

Court File No. CV-11-9159-00CL

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

**THIRD REPORT OF THE MONITOR
June 24, 2011**

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

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

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

**THIRD REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.
IN ITS CAPACITY AS MONITOR**

INTRODUCTION

1. On March 31, 2011, Prizm Income Fund, Prizm Canadian Operating Trust, Prizm Inc. and Kit Finance Inc. (collectively, the “**Applicants**”) made an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and an Initial Order (the “**Initial Order**”) was made by the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granting, *inter alia*, a stay of proceedings against the Applicants until April 29, 2011, (the “**Stay Period**”) and appointing FTI Consulting Canada Inc. as monitor (the “**Monitor**”). The Initial Order also extended the benefits of the protections and authorizations provided by the Initial Order to Prizm LP (together with the Applicants, the “**Prizm Entities**”). The proceedings commenced by the Applicants under the CCAA will be referred to herein as the “**CCAA Proceedings**”.

2. On April 29, 2011, the Honourable Madam Justice Mesbur granted an Amended and Restated Initial Order (the "**Amended Initial Order**") and granted an order extending the Stay Period to June 30, 2011.
3. On May 30, 2011, the Honourable Mr. Justice Morawetz granted an order approving the sale of 204 store locations to Soul Restaurants Canada Inc. ("**Soul**") pursuant to the Amended and Restated Asset Purchase Agreement dated May 17, 2011 between Soul, Priszm LP and Priszm Inc. (the "**Soul Transaction**"). The Soul Transaction closed on June 1, 2011.
4. The purpose of this, the Monitor's Third Report, is to inform the Court on the following:
 - (a) The receipts and disbursements of the Priszm Entities for the period May 23 to June 19, 2011;
 - (b) The Priszm Entities' revised and extended cash flow forecast for the period June 20 to September 30, 2011 (the "**June 22 Forecast**");
 - (c) The independent opinion on the validity of the security held by Computershare Trust Company of Canada (the "**Security Agent**") as agent for Prudential Investment Management, Inc., The Prudential Insurance Company of America, Pruco Life Insurance Company and Prudential Retirement Insurance and Annuity Company (collectively, "**Prudential**") prepared by counsel to the Monitor;
 - (d) The status of lease assignment consents related to the Soul Transaction;
 - (e) The status of the marketing process for the business and assets of the Priszm Entities in respect of those locations that are not located in Ontario or British Columbia and that were not subject to the Soul Transaction (the "**Marketing Process**");

- (f) The resignation of Ms. Deborah Papernick as the Chief Financial Officer of the Prizm Entities, as well as the Prizm Entities' request for approval of certain amendments to the CRO Agreement previously approved by this Honourable Court and for the appointment of a replacement Chief Restructuring Officer, together with the Monitor's recommendation thereon;
- (g) The Prizm Entities' request for approval of an extension to the interim financing provided by the DIP Amendment which was previously approved by this Honourable Court, pursuant to Amendment No. 12 to the Note Purchase and Shelf Agreement dated as of June 29, 2011 and the Monitor's recommendation thereon;
- (h) The Prizm Entities' request for an Order approving a procedure for the submission of claims, if any, against the current and former directors and officers of the Prizm Entities, 2279549 Ontario Inc. ("227") in its capacity as the Chief Restructuring Officer of the Prizm Entities and Ms. Papernick, and if the Prizm Entities' motion for their appointment is granted, 2289500 Ontario Inc ("228") in its capacity as the Chief Restructuring Officer of the Prizm Entities and Mr. Jim Robertson (the "**D&O Claims Solicitation Procedure**"), and the Monitor's recommendation thereon; and
- (i) The Prizm Entities' request for an extension of the Stay Period to September 30, 2011, and the Monitor's recommendation thereon.

5. In preparing this report, the Monitor has relied upon unaudited financial information of the Prizm Entities, the Prizm Entities' books and records, certain financial information prepared by the Prizm Entities and discussions with the Prizm Entities' management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the affidavit of Ms. Papernick, Chief Financial Officer of the Prizm Entities, sworn March 30, 2011, and filed in support of the CCAA application (the "**Papernick Affidavit**"), previous reports of the Monitor, the Amended Initial Order or in the affidavit of Ms. Papernick sworn June 23, 2011 and filed in support of the Prizm Entities' motion (the "**June 23 Affidavit**"). Copies of Court orders and other materials in respect of the CCAA Proceedings are available on the Monitor's Website at <http://cfcanada.fticonsulting.com/prizm>.

RECEIPTS & DISBURSEMENTS FOR MAY 23 TO JUNE 19, 2011

7. The Prizm Entities' actual cash flow on a consolidated basis for the period from May 23 to June 19, 2011, was approximately \$3.4 million better than the May 24 Forecast filed as Appendix A to the Monitor's Second Report, as summarized below:

	Forecast	Actual	Variance
	\$M	\$M	\$M
Receipts:			
Sales	20,475	24,303	3,828
Other	200	1,014	814
Total Receipts	20,675	25,317	4,642
Disbursements:			
Store costs	19,614	20,372	(759)
Occupancy costs	2,685	3,538	(853)
IT	374	111	262
Fixed asset vendors	196	89	108
Repairs & maintenance	207	406	(199)
Marketing	466	198	268
Other vendors	1,230	1,328	(97)
Royalties	-	-	-
Co-op marketing	1,324	1,464	(140)
Legal fees	303	47	256
Bank fees	93	27	67
Interest	-	-	-
Sales taxes	2,609	2,912	(303)
Legal & professional fees	1,124	953	171
Other	76	12	64
Total Disbursements	30,301	31,456	(1,155)
Excess of Receipts over Disbursements	(9,627)	(6,140)	3,487
Opening Cash	18,527	18,527	-
Closing Cash	8,900	12,387	3,487
Reversal of prior "funds not available"	2,450	2,939	489
Funds not available	(1,892)	(2,437)	(545)
	9,458	12,889	3,430

8. Explanations for the key variances in actual receipts and disbursements as compared to the May 24 Forecast are as follows:

- (a) The positive variance in sales arises from the fact that the May 24 Forecast assumed a closing date for the Soul Transaction of May 30, 2011. As the Soul Transaction closed on June 1, 2011, the additional 2 days resulted in actual sales being higher than what was included in the May 24 Forecast. In addition, sales for the remaining stores were also higher than forecast for the period following the closing of the Soul Transaction;

- (b) The positive variance in other receipts arises from the amounts paid by Soul pursuant to the Occupation Agreement dated May 17, 2011 between Prizm LP, Prizm Inc. and Soul (the “**Occupation Agreement**”);
- (c) The negative variance in store costs arises from: (i) payments to distributors and chicken vendors being higher than forecast as a result of the 2 day delay in the closing of the Soul Transaction, and (ii) payroll amounts for wages and vacation pay being higher than forecast for those employees working at the locations included in the Soul Transaction;
- (d) The negative variance in occupancy costs arises from the additional rents paid pursuant to the Occupation Agreement, being offset by the receipts from Soul and payments to landlords in respect of property taxes being higher than what was forecast;
- (e) The positive variance in IT costs is a permanent variance arising from certain implementation costs that were not incurred;
- (f) The negative variance in marketing costs is a permanent variance arising from the costs for the forecasted marketing campaign no longer being incurred;
- (g) The positive variance in legal fees is a permanent variance arising from certain audit and legal fees that are now not expected to be incurred in 2011; and
- (h) The negative variance in sales taxes is a permanent variance arising from input tax credits in the current period being lower than forecast.

