



**PRISZM INCOME FUND**

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**NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS  
TO BE HELD ON JUNE 14, 2010  
AND  
MANAGEMENT INFORMATION CIRCULAR**

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**April 28, 2010**



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## ADDENDA

SCHEDULE "A"	RESOLUTION OF THE UNITHOLDERS OF PRISZM INCOME FUND REGARDING ADOPTION OF THE 2010 LONG-TERM INCENTIVE PLAN
SCHEDULE "B"	TRUSTEES/DIRECTORS MEETINGS, COMPENSATION AND EXPENSE SUMMARY FOR FISCAL YEAR ENDED DECEMBER 27, 2009

## PRISZM INCOME FUND

### NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS TO BE HELD ON JUNE 14, 2010

**NOTICE IS HEREBY GIVEN THAT** the annual and special meeting (the “**Meeting**”) of the holders of trust units and special voting units (together, the “**Unitholders**”) of the Prizm Income Fund (the “**Fund**”) will be held at the TSX Broadcast Centre, 130 King Street West, Toronto, Ontario M5X 1J2 on Monday June 14, 2010 at 11:00 a.m. (Toronto Time), for the following purposes:

1. to receive the annual report to Unitholders (the “**Annual Report**”), including the consolidated financial statements of the Fund for the fiscal year ended December 27, 2009, together with the auditors’ report thereon;
2. to elect the trustees of the Fund;
3. to re-appoint the auditors of the Fund and authorize the trustees to fix its remuneration;
4. to consider and, if thought fit, to pass a resolution approving certain amendments to the 2010 Long-Term Incentive Plan and all unallocated entitlements issuable thereunder, all as more fully described in Schedule “A” of the accompanying Management Information Circular; and
5. to transact such further or other business as may properly come before the Meeting or any adjournments or postponements thereof.

Accompanying this Notice of Meeting are a copy of the management information circular and a form of proxy. Copies of the Fund’s audited financial statements for the fiscal year ended December 27, 2009, and the management’s information discussion and analysis for the fiscal year ended December 27, 2009 are available on SEDAR at [www.sedar.com](http://www.sedar.com). If you wish to receive a hard copy of these materials, please contact us at 101 Exchange Avenue, Vaughan, Ontario, L4K 5R6.

To be valid, the enclosed form of proxy must be signed and received by the proxy department of the Fund’s transfer agent, CIBC Mellon Trust Company, by mail at P.O. Box 721, Agincourt, Ontario, M1S 0A1, or by facsimile at (416) 368-2502, not later than 5:00 p.m. (Toronto time) on June 10, 2010, or if the Meeting is adjourned or postponed, prior to 5:00 p.m. (Toronto time) on the second business day before any adjournment or postponement of the Meeting.

**DATED** at Toronto, Ontario this 28th day of April, 2010.

**BY ORDER OF PRISZM INCOME FUND, by its Administrator, Prizm Inc.**



John I. Bitove  
Executive Chairman of the Board  
Prizm Inc.

## PRISZM INCOME FUND

### MANAGEMENT INFORMATION CIRCULAR RELATING TO THE ANNUAL AND SPECIAL MEETING OF UNITHOLDERS TO BE HELD ON JUNE 14, 2010

#### SOLICITATION OF PROXIES

This management information circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by, or on behalf of, the trustees (the “**Trustees**”) of Prizm Income Fund (the “**Fund**”) to be used at the Fund’s annual and special meeting (the “**Meeting**”) of holders of trust units (the “**Units**”) and special voting units (the “**Special Voting Units**”) of the Fund to be held at the TSX Broadcast Centre, 130 King Street West, Toronto, Ontario M5X 1J2, on Monday June 14, 2010 at 11:00 a.m. (Toronto Time), and at any adjournment(s) or postponement(s) thereof, for the purposes set forth in the notice of annual and special meeting of Unitholders (the “**Notice of Meeting**”) accompanying this Circular. References herein to “**Unitholders**” shall mean the holders of Units or Special Voting Units that are entitled to vote at the Meeting. All information in this Circular is given as of April, 28, 2010 unless otherwise indicated.

The solicitation of proxies will be made primarily by mail but may be supplemented by telephone or other personal contact to be made without special compensation by Trustees or by directors or employees of the Fund’s administrator, Prizm Inc. (the “**Administrator**”), formerly KIT Inc. The Fund will not reimburse Unitholders, nominees or agents for the cost incurred in obtaining authorization to execute forms of proxy from their principals. The costs of the solicitation will be borne by Prizm LP, formerly KIT Limited Partnership, a limited partnership indirectly controlled by the Fund.

#### APPOINTMENT OF PROXIES

The persons named in the enclosed form of proxy are Trustees of the Fund. **Each registered Unitholder has the right to appoint some other person (who need not be a Unitholder) to represent him/her at the Meeting or any adjournments(s) or postponement(s) thereof.** Such right may be exercised by inserting such person’s name in the blank space provided in the form of proxy or by completing another proper form of proxy.

To be valid, proxies must be returned to CIBC Mellon Trust Company so as to arrive not later than 5:00 p.m. (Toronto Time) on June 10, 2010 or, if the Meeting is adjourned or postponed, prior to 5:00 p.m. (Toronto time) on the second business day before any adjournment or postponement of the Meeting. Proxies may be returned by facsimile to (416) 368-2502, or by mail (a) in the enclosed envelope, or (b) in an envelope addressed to CIBC Mellon Trust Company, P.O. Box 721, Agincourt, Ontario, M1S 0A1.

#### EXERCISE OF DISCRETION BY PROXIES

The Units represented by any proxy received by the Trustees will be voted for or against or withheld from voting, as the case may be, by the persons named in the enclosed form of proxy in accordance with the direction of the Unitholder appointing them. **In the absence of any direction to the contrary, it is intended that the Units represented by proxies received by the Trustees will be voted on any ballot “for”: (i) the election of the Trustees referred to in this Circular; (ii) the re-appointment of the auditor of the Fund with remuneration to be fixed by the Trustees; and (iii) the adoption of the 2010 Long-Term Incentive Plan, all as described in this Circular.**

The persons appointed under the form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and Notice of Meeting and with respect to any other matters, which may be properly brought before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting, it is the intention of the persons designated in the enclosed form of proxy to vote in accordance with their judgment on such matter or business. At the time of printing this Circular, the Trustees knew of no such amendment, variation, or other matter.

## **INFORMATION FOR BENEFICIAL HOLDERS OF SECURITIES**

The information set forth in this section is of significant importance to holders of Units, as they do not hold Units in their own names. Such holders, referred to in this Circular as “Beneficial Unitholders”, should note that since all Units are held in the book-based system operated by the Canadian Depository for Securities Limited (“CDS”), only proxies deposited by CDS, as the sole registered holder of Units, can be recognized and acted upon at the Meeting. If Units are listed in an account statement provided to a holder by a broker, then those Units will not be registered in the holder’s name on the records of the Fund. All of such Units will be registered under the name of CDS & Co., the registration name for CDS. Units should only be voted (for, withhold or against resolutions) upon the instructions of the Beneficial Unitholder. Without specific instructions, brokers/nominees are prohibited from voting Units on behalf of their clients.

In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Fund has distributed copies of the Notice of Meeting, this Circular and the form of proxy (printed on blue paper) to be used by CDS as the sole registered holder of Units (collectively, the “meeting materials”) to CDS and intermediaries for onward distribution to Beneficial Unitholders.

Intermediaries are required to forward meeting materials to Beneficial Unitholders unless a Beneficial Unitholder has waived the right to receive them. Typically, intermediaries will use service companies to forward the meeting materials to Beneficial Unitholders. Beneficial Unitholders who have not waived the right to receive meeting materials will either:

- (i) be given a voting instruction form which must be completed and signed by the Beneficial Unitholder in accordance with the directions on the voting instruction form, which may in some cases permit the completion of the voting instruction form by telephone or through the Internet; or
- (ii) less frequently, be given a proxy which has already been signed by the intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Units beneficially owned by the Beneficial Unitholder but which is otherwise not completed. This form of proxy need not be signed by the Beneficial Unitholder. In this case, the Beneficial Unitholder who wishes to submit a proxy should otherwise properly complete the form of proxy received from the intermediary and deposit it with the CIBC Mellon Trust Company, P.O. Box 721, Agincourt, Ontario, M1S 0A1.

The purpose of these procedures is to permit Beneficial Unitholders to direct the voting of the Units they beneficially own. Should a Beneficial Unitholder who receives either a proxy or a voting instruction form wish to attend and vote at the Meeting in person, or have another

person attend and vote on behalf of the Beneficial Unitholder, the Beneficial Unitholder should insert the Beneficial Unitholder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. In either case, Beneficial Unitholders should carefully follow the instructions of their intermediaries and their service companies.

If you are a Beneficial Unitholder and wish to vote in person at the Meeting, please review the voting instructions provided to you or contact your broker or agent well in advance of the Meeting to determine how you can do so.

### **REVOCATION OF PROXIES**

A registered Unitholder who has given a proxy may revoke the proxy:

- (i) by completing a proxy signed by the Unitholder or by the Unitholder's attorney authorized in writing bearing a later date and depositing it with the transfer agent as described above; or
- (ii) by depositing an instrument of revocation in writing executed by the Unitholder or by the Unitholder's attorney authorized in writing:
  - (A) at the registered office of the Administrator at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement of the Meeting, at which the proxy is to be used, or
  - (B) with the chairman of the Meeting prior to the exercise of the proxy; or
  - (C) in any other manner permitted by law.

A Beneficial Unitholder may revoke a voting instruction form or a waiver of the right to receive meeting materials and to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary may not act on a revocation of a voting instruction form or of a waiver of the right to receive meeting materials and to vote that is not received by the intermediary in sufficient time prior to the Meeting.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The number of Units and Special Voting Units that are authorized and that may be issued under the Fund's declaration of trust dated September 24, 2003, as amended or restated from time to time (the "**Declaration of Trust**"), is unlimited.

On November 10, 2003, concurrent with the Fund's initial public offering of the Units, Prizm LP, a limited partnership indirectly controlled by the Fund, issued an aggregate of 10,270,000 exchangeable limited partnership units (the "**Exchangeable Units**") and subordinated limited partnership units (the "**Subordinated Units**"). The Exchangeable Units are indirectly exchangeable for Units at the option of the holder thereof. The Subordinated Units will be exchangeable only on satisfaction of certain specified terms and conditions or on the occurrence of certain events. Both the Exchangeable Units and Subordinated Units are also

accompanied by a Special Voting Unit of the Fund that entitles the holder thereof to one vote for each such Special Voting Unit at all meetings of Unitholders.

As at April 28, 2010, there were 15,225,726 Units and 10,270,000 Special Voting Units outstanding, each of which carries the right to one vote.

All holders of Units and Special Voting Units of record on April 28, 2010 will be entitled to one vote at the Meeting, or any adjournment or postponement thereof, either in person or by proxy.

The following table shows the name of each person or company who, as at April 28, 2010, owned of record, or who, to our knowledge, owned beneficially, directly or indirectly, or exercised control or direction over securities carrying more than 10% of the voting rights attached to the issued and outstanding Units or Special Voting Units:

<u>Principal Unitholder</u>	<u>Type of Ownership</u>	<u>Number of Units</u>	<u>Number of Special Voting Units</u>	<u>Percentage of Units outstanding</u>	<u>Percentage of Units outstanding on a fully diluted basis<sup>(1)</sup></u>
Obelysk Inc. <sup>(2)</sup>	Direct	189,842	10,270,000	1.24%	41.02%

**Notes:**

- (1) This percentage assumes the conversion of all Exchangeable Units and Subordinated Units for Units.
- (2) Obelysk Inc., formerly known as Scott's Restaurants Inc., is controlled by John I. Bitove, the Executive Chairman of Prizm Inc. Mr. Bitove holds 189,842 Units directly.

**QUORUM**

A quorum of Unitholders is present at a meeting of Unitholders where two or more persons are present in person, who either hold personally or representing as proxies in the aggregate at least 10% of the votes attached to all outstanding Units and Special Voting Units.

**MATTERS TO BE CONSIDERED AT THE MEETING**

**1. Financial Statements**

The audited consolidated annual financial statements of the Fund for its financial year ending December 27, 2009 are included in the Fund's 2009 Annual Report, which was mailed to Unitholders on March 22, 2010, and will be presented to Unitholders at the Meeting.

**2. Appointment of Trustees**

The Fund's Declaration of Trust provides that the number of trustees must consist of not less than three and no more than six trustees, with the number of trustees from time to time within such range being fixed by resolution of the Trustees. In order to be eligible, each trustee must be a Resident Canadian within the meaning of the *Income Tax Act* (Canada) and must be "unrelated" to the Fund within the meaning of the corporate governance guidelines of the TSX for so long as such guidelines are in effect and as such guidelines may be amended.

The number of trustees is currently fixed at three. The three nominees proposed for election are listed below. All of these nominees are currently Trustees and have established their eligibility to serve as Trustees. The current term of office of the Trustees of the Fund will expire immediately prior to the election of the Trustees at the Meeting. It is proposed that each of the nominees listed below be elected as a Trustee to hold office until the next annual meeting of Unitholders, or until their successors are elected or appointed.

Unless otherwise instructed, the persons designated in the form of proxy intend to vote for the election of the nominees listed below. If, for any reason at the time of the Meeting, any of the nominees are unable to serve as Trustees and unless otherwise directed, the persons named in the form of proxy intend to vote in their discretion for a substitute nominee or nominees. As of the date hereof, each nominee has expressed his or her willingness to stand for election and to serve as a Trustee.

The following table sets forth the names of the nominees, the date they became a Trustee and the number of voting securities beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as at the date hereof.

