporation of which KIT Inc. and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of KIT Inc."

"**After Acquired Property**" shall have the meaning specified in paragraph 5P.

"**Agreement, this**" shall have the meaning specified in paragraph 14C.

"**Anti-Terrorism Order**" shall mean United States Executive Order No. 13,224 of September 24, 2001, Blocking Property and Prohibiting Transactions with Persons Who

Commit, Threaten to Commit or Support Terrorism, 66. U.S. Fed. Reg. 49,079 (2001), as amended.

"**Applicable Interest Law**" shall mean any present or future law (including, without limitation, the laws of the State of New York and the United States of America) which has application to the interest and other charges pursuant to this Agreement and the Notes.

"**Assets**" shall mean, with respect to any Person, any property, assets and undertakings of such Person of every kind and whatsoever situate, whether now owned or hereafter acquired (and, for greater certainty, includes any equity or like interest of any Person in any other Person).

"**Authorized Officer**" shall mean (i) in the case of an Obligor, such Obligor's chief executive officer, its Senior Financial Officer, its treasurer or any vice president or other senior officer of such Obligor designated as an "Authorized Officer" for the purpose of this Agreement in an Officer's Certificate executed by such Obligor's chief executive officer or Senior Financial Officer and delivered to Prudential, and (ii) in the case of Prudential, any officer of Prudential designated as its "Authorized Officer" for the purpose of this Agreement in a certificate executed by one of its Authorized Officers. Any action taken under this Agreement on behalf of any Obligor by any individual who on or after the date of this Agreement shall have been an Authorized Officer of such Obligor and whom Prudential in good faith believes to be an Authorized Officer of such Obligor at the time of such action shall be binding on such Obligor even though such individual shall have ceased to be an Authorized Officer of such Obligor, and any action taken under this Agreement on behalf of Prudential by any individual who on or after the date of this Agreement shall have been an Authorized Officer of Prudential and whom the Obligors in good faith believe to be an Authorized Officer of Prudential at the time of such action shall be binding on Prudential even though such individual shall have ceased to be an Authorized Officer of Prudential.

"**Available Facility Amount**" shall mean at any time, the amount equal to US$1,800,000 *minus* the aggregate original principal amount in U.S. Dollars of all Shelf Notes issued prior to such time (or subject to a Confirmation of Acceptance at such time); which amount may be issued in the Canadian Dollar Equivalent thereof.

"**Bank Credit Agreement**" shall mean that certain senior secured credit facility, to be entered into within twelve months of the Effective Date by and among certain members of the Obligor Group and the financial institutions identified on the signature pages thereto, as the same may be amended, restated, replaced or supplemented from time to time.

"**Bank Credit Documents**" shall mean the Bank Credit Agreement, the banker's acceptances and notes issued thereunder and each document, agreement or instrument (including any guarantee, pledge or other security document) executed in connection therewith or related thereto.

"**Bank Lenders**" shall mean the lenders from time to time party to the Bank Credit Agreement.

"**Business Day**" shall mean any day other than (i) a Saturday or a Sunday, (ii) a day on which commercial banks in Toronto, Ontario or New York City are required or authorized to be

closed and (iii) for purposes of paragraph 2D hereof only, a day on which the Purchasers are not open for business.

"**Canadian Dollar Equivalent**" shall mean, at any time, with regard to any amount designated in U.S. Dollars, the equivalent amount in Canadian Dollars determined using the Specified Exchange Rate as of the date of two Business Days prior to such time.

"**Canadian Dollars**" and "**C$**" shall mean the lawful currency of Canada.

"**Cancellation Date**" shall have the meaning specified in paragraph 2J(4).

"**Cancellation Fee**" shall have the meaning specified in paragraph 2J(4).

"**Capital Expenditures**" shall mean with respect to the members of the Obligor Group, expenditures made with respect to fixed or capital assets, including the capital portion of lease payments made in respect of Capitalized Lease Obligations of such Person, but excluding expenditures for the repair or replacement of any fixed or capital assets which were destroyed or damaged, in whole or in part, to the extent financed by the proceeds of an insurance policy maintained by any such member or awards of compensation arising from condemnation or eminent domain proceedings.

"**Capital Stock**" shall mean, with respect to any Person, any class of preferred, common or other capital stock, share capital or similar equity interest of such Person, including limited or general partnership interests in a partnership and units or membership interests in a limited liability company.

"**Capitalized Lease Obligation**" shall mean any obligation of any Person to pay rent or other amounts under a lease of property, real or personal, movable or immovable, that is required to be capitalized for financial reporting purposes in accordance with GAAP. For the purpose of this definition, the amount of such obligation shall be the capitalized amount thereof determined in accordance with GAAP, and the stated maturity of such obligation shall be the last day on which any lease or rental payment thereunder is due prior to the first day upon which such agreement may be terminated by such Person without payment of penalty.

"**Cash Equivalents**" shall mean any of the following: (i) any investment in direct obligations of Canada or any province or agency thereof or obligations guaranteed by Canada or any province or territory or any agency thereof, in each case with a remaining term of not more than one year to maturity and at the date of investment rated not less than the Minimum Rating; (ii) investments in time deposit accounts, term deposit accounts, certificates of deposit, money-market deposits, bankers' acceptances and obligations maturing within one year of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of Canada or any province or territory thereof or of the United States of America or any state thereof, and which bank or trust company has, or the obligation of which bank or trust company is guaranteed by a bank or trust company which has, capital, surplus and undivided profits aggregating in excess of C$250,000,000 and has outstanding Indebtedness which at the date of investment is rated not less than the Minimum Rating; and (iii) investments in commercial paper, maturing not more than 90 days after the date of investment, issued by a corporation (other than an Affiliate of the Obligors) organized and in existence under the laws of Canada or any

province or territory thereof or the United States of America or any state thereof and rated at the time of investment not less than the Minimum Rating. For the purpose of this definition, "Minimum Rating" shall mean, for a Canadian obligor, "R-1" by Dominion Bond Rating Service Limited, and for a United States obligor, "A" by Standard & Poors Ratings Group, a division of McGraw Hill, Inc. or "A2" by Moody's Investors Service, Inc.

"**Change in Control**" shall mean (i) the Company shall fail to be a Wholly-Owned Subsidiary or (ii) a change in the percentage ownership of the outstanding partnership units shall occur which results in Scott's Restaurants, Inc. owning (directly or indirectly) less than 30% of the outstanding partnership units of KIT LP or ceasing to be the largest beneficial holder of such partnership units (other than the Operating Trust).

"**Change in Control Prepayment Date**" shall have the meaning specified in paragraph 4F(3).

"**Closing Day**" shall mean, with respect to any Accepted Note, the Business Day specified for the closing of the purchase and sale of such Accepted Note in the Request for Purchase of such Accepted Note, *provided* that (i) if the Company and the Purchaser which is obligated to purchase such Accepted Note agree on an earlier Business Day for such closing, the "Closing Day" for such Accepted Note shall be such earlier Business Day, and (ii) if the closing of the purchase and sale of such Accepted Note is rescheduled pursuant to paragraph 2I, the Closing Day for such Accepted Note, for all purposes of this Agreement except references to "original Closing Day" in paragraph 2J(3), shall mean the Rescheduled Closing Day with respect to such Accepted Note.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended.