REVISED AND EXTENDED CASH FLOW FORECAST TO SEPTEMBER 30, 2011

9. The June 22 Forecast is attached hereto as Appendix A and shows a minimum cash balance of approximately \$3.8 million in the period June 20 to September 30, 2011. The June 22 Forecast is summarized below:

	\$M
Receipts:	
Sales	59,284
Other	2,196
Total Receipts	61,480
Disbursements:	
Store costs	37,142
Occupancy costs	8,840
IT	553
Fixed asset vendors	549
Repairs & maintenance	779
Marketing	500
Other vendors	2,656
Royalties	4,747
Co-op marketing	3,336
Legal fees	324
Bank fees	291
Interest	-
Sales taxes	5,687
Legal & professional fees	3,579
Other	304
Total Disbursements	69,288
Excess of Receipts over Disbursements	(7,808)
Opening Cash	12,889
Closing Cash	5,081
Reversal of prior "funds not available"	484
Commitment Fee	(100)
Funds not available	(410)
	5,055

10. The major changes to the assumptions underlying the June 22 Forecast as compared to the May 24 Forecast are as follows:

- (a) The June 22 Forecast reflects the closing of the Soul Transaction and the transfer of the 204 restaurants to Soul;

- (b) The closing of 30 locations in Ontario and British Columbia, which were excluded from the Soul Transaction; and
- (c) The cash receipts and payments which resulted from the implementation of the Transition Services Agreement dated May 17, 2011 between Prizm LP, Prizm Inc. and Soul and the Occupancy Agreement.

THE INDEPENDENT SECURITY REVIEW OPINION

11. The Monitor requested that its counsel, Osler, Hoskin & Harcourt LLP (“**Osler**”), conduct a security review of the security granted by the Prizm Entities to the Security Agent as agent for Prudential. In connection therewith, Osler has rendered a security review opinion for the provinces of Ontario and Alberta, which contains as a schedule, security review opinions from Osler for the province of Quebec, Clarke Wilson LLP for the province of British Columbia, Thompson Dorfman Sweatman LLP for the province of Manitoba, and McInnes Cooper LLP for the provinces of Nova Scotia and New Brunswick (collectively, the “**Opinions**”).
12. The Opinions provide that, subject to the assumptions and qualifications contained therein, the security granted by the Prizm Entities to the Security Agent as agent for Prudential is valid and that, except for the collateral charges in respect of certain leasehold interests described below, the necessary registrations have been made in the relevant jurisdictions in order to perfect or evidence such security.
13. The Opinions note that:

- (a) Each collateral charge provides that, with the exception of any lease with Yum! Brands Canada Management LP, Scott's Real Estate Limited Partnership and Obelysk Inc. as landlord, in the event that the mortgaging, charging or demising, to and in favour of the Security Agent, of all of Priszm LP's right, title and interest in any lease would cause Priszm LP to be in default under the terms of such lease, such mortgaging, charging and demising shall not be effective until such time as any consent or waiver necessary to permit such mortgaging, charging or demising has been obtained from the landlord under the applicable lease; and
 - (b) In a number of circumstances, the fixed mortgage, charge and demise of the leasehold interests of Priszm Inc., for and on behalf of Priszm LP, in the real property described in the schedule to each collateral charge, have not been registered in the appropriate land registry system.
14. The Opinions also include assumptions that the granting of the collateral charges complied with the terms of the applicable leases. However, the underlying leases have not been reviewed to confirm such compliance.

LEASE ASSIGNMENT CONSENTS RELATED TO THE SOUL TRANSACTION

15. As noted earlier in this report, the Soul Transaction closed on June 1, 2011. Defined terms used in this section of this report are as defined in the Soul APA.

16. The Soul Transaction provides an obligation for the Vendor to seek, for those Leases not assigned on Closing, a Landlord Consent or the assignment of the Leases by Court Order. In conjunction with the motion for the approval of the Soul Transaction, the Prizm Entities filed a motion for an Order pursuant to section 11.3 of the CCAA to assign 72 Leases for which a Landlord Consent was required under the Lease but which had not yet been obtained (the “**11.3 Motion**”). The Prizm Entities agreed to adjourn the 11.3 Motion in order to allow more time to determine whether acceptable forms of Landlord Consents could be obtained. In the period between the filing of the 11.3 Motion and the closing of the Soul Transaction, an additional 5 consents were received which reduced the number of unassigned leases from 72 to 67 on closing.
17. On Closing of the Soul Transaction on June 1, 2011, 138 Leases were assigned, of which 44 were assigned pursuant to Landlord Consents and 93 were assigned pursuant to notices issued pursuant to the provisions of the Lease. Sixty-seven Leases remained unassigned on Closing.
18. Subsequent to the Closing of the Soul Transaction, a further 11 Landlord Consents have been obtained and those Leases assigned. The Prizm Entities are continuing in their efforts to obtain acceptable forms of Landlord Consent for the Outstanding Leases, failing which a hearing date will be scheduled for the 11.3 Motion on not less than 7 days notice to the affected Landlords and in any event within 6 months of the Closing Date as required by the provisions of the Soul APA.

THE MARKETING PROCESS

19. As stated in the Monitor's Second Report, May 25, 2011 was set as the deadline for the submission of offers in the Marketing Process. Several offers have been received, which taken together include offers for locations in all markets. The Prizm Entities, with the assistance of their advisors and the Monitor are in the process of negotiating with a number of bidders with a view to agreeing on the terms of acceptable agreements of purchase and sale.

CRO ARRANGEMENTS

20. Pursuant to paragraph 26 of the Initial Order, 227 was appointed Chief Restructuring Officer with the powers and obligations set out in the agreement entered into between the Prizm Entities and 227 dated March 30, 2011 (the "**CRO Agreement**"). Pursuant to the CRO Agreement, Ms. Papernick, Chief Financial Officer of the Prizm Entities, is the only person who will carry out the services under the CRO Agreement.
21. On June 15, 2011, Ms. Papernick tendered her resignation as Chief Financial Officer of the Prizm Entities, effective June 30, 2011.
22. In order to ensure that the Prizm Entities have the necessary ongoing corporate governance, the Prizm Entities, with the agreement of Ms. Papernick and Mr. Robertson, the Prizm Entities' Chief Operating Officer, propose the following:
 - (a) Ms. Papernick will continue in her role as Chief Restructuring Officer until July 31, 2011, on a part-time basis up to 1.5 days per week during business hours, plus evenings and weekends; and
 - (b) Mr. Robertson will work closely with Ms. Papernick during the month of July so that a smooth transition of responsibilities can be effected and, through 228, will assume the role of Chief Restructuring Officer effective August 1, 2011.

23. To give effect to the foregoing, the Prizm Entities have entered into, subject to Court approval, the following:
 - (a) An amendment to the CRO Agreement, dated June 23, 2011 (the "**CRO Agreement Amendment**"); and
 - (b) An engagement agreement with 228 dated June 23, 2011 (the "**Robertson CRO Agreement**") which is in form and content substantially similar to the CRO Agreement.
24. Copies of the CRO Agreement Amendment and the Robertson CRO Agreement are attached hereto as Appendix B and Appendix C respectively, each with the commercially sensitive financial terms redacted. Unredacted copies of the CRO Agreement Amendment and the Robertson CRO Agreement are provided in confidential Appendix D to this report, for which the Prizm Entities are seeking a Sealing Order.
25. The Monitor understands that Prudential has consented to the CRO Agreement Amendment and the Replacement CRO Agreement. The Monitor has reviewed the terms of the CRO Agreement Amendment and the Replacement CRO Agreement, including the financial terms, and is of the view that such terms are reasonable in the circumstances. The Monitor notes that the aggregate of the financial obligations under the CRO Agreement Amendment and the Robertson CRO Agreement are equal to the combined amounts that would have been payable under the CRO Agreement and Ms. Papernick's KERP as Chief Financial Officer if she had not resigned.

26. The Monitor is also of the view that the appointment of a replacement Chief Restructuring Officer is appropriate in the circumstances and in the best interests of the Prizm Entities and their stakeholders. It is also the Monitor's view that, in the circumstances of the CCAA Proceedings, Mr. Robertson (acting through 228) is capable of executing the duties of the Chief Restructuring Officer. Furthermore, the appointment of a CRO unconnected with the Prizm Entities would be substantially less cost effective. Accordingly, the Monitor respectfully recommends that this Honourable Court grant the Prizm Entities' request for approval of the CRO Agreement Amendment and the Replacement CRO Agreement.

THE DIP EXTENSION

27. At paragraph 8 of its Second Report, the Monitor stated:

“8. The DIP Amendment expired on its terms on May 20, 2011. While there have been discussions with Prudential in respect of an extension of the DIP Amendment, to date no extension has been agreed. However, the Prizm Entities' cash flow forecasts, as described later in this report, show that the Prizm Entities' do not anticipate a need for any advances under a DIP facility in the period of the forecasts.”