<u>Nominee as Trustees</u>	<u>Trustee Since</u>	<u>Voting Securities Beneficially Owned or Controlled</u> <sup>(1)</sup>
Borden D. Rosiak <i>Toronto, Ontario, Canada</i>	April 21, 2004	10,350 Units
Jay A.J. Peters <i>Burlington, Ontario, Canada</i>	October 3, 2008	10,000 Units
Stanley A. Thomas <i>Maple, Ontario, Canada</i>	September 24, 2003	137,750 Units <sup>(2)</sup>

**Notes:**

- (1) Individual nominees as Trustees have furnished information as to number of Units or Special Voting Units beneficially owned by them, directly or indirectly, or over which they exercise control or direction.
- (2) Mr. Thomas is also a holder of principal amount \$10,000 of the Fund's Series 2007 6.50% Convertible Unsecured Subordinated Debentures, which are convertible into Units at a conversion price of \$12.28 per Unit at the holder's option 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, if any.

*Borden Rosiak* was the Chief Financial Officer of Crystallex International Corporation until he retired in January 2006. From 2000-2002, Mr. Rosiak served as Chief Executive Officer of Cameron Capital Corporation. Mr. Rosiak also serves as a director of a hospital foundation.

*Jay A.J. Peters* is the President of J. Peters & Company, a marketing and management consulting practice that focuses on clients in the retail, marketing services and consumer services industries. Prior to founding his own firm, Mr. Peters was Executive Vice President & Chief Marketing Officer of TLC Laser Eye Centers, President of Horizon International (a division of The Oshawa Group Ltd) and, for several years, he played a key leadership role in the growth of Wendy's Restaurants of Canada. Currently, Mr. Peters is also a director of Forzani Group Ltd. and a number of private and not-for-profit organizations.

*Stanley A. Thomas* was the President and Chief Operating Officer of Shoppers Drug Mart Inc. until he retired in 2001. Mr. Thomas is currently an investor, shareholder and director of several private companies and continues to serve the community on volunteer boards.

Each of the nominees proposed for election as Trustees has held the principal occupation set forth above, or other executive offices within the same firm or its affiliates, for the past five years, other than as indicated above.

### **3. Appointment of Auditors**

The Trustees propose to nominate PricewaterhouseCoopers LLP, Chartered Accountants, as the auditors of the Fund to hold office until the close of the next annual meeting of Unitholders and to authorize the Trustees to fix the remuneration of the auditor.

PricewaterhouseCoopers LLP have served as auditors to the Fund since its inception and has advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

### **4. Special Business**

#### **Approval of Unallocated Entitlements and Certain Amendments to the 2010 Amended and Restated Long-Term Incentive Plan**

The Fund established a 2006 long-term incentive plan that was approved by Unitholders on May 9, 2007 (the “**2006 LTIP**”). Pursuant to TSX rule 613(a), Unitholders must re-approve unallocated options, rights or other entitlements under any security based compensation arrangement that does not have a maximum aggregate of securities issuable every three years. As such, the Fund is requesting approval of all unallocated entitlements issuable pursuant to the Fund’s 2010 Amended and Restated Long-Term Incentive Plan (the “**2010 LTIP**”). This approval will be effective for three years from the date of this Meeting.

Subject to approval of the ordinary resolution, annexed hereto as Schedule “A” by the Unitholders at the Meeting, the Fund is also requesting approval of certain amendments to the 2010 LTIP.

The 2010 LTIP, the complete text of which is attached as Appendix “A” to this Circular, has been pre-cleared by the TSX. The 2010 LTIP is substantially the same as the 2006 LTIP, except that certain amendments to the amending procedures, as described below, have been made to comply with the TSX rule in Subsections 613(l) of the Manual.

As was the case with the 2006 LTIP, the purposes of the 2010 LTIP are to: (i) promote a greater alignment of interests between senior management employees and Unitholders; (ii) assist the Fund to attract, retain and reward individuals with experience and ability to act as senior management of the Fund; (iii) enable senior management employees of the Fund to participate in the sustained success of the Fund; (iv) provide a greater alignment between compensation and the strategic and financial objectives in the Fund’s business plan; and (v) provide market competitive total compensation.

The Compensation Committee will be responsible for administering the 2010 LTIP, including, among other things, selecting eligible employees (“**Eligible Employees**”), granting the right to receive cash and/or Units (“**Awards**”) under the 2010 LTIP, setting the performance

targets necessary to achieve the vesting of Awards and approving payments of the Awards. In order to qualify as an Eligible Employee, an employee must be employed by the Fund, or its subsidiary entities such as the Administrator, at the senior management level and must be recommended by the Chief Executive Officer to the Compensation Committee and designated by the Compensation Committee as eligible to participate in the 2010 LTIP.

The Compensation Committee shall have the discretion to determine whether an Award will be satisfied with cash or Units, and in the event that an Award is to be satisfied with Units, whether such Units will be issued from treasury or purchased in the secondary market. In the event that Units are issued from treasury, the value of such Units shall be based on the volume-weighted average trading price of the Units on the Stock Exchange for the five trading days ending on the third trading day prior to the Payment Date.

Unless otherwise determined by the Compensation Committee, the grant of an Award to an Eligible Employee under the 2010 LTIP will be contingent on the achievement of one or more pre-established performance targets during a three calendar year period (the "**Performance Period**"). The terms and quantum of any such grant (whether cash and/or Units) will be determined by the Compensation Committee and will be set out in a grant agreement between the Fund and the Eligible Employee. The grants of Awards will not entitle an Eligible Employee to any Unitholder rights, including, without limitation, voting rights, distribution entitlements or rights on liquidation.

Should the Eligible Employee achieve the pre-established performance targets during the Performance Period, or should the Compensation Committee, in its discretion, deem the pre-established performance targets to have been achieved, the Awards granted to such employee will vest on the date the audited financial statements for the last calendar year of the Performance Period have been approved by the Board of Trustees of the Fund and, provided the Eligible Employee is actively employed with the Fund cash and/or Units will be paid in respect of such Awards. Under all the Fund's securities based compensation arrangements, including the 2010 LTIP, (i) the maximum number of Units reserved for issuance; and (ii) the maximum number of Units: (A) issuable to insiders at any time; and (B) issued to insiders, within any one year period, is 10% of the number of Units in the capital of the Fund that are outstanding from time to time assuming the conversion of the Subordinated Units and Exchangeable Units issued by Prizm LP. The Compensation Committee may, in its discretion, subsequent to the date of grant of an Award, waive any term or condition attaching to the grant of such Award or conclusively determine that such term or condition has been satisfied.

Unless otherwise determined by the Compensation Committee, an Eligible Employee whose employment is terminated with cause, will forfeit all Awards, whether vested or unvested. However, unless otherwise determined by the Compensation Committee, an Eligible Employee whose employment is terminated without cause, or by the Eligible Employee (otherwise than by reason of disability, retirement or death), will only forfeit unvested Awards. Unless otherwise determined by the Compensation Committee, if the employment of an Eligible Employee is terminated by reason of retirement or death, he/she will be entitled to be paid in full in respect of all vested Awards and a prorated amount in respect of all unvested Awards. The assignment or transfer of the Awards, or any other benefits under the 2010 LTIP, is not permitted other than by operation of law or the other terms of the 2010 LTIP.

The 2010 LTIP also includes certain protections for an Eligible Employee in the event of a reorganization of the Fund. In such a case, an Eligible Employee will be entitled, subject to stock exchange approval, to either a distribution in respect of his/her Awards (without regard to

the vesting provisions attached thereto) or to a substitution of the entitlement of cash/or Units under the 2010 LTIP with an entitlement to cash and/or the securities into which the Units are changed or are converted or exchangeable pursuant to the reorganization.

Under the 2010 LTIP:

- (a) The Compensation Committee may, at its discretion from time to time, without unitholder approval, amend the terms and conditions of any Awards granted under the plan, including, without limitation, with respect to the exercise period (provided that such Award is not held by an insider), vesting period, exercise method and frequency, exercise price (provided that such Award is not held by an insider) and method of determining the exercise price, assignability and effect of termination of a participant's employment.
- (b) The Compensation Committee will have the discretion to make amendments to the 2010 LTIP which it may deem necessary, without having to obtain unitholder approval, including, without limitation: (i) amendments of a "housekeeping" nature such as correcting typographical or clerical errors or adding clarifying statements to ensure the intent and meaning of the plan, or of a grant of Awards under the plan, is properly expressed; and (ii) any amendments related to (A) the early termination provisions of the plan or any Award granted under the plan; and (B) the suspension or termination of the plan. For greater certainty, any determinations made or discretion exercised by the Compensation Committee in accordance with the terms of the 2010 LTIP will not require unitholder approval.
- (c) The 2010 LTIP will also provide that unitholder approval will be required in the case of amendments related to (i) a reduction in the exercise price for Awards held by insiders; (ii) an extension to the term of Awards held by insiders; (iii) a change in the insider participation limits to a level that would require the Fund to obtain disinterested unitholder approval under the rules or policies of any stock exchange on which Units of the Fund are listed; (iv) an increase to the maximum number of Special Voting Units or any other units of the Fund which are reserved for issuance under the plan (and under any other securities compensation arrangement of the Fund); and (v) an amendment to the amendment provisions of the plan to grant additional power to the Board of Trustees, or any committee thereof to amend the plan without unitholder approval, in addition to such other matters that may require unitholder approval under the rules and policies of the TSX.

As of the date of this Circular, the Fund has no Units reserved for issuance under the 2010 LTIP ("**LTIP Units**") (representing approximately 0% of the issued and outstanding Units of the Fund), leaving unallocated LTIP Units of an aggregate of 2,549,572 LTIP Units available for future grants under the 2010 LTIP (representing approximately 10% of the outstanding Units of the Fund), based on the number of Units of the Fund outstanding as of the date of the Circular and assuming the conversion of the Subordinated Units and Exchangeable Units issued by Prizm LP.

If approval is obtained at the Meeting, the Fund will not be required to seek further approval of the grant of unallocated entitlements under the 2010 LTIP until the Fund's annual meeting of unitholders in 2013 (provided that such meeting is held on or prior to June 14, 2013). If approval is not obtained at the Meeting, LTIP Units, which have not been allocated as of June 14, 2010 and LTIP Units which are outstanding as of June 14, 2010 and which are subsequently cancelled, terminated or exercised will not be available for the grant of LTIP Units under the 2010 LTIP. Previously allocated LTIP Units will continue to be unaffected by the approval or disapproval of the resolution.

The amendments to the 2010 LTIP and all unallocated entitlements issuable thereunder must be approved by a majority vote of the Unitholders. In the absence of contrary directions, the person named in the accompanying form of proxy intend to vote the Units represented thereby in favour of the resolution as set out in Schedule "A" approving the amendments to the 2010 LTIP and all unallocated entitlements issuable thereunder.

## THE FUND AND THE ADMINISTRATOR

### **General**

The Fund is a trust created under the laws of the Province of Ontario pursuant to the Declaration of Trust. The Fund is administered by the Trustees and by the Administrator pursuant to an administration agreement among, *inter alia*, the Fund and Prizm Inc. dated November 10, 2003 (the "**Administration Agreement**"). The Fund was created to hold, directly or indirectly, the securities of Prizm LP.

Prizm LP is one of the largest franchisees of KFC™ in the world by number of restaurants and its sales account for approximately 62% of all KFC™ product sales in Canada. Prizm LP owns and operates more than 400 restaurants in seven Canadian provinces (the "**Prizm Restaurants**"). Approximately 100 of the Prizm Restaurants are multi-brand locations that combine a KFC™ host restaurant with a Pizza Hut™ restaurant, a Taco Bell™ restaurant, or a combination thereof.

Under applicable securities legislation, the Fund is required to provide certain information with respect to the Fund, its Trustees and officers. The Fund, however, does not carry on business, does not have officers and is dependent for its results on the performance of Prizm LP. The directors and officers of the Administrator are responsible for administering the Fund and its business in accordance with the Administration Agreement. Consequently, in addition to the information relating to the Fund and its Trustees, this Circular includes information relating to the Administrator and its directors and officers.

### **Administration Agreement**

Under the Administration Agreement, the Administrator agreed to provide or arrange for the provision of services required in the administration of the Fund, including those necessary to: (a) ensure compliance by the Fund with its continuous disclosure obligations under applicable securities legislation; (b) provide investor relations services; (c) provide or cause to be provided to Unitholders all information to which Unitholders are entitled under the Declaration of Trust; (d) convene meetings of Unitholders and distribute required meeting materials; (e) provide for the calculation of distributions to Unitholders; (f) attend to all administrative and other

matters arising in connection with any redemptions of Units; (g) ensure compliance with the Fund's limitations on non-resident ownership; and (h) provide general accounting, bookkeeping and administrative services to the Fund.

The administration of the Fund by the Administrator under the Administration Agreement may be terminated at any time by the Fund upon notice in writing to the Administrator and upon payment to the Administrator of all costs and expenses incurred by the Administrator in terminating contracts entered into by the Administrator with the approval of the Fund for the performance by the Administrator of its duties under the Administration Agreement. The Fund will pay all expenses incurred by the Administrator and attributable to the exercise of its duties in the administration of the Fund and no fee is payable to the Administrator for the services provided by it to the Fund under the Administration Agreement.

### ***The Administrator***

The following table sets forth the names of current directors of the Administrator, the date they became a director and the number of voting securities beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as at the date hereof.