"**Collateral**" shall mean the Assets of the members of the Obligor Group in which a Lien has been created under the Security Documents for the benefit of the holders of Notes to secure the obligations of the members of the Obligor Group under this Agreement, the Notes and the other Transaction Documents.

"**Collateral Agent**" shall have the meaning specified in paragraph 5A(1)(i).

"**Collateral Agency Agreement**" shall have the meaning specified in paragraph 5A(1)(i).

"**Commitment Fee**" shall have the meaning specified in paragraph 2J(1).

"**Company**" shall have the meaning specified in the introductory paragraph hereto.

"**Confidential Information**" shall have the meaning specified in paragraph 13.

"**Confirmation of Acceptance**" shall have the meaning specified in paragraph 2G.

"**Control Event**" shall mean (i) the execution by KIT LP any other Obligor or any of their Subsidiaries or Affiliates of any agreement or letter of intent with respect to any proposed transaction or event or series of transactions or events which, individually or in the aggregate, may reasonably be expected to result in a Change in Control, or (ii) the execution of any written

agreement which, when fully performed by the parties thereto, would result in a Change in Control.

"**Control**" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

"**Default**" shall mean an event, which, with the giving of notice or passage of time, or both, would constitute an Event of Default.

"**Default Rate**" shall mean the lesser of (i) the maximum rate permitted by law and (ii) the greater of (a) 2% over the rate on the Notes prior to the Event of Default and (b) 2% over the Prime Rate of The Bank of New York.

"**Delayed Delivery Fee**" shall have the meaning specified in paragraph 2J(3).

"**Distributable Cash**" shall mean cash flow from operations of KIT LP and KIT Inc. and their Subsidiaries, less Capital Expenditures of such Persons.

"**EBITDA**" shall mean, for any period, the sum of Net Income for such period plus, (x) to the extent deducted in the determination of Net Income for such period, the aggregate amount of (i) Interest Expenses; (ii) all provisions for federal, state and other income Taxes; (iii) all provisions for depreciation and amortization; and (iv) all other non-cash charges less (y) all cash payments during such period relating to non-cash charges which were added back in determining EBITDA in any prior period, all as calculated for KIT LP and its Subsidiaries on a consolidated basis in accordance with GAAP.

"**EBITDAR**" shall mean, for any period, the sum of (i) EBITDA for such period, plus (ii) Operating Rentals made during such period by KIT LP and its Subsidiaries. EBITDAR will be determined on a pro forma basis, giving effect to acquisitions and dispositions made during any period in respect of which EBITDAR is being measured as if such acquisitions and dispositions had occurred on the first day of such period.

"**Effective Date**" shall have the meaning specified in paragraph 1B.

"**Environmental Laws**" shall mean all federal, state, local and foreign laws relating to pollution or protection of the environment, including laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment (including, without limitation, ambient air, surface water, ground water or land), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes, and any and all regulations, codes, plans, orders, decrees, judgments, injunctions, notices or demand letters issued, entered, promulgated or approved thereunder.

"**ERISA**" shall mean the United States Employee Retirement Income Security Act of 1974, as amended.

"**ERISA Affiliate**" shall mean any corporation which is a member of the same controlled group of corporations as any member of the Obligor Group within the meaning of section 414(b) of the Code, or any trade or business which is under common control with any member of the Obligor Group within the meaning of section 414(c) of the Code.

"**ERISA Event**" shall mean (i) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by any member of the Obligor Group or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by any member of the Obligor Group or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by any member of the Obligor Group or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by any member of the Obligor Group or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from any member of the Obligor Group or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"**Event of Default**" shall mean any of the events specified in paragraph 7A, *provided* that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act.

"**Excess Assets**" shall have the meaning specified in paragraph 6G(v).

"**Excess Replacement Assets**" shall have the meaning specified in paragraph 6G(v).

"**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended.

"**Existing Credit Facility**" shall mean that certain Senior Secured Credit Facility by and among KIT Inc. and KIT LP, the financial institutions identified on the signature pages thereto, Canadian Imperial Bank of Commerce as Administrative Agent and Lead Arranger, dated as of November 10, 2003 (as amended, restated or supplemented from time to time).

"**Facility**" shall have the meaning specified in paragraph 2B.

"**Facility Fee**" shall have the meaning specified in paragraph 2J(2).

"**Fiscal Year**" shall mean the twelve month period ending on December 31 of each year.

"**Forms**" shall have the meaning specified in paragraph 10.

"**Franchise Agreements**" shall mean the Master Franchise Agreement and the International Franchise Agreement.

"**Franchisor**" shall mean Yum! Restaurants International (Canada) LP, a limited partnership established pursuant to the laws of Ontario, and shall include it successors and assigns as the licensor or franchisor of any of the intellectual or other property required by KIT LP or its Subsidiaries to carry on the business.

"**Fund**" shall mean Priszm Canadian Income Fund.

"**GAAP**" shall mean generally accepted accounting principles in Canada from time to time approved by the Canadian Institute of Chartered Accountants (or any successor institute) applied on a consistent basis.

"**Governmental Authority**" shall mean

(i) the government of

(a) the United States of America or any State or other political subdivision thereof;

(b) Canada or any province or territory of Canada or any jurisdiction or other political subdivision thereof; or

(c) any jurisdiction in which KIT LP or KIT Inc. or any Subsidiaries conduct all or any part of its business, or which asserts proper jurisdiction over any properties of KIT LP, KIT Inc. or any Subsidiaries, or

(ii) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"**Guarantee**" shall mean, with respect to any Person (the "guarantor"), any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other monetary obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other monetary obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (ii) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other monetary obligation of the payment thereof, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other monetary obligation or (iv) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or monetary obligation; *provided*, that the term "Guarantee" shall not include endorsements for collection or deposit or indemnities provided in the ordinary course of business. The amount of any Guarantee shall be equal to the outstanding principal amount of the obligation guaranteed or such lesser amount to which the maximum exposure of the guarantor shall have been specifically limited.

"**Hostile Tender Offer**" shall mean, with respect to the use of proceeds of any Note, any offer to purchase, or any purchase of, the Capital Stock of any Person, or securities convertible

into or representing the beneficial ownership of, or rights to acquire, any such Capital Stock, if such Capital Stock, securities or rights are of a class which is publicly traded on any securities exchange or in any over-the-counter market, other than purchases of such shares, equity interests, securities or rights representing less than 10% of the Capital Stock or beneficial ownership of such Person for portfolio investment purposes, and such offer or purchase has not been duly approved by the board of directors or shareholders of such Person or the equivalent governing body of such other Person prior to the date on which the Company makes the Request for Purchase of such Note.

"**including**" shall mean, unless the context clearly requires otherwise, "including without limitation".