28. Prudential and the Prizm Entities have now agreed, subject to Court approval, the terms of an extension of the DIP Amendment pursuant to Amendment No. 12 to the Note Purchase and Shelf Agreement dated as of June 29, 2011 (the “**DIP Extension**”). The DIP Extension, a copy of which is attached hereto as Appendix E, extends the maturity date to September 30, 2011 and provides for an extension fee of US\$100,000 to be paid on or before June 30, 2011 (the “**Extension Fee**”).

29. While the June 22 Forecast indicates that the Prizm Entities do not expect to draw under the DIP Extension during the forecast period, actual borrowing requirements are highly sensitive to timing variances, variances in forecast sales and the other assumptions underlying the June 22 Forecast. Accordingly, having the DIP Extension in place is considered prudent by the Prizm Entities, Prudential and the Monitor and should assist with maintaining stability during the CCAA Proceedings. In the circumstance of this case, the Monitor does not consider the Extension Fee unreasonable. Accordingly, the Monitor respectfully recommends that this Honourable Court approve the Prizm Entities' request for approval of the DIP Extension.

THE D&O CLAIMS SOLICITATION PROCEDURE

30. Paragraphs 23 and 24 of the Amended Initial Order state:

“23. THIS COURT ORDERS that the Prizm Entities shall indemnify (a) their directors and officers against obligations and liabilities that they may incur as directors or officers of the Prizm Entities, and (b) the CRO and Deborah Papernick against any obligations and liabilities that they may incur as CRO of the Prizm Entities, after the commencement of the within proceedings, except to the extent that, with respect to any individual, the obligation or liability was incurred as a result of the individual's gross negligence or wilful misconduct.

24. THIS COURT ORDERS that the directors and officers of the Prizm Entities and the CRO and Deborah Papernick shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of \$9.8 million, as security for the indemnity provided in paragraph 23 of this Order. The Directors'

Charge shall have the priority set out in paragraphs 46 and 48 herein.”

31. Paragraph 48 of the Amended Initial Order states:

“48. THIS COURT ORDERS that each of the Administration Charge, the Critical Supplier Charge, the Franchisor Charge, the DIP Lender's Charge and the Directors' Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, the "Encumbrances") in favour of any Person, notwithstanding the order of perfection or attachment, except for any Person who is a "secured creditor", as defined in the CCAA, as of the date of this Order and who has not received notice of this Application.”

32. In order to ensure that the Directors' Charge can be released, or potential claims under the Directors' Charge can be provided for, prior to any distribution of proceeds of realization, the Prizm Entities seek approval of the D&O Claims Solicitation Procedure in the form of the draft Order attached hereto as Appendix F (the “**D&O Claims Solicitation Procedure Order**”). Defined terms used in this section of this report not otherwise defined herein are as defined in the D&O Claims Solicitation Procedure Order.
33. FTI Consulting has developed a proprietary database for the secure on-line filing, review, dispute and adjudication of claims which, for this proceeding, can be accessed at <https://cmsi.ftitools.com/prizm> (the “**FTI Claims Site**”). The FTI Claims Site is a secure and user-friendly web-based application and the Monitor believes that its use will make it easier for parties to submit their claims and supporting documentation and will significantly streamline the administration of the D&O Claims Solicitation Procedure, resulting in efficiencies and cost savings.

34. The FTI Claims Site was approved for use by the Alberta Court of Queen's Bench in the CCAA proceedings of Trident Exploration Corp. et al (Action number 0901.13483) and by this Court in the receivership proceeding of Skyservice Airlines Inc. (Court File Number CV-10-8647-00CL). The use of the FTI Claims Site in each of those proceedings yielded significant efficiencies and the FTI Claims Site received very positive feedback. It is proposed that the FTI Claims Site be used for the administration of the D&O Claims Solicitation Procedure.
35. The D&O Claims Solicitation Procedure has been divided into two stages:
 - (a) The solicitation of Initial D&O Claims, in respect of applicable claims arising on or before June 30, 2011; and
 - (b) The solicitation of Subsequent D&O Claims, in respect of applicable claims arising after June 30, 2011.
36. The key steps of the D&O Claims Solicitation Procedure relating to Initial D&O Claims are as follows:
 - (a) The Notice to Creditors of Initial D&O Claims Bar Date will be published in the national edition of *The Globe and Mail* and *La Presse* as soon as practicable following the date that the D&O Claims Solicitation Procedure Order is granted by the Court;
 - (b) The Notice to Creditors of Initial D&O Claims Bar Date will be posted on the Monitor's Website as soon as practicable following the date that the D&O Claims Solicitation Procedure Order is granted by the Court; and
 - (c) Any Person wishing to assert an Initial D&O Claim must file their Initial D&O Claim together with all relevant supporting documentation via the FTI Claims Site or as otherwise provided for in the D&O Claims Procedure by no later than the Initial D&O Claims Bar Date (being 5:00 p.m. Eastern Standard Time on August 19,

2011), failing which such Initial D&O Claim shall be forever barred and extinguished.

37. The key steps of the D&O Claims Solicitation Procedure relating to Subsequent D&O Claims are as follows:
- (a) The Notice to Creditors of Subsequent D&O Claims Bar Date will be published in the national edition of *The Globe and Mail* and *La Presse* no less than 4 weeks before the Subsequent D&O Claims Bar Date;
 - (b) The Notice to Creditors of Subsequent D&O Claims Bar Date will be posted on the Monitor's Website no less than 4 weeks before the Subsequent D&O Claims Bar Date; and
 - (c) Any Person wishing to assert a Subsequent D&O Claim must file their Subsequent D&O Claim together with all relevant supporting documentation via the FTI Claims Site or as otherwise provided for in the D&O Claims Procedure by no later than the Subsequent D&O Claims Bar Date (which will be established by the Prizm Entities, in consultation with the Monitor), failing which such Subsequent D&O Claim shall be forever barred and extinguished.
38. Any potential creditor that is unable or unwilling to utilize the FTI Claims Site has the option of providing the relevant data and supporting documentation to the Monitor who will be able to input the data and upload the supporting documentation on the potential creditor's behalf. In addition, the Monitor has the ability to provide notices and correspondence via paper copy to any creditor that is unable or unwilling to provide an email contact address.
39. The procedure for the adjudication of D&O Claims, if any, will be the subject of a future motion before the Court, such motion to be brought by either the Prizm Entities or the Monitor in consultation with relevant counsel.

40. The Monitor believes that the D&O Claims Solicitation Procedure is appropriate, fair and reasonable in the circumstances and respectfully recommends that the Prizm Entities request for its approval be granted by this Honourable Court.

PRISZM ENTITIES' REQUEST FOR AN EXTENSION OF THE STAY PERIOD

41. The Stay Period currently expires on June 30, 2011. Additional time is required for the Prizm Entities to complete the Marketing Process and distribute proceeds from the sale of their assets. The continuation of the stay of proceedings is necessary to provide the stability needed during that time. Accordingly, the Prizm Entities now seek an extension of the Stay Period to September 30, 2011.
42. While it is expected that the Prizm Entities would be appearing before the Court at various times before that date, a longer extension to the Stay Period is requested. The Prizm Entities and the Monitor believe a longer extension to the Stay Period is advantageous as it removes a degree of uncertainty amongst employees, suppliers and interested parties.
43. The June 22 Forecast demonstrates that the Prizm Entities have sufficient liquidity to fund operations to September 30, 2011.
44. Based on the information currently available, the Monitor believes that creditors would not be materially prejudiced by an extension of the Stay Period to September 30, 2011.
45. The Monitor also believes that the Prizm Entities have acted, and are acting, in good faith and with due diligence and that circumstances exist that make an extension of the Stay Period appropriate.
46. The Monitor therefore respectfully recommends that this Honourable Court grant the Prizm Entities' request for an extension of the Stay period to September 30, 2011.

The Monitor respectfully submits to the Court this, its Third Report.

Dated this 24th day of June, 2011.

FTI Consulting Canada Inc.
In its capacity as Monitor of
Priszm Income Fund, Priszm Canadian Operating Trust,
Priszm Inc. and Kit Finance Inc.



