

PIZZA PIZZA ROYALTY INCOME FUND



ANNUAL INFORMATION FORM

For the year ended December 31, 2011

March 28, 2012

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GLOSSARY OF TERMS

“Acquisition Agreement” means the agreement dated July 6, 2005 and entered into among the Company, the Fund, Pizza Pizza GP and the Partnership pursuant to which the Partnership acquired the Pizza Pizza Rights.

“Additional Restaurants” means, at any time, Pizza Pizza Restaurants that were open on or prior to December 31 of the previous year and Pizza 73 Restaurants that were open on or prior to September 1 of the previous year and not permanently closed prior to the Adjustment Date and which were not previously included in the Royalty Pool.

“Additional System Sales”, for Pizza Pizza Restaurants, means the amount of the additional System Sales for the 52 week period commencing on the Adjustment Date resulting from the inclusion of the Additional Restaurants in the Royalty Pool, net of any decrease in System Sales (as compared to the year prior to the Adjustment Date) attributable to restaurants in the Royalty Pool which franchise territories formerly included populations (in the year prior to the relevant Adjustment Date) now included in the territory of the Additional Restaurant. For Pizza 73 Restaurants, “Additional System Sales” means the amount of the additional Pizza 73 System Sales for the 52 week period commencing on the Adjustment Date resulting from the inclusion of the Additional Restaurants in the Pizza 73 Royalty Pool, net of any decrease in Pizza 73 System Sales attributable to restaurants in the Pizza 73 Royalty Pool, whose territories formerly included populations now included in the territory of the Additional Restaurant. For this purpose, the decrease in Pizza 73 System Sales attributable to an Adjusted Restaurant will be netted from the additional Pizza 73 System Sales on the Step Out Adjustment Date. The decrease in Pizza 73 System Sales of an Adjusted Restaurant shall be determined as the difference, if any, between (i) the Pizza 73 System Sales attributable to that restaurant for a 52 week period ending at the end of the month preceding the effective date of its territory change, and (ii) the actual Pizza 73 System Sales for that Adjusted Restaurant in the year preceding the Step Out Adjustment Date.

“Adjusted Restaurant” has the meaning ascribed thereto under “Licence and Royalty — Adjustments to the Royalty Pools and Payments Made under the Licence and Royalty Agreements — Adjustments to the Pizza 73 Royalty Pool”.

“Adjustment Date” means January 1 of each calendar year.

“Administration Agreement” means the administration agreement, as amended from time to time, entered into among the Fund, the Trust and the Partnership, pursuant to which the Partnership agreed to provide or arrange for the provision of services required for the administration of the Fund and the Trust.

“affiliate” has the meaning set out in Ontario Securities Commission Rule 45-501.

“Amended and Restated General Security Agreement” means the amended and restated general security agreement dated July 24, 2007, as amended April 4, 2008 and as further amended June 3, 2009, granted to the Partnership by the Company and each of its subsidiaries that owns a Pizza Pizza or Pizza 73 restaurant over certain assets of the Company and each of these subsidiaries, to secure payment of the Royalty and all of the obligations of the Company under the Licence and Royalty Agreements.

“Amending Agreement” means an agreement to amend the terms of the Limited Partnership Agreement dated December 15, 2011, effective January 2, 2012.

“associate” has the meaning set out in the Securities Act.

“Bank” means the Canadian chartered bank affiliate of BMO Nesbitt Burns Inc.

“CBCA” means the Canada Business Corporations Act.

“CRA” means the Canadian Revenue Agency.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**Class A LP Units**” means the Class A limited partnership units of the Partnership held by the Trust.

“**Class A Units**” means the Class A ordinary partnership units of the Partnership.

“**Class B Exchange Multiplier**” means the number of Units into which a Class B Unit is exchangeable from time to time.

“**Class B Units**” means the Class B ordinary partnership units of the Partnership held by the Company or any Related Party.

“**Class C Distribution**” means the aggregate cumulative preferential cash distribution to be paid on the Class C Units or Class C LP Units, as the case may be, equal each month to \$0.05 per Class C Unit or Class C LP Unit multiplied by the number of issued and outstanding Class C Units or Class C LP Units, as the case may be. See “Description of the Partnership — Partners and Partnership Securities”.

“**Class C LP Units**” means the Class C limited partnership units of the Partnership.

“**Class C Units**” means the Class C ordinary partnership units of the Partnership.

“**Class D Exchange Multiplier**” means the number of Units into which a Class D Unit is exchangeable from time to time.

“**Class D Units**” means the Class D ordinary partnership units of the Partnership held by the Company or any Related Party.

“**Closed Restaurants**” means Pizza Pizza and Pizza 73 Restaurants that were included in the Royalty Pool during the immediately preceding fiscal year but which have been permanently closed prior to the Adjustment Date.

“**Common Shares**” means the common shares in the capital of Pizza Pizza GP.

“**Company**” means Pizza Pizza Limited and includes, where the context requires, its consolidated subsidiaries.

“**CRFA**” means the Canadian Restaurant and Foodservices Association.

“**Current Market Price of a Unit**” means as at any date or for any period, the Weighted Average Price at which the Units have traded on a Stock Exchange during the period of 20 consecutive trading days ending on the fifth trading day before such date or the end of such period.

“**Declaration of Trust**” means the declaration of trust of the Fund dated May 26, 2005, as amended and restated on June 24, 2005, as amended from time to time.

“**Determined Amount**” has the meaning ascribed thereto under “Licence and Royalty — Adjustments to the Royalty Pool and Payments Made Under the Licence and Royalty Agreements — Adjustments to the Pizza Pizza Royalty Pool”.

“**Exchange Agreement**” means the exchange agreement dated July 6, 2005 entered into among the Fund, the Trust, the Company and Pizza Pizza GP, as amended and restated on July 24, 2007 with the Fund, the Trust, the Company, Pizza Pizza GP, the Partnership and certain holders of exchangeable securities as parties thereto, as further amended from time to time.

"Exchange Rights" means, in respect of Class A Units, Class B Units and Class D Units, the right of a Holder to exchange one Class A Unit for one Fund Unit subject to adjustment in certain circumstances, or one Class B Unit for the number of Fund Units equal to the Class B Exchange Multiplier applicable at the date of such exchange, or one Class D Unit for the number of Fund Units equal to the Class D Exchange Multiplier applicable at the date of such exchange.

"Fiscal Year" means the 12 months ending on December 31 of that year.

"Franchisees" means the franchisees of Pizza Pizza Restaurants pursuant to the franchise agreements.

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

"Governance Agreement" means the governance agreement dated July 6, 2005 entered into among the Fund, the Trust, Pizza Pizza GP and the Company, as amended and restated on July 24, 2007 with the Fund, the Trust, the Company, Pizza Pizza GP, and certain other holders of exchangeable securities as parties thereto, as further amended from time to time.

"GP Units" means the ordinary general partnership securities of the Partnership.

"Holdings Declaration of Trust" means the declaration of trust dated June 24, 2005 by which the Trust is governed, as amended from time to time.

"Holdings Trustees" means, at the relevant time, the trustees of the Trust.

"Holdings Unitholders" means, at the relevant time, the holders of the Trust Units.

"Holdings Unitholders' Special Resolution" means a resolution passed by a majority of not less than $66\frac{2}{3}\%$ of the votes cast, either in person or by proxy, at a meeting of Holdings Unitholders called for the purpose of approving such resolution, or approved in writing by the holders of not less than $66\frac{2}{3}\%$ of the Trust Units entitled to be voted on such resolution.

"Initial Restaurants" means the 500 Pizza Pizza Restaurants in the Royalty Pool as of July 6, 2005. For Pizza 73 it means the 41 Pizza 73 Restaurants in the Pizza 73 Royalty Pool as of the closing of the Acquisition and Share Purchase dated July 24, 2007.

"Licence and Royalty Agreements" refers, collectively, to the Pizza Pizza Licence and Royalty Agreement and the Pizza 73 Licence and Royalty Agreement, each as amended from time to time.

"Limited Partnership Agreement" means the limited partnership agreement dated June 22, 2005 entered into between Pizza Pizza GP Inc. and the Company, as initial limited partner, by which the Partnership is governed, which agreement was amended and restated on July 24, 2007, amended on May 19, 2009, and further amended December 15, 2011 (effective January 2, 2011) with Pizza Pizza GP Inc., the Trust and the Company as parties thereto, as further amended from time to time.

"Liquidation Distribution" means the distribution of assets of the Partnership upon the liquidation, distribution or winding-up of the Partnership.

"Management" means senior management of the Company.

"Net sales" means sales net of franchisee discounts, promotions and sales taxes.

"Noteholders' Extraordinary Resolution" means a resolution passed by the holders of not less than $66\frac{2}{3}\%$ of the principal amount of Trust Notes, represented, either in person or by proxy, at a meeting of holders of Trust Notes called for the purpose of approving such resolution, or approval in writing by the holders of not less than $66\frac{2}{3}\%$ of the principal amount of Trust Notes then outstanding.

"Note Indenture" means the note indenture made between the Trust and the Note Trustee, providing for the issuance of the Trust Notes.

"Note Trustee" means the trustee under the Note Indenture.

"Non-resident" means a non-resident of Canada within the meaning of the Tax Act.

"Owner/Operator" means a shareholder of a Pizza 73 Unit Company (other than the Company or a subsidiary) and being the person, other than a subsidiary of the Company, identified as an operator pursuant to a Unanimous Shareholder Agreement, and includes a designated nominee of such Operator named in the Unanimous Shareholder Agreement.

"Partnership" means Pizza Pizza Royalty Limited Partnership, a limited partnership formed under the laws of the Province of Ontario pursuant to the Limited Partnership Agreement.

"Partnership Securities" means, collectively, the GP Units, Class A Units, Class A LP Units, Class B Units, Class C Units, Class C LP Units and Class D Units in the capital of the Partnership.

"Partnership Special Resolution" means, in respect of matters pertaining to the governance, management and affairs of the Partnership, (i) a resolution of the board of directors of Pizza Pizza GP that is consented to by each of the Company and the Trust; or (ii) if either the Company or the Trust do not consent, a Unitholders' Ordinary Resolution.

"Payment Period" means each month within any Fiscal Year.

"Pizza 73" means, collectively, the Pizza 73 Restaurants.

"Pizza 73 Acquisition" means the acquisition on July 24, 2007 of the Pizza 73 Rights indirectly by the Fund through the Partnership from Pizza 73.

"Pizza 73 Acquisition Agreement" means the agreement entered into among the Partnership, and the Vendors dated June 14, 2007, pursuant to which the Partnership acquired the Pizza 73 Rights.

"Pizza 73 Licence and Royalty Agreement" means the licence and royalty agreement, as amended from time to time, entered into between the Partnership and the Company at the closing of the Pizza 73 acquisition and the Share Purchase pursuant to which the Partnership granted a 99 year licence of the Pizza 73 Rights to the Company and the Company agreed to pay the Pizza 73 Royalty.

"Pizza 73 Marks" means all trade marks that are registered or the subject of pending applications for registration under the *Trade-marks Act* (Canada) and other unregistered trade marks, trade dress, distinguishing guises, logos, slogans, brand names, domain names, commercial symbols and other indicia of origin used in connection with the Pizza 73 Business.

"Pizza 73 Restaurants" means any retail outlets dedicated to the sale of pizza and retail products currently or in the future, directly or indirectly, owned and operated by Pizza 73, a Unit Company, the Fund or the Company or their respective affiliates, licensees, partners, or subsidiaries in Canada and including any retail outlets directly or indirectly authorized to be operated by a Unit Company under a Unanimous Shareholder Agreement, provided, in any such case, that such retail outlet uses and displays in its operation any of the Pizza 73 Marks.

"Pizza 73 Rights" means all intellectual property rights, whether registered or not, including the Pizza 73 Marks and all goodwill associated therewith, all know-how and related technical knowledge and all other proprietary rights pertaining to or used in connection with the Pizza 73 business, including all copyrights, trade names, business names, trade secrets, confidential information, uniform standards, methods, systems and procedures for establishment, construction, design, operation or marketing of Pizza 73

Restaurants using certain types of equipment, supplies, ingredients, recipes, merchandising, advertising and business techniques, together with the rights to order phone numbers and order website domain names that are currently owned by Pizza 73 and used in connection with the operation of Pizza 73 Restaurants, and all copyrights in the operations manuals and similar manuals or documents for the Unit Companies, as amended from time to time, as well as all copyrights in all menus and advertising and promotional materials. For greater certainty, the Pizza 73 Rights do not include the hardware, software, operating technology or other intellectual property used in connection with Pizza 73's single number ordering system.

"Pizza 73 Royalty" means the royalty and other amounts payable by the Company under the Pizza 73 Licence and Royalty Agreement for the exclusive licence to use the Pizza 73 Rights in Canada for 99 years.

"Pizza 73 Royalty Pool" means, in any period, all Pizza 73 Restaurants for which Pizza 73 System Sales is to be determined for such period.

"Pizza 73 System Sales" means the gross sales of Pizza 73 Restaurants in respect of which the Pizza 73 Royalty is payable. The term "**gross sales**" means (i) the gross sales of all Pizza 73 Restaurants in Canada; and (ii) the gross sales reported to the Company by Pizza 73 Restaurants which are subject to a Unanimous Shareholder Agreement with the Company or its subsidiaries, without audit or other form of independent assurance, in the case of both (i) and (ii), excluding sales and goods and services tax or similar amounts levied by any governmental or administrative authority.

"Pizza Pizza General Security Agreement" means the general security agreement dated July 6, 2005, as amended June 3, 2009, granted to the Trust by the Company and each of its subsidiaries that own a Pizza Pizza Restaurant over certain assets of the Company and each of its subsidiaries to secure payment of the PPL Loan.

"Pizza Pizza GP" means Pizza Pizza GP Inc., a corporation incorporated under the laws of Canada.

"Pizza Pizza Licence and Royalty Agreement" means the licence and royalty agreement, as amended from time to time, entered into between the Partnership and the Company on the closing of the Fund's initial public offering pursuant to which the Partnership granted a 99 year licence of the Pizza Pizza Rights to the Company and the Company agreed to pay the Royalty for use of the Pizza Pizza trademarks and rights.

"Pizza Pizza Marks" means all trade marks that are registered or the subject of pending applications for registration under the *Trade-marks Act* (Canada) and other unregistered trade-marks used by the Company in connection with its Pizza Pizza restaurant business.

"Pizza Pizza Restaurants" refers to the pizza quick service restaurants operated by the Company and its franchisees or licensees in Canada, and also includes any Chicken Chicken restaurant included in the Royalty Pool.

"Pizza Pizza Rights" means the Pizza Pizza Marks and all goodwill associated therewith and the copyrights, the trade names, trade secrets, methods, systems and procedures for the construction, design or operation of Pizza Pizza Restaurants using certain types of equipment, supplies, ingredients, recipes, merchandising, advertising and business techniques, together with the rights to order phone numbers and order website domain names that are currently owned by Pizza Pizza and used in connection with the operation of Pizza Pizza Restaurants. For greater certainty, the Pizza Pizza Rights will not include the hardware, software, operating technology or other intellectual property used in connection with the Company's single number ordering system.

"Pizza Pizza Royalty" means the royalty and other amounts payable by Pizza Pizza under the Pizza Pizza Licence and Royalty Agreement for the exclusive license to use the Pizza Pizza Rights in Canada for 99 years.

"Pizza Pizza Royalty Pool" means, in any period, all Pizza Pizza Restaurants for which Pizza Pizza System Sales is to be determined for such period.

"Pizza Pizza System Sales" is the basis on which the Pizza Pizza Royalty is payable; it means the gross sales of Pizza Pizza Restaurants in respect of which the Pizza Pizza Royalty is payable. The term **"gross sales"** here refers to the gross sales of: (i) the corporate Pizza Pizza Restaurants in Canada owned by Pizza Pizza; and (ii) the amount of gross sales reported to the Company by franchised Pizza Pizza Restaurants in Canada, without audit or other form of independent assurance, in the case of both (i) and (ii), excluding (i) sales and goods and services tax or similar amounts levied by any governmental or administrative authority, (ii) initial or renewal franchise fees charged by the Company upon the establishment or renewal of franchises and franchise agreements, and (iii) revenue from Company-approved national promotions and discounts.

"Plans" means, collectively, registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts.

"PPL Loan" means the loan to the Company in the aggregate amount of \$30,000,000, which was acquired by the Trust from the Bank on July 6, 2005.

"Purchase Price" means (i) the total purchase price, in the aggregate amount of \$231,922,750, paid by the Partnership to the Company as consideration for the Pizza Pizza Rights and which was payable as to \$145,822,750 in cash and \$56,100,000 by the issuance of 1,122,000 Class A Units and 4,488,000 Class B Units and \$30,000,000 by the issuance of 3,000,000 Class C Units or (ii) the total purchase price, in the aggregate amount of \$54,040,000, paid by the Partnership to the Vendors as consideration for the Pizza 73 Rights, as applicable.

"QSR" means quick service restaurant.

"Related Parties" means Michael Overs, the holders as at July 6, 2005 of the beneficial interest in the Company, and management from time to time of the Company, or any corporation or other entity in which they or any of their associates (or other family members) has a direct or indirect equity interest of 50% or greater, or an associate or affiliate of any of them.

"Royalty" means the royalty and other amounts payable by the Company under the Licence and Royalty Agreements for the exclusive licence to use the Pizza Pizza Rights and Pizza 73 Rights in Canada for 99 years.

"Royalty Pool" means, in any period, all Pizza Pizza and Pizza 73 Restaurants for which System Sales is to be determined for such period, as described under "Licence and Royalty — The Pizza Pizza and Pizza 73 Royalty".

"Same Restaurant Sales Growth" means the increase in annual gross revenue of a particular Pizza Pizza or Pizza 73 restaurant as compared to sales in the previous year, where the restaurant was open at least 13 months in each year. Additionally, for a Pizza 73 restaurant whose Restaurant Territory was adjusted due to an Additional Restaurant, the Step-Out payment is added to sales to arrive at same store sales.

"Securities Act" means the *Securities Act* (Ontario).

"Series 1 Trust Notes" means the non-interest bearing Series 1 unsecured subordinated demand notes of the Trust issued to the Fund on July 6, 2005 under the Note Indenture.

"Series 2 Trust Notes" means the interest bearing Series 2 unsecured subordinated notes of the Trust issued under the Note Indenture.

"Series 3 Trust Notes" means the interest bearing Series 3 unsecured subordinated notes of the Trust issued under the Note Indenture.

"Share Purchase" means the acquisition by Pizza Pizza Limited of the issued and outstanding shares of Pizza 73 pursuant to the terms of a share purchase agreement dated June 14, 2007.

"SIFT Conversion Rules" means the rules in the Tax Act that facilitate the conversion of a "SIFT trust" (as defined in the Tax Act) into a public corporation without immediate tax consequences to the SIFT trust or its unitholders.

"SIFT Tax" means an entity level tax imposed on Canadian publicly traded income trusts under the Tax Act.