"**Incorporated Provision**" shall have the meaning specified in paragraph 6K.

"**Indebtedness**" shall mean, with respect to any Person, at any time, any liability or obligations of such Person which in accordance with GAAP would be classified upon a balance sheet of such Person as liabilities of such Person, other than accounts payable and accrued liabilities arising in the ordinary course of business, and in any event shall include without duplication:

(i) all its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable preferred stock;

(ii) all its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable and accrued liabilities arising in the ordinary course of business but including, without limitation, all liabilities created or arising under any conditional sale or other title retention agreement with respect to such property) ;

(iii) Capitalized Lease Obligations;

(iv) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liability, *provided* that if such Person has not assumed or otherwise become liable for such liability, the amount of such liability shall be the lesser of the monetary value of such liability or the then fair market value of such property);

(v) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks or other financial institutions (whether or not representing obligations for borrowed money);

(vi) Guarantees; and

(vii) the outstanding balance of the purchase price of uncollected accounts receivable subject at such time to a sale of receivables or other similar transaction, regardless of whether such transaction is effected without recourse or in a manner which would not be reflected on the balance sheet in accordance with GAAP.

"**INHAM Exemption**" shall have the meaning specified in paragraph 9B(v).

"**Intercreditor Agreement**" shall have the meaning specified in paragraph 5B.

"**Interest Expense**" shall mean as of the date of determination thereof the sum of any interest and prepayment charges, if any, including without limitation, all net amounts payable under interest rate protection agreements and all imputed interest in respect of Capitalized Lease Obligations paid or payable by KIT LP and its Subsidiaries during such period consolidated or combined in accordance with GAAP.

"**International Franchise Agreements**" shall mean the international franchise agreements dated as of November 10, 2003 between KIT LP and the Franchisor with respect to the operation of the KFC Restaurants and such international franchise agreements entered into from time to time between KIT LP and the Franchisor with respect to the operation of KFC Restaurants, and individually, any one of them.

"**Issuance Period**" shall have the meaning specified in paragraph 2C.

"**KFC Restaurants**" shall mean the 480 KFC restaurants operated in Canada by KIT LP as of the date of Closing and all related Assets and all KFC restaurants and Multi-Brand Restaurants operated in Canada by KIT LP from time to time and all related Assets, and individually any one of them.

"**KIT Guarantees**" shall mean collectively, the KIT Inc. Guarantee, the KIT LP Guarantee and the Limited Recourse Guarantees.

"**KIT Inc.**" shall have the meaning specified in the introductory paragraph hereto.

"**KIT LP**" shall mean Kit Limited Partnership, a limited partnership formed under the laws of Manitoba (together with its successors and assigns).

"**Landlord Waiver**" shall have the meaning specified in paragraph 5A(1)(iv).

"**Laws**" shall mean all legally enforceable statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, policies, voluntary restraints, guidelines, or any provisions of the foregoing, including general principles of common and civil law and equity, binding on or affecting the Person referred to in the context in which such word is used; and "**Law**" means any one of the foregoing.

"**Lien**" shall mean any mortgage, pledge, security interest, encumbrance, lien (statutory or otherwise) or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction) or any other type of preferential arrangement (other than a Guarantee) for the purpose, or having the effect, of protecting a creditor against loss or securing the payment or performance of an obligation.

"**Limited Recourse Guarantees**" shall have the meaning specified in paragraph 5A(4).

"**Long John Silver Concept**" shall mean the Long John Silver outlet restaurant concept as referred to in the Franchise Agreements.

"**Master Franchise Agreement**" shall mean that certain master franchise agreement dated as of November 10, 2003 between KIT LP and the Franchisor whereby the Franchisor and KIT LP are deemed to have entered into the International Franchise Agreements.

"**Material**" shall mean material in relation to the business, operations, affairs, financial condition, assets, properties or prospects of KIT LP and KIT Inc. and its Subsidiaries taken as a whole.

"**Material Adverse Effect**" shall mean a Material adverse effect on (i) the business, operations, affairs, financial condition, assets, properties or prospects of the Obligor Group, taken as a whole, (ii) the ability of the Company to perform its obligations under this Agreement or any of the Notes, (iii) the ability of KIT Inc. to perform its obligations under this Agreement or its respective KIT Guarantees, (iv) the ability of KIT LP to perform its obligations under its respective KIT Guarantees, (v) the ability of any member of the Obligor Group to perform its obligations under any of the other Transaction Documents, (vi) the validity or enforceability of this Agreement or any of the other Transaction Documents or (vii) the Liens granted by the Security Documents.

"**Maximum Legal Rate**" shall mean the maximum rate of interest that a holder of Notes may from time to time legally charge the Company by agreement and in regard to which the Company would be prevented successfully from raising the claim or defense of usury under the Applicable Interest Law as now or hereafter construed by courts having appropriate jurisdiction.

"**Mortgage**" shall mean a mortgage, charge, deed of trust, deed to secure debt, leasehold charge or other document or documents required to create a security interest in Real Property, in form and substance reasonably satisfactory to the Collateral Agent and the holders of Notes, made by any member of the Obligor Group in favor of the Collateral Agent for the benefit of the holders of Notes, as amended, restated or otherwise modified from time to time.

"**Multi-Brand Restaurants**" shall mean the restaurants operated in Canada by KIT LP from time to time that combine a KFC Restaurant and one of either the Pizza Hut Concept, Taco Bell Concept or Long John Silver Concept and all related Assets.

"**Multiemployer Plan**" shall mean any Plan which is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA.

"**NAIC Annual Statement**" shall have the meaning specified in paragraph 9B(i).

"**Net Income**" shall mean with respect to any period, the combined net income (or loss) of the Company and KIT LP and their Subsidiaries for such period (taken as a whole), as determined on a consolidated basis in accordance with GAAP.

"**Net Worth**" shall mean an amount equal to the combined equity of KIT LP and KIT Inc. and their Subsidiaries determined in accordance with GAAP (less amounts attributable to redeemable preferred stock).

"**New Subsidiary**" shall have the meaning specified in paragraph 5O.

"**Non-compete Agreement**" shall have the meaning specified in paragraph 3A(4).

"**Non-U.S. Plan**" shall mean any plan, fund or other similar program that (i) is established or maintained outside the United States of America by any member of the Obligor Group primarily for the benefit of employees of such member residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and (ii) is not subject to ERISA or the Code.

"**Notes**" shall have the meaning specified in paragraph 2A.

"**Obligor Group**" shall mean the Obligors, KIT LP and each of their respective Subsidiaries.

"**Obligors**" shall have the meaning specified in the introductory paragraph hereto.

"**Officer's Certificate**" shall mean, with respect to any Obligor, a certificate signed in the name of such Obligor by an Authorized Officer of such Obligor.

"**Operating Rentals**" shall mean for any period, rental payments made by KIT LP and its Subsidiaries in respect of operating leases and leasehold rental payments during such period.

"**Operating Trust**" shall mean Priszm Canadian Operating Trust.