Nigel D. Meakin
Senior Managing Director



Toni Vanderlaan
Managing Director

Appendix A

The June 22 Forecast

Prizm Income Fund
CCAA Cash Flow Forecast
 June 20, 2011

	6/24/11	7/1/11	7/8/11	7/15/11	7/22/11	7/29/11	8/5/11	8/12/11	8/19/11	8/26/11	9/2/11	9/9/11	9/16/11	9/23/11	9/30/11	Total
	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	
Amounts in CDNS000's																
Week Ended																
Prizm Accounting Week Number																
RECEIPTS																
Sales	4,429	4,555	4,195	4,128	3,251	3,308	4,001	3,894	3,967	3,940	4,341	3,845	3,732	3,711	3,988	59,284
Other	71	525	50	50	50	50	525	50	50	50	525	50	50	50	50	2,196
Total Receipts	4,499	5,080	4,245	4,178	3,301	3,358	4,526	3,944	4,017	3,990	4,866	3,895	3,782	3,761	4,038	61,480
Disbursements																
Store Costs	1,299	3,410	1,558	3,578	1,788	3,639	1,568	3,712	1,781	3,264	1,558	3,479	1,728	3,373	1,397	37,142
Occupancy Costs	245	1,117	1,099	1,215	214	1,108	121	368	991	208	953	143	967	176	918	8,840
IT	-	178	55	-	36	55	77	10	-	-	55	25	7	-	65	553
Fixed Asset Vendors	20	23	107	14	34	39	29	30	39	22	30	15	61	51	38	549
Repairs and Maintenance	34	54	60	58	39	84	75	40	65	62	8	52	54	49	46	779
Marketing	-	-	200	-	-	-	-	150	-	-	-	-	150	-	-	500
Other Vendors	131	469	176	180	147	177	152	183	171	80	204	162	163	149	121	2,656
Royalties	1,714	-	-	-	1,044	-	-	-	1,005	-	-	-	884	-	-	4,747
Co-op Advertising	1,224	-	-	-	728	-	-	-	700	-	-	-	684	-	-	3,336
Legal Fees	63	40	120	-	14	2	-	-	-	-	39	24	24	-	324	
Bank Fees	1	1	89	3	1	1	89	3	1	1	89	3	1	1	291	
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes	2,090	-	-	-	1,235	-	-	-	1,195	-	-	-	1,167	-	-	5,687
Other Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal and Professional Fees - Restructuring	547	198	238	228	228	258	313	188	218	188	193	193	218	188	188	3,579
S/Cool Life / WHF	-	76	-	-	-	76	-	-	-	76	-	-	-	76	-	304
Total Disbursements	7,366	5,563	2,712	5,276	5,517	5,436	2,424	4,673	6,165	3,900	3,128	4,084	6,207	4,062	2,773	69,288
Net Cash Flow	(2,867)	(483)	(1,098)	(1,098)	(2,216)	(2,078)	2,103	(730)	(2,149)	90	1,737	(188)	(2,425)	(301)	1,265	(7,808)
[A] Adjusted for DIP Financing and Costs																
Opening Cash Position (not including "Funds not Available")	12,889	10,070	9,454	11,024	9,932	7,712	5,632	7,755	7,036	4,880	4,972	6,668	6,531	4,117	3,818	12,889
Reversal of previous week's "Funds NOT Available"	484	436	469	432	425	429	432	412	400	408	405	446	396	384	382	484
Net Cash Flow from Operations	(2,867)	(483)	(1,098)	(1,098)	(2,216)	(2,078)	2,103	(730)	(2,149)	90	1,737	(188)	(2,425)	(301)	1,265	(7,808)
Royalties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commitment Fee (Note Amendment Agreement)	-	(100)	-	-	-	-	-	-	-	-	-	-	-	-	-	(100)
Issuance Fees (1% of principal amount as per Note Amendment Agreement)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Funds NOT Available for Outflow use - Non-RBC/ Cr & Dr Card Dep	(436)	(489)	(432)	(425)	(429)	(432)	(412)	(400)	(408)	(405)	(446)	(396)	(384)	(382)	(410)	(410)
Ending balance in cash before Funding and Interest	10,070	9,454	11,024	9,932	7,712	5,632	7,755	7,036	4,880	4,972	6,668	6,531	4,117	3,818	5,055	5,055
Interest on Series 2011 Notes (includes minimum cash on hand assumption)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Series 2011 DIP Notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Cash Position - Forbearance and Financing Costs	10,070	9,454	11,024	9,932	7,712	5,632	7,755	7,036	4,880	4,972	6,668	6,531	4,117	3,818	5,055	5,055

Appendix B

CRO Agreement Amendment (Redacted)

2279549 ONTARIO INC.

March 30, 2011

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

Appointment of Chief Restructuring Officer (“CRO”)

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

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

The Engagement

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

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


respect to the Prizm Entities;

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

(the "Engagement").

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

Fees and Indemnity



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

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

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

Role of Deborah Papernick

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

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

Termination with Notice

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

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

Yours truly,

2279549 Ontario Inc.

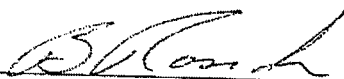
Per:



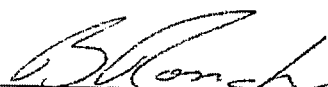
Deborah Papernick

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

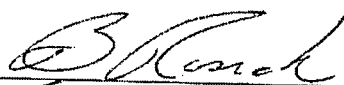
KIT FINANCE INC.

By: 
Name: Borden Kosiak
Title:


PRISZM INC.

By: 
Name: Borden Kosiak
Title:


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

By: 
Name: Borden Kosiak
Title:

PRISZM CANADIAN OPERATING TRUST

By: 
Name: Borden Kosiak
Title:

PRISZM INCOME FUND

By: 
Name: Borden Kosiak
Title:

Appendix C

Robertson CRO Agreement (Redacted)

2289500 ONTARIO INC.

June 23, 2011

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

Appointment of Chief Restructuring Officer

On March 31, 2011, Priszm Income Fund ("Priszm Fund"), Priszm Canadian Operating Trust ("Priszm Trust"), Priszm Inc. ("Priszm GP") and Kit Finance Inc. ("Kit Finance") (collectively, the "Applicants") filed for protection from their creditors pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA") and all of the trustees of Priszm Fund and Priszm Trust and all of the directors of Priszm GP and Kit Finance resigned immediately after the filing.

We understand that the Applicants were desirous of appointing someone to provide direction and control of the operation of the Applicants and Priszm LP (collectively, the "Priszm Entities") during the CCAA proceedings (the "Proceedings") and retained the services of 2279549 Ontario Inc. (the "Initial CRO") to represent and advise the Priszm Entities as Chief Restructuring Officer in connection with the Proceedings pursuant to a letter agreement dated March 30, 2011 (the "Initial CRO Agreement"). We also understand that the Initial CRO will be ending its engagement under the Initial CRO Agreement effective July 31, 2011 and the Applicants wish to retain the services of 2289500 Ontario Inc. (the "New CRO") to represent and advise the Priszm Entities as Chief Restructuring Officer in connection with the Proceedings commencing August 1, 2011.

The Engagement

During the period of July 1 to July 31, 2011, the New CRO will use its reasonable best efforts to shadow the Initial CRO and attend meetings with the Initial CRO, so as to ensure a smooth transition of responsibilities from the Initial CRO to the New CRO.