"Step Out Adjustment Date" has the meaning described under "The Pizza 73 Acquisition — Adjustments to the Pizza 73 Royalty Pool and Payments Made under the Pizza 73 Licence and Royalty Agreement".

"Step Out Payment" means a payment calculated as the difference between the average monthly Pizza 73 Royalty payment attributable to that Adjusted Restaurant in the 12 months immediately preceding the month in which the territory reduction occurs, less the Pizza 73 Royalty payment attributable to the restaurant in the current month. One limitation of the vend-in arrangements for a new Pizza 73 Restaurant that is opened as a result of such a territory adjustment is that the sales of this restaurant (upon which the vend-in price received by the Company is based, when the new restaurant is added to the Pizza 73 Royalty Pool as an Additional Restaurant) may include growth in sales of the existing Pizza 73 Restaurant that would have been achieved in the absence of the new restaurant. The Step Out Payment will maintain monthly Pizza 73 Royalty payments in respect of an affected Pizza 73 Restaurant for a maximum of 23 months following a reduction of its territory, but will not offset any adverse impact on the growth prospects of the affected restaurant or the Pizza 73 Royalty income foregone as a consequence of such reduced growth (although the Pizza 73 System Sales of the new restaurant will be subject to inclusion in the Pizza 73 Royalty Pool as an Additional Restaurant on a subsequent Adjustment Date).

"Stock Exchange" means a stock exchange recognized by the Ontario Securities Commission for such purposes, and where the Units have traded on more than one Stock Exchange during the relevant period.

"Subsidiary" has the meaning set out in the Securities Act and includes a partnership or other entity.

"System Sales" is the basis on which the Royalty is payable; it means, collectively, Pizza Pizza System Sales and Pizza 73 System Sales in respect of which the Royalty is payable.

"Tax Act" means the *Income Tax Act* (Canada) and regulations thereunder, as amended.

"Trust" means Pizza Pizza Holdings Trust, a limited purpose trust established under the laws of Ontario pursuant to the Holdings Declaration of Trust.

"Trust Notes" means the Series 1 Trust Notes, Series 2 Trust Notes and Series 3 Trust Notes, collectively.

"Trust Units" means the units of the Trust.

"Trustees" means, at the relevant time, the trustees of the Fund.

"TSX" means the Toronto Stock Exchange.

"Unanimous Shareholders Agreements" means, collectively, the unanimous shareholder agreements, consulting agreements, operator's agreements and the registered user agreements or licence agreements, as the case may be, which govern the operation of the Unit Companies.

"Unit" means a trust unit of the Fund, each such unit representing an equal undivided beneficial interest therein.

"Unit Company" means a Pizza 73 unit company that is co-owned by the Company and an Owner/Operator pursuant to a Unanimous Shareholders Agreement, each of which is currently a corporation incorporated under the laws of the Provinces of Alberta or British Columbia, or extra-provincially registered in Saskatchewan or Ontario as applicable.

"Unitholders" means, at the relevant time, the holders of the Units.

"Unitholders' Ordinary Resolution" means a resolution passed by a majority of more than 50% of the votes cast, either in person or by proxy, at a meeting of Unitholders, called for the purpose of approving such resolution, or approved in writing by the holders of more than 50% of the votes cast by Unitholders entitled to vote on such resolution.

"Unitholders' Special Resolution" means a resolution passed by a majority of not less than $66\frac{2}{3}\%$ of the votes cast, either in person or by proxy, at a meeting of Unitholders, called for the purpose of approving such resolution, or approved in writing by the holders of not less than $66\frac{2}{3}\%$ of the votes cast by Unitholders entitled to vote on such resolution.

"U.S. Securities Act" means the United States *Securities Act of 1933*, as amended.

"Vendors" means, collectively, Pizza 73 and the Pizza 73 shareholders.

"weighted average price" means, for any period, the amount obtained by dividing the aggregate sale price of all of the Units traded on the relevant Stock Exchange during such period divided by the total number of Units so traded.

"Year End" means December 31.

NON-GAAP MEASURES

In this Annual Information Form, any references to the term “EBITDA” refer to earnings before interest, income taxes, depreciation and amortization. EBITDA is not a defined term under GAAP and does not have standardized meaning prescribed by GAAP. Accordingly, the EBITDA reported by the Fund or the Company may not be directly comparable to EBITDA reported by other issuers. Management has determined that, in addition to net earnings, EBITDA is a useful supplemental measure in evaluating performance, as it provides investors with an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. This non-GAAP measure is intended to provide additional information about the performance of the Fund and the Company, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

The Fund also uses the term “distributable cash” in this Annual Information Form. Distributable cash is not a defined term under GAAP, nor does it have a standard, agreed upon meaning. Accordingly, the Fund’s distributable cash may not be directly comparable to distributable cash reported by other income funds or similar issuers. Distributable cash is used because the Fund’s policy is to pay distributable cash to Unitholders on a monthly basis to the maximum extent possible. Management has determined that, in addition to cash flow from operations, distributable cash is a useful supplemental measure as it provides investors with an indication of cash available for distribution. This non-GAAP measure is intended to provide additional information about the performance of the Fund and Pizza Pizza, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Information Form may constitute “forward-looking” statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Annual Information Form, such statements include such words as “may”, “will”, “expect”, “believe”, “plan”, and other similar meaning in conjunction with a discussion of future operating or financial performance. These statements reflect management’s current expectations regarding future events and operating performance and speak only as of the date of this Annual Information Form. The Fund does not intend to or assume any obligation to update any such forward looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition, changes in demographic trends, changing consumer preferences and discretionary spending patterns, changes in national and local business and economic conditions, legislation and governmental regulation, accounting policies and practices, and the results of operations and financial condition of Pizza Pizza. The foregoing list of factors is not exhaustive. For a description of these and other factors that may impact the Fund, see also “Risk Factors”.

GENERAL

All information contained in this Annual Information Form is presented as of December 31, 2011 unless otherwise indicated. All dollar amounts are stated in Canadian currency unless otherwise stated. Reference is made to the Glossary of Terms for the meaning of certain defined terms.

STRUCTURE OF THE FUND

The Fund

The Fund is an unincorporated open ended limited purpose trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. The registered and head office of the Fund is located at 500 Kipling Avenue, Toronto, Ontario, M8Z 5E5. The Fund owns all of the issued and outstanding Trust Units. On the closing of the Fund’s initial public offering, the Fund indirectly acquired the Pizza Pizza Rights from

the Company and the PPL Loan from the Bank. In 2007, the Fund indirectly acquired the Pizza 73 Rights from the Vendors. The Fund receives, indirectly, payments of the Royalty through the Partnership, and interest on the PPL Loan through the Trust. See “General Development of the Business – PPL Loan and Acquisition of the PPL Loan, July 2005” and “Description of the Fund”.

The Fund makes monthly cash distributions to its Unitholders funded by interest received on the Trust Notes and by distributions on the Trust Units, less estimated amounts required for the payment of taxes and other expenses, any cash redemptions of Units and reasonable reserves. See “Description of the Fund — Cash Distributions”.

The Trust

The Trust is an unincorporated limited purpose trust established under the laws of the Province of Ontario pursuant to the Holdings Declaration of Trust. The principal and head office of the Trust is located at 500 Kipling Avenue, Toronto, Ontario, M8Z 5E5. The Trust owns the PPL Loan and all of the Class A LP Units. Initially, these interests represented an effective 80% interest in the Partnership and they currently represent an effective 73.5% interest in the Partnership. See “Description of the Trust”.

The Partnership

The Partnership is a limited partnership formed under the *Limited Partnerships Act* (Ontario) pursuant to the Limited Partnership Agreement. The principal and head office of the Partnership is located at 500 Kipling Avenue, Toronto, Ontario, M8Z 5E5. Pizza Pizza GP is the managing general partner of the Partnership. The Trust is the sole limited partner of the Partnership, holding all of the Class A LP Units, and the Company is the general partner of the Partnership, currently holding all of the Class B, Class C and Class D Units. See “Description of the Partnership”.

The Partnership acquired the Pizza Pizza Rights from the Company on the closing of the Fund’s initial public offering. In 2007, the Partnership acquired the Pizza 73 Rights from Pizza 73 Inc. The business of the Partnership is the ownership and licensing of the Pizza Pizza Rights and the Pizza 73 Rights, the taking of actions consistent with the Licence and Royalty Agreements to exploit, to the fullest extent possible, the use of the Rights by Pizza Pizza, the collection of the Royalty payable to the Partnership under the Licence and Royalty Agreements, and the administration of the Fund and the Trust pursuant to the Administration Agreement.

Pizza Pizza GP Inc.

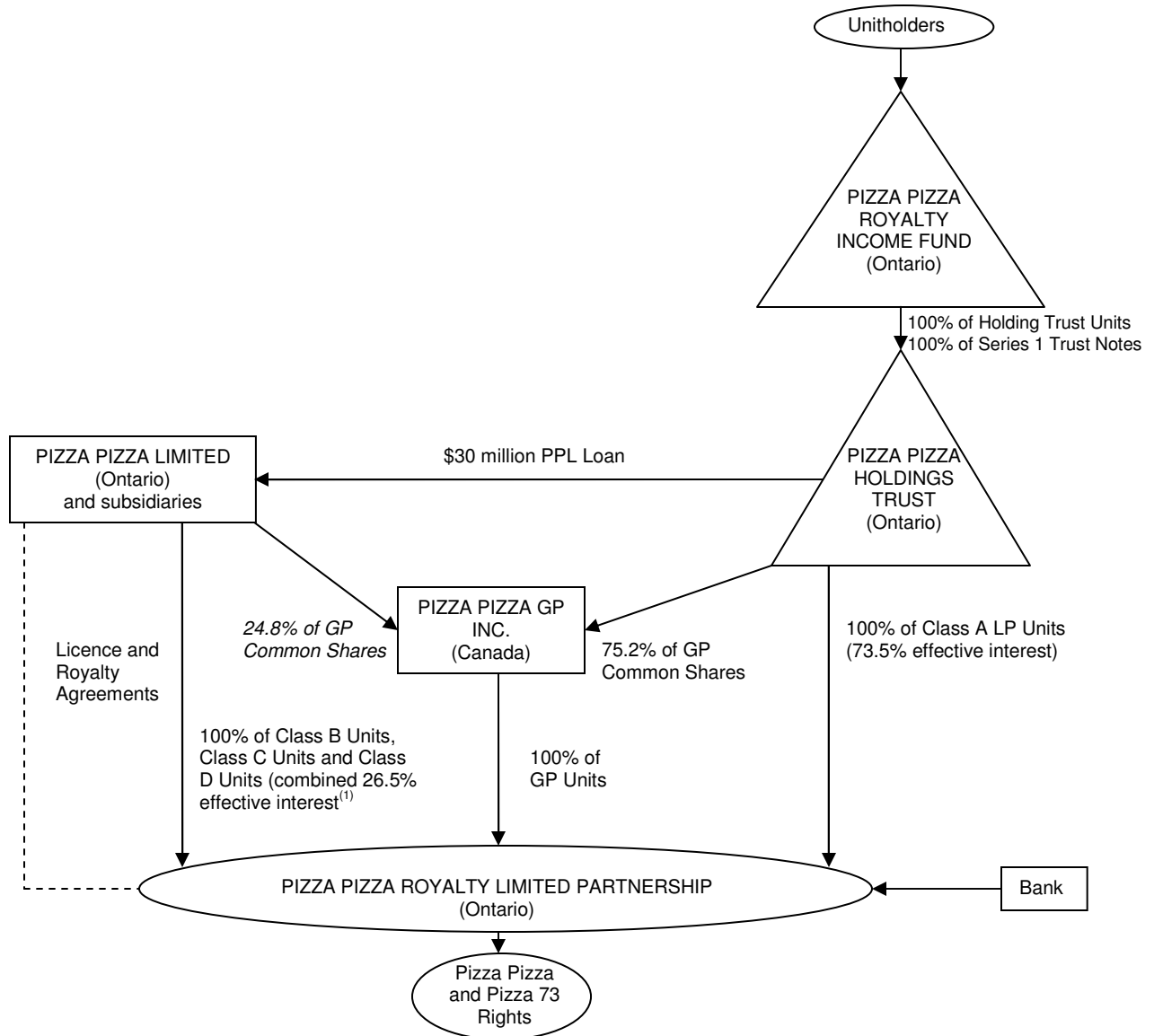
Pizza Pizza GP is a corporation incorporated under the *Canada Business Corporations Act*. The principal and head office of Pizza Pizza GP is located at 500 Kipling Avenue, Toronto, Ontario, M8Z 5E5. Pizza Pizza GP is the managing general partner of the Partnership with authority to manage and control the business and affairs of the Partnership. It is owned 73.5% by the Trust and 26.5% by Pizza Pizza. The Fund is entitled to designate five of the eight directors of Pizza Pizza GP and Pizza Pizza is entitled to elect the other three directors. See “Management and Corporate Governance of Pizza Pizza GP”.

The Company

Pizza Pizza Limited was amalgamated with Pizza 73 Inc. under the laws of the *Business Corporations Act* (Ontario) pursuant to Articles of Amalgamation dated July 24, 2007. The registered and head office of the Company is located at 500 Kipling Avenue, Toronto, Ontario, M8Z 5E5. Pizza Pizza Limited is the successor to a corporation initially incorporated in 1967. The Company operates the Pizza Pizza and Pizza 73 quick service restaurant systems using the Pizza Pizza Rights and the Pizza 73 Rights as permitted under the Licence and Royalty Agreements. The Company owns Class B, Class C and Class D Units representing approximately an effective 26.5% interest in the Partnership at December 31, 2011.

Organizational Structure

The following chart illustrates the organizational structure of the Fund and its subsidiaries as at December 31, 2011. See “Description of the Partnership – The Pizza Pizza Retained Interest and Exchange Rights” and “Licence and Royalty – Adjustments to the Royalty Pools and Payments Made Under the Licence and Royalty Agreements”.



- (1) A holder of Class B Units has the right to exchange one Class B Unit indirectly for that number of Units equal to the Class B Exchange Multiplier applicable at the date of exchange. If, as of December 31, 2011, all Class B Units held by the Company were exchanged for Units, this would represent a 21.3% equity interest in the Fund. A holder of Class D Units has the right to exchange one Class D Unit indirectly for that number of Units equal to the Class D Exchange Multiplier applicable at the date of exchange. If, as of December 31, 2011, all Class D Units held by the Company were exchanged for Units, this would represent a 5.2% equity interest in the Fund. As the number of restaurants included in the Royalty Pool increases, the number of Units into which Class B and Class D Units are exchangeable will also increase. See “Licence and Royalty – Adjustments to the Royalty Pools and Payments Made Under the Licence and Royalty Agreements”. Following the vend-in of restaurants on January 1, 2012, the Company holds Class B and Class D Units which, if exchanged for Units, would represent a 26.5% interest in the Fund.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The Fund's sole business is carried on through the Partnership. The Partnership's revenue is based on collecting a 6% royalty on Pizza Pizza restaurant System Sales and 9% on Pizza 73 restaurant System Sales included in the Royalty Pool.

Over the last three financial years the Royalty Pool has increased from 609 restaurants in 2008 to 695 restaurants in 2011. Royalty Pool Sales for these Pizza Pizza and Pizza 73 Restaurants for the twelve months ended December 31, 2011 were approximately \$391,117,000 for Pizza Pizza and \$76,763,000 for Pizza 73, for a total of \$467,880,000. On January 1, 2012 the Royalty Pool was decreased to 690 restaurants.

For the financial year ended December 31, 2011, the Royalty was determined on the basis of the Systems Sales from 607 Pizza Pizza Restaurants and 88 Pizza 73 Restaurants added on January 1, 2011.

Amendment to Vend-in Mechanism

On December 15, 2011, the mechanism through which new Pizza Pizza and Pizza 73 restaurants are added to the Royalty Pool on each Adjustment Date was amended, as described below, to adjust for the impact that the SIFT Tax will have on the economics of the vend-in mechanism. The amendment will commence with the vend-in of restaurants on January 1, 2012, and will apply to each Adjustment Date thereafter.

Background to the Amendment

In 2007, the Federal Government of Canada amended the *Income Tax Act* (Canada) to impose the SIFT Tax, an entity level tax on Canadian publicly traded income trusts. The Fund became a taxable entity effective January 1, 2011. As a result of the SIFT Tax, the Fund will pay tax approximately equal to or less than the rate applicable to income earned by a Canadian public corporation. The SIFT Tax reduces the amount of cash available for distribution to the unitholders by the Fund.

Details of Amendment

On December 15, 2011, the Partnership entered into an Amending Agreement to amend the terms of the Partnership Agreement. The net effect of the Amending Agreement will be to reduce the Company's entitlement to receive additional Fund units (through changes to the Class B Exchange Multiplier and the Class D Exchange Multiplier) when new Pizza Pizza and Pizza 73 restaurants are added to the Royalty Pool. The percentage reduction is an estimate of the effective entity level tax rate for the upcoming year (determined by using the total income taxes paid by the Fund during the fiscal year, divided by the total cash received by the Fund during the year).

The vend-in mechanism was designed to compensate the Company for new royalties added to the Partnership by the new Pizza Pizza and Pizza 73 restaurants, but still result in accretion to the Fund's Unitholders. The amendment results in a reduction in the Company's entitlement, which adjusted the economics of the vend-in mechanism back to that prior to the imposition of the SIFT Tax.

More detailed particulars of the Amending Agreement and the amendment are available at www.sedar.com and www.pizzapizza.ca.

Tax Legislation and Conversion & Distribution Considerations

Under the SIFT Tax legislation, certain income earned and distributed by the Fund is taxed in a manner similar to income earned by a corporation and distributions or allocations of such income made to

investors is taxed in a manner similar to dividends from a taxable Canadian corporation. The deemed dividend is eligible for the enhanced dividend gross-up and tax credit if paid or allocated to a resident of Canada. The SIFT Tax legislation became effective for the Fund commencing in its 2011 taxation year.

The SIFT Tax legislation raised a number of organizational and tax planning issues for consideration by the Fund's trustees.

The Fund's trustees decided to retain the Fund's current income trust structure into 2012. As an initial step, beginning with the distribution for the month of January 2011, the Fund's trustees adopted a new distribution policy, with a reduced monthly distribution that reflects the Fund's obligation to make SIFT Tax payments. In determining the level of distributions, the Trustees considered factors related to the Company's operations, the need to augment the cash reserve fund, future costs of converting to a corporation, their assessment of economic conditions in the Company's principal markets, and the discretionary tax deductions that are available as a result of the Fund's past tax planning strategy. (see "Recent Developments")

Beginning with the January 2011 distribution, payable February 15, 2011, the Trustees set the monthly distribution at \$0.0584 per unit or \$0.70 annually. At this level, the eligible dividend portion of the Fund's distribution combined with the return of capital component of the distribution will provide taxable Canadian individuals with an effective after-tax yield comparable to 2010 levels. There can be no assurance that this effective after-tax yield will be maintained in the future, whether as a result of changes in distribution levels or as a result of changes in the tax attributes of the Fund's income or other tax planning strategies.