<b>Directors of the Administrator</b>	<b>Director Since</b>	<b>Voting Securities Beneficially Owned or Controlled<sup>(1)</sup></b>
John I. Bitove <sup>(2)</sup> <i>Toronto, Ontario, Canada</i>	September 24, 2003	189,842 Units and 10,270,000 Special Voting Units
David Deno <sup>(3)</sup> <i>Louisville, Kentucky, USA</i>	February 1, 2010	Nil
Borden D. Rosiak <sup>(4)(5)</sup> <i>Toronto, Ontario, Canada</i>	April 21, 2004	10,350 Units
Jay A.J. Peters <sup>(4)(6)</sup> <i>Burlington, Ontario, Canada</i>	October 3, 2008	10,000 Units
Stanley A. Thomas <sup>(4)(7)</sup> <i>Maple, Ontario, Canada</i>	September 24, 2003	137,750 Units

#### **Notes:**

- (1) Individual Directors have furnished information as to number of Units and Special Voting Units beneficially owned by them, directly or indirectly, or over which they exercise control or direction.
- (2) Mr. Bitove is the majority owner of Obelysk Inc., which holds 10,270,000 Special Voting Units.
- (3) Mr. Deno replaced Lilly Di Massimo as a Director on February 1, 2010.
- (4) Trustee of the Fund.
- (5) Chair of the Audit Committee and member of the Compensation Committee and the Governance Committee.
- (6) Chair of the Compensation Committee and member of the Audit Committee and the Governance Committee.
- (7) Chair of the Governance Committee and member of the Audit Committee and the Compensation Committee.

*John I. Bitove* was appointed as the Chairman and Chief Executive Officer of the Administrator on November 10, 2003 and Executive Chairman on April 24, 2008. Mr. Bitove is also the Executive Chairman of and controlling shareholder of Canadian Satellite Radio Holdings Inc., which operates XM Canada, a subscription-based satellite radio service, the Chairman and controlling shareholder of DAVE Wireless, and the Chairman and Chief

Executive Officer of the asset and property manager of Scott's Real Estate Investment Trust ("**Scott's REIT**"), the owner of approximately 207 retail properties across Canada.

*David Deno* was appointed as a Director and the Vice Chair of the Administrator on February 1, 2010. David is currently the CFO of Best Buy International. Prior to joining Best Buy Mr. Deno spent 25 years in the food and restaurant business in various senior finance and operations positions including PepsiCo, YUM! Brands and Burger King. Mr. Deno also serves on the boards of Peet's Coffee & Tea, Inc. and NXT Nutritionals Holdings, Inc.

Each of Mr. Bitove and Mr. Deno have held the principal occupation set forth above, or other executive offices within the same firm or its affiliates, for the past five years.

The information as to principal occupation for each of Messrs. Peters, Rosiak and Thomas is set out under the heading "Matters to be Considered at the Meeting – Appointment of Trustees".

Collectively, the Trustees of the Fund and the directors and officers of the Administrator, beneficially own, directly or indirectly, or exercise control or direction over a total of 10,667,423 Units and Special Voting Units, representing approximately 42% of the outstanding Units, assuming the conversion of all Subordinated LP Units and Exchangeable LP Units into Units.

## **COMPENSATION DISCUSSION & ANALYSIS**

### ***Report on Executive Compensation***

The philosophy of the Compensation Committee regarding executive compensation is guided by its objective to attract and retain executives critical to the success of the business and the enhancement of Unitholder value. It is the responsibility of the Compensation Committee to determine the level of compensation for executives with the objective of providing a competitive compensation package based upon performance.

In establishing compensation for executive officers, the Compensation Committee considers, among other things, individual performance and responsibilities, together with other factors in the competitive market place for executives of other organizations of similar size and complexity. The Administrator's compensation program for senior management is composed of base salary, annual incentive compensation (bonus), and long-term incentive compensation. Annual and long-term incentive compensations were not made in the 2009 fiscal year as the corporate financial targets were not met due to the recession, with the exception of certain discretionary annual bonus payouts and guaranteed minimal payouts in relation to the 2006 LTIP. See "Incentive Compensation – The 2006 Long-Term Incentive Plan" for more details.

Report respectfully submitted by the Compensation Committee:

Jay A.J. Peters (Chair)  
Borden D. Rosiak  
Stanley A. Thomas

### ***Introduction***

The Compensation Discussion and Analysis (the "**CD&A**") provides an overview and analysis of the compensation programs and policies, including material compensation decisions

made under the programs; as well as a summary of the Board's process to govern executive compensation. The CD&A pertains to compensation for the named executive officers ("NEOs"), namely:

- John Bitove, Executive Chairman, Administrator
- Jim Robertson, Chief Operating Officer, Administrator (promoted December 2009)
- Steve Langford, President, KFC/Taco Bell, Administrator (resigned December 2009)
- Deborah Papernick, Chief Financial Officer, Administrator (promoted October 2009)
- Steve Boyack, Chief Financial Officer, Administrator (resigned October 2009)
- Corey Goodman, Chief Purchasing Officer, Administrator

### ***Year in Review/Executive Summary***

Compensation decisions in 2009 reflected the economic circumstances surrounding the business and the resulting businesses performance. The Administrator did not attain the threshold EBITDA target so there were no annual incentives earned under the annual plan, however, the Compensation Committee paid discretionary awards to key NEOs in recognition of individual contribution. No long-term incentive plan payouts were made for the same reason, with the exception of certain guaranteed minimal payouts in relation to the 2006 LTIP. To put the 2009 compensation decisions into context, the following is an overview of the business performance for the year.

In 2009, the Administrator was unable to grow sales and profits. Total restaurant sales for fiscal year 2009 of \$441.8 million fell by \$12.4 million versus prior year. 65% of this shortfall or \$8.0 million is directly attributable to the change in the number of restaurants operated by the Company. The remaining shortfall is due to same store sales declines. On a full year basis, the overall SSSG declined 3.3% versus fiscal 2008. A series of family-oriented new products and branded property based meal promotions were unable to grow same store sales. Test market results failed to hold up in all regions where difficult employment and economic conditions restricted consumer spending. The Administrator was successful at controlling costs in the restaurants through food cost management, negotiating lower input costs, supply chain cost-saving initiatives, and strong labour controls. These achievements, however, could not offset the sales decline and as a result the Administrator's financial performance did not meet the minimum threshold required for incentive payments

While the compensation design provides for significant opportunities for performance based rewards, as indicated above, 2009 business performance did not meet the minimum thresholds therefore there were no payouts under either the short-term or long-term [Senior Management Incentive (SMI)] incentive plans. However certain guaranteed minimal payouts totalling \$236,412 in relation to the 2006 LTIP which matured in 2009 were paid. The Compensation Committee did award a 2009 discretionary amount to certain NEOs as indicated below, to recognize the attainment of individual performance targets.

Position	Short-term & Long-term Incentive Targets		Actual Compensation Paid for 2009	
	Short-term Incentive Target (% of salary)	SMI Target (% of pool allocated to each NEO)	Short-term Incentive	Long Term Incentive in respect of 2006 LTIP
John I. Bitove, Executive Chairman, Administrator	30%	22.5%	0	\$139,561
Jim Robertson, Chief Operating Officer Administrator	25%	7.5%	\$25,000 (13% of salary)	0
Steve Langford, President, KFC/TB, Administrator  (resigned)	40%	10%	0	\$46,520
Deborah Papernick, Chief Financial Officer Administrator	50%	10%	\$25,000 (14% of salary)	\$23,741
Steve Boyack, Chief Financial Officer, Administrator  (resigned)	50%	10%	0	0
Corey Goodman, Chief Purchasing Officer, Administrator	40%	5%	\$65,075 (32% of salary)	\$26,590

<sup>1</sup>Mr. Goodman's salary and bonus is paid by an entity in which the Administrator has an approximate interest of 40%

### ***Executive Compensation Governance***

The governance structure is anchored by the Compensation Committee which has the following mandates related to compensation:

- Review and recommend to the Board the compensation philosophy, guidelines and plans for the Administrator's senior management;
- Evaluate the performance of the Chief Executive Officer (the Administrator does not currently have a Chief Executive Officer) and Executive Chairman;
- Review and recommend to the Board the long-term incentive plan and the employee/executive Unit purchase plans;

- Review and approve all material changes in the Administrator's pension and / or benefit plans; and annually report on such plans to the Board;
- Recommend to the Board for approval, the "Compensation Discussion and Analysis" for publication in the management information circular and any other public disclosure documents of the Administrator; and
- Monitor the annual compensation plans for employees, including alignment with the strategic direction and total costs.

The Compensation Committee consists of three independent directors:

- |                           |             |
|---------------------------|-------------|
| • Jay A.J. Peters (Chair) | Independent |
| • Borden D. Rosiak        | Independent |
| • Stanley A. Thompson     | Independent |

In conjunction with the strategy and business planning process, the Compensation Committee reviews and establishes goals for the Chief Executive Officer (the Administrator does not currently have a Chief Executive Officer) and Executive Chairman for the upcoming year that include financial objectives as well as key business objectives. These objectives are reviewed and approved by the Board. Performance relative to these objectives is reviewed by the Compensation Committee at the end of the year. Based on this assessment, a recommendation is made to the Board early each year for the Chief Executive Officer and Executive Chair's base salary and short-term and long-term incentive awards.

A similar process is followed to determine the remaining NEOs' performance and compensation recommendations. The Executive Chairman reviews each NEO's performance to make a recommendation for Compensation Committee approval on each NEO's base salary, and short and long-term incentive awards.

The Compensation Committee periodically reviews the competitive benchmarking policy, as well as compensation programs and policies to ensure that the executive and director compensation programs are competitive aligned with Unitholder interests and meet the business needs and that the potential and actual costs inherent in the programs are appropriate.

***Compensation Consultant***

From time to time the Compensation Committee may retain an independent consultant to provide advice concerning matters specific to the Compensation Committee's mandate. In reaching decisions, the Compensation Committee considers a number of factors such as the business need, market conditions and Unitholders interests, in addition to the consultant's advice. In 2009, the Compensation Committee retained Hewitt Associates to provide advice regarding competitive benchmarking and the management information circular disclosure requirements.

***Compensation Strategy and Objectives***

The Administrator's executive compensation programs are designed to encourage superior operating performance and to attract and retain highly qualified senior management. Programs reward individual and team performance that ultimately results in superior performance of the Administrator's restaurants which lead to the achievement of annual objectives and value creation for Unitholders.

The tenets of the Administrator’s executive compensation philosophy are threefold:

1. Base salaries are targeted to the median of the Administrator’s competitive market and commensurate with the individual’s position and responsibilities;
2. The annual bonus program rewards Company profitability; and
3. The long-term incentive compensation program aligns NEOs’ with Unitholder value and helps retain key employees.

The Compensation Committee regularly reviews compensation levels and performance measures for each element and evaluates the effectiveness of each such element.

***Elements of Executive Compensation***

The compensation package for NEOs provides a balanced set of elements consistent with the objectives of the compensation strategy. The fixed elements – base salary, benefits, and perquisites - provide a competitive base of fixed compensation necessary to attract, retain and motivate executive talent. The variable elements - short-term and long-term incentive awards, are designed to balance short-term and long-term interests of the Administrator and motivate superior performance in both. The combination of the fixed elements and the variable incentive opportunities delivers a competitive compensation package as compared to the comparator group.

Below is a description of the total compensation elements, forms of compensation, performance periods and how the amount is determined for each element.

<b>Type of Compensation</b>	<b>Form</b>	<b>Performance Period</b>	<b>How it is determined</b>
Base salary	Cash	One year	Aligned to the median of the market for the selected comparator companies reflecting the NEOs’ experience, responsibilities, performance; as well as internal relativities.
Short-term Incentive	Cash	One year	Focuses on Company profitability based on EBITDA. Reward opportunity is based on market competitiveness.  Actual award based on the Administrator’s performance.
Long-term incentive  Senior Management Incentive (“SMI”)	Cash &/or Units	One year with deferred payouts	Realized value is based on sharing success in excess of a target level of EBITDA. Allocated to individuals based on a Compensation Committee approved sharing formula. Actual

			award based on the Administrator's performance.
Benefits	Life, health care, accidental death and dismemberment, medical, dental, disability insurance, and a health care spending account	Ongoing	Based on market competitiveness
Perquisites	Car allowance and operating expenses, an executive medical exam and fitness expense subsidy	Ongoing	Based on market competitiveness
Retirement Savings Plan	Company contribution to the NEO's personal RRSP	Ongoing	Based on market competitiveness

The Administrator also had a long-term incentive plan (2006 LTIP) which expired on May 9, 2010. See "Long-Term Incentives" for additional information.

The Administrator does not have a stock option plan, however, stock options were granted to the former CEO, Mr. O'Neill, pursuant to his employment contract and as approved by Unitholders. A total of 500,000 options were granted to Mr. O'Neill between 2005 and 2008, however, none were exercised. With the exception of 100,000 options, all remaining options expired on the October 31, 2008, the date of Mr. O'Neill's resignation. The last 100,000 options expired on January 31, 2009.

### **Description of the Compensation Elements and Compensation Decisions for 2009**

The following presents a further description of the compensation elements; what the elements are designed to award, process for determining various compensation amounts and the amounts provided for in 2009.

#### ***Fixed Elements***

##### ***Base Salary***

Base salaries provide a competitive fixed element of compensation necessary to attract, retain, and motivate talent. Base salary and salary increases reflect consideration of market conditions, the role, individual competency, and attraction and retention considerations. Base salaries were reviewed in February 2009. The salary budget for NEOs was approximately 3%, resulting in the following salary increase.

	2008 Salary	2009 Salary	Percentage Increase
John I. Bitove, Executive Chairman, Administrator	\$328,000	\$332,920	1.5%
Jim Robertson, Chief Operating Officer Administrator <sup>(1)</sup>	-	195,000	-
Steve Langford, President, KFC/TB, Administrator <sup>(4)</sup>	\$261,370	\$267,904	2.5%
(resigned)			
Deborah Papernick, Chief Financial Officer Administrator <sup>(2)</sup>	-	\$185,000	-
Steve Boyack, Chief Financial Officer, Administrator <sup>(3)</sup>	\$250,000	\$256,250	2.5%
(resigned)			
Corey Goodman, Chief Purchasing Officer, Administrator	\$195,000	\$200,850	3.0%

**Notes:**

- (1) Promoted to COO in December 2009
- (2) Promoted to CFO in October 2009.
- (3) Resigned as CFO in October 2009.
- (4) Resigned as President KFC/TB in December 2009.

Salaries will be reviewed again in 2010 during the salary planning process.