Commencing August 1, 2011, New CRO will have the following powers, all of which will be carried out for, on behalf of and in the name of the Priszm Entities, subject to the terms of (a) the Initial Order issued by the Ontario Superior Court of Justice (the "Court") in connection with the Proceedings, as amended and restated from time to time; (b) Amendment No. 12 to the Note Purchase and Private Shelf Agreement dated as of June 22, 2011 and any further amendments thereto (collectively, the "DIP Amendments"); and (c) any other order of the Court made in the Proceedings:

- (a) the power to direct the operation of the Priszm Entities carrying on the

business of the Prizm Entities as the New CRO deems necessary;

- (b) the power to take steps for the preservation and protection of the undertaking, property and assets of the Prizm Entities (the "Property");
- (c) the power to initiate a draw under the DIP Amendments on behalf of the Prizm Entities;
- (d) the power to take such steps as the New CRO deems are necessary or appropriate to maintain control over all receipts and disbursements arising out of the operations of the Prizm Entities;
- (e) the power to supervise and direct any sales process approved by the Court with respect to the Prizm Entities;
- (f) the power to negotiate and enter into agreements on behalf of the Prizm Entities with respect to the sale of the Property;
- (g) the power to direct the Prizm Entities to apply to Court for any vesting order or orders which may be necessary or appropriate in order to convey the Property to a purchaser or purchasers thereof;
- (h) the power to take any steps, enter into any agreements or incur any obligations as the New CRO deems necessary or incidental to the exercise of the aforesaid powers, with such agreements and obligations to be those of the Prizm Entities and not of the New CRO or Jim Robertson personally;
- (i) the power to provide information to FTI Consulting Canada Inc. in its capacity as the Court-appointed monitor of the Prizm Entities (the "Monitor") and Prudential Investment Management, Inc., The Prudential Insurance Company of America, Pruco Life Insurance Company and Prudential Retirement Insurance and Annuity Company (and their advisors) regarding the business and affairs of the Prizm Entities; and
- (j) in consultation with Stikeman Elliott LLP, the power to direct the Prizm Entities to commence any proceeding and seek any order, or respond to any motion or application brought by any other person, in the Proceedings or otherwise;

(the "Engagement").

We acknowledge that the Engagement is subject to approval by the Court of an order which shall be in form and substance satisfactory to the Prizm Entities and the New CRO. We understand that you will include a request for Court approval of this agreement in the Prizm Entities' motion for, *inter alia*, an extension of the stay period under the Initial Order returnable June 29, 2011. Subject to Court approval, we will commence the Engagement as set out herein and continue the Engagement until our appointment is terminated by order of the Court or pursuant to the terms of this Agreement.

Fees and Indemnity

The Prizm Entities shall indemnify and hold harmless the New CRO and Jim Robertson against and from any obligations and liabilities that they both or either of them may incur as New CRO of the Prizm Entities after the commencement of the Proceedings, except in the event that the obligation or liability was incurred as a direct result of the New CRO's or Jim Robertson's gross negligence or wilful misconduct.

Role of Jim Robertson

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

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

Termination with Notice

It is understood that the New CRO may terminate this agreement and that the New CRO shall end its engagement hereunder, on 14 calendar days written notice to the Prizm Entities and the Monitor: provided that in the event that the New CRO terminates this agreement, it shall forfeit any further success fee otherwise falling due


to it thereafter. Notice shall be sent by way of email to counsel for each of the Monitor and the Prizm Entities. Notwithstanding the foregoing, in no event shall the New CRO engagement be terminated by the New CRO with effect prior to September 5, 2011.

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

Yours truly,

2289500 Ontario Inc.

Per:

A handwritten signature in black ink, appearing to read "Jim Robertson". The signature is written in a cursive style with a long horizontal stroke at the end.

Jim Robertson

Appendix D

**Unredacted Copies of
the CRO Amendment Agreement and the Robertson CRO Agreement**

(Appendix subject to a request for a Sealing Order)

Appendix E

The DIP Extension

KIT FINANCE INC.
AMENDMENT NO. 12 TO NOTE PURCHASE AND
PRIVATE SHELF AGREEMENT AND FORBEARANCE AGREEMENT

As of June 29, 2011

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

Ladies and Gentlemen:

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

1. PRELIMINARY MATTERS.

1.1. Note Issuance, etc.

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

(ix) Amendment No. 9 to Note Purchase and Private Shelf Agreement dated as of January 19, 2011, (x) Amendment No. 10 to Note Purchase and Private Shelf Agreement dated as of February 1, 2011 and (xi) Amendment No. 11 to Note Purchase and Private Shelf Agreement dated as of March 31, 2011 (“Amendment No. 11”) (as so amended, the “Existing Note Agreement”; and as amended by this Amendment No. 12 to Note Purchase and Private Shelf Agreement and Forbearance Agreement (together with all Annexes, Exhibits, Schedules and attachments hereto, this “Amendment Agreement” or this “Agreement”), the “Note Agreement”). The register for the registration and transfer of the Notes indicates that the Persons named in Annex 1 hereto (collectively, the “Current Noteholders”) are currently the holders of the entire outstanding principal amount of the Existing Notes.

1.2. Requested Actions.

The Obligors have requested that the Current Noteholders amend certain provisions of the Existing Note Agreement, all as more particularly provided for herein.

2. DEFINED TERMS.

Capitalized terms used herein and not defined herein have the respective meanings given them pursuant to Amendment No. 11 or, if not defined therein, in the Noteholder Forbearance Agreement (defined below), or, if not defined therein, in the Note Agreement.

3. AMENDMENTS TO AMENDMENT NO. 11, TO EXISTING NOTE AGREEMENT AND TO NOTEHOLDER FORBEARANCE AGREEMENT.

Subject to Section 5 hereof, each of Amendment No. 11, the Existing Note Agreement and the Noteholder Forbearance Agreement are hereby amended as set forth in this Section 3 (the “Amendments”):

3.1. Amendments to Section 3.1 of Amendment No. 11.

Section 3.1 of Amendment No. 11 is hereby amended by changing, under the heading “1.3 Authorization of Post-Petition Notes” contained therein, the reference therein to “May 20, 2011” to a reference to “September 30, 2011”, and the reference therein to “May 13, 2011” to “September 23, 2011”. For the avoidance of doubt, the effect of such changes shall be to extend the “Post-Petition Notes Issuance Period” through September 23, 2011, and the maturity date of any Post-Petition Notes that may be issued to September 30, 2011, subject in all respects to the other terms, conditions and provisions of this Agreement and the Existing Note Agreement.

3.2. Amendment to Exhibit A-5 to the Existing Note Agreement.

Exhibit A-5 of the Existing Note Agreement is hereby amended by changing all references therein to “May 20, 2011” to references to “September 30, 2011”. For the avoidance of doubt, the effect of such changes shall be to extend the maturity date of any Post-Petition

Notes that may be issued to September 30, 2011, subject in all respects to the other terms, conditions and provisions of this Agreement and the Existing Note Agreement.

3.3. Amendments to Noteholder Forbearance Agreement.

The definition of "Forbearance Termination Event" within the Amended and Restated Noteholder Forbearance Agreement dated as of March 31, 2011 between the Current Noteholders and the Obligors (as amended, restated, supplemented or modified from time to time, the "Noteholder Forbearance Agreement") is hereby amended by changing the reference to "May 9, 2011" within clause (g) of such definition to "August 15, 2011", and by changing the reference to "May 20, 2011" within clause (h) of such definition to "September 30, 2011". The definition of "Forbearance Termination Date" within the Noteholder Forbearance Agreement is hereby amended by changing the reference to "May 20, 2011" within clause (i) of such definition to "September 30, 2011".

4. REPRESENTATIONS AND WARRANTIES OF THE OBLIGORS.

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

4.1. Organization, Power and Authority, etc.

Each Obligor has all requisite power and authority to enter into and perform its obligations under this Amendment Agreement.

4.2. Authorization, etc.

Assuming the effectiveness of the Order dated as of June 29, 2011 granted by the Court in the CCAA Proceedings (the "DIP and Stay Extension Order"), this Amendment Agreement has been duly authorized by all necessary corporate action on the part of each Obligor, and constitutes a legal, valid and binding obligation of each Obligor, in each case, enforceable against the such Obligor in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.3. Legal Validity.

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

authority applicable to such Obligor or its property; or (3) any agreement or instrument to which such Obligor is a party or by which such Obligor or any of its property may be bound or any statute or other rule or regulation of any governmental authority applicable to such Obligor or its property.

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

4.4. Benefit of Security.

The obligations of the Obligors in respect of the Note Agreement and the Notes are entitled to the full and ratable benefit of the Security. The Post-Petition Notes shall have the full benefit of the Security. In addition, any Post-Petition Notes issued on or after the filing of an application by the Obligors pursuant to the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "CCAA") shall be secured by all or substantially all of the assets of the Obligors, and (assuming the effectiveness of the Initial Order granted by the Court in the CCAA Proceedings) shall have priority as to time and right of payment and shall have priority with respect to such collateral in accordance with the terms of the Initial Order.