"**Optional Currency**" shall have the meaning specified in paragraph 14K.

"**Original Currency**" shall have the meaning specified in paragraph 14K.

"**PBGC**" shall mean the Pension Benefit Guaranty Corporation.

"**Permitted Liens**" shall mean, in respect of any Person, at any time, the following:

(i) inchoate or statutory Liens for taxes, assessments or other government charges or levies that are not delinquent (taking into account any relevant grace periods) or, if due, the validity of which is currently being contested diligently and in good faith by appropriate proceedings by that Person and in respect of which appropriate reserves in accordance with GAAP have been taken and the sale of any property that is subject to any of the Security to satisfy any such Lien is stayed as a result of such contestation;

(ii) Liens of contractors, subcontractors, mechanics, workmen, suppliers, materialmen, carriers and others (that were not incurred in connection with the borrowing of money or the advance of credit) in respect of construction, maintenance, repair or operation of or with respect to the property that is subject to any of the Security, in each case in the ordinary course, *provided* that such Liens do not in the aggregate materially detract from the value of the property subject thereto or, in the case of any property of any member of the Obligor Group, materially interfere with the use thereof in the operation of their business, and *provided further*

that the amounts secured by such Liens are not overdue or, if overdue, are being contested and appropriate reserves in accordance with GAAP have been taken and the sale of any property that is subject to any of the Security to satisfy such Lien is stayed as a result of such contestation;

(iii) zoning restrictions, easements, rights of way, servitudes, restrictions and similar rights in real property, *provided* that such rights do not, in the aggregate, materially detract from the value of the property of that Person, considered as a whole, that is subject to the Security or, in the case of any real property, materially interfere with the use of that Person's real property, considered as a whole, in the operation of such Person's business;

(iv) cash or governmental obligations deposited in the ordinary course of business in connection with bids or tenders, or to secure workers' compensation, employment insurance, surety or appeal bonds to the extent required by law, or to secure public or statutory obligations, so long as no foreclosure, sale or similar proceedings have been commenced which have not been stayed on account thereof with respect to any of the property that is subject to any of the Security;

(v) title defects or irregularities with respect to real property that are of a minor nature and which do not, in the aggregate, materially detract from the value of the real property of that Person, considered as a whole, that is subject to the Security or, in the case of any real property, materially interfere with the use of that Person's real property, considered as a whole, in the operation of that Person's business;

(vi) security given in the ordinary course of business to a public utility, municipality, or other Governmental Authority when required in connection with the operation of the business of that Person;

(vii) all rights reserved to or vested in any Governmental Authority pursuant to the terms of any lease, license, franchise, grant or permit held by that Person or pursuant to any statutory provision to terminate any such lease, license, franchise, grant or permit or to require annual or periodic payments as a condition to the continuance thereof or to distrain against or to obtain a Lien on any property of that Person in the event of failure to make such annual or other period payments, *provided* that such payments are not overdue, or if overdue, are being contested and appropriate reserves in accordance with GAAP have been taken and the sale of any property that is subject to any of the Security to satisfy any such Lien is stayed as a result of such contestation;

(viii) Liens arising out of judgments or awards against that Person which, in the case of any property of such Person, are being contested by such Person and with respect to which such Person is maintaining adequate reserves in accordance with GAAP and the enforcement of any such Lien is stayed as a result of such contestation;

(ix) leases, subleases or licenses granted to others, including but not limited to rights granted to a public utility, municipality or other Governmental Authorities in connection with obtaining rights-of-way, that do not result in a material diminution of the value of the applicable property and, in the case of any property of that Person, do not materially interfere with the conduct of that Person's business;

(x) Liens created by the Security Documents, by the Bank Credit Documents and by documents entered into between members of the Obligor Group securing Indebtedness owing between members of the Obligor Group;

(xi) Liens incidental to the conduct of the business or ownership of the property of that Person that were not incurred in connection with the borrowing of money or the advance of credit, and which do not at any time secure obligations exceeding an aggregate of C$50,000 or encumber property having a fair market value exceeding an aggregate of C$50,000 or materially detract from the property encumbered thereby;

(xii) legal or conventional hypothecs granted prior to September 10, 1999 with respect to moveable property, located on leased premises in Quebec, in favor of the landlords or owners of such leased premises, to secure the obligations of the members of the Obligor Group under lease agreements for such leased premises;

(xiii) any Lien on any property or Asset acquired by the members of the Obligor Group after the date hereof and existing at the time such property or Asset is acquired by the members of the Obligor Group, securing Indebtedness outstanding in an aggregate amount for all acquisitions of not more than C$2,000,000, but only if and so long as (i) any such Lien is and will remain confined to the property or Asset subject to it at the time such property or Asset is acquired, (ii) any such Lien secures only the obligation secured thereby at the time such property or Asset is acquired, (iii) the Indebtedness outstanding which is secured by any such Lien is not more than C$200,000 for any individual property or Asset, and (iv) the fair market value of such property or Asset is equal to or in excess of the Indebtedness secured thereby;

(xiv) The Lien created by that certain hypothec without delivery in the universality of all moveable property, stocks and other present and future property found on the leased premises located at 3131 Côte Vertu, St-Laurent, Quebec and used in connection with the business of the members of the Obligor Group, which security interest secures the payment and performance of obligation's of KIT LP under the lease agreement between Place Vertu S.E.N.C. and KIT LP dated December 10, 2001 up to a maximum amount of C$50,310;

(xv) reservations, limitations, provisions and conditions expressed in any original grants from the Crown or other grants of real or immovable property, or interests therein, which do not materially interfere with the use of the affected land for the purpose for which it is used by that Person;

(xvi) an operating lease which is a true lease and by virtue of applicable legislation is deemed to be a Lien;

(xvii) servicing agreements, development agreements, site plan agreements, and other agreements with Governmental Authorities pertaining to the use or development of any Assets of the Person which do not, in the aggregate, materially detract from the value of such Assets, considered as a whole, or materially interfere with the use of that Person's Assets, considered as a whole, in the operation of that Person's business; and

(xviii) such other Liens as have been consented to in writing by the Required Holders.

"**Person**" shall mean and include an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, an unincorporated organization and a government or any department or agency thereof.

"**Pizza Hut Concept**" shall mean the Pizza Hut outlet restaurant concept as referred to in the Franchise Agreements.

"**Plan**" shall mean any ERISA regulated employee pension benefit plan (as such term is defined in section 3 of ERISA) which is or has been established or maintained, or to which contributions are or have been made, by the Company or any ERISA Affiliate.

"**Pledge Agreement**" shall have the meaning specified in paragraph 5A(1)(iii).

"**Pledgors**" shall mean, collectively, the Obligors, KIT LP and each Subsidiary Guarantor.

"**Preferred Stock**" shall mean any class of Capital Stock of a corporation that is preferred over any other class of Capital Stock of such corporation as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such corporation.

"**Principal Landlords**" shall have the meaning have specified in paragraph 5A(1)(iv).