The Fund, indirectly, received an amount equal to \$0.89 annually, sourced from distributions made by the Partnership. Of that amount, the Fund distributed \$0.70 to unitholders annually, with the remainder used to pay SIFT Tax and to increase the Fund's cash reserve. The Company received \$0.89 per unit annually as distributions on Class B and D equivalent units that it holds (decreased from an amount equal to \$0.93 per unit in 2010).

The Royalty – Pizza Pizza

Immediately following the transfer of the Pizza Pizza Rights to the Partnership in July 2005, the Partnership granted to the Company a licence to use the Pizza Pizza Rights for a term of 99 years as long as such party is not in default under its obligations under the Pizza Pizza Licence and Royalty Agreement, and the right to grant sub-licences of such rights to their subsidiaries and the Franchisees. The Company pays the Partnership the Royalty equal to 6% of System Sales of designated Pizza Pizza Restaurants. The Pizza Pizza Restaurants for which System Sales are to be determined from time to time (the "Pizza Pizza Royalty Pool") is adjusted as of January 1 of each year to reflect any net change in System Sales from the addition of new Pizza Pizza Restaurants and the removal of closed Pizza Pizza Restaurants. Payment of the Royalty to the Partnership is secured by a security interest, subject to certain exceptions, in all of the present and after acquired property of Pizza Pizza, pursuant to the Amended and Restated General Security Agreement. See "Licence and Royalty".

For the fiscal year of the Partnership ending December 31, 2011, the Royalty was determined on the basis of the System Sales for the period January 1, 2011 to December 31, 2011 from the 607 Pizza Pizza Restaurants in the Royalty Pool on January 1, 2011. The System Sales for these Pizza Pizza Restaurants for the period January 1, 2011 to December 31, 2011 were approximately \$391,117,000.

Effective January 1, 2012, the Royalty Pool was adjusted to include System Sales from nine new restaurants that opened during the period from January 1, 2011 to December 31, 2011, less fifteen restaurants that closed during 2011. For 2012, the Royalty Pool will consist of 601 Pizza Pizza Restaurants.

The Royalty – Pizza 73

Following the purchase of the Pizza 73 Rights by the Partnership in July 2007, the Partnership granted the Company a license to use the Pizza 73 Rights and to sublicense the Pizza 73 Rights to its subsidiaries, for a term of 99 years pursuant to the Pizza 73 License and Royalty Agreement. In consideration of the Pizza 73 license, the Company will pay the Partnership the Pizza 73 Royalty equal to 9% of System Sales of all designated restaurants. The restaurants for which System Sales are to be determined from time to time (the "Pizza 73 Royalty Pool") is adjusted as of January 1 of each year to reflect any new change in systems sales from the addition of new Pizza 73 Restaurants and the removal of closed Pizza 73 Restaurants.

For the fiscal year of the Partnership ended December 31, 2011, the Royalty was determined on the basis of the System Sales for the period January 1, 2011 to December 31, 2011 from the 88 Pizza 73 Restaurants in the Royalty Pool on January 1, 2011. System Sales for these Pizza 73 Restaurants for the period January 1, 2011 to December 31, 2011 were approximately \$76,763,000.

Effective January 1, 2012, the Pizza 73 Royalty Pool was adjusted to include System Sales of one new restaurants opened on or after September 1, 2010 and prior to September 1, 2011. For 2012, the Royalty Pool will consist of 89 Pizza 73 Restaurants.

Recent Developments

January 1, 2012 Royalty Pool Vend-in: On January 1, 2012, six net Pizza Pizza restaurants were removed from the Royalty Pool as a result of nine new restaurants opening and fifteen closing from January 1, 2011 to December 31, 2011. The additional system sales from the nine new restaurants are estimated at \$4,146,000 annually less sales of \$3,863,000 from fifteen permanently closed Pizza Pizza restaurants resulting in net estimated Pizza Pizza sales of \$283,000 added to the Royalty Pool. The total number of Pizza Pizza restaurants in the Royalty Pool has decreased to 601. The yield of the Fund Units was determined to be 8.1063% calculated using \$8.65 as a weighted average Unit price. Weighted average Unit price is calculated based on the market price of the Units traded on the TSX during the period of twenty consecutive days ending on the fifth trading day before January 1, 2012. As a result of the contribution of the additional net sales to the Royalty Pool, Pizza Pizza's Class B Exchange Multiplier increased fractionally by 80% of the total adjustment or 0.00314; the new Class B Exchange Multiplier is 1.55619. This adjustment will also increase the entitlement of the holders of the Class B Units to distributions of cash and allocations of income from the Partnership. The second adjustment to the Class B Exchange Multiplier will be adjusted to be effective January 1, 2012, once the actual performance of the new restaurants is determined in early 2013.

In addition on January 1, 2012, one new Pizza 73 restaurant was added to the Royalty Pool as a result of new restaurants opening between September 2, 2010 and September 1, 2011. The forecasted additional System Sales from the one new non-traditional restaurant is estimated at \$25,000 annually. During the period, no restaurants were added to the Royalty Pool whose territory adjusted a previously existing restaurant. The total number of Pizza 73 restaurants in the Royalty Pool has increased to 89. The yield of and the weighted average Unit price used in the calculation of the Class D Exchange Multiplier is determined in the same manner as that of the Class B Exchange Multiplier calculation at 8.1063% and \$8.65, respectively. As a result of the contribution of the additional net sales to the Royalty Pool, Pizza Pizza's Class D Exchange Multiplier increased fractionally by 80% of the total adjustment or 0.01699; the new Class D Exchange Multiplier is 15.47131. Once the actual performance of the new restaurant is determined in early 2013, the Class D Exchange Multiplier may be adjusted to be effective January 1, 2012.

January 2012 Audit of Royalty Pool System Sales: In January 2012, an independent audit of the Royalty Pool System Sales is reported each year. The purpose of this audit was to compare actual royalty revenue from the Royalty Pool to the reported royalty revenue of the Fund. The results of the audit can be found in the Fund's MD&A.

Proposed Conversion: At this time, in order to rely on rules enacted by the federal government that permit conversion on a tax-deferred rollover basis for conversions prior to 2013, the Fund expects a conversion to a dividend-paying corporation would be completed and effective at the end of December, 2012. The Partnership agreement and all other agreements between the Company and the Partnership will not be affected by the corporate conversion. The Fund and the Partnership will continue to operate independently from the Company. The Fund expects voting on the conversion plan to occur at the annual general meeting scheduled for May 30, 2012.

DESCRIPTION OF THE BUSINESS

The Fund

The Fund through its interest in the Trust, and in turn through the Trust's interest in the Partnership, has acquired the Pizza Pizza and Pizza 73 Rights. The Fund does not conduct an active business and has no employees. The Fund receives the benefit of Pizza Pizza and Pizza 73 Royalties payable by the Company under the Pizza Pizza Licence and Royalty Agreement and the Pizza 73 Licence and Royalty Agreement indirectly through its interests in the Partnership and the Trust. The Fund has entered into the Administration Agreement with the Partnership pursuant to which the Partnership provides or arranges for the provision of services required in the administration of the Fund. See "Description of the Fund - Fund Administration".

The Partnership

The business of the Partnership is the ownership of the Pizza Pizza and Pizza 73 Rights, which includes the taking of actions consistent with the Pizza Pizza Licence and Royalty Agreement and the Pizza 73 Licence and Royalty Agreement to exploit, to the fullest extent possible, the use of the Pizza Pizza and Pizza 73 Rights by the Company. The Partnership collects the Royalty payable under the licence agreements. The Partnership also administers the affairs of the Fund and the Trust. The Partnership is governed by the Limited Partnership Agreement.

Under the Licence and Royalty Agreements, the Partnership has the contractual right to control the character and quality of the wares produced or services delivered by the Company, the Franchisees, the Owner/Operators, and other sub-licencees, and to require that the Pizza Pizza and Pizza 73 Rights be used by the Company, the Owner/Operators, the Franchisees and other sub-licencees in a manner that enhances the reputation of the Pizza Pizza and Pizza 73 Rights. Under the Licence and Royalty Agreements, the Partnership is entitled to:

- in addition to protecting and enhancing the reputation associated with the Pizza Pizza and Pizza 73 Rights, contract with the Company for the inspection by the Company of the use of the Pizza Pizza and Pizza 73 Rights by its Owner/Operators, Franchisees or other sub-licencees to ensure that the Company and its Owner/Operators, Franchisees or other sub-licencees are protecting and enhancing the reputation associated with the Pizza Pizza and Pizza 73 Rights;
- obtain, on a quarterly basis, a certificate from officers of the Company to the effect that it is using the Pizza Pizza and Pizza 73 Rights in accordance with the Licence and Royalty Agreements and indicating the steps and processes implemented and undertaken to ensure compliance with such agreements;
- require the Company to submit a report, on a quarterly basis, detailing the use of the Pizza Pizza and Pizza 73 Rights in the quarter, including details of all sub-licences of the Pizza Pizza and Pizza 73 Rights granted by the Company to the Franchisees, the Owner/Operators or other sub-licencees during the quarter;
- create new products, wares and offerings which are not subject to the Licence;

- establish the standards governing the character and quality of the wares produced or services delivered, and the manner of use of the Pizza Pizza and Pizza 73 Rights, by the Company, the Franchisees, the Owner/Operators and other sub-licencees; and
- require the Company to submit to the Partnership for prior written approval any proposed use of the Pizza Pizza and Pizza 73 Rights by the Company, Franchisees and other sub-licencees with any new wares or services not expressly permitted under the Licence and Royalty Agreements.

The Pizza Pizza Rights

Pursuant to the Acquisition Agreement, the Partnership owns the Pizza Pizza Rights, including the trade-marks registered under the *Trade-marks Act* (Canada) and, unregistered trade-marks used in connection with Pizza Pizza restaurant business and all goodwill associated therewith. The following are the primary trade-marks, service marks, trade names, logos, advertising and other commercial symbols (the “Pizza Pizza Marks”) forming part of the Pizza Pizza Rights:

<u>Trade Marks</u>	<u>Registration or Application Number</u>	<u>Registration or Application Date</u>
967-1111	TMA428709	June 17, 1994
967-11-11 (Design)	TMA280430	June 17, 1983
HOT & FRESH & Design	1115817	September 17, 2001
HOT & FRESH PIZZA PIZZA & Design	1115815	September 17, 2001
PIZZA PIZZA & Design	TMA488817	January 30, 1998
PIZZA PIZZA & Design	TMA489035	February 2, 1998
PIZZA PIZZA & Design	TMA489038	February 2, 1998
PIZZA PIZZA	TMA278516	April 8, 1983
CHICKEN CHICKEN.....	TMA380598	March 1, 1991

The Pizza Pizza Rights also include the copyrights, the trade names, trade secrets, methods, systems and procedures for the construction, design or operation of Pizza Pizza Restaurants using certain types of equipment, supplies, ingredients, recipes, merchandising, advertising and business techniques, together with the rights to order phone numbers and order website domain names that are currently owned by the Company and used in connection with the operation of Pizza Pizza Restaurants. For greater certainty, the Pizza Pizza Rights do not include the hardware, software, operating technology or other intellectual property used in connection with the Company’s single number ordering system (other than the 967-1111 trade mark and the 967-11-11 design).

The Pizza Pizza Licence and Royalty Agreement requires the Partnership to use commercially reasonable efforts to apply for and maintain registrations for the Pizza Pizza Marks used from time to time in connection with the operation of the Pizza Pizza Restaurants at the expense of Pizza Pizza. See “Risk Factors — Risks Related to the Quick Service Restaurant Industry — Intellectual Property”.

The Pizza 73 Rights

Pursuant to the Pizza 73 Acquisition Agreement, the Partnership owns the Pizza 73 Rights, including the trade-marks registered under the *Trade-marks Act* (Canada) and, unregistered trade-marks used in connection with Pizza 73 restaurant business and all goodwill associated therewith. The following are the primary trade-marks, service marks, trade names, logos, advertising and other commercial symbols (the “Pizza 73 Marks”) forming part of the Pizza 73 Rights:

<u>Trade Marks</u>	<u>Registration Number</u>	<u>Registration Date</u>
PIZZA 73.....	603,691	March 1, 2004
HOTPAK & Design.....	563,982	June 26, 2002

PIZZA 73 & Design.....	326,831	April 24, 1987
PIZZA73.ca.....	561,291	May 2, 2002
PIZZA73.com.....	561,828	May 13, 2002

The Pizza 73 Rights also include the copyrights, the trade names, trade secrets, methods, systems and procedures for the construction, design or operation of Pizza 73 Restaurants using certain types of equipment, supplies, ingredients, recipes, merchandising, advertising and business techniques, together with the rights to order phone numbers and order website domain names that are currently owned by Pizza 73 and used in connection with the operation of Pizza 73 Restaurants. For greater certainty, the Pizza 73 Rights do not include the hardware, software, operating technology or other intellectual property used in connection with the Company's single number ordering system.

The Pizza 73 Licence and Royalty Agreement requires the Partnership to use commercially reasonable efforts to apply for and maintain registrations for the Pizza 73 Marks used from time to time in connection with the operation of the Pizza 73 Restaurants at the expense of Pizza Pizza. See "Risk Factors — Risks Related to the Quick Service Restaurant Industry — Intellectual Property".

Term Facility and Operating Facility

The Partnership, concurrently with the closing of the Fund's initial public offering, entered into a credit agreement with the Bank providing for a committed, non-revolving three-year term facility and a 364 day, extendable, revolving operating facility.

The initial term loan was for the principal amount of \$20,000,000 and was fully drawn on the closing of the Fund's initial public offering. The amounts drawn under the term loan were used to fund a portion of the purchase price for the Pizza Pizza Rights and to pay expenses of the Fund's initial public offering.

On July 24, 2007, in connection with the acquisition of the Pizza 73 Rights, the Partnership entered into agreements with two Canadian chartered banks to provide total credit facilities up to a maximum of \$48,000,000, consisting of a non-revolving five-year term facility up to \$47,000,000 (the "Term Facility") and an extendible one-year revolving operating facility up to \$1,000,000 (the "Operating Facility"), replacing the original facilities. The Term Facility has been fully drawn. Should any amounts be drawn under the Operating Facility, they are repayable 364 days from closing of the Fund's offering of subscription receipts and are expected to be used primarily to stabilize distributions from time to time in connection with periodic variations in the Partnership's available cash. The Partnership may request that the Operating Facility be extended for additional 364-day periods. Extension is at the Bank's sole discretion. No funds have ever been drawn on the Operating Facility.

In December 2011, the Partnership renewed the \$47,000,000 Term Facility for a five-year term. As part of the renewal, the extendible one-year revolving operating facility of \$1,000,000 was permanently cancelled.

These facilities include affirmative and negative covenants customary for agreements of this nature. In particular, the Partnership is required to maintain a funded debt to EBITDA ratio not to exceed 2.5:1. At any time, distributions for the previous four quarters shall not exceed Distributable Cash Flow for the previous four quarters. Distributable Cash Flow in the case of the Partnership shall be defined as EBITDA less the aggregate amount of unfunded capital expenditures, net interest expense, cash taxes and other permitted debt payments plus the aggregate amount of Distributable Cash Flow not distributed in prior periods and cash on hand at the closing of the facility. In addition, the Company is required to maintain a fixed charge coverage ratio of 1:1. Under these provisions, the lenders may accelerate repayment of the Term Facility in the event of a breach of a financial covenant, a change in control of the Fund, the Trust or the Partnership, a default by those entities under other indebtedness exceeding \$500,000 or a default by the Company under the PPL Loan or the Licence and Royalty Agreements.

The Partnership has agreed to pay the lenders customary fees for these facilities. The facility bears interest at Prime plus 0% to 0.50% or the Bankers Acceptance rate plus 1.25% to 2.00%, depending on the level of funded debt to EBITDA with EBITDA defined as annualized earnings before interest, taxes,

depreciation and amortization. Until July 2011, the interest rate on \$20,000,000 was fixed with a swap at 2.68% plus 1.25% credit spread, with the remaining \$27,000,000 being initially fixed with two swaps at 5.05% plus 1.25% credit spread. In July 2011, in conjunction with the early renewal of the Term Facility, the Partnership terminated its three existing interest rate swaps at a cost of \$1,200,000 which has been blended and extended into two new interest rate swap agreements. The Term Facility's new interest rate is comprised of a portion fixed using the new swap agreements plus a credit spread. Beginning July 25, 2011, the interest rate portion fixed with the new swaps is 2.87%. plus the new current credit spread of 1.50%.

The indebtedness and liability of the Partnership under the Term Facility is secured by a first ranking security interest in all present and after-acquired property of the Partnership, including the Pizza Pizza Rights and Pizza 73 Rights and the rights and interest of the Partnership in the Amended and Restated General Security Agreement and the Licence and Royalty Agreements. See "Licence and Royalty — Security for the Royalty". The indebtedness secured by the Bank's security interest (including the Term Facility and the interest rate hedging facility) ranks senior to all other indebtedness of the Partnership.

The Trust has guaranteed the liability of the Partnership under the Term Facility and the interest rate hedging facility, which guarantee is supported by a security interest in all of its assets, including a pledge of the Trust's ownership interest in the Partnership and Pizza Pizza GP and an assignment of the PPL Loan and the security therefor. The Company is liable to the lenders in respect of the Term Facility and the interest hedging facility, in its capacity as a general partner of the Partnership, with the lenders' recourse against the Company being limited to its interest in the Partnership and the Pizza Pizza GP. The Company has pledged its holdings of Class B Units, Class C Units, Class D Units and common shares of Pizza Pizza GP in favour of the lenders as security for the Partnership's indebtedness under these facilities. However, the Company may, subject to certain conditions, exercise the Retained Interest and Exchange Rights described under "Description of the Partnership - The Pizza Pizza Retained Interest and Exchange Rights" with respect to such pledged securities and obtain Units which will not be subject to the pledge.

BUSINESS OF THE COMPANY

Overview

Pizza Pizza, a privately-owned Canadian corporation, opened its first restaurant in Ontario in 1967 and has since grown to become Ontario's number one pizza quick service brand. In 2007 with the acquisition of Pizza 73, Pizza Pizza has expanded its restaurant network to Alberta. With over 690 locations, the company operates two brands, Pizza Pizza and Pizza 73, and serves over 30,000,000 customers annually.

The two brands, Pizza Pizza and Pizza 73 have established strong brand names and are leaders in the pizza component of the quick service restaurant segment. The Company operates its Pizza Pizza Restaurants as franchise oriented restaurants and Pizza 73 Restaurants are owned and operated as independent businesses with each restaurant being a corporation equally owned by an independent Owner/Operator and the Company. At December 31, 2011, the Company had 690 total locations in its system, comprised of 612 franchised or licenced restaurants, 71 jointly-controlled restaurants and 7 owned and operated as corporate restaurants.

Brand-Based Business Model

The brands operated by the Company, each with different geographical markets, provide a high level of service and operational support to its franchisees and owners, including a turn-key restaurant; central food distribution centers, which provides all food and non-food items used in restaurant operations; and monitoring systems intended to ensure high product quality and operational consistency across the chains.