5. EFFECTIVENESS OF THE AMENDMENTS.

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

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

(b) the payment by the Obligors to the account of the Current Noteholders on or before June 30, 2011 of an extension fee in the aggregate amount of US\$100,000, to the account or accounts designated by the Current Noteholders or their counsel to the Obligors in writing;

(c) this Agreement shall have been approved by the Court pursuant to the DIP and Stay Extension Order;

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

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

6. EXPENSES.

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

7. REAFFIRMATION.

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

8. MISCELLANEOUS.

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

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

8.2. Counterparts; Effectiveness.

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

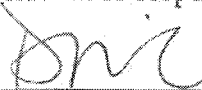
8.3. Governing Law.

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

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

KIT FINANCE INC., PRISZM INC. by
2279549 ONTARIO INC., solely in its
capacity as Chief Restructuring Officer, and
without personal or corporate liability.

By:



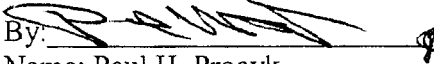
Name: Deborah Papernick,

Title: Authorized Signatory


[Signature page to Amendment No. 12 to Note Purchase and Private Shelf Agreement]

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


**PRUDENTIAL INVESTMENT
MANAGEMENT, INC.**

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

**THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA**


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

PRUCO LIFE INSURANCE COMPANY

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

**PRUDENTIAL RETIREMENT
INSURANCE AND ANNUITY COMPANY**

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

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

[Signature page to Amendment No. 12 to Note Purchase and Private Shelf Agreement]

Annex 1

CURRENT NOTEHOLDERS

The Prudential Insurance Company of America

Pruco Life Insurance Company

Prudential Retirement Insurance and Annuity Company

Appendix F

Draft D&O Claims Solicitation Procedure Order

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)
)
JUSTICE MORAWETZ) WEDNESDAY, THE 29TH
) DAY OF JUNE, 2011

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")

ORDER
(D&O Claims Solicitation Procedure)

THIS MOTION, made by Priszm Income Fund, Priszm Canadian Operating Trust, Priszm LP, Priszm Inc. and Kit Finance Inc. (collectively, the "**Priszm Entities**") for an order approving a procedure for the solicitation of claims against their current and former directors and officers, 2279549 Ontario Inc. in its capacity as the Chief Restructuring Officer of the Priszm Entities, Deborah Papernick, and Jim Robertson and 2289500 Ontario Inc., in its capacity as Chief Restructuring Officer of the Priszm Entities and authorizing and directing FTI Consulting Canada Inc., in its capacity as the Court-appointed monitor of the Priszm Entities (the "**Monitor**") to administer the D&O Claims Solicitation Procedure (as defined below) in accordance with its terms, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Deborah Papernick sworn June 23, 2011 and the Third Report of the Monitor, and on hearing the submissions of counsel to the Priszm

Entities, the Monitor, Prudential Investment Management, Inc., Yum! Restaurants International (Canada) Company, 2279549 Ontario Inc., Deborah Papernick, Jim Robertson and 2289500 Ontario Inc. [NAME OTHER PARTIES APPEARING], no one appearing for any other person on the Service List, although properly served as appears from the affidavit of service, filed:

DEFINITIONS

1. **THIS COURT ORDERS** that for purposes of this Order, in addition to the terms defined elsewhere herein, the following terms shall have the following meanings:
 - a) **"Applicants"** means Priszm Income Fund, Priszm Canadian Operating Trust, Priszm Inc. and Kit Finance Inc.;
 - b) **"Business Day"** means a day, other than a Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Toronto, Ontario;
 - c) **"CCAA"** means the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36;
 - d) **"Court"** means the Ontario Superior Court of Justice (Commercial List);
 - e) **"D&O Claim"** means an Initial D&O Claim or a Subsequent D&O Claim;
 - f) **"D&O Claims Solicitation Procedure"** means the procedures outlined in this Order, as they may be amended by further order of the Court, including the Schedules hereto;
 - g) **"D&O Creditor"** means any Person asserting a D&O Claim;
 - h) **"Directors and Officers"** means
 - i) the current and former directors of any of the Priszm Entities;
 - ii) the current and former officers of any of the Priszm Entities;
 - iii) Deborah Papernick and 2279549 Ontario Inc., in its capacity as Chief Restructuring Officer of the Priszm Entities; or
 - iv) Jim Robertson and 2289500 Ontario Inc., in its capacity as Chief Restructuring Officer of the Priszm Entities;

- i) **"Filing Date"** means March 31, 2011;
- j) **"FTI Claims Site"** means <https://cmsi.ftitools.com/priszm>;
- k) **"Information Submission Form"** means a form substantially in accordance with the form attached hereto as **Schedule "C"**;
- l) **"Initial D&O Claims Bar Date"** means 5:00 p.m. (Eastern Standard time) on August 19, 2011, or any later date ordered by the Court;
- m) **"Initial D&O Claim"** means any right of any Person against one or more of the Directors and Officers which arose as a result of their position, supervision, management or involvement as Director and Officer, where such right arose on or before June 30, 2011, and whether enforceable in any civil, administrative or criminal proceedings;
- n) **"Initial Order"** means the Initial Order of the Honourable Mr. Justice Morawetz dated March 31, 2011, as extended, amended and restated from time to time, including the Amended and Restated Initial Order of the Honourable Madam Justice Mesbur dated April 29, 2011;
- o) **"Monitor's Website"** means <http://cfcanda.fticonsulting.com/priszm>;
- p) **"Notice to Creditors of Initial D&O Claims Bar Date"** means the notice for publication substantially in the form attached as **Schedule "A"**;
- q) **"Notice to Creditors of Subsequent D&O Claims Bar Date"** means the notice for publication substantially in the form attached as **Schedule "B"**;
- r) **"Person"** means any individual, partnership, firm, joint venture, trust, entity, corporation, unincorporated organization, trade union, pension plan administrator, pension plan regulator, governmental authority or agency, employee or other association, or similar entity, howsoever designated or constituted;
- s) **"Subsequent D&O Claims Bar Date"** means 5:00 p.m. (Eastern Standard time) on a date to be determined by the Priszm Entities, in consultation with the Monitor, or any later date ordered by the Court;
- t) **"Subsequent D&O Claim"** means any right of any Person against one or more of the Directors and Officers which arose as a result of their position, supervision, management or involvement as a Director and Officer, where such right arose after June 30, 2011 and before the Subsequent D&O Claims Bar Date, and whether enforceable in any civil, administrative or criminal proceedings; and
- u) **"Supporting Documentation Submission Form"** means a form substantially in accordance with the form attached as **Schedule "D"**.

ADMINISTRATION OF THE D&O CLAIMS SOLICITATION PROCEDURE

2. **THIS COURT ORDERS** that the D&O Claims Solicitation Procedure shall govern the solicitation of D&O Claims against the Prizm Entities and shall be administered by the Monitor through the FTI Claims Site, except as otherwise provided for in this Order.
3. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA and under the Initial Order, is hereby directed and empowered to take such actions and fulfill such roles as are contemplated by this Order.

SOLICITATION OF INITIAL D&O CLAIMS

4. **THIS COURT ORDERS** that:
 - a) the Monitor shall cause the Notice to Creditors of Initial D&O Claims Bar Date to be published in each of *The Globe and Mail* (national edition) and *La Presse* as soon as practicable after the date of this order; and
 - b) the Monitor shall cause the Notice to Creditors of Initial D&O Claims Bar Date to be posted on the Monitor's Website as soon as practicable after the date of this order and cause it to remain posted until its discharge as Monitor of the Prizm Entities.
5. **THIS COURT ORDERS** that any Person that wishes to assert an Initial D&O Claim must either:
 - a) file their Initial D&O Claim together with all relevant supporting documentation via the FTI Claims Site at <https://cmsi.ftitools.com/prizm> by no later than the Initial D&O Claims Bar Date; or
 - b) if the Person is unwilling or unable to submit its Initial D&O Claim via the FTI Claims Site, file an Information Submission Form and Supporting

Documentation Form with the Monitor by no later than the Initial D&O Claims Bar Date.