**Benefits**

The NEOs receive benefits including life, health care, accidental death and dismemberment, medical, dental and disability insurance, the costs of which are paid for by the Company and is a taxable benefit for the NEO. In addition, the NEOs receive an annual \$3,000 health care spending account for eligible health expenses.

**Perquisites**

The NEOs, with the exception of the Executive Chairman, receive a \$1200 per month car allowance, and automobile operating expenses, a \$1500 annual executive medical exam subsidy, and a \$3,500 annual fitness subsidy.

## Retirement Savings Plan

The NEOs participate in the executive retirement savings plan and with the exception of the Executive Chairman, each receive an annual contribution of \$15,000 to a personal registered retirement saving plan.

The Executive Chairman receives a lump sum of \$25,000 in lieu of these provisions.

## Incentive Compensation

The Administrator's compensation objectives strongly support performance-based compensation. In conjunction with the strategy and business planning process the Administrator establishes both short-term and long-term metrics and goals that will gauge business success.

### Short Term Incentives ("**STI**")

The short-term incentive is designed to motivate and reward the achievement of Company profitability. Each NEO has a target incentive opportunity expressed as a percentage of his or her salary. The target short-term incentive considers total compensation for each NEO and the Compensation Committee's perceived need for a balance between annual and long-term incentives. Within this framework, the target short-term incentive opportunity, which is expressed as a percentage of base salary, reflects the NEO's level of responsibility and competitive practice. Payouts can range from zero to two times the target annual incentive opportunity depending on performance. Goals are set at the start of the year and approved by the Compensation Committee.

The following table outlines the target short-term incentive opportunities for NEOs. No awards were paid in respect of 2009 performance; however the Committee paid discretionary awards to key NEOs to recognize individual contribution.

NEO	Total Target Short-term Incentive (STI) Opportunity (% of salary)	Actual 2009 Award	
		STI Awards (% of salary)	STI Awards (\$)
John I. Bitove, Executive Chairman, Administrator	30%	0	0
Jim Robertson, Chief Operating Officer Administrator	25%	13%	\$25,000
Steve Langford, President, KFC/TB, Administrator (resigned)	40%	0	0

Deborah Papernick, Chief Financial Officer Administrator	50%	14%	\$25,000
Steve Boyack, Chief Financial Officer, Administrator  (resigned)	50%	0	0
Corey Goodman, Chief Purchasing Officer, Administrator	40%	33%	\$65,075

In 2009, the short-term incentive plan was based solely on corporate performance as measured by EBITDA. This measure reflects annual profitability and is a key indicator of the success of the Administrator's operating strategies.

Measure	Target Performance	Actual Performance	Attainment Level
EBITDA*	\$33.2 million	\$25.4 million	Not Attained

\*Reflects the removal of one-time items. Reported EBITDA of \$34.2 million includes gain on sale of the Administrator's salad producing facility, one-time severance charges related to the minor restructuring of the restaurant support centre, and insurance proceeds for a store previously destroyed by fire.

### *Long-Term Incentives ("LTI")*

LTI compensation aligns the NEOs' interests with Unitholders' interests beyond the annual business cycle. The Administrator's only active long-term incentive plan is the Senior Management Incentive ("**SMI**") Plan. However, Restricted Trust Units could be granted on an ad hoc basis to meet specific business needs such as retention or hiring enticements under the 2006 LTIP (described below).

Previous LTI grants are not usually considered in determining current year opportunity/award.

### Executive Long-Term Incentive Plan ("ELTIP")

The ELTIP plan is intended to provide eligible participants with compensation opportunities that will encourage ownership of Units, enhance the ability to attract, retain and motivate key personnel, and reward key senior management for significant performance and associated per Unit cash flow growth of the Fund. The amount of the award will be dependant upon achieving certain targets for same store sales growth and return on capital employed. The Plan pays an award to each eligible participant based on the Fund's performance at the end of the three year term. The award consists of Fund units to be issued from treasury equal to the dollar value of the award granted by the Compensation Committee. The Board or the Compensation Committee determines, among other things, (i) those individuals who will participate in the ELTIP plans, (ii) the level of participation of each participant, (iii) the time or

times when ownership of the Units will vest for each participant, and (iv) whether to award a lesser dollar value of units in lieu of calculated amounts.

### *The 2006 Long-Term Incentive Plan*

The first ELTIP plan was the 2006 LTIP. The term of the 2006 LTIP was three years commencing May 2006. The 2006 LTIP, which is currently inactive, was approved by the Unitholders on May 9, 2007.

No Awards were granted to any employees for the recently completed financial year. However, participants were guaranteed a minimum payout for the performance period ending in 2009 in order to ease the transition to the new plan. As a consequence, modest payouts were made in 2009. See “Summary Compensation Table” below for more details.

The following table summarizes the participation of the Named Executive Officers in the 2006 LTIP, the potential payouts and the minimum guaranteed payouts that were awarded in 2009.

<u>Name</u>	<u>Securities, or Units or Other Rights</u>	<u>Performance or Other Period Until Maturation or Payout</u>	<u>Estimated Future Payouts Under Non-Securities-Price-Based Plans</u>		
			<u>Threshold<sup>(1)</sup></u>	<u>Target</u>	<u>Maximum<sup>(8)</sup></u>
John I. Bitove, Executive Chairman, Administrator	Nil	3 years	\$450,225 <sup>(2)</sup>	\$900,450	\$2,201,100
Steve Boyack, Chief Financial Officer, Administrator <sup>(3)</sup>	Nil	3 years	\$112,500	\$187,500	\$750,000
Deborah Papernick, Chief Financial Officer Administrator <sup>(7)</sup>	Nil	3 years			
Jim Robertson, Chief Operating Officer Administrator	Nil	3 years	0		
Steve Langford, President, KFC/TB, Administrator <sup>(4)(5)</sup>	Nil	3 years	\$117,617 <sup>(6)</sup>	\$235,233	\$980,138
Corey Goodman, Chief Purchasing Officer, Administrator <sup>(6)</sup>	Nil	3 years	\$87,750 <sup>(7)</sup>	\$146,250	\$526,500

**Notes:**

- (1) The criteria for payment of the ELTIP are subject to adjustment by the Compensation Committee, from time to time, as targets are met.
- (2) Mr. Bitove was paid \$139,561 in units on May 11, 2009 in respect of the 2006 LTIP program.
- (3) Mr. Boyack resigned from his position as Chief Financial Officer of the Administrator effective October 2, 2009.
- (4) Mr. Langford resigned from his position as President KFC/Taco Bell of the Administrator effective December 27, 2009.
- (5) Mr. Langford was paid \$46,520 in units on May 11, 2009, in respect of the 2006 LTIP program.
- (6) Mr. Goodman was paid \$26,590 in units on May 11, 2009 in respect of the 2006 LTIP program.
- (7) Ms. Papernick was paid \$23,741 in units on May 11, 2009 in respect of the 2006 LTIP program.
- (8) The total grant eligible under the corporate LTIP plans cannot exceed 10% of the number of Units in the capital of the Fund that are outstanding from time to time.

**Senior Management Incentive (SMI) Plan**

The SMI Plan, which was implemented in 2009, is designed to align the NEOs with Unitholders' interests by rewarding attainment of key financial goals (EBITDA) over a one year performance period. If performance warrants a payout, the payout is delivered in the form of cash. One half is paid out immediately following the end of the performance year, and the second half is paid out the following year providing the NEO is employed by the Administrator. Where the EBITDA business plan goal is exceeded, 20% of EBITDA in excess of that goal forms an incentive pool. The incentive pool would be shared in the following proportions:

<b>NEO</b>	<b>Percentage of Pool Allocated to Each NEO</b>
John I. Bitove, Executive Chairman, Administrator	22.5%
Steve Boyack, Chief Financial Officer, Administrator <sup>(3)</sup>	7.5%
Deborah Papernick, Chief Financial Officer Administrator <sup>(7)</sup>	10%
Jim Robertson, Chief Operating Officer Administrator	10%
Steve Langford, President, KFC/TB, Administrator <sup>(4)(5)</sup>	10%
Corey Goodman, Chief Purchasing Officer, Administrator <sup>(6)</sup>	5%

In 2009, the minimum threshold was set at \$33.2 million. This threshold was not attained; consequently there were no payouts or deferred payments related to this plan.

### **Unit Ownership Requirements:**

The Administrator's Unit Ownership Guidelines helps ensure that all NEOs acquire meaningful equity positions in the Administrator as a visible indicator of alignment with Unitholders. The following table summarizes the required dollar value of Units to purchased and held by NEOs and actual Unit ownership for the NEOs as of December 27, 2009:

<b>Executive</b>	<b>Required Ownership</b>	<b>Actual Ownership</b>	<b>Current Ownership</b>
John I. Bitove, Executive Chairman, Administrator			
Jim Robertson, Chief Operating Officer Administrator	\$100,000	\$31,063	(\$68,937)
Steve Langford, President, KFC/TB, Administrator  (resigned)	\$100,000	\$113,863	\$13,863
Deborah Papernick, Chief Financial Officer Administrator	\$100,000	\$28,062	(\$71,938)
Steve Boyack, Chief Financial Officer, Administrator  (resigned)	\$100,000		
Corey Goodman, Chief Purchasing Officer, Administrator	\$100,000	\$68,863	(\$31,137)

NEOs must meet this guideline within five (5) years of the commencement of this policy (January 1, 2006) or their date of appointment; whichever is later. Mr. Langford and Mr. Boyack are no longer employed by the Administrator. Mr. Goodman has until May 2013 to meet the guideline while Mr. Robertson and Ms. Papernick have until December 2014 and September 2014, respectively, to meet the guideline.

### **Benchmarking Market Competitiveness**

The Administrator periodically analyses market competitiveness of the compensation programs as an input in the process of setting target total compensation levels for NEOs. The Administrator's primary focus is on the 50<sup>th</sup> percentile of total compensation but the Administrator also reviews each components of compensation separately. The Administrator

compares the target total compensation opportunities for the NEO to the 50<sup>th</sup> percentile target total compensation opportunities for similar positions at comparable companies. These benchmarks provide a market reference. The Compensation Committee further considers the executive's experience, responsibilities, impact on, and costs to the Administrator in setting total compensation targets, salaries and incentive opportunities.

In the later part of 2009, the Administrator commissioned a competitive review of three NEO positions. A peer group was established for purpose of this analysis. These peer companies are comparable to the Administrator in terms of overall revenue, scope of operations and similar industry characteristics. Therefore, executive positions are benchmarked to similar positions in terms of the scope and complexity of responsibilities. The Administrator may also compete for talent across a number of these companies. For purposes of the study, the comparator group consisted of the following companies:

Andrew Peller	Colabor Group	Pet Value
Artic Glacier	High Liner	Rogers Sugar
AutoCanada	Le Chateau	Sun Gro
Clublink	Liquor Stores	West 49

The size of the Administrator compared to the peer group of companies, based on revenue, total assets and number of employees is as follows:

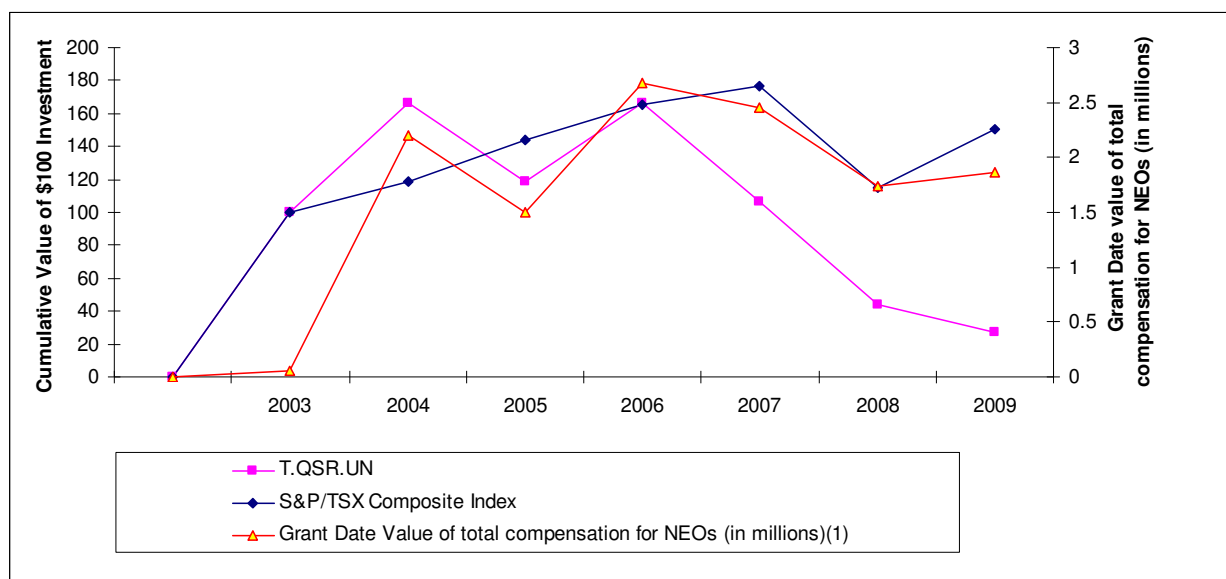
	Revenues (\$ millions)	Assets (\$ millions)	Number of Employees
Median	324.0	316.5	1,184
Priszm <sup>(1)</sup>	444.3	198.8	7,400

(1) As reported December 28, 2008

### ***Performance Graph***

The Units are listed on the Toronto Stock Exchange under the trading symbol QSR.UN.

The following graph compares the total cumulative return to Unitholders for \$100 invested in Units with the total cumulative return of the S&P/TSX Composite Index and the total cumulative Unitholder return of the S&P/TSX Capped Income Trust Index for the last fiscal periods, assuming a C\$100 investment on November 10, 2003, the date the Units were first listed on the Toronto Stock Exchange, and reinvestment of distributions during those periods.