Restaurant Format

The Company’s restaurant system includes traditional and non-traditional formats. These restaurants allow the Company to tailor its offerings to a particular market or venue, providing greater opportunities for its franchisees while meeting consumer demands. Traditional Pizza Pizza Restaurants feature self-service counters and, with a majority of its renovated restaurants ranging in size from 1,400 to 3,000 square feet, with seating for approximately 25 customers. Traditional Pizza 73 Restaurants are approximately 1,200 square feet with limited seating. Traditional restaurants also support take-out and delivery service. The Company seeks to locate these restaurants in high traffic and high visibility locations that are easily accessible. Non-traditional restaurants feature a more limited menu and are targeted to “captured traffic” locations. Non-traditional restaurants typically offer counter service and are oriented to individual purchases by walk-in customers.

Restaurant Locations

By brand, traditional Pizza Pizza Restaurants presently operate in Ontario, Quebec, Saskatchewan, Manitoba and Nova Scotia, with the highest market penetration in southern Ontario. Traditional Pizza 73 Restaurants operate primarily in Alberta. Non-traditional restaurants currently operate primarily in Ontario and Alberta, but with a number of locations across Canada as well. The following table sets forth the number and format of Pizza Pizza and Pizza 73 Restaurants, by province, at December 31, 2011. The number of restaurants as at December 31, 2011, from time to time, may differ from the number of restaurants in the Royalty Pool, due to the Adjustment Date of January 1 coupled with the opening date cut-off for Pizza 73 restaurants of September 1.

Restaurant Format	Number of Restaurants							Total
	Ontario	Alberta	Quebec	B.C.	Manitoba	Sask.	Other	
Traditional restaurants.....	352	67	15	1	5	7	1	448
Non-traditional restaurants.....	179	20	14	13	5	1	10	242
Total.....	531	87	29	14	10	8	11	690

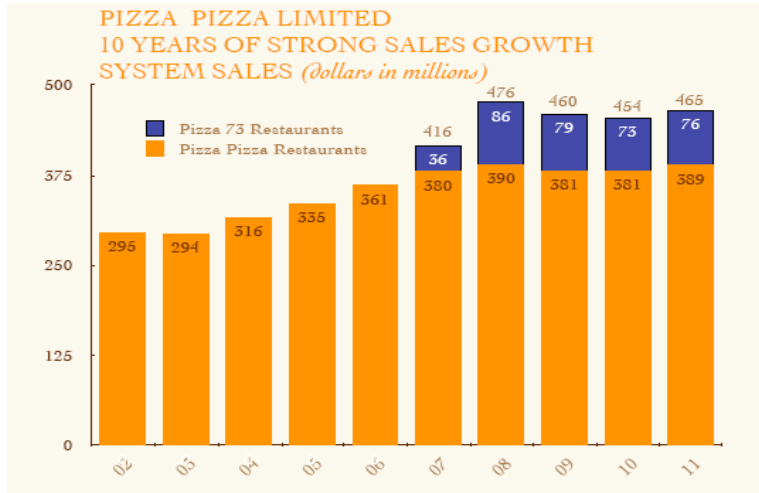


System Sales

Over the past ten years, Pizza Pizza has grown its System Sales to be in excess of \$388,800,000 for the 52 weeks ended January 1, 2012 from \$275,870,000 in 2001, representing a compound annual growth rate

of 3.5%. This growth in System Sales demonstrates the continuing expansion of the Pizza Pizza restaurant system, principally through the growth of franchised locations, and the growth of same restaurant sales as a result of continuing enhancements to the Pizza Pizza Restaurants.

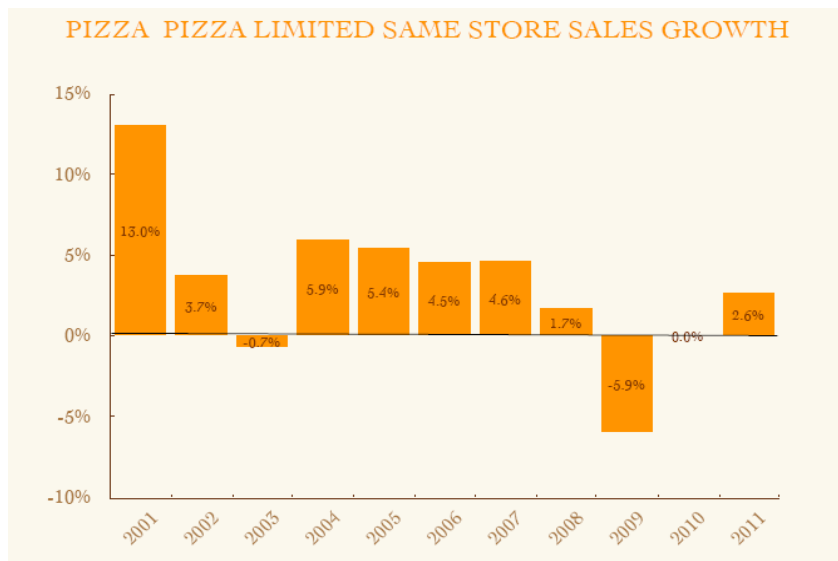
Pizza 73 Restaurants generated \$76,779,000 in system sales for the 52 weeks ended January 1, 2012 compared to \$73,100,000 for 2010, \$77,700,000 for 2009, \$85,600,000 for 2008, and \$75,600,000 for the 2007 fiscal year. The overall variance is largely related to challenging economic conditions in the Alberta market over the past three years.

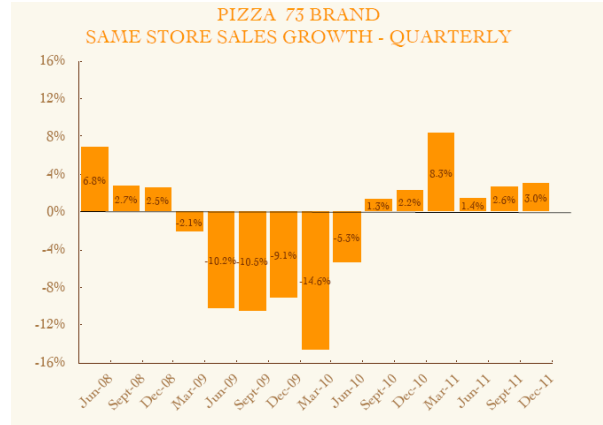
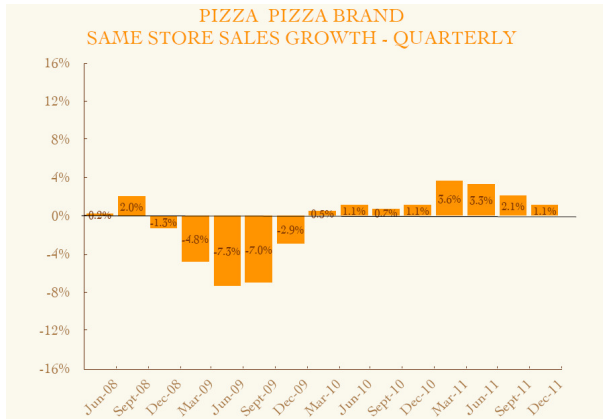


Same Restaurant Sales Growth

Pizza Pizza has demonstrated a track record of growing same restaurant sales, averaging 2.2% over the last 10 years. Given the increasing ability to leverage large marketing budgets and market synergy gained from increased restaurant presence, the Company believes that the brands are well positioned for future growth as the economy recovers in its principal markets. .

The majority of Pizza Pizza restaurants operate in Ontario, where the economy continues to show signs of modest growth. For the Pizza 73 brand, the majority of the restaurants operate in Alberta where retail sales trended positively in 2011 as the unemployment rate has decreased.





Pizza Pizza Brand

Prior to 2009, the Pizza Pizza Restaurants achieved positive same restaurant sales growth from 1999, averaging 5.8% per year. This growth was achieved through renovations of the existing restaurant network to update and modernize the Pizza Pizza concept and add cooking capacity, as well as through menu enhancements, continuing marketing efforts and increased brand awareness. These same factors have also contributed to a compound annual growth of 3.5% in average annual sales since 2001, with sales growth in 2011 of 2.4%. Pizza Pizza intends to pursue initiatives supporting continued same restaurant sales growth, including ongoing development of the Pizza Pizza concept to capitalize on changing customer preferences and market trends. A key element of these initiatives is supported by the franchisees' commitment to periodically renovate and upgrade their restaurants through regular funding contributions by each Franchisee. See "Business of the Company - Growth Strategy in Existing and New Markets" and "— Pizza Pizza Franchise Operations".

As of December 31, 2011, approximately 99% of Pizza Pizza's restaurants are new or substantially renovated and have expanded their capacity by adding equipment and seating. Pizza Pizza's franchise agreement provides that Franchisees are required to renovate their restaurants at least every five years, to current standards set by Pizza Pizza. This allows Pizza Pizza to ensure that locations are maintained at the highest standards, and enables regular updating of the Pizza Pizza concept. This obligation is funded by a targeted contribution of 2% of gross sales of pizza products and 20% of the delivery charges by each Franchisee, which is set aside for the Franchisee to fund renovations when required.

The Pizza Pizza concept offers the flexibility to target three distinct business segments, or "dayparts". The lunch and dinner dayparts are commonly served by the QSR segment, but Pizza Pizza has a competitive advantage in the snack/late night daypart due to its take out and delivery service. Management believes that there are significant opportunities for growth by targeting the lunch daypart, where pizza QSR operations are currently under-represented. An increased focus on eat-in dining and the lunch daypart is also supported by continued menu innovation as Pizza Pizza continues to test new food items to add to its menu.

Management expects that the proportion of eat-in and take-out dining at Pizza Pizza Restaurants will continue to increase relative to delivery service, with the goal of moving from a 40%/60% split to 50% eat-in/take-out and 50% delivery model. Customers can enjoy a quick meal at one of Pizza Pizza's many convenient locations when they are away from home, while customers who prefer to remain at home for reasons of convenience, time of day or inclement weather, can easily order from Pizza Pizza through the one-number telephone ordering system. Management believes that restaurant profitability will improve as additional call centre and delivery costs are avoided.

Pizza 73 Brand

Prior to 2009 and 2010, during which same restaurant sales decreased by 8.1% and 4.4%, respectively, the Pizza 73 restaurants achieved significant same restaurant sales growth from 2003, averaging 16.2% per year, with same restaurant sales growth of 3.9% in 2011. Over the past four years, the Company has grown its restaurant system from 48 Pizza 73 Restaurants in July 2007 to 89 Restaurants as of December 31, 2011. Pizza 73 intends to pursue initiatives supporting continued same restaurant sales growth, including ongoing development of the Pizza 73 concept to capitalize on changing customer preferences and market trends. A key element of these initiatives is supported by the Owner/Operators' commitment to periodically renovate and upgrade their restaurant. See "Business of the Company - Growth Strategy in Existing and New Markets" and "- Pizza 73 Ownership Structure".

Management's strategy is to continue to drive Pizza 73 same-restaurant sales growth within its restaurant system through a combination of employing innovative marketing programs, continuing menu enhancements, increasing brand awareness and leveraging increasingly larger marketing budgets from a growing restaurant base.

Competitive Strength

Management believes that the Company benefits from the following competitive strengths:

- *Strong brand recognition.* Both Pizza Pizza and Pizza 73 restaurants are well known in their principal markets due to their memorable phone numbers (967-11-11 in the Greater Toronto Area, and 473-73-73 in Edmonton) and their accompanying jingles.
- *Number one market position.* Both Pizza Pizza and Pizza 73 are market leaders in their respective geographic markets. In 2011, Pizza Pizza had significantly more market share among pizza restaurant chains in Ontario by sales revenue (over 28.5%) than the closest competitor (10.5%), while Pizza 73 held 19.4% of the Alberta pizza market. In addition, the Company has 690 locations across Canada, which is almost double its closest pizza competitor.
- *An extensive and modern restaurant system.* Approximately 99% of the traditional Pizza Pizza Restaurants and 80% of the Pizza 73 Restaurants are either new or substantially renovated. Pizza Pizza franchisees are obligated to renovate their restaurants and to contribute on an ongoing basis to a renovation fund. This is a significant advantage in that it allows Pizza Pizza to ensure that locations are maintained at the highest standards. In many cases this regular updating and renovation has been a key determinant of the continued success of specific locations.
- *A proven track record of innovation.* Since its inception, the Company has adopted many innovative concepts including the one-number telephone ordering system, networked call centres, delivery guarantees, the monitoring of restaurants through a live web-feed, in-store "Pizza Pizza Web Radio", and its webby award winning iPhone app. In addition, the Company is always striving to update and modernize its product offerings, to meet changing customer preferences. In 2011, the Company rolled out its four new Italian sandwiches, new Chipotle pizzas, plus its new poutine and chili offerings.
- *Centralized management and controls.* Management oversees key aspects of the restaurant business allowing restaurant operators to focus on revenue-generating activities. The Company also devotes substantial resources to Franchisee and Owner/Operator support as well as training programs, product supply and quality initiatives. In addition, the Company leverages its significant purchasing power and economies of scale to reduce costs and increase margins at the Restaurant level.

- *A strong committed management team.* Pizza Pizza has a seasoned five member management team with an average of over 20 years' experience with the Company.
- *A history of stability of the restaurant system.* Pizza Pizza has historically maintained a low closure rate throughout its restaurant chain; as of December 31, 2011, 34 traditional and 54 non-traditional restaurants had been permanently closed since 2000, whereas total Company-wide restaurants increased from 413 to 690 during that same period. There have been no closures within the Pizza 73 brand in the last five years.

Growth Strategy in Existing and New Markets

Management believes that the Company is well positioned to continue building its presence in the Canadian pizza QSR segment with its two brands, Pizza Pizza and Pizza 73. Consistent with its experience over the past decade, the Company's future growth is expected to come from a combination of same restaurant sales growth and new restaurant growth.

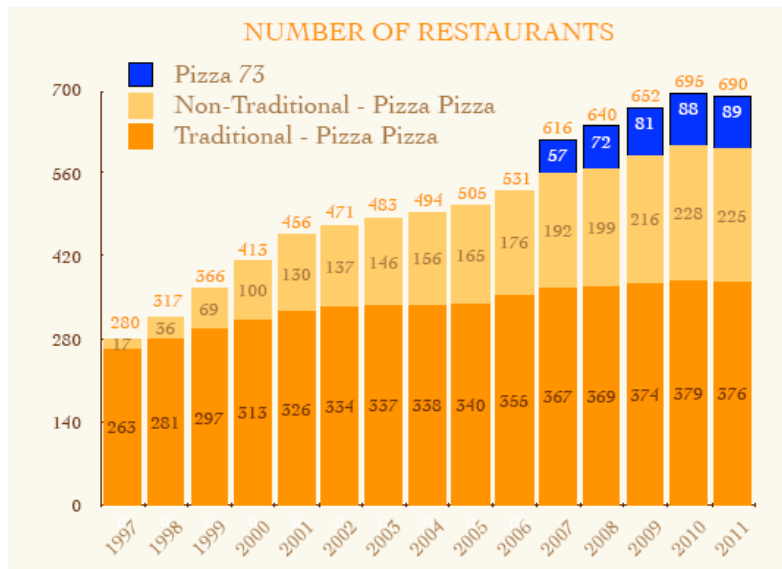
Management also believes that there are opportunities for continued growth in existing markets, and intends to develop new restaurants in other provinces as part of an overall, national expansion program. Over the past three years, the Company has opened new restaurants outside its major markets, including locations in Saskatchewan, Nova Scotia, Manitoba and Quebec. In addition, the Company's commissaries, which manufacture and/or distribute almost all products used by the Franchisees and Owner/Operators, has the capacity to support Additional System Sales without substantial capital investment. Management also believes that Pizza Pizza's and Pizza 73's brand recognition, combined with the strength of the operational system, will provide additional opportunities for growth in new markets across Canada.

In Western Canada, Pizza 73 Restaurants are concentrated in the larger urban markets in Alberta, particularly Edmonton and Calgary. In the past four years management has opened 24 new traditional Pizza 73 restaurants, 19 of which are in existing territories. Adding restaurants in the Alberta market has been part of Pizza Pizza's overall strategy to relieve capacity constraints at the restaurant level and provide improved customer service, while growing and protecting the Pizza 73 brand.

Pizza Pizza Franchise Operations

Franchising Operations and Structure

The Pizza Pizza business model is primarily based on its franchise operations. The following chart shows the growth of the restaurant system from 1997 to the December 31, 2011.



Relationship with Franchisees

The Company's Franchisees own and operate restaurants as independent businesses, licensed under a franchise agreement with the Company to use the Pizza Pizza Marks and the Company's business systems for the operation of a Pizza Pizza restaurant.

The Company believes it has developed a rigorous, systematic screening process for the selection of qualified Franchisees. The Company strives to select only persons with appropriate levels of funding, professional competence, experience, reputation, ability and financial responsibility. The Company believes that restaurant profitability and quality of customer service are maximized when restaurants are operated by talented and committed owners/operators. Pizza Pizza Franchisees are generally required to direct their full time and attention to the business and to participate personally in the operation of the franchise. In the event that a Franchisee is not performing in accordance with the franchise agreement, Pizza Pizza has historically either arranged for the sale of the franchise to a new Franchisee or repurchased or terminated the franchise with a view to ensuring the location is performing to its potential prior to re-franchising it to a new Franchisee. Occasionally, it is necessary to permanently close a location.

The Company has also developed an Associate Program, under which operators enter into a licence agreement to manage and operate a restaurant whose assets are owned by the Company. The aim of this program is to allow the operator to gain experience operating a restaurant while accumulating the financial resources to acquire the restaurant as a traditional Franchisee. As of December 31, 2011, nine Pizza Pizza Restaurants were being operated under this program.

The capital cost associated with becoming a Pizza Pizza Franchisee and opening a new traditional Pizza Pizza restaurant is between \$225,000 and \$400,000. Minimum cash requirements are between 25% and 33% of the total restaurant costs. Pizza Pizza estimates that the investment for a Franchisee in a new traditional Pizza Pizza restaurant, excluding land and pre-opening costs, is \$125,000 for leaseholds in approximately 1,500 square feet and \$125,000 for equipment, furniture and fixtures.

Franchise Agreement

Traditional Restaurants

The legal relationship between the Company and its Franchisees of its traditional restaurants is governed by a franchise agreement for a term that is typically five years in duration. Each restaurant is subject to a separate franchise agreement. The franchise agreement grants the right to use the Pizza Pizza Rights in association with the Pizza Pizza goods and services, within a limited area established by Pizza Pizza from time to time, and specifies comprehensive standards of practice governing all relevant operational matters.

The initial term of a standard franchise agreement is five years, with an initial option for the Franchisee to renew the term of the agreement for three further terms of five years as long as it remains in full compliance with the franchise agreement (and provided certain other conditions are met). The Franchisee territory served by a restaurant is designated from time to time by the Company. However, the restaurant's delivery territory is guaranteed to have a minimum population of 10,000 (which may include a transient working population), based on the most recently available figures from Statistics Canada.

