

To All Employees

On March 31, 2011, Prizm Income Fund, Prizm Canadian Operating Trust, Prizm Inc. and KIT Finance Inc. (collectively, the “Applicants”) and Prizm LP (together with the Applicants, “Prizm”) commenced restructuring proceedings under the *Companies’ Creditors Arrangement Act*, also known as the CCAA. As part of the CCAA process, the Court has appointed FTI Consulting Canada Inc. to act as the Monitor. The Monitor’s role in the CCAA process is to monitor the activities of the Company, provide advice to the Company and to provide assistance to the Company’s stakeholders in respect of the CCAA process.

Although this was a difficult decision, management determined this to be an important and necessary step to complete a restructuring of the Company’s indebtedness and operations. Be assured that management is considering all viable options to improve the financial health of Prizm, and we are committed to you, our valued employees. As previously announced, this may include the sale of all of the Company’s stores.

During the CCAA proceedings, it’s important to remember that it is business as usual.

Wages and salaries will continue to be paid in the normal course during the proceedings and expenses submitted in accordance with the Company’s policy will be reimbursed. Your vacation entitlements are not affected by the CCAA proceedings and benefits arrangements for employees remain unchanged during the process.

It is important for you to know that our projections show that the Company generates sufficient cash to fund its continued operations. As part of the CCAA proceedings, the Company has arranged and obtained Court approval of new financing called “debtor-in-possession” or “DIP” financing to provide additional liquidity in case of unforeseen events.

The Company’s cash flow filed with the Court includes the scheduled payment of vacation pay for store level employees during the first week of May which is the same timing that this payment has been made in prior years. We have previously announced that we are in the process of negotiating a deal for the sale of the Ontario and British Columbia locations, these negotiations are ongoing and are not impacted by the CCAA proceedings. The sale of the Ontario and British Columbia restaurants to Soul Canada Restaurants Inc. is still expected to close some time on or around April 18, 2011.

In addition, following the March 22, 2011 deadline for expressions of interest relating potential sale of all locations outside of Ontario and British Columbia, there have been expressions of interest received for all other store locations and these expressions of interest and the process to determine whether the other stores can or should be sold is ongoing.

While there will inevitably be some distraction and additional burden as a result of the filing, we intend it to be, as far as possible, “business as usual” and it is important that we all continue to focus on our primary goals of running operations at the high standards which we have been achieving and serving our customers. This will be the best way to ensure that there are no “hiccups” in the process.

We will be providing periodic updates on the progress of the restructuring and any key developments to all employees. Additional information can be obtained by contacting the Monitor at 416-739-2920 or 1 855 492 6215 or by email at priszm@fticonsulting.com. The Monitor will also be maintaining a website at <http://cfcanada.fticonsulting.com/priszm> where information in respect of the Court filing can be obtained. A Frequently Asked Questions or “FAQ” sheet with respect to the CCAA filing will also be posted on the Monitor’s website which should address many of the questions you may have.

Additionally, please don’t hesitate to contact your supervisor or Human Resources representative with any questions. We will be communicating with the Unions during this process and keeping them informed of our progress.

We appreciate your assistance and patience during this process. Please continue with your regular duties and providing our customers with the quality products they have come to expect.

Sincerely,

Deborah Papernick
and
Jim Robertson