"**Prudential**" shall have the meaning specified in the introduction hereto.

"**Prudential Affiliate**" shall mean (i) any corporation or other entity Controlling, Controlled by, or under common Control with, Prudential and (ii) any managed account or investment fund which is managed by Prudential or a Person described in clause (i) of this definition.

"**Purchasers**" shall have the meaning specified in the introduction hereto.

"**PTE**" shall have the meaning specified in paragraph 9B(i).

"**QPAM Exemption**" shall have the meaning specified in paragraph 9B(iv).

"**Quotation**" shall have the meaning specified in paragraph 2F.

"**Real Property**" shall mean all real property (together with any improvements thereon) at any time owned or leased (as lessee or sublessee) by any member of the Obligor Group.

"**Request for Purchase**" shall have the meaning specified in paragraph 2E.

"**Required Holder(s)**" shall mean the holder or holders of at least 50.1% of the aggregate principal amount of the Notes or of a Series of Notes, as the context may require, from time to time outstanding and, if no Notes are outstanding, shall mean Prudential.

"**Rescheduled Closing Day**" shall have the meaning specified in paragraph 2I.

"**Responsible Officer**" shall mean the chief executive officer, chief operating officer, chief Senior Financial Officer of either Obligor, general counsel of either Obligor or any other officer of the Obligors involved principally in its financial administration or its controllership function.

"**Restricted Payment**" shall mean (i) the declaration or payment of any dividend on, or the incurrence of any liability to make any other payment or distribution in respect of Capital Stock, (ii) any distribution on account of the purchase, redemption or other retirement of any such Capital Stock or (iii) payments on Subordinated Debt.

"**Security**" shall mean the Liens on the Collateral in favor of the Collateral Agent to secure the obligations hereunder.

"**Security Agreement**" shall have the meaning specified in paragraph 5A(1)(ii).

"**Security Documents**" shall mean each of the documents or instruments executed by a member of the Obligor Group and delivered to the Collateral Agent or the holders of the Notes pursuant to paragraph 5A or paragraph 5O.

"**Securities Act**" shall mean the Securities Act of 1933, as amended.

"**SEDAR**" shall mean the System for Electronic Document Analysis and Retrieval.

"**Senior Financial Officer**" shall mean, as to any Person, the chief financial officer, principal accounting officer, treasurer or comptroller of such Person or any of its Subsidiaries.

"**Series**" shall have the meaning specified in paragraph 2A.

"**Series A Notes**" shall have the meaning specified in paragraph 1A.

"**Series A Purchasers**" shall mean each of the Persons whose names appear on the Series A Purchaser Schedule attached on Annex 1 hereto.

"**Shelf Note(s)**" shall have the meaning specified in paragraph 2A.

"**Significant Holder**" shall mean (i) any Series A Purchaser, (ii) Prudential, so long as Prudential or any Prudential Affiliate shall hold (or be committed under this Agreement to purchase) any Shelf Note, or (iii) any other holder of at least 25% of the aggregate principal amount of the Notes of any Series from time to time outstanding.

"**Source**" shall have the meaning specified in paragraph 9B.

"**Specified Exchange Rate**" shall mean, on any day, (i) in respect of any amount denominated in U.S. Dollars, the rate at which such currency may be exchanged into Canadian Dollars or (ii) in respect of any amount denominated in Canadian Dollars, the rate at which such currency may be exchanged into U.S. Dollars, in each case as set forth at 10:00 a.m., New York City time on such date (for spot delivery) on the applicable Bloomberg Key Cross Currency Rates Page FXC (or any successor thereto). In the event that such rate does not appear on such

page, the Specified Exchange Rate shall be determined by reference to such other nationally recognized, publicly available service for displaying exchange rates selected by the Required Holders for such purposes or, at the discretion of the Required Holders, the Specified Exchange Rate shall instead be the arithmetic average of the spot rates of exchange operations in respect of such date for the purchase of Canadian Dollars or U.S. Dollars, as the case may be, for delivery two Business Days (or such other period as is customary in the relevant market) later; *provided*, that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Required Holders may use any other reasonable method they deem appropriate to determine such rate, and such determination shall be presumed correct absent manifest error.

"**Subordinated Debt**" shall mean any Indebtedness that is in any manner subordinated in right or payment or security in any respect to the Notes.

"**Subsidiary**" shall mean, with respect to any Person, any corporation, company or other Person, if at such time the first mentioned Person owns, directly or indirectly, securities or other ownership interests in such corporation, company or other Person having ordinary voting power to elect a majority of the board of directors or persons performing similar functions for such corporation, company or other Person.

"**Subsidiary Guarantor**" shall mean (i) each of the Subsidiaries of KIT Inc. and of KIT LP listed on Schedule 5O, and (ii) each Person that hereafter becomes a party to a Subsidiary Guarantee pursuant to the requirements of paragraph 5O.

"**Subsidiary Guarantees**" shall have the meaning specified in paragraph 5O.

"**Successor Corporation**" shall have the meaning specified in paragraph 6B.

"**Swap Agreement**" shall mean, with respect to any Person, an agreement with respect to interest rate swaps obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purpose of this Agreement and the Notes, the amount of the obligations under any Swap Agreement shall be the amount reasonably anticipated to be payable by such Person thereunder, and in making such determination, if any such agreement provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each case, the amount of such obligation shall be the net amount so determined.

"**Taco Bell Concept**" shall mean the Taco Bell outlet restaurant concept as referred to in the Franchise Agreements.

"**Tangible Assets**" shall mean the consolidated or combined total assets of the Obligor Group less, without duplication, (i) all intangible assets including, without limitation, goodwill, licenses, organizational expense, unamortized debt discount and expense carried as an asset, all reserves and any write-up in the book value of assets and (ii) all reserves for depreciation and other asset valuation reserves (but excluding reserves for federal, state provincial and other income Taxes).

"**Tax Reimbursement Amount**" shall have the meaning specified in paragraph 10.

"**Taxes**" shall mean any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"**Taxing Jurisdiction**" shall have the meaning specified in paragraph 10.

"**Total Indebtedness**" shall mean at any time, the total combined Indebtedness of the Company, KIT LP and its Subsidiaries at such time.

"**Transaction Documents**" shall mean, collectively, this Agreement, the Notes, the Security Documents, the KIT Guarantees, the Collateral Agency Agreement, the Intercreditor Agreement, the Subsidiary Guarantees and any and all other agreements, documents, certificates and instruments from time to time executed or delivered in connection therewith or related thereto.

"**Transfer**" shall have the meaning specified in paragraph 6G.

"**Transferee**" shall mean any direct or indirect transferee of all or any part of any Note purchased by any Purchaser under this Agreement.

"**Unitholder's Equity**" shall mean Net Worth less, without duplication, (i) all intangible items, including, without limitation, goodwill, licenses, organizational expense, unamortized debt discount and expense carried as an asset, all reserves and any write-up in the book value of assets, and (ii) all reserves for depreciation and other asset valuation reserves (but excluding reserves for federal, state, provincial and other income Taxes), net of accumulated amortization.