The initial franchise fee currently payable upon execution of a franchise agreement for a Pizza Pizza Restaurant is \$30,000 (inclusive of design drawings). A renewal fee equal to 25% of the then-current initial franchise fee is charged by Pizza Pizza to franchisees upon renewal of their franchise agreements.

The Company collects an ongoing franchise fee from each Pizza Pizza Franchisee. For Pizza Pizza traditional restaurants, the standard franchise fee is typically 6.0% of net sales (gross sales net of franchisee discounts, promotions and sales taxes), paid on a weekly basis but may decrease for amounts in excess of specified targets of annual sales levels. From time to time the Company will reduce franchise fees on a

temporary basis to account for renovation and relocations or in other limited circumstances. For non-traditional restaurants, the franchise fee averages approximately 5.3% of net sales. The weighted average franchise fee, including both traditional and non-traditional restaurants, was approximately 5.6% in fiscal 2011.

In addition to a Franchisee's obligation to pay initial and weekly franchise fees, the franchise agreement requires that a Franchisee contribute a continuing advertising fee to the marketing fund, which is approximately 6% of net sales. This fee is separate from and in addition to the 6% weekly franchise fee described above. Advertising fees are also payable weekly, and are used to advertise the Pizza Pizza system in its principal markets. Of the funds collected in 2011, approximately 82.3% was spent on local and national campaigns and approximately 9.9% was spent on costs to cover operations of the advertising program.

In return for the franchise fees described above, the Company provides a Franchisee with the right to use the trade marks, restaurant designs, the Company system and methods and a number of other franchise support programs. Under the franchise agreement, Pizza Pizza is not obliged to provide any financial covenants or guarantees in connection with a Franchisee's real estate lease, equipment lease or purchase, or other financial arrangements. Further, each Franchisee is required to maintain replacement cost insurance for property of all types, business interruption, comprehensive general and umbrella liability, food borne illness, crime and fidelity, boiler and machinery and such other insurance as the Company and its advisors may require and amend from time to time. Currently, all franchisees participate in a comprehensive program administered by Pizza Pizza and an insurance broker.

The standard franchise agreement also provides that the Company is entitled to mark-up all goods and supplies sold from its Commissary to the franchisees, with such mark-up not to exceed 18% of its costs. For the 52 weeks ended January 1, 2012, the average mark-up realized by Pizza Pizza was less than 18%.

Franchisees covenant not to remodel any of the interior or exterior designs or layouts of the Pizza Pizza Restaurants without the Company's consent. In addition, the franchise agreement requires that Franchisees carry out and complete an upgrade at each Pizza Pizza location as required by Pizza Pizza, at their own expense, as well as complete any equipment upgrades as required by Pizza Pizza.

The franchise agreement permits transfers of a Franchisee's interest in a Pizza Pizza Restaurant, subject to the Company's consent and the Company's first right of refusal. In conjunction with such a permitted transfer, the acquirer of a transferred Pizza Pizza restaurant is required to pay to the Company an amount equal to the initial franchise fee. The new Franchisee is also required to undertake the same level of training as an initial Franchisee.

Non-Traditional Restaurants

The legal relationship between the Company and the licensees of its non-traditional restaurants is governed by a licence agreement. The licence agreement grants the right to use the Pizza Pizza Rights in association with Pizza Pizza goods and services for a specific restaurant location.

The initial term of a typical licence agreement varies but is generally for a five year term.

The Company collects an ongoing licensing fee from each licensee of a non-traditional restaurant, which averages approximately 5.3% of net sales. In return for the licence fee described above, the Company provides the licensee with the right to use the trade marks, restaurant designs, Pizza Pizza system and methods and a number of support programs.

Non-traditional licensees may or may not contribute to Pizza Pizza marketing campaigns. During the term of the licence agreement, the licensee is responsible for local advertising but may not carry out any form of advertising without the prior written consent of the Company.

Licensees of non-traditional restaurants typically own or lease the premises directly. In some instances, Pizza Pizza supplies the equipment, at its cost, used in the non-traditional restaurants. Non-traditional licensees are responsible for all other costs associated with operating the restaurant such as wages, public utility costs, the cost of supplies purchased from the Company's commissary (in some instances non-traditional licensees may purchase some supplies from third-party suppliers approved by Pizza Pizza) and the cost of constructing and furnishing the restaurant in accordance with Pizza Pizza's plan, specifications and standards.

Non-traditional licensees typically use their own point of sale systems (which are not connected to the Company's database system) and are responsible for reporting their sales calculations to the Company. The Company reserves the right to audit the sales reports provided to it by the non-traditional licensees.

Pizza Pizza also occasionally enters into concurrent marketing rights agreements with respect to non-traditional locations pursuant to which Pizza Pizza obtains certain marketing and advertising rights in consideration for a fee

Pizza 73 Ownership Structure

Except for one franchised location, each traditional Pizza 73 Restaurant is owned and operated as an independent business by a Unit Company. Each Unit Company is equally owned by the Company and an Owner/Operator, and is governed by a Unanimous Shareholder Agreement and related agreements. The Unanimous Shareholder Agreement governs the relationship of the Company and the Owner/Operator as shareholders of the Unit Company and, together with licensing, consulting and other agreements between the Company, an Owner/Operator and the Unit Company, establish a framework under which each restaurant is operated in accordance with the Pizza 73 system. The Unanimous Shareholder Agreement is of indefinite term. Each Pizza 73 Restaurant has a specified delivery area or territory established under its Unanimous Shareholder Agreement. The cost of opening a Pizza 73 Restaurant and becoming an Owner/Operator varies with the location. A total investment of between \$250,000 and \$400,000 (of which, part may be financed by a financial institution) is generally required to open a Pizza 73 Restaurant.

The transfer of shares of the Unit Company requires the consent of the Company and the Unit Company. The parties also have shareholder arrangements pertaining to the sale of each other's interests, such as rights of refusal and buy/sell arrangements. In the event that the Company chooses to permit the Owner/Operator to purchase its shares in a Unit Company pursuant to these arrangements, the Unit Company ceases to be entitled to use the Company Rights and other system benefits.

The Company believes it has developed a rigorous screening process for the selection of qualified Owner/Operators. The Company strives to select only persons with appropriate levels of funding, professional competence, experience, reputation, ability and financial responsibility. The Company believes that restaurant profitability and quality of customer service are maximized when restaurants are owner-operated by talented and committed Owner/Operators. Owner/Operators are generally required to direct their full time and attention to the business and to participate personally in the operation of the Pizza 73 Restaurant. Occasionally, it may be necessary to permanently close a location.

Marketing and Advertising

The Company's marketing programs are supported by contributions to a marketing fund that is administered by Pizza Pizza. In accordance with either their franchise agreement or Unanimous Shareholder Agreement, each traditional Pizza Pizza Restaurant contributes approximately 6% of net sales (in addition to the base royalty and other franchise fees) and each Pizza 73 Restaurant contributes approximately 8% of System Sales. The marketing fund is used to pay for the production of advertising and promotional material and media purchases.

The Company seeks to develop and execute marketing programs that appeal to its customers by differentiating Pizza Pizza and Pizza 73 from its competitors, thereby attracting new customers, building customer loyalty and increasing frequency of visits. With a substantial restaurant presence in Ontario, the

Company supports the Pizza Pizza brand primarily with radio and print advertising such as flyers, as well as billboards at major venues such as Toronto's Air Canada Centre and Ottawa's Scotiabank Place. The Company targets a broad market through different advertising mediums, including printed media, radio and television for its Pizza 73 branded restaurants. Printed media is used to target specific geographic areas and conveys considerably more information to consumers including price points and menu offerings compared to other forms of media. Radio advertising is used to increase brand awareness, and to reinforce specific offerings. Television advertising is also selectively used by Pizza 73. Advertising funds are also directed towards the development of other materials, such as point of purchase promotions and coupons. For the year ended January 1, 2012, the Company's annualized marketing expenditures exceeded \$28,000,000 on its promotional and advertising programs.

Sales promotions and contests, coupons and special discounts, cross promotions with strategic partners and limited-time menu offerings are also used to stimulate purchases and introduce new products, such as our recently added line of pastas. In addition, the marketing fund supports local hockey teams, special events, public service programs and over 1,000 charitable fundraising events in local markets.

The Company maintains an in-house marketing department of approximately 15 people. This dedicated team is able to use its intimate knowledge of the Company's brands to quickly design and implement marketing initiatives. This allows the Company to better control the costs of running its marketing campaigns.

Suppliers

The Company has long standing relationships with many of its suppliers and has developed extensive knowledge of product sources and market conditions in the sectors in which those suppliers operate. The Company subscribes to commodity briefings detailing opportunities and potential problems affecting its key sources of supply. The Company reviews supplier pricing continuously and closely follows industry trends in order to ensure it is receiving competitive pricing.

Flour is purchased from P & H Milling, formerly Dover Flour, a supplier to the Company for nearly 20 years. The flour is delivered to three climate-controlled silos at the Commissary, eliminating significant packaging cost with just-in-time service to limit inventory costs and ensure freshness. All flour is analyzed and approved for receipt by the Company prior to shipment.

The Company is Canada's largest buyer of mozzarella cheese for use in pizza and has been a customer of Saputo Cheese for over 35 years. Management believes the blend of cheese purchased is unique to Pizza Pizza. All cheese is analyzed prior to shipment.

The Company purchases the majority of its vegetable products from F.G. Lister & Co. Ltd., which has been supplying the Company with fresh, imported and local produce since 1990.

The Company purchases all of its soft drink products from the Coca-Cola Ltd. Management believes the Company is the largest buyer of canned soft drink products in the Canadian commercial foodservice industry.

The Company negotiates all contracts and several proprietary items are made to the Company's specifications. Prices are directly negotiated with manufacturers for over 70% of the total supplier costs, allowing for control of quality and price, while providing information on the supply market. Two of the most expensive and key ingredients, chicken and cheese, are controlled by marketing boards. The Company's involvement with suppliers permits it to stay abreast of public policy and industry news. In addition, the Company receives all invoices and pays all bills for each location, which ensures a strong credit history with suppliers and trade payables.

The Company's Calgary and Edmonton commissaries are operated on a break-even basis, allocating charges to the Unit Companies based on order volumes. In practice, this is achieved through a 10% mark-up in the commissaries, with profits or losses allocated back to the Unit Companies over time.

Competition

The QSR segment is competitive with respect to price, food quality, brand recognition, service, location and concept. In addition, the QSR segment is often affected by changes in consumer tastes and national, regional or local economic conditions. Competition within the industry comes from both established competitors and potential new market entrants, including restaurant chains based in the United States and other regions of Canada.

In addition, each Pizza Pizza and Pizza 73 restaurant competes for customers with other food service operators within the same geographical area. Competition, in the broadest perspective, includes restaurants, coffee shops, street vendors, convenience food stores, delicatessens and supermarkets. Certain of these foodservice operators sell prepared foods, including fresh and frozen pizzas, which compete with both brands.

The Company competes both with QSRs offering alternative menu choices — such as hamburgers, chicken and sandwiches — and more directly with QSRs that offer pizza. The pizza QSR segment, in which the Company operates, is highly competitive. The principal branded chain competitors in Ontario to Pizza Pizza in this segment are Pizza Hut, Domino’s Pizza, Little Caesars, Pizza Nova, 241 Pizza, Toppers Pizza, Gino’s Pizza and Pizzaville Pizza. Pizza Pizza also competes with independent restaurants offering pizza take-out and delivery service, which represented one-fifth of the pizza QSR segment in 2011. Pizza 73’s main competitors include Pizza Hut, Panagos, Domino’s Pizza, Little Caesars and other operators in the pizza QSR segment, as well as independent foodservice operators offering pizza and chicken wings for take-out and delivery. Each Pizza Pizza and Pizza 73 restaurant competes with these other food options primarily through the quality, variety and value perception of menu items and dining experiences offered. The number and location of restaurants, quality and speed of service, attractiveness of facilities, marketing effectiveness and new product development are also important competitive factors.

The Company competes with other QSR operators both for restaurant sites as well as committed, qualified individuals who are seeking to pursue opportunities to own their own business.

Directors and Officers of the Company

Michael Overs, Pizza Pizza Limited's founder and Chief Executive Officer, passed away in March 2010. Paul Goddard, a Vice President of the Company and Mr. Overs' son-in-law, was appointed Chief Executive Officer, and is leading the Company's management team overseeing day-to-day operations and corporate strategy. The Company and its management team are dedicated to working with the Pizza Pizza and Pizza 73 restaurant partners and employees, suppliers and business associates to build on the success the Company has achieved under Michael's past leadership.

The Company’s ability to attract and retain skilled management personnel has been a key factor in the development of its restaurant system. The current executive team has a combined total of approximately 110 years’ experience with Pizza Pizza.

The following individuals are the executive officers of Pizza Pizza:

<u>Name</u>	<u>Current Position</u>	<u>Year Started</u>
Paul Goddard.....	Chairman and C.E.O.	2009
Curtis Feltner	VP Finance & Chief Financial Officer	1993
Pat Finelli	Chief Marketing Officer	1984
Sebastian Fuschini	Vice President, Franchising	1981
Paul Methot.....	Vice President, Operations	1984

Paul Goddard — Chairman and C.E.O.

Paul Goddard is a licenced Professional Engineer (P.Eng) and holds a BSc (Honours) in mechanical engineering from Queen's University and an MBA from London Business School, United Kingdom. Mr. Goddard joined the Company in 2009 as Vice President, Enterprise Development before being appointed Chief Executive Officer in 2010. Prior to joining the Company, he was Senior Vice President of Sales and Marketing for Energy Savings Income Fund (now called Just Energy Group) from 2007 to 2008, and was Vice President of Wholesale Energy Group from 2006 to 2007.

Curtis Feltner — Chief Financial Officer and Vice President, Finance

Curtis Feltner holds a B.Sc. degree from Indiana University. Mr. Feltner became a certified public accountant in 1983, joining the Company as the Controller in 1993. He was promoted to Chief Financial Officer in 1999 and Vice President, Finance in 2005. Prior to joining the Company, he worked in a financial capacity in the real estate industry for ten years.

Pat Finelli — Chief Marketing Officer

Following graduation from Ryerson Polytechnical Institute in 1984 with a business degree, Mr. Finelli joined the Company in the area of Franchisee Financial Services and Training. From 1985 to 1987, he worked as a market manager, and from 1987 to 1991, he worked as a district sales manager. Mr. Finelli served as Vice President, Sales from 1991 to 1998, was promoted to Vice President, Marketing, in 1998 and in 2006 was promoted to Chief Marketing Officer.

Sebastian Fuschini — Vice President, Franchising

Following graduation from Centennial College in 1980 with a business degree, Mr. Fuschini worked in the food industry with Burger King and Movenpick. In 1981, Mr. Fuschini joined the Company as a district supervisor. Mr. Fuschini has served as Director, Franchising and Vice President, Franchising since 1990.

Paul Methot — Vice President, Operations

Mr. Methot received a Bachelor of Arts (Hons.) in Business Administration from the University of Western Ontario in 1983. Mr. Methot initially worked for Coopers & Lybrand in the area of mergers and acquisitions. He first joined the Company as Director of Real Estate in 1984, leaving to work for First City Investments in the real estate area from 1988 to 1989. Mr. Methot returned to the Company in 1989 as Director of Real Estate. From 1990 to 1993, he served as Vice President, Corporate Development. From 1993 to May 2005 Mr. Methot served as Vice President, Commissary, at which time he moved into his current position as Vice President, Operations.

Personnel

As at December 31, 2011, the Company had approximately 1,600 employees, including 850 under the Pizza 73 brand. Pizza Pizza franchisees employ an additional 3,700 people in the restaurant operations.

Government Regulation

Local Regulation of Restaurants

Corporate, franchised and jointly-controlled restaurants are subject to licensing and regulation by a number of governmental authorities, which may include liquor, health, sanitation, safety, fire, building and other agencies in the provinces or municipalities in which restaurants are located. Developing new restaurants in particular locations requires licences and land use approval, and could be delayed by difficulties in obtaining such licences and approvals or by more stringent requirements of local government bodies with respect to zoning, land use and licensing. Franchisees must comply with all

applicable federal, provincial and local laws and regulations. Pursuant to the franchise agreements, the Company is to be indemnified by Franchisees for any liabilities or costs incurred which are attributable to their failure to comply with such laws and regulations.

Food Product Regulation

The Company and suppliers of food products to the Pizza Pizza and Pizza 73 Restaurants must comply with applicable federal and provincial regulations relating to the manufacture, preparation and labeling of food products.

Franchise Regulation

The Company must comply with the laws and regulations adopted in certain jurisdictions that require specified disclosure to be made with respect to the offer and sale of franchises. These laws require that the Company furnish prospective business partners with a disclosure document containing information prescribed by these laws.

Employment Regulations

The Company and its Franchisees are subject to provincial labour and employment laws that govern their relationship with employees, such as minimum wage requirements, overtime and working conditions.

Regulations Governing Alcoholic Beverages

Alcoholic beverage control regulations require that the Company or a Franchisee, as the case may be, apply to a provincial or a municipal authority for a licence or permit to sell alcoholic beverages on the premises and, in certain locations, to provide service for extended hours and on Sundays. Typically, licences must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of a restaurant's operations, including the minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing, inventory control, and handling, storage and dispensing of alcoholic beverages.

DESCRIPTION OF THE FUND

Declaration of Trust

The Fund is an unincorporated open ended limited purpose trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. The Fund qualifies as a mutual fund trust for the purposes of the Tax Act. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust which does not purport to be complete. Reference is made to the Declaration of Trust for a complete description of the Units and the full text of its provisions. See "Material Contracts".

Units

The beneficial interests in the Fund are designated as "Units" which are entitled to the rights and subject to the limitations, restrictions and conditions set out in the Declaration of Trust as summarized below.

An unlimited number of Units may be created and issued pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest of the holder (the "Unitholder") in any distributions from the Fund, whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. The Units entitle the Unitholder to one vote for each Unit held at meetings of Unitholders.

All Units have equal rights and privileges and are not subject to future calls or assessments. Except as set out under "- Redemption Right" below, the Units have no conversion, retraction, redemption or pre-emptive

rights. Issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees without the approval of Unitholders.

No certificates will be issued for fractional Units and fractional Units will not entitle the holders thereof to vote. The Units are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of such act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Issuance of Units

The Declaration of Trust provides that the Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a *pro rata* basis. The Declaration of Trust also provides that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution will be deemed to represent the same number of Units after the non-cash distribution and the consolidation. However, if amounts so distributed represent income, then Non-resident Unitholders will be subject to withholding tax thereon and the consolidation will not result in those Non-resident Unitholders holding the same number of Units. Such Non-resident Unitholders will be required to surrender the certificate (if any) representing their pre-consolidation Units in exchange for a certificate representing their post-consolidation Units.

Cash Distributions

The amount of cash to be distributed per month per Unit to the Unitholders shall be equal to a *pro rata* share of interest and principal repayments on the Trust Notes and distributions on or in respect of the Trust Units owned by the Fund less:

- administrative expenses and other obligations of the Fund;
- amounts which may be paid by the Fund in connection with any cash redemptions or repurchases of Units;
- proceeds of any issuance of Units or other securities of the Fund;
- satisfaction of any debt service obligations (principal and interest) on indebtedness of the Fund;
- satisfaction of any obligations to pay SIFT Tax; and
- reasonable reserves established by the Trustees in their sole discretion.