6. **THIS COURT ORDERS** that any D&O Creditor with an Initial D&O Claim who does not file proof of such an Initial D&O claim in accordance with the D&O Claims Solicitation Procedure by the Initial D&O Claims Bar Date shall be forever barred from asserting or enforcing such Initial D&O Claim against any of the Directors and Officers and the Directors and Officers shall not have any liability whatsoever in respect of such Initial D&O Claim, and such Initial D&O Claim shall be forever barred and extinguished.

SOLICITATION OF SUBSEQUENT D&O CLAIMS

7. **THIS COURT ORDERS** that the Prizm Entities, in consultation with the Monitor, will establish a Subsequent D&O Claims Bar Date.
8. **THIS COURT ORDERS** that the Monitor shall publish the Notice to Creditors of Subsequent D&O Claims Bar Date in each of *The Globe and Mail* (national edition) and *La Presse* as soon as practicable after the Subsequent D&O Claims Bar Date has been set and not less than four (4) weeks prior to the Subsequent D&O Claims Bar Date.
9. **THIS COURT ORDERS** that the Monitor shall cause the Notice to Creditors of Subsequent D&O Claims Bar Date to be posted on the Monitor's Website as soon as practicable after the Subsequent D&O Claims Bar Date has been set not and not less than four (4) weeks prior to the Subsequent D&O Claims Bar Date and cause the notice to remain posted until its discharge as Monitor of the Prizm Entities.
10. **THIS COURT ORDERS** that any Person that wishes to assert a Subsequent D&O Claim must either:
 - a) file their Subsequent D&O Claim together with all relevant supporting documentation via the FTI Claims Site at <https://cmsi.ftitools.com/prizm> by no later than the Subsequent D&O Claims Bar Date; or

- b) if the Person is unwilling or unable to submit its Subsequent D&O Claim via the FTI Claims Site, file an Information Submission Form and Supporting Documentation Form with the Monitor by no later than the Subsequent D&O Claims Bar Date.
11. **THIS COURT ORDERS** that any D&O Creditor with a Subsequent D&O Claim who does not file proof of such a Subsequent D&O claim in accordance with this D&O Solicitation Procedure by the Subsequent D&O Claims Bar Date shall be forever barred from asserting or enforcing such Subsequent D&O Claim against any of the Directors and Officers and the Directors and Officers shall not have any liability whatsoever in respect of such Subsequent D&O Claim, and such Subsequent D&O Claim shall be forever barred and extinguished.

GENERAL PROVISIONS

12. **THIS COURT ORDERS** that any D&O Creditor who wishes to submit their D&O Claim by filing the Information Submission Form and the Supporting Documentation Submission Form may download a copy of the Information Submission Form and the Supporting Documentation Submission Form from the Monitor's Website at <http://cfcanada.fticonsulting.com/priszm>. A D&O Creditor may also request a copy of the Information Submission Form and the Supporting Documentation Submission Form by contacting the Monitor by facsimile, email, courier, personal delivery or prepaid mail.
13. **THIS COURT ORDERS** that references to the singular include the plural and to the plural include the singular.
14. **THIS COURT ORDERS** that any D&O Creditor who submits the Information Submission Form and the Supporting Documentation Submission Form authorizes the Monitor to input the information contained therein to the FTI Claims Site and that the Monitor shall have no liability for the information submitted other than as a result of gross negligence or wilful misconduct.

15. **THIS COURT ORDERS** that for the purposes of the D&O Claims Solicitation Procedure, all D&O Claims which are denominated in a foreign currency shall be converted to Canadian dollars at the Bank of Canada noon spot rate of exchange for exchanging the currency to Canadian dollars on the Filing Date.

16. **THIS COURT ORDERS** that any document, notice or communication required to be delivered to the Monitor by a D&O Creditor pursuant to the terms of this Order must be delivered either:

a) via the FTI Claims Site at <https://cmsi.ftitools.com/priszm>; or

b) by facsimile, email or electronic transmission, personal delivery, courier or prepaid mail to:

FTI Consulting Canada Inc.
In its capacity as Monitor of Priszm Income Fund, Priszm Canadian Operating Trust, Priszm LP, Priszm Inc. and Kit Finance Inc.
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto ON M5K 1G8

Attention: Rachel Gillespie
Telephone: (416) 649-8057
Facsimile: (416) 649-8101
E-mail: rachel.gillespie@fticonsulting.com

17. **THIS COURT ORDERS** that in the event that the day on which any notice or communication required to be delivered pursuant to the D&O Claims Solicitation Procedure is not a Business Day then such notice or communication shall be required to be delivered on the next Business Day.

18. **THIS COURT ORDERS** that in the event of any strike, lock-out or other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be delivered by email, facsimile transmission, personal delivery or courier and any notice or other communication given or made by prepaid mail within the seven (7) day period immediately preceding the commencement of such interruption, unless actually received, shall be deemed not to

have been delivered. All such notices and communications shall be deemed to have been received, in the case of notice by email, facsimile transmission, personal delivery or courier prior to 5:00 p.m. (local time) on a Business Day, when received, if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day, and in the case of a notice mailed as aforesaid, on the fourth business day following the date on which such notice or other communication is mailed.

19. **THIS COURT ORDERS** that the Monitor is authorized to use reasonable discretion as to adequacy of compliance with respect to the manner in which proof of D&O Claims and other notices are completed and executed and may, where it is satisfied that a D&O Claim has been adequately filed or proven, waive strict compliance with the requirements of this D&O Claims Solicitation Procedure; provided that nothing in this Order shall confer upon the Monitor the discretion or authority to amend or to extend the Initial D&O Claims Bar Date or the Subsequent D&O Claims Bar Date.

 20. **THIS COURT ORDERS AND REQUESTS** the aid and recognition of any court or any judicial, regulatory or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory or administrative tribunal or other court or any judicial, regulatory or administrative body of the United States and the states or other subdivisions of the United States and of any nation or state to act in aid of and be complimentary to this court in carrying out the terms of this D&O Claims Procedure Order.
-

Schedule "A"

NOTICE TO CREDITORS AND OTHERS OF INITIAL D&O CLAIMS BAR DATE

IN RESPECT OF CLAIMS AGAINST
THE CURRENT AND FORMER DIRECTORS AND OFFICERS OF
PRISZM INCOME FUND, PRISZM CANADIAN OPERATING TRUST,
PRISZM INC., PRISZM LP AND KIT FINANCE INC.
(collectively, the "Priszm Entities") AND/OR DEBORAH PAPERICK AND/OR
2279549 ONTARIO INC. AND/OR JIM ROBERTSON AND 2289500 ONTARIO INC.
(collectively, the "Directors and Officers")

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,

R.S.C.1985, c. C-36, as amended

TO: CREDITORS AND TO ANY OTHER PERSON OR PARTIES

**NOTICE OF D&O CLAIMS SOLICITATION PROCEDURE
AND INITIAL D&O CLAIMS BAR DATE**

PLEASE TAKE NOTICE that this notice is being published pursuant to an order of the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) dated June 29, 2011 (the "D&O Claims Solicitation Procedure Order"). Any capitalized terms used herein but not defined have the meaning attributed to them in the D&O Claims Solicitation Procedure Order.

Any Person that believes that it has a claim against one of more Directors and Officers (as defined above) which arose as a result of the Directors and Officers' position, supervision, management or involvement as a Director and Officer on or before June 30, 2011 (an "Initial D&O Claim") should either:

- a) go to <https://cmsi.ftitools.com/priszm> (the "FTI Claims Site") to create a user account and submit their Initial D&O Claim by following the instructions provided on the FTI Claims Site; or
- b) D&O Creditors with an Initial D&O Claim who are unable or unwilling to use the FTI Claims Site may complete and deliver the Information Submission Form

and the Supporting Documentation Submission Form available on the Monitor's Website at <http://cfcanada.fticonsulting.com/priszm>. A D&O Creditor may also request a copy of the Information Submission Form and the Supporting Documentation Submission Form by contacting the Monitor by telephone at 1-855-492-6215 or (416) 739-2920, by fax at (416) 649-8101, by email at rachel.gillespie@fticonsulting.com or by mail at the address set out below.