"**U.S. Dollar Equivalent**" shall mean, at any time, with regard to any amount designated in Canadian Dollars, the equivalent amount in U.S. Dollars determined using the Specified Exchange Rate as of the date two Business Days prior to such time, *provided, however*, that, with respect to the definition of "**Required Holders**", such amount shall be determined using the Specified Exchange Rate as of the date of Closing.

"**U.S. Dollars**" and "**US$**" shall mean the lawful currency of the United States of America.

"**USA Patriot Act**" shall mean United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as may be amended from time to time.

"**Voting Stock**" shall mean, with respect to any Person, any shares of stock (or similar equity interests) of such Person whose holders are entitled under ordinary circumstances to vote for the election of directors (or members of a similar body that has management authority of such Person) of such Person (irrespective of whether at the time stock (or similar equity interests) of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"**Wholly-Owned Subsidiary**" shall mean, at any time, any Subsidiary one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting

interests of which are owned by KIT Inc. and KIT Inc.'s other Wholly-Owned Subsidiaries at such time.

"**Withdrawal Liability**" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

"**Yum Letter**" shall have the meaning specified in paragraph 5A(1)(v).

11C. Accounting Principles, Terms and Determinations. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; *provided* that, if the Company notifies the Purchasers that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Purchasers notify the Company that the Required Holders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

12. THE GUARANTEES.

The obligations of the Company hereunder and under the Notes will be unconditionally and irrevocably and jointly and severally guaranteed by (i) KIT Inc., which owns directly all of the issued and outstanding Capital Stock of the Company and KIT LP, and limited recourse guarantees from each of the Fund and the Operating Trust pursuant to the respective forms of the KIT Guarantees and (ii) by the Subsidiaries of KIT Inc. and KIT LP pursuant to the Subsidiary Guarantees.

13. CONFIDENTIALITY.

For the purposes of this paragraph 13, "**Confidential Information**" means information delivered to Prudential or any Purchaser by or on behalf of any member of the Obligor Group in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by Prudential or such Purchaser as being confidential information of such member of the Obligor Group or such Subsidiary, *provided* that such term does not include information that (a) was publicly known or otherwise known to Prudential or such Purchaser, as the case may be, prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by Prudential or such Purchaser or any person acting on their behalf, (c) otherwise becomes known to Prudential or such Purchaser other than through disclosure by any member of the Obligor Group or, to the knowledge of Prudential or any Purchaser, other than through breach of any duty of confidentiality owed by a Person to the Company or any member of the Obligor Group or any of its Affiliates or (d) constitutes financial statements delivered to Prudential or such Purchaser under paragraph 5C that are otherwise publicly available. Prudential and each Purchaser will maintain the confidentiality of such Confidential

Information received by it in accordance with procedures adopted by Prudential or such Purchaser, as the case may be, in good faith to protect confidential information of third parties delivered to it, *provided* that Prudential or such Purchaser may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes or this Agreement), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this paragraph 13, (iii) any other holder of any Note, (iv) any Institutional Investor to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Institutional Investor has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this paragraph 13), (v) any Person from which it offers to purchase any security of KIT Inc. or the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this paragraph 13), (vi) any federal or state regulatory authority having jurisdiction over Prudential or such Purchaser, as the case may be that requires or has required access to such information, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about Prudential's or such Purchaser's investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to Prudential or such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which Prudential or such Purchaser is a party, or (z) if an Event of Default has occurred and is continuing, to the extent Prudential or such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of its rights and remedies under the Notes and this Agreement. If Prudential or any Purchaser is requested or required to disclose any Confidential Information pursuant to or as required by any law, rule, regulation, order, subpoena or other legal process, such Person shall, if there is sufficient time to do so, use reasonable commercial efforts to provide the Company with notice of such requests or obligation in sufficient time so that the Company or other applicable member of the Obligor Group may seek an appropriate protective order or waive such Person's compliance with the provisions of this paragraph 13, and such Person shall reasonably cooperate with the applicable member of the Obligor Group in obtaining any such protective order. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this paragraph 13 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this paragraph 13.

14. MISCELLANEOUS.

14A. Note Payments. The Company agrees that, so long as any Purchaser shall hold any Note, they will make payments of principal of, interest on, and any Yield-Maintenance Amount payable with respect to, such Note, which comply with the terms of this Agreement, by wire transfer of immediately available funds for credit (not later than 2:00 p.m., New York City local time, on the date due) to (i) the account or accounts of such Purchaser specified in the Confirmation of Acceptance with respect to such Note in the case of any Note or (ii) such other account or accounts in the United States as such Purchaser may from time to time designate in

writing, notwithstanding any contrary provision herein or in any Note with respect to the place of payment. Each Purchaser agrees that, before disposing of any Note, it will make a notation thereon (or on a schedule attached thereto) of all principal payments previously made thereon and of the date to which interest thereon has been paid. The Company agrees to afford the benefits of this paragraph 14A to any Transferee which shall have made the same agreement as the Purchasers have made in this paragraph 14A.

14B. Expenses. The Company and KIT Inc. jointly and severally agree, whether or not the transactions contemplated hereby shall be consummated, to pay, and save Prudential, each Purchaser and any Transferee harmless against liability for the payment of, all out-of-pocket reasonable expenses arising in connection with such transactions, including (i) all document production and duplication charges and the reasonable fees and expenses of any special counsel engaged by Prudential or any Purchaser or any Transferee in connection with this Agreement and the other Transaction Documents, the transactions contemplated hereby and any subsequent proposed modification of, or proposed consent under, this Agreement or the other Transaction Documents, whether or not such proposed modification shall be effected or proposed consent granted, and (ii) the reasonable costs and expenses, including reasonable attorneys' fees, incurred by Prudential or any Purchaser or any Transferee in enforcing (or determining whether or how to enforce) any rights under this Agreement, the Notes or the other Transaction Documents or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the other Transaction Documents or the transactions contemplated hereby or thereby or by reason of Prudential, any Purchaser or any Transferee having acquired any Note, including, without limitation, costs and expenses incurred in any workout, restructuring or bankruptcy case. Notwithstanding the foregoing, neither Obligor shall have any duty or liability to save Prudential, any Purchaser or Transferee harmless against liability for any fees, costs or expense (including, attorney's fees) incurred by such Person solely in connection with the sale or transfer of any Note to a Transferee or the grant of any participation in any Note. The obligations of the Company and KIT Inc. under this paragraph 14B shall survive the transfer of any Note or portion thereof or interest therein by Prudential, any Purchaser or any Transferee and the payment of any Note.