The Trustees may authorize increased or decreased distributions in excess of or below the aforementioned distributions during the year, as they see fit, in their sole discretion. As an initial step in dealing with the SIFT Tax, beginning with the distribution for the month of January 2011, the Fund's trustees have adopted a new distribution policy, with a reduced monthly distribution that reflects the Fund's obligation to make SIFT federal tax payments. In determining the level of distributions, the Trustees considered factors related to the Company's operations, the need to augment the cash reserve fund, future costs of converting to a corporation, their assessment of economic conditions in the Company's principal markets and the impact on Royalty income, and the discretionary tax deductions that are available as a result of the Fund's past tax planning strategy.

The Fund established the 2011 distribution policy based on the targeted receipt of an amount equal to \$0.89 per Class A LP Unit annually, sourced from distributions made by the Partnership. Of that amount, the Fund expects to distribute \$0.70 to unitholders annually, with the remainder used to pay SIFT Tax and to increase the Fund's cash reserve. The Company expects to receive \$0.89 per unit annually as distributions on Class B and D equivalent units that it holds (decreased from an amount equal to \$0.93 per unit in 2010).

The Fund intends to make distributions each month of amounts determined by the Trustees in their sole discretion to be available for distribution by the Fund for such month. Monthly distributions are to be paid to Unitholders of record on the last business day of each month, except for the month of December where it is always the last day, and will be paid within 15 days following each month end. The Fund declared distributions of \$15,290,000 or \$0.7008 per Unit for the year ended December 31, 2011 for a payout ratio of 90%. For those Unitholders holding Units outside a tax deferred plan, the 2011 distributions will be treated as 61.6% taxable income and 38.4% return of capital.

Distributions were funded entirely by cash flow from operations and the Partnership's cash reserves. No debt was incurred during the year ended December 31, 2011 to fund distributions.

Distributions declared for the period ended December 31, 2011 were as follows:

<u>Period</u>	<u>Payment Date</u>	<u>Amount/unit</u>
January 1-31, 2011	February 15, 2011	5.84¢
February 1-29, 2011	March 15, 2011	5.84¢
March 1-31, 2011	April 15, 2011	5.84¢
April 1-20, 2011	May 13, 2011	5.84¢
May 1-31, 2011	June 15, 2011	5.84¢
June 1-30, 2011	July 15, 2011	5.84¢
July 1-31, 2011	August 15, 2011	5.84¢
August 1-31, 2011	September 15, 2011	5.84¢
September 1-30, 2011	October 14, 2011	5.84¢
October 1-31, 2011	November 15, 2011	5.84¢
November 1-30, 2011	December 15, 2011	5.84¢
December 1-31, 2011	January 13, 2012	5.84¢
Total		70.08¢

Distributions declared for the period ended December 31, 2010 were as follows:

<u>Period</u>	<u>Payment Date</u>	<u>Amount/unit</u>
January 1-31, 2010	February 15, 2010	7.75¢
February 1-29, 2010	March 15, 2010	7.75¢
March 1-31, 2010	April 15, 2010	7.75¢
April 1-20, 2010	May 14, 2010	7.75¢
May 1-31, 2010	June 15, 2010	7.75¢
June 1-30, 2010	July 15, 2010	7.75¢
July 1-31, 2010	August 13, 2010	7.75¢
August 1-31, 2010	September 15, 2010	7.75¢
September 1-30, 2010	October 15, 2010	7.75¢
October 1-31, 2010	November 15, 2010	7.75¢
November 1-30, 2010	December 15, 2010	7.75¢
December 1-31, 2010	January 14, 2011	7.75¢
Total		93.00¢

Distributions for the period ended December 31, 2009 were as follows:

<u>Period</u>	<u>Payment Date</u>	<u>Amount/unit</u>
January 1-31, 2009	February 13, 2009	7.75¢
February 1-29, 2009	March 13, 2009	7.75¢
March 1-31, 2009	April 15, 2009	7.75¢
April 1-20, 2009	May 15, 2009	7.75¢
May 1-31, 2009	June 15, 2009	7.75¢
June 1-30, 2009	July 15, 2009	7.75¢
July 1-31, 2009	August 14, 2009	7.75¢
August 1-31, 2009	September 15, 2009	7.75¢
September 1-30, 2009	October 15, 2009	7.75¢
October 1-31, 2009	November 15, 2009	7.75¢

November 1-30, 2009	December 15, 2009	7.75¢
<u>December 1-31, 2009</u>	<u>January 15, 2010</u>	<u>7.75¢</u>
Total		93.00¢

The Fund may make additional distributions in excess of the monthly distributions during the year, as the Trustees may determine. The distribution declared in respect of the month ending December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of the Fund for such year as is necessary to ensure that, subject to the SIFT Tax, the Fund will not be liable for income taxes under Part I of the Tax Act in such year and Unitholders will have a right to enforce payment of such distribution on December 31. To the extent that income of the Fund is applied to any cash redemptions of Units or is otherwise unavailable for cash distribution, distributions will be made to Unitholders in the form of additional Units. Such additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Holders of Units who are Non-residents of Canada will be required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether such distributions are in the form of cash or additional Units. Non-residents should consult their own tax advisors regarding the tax consequences of investing in the Units. Additional Units otherwise issuable to Non-residents of Canada may, in certain cases, also be escrowed and resold on their behalf.

Redemption Right

Units are redeemable at any time on demand by the holders thereof. As the Units will be issued in book entry form, a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to CDS. Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

- 90% of the "market price" of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not then listed on a stock exchange, the principal market on which the Units are quoted for trading) during the ten consecutive trading day period ending on the trading day immediately before the date on which the Units were surrendered for redemption (the "Redemption Date"); and
- 100% of the "closing market price" of the Units on the principal market on which the Units are quoted for trading on the date that the Units were surrendered for redemption.

For the purposes of this calculation, "market price" will be an amount equal to the average of the closing price during the applicable trading period of the Units for each of the trading days on which there was a closing price, provided that:

- if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Units traded on a particular day, the "market price" will be an amount equal to the average of the highest and lowest prices for each of the trading days on which there was a trade; and
- if there was trading on the applicable exchange or market for fewer than five of the ten trading days, the "market price" will be the average of the following prices established for each of the ten trading days:
 - (i) the average of the last bid and last asking prices of the Units for each day there was no trading;
 - (ii) the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and

- (iii) the average of the highest and lowest prices of the Units for each day that there was trading if the exchange or market provides only the highest and lowest prices of Units traded on a particular day.

The “closing market price” for the purpose of the foregoing calculation will be:

- an amount equal to the closing price of the Units if there was a trade on that day and the exchange or market provides a closing price;
- an amount equal to the average of the highest and lowest prices of the Units if there was trading and the exchange or other market provides only the highest and lowest prices of Units traded on a particular day; or
- the average of the last bid and last asking prices of the Units if there was no trading on that day.

The total Redemption Price payable by the Fund in respect of all Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment no later than the last day of the month following the month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that:

- the total amount payable by the Fund in respect of those Units and all other Units tendered for redemption in the same calendar month will not exceed \$50,000, provided that the trustees may, in their sole discretion, waive this limitation in respect of all Units tendered for redemption in any calendar month;
- at the time the Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or quoted on another market which the trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and
- the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period ending on the trading day immediately prior to the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then each Unit tendered for redemption shall, subject to any applicable regulatory approvals, be redeemed by way of a distribution *in specie* of the assets of the Fund which will generally be equal to a *pro rata* number of securities of the Trust (calculated on a fully diluted basis and net of the Unitholder’s net *pro rata* share of the aggregate unpaid liabilities of the Fund) held by the Fund. In such event, the Unitholder’s *pro rata* share of Trust Units and Series 1 Trust Notes will be redeemed by the Trust in consideration of Series 2 Trust Notes and Series 3 Trust Notes, respectively. Such Series 2 Trust Notes and Series 3 Trust Notes will be distributed *in specie* by the Fund to the redeeming Unitholder in lieu of the net *pro rata* share of Trust Units and Series 1 Trust Notes, respectively. Series 2 Trust Notes and Series 3 Trust Notes will be issued only in integral multiples of \$100. Where the principal amount of Series 2 Trust Notes or Series 3 Trust Notes to be received by a Unitholder includes a multiple of less than \$100, the number will be rounded to the next lowest integral multiple of \$100. The Fund shall be entitled to all interest paid on the Series 1 Trust Notes and the distributions paid on the Trust Units on or before the date of the distribution *in specie*. Where the Fund makes a distribution *in specie* of a *pro rata* number of securities of the Trust on the redemption of Units of a Unitholder, the Fund currently intends to designate to that Unitholder any income or capital gain realized by the Fund as a result of the redemption of the Series 1 Trust Notes and Trust Units and the exchange and distribution of such securities to the Unitholder on the redemption of Units.

It is anticipated that the redemption right described above will not be the primary mechanism for holders of Units to dispose of their Units. Series 2 Trust Notes and Series 3 Trust Notes which may be distributed to Unitholders in connection with a redemption will not be listed on any stock exchange, no market is expected to develop in securities of the Trust and such securities may be subject to an indefinite “hold period” or other resale restrictions under applicable securities laws. Series 2 Trust Notes and Series 3 Trust Notes so distributed may not be qualified investments for Plans, depending upon the circumstances at the time.

Meetings of Unitholders

Each Unit entitles the holder thereof to one vote at all meetings of Unitholders. Meetings of Unitholders will be called and held annually for, among other things, the appointment of Trustees and the appointment of auditors of the Fund. The Declaration of Trust provides that the Unitholders shall be entitled to pass resolutions that will bind the Fund only with respect to:

- the appointment or removal of Trustees of the Fund;
- the appointment or removal of nominees of the Fund to serve as Trustees of the Trust or directors of Pizza Pizza GP (except filling casual vacancies);
- the appointment or removal of the auditors of the Fund;
- the appointment of an inspector to investigate the performance by the Trustees in respect of their respective responsibilities and duties in respect of the Fund;
- the approval of amendments to the Declaration of Trust (except as described below under “Amendments to the Declaration of Trust”);
- any amalgamation, merger, consolidation, arrangement or other business combination except in conjunction with an internal reorganization;
- the termination of the Fund;
- the sale, lease, exchange or other distribution or disposition of all or substantially all of the assets of the Fund (other than in connection with an *in specie* redemption of Units by the Fund);
- the exercise of certain voting rights attached to the securities of the Trust held by the Fund (see “— Exercise of Certain Voting Rights Attached to Certain Securities” below);
- ratification of any Unitholder rights plan, distribution reinvestment plan, Unit purchase plan, Unit option plan or other compensation plan contemplated by the Declaration of Trust requiring Unitholder approval under applicable laws, regulations or stock exchange rules;
- the dissolution or winding-up of the Fund prior to the end of its term; and
- any other matters that the trustees may determine or as may be properly brought before a meeting including any other matters required by securities law, stock exchange rules or other laws or regulations to be submitted to Unitholders for approval.

No other action taken by Unitholders or any other resolution of the Unitholders at any meeting will in any way bind the trustees.

A resolution relating to the following matters must be passed by at least a simple majority of the votes cast by Unitholders: (i) appointing or removing trustees of the Fund, (ii) appointing or removing nominees of the Fund to serve as trustees of the Trust and directors of Pizza Pizza GP, (iii) appointing or removing the auditors of the Fund, (iv) appointing an inspector, (v) with respect to the exercise of certain voting rights attached to the securities of the Trust, (vi) ratifying any Unitholder rights plan, distribution reinvestment plan, Unit purchase plan, Unit option plan or other compensation plan contemplated by the Declaration of Trust requiring Unitholder approval under applicable laws, regulations or stock exchange rules, and (vii) where applicable, any matter required by securities law, stock exchange rules or other laws or regulations to be submitted to Unitholders for approval and approved by at least a majority of votes cast by Unitholders. The balance of the foregoing matters must be passed by special resolution requiring at least two-thirds approval.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened if requisitioned by the holders of not less than 10% of the Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of Non-residents. Accordingly, for so long as is required by the Tax Act to meet such test, the Declaration of Trust provides that at no time may Non-residents be the beneficial owners of more than 49% of the Units. This 49% limitation will be applied with respect to the issued and outstanding Units of the Fund on both (i) a non-diluted basis and (ii) a fully-diluted basis (the

limitation will apply in either case) calculated on the assumption that any Units issuable at the time of calculation to holders of Class B Units pursuant to the Exchange Agreement have been issued and are held by holders of Class B Units and Class D Units.

If at any time, the Trustees, in their sole discretion, determine that it is advisable and in the best interests of the Fund to act so that the Fund continues to qualify as a mutual fund trust for purposes of the Tax Act, the Trustees may take one or more actions including the following:

- the Trustees may perform residency searches of Unitholder and beneficial Unitholder mailing address lists and take such other steps as specified by the Trustees, at the cost of the Fund, to determine or estimate, to the extent practicable, the residence of the beneficial owners of Units;
- the Trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident or declarations from Unitholders as to whether such Units are held by or for the benefit of beneficiaries (“Non-resident Beneficiaries”) that are Non-residents;
- the Trustees, following the issuance of a public announcement to such effect, may refuse to accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration that the person is not a Non-resident (or, in the discretion of the Trustees, that the person is not a Non-resident Beneficiary) and does not hold his or its Units for a Non-resident Beneficiary;
- the Trustees may place such other limits on Unit ownership by Non-residents as the Trustees may deem necessary in their sole discretion, including unilaterally altering the limit on Non-resident ownership above, to the extent required, in the opinion of the Trustees, to maintain the Fund’s status as a mutual fund trust; and
- if, notwithstanding the foregoing, the Trustees, in their sole discretion, determine that further action is required so that the Fund continues to qualify as a mutual fund trust for purposes of the Tax Act, the Trustees may send a notice to such Unitholders, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not more than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not Non-residents and do not hold their Units for the benefit of Non-resident Beneficiaries within such period, the Trustees may sell such Units on behalf of such Unitholders, and in the interim, the voting and distribution rights attached to such Units shall be suspended. Upon such sale, the affected holders shall cease to be Unitholders and their rights shall be limited to receiving the net proceeds of sale.

In any situation where it is unclear whether Units are held for the benefit of Non-resident Beneficiaries, the Trustees may exercise their discretion in determining whether such Units are or are not so held.

Takeover Bids

The Declaration of Trust and Governance Agreement contains provisions to the effect that if a take-over bid is made for the Units (including rights to the Units to be issued upon exercise of the Retained Interest and Exchange Rights) and not less than 90% of the Units on a fully diluted basis (including the Units issuable upon the exchange of any securities exchangeable into Units but not including any Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders and holders of securities exchangeable for Units who did not accept the take-over bid on the terms offered by the offeror.

Exercise of Certain Voting Rights Attached to Certain Securities

The Declaration of Trust provides that the Fund will not vote the interests in the Trust held from time to time by the Fund to authorize, among other things:

- any sale, lease, exchange or other disposition or distribution of, or any interests in, all or substantially all of the assets of the Trust, Pizza Pizza GP or the Partnership except in

- conjunction with an internal reorganization or bona fide pledges, mortgages, charges, security interests or other encumbrances in connection with permitted guarantees or in the ordinary course of business;
- any amalgamation, arrangement, merger, combination or capital reorganization of the Trust, Pizza Pizza GP or the Partnership with any other entity, except in conjunction with an internal reorganization;
 - any material amendment to the Note Indenture other than in contemplation of a further issuance of Trust Notes to the Fund that are identical in all material respects to the Trust Notes issued in conjunction with the offering;
 - the winding-up or dissolution of any of the Trust, the Partnership or Pizza Pizza GP prior to the end of the term of the Fund, except in conjunction with an internal reorganization;
 - any material amendment to the constating documents of any of the Trust, the Partnership or Pizza Pizza GP to change the authorized capital of those entities or to effect any other change in a manner which may be prejudicial to the Fund or the Unitholders;
 - any other matter that, under the Trust Declaration of Trust, requires or permits the approval of the holders of Units by special resolution; or
 - any action by an affiliate of the Fund that would result in the Units constituting foreign property for the purposes of the Tax Act;

without the authorization of the Unitholders by a Unitholders' Special Resolution.

Rights of Unitholders

The rights of the Unitholders as investors in the Fund and the attributes of the Units will be governed by the Fund's Declaration of Trust. Although the Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies as an investor would have as a shareholder of a corporation governed by the Canada Business Corporations Act (the "CBCA"), there do exist significant differences.

Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of a CBCA corporation and to elect trustees and auditors. The Declaration of Trust also includes provisions modeled after comparable provisions of the CBCA dealing with the calling and holding of meetings of shareholders and trustees, the quorum for and procedures at such meetings and the right of investors to participate in the decision-making process where certain fundamental actions are proposed to be undertaken. The matters in respect of which Unitholder approval is required under the Declaration of Trust is generally less extensive than the rights conferred on the shareholders of a CBCA corporation, but effectively extend to certain fundamental actions that may be undertaken by the Fund as described under "— Exercise of Certain Voting Rights Attached to Certain Securities". These Unitholder approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are "reporting issuers" or the equivalent or listed on the TSX (for example, approval requirements relating to related party or other transactions that are subject to Multilateral Instrument 61-101. The Declaration of Trust includes provisions concerning trustee independence, the composition of board committees including the audit committee and conflicts of interest, which are based on provisions of the CBCA and are supplemented by applicable securities laws.

Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting (i) the business or businesses that the corporation can carry on, or (ii) the issue, transfer or ownership of shares). As an alternative, Unitholders seeking to terminate their investment in the Fund are entitled to receive their pro rata share of the Fund's net assets through the exercise of the redemption rights provided by the Declaration of Trust as described under "— Redemption Rights". Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of the CBCA corporation where the corporation undertakes actions that are oppressive,

unfairly prejudicial or disregarding the interests of securityholders and other certain parties. Shareholders of a CBCA corporation may also apply to a court to order the liquidation and dissolution of the corporation in those circumstances whereas Unitholders could rely only on the general provisions of the Declaration of Trust which permits the winding up of the Fund with the approval of a Special Resolution of the Unitholders. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Declaration of Trust allows for the appointment of an inspector to investigate the Trustees' performance of their responsibilities and duties, upon the request of holders of 25% of the outstanding Units, but this process would not be subject to court oversight or assure the other investigative procedures, rights and remedies available under the CBCA. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right of the Unitholders to commence or participate in legal proceedings with respect to the Fund.

Book-Entry Only System

Registration of interests in and transfers of the Units will be made only through a book-based system (the "Book-Entry Only System") administered by CDS. Units must be purchased, transferred and surrendered for redemption through a CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholder is entitled will be made or delivered by, CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased. References in this prospectus to a Unitholder means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the Book-Entry Only System in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

The Fund, the Trustees and the transfer agent and registrar for the Units will not have any liability for (a) records maintained by CDS relating to beneficial interest in the Units or book-entry accounts maintained by CDS; (b) maintaining, supervising or reviewing any records relating to those beneficial interests; or (c) any advice or representations by CDS and made or given with respect to the rules and regulations of CDS, or any action taken or not taken by CDS, or the CDS Participants.