The D&O Claim information required to be submitted by the FTI Claims Site must be submitted by or the Information Submission Form and Supporting Documentation Submission Form must be received by mail, fax, email, courier or hand delivery by the Monitor by **no later than 5:00 p.m. (Eastern Standard Time) on August 19, 2011** or such other date as ordered by the Court (the "Initial D&O Claims Bar Date").

INITIAL D&O CLAIMS WHICH ARE NOT RECEIVED BY THE INITIAL D&O CLAIMS BAR DATE WILL BE BARRED AND EXTINGUISHED FOREVER.

Notice of a claims bar date with respect to D&O Claims arising after June 30, 2011 will be posted on the Monitor's website, <http://cfcanada.fticonsulting.com/priszm> and published in *The Globe and Mail* (national edition) and *La Presse* once the Subsequent D&O Claims Bar Date is set by the Priszm Entities in consultation with the Monitor.

Address of the Monitor:

Priszm Income Fund and/or
Priszm Canadian Operating Trust and/or
Priszm Inc. and/or
Priszm LP and/or
Kit Finance Inc.
c/o FTI Consulting Canada Inc., in its capacity as Court-appointed Monitor of
the Priszm Entities
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto ON M5K 1G8

Attention: Rachel Gillespie

Telephone: (416) 649-8057
Facsimile: (416) 649-8101
E-mail: rachel.gillespie@fticonsulting.com

Dated at _____ this _____ day of _____, 2011.

Schedule "B"

NOTICE TO CREDITORS AND OTHERS OF
SUBSEQUENT D&O CLAIMS BAR DATE

IN RESPECT OF CLAIMS AGAINST
THE CURRENT AND FORMER DIRECTORS AND OFFICERS OF
PRISZM INCOME FUND, PRISZM CANADIAN OPERATING TRUST,
PRISZM INC., PRISZM LP AND KIT FINANCE INC.
(collectively, the "Priszm Entities") AND/OR DEBORAH PAPERINICK AND/OR
2279549 ONTARIO INC. AND/OR JIM ROBERTSON AND 2289500 ONTARIO INC.
(collectively, the "Directors and Officers")

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C.1985, c. C-36, as amended

TO: CREDITORS AND TO ANY OTHER PERSON OR PARTIES

NOTICE OF D&O CLAIMS SOLICITATION PROCEDURE
AND SUBSEQUENT D&O CLAIMS BAR DATE

PLEASE TAKE NOTICE that this notice is being published pursuant to an order of the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) dated June 29, 2011 (the "D&O Claims Solicitation Procedure Order"). Any capitalized terms used herein but not defined have the meaning attributed to them in the D&O Claims Solicitation Procedure Order.

Any person who believes that it has a claim against one of more Directors and Officers (as defined above) which arose as a result of such Director's or Officer's position, supervision, management or involvement as a Director or Officer of a Priszm Entity after June 30, 2011 (a "Subsequent D&O Claim") should either:

- a) go to <https://cmsi.ftitools.com/priszm> (the "FTI Claims Site") to create a user account and submit their Subsequent D&O Claim by following the instructions provided on the FTI Claims Site; or

- b) D&O Creditors with a Subsequent D&O Claim who are unable or unwilling to use the FTI Claims Site may complete an Information Submission Form and the Supporting Documentation Submission Form, available on the Monitor Website at <http://cfcanada.fticonsulting.com/priszm>. A D&O Creditor may also request a copy of the Information Submission Form and the Supporting Documentation Submission Form by contacting the Monitor by telephone at 1-855-492-6215 or (416) 739-2920, by fax at (416) 649-8101, by email at rachel.gillespie@fticonsulting.com or by mail at the address set out below.

The D&O Claim information required to be submitted by the FTI Claims Site must be submitted by or the Information Submission Form and Supporting Documentation Submission Form must be received by mail, fax, email, courier or hand delivery by the Monitor by **no later than 5:00 p.m. (Eastern Standard Time) on ●, 2011** or such other date as ordered by the Court (the "Subsequent D&O Claims Bar Date").

SUBSEQUENT D&O CLAIMS WHICH ARE NOT RECEIVED BY THE SUBSEQUENT D&O CLAIMS BAR DATE WILL BE BARRED AND EXTINGUISHED FOREVER.

Address of the Monitor:

Priszm Income Fund and/or
Priszm Canadian Operating Trust and/or
Priszm Inc. and/or
Priszm LP and/or
Kit Finance Inc.
c/o FTI Consulting Canada Inc., in its capacity as Court-appointed Monitor of
the Priszm Entities
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto ON M5K 1G8

Attention: Rachel Gillespie

Telephone: (416) 649-8057
Facsimile: (416) 649-8101
E-mail: rachel.gillespie@fticonsulting.com

Dated at _____ this _____ day of _____, 2011.

Schedule "C"

INFORMATION SUBMISSION FORM

IN RESPECT OF CLAIMS AGAINST
THE CURRENT AND FORMER DIRECTORS AND OFFICERS OF
PRISZM INCOME FUND, PRISZM CANADIAN OPERATING TRUST,
PRISZM INC., PRISZM LP AND KIT FINANCE INC.
(collectively, the "Priszm Entities") AND/OR DEBORAH PAPERICK AND/OR
2279549 ONTARIO INC. AND/OR JIM ROBERTSON AND 2289500 ONTARIO INC.
(collectively, the "Directors and Officers")

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,

R.S.C.1985, c. C-36, as amended

Information Submission Form

Add Contact

Name _____
Attention _____
Address 1 _____
Address 2 _____
City _____
State/Province _____
ZIP/Postal Code _____
Country _____
Phone _____
Fax _____
Email _____

Type Assignee Attorney CC only Claimant
Notice None Notice only Primary contact

Add Claim

Claim Amount _____
Currency _____
Debtor Company Name _____
Claim Type Pre-Filing Subsequent

Classification Secured Unsecured
Category Employee Former Employee Guarantee Landlord
 Deficiency Trade Other: _____

(continued on page 2)

Security Type* Security Agreement Statutory Lien

*If you are asserting security pursuant to a security agreement, please ensure that you attach the relevant materials, including a copy of your security agreement.

Comments – Please add any comments that may assist us in reviewing your claim.

Future correspondence

All future correspondence will be directed to the email designated in the contact details unless you specifically request that hardcopies be provided.

Hardcopy of correspondence required

Acknowledgement

Signature

Date

Schedule "D"

SUPPORTING DOCUMENTATION SUBMISSION FORM

**IN RESPECT OF CLAIMS AGAINST
THE CURRENT AND FORMER DIRECTORS AND OFFICERS OF
PRISZM INCOME FUND, PRISZM CANADIAN OPERATING TRUST,
PRISZM INC., PRISZM LP AND KIT FINANCE INC.
(collectively, the "Priszm Entities") AND/OR DEBORAH PAPERICK AND/OR
2279549 ONTARIO INC. AND/OR JIM ROBERTSON AND 2289500 ONTARIO INC.
(collectively, the "Directors and Officers")**

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

Supporting Documentation Submission Form

Contact Details

Name _____
Attention _____
Address 1 _____
Address 2 _____
City _____
State/Province _____
ZIP/Postal Code _____
Country _____
Phone _____
Fax _____
Email _____

Supporting Documentation

Please attach hard copies of your supporting documentation to this form.

Comments

Future correspondence

All future correspondence will be directed to the email designated in the contact details unless you specifically request that hardcopies be provided.

Hardcopy of correspondence required

Acknowledgement

Signature

Date

IN THE MATTER OF the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended

Court File No: CV-11-9159-00CL

AND IN THE MATTER OF a Plan of Compromise or Arrangement of Prizm Income Fund, Prizm Canadian Operating Trust, Prizm Inc. and Kit Finance Inc.

Ontario
**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

THIRD REPORT OF THE MONITOR

Osler, Hoskin & Harcourt LLP
1 First Canadian Place
P.O. Box 50
Toronto, ON M5X 1B8

Marc Wasserman LSUC#444066M
Tel: (416) 862-4908

Jeremy Dacks LSUC# 41851R
Tel: (416) 862-4923
Fax: (416) 862-6666

Lawyers for the Monitor, FTI Consulting Canada
Inc.