14C. Consent to Amendments. This Agreement may be amended, and any member of the Obligor Group may take any action herein prohibited, or omit to perform any act herein required to be performed by it, if the Company shall obtain the written consent to such amendment, action or omission to act, of the Required Holder(s) of all Notes except that, (i) with the written consent of the holders of all Notes of a particular Series, and if an Event of Default shall have occurred and be continuing, of the holders of all Notes of all Series, at the time outstanding (and not without such written consents), the Notes of such Series may be amended or the provisions thereof waived to change the maturity thereof, to change or affect the principal thereof, or to change or affect the rate or time of payment of interest on or any Yield-Maintenance Amount payable with respect to the Notes of such Series, (ii) without the written consent of the holder or holders of all Notes at the time outstanding, no amendment to or waiver may be made to paragraph 7A or this paragraph 14C insofar as such provisions relate to proportions of the principal amount of the Notes of any Series, or the rights of any individual holder of Notes, required with respect to any declaration of Notes to be due and payable or with respect to any consent, amendment, waiver or declaration which would affect such provisions in the manner described in this clause (ii), (iii) with the written consent of Prudential and the

Purchasers (and not without the written consent of Prudential and the Purchasers) the provisions of paragraph 2C may be amended or waived (except insofar as any such amendment or waiver would affect any rights or obligations with respect to the purchase and sale of Notes which shall have become Accepted Notes prior to such amendment or waiver), and (iv) with the written consent of all of the Purchasers which shall have become obligated to purchase Accepted Notes of any Series (and not without the written consent of all such Purchasers), any of the provisions of paragraphs 2B may be amended or waived insofar as such amendment or waiver would affect only rights or obligations with respect to the purchase and sale of the Accepted Notes of such Series or the terms and provisions of such Accepted Notes. Each holder of any Note at the time or thereafter outstanding shall be bound by any consent authorized by this paragraph 14C, whether or not such Note shall have been marked to indicate such consent, but any Notes issued thereafter may bear a notation referring to any such consent. No course of dealing between any member of the Obligor Group and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein and in the Notes, the term **"this Agreement"** and references thereto shall mean this Agreement (including, without limitation, all Schedules and Exhibits attached hereto) as it may from time to time be amended or supplemented.

14D. Form, Registration, Transfer and Exchange of Notes; Lost Notes. The Notes are issuable as registered notes without coupons in denominations of at least $500,000, except as may be necessary to reflect any principal amount not evenly divisible by $500,000. The Company shall keep at its principal offices a register in which the Company shall provide for the registration of Notes and of transfers of Notes. Upon surrender for registration of transfer of any Note at the principal offices of the Company, the Company shall, at its expense (except as provided below), execute and deliver one or more new Notes of like tenor and of a like aggregate principal amount, registered in the name of such Transferee or Transferees. At the option of the holder of any Note, such Note may be exchanged for other Notes of like tenor and of any authorized denominations, of a like aggregate principal amount, upon surrender of the Note to be exchanged at the principal offices of the Company. Whenever any Notes are so surrendered for exchange, the Company shall, at its expense (except as provided below), execute and deliver the Notes which the holder making the exchange is entitled to receive, and such new Note shall evidence the same Indebtedness as the Note so exchanged. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Every Note surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer duly executed, by the holder of such Note or such holder's attorney duly authorized in writing. Any Note or Notes issued in exchange for any Note or upon transfer thereof shall be in the form of Exhibit A-1, Exhibit A-2(i) or Exhibit A-2(ii), as the case may be, and carry the rights to unpaid interest and interest to accrue which were carried by the Note so exchanged or transferred, so that neither gain nor loss of interest shall result from any such transfer or exchange. Any Transferee of a Note, or a purchaser of a participation therein, shall by acceptance of such Note be deemed to make the same representations, warranties and covenants to the Company regarding the Note or participation as made by each Purchaser in paragraph 9; *provided* that such entity may make a representation to the effect that the purchase by such entity of any Note will not constitute a non-exempt prohibited transaction under Section 406(a) of ERISA. Upon receipt of written notice from the holder of any Note of the loss, theft, destruction or mutilation of such Note and, in the case of any such loss, theft or destruction, upon receipt of such holder's unsecured indemnity

agreement, or in the case of any such mutilation upon surrender and cancellation of such Note, the Company will make and deliver a new Note, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Note.

14E. Persons Deemed Owners; Participations. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name any Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of and interest on, and any Yield-Maintenance Amount payable with respect to, such Note and for all other purposes whatsoever, whether or not such Note shall be overdue, and the Company shall not be affected by notice to the contrary. Subject to the preceding sentence, the holder of any Note may from time to time grant participations in all or any part of such Note to any Person on such terms and conditions as may be determined by such holder in its sole and absolute discretion.

14F. Survival of Representations and Warranties; Entire Agreement. All representations and warranties contained herein or made in writing by or on behalf of any Obligor in connection herewith shall survive the execution and delivery of this Agreement, the Notes, the other Transaction Documents and each Confirmation of Acceptance, the transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any Transferee, regardless of any investigation made at any time by or on behalf of any Purchaser or any Transferee. Subject to the preceding sentence, this Agreement, the Notes and the other Transaction Documents embody the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings relating to such subject matter.

14G. Successors and Assigns. All covenants and other agreements in this Agreement contained by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto (including any Transferee) whether so expressed or not.

14H. Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is prohibited by any one of such covenants, the fact that it would be permitted by an exception to, or otherwise be in compliance within the limitations of, another covenant shall not avoid the occurrence of a Default or Event of Default if such action is taken or such condition exists.

14I. Notices. All written communications provided for hereunder (other than communications provided for under paragraph 2) shall be sent by first class mail or nationwide overnight delivery service (with charges prepaid) and (i) if to any Purchaser of any Note, addressed to it at such address as it shall have specified for such communications in the Purchaser Schedule attached to the applicable Confirmation of Acceptance or at such other address as any such Purchaser shall have specified to the Company in writing, (ii) if to any other holder of any Note, addressed to it at such address as it shall have specified in writing to the Company or, if any such holder shall not have so specified an address, then addressed to such holder in care of the last holder of such Note which shall have so specified an address to the Company and (iii) if to any Obligor, addressed to it at 101 Exchange Avenue, Vaughan, Ontario L4K5RG, Facsimile: 416-361-6018, Attention: Chief Financial Officer. Any communication

pursuant to paragraph 2 shall be made by the method specified for such communication in paragraph 2, and shall be effective to create any rights or obligations under this Agreement only if, in the case of a telephone communication, an Authorized Officer of the party conveying the information and of the party receiving the information are parties to the telephone call, and in the case of a facsimile communication, the communication is signed by an Authorized Officer of the party conveying the information, addressed to the attention of an Authorized Officer of the party receiving the information, and in fact received at the facsimile terminal the number of which is listed for the party receiving the communication or at such other facsimile terminal as the party receiving the information shall have specified in writing to the party sending such information.

14J. Payments Due on Non-Business Days. Anything in this Agreement, the Notes or the other Transaction Documents to the contrary notwithstanding, any payment of principal of or interest on, or Yield-Maintenance Amount payable with respect to, any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day. If the date for any payment is extended to the next succeeding Business Day by reason of the preceding sentence, the period of such extension shall not be included in the computation of the interest payable on such Business Day.