Fund Administration

The Fund has entered into the Administration Agreement with the Partnership whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund, including those necessary to: (i) ensure compliance by the Fund with continuous disclosure obligations under applicable securities legislation, including the preparation of financial statements relating thereto; (ii) provide investor relations services; (iii) provide or cause to be provided to Unitholders all information to which Unitholders are entitled under the Declaration of Trust, including relevant information with respect to income taxes; (iv) call and hold meetings of Unitholders and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings; (v) provide for the calculation of distributions to Unitholders; (vi) attend to all administrative and other matters arising in connection with any redemptions of Units; (vii) ensure compliance with the Fund's limitations on non-resident ownership; and (viii) the provision of general accounting, bookkeeping and administrative services. The Administration Agreement may be terminated by the Fund upon payment to the Partnership of all costs and expenses incurred by the Partnership in terminating contracts entered into by the Partnership with the approval of the Fund for the performance by the Partnership of its duties under the Administration Agreement.

The Partnership will pay all expenses incurred by it and attributable to the exercise of its duties in the administration of the Fund and the Fund will reimburse the Partnership for such expenses.

DESCRIPTION OF THE TRUST

Holdings Declaration of Trust

The Trust is an unincorporated limited purpose trust established under the laws of the Province of Ontario pursuant to the Holdings Declaration of Trust. It is not intended that the Trust qualify as a mutual fund trust for the purposes of the Tax Act. The following is a summary of the material attributes and characteristics of the Trust Units and certain provisions of the Holdings Declaration of Trust which does not purport to be complete. Reference is made to the Holdings Declaration of Trust for a complete description of the Trust Units and the full text of its provisions. See "Material Contracts".

Trust Units

An unlimited number of Trust Units may be issued pursuant to the Holdings Declaration of Trust. The Fund currently holds all of the issued and outstanding Trust Units. Each Trust Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Trust whether of net income, net realized capital gains or other amounts, and in the net assets of the Trust in the event of termination or winding-up of the Trust. All Trust Units have equal rights and privileges. The Trust Units are not subject to future calls or assessments. Except as set out below under "- Redemption Right", the Trust Units have no conversion, retraction, redemption or pre-emptive rights.

Issuance of Trust Units

The Holdings Declaration of Trust provides that the Trust Units or rights to acquire Trust Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Holdings Trustees determine. Trust Units may be issued in satisfaction of any non-cash distribution of the Trust to Holdings Unitholders on a pro rata basis. The Holdings Declaration of Trust also provides that immediately after any pro rata distribution of Trust Units to all Holdings Unitholders in satisfaction of any non-cash distribution, the number of outstanding Trust Units will be consolidated such that each Holdings Unitholder will hold after the consolidation the same number of Trust Units as the Holdings Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Trust Units prior to the non-cash distribution is deemed to represent the same number of Trust Units after the non-cash distribution and the consolidation.

Redemption Right

Trust Units will be redeemable at any time on demand by the holders thereof upon delivery to the Trust of a duly completed and properly executed notice requiring the Trust to redeem Trust Units, in a form reasonably acceptable to the Holdings Trustees, together with the certificates for Trust Units representing Trust Units to be redeemed and written instructions as to the number of Trust Units to be redeemed. Upon tender of Trust Units by a holder thereof for redemption, the holder of Trust Units tendered for redemption will no longer have any rights with respect to such Trust Units other than the right to receive the redemption price for such Trust Units. The redemption price for each Trust Unit tendered for redemption will be equal to:

$$\frac{(A \times B) - C + D}{E}$$

Where

A = the cash redemption price per Unit of the Fund calculated as of the close of business on the date the Trust Units were so tendered for redemption by a holder of Trust Units;

- B = the aggregate number of Units of the Fund outstanding as of the close of business on the date the Trust Units were so tendered for redemption by the holder thereof;
- C = the aggregate unpaid principal amount and accrued interest thereon of any indebtedness held by or owed to the Fund (including the Trust Notes) and the fair market value of any other assets or investments held by the Fund (other than Trust Units, Trust Notes or any other indebtedness of the Trust held by or owed to the Fund) as of the close of business on the date the Trust Units were so tendered for redemption by a holder thereof;
- D = the aggregate unpaid principal of any indebtedness and any accrued liabilities of the Fund (prior to the redemption of Units of the Fund for such date) as of the close of business on the date the Trust Units were so tendered for redemption by a holder thereof; and
- E = the aggregate number of Trust Units outstanding held by the Fund as of the close of business on the date the Trust Units were so tendered for redemption by the holder thereof.

The aggregate redemption price payable by the Trust in respect of any Trust Unit tendered for redemption by the holder thereof during any month will be satisfied, at the option of the Holdings Trustees in their sole discretion; (i) in immediately available funds by cheque; (ii) by the issuance to or to the order of the holder whose Trust Units are to be redeemed of such aggregate amount of Series 2 Trust Notes as is equal to the aggregate redemption price payable to such holder of Trust Units rounded down to the nearest \$100, with the balance of any such aggregate redemption price not paid in Series 2 Trust Notes to be paid in immediately available funds by cheque; or (iii) by any combination of funds and Series 2 Trust Notes as the Holdings Trustees shall determine in their sole discretion, in each such case payable or issuable on the last day of the calendar month following the calendar month in which the Trust Units were so tendered for redemption. A holder of Trust Units whose Trust Units are tendered for redemption may elect, at any time prior to the payment of the redemption price, to receive Series 2 Trust Notes pursuant to (ii) above in the place of all or part of the funds otherwise payable, the principal amount of such Series 2 Trust Notes payable to be equal to the funds otherwise payable, rounded down to the nearest \$100.

Trust Notes

The following is a summary of the material attributes and characteristics of the Trust Notes, and is qualified in its entirety by reference to the provisions of the Note Indenture, which contains a complete statement of such attributes and characteristics.

The Trust Notes will be issued only as fully registered Trust Notes in a minimum denomination of \$100 and for amounts above such minimum, only in integral multiples of \$100. No fractional Trust Notes will be distributed and where the number of Trust Notes to be received by a Unitholder includes a fraction, such number shall be rounded down to the lowest whole number.

Series 2 Trust Notes will be reserved by the Trust to be issued exclusively to holders of Trust Units as full or partial payment of the redemption price for Trust Units, as the Holdings Trustees may decide or, in certain circumstances, be obliged to issue. Series 3 Trust Notes will be reserved by the Trust to be issued exclusively as full or partial payment of the redemption price for Series 1 Trust Notes in the event of an in specie payment of the redemption price for Units redeemed by a Unitholder of the Fund.

Interest and Maturity

The Series 1 Trust Notes are payable on demand, mature on the 10th anniversary of the date of issuance and bear interest at a rate of 4% per annum. Each Series 2 Trust Note will mature on a date which is no later than the first anniversary of the date of issuance thereof and bear interest at a market rate to be determined by the Holdings Trustees at the time of issuance thereof, payable on the 15th day of each calendar month that such Series 2 Trust Note is outstanding. Each Series 3 Trust Note will mature on the same date as the Series 1 Trust Notes and bear interest at a market rate to be determined by the Holdings

Trustees at the time of issuance thereof, payable on the 11th day of each calendar month that such Series 3 Trust Note is outstanding.

Payment upon Maturity

On maturity, the Trust will repay the Trust Notes by paying to the Note Trustee under the Note Indenture in cash an amount equal to the principal amount of the outstanding Trust Notes which have then matured, together with accrued and unpaid interest thereon.

Redemption

The Trust Notes will be redeemable at the option of the Trust prior to maturity.

Subordination/Security

Payment of the principal amount and interest on the Trust Notes will be subordinated in right of payment to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness which will be defined as all indebtedness, liabilities and obligations of the Trust which, by the terms of the instrument creating or evidencing the same, will be expressed to rank in right of payment in priority to the indebtedness evidenced by the Note Indenture. The Note Indenture provides that upon any distribution of the assets of the Trust in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to Trust, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the Trust Notes are entitled to receive any payment.

Default

The Note Indenture provides that any of the following shall constitute an Event of Default (as defined in the Note Indenture):

- default in repayment of the principal amount of any of the Trust Notes when the same becomes due and the continuation of such default for a period of ten business days;
- subject to the terms of any senior indebtedness, the failure to pay the interest obligations of any of the Trust Notes, if and when issued, for a period of six months;
- the occurrence of an event of default on any senior indebtedness so that an amount in excess of \$1,000,000 is or becomes due and payable;
- certain events of winding-up, liquidation, bankruptcy, insolvency or receivership of the Trust or the Partnership;
- the taking of possession by an encumbrancer, in the opinion of the Note Trustee, of all or substantially all of the property of the Trust or of a material subsidiary, including the Partnership and the affected party failed to satisfy the claim or terminate such encumbrance within 60 days;
- the Trust ceasing to own the LP Units or the Partnership ceasing to own the Pizza Pizza Rights;
- the Partnership or any material subsidiary ceasing to carry on its business in the ordinary course or a substantial part thereof; or
- default in the observance or performance of any other covenant or condition of the Note Indenture and the continuance of such default for a period of 60 days after notice in writing has been given by the Note Trustee to the Trust specifying such default and requiring the Trust to rectify the same.

Trust Unit Certificates

As Trust Units are not intended to be issued or held by any person other than the Fund, registration of interests in, and transfers of, the Trust Units will not be made through the Book-Entry System administered by CDS. Rather, holders of Trust Units will be entitled to receive certificates therefor.

Holdings Trustees

The Trust will have a minimum of two trustees and a maximum of ten trustees a majority of whom must be residents of Canada within the meaning of the Tax Act. The Holdings Trustees are to supervise the activities and manage the affairs of the Trust. The Trustees of the Fund currently also serve as Holdings Trustees.

The Holdings Declaration of Trust provides that, subject to the terms and conditions thereof, the Holdings Trustees may, in respect of the trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the investments and conduct the affairs of the Trust. The Holdings Trustees are responsible for, among other things:

- acting for, voting on behalf of and representing the Trust as a limited partner of the Partnership;
- maintaining records and providing reports to Holdings Unitholders;
- supervising the activities of the Trust; and
- effecting payments of distributable cash from the Trust to Holdings Unitholders.

Cash Distributions

The Trust intends to make monthly distributions, to holders of record of Trust Units on the last business day of each month (except for the month of December, for which the record date will be the last day of the month), of its net monthly cash receipts, after satisfaction of its interest obligations, if any, and less any estimated cash amounts required for expenses, debt repayment and other obligations of the Trust, any cash redemptions or repurchases of Trust Units or Trust Notes, any tax liability and reserves. Such distributions will be paid within 15 days following each month end and are intended to be received by the Fund prior to its related cash distribution to Unitholders.

The Holdings Trustees may authorize additional distributions in excess of the aforementioned distributions during the year, as they see fit, in their sole discretion.

Any income of the Trust which is unavailable for cash distribution will, to the extent necessary to ensure that the Trust does not have any income tax liability under Part I of the Tax Act, be distributed to Holdings Unitholders in the form of additional Trust Units.

Trust Administration

The Trust has entered into the Administration Agreement with the Partnership whereby the Partnership will provide or arrange for the provision of services required in the administration of the Trust including those necessary to: (i) prepare financial statements for the Trust; (ii) provide for a calculation of distributions on the Trust Units and payment of interest on the Trust Notes; (iii) attend to all administrative and other matters arising in connection with any redemption of the Units; (iv) administer the PPL Loan; and (v) the provision of general accounting, bookkeeping and administrative services. The Administration Agreement may be terminated by the Trust upon payment to the Partnership of all costs and expenses incurred by the Partnership in terminating contracts entered into by the Partnership with the approval of the Trust for the performance by the Partnership of its duties under the Administration Agreement.

The Partnership will pay all expenses incurred by it and attributable to the exercise of its duties in the administration of the Trust and the Trust will reimburse the Partnership for such expenses.

DESCRIPTION OF THE PARTNERSHIP

The Partnership is a limited partnership formed under the laws of Ontario. The business of the Partnership is the ownership of the Pizza Pizza Rights and Pizza 73 Rights, the taking of actions consistent with the

Licence and Royalty Agreements to exploit, to the fullest extent possible, the use of the Pizza Pizza Rights and Pizza 73 Rights by the Company, the collection of the Royalty payable to the Partnership under the Licence and Royalty Agreements, and the administration of the affairs of the Fund and the Trust. The Partnership is governed by the Limited Partnership Agreement.

The Partnership's Limited Partnership Agreement was amended and restated effective upon the closing of the Pizza 73 Acquisition to provide for the issuance of the Class D Units, and to address related matters pertaining to the rights and attributes of those units relative to the other securities of the Partnership.

Partners and Partnership Securities

The Partnership currently has authorized for issuance seven classes of interests: Class A LP Units and Class C LP Units (which may only be issued to the Trust or its subsidiaries); Class A Units, Class B Units, Class C Units and Class D Units (which may be held by the Company or another general partner); and the GP Units (which are held by Pizza Pizza GP, as managing general partner of the Partnership). At the date of this Annual Information Form, only Class A LP Units, Class B Units, Class C Units, Class D Units and GP Units are issued and outstanding. The GP Units held by Pizza Pizza GP carry only a nominal distribution and equity entitlement.

The partners of the Partnership at December 31, 2011 are:

- Pizza Pizza GP, as the managing general partner, holding one outstanding GP Unit;
- the Company, as a general partner with an effective 26.5% interest in the Partnership, holding 4,073,128 Class B Units, 3,000,000 Class C Units, 100,000 Class D Units; and
- the Trust, as the sole limited partner, holding 18,310,094 Class A LP Units, an effective 73.5% interest in the Partnership. See "Material Contracts".

Limited partners are liable for the liabilities, debts and obligations of the Partnership, but only to the extent of the amount contributed by them or agreed to be contributed by them to the Partnership, providing that they take no part in the management of the Partnership. Subject to applicable law, limited partners will otherwise have no liability in respect of the liabilities, debts and obligations of the Partnership. Each holder of GP Units, Class B Units, Class C Units and Class D Units, as a general partner, will have unlimited liability for an obligation of the Partnership unless the holder of such obligation otherwise agrees.

The rights and entitlements of the Partnership Securities with respect to voting, distributions of distributable cash, allocations of Partnership income and distributions of proceeds of liquidation of the Partnership are described in the following description of the Partnership. The Company's rights to exchange its Class B or Class D Units for Units or, in the case of its Class C Units, for the assumption of indebtedness under the PPL Loan, are described under "The Pizza Pizza Retained Interest and Exchange Rights". The Partnership issues Class A LP Units on the exchange of any Class A Units, Class B Units or Class D Units, and Class C LP Units on the exchange of any Class C Units, that may be acquired by the Trust on the exercise of such exchange rights.

Distributions

Pizza Pizza GP, as managing general partner of the Partnership, has adopted a policy to distribute the Partnership's available cash to the maximum extent possible. Such distributions will be made to partners of record holding Partnership Securities of their share of available cash as set out below. Distributions will be made within 15 days of the end of each month and are intended to be received by the Trust prior to its related distributions to the Fund. Distributions will be paid to the partners of record on the last business day of the month in respect of which the distribution is to be paid (except for the month of December, for which the record date will be the last day of the month). The Partnership may, in addition, make a distribution at any other time.

Available cash in respect of any period will represent, in general, the Royalty earned in such period, less amounts which in the opinion of Pizza Pizza GP are required to be provided for at such time in respect of:

- debt service obligations, if any, including payments on account of principal of and interest on the Term Facility or any other debt obligations of the Partnership;
- expenses of the Fund and the Trust to be paid by the Partnership under the Administration Agreement; and
- reasonable reserves considered necessary or desirable by Pizza Pizza GP, have been accumulated at the Partnership level to cover seasonality and any unusual administrative expenditures.

Subject to the distribution of a Class B and Class D Distribution Adjustment, as described in the following paragraph, the Partnership will make monthly distributions to its partners of available cash in the order of priority (after payment of a priority distribution on the Class A LP Units sufficient to fund cash redemptions and repurchases of Units, if any, and expenses of the Trust and the Fund in the applicable period) as follows:

- (i) first, to the holders of GP Units, 0.01% of the Partnership income (the "Initial Amount"), plus, where Pizza Pizza GP's outlays and expenses for the month properly incurred exceed the Initial Amount, the amount of the excess multiplied by 1.02;
- (ii) second, to the holders of Class C Units, the Class C Distribution;
- (iii) third, to the holders of Class C LP Units, the Class C Distribution; and
- (iv) thereafter, to the holders of the Class A LP Units, the holders of the Class B Units and the holders of the Class D Units on a pari passu basis; where (I) the aggregate amount distributed to holders of Class B Units will be equal to the proportion of the Partnership's available cash that (i) the number of Units into which all outstanding Class B Units are exchangeable (based on the Class B Exchange Multiplier then applicable) is of (ii) the number of all outstanding Units (assuming the exchange of all Class D Units and such Class B Units based on the Class B Exchange Multiplier then applicable), (II) the aggregate amount distributed to holders of Class D Units will be equal to the proportion of the Partnership's available cash that (x) the number of Units into which all outstanding Class D Units are exchangeable (based on the Class D Exchange Multiplier then applicable) is of (y) the number of all outstanding Units (assuming the exchange of all Class B Units and such Class D Units based on the Class D Exchange Multiplier then applicable) and (III) where the balance of such available cash will be distributed to holders of the Class A LP Units.

In addition, at the end of business on December 31 in each fiscal year of the Partnership, an amount equal to any positive Class B Distribution Adjustment and Class D Distribution Adjustment shall be declared distributable to holders of Class B Units and Class D Units, respectively, on December 31, pro rata and in priority to the distributions referred to in clause (iv) above. The Class B Distribution Adjustment provides the holders of the Class B Units with a cumulative preferential cash distribution equal to the amount that would have been paid on the Class B Units during the relevant period had the Pizza Pizza System Sales actually experienced over that period been reflected in the calculation of the Class B Exchange Multiplier at the beginning of that period. Similarly, the Class D Distribution Adjustment provides the holders of the Class D Units with a cumulative preferential cash distribution equal to the amount that would have been paid on the Class D Units during the relevant period had the Pizza 73 System Sales actually experienced over that period been reflected in the calculation of the Class D Exchange Multiplier at the beginning of that period. These distribution adjustments will be calculated as at December 31 in each fiscal year. The Class B Distribution Adjustment will be the amount (whether positive or negative) equal to (i) the amount of cash that would have been distributed on Class B Units during that fiscal year if the Class B Exchange Multiplier determined at the end of the fiscal year (based on actual Pizza Pizza System Sales) had been applied from the beginning of that fiscal year, less (ii) the cash declared distributable on Class B Units during the fiscal year (not including any Class B Distribution Amount declared payable on the Adjustment Date in that fiscal year); provided that, if the Class B Distribution Adjustment as so calculated is negative, the holders of the Class B Units will pay such amount to the Partnership as soon as practicable, pro rata in accordance with their respective holdings of such Units. Similarly, the Class D Distribution Adjustment will be the amount (whether positive or

negative) equal to (i) the amount of cash that would have been distributed on Class D Units during that fiscal year if the Class D Exchange Multiplier determined at the end of the fiscal year (based on actual Pizza 73 System Sales) had been applied from the beginning of that fiscal year, less (ii) the cash declared distributable on Class D Units during the fiscal year (not including any Class D Distribution Amount declared payable on the Adjustment Date in that fiscal year); provided that, if the Class D Distribution Adjustment as so calculated is negative, the holders of the Class D Units will pay such amount to the Partnership as soon as practicable, pro rata in accordance with their respective holdings of such Units.