	2003	2004	2005	2006	2007	2008	2009
T.QSR.UN	\$ 100.00	\$ 166.62	\$ 118.43	\$ 166.05	\$ 106.46	\$ 44.19	\$ 27.20
S&P/TSX Composite Index	\$ 100.00	\$ 118.31	\$ 144.23	\$ 165.36	\$ 177.00	\$ 115.00	\$ 150.29
Grant Date Value of total compensation for NEOs (in millions)(1)	\$ 0.1	\$ 2.2	\$ 1.5	\$ 2.7	\$ 2.4	\$ 1.7	\$ 1.9

(1) Excludes severance

The correlation between executive compensation and unitholder return has been effectively broken for the years between 2007 to 2009 due to a number of factors outside of the Administrator's control. Firstly, in October 2006, the Department of Finance (Canada) announced the "Tax Fairness Plan" whereby income tax rules applicable to publicly traded trusts and partnerships were significantly modified. As a result of this announcement, the unit prices of all publicly traded trusts suffered a significant negative impact. On June 12, 2007, this new tax legislation was substantively enacted creating a "Distribution Tax" on publicly traded income trusts and flow-through entities effective in the 2011 year. This has created a level of uncertainty with regard to how publicly traded trusts will react to the new rules; most notably in relation to corporate structure changes, mergers and acquisitions and similar activity. The global economic downturn in late 2007 and throughout 2008 also created uncertainty and negatively impacted operating results for a sustained period.

Performance based compensation has been minimal over the years 2007, 2008 and 2009 with the exception of a long-term incentive award that matured in 2007 related to Prizm's performance in 2004 and certain guaranteed minimal payouts totaling \$214,821 in relation to the 2006 LTIP which matured and were paid in 2009. Short-term incentives have also been minimal between 2007 to 2009.

## COMPENSATION OF EXECUTIVE OFFICERS

The following tables provides a summary of the compensation earned by the Chief Executive Officer and the Chief Financial Officer of the Administrator and the three most highly compensated individuals who served as executive officers of the Fund or the Administrator and whose total bonus and salary exceeded \$150,000 (collectively the "Named Executive Officers") for the fiscal year ended December 27, 2009.

## Summary Compensation Table

Name and Principal Position (a)	Year (b)	Salary (\$) (c)	Unit Awards (\$) (d)	Option Awards (\$) (e)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$) (g)	All Other Compensation (\$) (h)	Total (\$) (i)
					Annual Incentive (f1)	Long-Term Incentive (f2)			
<b>John I. Bitove, Executive Chairman, Administrator</b>	2009	332,920	0			139,561		25,000	\$497,480
<b>Jim Robertson, Chief Operating Officer Administrator</b>	2009	195,000	0		\$25,000			75,032	295,032
<b>Steve Langford, President, KFC/TB Administrator<sup>(1)</sup> (resigned)</b>	2009	267,904	0			46,520		42,445	356,869
<b>Deborah Papernick, Chief Financial Officer Administrator</b>	2009	185,000	0		\$25,000	23,741		30,679	264,420
<b>Steve Boyack, Chief Financial Officer, Administrator (resigned)</b>	2009	256,250	0					244,577	500,827
<b>Corey Goodman, Chief Purchasing Officer Administrator</b>	2009	200,850	0		\$65,075	26,590		79,819	372,334

### Notes:

- (1) Mr. Boyack was granted 30,000 units as per his Employment Agreement, whereby 15,000 units vested 12 months from his employment start date (March 17, 2008) and 15,000 units vested 18 months from his employment start date.
- (2) Mr. Boyack resigned from his position as Chief Financial Officer of the Administrator effective October 2, 2009 and effective the same day, Deborah Papernick was appointed as Chief Financial Officer.
- (3) Pursuant to the terms of Mr. Boyack's Employment Agreement, he received compensation in the amount of \$170,833 in connection with his resignation.
- (4) Mr. Langford resigned from his position as President KFC/Taco Bell of the Administrator effective December 27, 2009.
- (5) Pursuant to the terms of Mr. Langford's Employment Agreement, he received compensation in the amount of \$280,269 in connection with his resignation.

- (6) Mr. Goodman's salary and bonus is paid by an entity of which the Administrator has an approximate interest of 40%. Mr. Goodman was granted 20,000 units as part of his compensation in respect of 2008; 10,000 units vested on May 11, 2009 and the balance vested on August 5, 2009.

### *Employment Agreements*

The Executive Chairman is the only officer that is party to an employment agreement with the Administrator. Pursuant to the terms of the employment agreement, the Executive Chairman receives a base salary (see "Compensation of Executive Officers – Summary Compensation Table") and is entitled to such cash performance bonuses of 30% of base salary. In addition, the Executive Chairman receives incentives (including participating Units in the ELTIP) as are determined from time to time by the Compensation Committee.

Pursuant to this employment agreement, the Executive Chairman will be entitled to the payment of two years base salary in the event of the termination of his employment without cause or in the event of the termination of his employment following a change of control of the Fund. This employment agreement also provides for, among other things, confidentiality, non-solicitation and non-competition covenants in favour of the Administrator. These covenants apply during the term of employment and for 24 months in respect of the Executive Chairman following resignation or the termination of employment by the Administrator for cause.

The employment agreement is subject to review and change as determined by the Compensation Committee and approved by the Board from time to time.

The Board has the discretion to supplement the Named Executive Officers' employment agreements with bonuses in the form of discretionary equity compensation incentives. The terms of these incentives, including the amount, vesting periods and exercise prices, are solely within the discretion of the Board. Cash may be granted to purchase Units in the market, or, subject to Unitholder, stock exchange and other applicable approvals, Units may be issued from the Fund's treasury.

## **INCENTIVE PLAN AWARDS**

### ***Outstanding Unit-Based Awards and Option-Based Awards***

Mrs. Robertson and Goodman and Ms. Papernick received RTU grants in 2007 prior to their appointment as NEOs, Mr. Boyack received an RTU grant at the time of his hire in 2008. As of December 27, 2009 all RTUs had vested or been cancelled due to resignations.

There were no unit-based or option based awards granted this year. As such, there were no option-based or unit-based awards outstanding as of December 27, 2009.

### ***Value Vested or Earned During the Year***

Discretionary bonuses were awarded to key NEOs in recognition of their personal contribution. In addition, a payout was made in relation to the 2006 Long-Term Incentive Plan in 2009. These amounts are reflected in column (d) below. LTIP payouts were dependent on achieving certain targets for same store sales, return on capital employed and distributable cash over a three year period (2006 to 2009). While minimum targets were not met, the plan provided

for a minimum unconditional payout to ease transition in to the new plan. No further performance plans were implemented following this initial plan.

In addition, a portion of the 2007 RTU grants made to Mssrs. Robertson, Goodman and Boyack and Ms. Papernick vested in 2009. These payouts are reflected in column (c) of the table below.

***Value Vested or Earned During the Year***

Name (a)	Option-Base Awards— Value During the Year on Vesting (\$) (b)	Unit-Based Awards—Value During the Year on Vesting (\$) (c)	Non-equity Incentive Plan Compensation—Pay-out for the Plan Year (\$) (d)
John Bitove	N/A		\$139,561
Jim Robertson	NA	\$31,063	\$25,000
Steve Langford	N/A		\$46,520
Deborah Papernick	N/A	\$15,531	\$48,741
Steve Boyack	N/A	\$46,594	
Corey Goodman	N/A	\$31,063	\$91,665

***Narrative***

**BENEFITS ON TERMINATION OR CHANGE IN CONTROL**

***General***

All the NEOs participate in the long-term incentive plan (SMI). Payments in the event of termination, retirement or change of control are at the discretion of the Board.

The Administrator has standard policies in place to cover various forms of termination. The NEOs are subject to the same terms and conditions as all other employees of the Administrator for voluntary termination, and termination for cause. Under such conditions, the NEO would not be eligible for short or long-term incentives; and any stock options would be cancelled and unvested RTUs would be forfeited

Mr. Bitove and Mr. Boyack are the only NEOs with an employment agreement that provides benefits in the event of a termination without cause or change in control.

As of October 16, 2009, the date of Mr. Boyack’s resignation, the Fund agreed that pursuant to the terms of Mr. Boyack’s employment agreement, the Fund would pay Mr. Boyack a lump sum of \$170,833 in connection with his resignation representing 8 months base salary, together with any accrued salary and vacation pay owed to him as of that date.

As of December 27, 2009, the date of Mr. Langford's resignation, the Fund agreed that pursuant to the terms of Mr. Langford's employment agreement, the Fund would pay Mr. Langford a lump sum of \$280,269 in connection with his resignation representing 12 months base salary, together with any accrued salary and vacation pay owed to him as of that date.

In the event the Administrator terminates Mr. Bitove's employment without cause (including constructive dismissal) or following a change of control, he would receive a severance payment equal to 24 months salary paid in the form of salary continuance; or at Mr. Bitove's request, all or in part of the severance may be contributed to a Retirement Compensation Arrangement. The employment agreement also provide for non-compete, non-solicitation and non-disparagement covenants in favour of the Administrator. These covenants apply during the term of employment and for 24 months following a resignation or termination of employment by the Administrator.

The following table illustrates the incremental benefit associated with a termination without cause or termination following Change in Control, assuming the Termination took place as of December 31, 2009.

Name	Severance	Annual Incentive	Long-term Incentives	Total
<b>John Bitove<sup>(1)</sup></b>	<b>\$664,000</b>	<b>N/A</b>	<b>\$0<sup>(1)</sup></b>	<b>\$664,000</b>

**Note:**

(1) Payments related to the SMI Plan in the event of a Company initiated termination or following a change of control are at the sole discretion of the Board, however, no awards were granted to employees for the recently completed financial year.

No additional retirement benefits would be paid in the event of a termination or change in control as the Company does not sponsor a retirement plan.

### **REMUNERATION OF TRUSTEES OF THE FUND AND DIRECTORS OF THE ADMINISTRATOR**

The Administrator's director compensation program differs from the objectives of the executive compensation program in one important respect. Directors are remunerated for their fiduciary responsibilities. Therefore, director compensation is not performance-based. Otherwise the program has the same intent as the Administrator's executive compensation program; that is, to attract and retain skilled director talent and to align Directors' interests with Unitholders' interests. The compensation elements used to deliver to these objectives include annual cash retainers and meeting fees.

Each non-executive director of the Administrator (each a "**Director**") receives an annual cash retainer of \$35,000 for participating on the Board. Directors who sit on a committee of the Board receive an additional annual retainer of \$1,000, paid in quarterly instalments, for each Board committee on which they sit, and an additional annual retainer of \$2,000, paid in quarterly instalments, for each Board committee that they chair, with the exception of the Audit Committee chair, who receives an additional annual retainer of \$4,500, paid in quarterly instalments. Directors receive \$1,000 for each regularly scheduled or extraordinary meeting of

the Board of Directors attended in person or by telephone and \$1,000 for each committee meeting of the Board attended in person or by telephone. Directors are reimbursed for travel and other out-of-pocket expenses incurred in attending Board or committee meetings. The following chart summarizes the fee schedule for non-executive Directors.

	Board Member	Committee Chair	Committee Member	Audit Chair
Annual Cash Retainer	\$35,000	\$2,000	\$1,000	\$4,500
Meeting Fees per Meeting Attended in Person	\$1,000	\$1,000	\$1,000	\$1,000
Meeting Fees per Meeting Attended by Telephone	\$1,000	\$1,000	\$1,000	\$1,000

Trustees of the Fund who are also Directors of the Administrator, do not receive any compensation as Trustees that is in addition to compensation received as Directors of the Administrator. In addition, Mr. Bitove does not receive additional compensation for his role on the Board or committees beyond compensation received as Executive Chairman of the Administrator.

### ***Outstanding Unit-Based Awards and Option-Based Awards***

Mssrs Rosiak and Thomas received a one time RTU grant with an equity value of \$35,000 in 2006. The RTUs were purchased on the open market, and the RTUs vested in 2006, such units cannot be disposed of while the Director is an active member of the Board.

The Directors do not have any outstanding equity based awards and no such awards vested in 2009.

### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

<u>Plan Category</u>	<u>Number of Securities to be issued upon exercise of outstanding options</u>	<u>Weighted-average exercise price of outstanding options</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(1)</u>
Equity compensation plans approved by securityholders	Nil	Nil	Nil
Equity compensation plans not approved by securityholders	Nil	Nil	2,549,572
Total	Nil	Nil	2,549,572

**Note:**

- (1) The equity compensation plans permit the Fund to grant options to purchase Units in an amount of up to 10% of the number of Units in the capital of the Fund that are outstanding from time to time.

**INDEBTEDNESS OF TRUSTEES OF THE FUND AND DIRECTORS AND OFFICERS  
OF THE ADMINISTRATOR**

No amounts are owed to the Fund or its affiliates by any of the Trustees of the Fund or directors, executive officers or other senior management of the Administrator, other than for any routine indebtedness, which is defined as being for amounts of less than \$50,000.

**INDEMNIFICATION OF THE ADMINISTRATOR**

The Administrator has the benefit of insurance policies for itself and its directors and officers against liability incurred by them in the performance of their duties as directors and officers of the Administrator (the "**Policies**"). The approximate amount of the premiums charged in respect of the Policies for the Administrator and its affiliates was approximately \$113,537 for the 12-month period ended October 31, 2010 (the "**Policy Period**"). The aggregate amount of coverage under the Policies for the Policy Period is \$17,000,000.

**INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed in this Circular or below, the Trustees are not aware of any material interest of any Trustee of the Fund, or director or officer of the Administrator, or any Unitholder who beneficially owns more than 10% of the Units, or any known associate or affiliate of these persons, in any transaction since the beginning of the 2009 fiscal year or in any proposed transaction that has materially affected or would materially affect the Fund.