14K. Obligation to Make Payments in Original Currency. Any payment on account of an amount that is payable hereunder or under the Notes in a currency (the "**Original Currency**") which is made to or for the account of any holder of Notes in any other currency (the "**Other Currency**"), whether as a result of any judgment or order or the enforcement thereof or the realization of any security or the liquidation of the Company, such payment shall constitute a discharge of the obligation of the Company under this Agreement or the Notes only to the extent that on the Business Day following receipt by such holder of any payment made, such holder may, in accordance with normal banking procedures, purchase the Original Currency with the Other Currency in the foreign exchange markets. If the amount of the Original Currency that could be so purchased is less than the amount of Original Currency originally due to such holder, the Company agrees to the fullest extent permitted by law, to indemnify and save harmless such holder from and against all loss or damage arising out of or as a result of such deficiency. This indemnity shall, to the fullest extent permitted by law, constitute an obligation separate and independent from the other obligations contained in this Agreement and the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by such holder from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under the Notes or any judgment or order.

14L. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

14M. Descriptive Headings. The descriptive headings of the several paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

14N. Satisfaction Requirement. If any agreement, certificate or other writing, or any action taken or to be taken, is by the terms of this Agreement required to be satisfactory to any Purchaser, to any holder of Notes or to the Required Holder(s), the determination of such satisfaction shall be made by Prudential, such Purchaser, such holder or the Required Holder(s), as the case may be, in the sole and exclusive judgment (exercised in good faith) of the Person or Persons making such determination.

14O. Governing Law. IN ACCORDANCE WITH THE PROVISIONS OF §5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE INTERNAL 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.

14P. Severalty of Obligations. The sales of Notes to the Purchasers are to be several sales, and the obligations of Prudential and the Purchasers under this Agreement are several obligations. No failure by any Purchaser to perform its obligations under this Agreement shall relieve any other Purchaser or the Company of any of its obligations hereunder, and neither Prudential nor any Purchaser shall be responsible for the obligations of, nor any action taken or omitted by, any other such Person hereunder.

14Q. Counterparts. This 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. Delivery of an executed signature page by facsimile or e-mail transmission shall be effective as delivery of a manually signed counterpart of this Agreement.

14R. Binding Agreement. When this Agreement is executed and delivered by the Obligors, Prudential and the Purchasers, it shall become a binding agreement between the Obligors, Prudential and the Purchasers. This Agreement shall also inure to the benefit of each Purchaser which shall have executed and delivered a Confirmation of Acceptance, and each such Purchaser shall be bound by this Agreement to the extent provided in such Confirmation of Acceptance.

14S. Jury Waiver. THE OBLIGORS, PRUDENTIAL AND THE OTHER HOLDERS FROM TIME TO TIME OF THE NOTES AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT, OR ANY DEALINGS BETWEEN OR AMONG THEM RELATING TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY AND THE LENDER/BORROWER RELATIONSHIP THAT IS BEING ESTABLISHED. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THE OBLIGORS, PRUDENTIAL, THE PURCHASERS AND EACH OF THE OTHER

HOLDERS OF NOTES FROM TIME TO TIME EACH ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO THIS BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS, AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. THE OBLIGORS, PRUDENTIAL, THE PURCHASERS AND EACH OF THE OTHER HOLDERS OF NOTES FROM TIME TO TIME FURTHER WARRANT AND REPRESENT THAT EACH HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

14T. Personal Jurisdiction. To the fullest extent permitted by law, each of the Obligors irrevocably agrees that any legal action or proceeding with respect to this Agreement, the Notes, the other Transaction Documents or any of the agreements, documents or instruments delivered in connection herewith may be brought in the courts of the State of New York or the United States of America for the Southern District of New York as Prudential, the Purchasers and the other holders from time to time of Notes (as applicable) may elect, and, by its execution and delivery hereof, each Obligor accepts and consents to, for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts and, to the fullest extent permitted by law, agrees that such jurisdiction shall be exclusive, unless waived by Prudential, the Purchasers and the other holders from time to time of Notes (as applicable) in writing, with respect to any action or proceeding brought by the Obligors against Prudential, the Purchasers, any Purchaser or any holder of Notes. Each of the Obligors hereby waives, to the fullest extent permitted by law, any right to stay or to dismiss any action or proceeding brought before said courts on the basis of *forum non conveniens*.

14U. General Interest Provisions. It is the intention of the Obligors and the Purchasers to conform strictly to the Applicable Interest Law. Accordingly, it is agreed that, notwithstanding any provisions to the contrary in this Agreement or in the Notes, the aggregate of all interest, and any other charges or consideration constituting interest under the Applicable Interest Law that is taken, reserved, contracted for, charged or received pursuant to this Agreement or the Notes shall under no circumstances exceed the maximum amount of interest allowed by the Applicable Interest Law. If any such excess interest is ever charged, received or collected on account of or relating to this Agreement and the Notes (including any charge or amount which is not denominated as "interest" but is legally deemed to be interest under Applicable Interest Law), then in such event:

(i) the provisions of this paragraph 14T shall govern and control;

(ii) the Company shall not be obligated to pay the amount of such interest to the extent that it is in excess of the maximum amount of interest allowed by the Applicable Interest Law;

(iii) any excess shall be deemed a mistake and cancelled automatically and, if theretofore paid, shall be credited to the principal amount of the Notes by

the holders thereof, and if the principal balance of the Notes is paid in full, any remaining excess shall be forthwith paid to the Company; and

(iv) the effective rate of interest shall be automatically subject to reduction to the Maximum Legal Rate of Interest.

If at any time thereafter, the Maximum Legal Rate of Interest is increased then, to the extent that it shall be permissible under the Applicable Interest Law, the Company shall forthwith pay to the holders of the Notes, on a pro rata basis, all amounts of such excess interest that the holders of the Notes would have been entitled to receive pursuant to the terms of this Agreement and the Notes had such increased Maximum Legal Rate of Interest been in effect at all times when such excess interest accrued. To the extent permitted by the Applicable Interest Law, all sums paid or agreed to be paid to the holders of the Notes for the use, forbearance or detention of the indebtedness evidenced thereby shall be amortized, prorated, allocated and spread throughout the full term of the Notes.

14V. Interest Act (Canada). Interest on the Notes 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.

14W. Deemed Reinvestment. 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.

[Remainder of page intentionally left blank. Next page is signature page.]

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

PRUDENTIAL INVESTMENT MANAGEMENT, INC.

By: Billy Greer
Name: Billy Greer
Title: Vice President

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: Billy Greer
Name: Billy Greer
Title: Vice President

PRUCO LIFE INSURANCE COMPANY

By: Billy Greer
Name: Billy Greer
Title: Assistant Vice President

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

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

By: Billy Greer
Name: Billy Greer
Title: Vice President

Very truly yours,

KIT FINANCE INC.

By: _____
Name:
Title:

KIT INC.

By: _____
Name:
Title:

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.

Court File No: CV-11-9159 OOCL

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

APPLICATION RECORD
(RETURNABLE March 31, 2011)

VOLUME I OF III

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