The Fund does business with several related parties. The related parties are:

*Obelysk Inc. ("Obelysk"):* John I. Bitove, Executive Chairman of the Administrator, is a controlling shareholder and current Chairman of Obelysk, which holds approximately 40% interest in the Fund. At December 27, 2009 the Fund leased five properties and an office space from Obelysk.

*Scott's Real Estate Investment Trust ("Scott's REIT"):* John I. Bitove, Executive Chairman of the Administrator, is Chairman and Chief Executive Officer of Scott's REIT. The Fund leases a total of 190 locations from Scott's REIT. Obelysk holds approximately a 24.4% ownership interest in Scott's REIT.

*Canadian Satellite Radio Holdings Inc. ("CSRI"):* John I. Bitove, Executive Chairman of the Administrator, is the Executive Chairman and a controlling shareholder of CSRI. The Fund has entered into advertising arrangements with CSRI and purchases CSRI satellite radio service for use in 63 of its restaurant dining rooms.

*Data & Audio Visual Enterprises Wireless Inc. ("DAVE"):* John Bitove, Executive Chairman of the Administrator is the Chairman and controlling shareholder of DAVE.

The Fund provides certain accounting, leasing, payroll and administrative services to Obelysk, Scott's REIT, CSRI and DAVE and receives and makes reimbursement of costs incurred by each party on the others' behalf.

The Fund has no other significant or regular activities with related parties in respect of sales or procurement matters.

The Fund has provided a limited recourse guarantee and a pledge agreement in respect of KIT Finance Inc.'s obligations under (i) 7.8% senior secured notes due January 13, 2011 and 8.09% senior secured notes due November 11, 2011 secured by a pledge of the unsecured notes and units issued by Prizm Canadian Operating Trust to the Fund. Prizm Finance is an affiliate of the Fund within the meaning of applicable securities laws.

## **STATEMENT OF CORPORATE GOVERNANCE**

### ***General***

The Trustees of the Fund believe that effective corporate governance is essential to the direction and operation of the Fund in a manner that ultimately enhances Unitholder value.

Effective June 30, 2005, the Canadian Securities Administrators (“**CSA**”) adopted National Instrument 58-101 - Disclosure of Corporate Governance Practices (the “**Policy**”) and National Policy 58-201 - Corporate Governance Guidelines (the “**Instrument**”, and together with the Policy, the “**CSA Governance Rules**”). The CSA Governance Rules require that we set out the mandated disclosure required under the Instrument, with reference to the “best practices” set out in the Policy.

To comply with these various standards and achieve best practices, the Fund has developed and implemented, and continues to develop, implement and refine, formal policies and procedures which reflect its ongoing commitment to effective corporate governance. The Fund is a trust created to hold, directly or indirectly, the securities of Prizm LP and does not conduct any active business. The active business of Prizm LP is overseen by the Board of Directors of the Administrator and its committees. As such, the Fund's structure requires that its approach to the CSA Governance Rules be best addressed jointly by the Trustees of the Fund and the Board of the Administrator, and by placing the focus of the corporate governance structure at the operating level and decision-making and supervision closest to the relevant areas. The committees report and recommend actions to the Board and, as needed, to the Trustees. The Trustees are also members of the Board of the Administrator, facilitating reporting and information exchange.

The Fund believes that its corporate governance structure described above and its corporate governance practices and procedures summarized below, are in compliance with the Corporate Governance Rules and are appropriate for an issuer such as the Fund.

### ***Board of Trustees of the Fund***

The Board of Trustees of the Fund is comprised of three trustees, Jay A.J. Peters, Borden D. Rosiak and Stanley A. Thomas, each of which is independent. Pursuant to Multilateral Instrument 52-110, an independent trustee/director is one who has no direct or indirect material relationship with the Fund, which could, in the view of the board of trustees/directors, reasonably interfere with a trustee's/director's independent judgment. Mr. Peters is also a director of Forzani Group Ltd.

### ***Board of Directors of the Administrator***

The Board of Directors of the Administrator is comprised of five directors, of which a majority of the directors, Jay A.J. Peters, Borden D. Rosiak and Stanley A. Thomas, are independent within the meaning of applicable securities laws.

John I. Bitove, the Chairman of the Board of Directors, does not qualify as an independent director due to his majority ownership in Scott's REIT, which leases a total of 190 restaurant locations to Prizm LP, and in Obelysk, which holds 10,270,000 Special Voting Units of the Fund. Mr. Bitove is also Chairman of the Board of Directors of CSRI, DAVE and Scott's REIT.

David Deno does not qualify as an independent director as he has previously received consulting fees from the Fund.

### ***Meetings of Independent Trustees/Directors***

The Trustees of the Fund, who are the independent directors of the Administrator, are provided the opportunity to hold regularly scheduled meetings at which non-independent directors or members of management are not in attendance.

In addition, independent director meetings are held through the medium of the three Board committees (Audit Committee, Compensation Committee and Governance Committee), of which all members of each committee are independent directors. These three committees conduct a considerable portion of the Board's overall business.

### ***Board Mandate***

The mandate of the Board is incorporated in this Circular by reference to the Fund's Management Information Circular dated March 24, 2006, which can be accessed through [www.sedar.com](http://www.sedar.com).

The expectations and responsibilities of the Board members are further delineated through the charter of the Governance Committee.

During the fiscal year ended December 27, 2009 the Board held 12 meetings. For the attendance records of individual directors, see Schedule "B" – "Trustees/Directors Meetings, Compensation and Expense Summary for fiscal year ended December 27, 2009".

### ***Position Descriptions***

The Board of the Administrator as a whole is responsible for the development of position descriptions for the Board. The Board has developed clear, written position descriptions for the chair of the Board and the chair of each of the Board's committees.

The Board has determined that material matters outside the ordinary course of business should be subject to its review. This would include material acquisitions or divestitures, among other things. In addition, the Governance Committee is responsible for considering and making a recommendation to the Board on any transaction involving a related party. The role of the Chief Executive Officer of the Administrator, together with the limits of responsibility and the Board's expectations are addressed by the Compensation Committee as part of its annual

ongoing assessment of the performance of the Chief Executive Officer. Also, the Board is to review and approve the annual business plan for the business, setting forth the corporate objectives for the year. In addition, the Trustees of the Fund are responsible for determining the level of distributions.

Each committee is aware of the roles and responsibilities of each such committee and the positions therein, including:

- chairing meetings;
- planning and organizing Board/committee activities;
- providing leadership to enhance effectiveness;
- ensuring responsibilities are well understood by Board/committee members and management, and that the boundaries between Board and management responsibilities are clearly understood and respected;
- ensuring that adequate resources are available, including timely and relevant information, to allow the Board/committee to meet its responsibilities; and
- reporting to the full Board on decisions or recommendations made by a committee.

The Board is responsible for developing a position description for the Chief Executive Officer and for developing and approving the goals and objectives that the Chief Executive Officer is responsible for satisfying. The Board has developed a clear, written position description, and goals and objectives for the Chief Executive Officer.

The position description in respect of the Chief Executive Officer complements a written agreement provided in connection with the appointment of the Chief Executive Officer. The compensation of the Chief Executive Officer is directly tied to the successful completion of objectives determined and evaluated by the Board, as assisted by the Compensation Committee.

### ***Orientation and Continuing Education***

Pursuant to the Governance Committee's charter, the Board ensures that all new directors receive a comprehensive orientation that encompasses the following items: (i) the role of the Board and its committees; (ii) the contribution (in terms of time and resources) each individual director is expected to make; and (iii) the nature and operation of the business.

Pursuant to the respective charters of the Governance Committee and the Compensation Committee, the Board ensures that continuing education opportunities are provided to allow all directors to maintain and enhance their skills and abilities as directors as well as ensuring that their knowledge and understanding of the business remains current.

### ***Ethical Business Conduct***

The Fund has adopted a written code of conduct entitled, "Principles of Business Conduct and Ethics", which was adopted in December 2003 (the "**Code of Conduct**").

The Board is responsible for monitoring ongoing compliance with the Code of Conduct and has directed the President and the Chief Executive Officer to promptly report to the Board any violations of the Code of Conduct. The President and the Chief Executive Officer each report to the Board on an annual basis in respect of adherence to the Code of Conduct. In addition, compliance is monitored and enforced through the Board's adoption of a "Whistleblower Policy", effective from March 28, 2006 (the "**Whistleblower Policy**"). The Board's adoption of the Whistleblower Policy further reinforces a culture of ethical business conduct.

As of the date hereof, there have been no material departures from the Code of Conduct by any director or executive officer of the Administrator.

Copies of the Fund's Code of Conduct and Whistleblower Policy are available upon request made to the attention of the Chief Financial Officer of the Administrator at 101 Exchange Avenue, Vaughan, Ontario, L4K 5R6.

### ***Nomination of Directors***

Nominating functions are the responsibility of the Board's Governance Committee. The Governance Committee consists entirely of independent directors and acts as a nominating committee in consultation with the Board as a whole. The Governance Committee is responsible for proposing new nominees to the Board, and the Governance Committee and the Board as a whole support a nomination process based on individuals, rather than a slate of nominees. The Governance Committee also performs this function in respect of Trustees, subject to the oversight and approval of the Board of Trustees.

In addition, the Board has adopted a "Policy Regarding Director Nominees", effective as of March 28, 2006.

### ***Compensation***

The Compensation Committee is responsible for assisting the Board in determining the compensation for officers. The Compensation Committee reviews the adequacy and form of compensation at least annually. The Compensation Committee reports its findings to the Trustees who fulfil this responsibility directly in respect of the Fund.

In establishing compensation for executive officers, the Compensation Committee considers, among other things, individual performance and responsibilities, together with other factors in the competitive marketplace for executives of other organizations of similar size and complexity. The Governance Committee determines annual director stipends and other director fees by reference to such stipends and fees paid to directors by other organizations of similar size and complexity.

In addition, the Compensation Committee evaluates executive officers' performance and sets the executive officers' compensation, including salary, bonus, incentive and equity compensation based on its evaluation.

## ***Committees of Directors***

### *Audit Committee*

The charter of the Audit Committee is incorporated in this Circular by reference to the Fund's Annual Information Form dated March 24, 2006, which can be accessed through [www.sedar.com](http://www.sedar.com).

No member of the Audit Committee receives, directly or indirectly, any compensation from the Fund other than for service as a member of the Board and its committees. All members are financially literate as defined under Multilateral Instrument 51-102 – Audit Committees. In considering the criteria for determining financial literacy, the Board looks at the ability of a director to read and understand a balance sheet, an income statement and cash flow statement.

The Audit Committee is currently composed of Borden D. Rosiak (Chair), Jay A.J. Peters and Stanley A. Thomas, each of whom are independent within the meaning of applicable securities laws. During the fiscal year ended December 27, 2009, the Audit Committee met four times.

### *Compensation Committee*

The responsibilities, powers and operation of the Compensation Committee are set out in the Compensation Committee charter. The committee reviews and approves: (i) annual salary and bonuses of senior executives; (ii) long term incentive compensation plans; (iii) employee pension and benefits plans; (iv) performance management systems; and (v) organizational structure and succession plans of management.

The Compensation Committee is currently composed of Borden D. Rosiak, Jay A.J. Peters (Chair) and Stanley A. Thomas, each of whom are independent within the meaning of applicable securities laws. During the fiscal year ended December 27, 2009, the Compensation Committee met three times.

### *Governance Committee*

The Governance Committee is responsible for considering and making a recommendation to the Board in respect of any transaction involving a related party. The proposed transaction must be approved by the independent members of the Board before it proceeds. In addition, the Governance Committee develops, monitors and assesses governance practices and responds to changes to governance guidelines.

The Governance Committee is currently composed of Borden D. Rosiak, Jay A.J. Peters and Stanley A. Thomas (Chair), each of whom is independent within the meaning of applicable securities laws. During the fiscal year ended December 27, 2009, the Governance Committee met two times.

### *Disclosure Committee*

In December 2003, the Board formulated a general "Disclosure Policy". This policy is designed to promote consistent disclosure practices aimed at informative, timely and broadly disseminated disclosure of material information to the market. The policy applies to all

employees and consultants of the Fund and the Administrator, its respective trustees or directors, and those authorized to speak on behalf of the Fund or the Administrator.

On March 28, 2006, a Disclosure Committee, comprised of members of senior management, was established. The committee is charged with making recommendations to the Board that are consistent with the Disclosure Policy.

### ***Assessments***

The Governance Committee assesses the competency, skills, effectiveness and contribution of the Trustees and the members of the Board of Directors.

The Governance Committee conducts an annual review (or more frequently as required) to determine the effectiveness of the Board of Directors as a whole, the committees thereof, as well as the contribution of individual Directors, through meetings and completion and review of evaluation checklists.

The Trustees will fulfil assessment responsibility directly at the Fund level after participating in discussions as members of the Board of Directors.

## **OTHER BUSINESS**

The Trustees are not aware of any matter intended to come before the Meeting other than those items of business set forth in the attached Notice of Meeting. If any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy to vote in respect of those matters in accordance with their judgment.

## **ADDITIONAL INFORMATION**

Copies of the Fund's financial statements for the year ended December 27, 2009, together with the respective reports of the auditors thereon, management's discussion and analysis of the Fund's financial condition and results of operations, the current annual information form (together with any document incorporated therein by reference) of the Fund and this Circular are available on SEDAR at [www.sedar.com](http://www.sedar.com) or upon request made to the attention of the Chief Financial Officer of the Administrator at 101 Exchange Avenue, Vaughan, Ontario, L4K 5R6.

## **APPROVAL OF DIRECTORS OF THE ADMINISTRATOR**

The contents and the sending of this Circular have been approved by the directors of the Administrator.

**DATED** at Toronto this 28<sup>th</sup> day of April, 2010.

**BY ORDER OF PRISZM INCOME FUND, by its  
administrator, Prizm Inc.**

A handwritten signature in black ink, reading "John I. Bitove". The signature is written in a cursive style with a large, stylized initial "J".

John I. Bitove  
Chairman of the Board  
Prizm Inc.

**SCHEDULE "A"**

**RESOLUTION OF THE UNITHOLDERS OF PRISZM INCOME FUND  
ADOPTION OF THE 2010 LONG-TERM INCENTIVE PLAN**

**The following is the text of the Ordinary Resolution that Unitholders are being asked to approve at the meeting:**

**"BE IT RESOLVED THAT:**

1. The amendments to the amending procedures of Prizm Income Fund's (the "**Fund**") 2010 Amended and Restated Long-Term Incentive Plan (the "**Plan**") as set out in Sections 4.3 and 12.8 of the Plan attached as Appendix "A" hereto, is hereby ratified and approved.
2. All unallocated entitlements under the Plan be and are hereby approved.
3. The Fund has the ability to continue granting entitlements under the Plan until June 14, 2013, that is until the date that is three (3) years from the date where unitholder approval is being sought.
4. A maximum of 10% of all trust units of the Fund outstanding from time to time (assuming the conversion of all subordinated and exchangeable units of Prizm LP) is hereby allotted and reserved for issuance under the Plan, subject to the following limitations:
  - (a) no more than 10% of all trust units of the Fund outstanding from time to time (assuming the conversion of all subordinated and exchangeable units of Prizm LP) can be issued under all of the Fund's securities based compensation arrangements, including this Plan; and
  - (b) no more than 10% of all trust units of the Fund outstanding from time to time (assuming the conversion of all subordinated and exchangeable units of Prizm LP) can be issued to insiders under all of the Fund's securities based compensation arrangements, including this Plan.
5. Each Unit (as defined in the Plan), if, and when issued to an Eligible Employee (as defined in the Plan) under, and in accordance with, the Plan, will entitle the holder thereof to receive trust units from treasury as fully paid and non-assessable trust units in the capital of the Fund.
6. Any director, officer or trustee of the Fund be and is hereby authorized to do such things and to sign, execute and deliver all documents that such director, officer or trustee may, in their discretion, determine to be necessary in order to give full effect to the intent and purpose of this resolution."

\* \* \* \* \*

## APPENDIX "A"

### THE 2010 LONG-TERM INCENTIVE PLAN

#### 1. PREAMBLE AND DEFINITIONS

##### 1.1 Title.

The Plan herein described shall be called the "2010 Prizm Long-Term Incentive Plan".

##### 1.2 Purposes of the Plan.

The purposes of the Plan are:

- (a) to promote a greater alignment of interests between senior management employees and the unitholders of Prizm;
- (b) to assist Prizm to attract, retain and reward individuals with experience and ability to act as senior management of Prizm;
- (d) to enable senior management employees of Prizm to participate in the sustained success of Prizm;
- (e) to provide a greater alignment between compensation and the strategic and financial objectives in Prizm's business plan; and
- (f) to provide market competitive total compensation.

##### 1.3 Definitions.

- 1.3.1 "**Applicable Law**" means any applicable provision of law, domestic or foreign, including, without limitation, applicable securities legislation, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder.
- 1.3.2 "**Award**" means the right to receive, subject to the terms and conditions of the Plan and any applicable Grant Agreement, cash and/or Units.
- 1.3.3 "**Beneficiary**" means an individual who, on the date of an Eligible Employee's death, is the person who has been designated in accordance with Section 9 and Applicable Law, or where no such individual has been validly designated by the Eligible Employee, or where the individual does not survive the Eligible Employee, the Eligible Employee's legal representative.

- 1.3.4 “**Board**” means the Board of Directors of Prizm.
- 1.3.5 “**Committee**” means the Compensation Committee of the Board or such other persons designated by the Board.
- 1.3.6 “**Disability**” means the Eligible Employee’s physical or mental long-term inability to substantially fulfil his duties and responsibilities on behalf of Prizm in respect of which the Eligible Employee commences receiving, or is eligible to receive, long-term disability benefits under Prizm’s long-term disability plan.
- 1.3.7 “**Eligible Employee**” means an individual who is employed by Prizm at the senior management level (as determined by the Committee in its sole discretion) and who has been recommended by the CEO to the Committee and designated by the Committee as eligible to participate in this Plan.
- 1.3.8 “**Grant Agreement**” means an agreement between Prizm and an Eligible Employee under which an Award is granted, as contemplated by Section 4.1, together with such amendments, deletions or changes thereto as are permitted under the Plan.
- 1.3.9 “**Governmental Entity**” means any applicable (a) multinational, federal, provincial, state, municipal, local or other governmental or public department, commission, board, bureau or agency, (b) any subdivision or authority of any of the foregoing, or (c) any quasi-governmental body exercising (with proper jurisdiction) any regulatory or taxing authority under or in respect of any of the above;
- 1.3.10 “**Payment Date**” means the date that the cash and/or Units underlying the Award are paid to an Eligible Employee which date shall be within 30 days following the date that the audited financial statements of Prizm Income Fund for the last calendar year of the Performance Period have been approved by the Board and in any event such date shall be no later than December 15 in the calendar year following the last calendar year of the Performance Period.
- 1.3.11 “**Performance Period**” means a period of three calendar years in respect of which an Eligible Employee may be or becomes entitled to an Award.
- 1.3.12 “**Performance Target**” means, with respect to a grant of an Award pursuant to Section 4.1, the target or targets set out in the Grant Agreement applicable to such grant as referenced in Section 4.2.

- 1.3.13 **"Plan"** means this 2010 Prizm Long-Term Incentive Plan, including any schedules or appendices hereto, as amended from time to time.
- 1.3.14 **"Prizm"** means Prizm Income Fund and its subsidiary entities and any successor organization(s) whether by amalgamation, merger or otherwise.
- 1.3.15 **"Reorganization"** means any (i) capital reorganization, arrangement, merger or amalgamation involving Prizm (other than one involving only Prizm Income Fund and its subsidiaries), (ii) offer for Units which if successful would entitle the offeror to acquire all of the Units, or (iii) sale of substantially all of the assets of Prizm (other than solely to one or more subsidiaries of Prizm Income Fund).
- 1.3.16 **"Retirement"** means the retirement of an Eligible Employee from employment with Prizm in accordance with the normal retirement policy of Prizm.
- 1.3.17 **"Stock Exchange"** means the Toronto Stock Exchange, or if the Units are not listed on the Toronto Stock Exchange, such other stock exchange on which the Units are listed, or if the Units are not listed on any stock exchange, the over-the-counter market.
- 1.3.18 **"Stock Exchange Rules"** means the applicable rules of any Stock Exchange upon which the Units are listed.
- 1.3.19 **"Unit"** means a trust unit of Prizm Income Fund or securities as may be substituted therefore as a result of any change to the trust units of Prizm Income Fund or any capital reorganization, arrangement, amalgamation or merger affecting all of the trust units of Prizm Income Fund.
- 1.3.20 **"Vesting Date"** has the meaning ascribed thereto in Section 6.1.

## 2. CONSTRUCTION AND INTERPRETATION

- 2.1 **Gender, Singular, Plural.** In the Plan, references to the masculine include the feminine; and references to the singular shall include the plural and vice versa, as the context shall require.
- 2.2 **Governing Law.** The Plan shall be governed and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, and any judicial actions, proceedings or claims in any way pertaining to the Plan shall be commenced in the courts of the Province of Ontario.

- 2.3 **Severability.** If any provision of the Plan or part hereof is determined to be void or unenforceable all or in part, such determination shall not affect the validity or enforcement of any other provision or part thereof.
- 2.4 **Headings, Sections.** Headings wherever used herein are for reference purposes only and do not limit or extend the meaning of the provisions herein contained. A reference to a section or schedule shall, except where expressly stated otherwise, mean a section or schedule of the Plan, as applicable.

### 3. EFFECTIVE DATE

- 3.1 **Effective Date.** The Plan is established for Eligible Employees, effective on the date that the Plan has received the necessary regulatory and unitholder approvals.

### 4. AWARD GRANTS AND PERFORMANCE TARGETS

- 4.1 **Grant of Awards.** Subject to Section 4.2, each Eligible Employee may receive a grant of an Award as may be specified by the Committee with effect from such date(s) as the Committee may specify. Each grant of an Award made by the Committee shall specify the Performance Period to which it relates. Each grant and the participation of an Eligible Employee in the Plan shall be evidenced by a Grant Agreement. Unless otherwise determined by the Committee, an Eligible Employee will not be entitled to receive a grant of an Award after the date that such Eligible Employee ceases to be actually and actively employed by Prizm.
- 4.2 **Performance Targets.** Subject to the terms of the Plan, the Committee shall in its sole discretion have the authority to approve the terms and quantum of any grant of Awards under the Plan, which shall be set out in the applicable Grant Agreement. A grant of an Award to an Eligible Employee under Section 4.1 shall, unless otherwise determined by the Committee, be contingent on the achievement of one or more pre-established Performance Targets for each Performance Period in respect of which the grant is made. The Performance Targets shall be set out in the applicable Grant Agreement.
- 4.3 **Terms and Conditions.** The Committee may, at its discretion from time to time, without unitholder approval, subsequent to the date of the grant of an Award, including, without limitation, with respect to the exercise period (provided that such Award is not held by an insider), Vesting Date, exercise method and frequency, exercise price (provided that such Award is not held by an insider), and method of determining the exercise price, assignability and effect of termination of a Eligible Employee's employment or cessation of the Eligible Employee's directorship, and without limiting the generality of the foregoing, the Committee may also make any amendments for the purpose of complying with any changes in any relevant law, rule, regulation, regulatory requirement or requirement of the Stock Exchange, or for any other purpose which may be permitted by law, provided always that any such amendment will not alter the

terms or conditions of, or impair any right of any Eligible Employee pursuant to any Award awarded prior to such amendment without the consent of such Eligible Employee, unless such amendment or alteration is required by applicable law, any applicable Stock Exchange or Governmental Entity.

## 5. RECORD KEEPING AND REORGANIZATION

- 5.1 **Record Keeping.** Prizm shall maintain a record of the Awards made from time to time to the Eligible Employees pursuant to the Plan. Awards that fail to vest in an Eligible Employee pursuant to Section 6 shall be cancelled and shall be recorded as such. Awards that vest and in respect of which cash and/or Units are distributed to the Eligible Employee or his or her Beneficiary shall be cancelled upon such distribution and shall be recorded as such.
- 5.2 **Adjustments.** In the event of any special distribution, combination or exchange of Units, reorganization (other than a Reorganization), consolidation, spin-off or other distribution (other than normal cash distributions) of Prizm's assets to unitholders, or any other similar changes affecting the Units, such proportionate adjustments as are necessary, to reflect such change or changes shall be made with respect to the Awards outstanding under the Plan, all as determined by the Committee in its sole discretion.
- 5.3 **Reorganization.** In the event of a Reorganization or proposed Reorganization, the Committee, at its option, may, subject to Stock Exchange Rules, cause either of the following:
- (a) Prizm may, upon not less than five days' advance written notice to the Eligible Employees, cause all issued and outstanding Awards to immediately vest at the Performance Target level(s), and thereafter effect a distribution in respect of such Awards in accordance with Section 7.8, without regard to the vesting provisions attached to the Awards contained in the Plan or the applicable Grant Agreement; or
  - (b) Prizm, or any organization which is or would be the successor to Prizm or which may issue securities in exchange for Units upon the Reorganization becoming effective, may, upon not less than five days' advance written notice to the Eligible Employees, substitute for an entitlement to cash and/or Units under this Plan an entitlement to cash and/or the securities into which the Units are changed or are convertible or exchangeable pursuant to the Reorganization on a basis proportionate to the Award for the Eligible Employee or some other appropriate basis, as determined by the Committee in its sole discretion.

Prizm may specify in any notice under this Section 5.3 that if, for any reason, the Reorganization is not completed, Prizm may revoke such notice. Prizm may exercise such right by further notice in writing to the Eligible Employees and the Awards shall thereafter continue to be allocated to the Eligible Employees in accordance with their original terms.

For greater certainty, in the event that such notice is revoked, all Awards vested pursuant to this Section 5.3 shall be deemed not to have vested and shall instead vest in accordance with the original provisions of the applicable Grant Agreement.

This Section is intended to be permissive and may be utilized independently or successively or in combination or otherwise, all as determined by the Committee in its sole discretion.

## 6. VESTING

- 6.1 **Vesting.** Awards granted to an Eligible Employee under Section 4.1 in respect of a Performance Period shall vest on the date that the audited financial statements for the last calendar year of the Performance Period have been approved by the Board, provided that the applicable Performance Target(s) in respect of such Awards have been achieved in respect of such Performance Period as determined by the Committee in its sole discretion (the “**Vesting Date**”), and shall become payable in accordance with Section 7. Awards relating to a Performance Period which have been granted to an Eligible Employee and which do not vest in accordance with this Section 6.1 shall be forfeited by the Eligible Employee and cancelled without payment, and the Eligible Employee will have no further right, title or interest in such Awards.

## 7. PAYMENT OF AWARDS

- 7.1 **Eligible Employee Continuing in Employment.** Unless otherwise determined by the Committee, each Eligible Employee who continues in employment with Prizm on a Vesting Date shall receive the cash and/or Units underlying the vested Award on the Payment Date.
- 7.2 **Termination of Employment Without Cause or Resignation.** Unless otherwise determined by the Committee, if the employment of an Eligible Employee is terminated without cause or by the Eligible Employee (otherwise than by reason of Disability, Retirement or death), all vested Awards held by the Eligible Employee at the date that the employment of the Eligible Employee is terminated without cause or by the Eligible Employee (otherwise than by reason of Disability, Retirement or death) shall be paid in the form of cash and/or Units underlying the Award on the Payment Date. Unless otherwise determined by the Committee, all unvested Awards held by the Eligible Employee at the date that the employment of the Eligible Employee is terminated without cause or by the Eligible Employee (otherwise than by reason of Disability, Retirement or death) shall be forfeited by the Eligible Employee and cancelled without payment and the Eligible Employee will have no further right, title or interest in such unvested Awards.
- 7.3 **Termination of Employment With Cause.** Unless otherwise determined by the Committee, if the employment of an Eligible Employee with Prizm is terminated by Prizm with cause, all Awards of the Eligible Employee, whether vested or unvested, shall be forfeited by the Eligible Employee and cancelled without

payment and the Eligible Employee will have no further right, title or interest in such Awards.

- 7.4 **Retirement.** Unless otherwise determined by the Committee, if the employment of an Eligible Employee is terminated by reason of Retirement, all vested Awards held by the Eligible Employee at the date that the employment of the Eligible Employee is terminated shall be paid in the form of cash and/or Units underlying the Award on the Payment Date. Unless otherwise determined by the Committee, the Eligible Employee whose employment is terminated by reason of Retirement shall receive on the Payment Date a prorated amount of cash and/or Units underlying all unvested Awards held by the Eligible Employee at the date that the employment of the Eligible Employee is terminated by reason of Retirement. The prorated amount shall be calculated based on: (a) the number of whole calendar years during the Performance Period in which the Eligible Employee was continually employed by Prizm, and (b) whether the Performance Targets applicable for the Award was satisfied (on a pro rated basis) for such whole calendar years, all as determined by the Committee in its sole discretion. For example, if the Eligible Employee was continuously employed for two calendar years of the Performance Period prior to the termination of employment, and if the applicable Performance Targets were satisfied for such two calendar years, then the Committee could, in its sole discretion, determine to pay the Eligible Employee an amount equal to two-thirds of the value of the Award.
- 7.5 **Death.** Unless otherwise determined by the Committee, if the employment of an Eligible Employee is terminated by reason of death, all vested Awards held by the Eligible Employee at the date of death shall be paid to the legal representative of the deceased Eligible Employee in the form of cash and/or Units underlying the Award within 12 months of the date of death. Unless otherwise determined by the Committee, the legal representative of the deceased Eligible Employee shall receive within 12 months of the date of death a prorated amount of cash and/or Units underlying all unvested Awards held by the Eligible Employee at the date of death. The prorated amount shall be calculated based on: (a) the number of whole calendar years during the Performance Period in which the Eligible Employee was continually employed by Prizm, and (b) the Performance Targets applicable for the Award, whether or not such Performance Targets were satisfied, for such whole calendar years, all as determined by the Committee in its sole discretion. For example, if the Eligible Employee was continuously employed for two calendar years of the Performance Period prior to the termination of employment, then the Committee could, in its sole discretion, determine to pay the Eligible Employee an amount equal to two-thirds of the value of the Award whether or not the Performance Targets were satisfied for such two calendar years.
- 7.6 **Disability.** Unless otherwise determined by the Committee, each Eligible Employee whose employment is terminated by reason of Disability shall receive on the Payment Date the cash and/or Units underlying the Award held by the Eligible Employee at the date that such Eligible Employee ceases to be actually

and actively employed by Prizm provided that the Vesting Date has occurred for such Award.

- 7.7 **Parental Leave or Approved Leave of Absence.** Unless otherwise determined by the Committee, if the Eligible Employee takes a parental leave or an approved leave of absence in excess of three months, all vested Awards held by the Eligible Employee at the date that such Eligible Employee ceases to be actually and actively employed by Prizm shall be paid in the form of cash and/or Units underlying the Award on the Payment Date. Unless otherwise determined by the Committee, the Eligible Employee who takes a parental leave or an approved leave of absence in excess of three months shall receive on the date the Eligible Employee returns to actual and active employment with Prizm a prorated amount of cash and/or Units underlying all unvested Awards held by the Eligible Employee at the date that such Eligible Employee ceased to be actually and actively employed by Prizm. The prorated amount shall be calculated based on: (a) the number of whole calendar years during the Performance Period in which the Eligible Employee was continually employed by Prizm, and (b) whether the Performance Targets applicable for the Award was satisfied (on a pro rated basis) for such whole calendar years, all as determined by the Committee in its sole discretion. For example, if the Eligible Employee was continuously employed for two calendar years of the Performance Period prior to the date that such Eligible Employee ceased to be actually and actively employed by Prizm, and if the applicable Performance Targets were satisfied for such two calendar years, then the Committee could, in its sole discretion, determine to pay the Eligible Employee an amount equal to two-thirds of the value of the Award. For greater certainty, if the Eligible Employee fails to return to actual and active employment with Prizm, then all unvested Awards of the Eligible Employee shall be forfeited by the Eligible Employee and cancelled without payment and the Eligible Employee will have no further right, title or interest in such unvested Awards.
- 7.8 **Reorganization.** Unless otherwise determined by the Committee, each Eligible Employee shall receive within 75 days of the completion of any Reorganization, the cash and/or Units and/or securities in exchange for Units underlying the Award held by the Eligible Employee at the date of completion of the Reorganization.
- 7.9 **Form of Consideration to Satisfy Awards.** For purposes of this Plan, the Committee shall have the discretion to determine whether an Award will be satisfied with cash or Units, and in the event that an Award is to be satisfied with Units, whether such Units will be issued from treasury or purchased in the secondary market. In the event that Units are issued from treasury, the value of such Units shall be based on the volume-weighted average trading price of the Units on the Stock Exchange for the five trading days ending on the third trading day prior to the Payment Date. In the event that Units are purchased in the secondary market, Prizm shall arrange for the purchase of Units by a broker for the benefit of the Eligible Employee by providing such broker with an amount of cash equal to the amount of the Award, as well as sufficient funds to cover applicable brokerage and trading costs in connection with such purchase.

- 7.10 **Determination of Date of Termination of Employment**. For purposes of the Plan, an Eligible Employee's employment shall be conclusively deemed to be terminated on the date that such Eligible Employee ceases to be actually and actively employed by Prizm (and for greater certainty shall not include any notice period required by any applicable statute or common law).

## 8. UNIT ISSUANCE

- 8.1 **Maximum Number of Units Reserved for Issuance**. Immediately following the Effective Date the maximum number of Units reserved for issuance under the Plan (and under any other securities compensation arrangements of Prizm) shall be equal to 10% of the number of Units in the capital of Prizm that are outstanding from time to time (assuming the conversion of all subordinated and exchangeable limited partnership units of KIT Limited Partnership). For greater certainty, any increase in the issued and outstanding Units will result in an increase in the available number of the Units issuable under the Plan, and any issuance of Units from treasury under the Plan will make new grants available under the Plan.

- 8.2 **Maximum Number of Units Issuable to Insiders**. Following the Effective Date, the number of Units issuable to insiders, at any time, under all security based compensation arrangements of Prizm, cannot exceed 10% of the number of Units in the capital of Prizm that are outstanding from time to time (assuming the conversion of all subordinated and exchangeable limited partnership units of KIT Limited Partnership). Following the Effective Date, the number of Units issued to insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the number of Units in the capital of Prizm that are outstanding from time to time (assuming the conversion of all outstanding subordinated and exchangeable limited partnership units of KIT Limited Partnership).

## 9. DESIGNATION OF BENEFICIARY

- 9.1 **Beneficiary Designation**. Subject to Applicable Law, an Eligible Employee may designate a Beneficiary to receive any amount payable under the Plan on the death of such Eligible Employee and may change the designation from time to time. Such designation shall be in the form and executed and filed in such manner as the Committee may from time to time determine.

## 10. CURRENCY

- 10.1 **Currency**. Except where expressly provided otherwise, all references in the Plan (including the schedules hereto) to currency refer to lawful Canadian currency.

## 11. UNITHOLDER RIGHTS

- 11.1 **No Rights as Unitholder.** The grant of Awards will not entitle an Eligible Employee to any unitholder rights, including, without limitation, voting rights, distribution entitlement or rights on liquidation.

## 12. ADMINISTRATION

- 12.1 **Committee.** Unless otherwise determined by the Board, the Plan shall be administered and interpreted by the Committee. Without limiting the generality of the foregoing, the Committee shall have the power to: (i) interpret the Plan, (ii) approve Eligible Employees, (iii) approve grants of Awards, (iv) approve the Performance Targets including the performance measures, and the target and threshold levels of performance to achieve any vesting, (v) approve or amend Award guidelines; (vi) approve payment of the Awards, (vii) amend, suspend or terminate the Plan as provided in Section 12.8, (ix) approve or amend the Performance Targets including the performance measures, and their target and/or threshold level of performance, and (x) waive restrictions relating to participation or vesting for participants where, in the opinion of the Committee, it is reasonable to do so and it does not prejudice any pre-existing right of any Eligible Employee under the Plan.
- 12.2 **Compliance with Laws and Policies.** Each Eligible Employee shall acknowledge and agree (and shall be conclusively deemed to have so acknowledged and agreed by participating in the Plan) that the Eligible Employee is participating in the Plan on a voluntary basis and that the Eligible Employee will, at all times, act in strict compliance with Applicable Law and all other laws and any policies of Prizm applicable to the Eligible Employee in connection with the Plan. Such laws, regulations, rules and policies shall include, without limitation, those governing “insiders” of “reporting issuers” as those terms are construed for the purposes of applicable securities laws, regulations and rules.
- 12.3 **Sub-Delegation.** The Committee may sub-delegate to any director, officer or employee of Prizm such duties and powers relating to the Plan as it may see fit.
- 12.4 **Subject to Law.** Prizm’s grant of any Awards or its obligation to make any payments or discretion to provide any cash/or Units hereunder is subject to compliance with Applicable Law. As a condition of participating in the Plan, each Eligible Employee agrees to comply with all such Applicable Law and agrees to furnish to Prizm all information and undertakings as may be required to permit compliance with Applicable Law.
- 12.5 **Withholdings.** Prizm may withhold or cause to be withheld from any amount payable to an Eligible Employee, either under this Plan, or otherwise, such amount as may be necessary so as to ensure that Prizm will be able to comply with the applicable provisions of any federal, provincial, or local law relating to

the withholding of tax or other required deductions, including on the amount, if any, includable in the income of an Eligible Employee.

12.6 **No Employment Rights.** Nothing herein contained shall be deemed to give any person the right to be retained as an employee of Prizm. For greater certainty, a period of notice, if any, or payment in lieu thereof, upon termination of employment, wrongful or otherwise, shall not be considered as extending the period of employment for the purposes of the Plan.

12.7 **No Additional Rights.** Neither designation of an employee as an Eligible Employee nor the grant of any Awards to any Eligible Employee entitles any Eligible Employee to the grant, or any additional grant, as the case may be, of any Awards under the Plan.

12.8 **Amendment, Suspension or Termination.**

12.8.1 The Board may, at any time and from time to time, amend, suspend or terminate the Plan in whole or in part. Any amendments shall be contingent on approval of the unitholders of Prizm to the extent stated herein, required by applicable law or required by the Stock Exchange Rules.

12.8.2 The Board will have the discretion to make amendments to the Plan which it may deem necessary, without having to obtain unitholder approval, including, without limitation: (i) amendments of a “housekeeping” nature such as correcting typographical or clerical errors or adding clarifying statements to ensure the intent and meaning of the Plan, or of a grant of Awards under the Plan, is properly expressed; and (ii) any amendments to the Plan related to (A) the Vesting Date or exercise period or early termination provisions of the Plan; and (B) the suspension or termination of the Plan. For greater certainty, any determinations made or discretion exercised by the Board in accordance with the terms of the Plan will not require unitholder approval.

12.8.3 Unitholder approval will be required in the case of amendments related to (i) a reduction in the exercise price for Awards held by insiders; (ii) an extension to the term of Awards held by insiders; (iii) a change in the insider participation limits to a level that would require Prizm to obtain disinterested unitholder approval under the rules or policies of any Stock Exchange; (iv) an increase to the maximum number of Units of Prizm which are reserved for issuance under the Plan (and under any other securities compensation arrangement of Prizm); and (v) an amendment to the amendment provisions of the Plan to grant additional power to the Board to amend the Plan without unitholder approval.

12.8.4 Subject to compliance with the applicable rules of the Stock Exchange, no amendment, suspension or termination will alter or impair any Award

under the Plan, or any rights pursuant thereto, granted previously to any Eligible Employee without the consent of that Eligible Employee.

- 12.9 **Administration Costs.** Prizm will be responsible for all costs relating to the administration of the Plan.

### **13. ASSIGNMENT**

- 13.1 **Assignment.** The assignment or transfer of the Awards, or any other benefits under this Plan, shall not be permitted other than by operation of law or the other terms of this Plan.

**SCHEDULE "B"**

**Trustees/Directors Meetings, Compensation and Expense Summary  
for fiscal year ended December 27, 2009**

**NOTE: SEE COMPENSATION TABLES IN ADDENDUM**

Name of Trustee	Chairs	Trustees Meetings	Directors Meetings	Committee Meetings			Meeting Fees (\$)	Annual Fees (\$)	Total Compensation (\$)	Travel Expenses Reimbursed (\$)	Total Paid (\$)
				Audit	Compensation	Governance					
John I. Bitove	Board Chair	N/A	12	N/A	N/A	N/A	Nil	Nil	Nil	Nil	Nil
Lilly Di Massimo <sup>(1)</sup>		N/A	12	N/A	N/A	N/A	\$12,000	\$35,000	\$47,000	-	\$47,000
Borden D. Rosiak	Audit Chair	12	12	4	3	2	\$29,500	\$35,000	\$64,500	-	\$64,500
Jay A.J. Peters	Compensation Chair	2	2	0	0	0	\$26,000	\$35,000	\$61,000	-	\$61,000
Stanley A. Thomas	Governance Chair	12	12	4	3	2	\$26,000	\$35,000	\$61,000	-	\$61,000
<b>TOTAL</b>		N/A	N/A	N/A	N/A	N/A	\$93,500	\$140,000	\$233,500	-	\$233,500

**Note:**

(1) Lilly Di Massimo resigned as Director effective February 1, 2010 and effective the same day, David Deno was appointed as Director and Vice Chair.