Allocation of Net Income and Loss

The income or loss, if any, of the Partnership for accounting purposes for each fiscal year, and the income or loss, if any, of the Partnership as determined pursuant to the Tax Act for a particular fiscal year, will be allocated to the holders of Class A LP Units, Class A Units (if any), Class B Units, Class C LP Units, Class C Units, Class D Units and GP Units based upon the available cash of the Partnership distributed to such holders in respect of such fiscal year. The amount of income allocated to a partner may exceed or be less than the amount of cash distributed by the Partnership to that partner. Income and loss of the Partnership for accounting purposes is allocated to each partner in the same proportion as income or loss is allocated for tax purposes.

Exchange Rights

Pursuant to the Exchange Agreement, holders of certain Partnership securities will be entitled to indirectly exchange those securities for Units, as described below (the "Exchange Rights"). A holder of Class A Units has the right to exchange a Class A Unit indirectly for Units on the basis of one Unit for each Class A Unit. The Trust will acquire Units from the Fund in consideration for Trust Units and Series 1 Trust Notes in the same proportion as is then held by the Fund and in the number required to complete the exchange. The Trust will deliver Units to the exchanging party in consideration for the Class A Units and an equivalent proportion of the common shares of Pizza Pizza GP held by it. The Partnership will then purchase the Class A Units acquired by the Trust in return for the issue of the same number of Class A LP Units to the Trust.

In addition a holder of Class B Units has the right to exchange one Class B Unit indirectly for that number of Units equal to the Class B Exchange Multiplier applicable at the date of such exchange, as described under "Licence and Royalty — Adjustments to the Royalty Pool and Payments Made Under the Licence and Royalty Agreement - Adjustments to the Royalty Pool". The Trust will acquire Units from the Fund in consideration for Trust Units and Series 1 Trust Notes in the same proportion as is then held by the Fund and in the number required to complete the exchange. The Trust will deliver an equivalent proportion of the common shares of Pizza Pizza GP held by it. The Partnership will then purchase the Class B Units acquired by the Trust in return for that number of Class A LP Units equal to the product of (i) the Class B Exchange Multiplier applicable at the date of exchange and (ii) the number of Class B Units so acquired by the Trust.

The Exchange Agreement also provides that a holder of Class C Units may require the Trust to purchase those Class C Units in consideration of the assumption by the Trust of an amount of the indebtedness under the PPL Loan equal to \$10 per Class C Unit to be transferred. The Partnership will then purchase the Class C Units held by the Trust for an equal number of Class C LP Units.

Pursuant to the Exchange Agreement, holders of Class D Units will be entitled to indirectly exchange one Class D Unit indirectly for that number of Units equal to the Class D Exchange Multiplier applicable at the date of such exchange, as described under "Licence and Royalty — Adjustments to the Royalty Pool and Payments Made Under the Licence and Royalty Agreements - Adjustments to the Royalty Pools". The Trust will acquire Units from the Fund in consideration for Trust Units and Series 1 Trust Notes in the same proportion as is then held by the Fund and in the number required to complete the exchange. The Trust will deliver an equivalent proportion of the common shares of Pizza Pizza GP held by it. The Partnership will then purchase the Class D Units acquired by the Trust in return for that number of Class A LP Units equal to

the product of (i) the Class B Exchange Multiplier applicable at the date of exchange and (ii) the number of Class D Units so acquired by the Trust.

The Exchange Rights may be exercised with respect to any number of Class A Units, Class B Units and/or Class D Units at any time upon not less than three and not more than 10 business days' prior written notice to the Trust, the Fund and the Partnership of the exercise of such Exchange Rights.

Through the ownership of its Class B Units the Company, as of January 1, 2011, effectively owned 21.3% of the fully diluted Units of the Fund, assuming all outstanding Class B Units were exchanged based on the Class B Exchange Multiplier then applicable.

Through the ownership of its Class D Units, the Company, as at January 1, 2011, effectively owned 5.2% of the fully diluted Units of the Fund, assuming all outstanding Class D units were exchanged based on the Class D Exchange Multiplier.

A holder of Class A Units, Class B Units or Class D Units may assign the Exchange Rights to an associate or affiliate to which those Class A Units, Class B Units or Class D Units are transferred in accordance with the Limited Partnership Agreement and the Governance Agreement.

Pursuant to the Exchange Agreement, holders of Class A Units, Class B Units or Class D Units have been granted demand and "piggy-back" registration rights by the Fund, enabling them to require the Fund to file a prospectus and otherwise assist with a public offering of Units in Canada on the terms prescribed therein, for so long as the aggregate direct or indirect retained interest in the Fund is 10% or more. The Fund's expenses in respect of such offering will be borne by the holder (or on a *pro rata* basis if both a holder and the Fund are selling Units in the offering). In the event of a "piggy-back" offering, the Fund's financing requirements are to take priority.

LICENCE AND ROYALTY

The Licence

Pursuant to the Licence and Royalty Agreements, the Company has been granted licences to use the Pizza Pizza Rights and Pizza 73 Rights in connection with the operation of its restaurant business in Canada for a period of 99 years. It has the right to use the Pizza Pizza Rights and Pizza 73 Rights for other ancillary uses in support of brand recognition and customer goodwill for the restaurant business in Canada. It also has the right to sublicense the Pizza Pizza Rights and Pizza 73 Rights to its Owner/Operators, Franchisees and sublicensees in all provinces and territories of Canada. The Partnership retains and will defend ownership of the Pizza Pizza Rights and Pizza 73 Rights. Subject to certain exceptions, the Company has a right of first refusal over any intended use of the Pizza Pizza Rights and Pizza 73 Rights by the Partnership in association with any new ware or service, or any intended licence to a third party for use of the Pizza Pizza Rights and Pizza 73 Rights in connection with any new ware or service. The Partnership has agreed not to use, or licence for use, the Pizza Pizza Rights and Pizza 73 Rights, for certain purposes designated under the Licence and Royalty Agreements, which generally includes uses that may diminish the value of the Licence to the Company.

The Pizza Pizza and Pizza 73 Royalty

In consideration of the Licence, the Company is required to pay the Partnership, for each Payment Period, royalties equal to 6% of System Sales for all Pizza Pizza Restaurants in the Royalty Pool and 9% of System Sales for all Pizza 73 Restaurants in the Royalty Pool during that Payment Period. The amount of the Royalty is determined at the end of each Payment Period and is payable to the Partnership within ten days of the end of such Payment Period.

The "Royalty Pool" from time to time consists of the most recently adjusted number of restaurants to be used for determining System Sales for a particular Payment Period. For greater certainty, any future "Chicken Chicken" restaurant that opens will be treated as a Pizza Pizza restaurant and will be included in

the Royalty Pool. See “— Adjustments to the Royalty Pools and Payments Made Under the Licence and Royalty Agreements”. For the purposes of determining the amount of the Royalty payable, System Sales are the gross sales of jointly-controlled, company-owned and franchised Pizza Pizza and Pizza 73 Restaurants, excluding (i) sales and goods and services tax or similar amounts levied by any governmental or administrative authority, (ii) initial or renewal franchise fees charged by Pizza Pizza upon the establishment or renewal of franchises and franchise agreements, and (iii) revenue from Company-approved national promotions and discounts. System Sales reported by Pizza Pizza and Pizza 73 franchised restaurants to the Company are self-assessed by each restaurant on a weekly reporting basis and are submitted without regular independent assurance.

For the fiscal year of the Partnership ending December 31, 2011, the Royalty was determined on the basis of the System Sales for the period January 1, 2011 to December 31, 2011 from the 695 restaurants in the Royalty Pool on January 1, 2011. The System Sales for these restaurants for the period January 1, 2011 to December 31, 2011 were approximately \$467,880,000.

Effective January 1, 2012, the Royalty Pool was adjusted to include System Sales from nine new Pizza Pizza Restaurants that opened during the period from January 1, 2011 to December 31, 2011 and one Pizza 73 Restaurants opened on or after September 1, 2010 and prior to September 1, 2011, less fifteen Pizza Pizza restaurants that closed during 2011. For 2012, the Royalty Pool will consist of 90 restaurants, 601 Pizza Pizza and 89 Pizza 73 restaurants.

Each time a Royalty payment is made to the Partnership, the Company provides the Partnership with a statement, certified as correct by the Chief Financial Officer of the Company, of the amount of the System Sales for the relevant Payment Period. The Partnership is entitled to inspect Pizza Pizza’s books and records at any time (at the Partnership’s expense) in order to review Pizza Pizza’s determination of the amount of the Royalty that is payable. In addition, the Company is required to provide the Partnership, not later than February 28 of each year, with an audited statement of System Sales for the 12 months ended on the preceding December 31.

Security for the Royalty

Security

As security for the payment of the Pizza Pizza Royalty and Pizza 73 Royalty, and all other obligations of the Company, under the Licence and Royalty Agreements, the Company entered into an Amended and Restated General Security Agreement extending the existing general security interest of the Partnership in all present and after-acquired property of the Company (subject to customary permitted liens and certain other exceptions as described below), including all amounts payable to the Company by its franchisees and Owner/Operators. Under the Amended and Restated General Security Agreement, the Partnership is entitled, in the event of a default by the Company, to appoint a receiver with the power to carry on the business of the Company. In addition, in the event of a default by the Company, the Company shall immediately pay the Partnership an amount equal to the Royalty paid for the previous 12 months. All amounts realized by the receiver, after costs, will be applied to the costs of operating the business of Pizza Pizza and to the payment to the Partnership of the amounts due under the Licence and Royalty Agreements.

Security interests in specific property of the Company may also be obtained, and the security interests to be granted to the Partnership in respect of the Royalty may be subject to certain security interests in specific property of the Company. In addition, the Company will use commercially reasonable efforts to obtain consents required from other parties to key material contracts which have been assigned.

Negative Covenants

The Amended and Restated General Security Agreement contains customary negative covenants, including the following covenants prohibiting:

1. Additional indebtedness and encumbrances (a basket for permitted indebtedness and encumbrances will be determined and will include indebtedness under the PPL Loan). The Company may not exceed a ratio of funded debt to EBITDA of 2.5:1.0 (which calculation shall not include any amounts under the PPL Loan). To the extent the Partnership has any debt outstanding, the lenders must approve any funded indebtedness of the Company greater than \$250,000 in aggregate (other than the PPL Loan).
2. Loans, guarantees, advances or investments in any entity that is not a subsidiary which has not provided its secured guarantee, with the exception of:
 - (a) guarantees, letters of commitment, and other agreements that could be construed as contingent liabilities to support lender franchisee loans and non-Bank credit facilities extended to Company franchisees and Unit Companies, which will not exceed \$4,000,000 in the aggregate without the prior written consent of the lenders. All such guarantees will be limited to credit facilities made available to Pizza Pizza franchisees and Unit Companies under the Canadian Small Business Financing Act ("CSBFA"); and
 - (b) obligations to support non-CSBFA franchisee loans with other financial institutions where Pizza Pizza's obligations are limited to (i) servicing the principal and interest of such loans for a period no greater than 60 days from the time of franchisee default, and (ii) such payments only being made from drawings under a letter of credit provided to such financial institution, with the letter of credit to be provided by either the lenders or an institution acceptable to the lenders.
3. Except for payments constituting royalties under the Licence and Royalty Agreements (which may be made by the Company on a monthly or quarterly basis to the Partnership without restriction), all dividends, distributions, withdrawals, bonuses (aside from management bonuses in the normal course), advances, redemptions, payments of principal or interest (other than permitted payments on permitted indebtedness) to any partner, director, officer, shareholder or affiliate of Pizza Pizza or any related party, except to the extent meeting the following distribution test:
 - (a) all financial covenants herein must be met both before and after any distribution; and
 - (b) after payment of the royalty, any other type of distribution as described above must be from "Excess Cash Flow". "Excess Cash Flow" shall mean EBITDA less cash taxes, unfunded capital expenditures, interest expense and all scheduled principal and lease payments.
4. Sale of any assets other than those sold in the normal course of business including the sale of corporate stores or interests therein to Pizza Pizza franchisees or Owner/Operators of the Pizza 73 Unit Companies).
5. Amendment, deletion or change of anything material, in the opinion of the lenders, in the Licence and Royalty Agreements or the PPL Loan or any of the respective supporting security documents.
6. Capital expenditures by the Company to a maximum of \$6,000,000 in 2011 and as per the budgeted amount satisfactory to the Bank in subsequent years, unless otherwise approved in writing by the lenders.
7. Liquidation, dissolution, merger, amalgamation, reorganization.
8. Entry into or agreement to be bound by any agreement having the effect of restricting any subsidiary or related party from making royalty distributions to the Partnership.
9. Change of control.

10. Investment in the business or property of another person, other than (i) repurchases of economic interests in a Unit Company or a direct or indirect wholly-owned subsidiary of Pizza Pizza or other companies directly or indirectly controlled by Michael Overs that are suppliers or lessors to the Company or are otherwise related to the Pizza Pizza or Pizza 73 businesses, provided that all amounts of the Royalty and interest payments on the PPL Loan that are due and payable at the time of such investment have been paid; and (ii) cash equivalent (money market) investments.

Certain Remedies

In the event of a default by the Company under the Licence and Royalty Agreements or the Amended and Restated General Security Agreement, including the failure to pay the Royalty or any interest payment on the PPL Loan when due, the Partnership and the Trust are each entitled to a number of remedies, both at law and under those agreements. The principal remedies are as follows:

- the Partnership or the Trust could commence legal proceedings against the Company to collect the amount of the Royalty or the PPL Loan, as the case may be, and other amounts then due;
- the Partnership or the Trust could give notice to the Unit Companies, Franchisees and sublicensees operating a restaurant of the assignment to the Partnership and the Trust of the amounts payable under the Unanimous Shareholder Agreements, franchise agreements and sublicensees with the Company and require such Unit Companies, Franchisees and sublicensees to pay these amounts to the Partnership and the Trust;
- the Partnership could terminate the Licence and Royalty Agreements and, in so doing, would be required to provide for reasonable transition arrangements; and
- the Partnership or the Trust could appoint, or apply to the court for the appointment of, a receiver to take possession of the assets of the Company over which the Partnership or the Trust have a security interest and carry on the Company business until the payments, or other arrangements satisfactory to the Partnership and the Trust, were made. The receiver could, if the payments were not made, sell the assets of the Company over which the Partnership and the Trust have a security interest.

In the event of a material default by the Company, the Licence and Royalty Agreements require the Company to prepay the aggregate amount of the Royalty payable by it for 12 months and any Monthly Make-Whole Amounts and Step Out Payments (as defined in the Licence and Royalty Agreements). In the event of the bankruptcy or insolvency of the Company, the Licence and Royalty Agreements provide that the Company is required to prepay the Royalty by paying the Partnership as liquidated damages the present value at that time of the Royalty (net of the present value of amounts that the Partnership could reasonably earn pursuant to alternative licensing arrangements available to the Partnership, acting reasonably, if the Licence were terminated and the Pizza Pizza Rights and Pizza 73 Rights licenced to a third party) over the remaining term of the Licence and Royalty Agreements.

Until the Royalty and/or the PPL Loan is brought into good standing or the Partnership and the Trust agree to other arrangements, and subject to applicable law (including laws governing bankruptcy and insolvency matters and reorganizations) and to the rights of parties to other agreements in the case of a default, a receiver appointed by the Partnership or by the court would continue to operate the Company business over which the Partnership and the Trust have a security interest.

The foregoing is a summary only of the remedies available to the Partnership and the Trust in the event of a default by the Company under the Licence and Royalty Agreements and the Amended and Restated General Security Agreement. Reference should be made to the full text of these agreements for additional details concerning these remedies.

Operating Covenants of the Company in the Pizza Pizza and Pizza 73 Licence and Royalty Agreements

The Company has agreed in the Licence and Royalty Agreements, among other things, to:

- operate and conduct its business (including the supervision of the Owner/Operators, Franchisees or sublicensees) in at least the manner and to at least the standards that the Company business is presently conducted and operated;
- preserve and protect the business of the Company and all goodwill associated therewith;
- use reasonable commercial efforts to collect all fees and other amounts payable to the Company under the Unanimous Shareholder Agreements, franchise agreements with the Franchisees or sublicensees;
- monitor the compliance of the Unit Companies, Pizza Pizza Franchisees and other permitted sublicensees with the trade mark and character and quality standards set under the Unanimous Shareholder Agreements, the Pizza Pizza franchise agreements or sublicenses, including to protect the goodwill associated with the Pizza Pizza and Pizza 73 Rights;
- enforce the observance and performance of the Unanimous Shareholder Agreements, franchise agreements or sublicenses by Owner/Operators, Franchisees or sublicensees in a manner that is consistent with good and prudent business practices;
- not, without the consent of the board of directors of Pizza Pizza GP, which shall not be withheld or delayed unreasonably, amend the terms of any Unanimous Shareholder Agreements, franchise agreement or sublicenses such that:
 - royalty revenues and other payments under the Unanimous Shareholder Agreements or franchise agreements are calculated in a manner that is inconsistent with the present practices of the Company, including, without limitation, any reduction in the percentage of sales that is payable by Owner/Operators or Franchisees in respect of royalties or other payments;
 - Owner/Operators and Franchisees are required or have the opportunity to purchase supplies or equipment from the Company or any affiliate of or related party to the Company in connection with any change in the manner by which payments to the Company are determined; or
 - Owner/Operators or Franchisees are obligated to carry on business in a manner that is materially inconsistent with historical Company practice; and
- take steps to ensure that the public is advised of the change of ownership, including notification in restaurants, that the Partnership is the owner of the trade marks and updating in the ordinary course its materials to identify the trade mark owner as the Partnership.

Adjustments to the Royalty Pools and Payments Made Under the Licence and Royalty Agreements

The Company intends to continue to expand the number of Pizza Pizza and Pizza 73 Restaurants that will be included in the Royalty Pool. At the same time, Management expects that certain restaurants may be closed from time to time, consistent with historical experience. Pursuant to the Licence and Royalty Agreements, the Royalty Pool will be adjusted annually in order to account for the opening and closing of Pizza Pizza Restaurants during the preceding year.

As described below, an increase in the number of Pizza Pizza and Pizza 73 Restaurants in the Royalty Pool may result in an increase of the Class B and Class D Exchange Multiplier, respectively, meant to reflect the value to the Partnership of the increase in System Sales and the corresponding increase in the Royalty. Conversely, a reduction in the number of Pizza Pizza and Pizza 73 Restaurants in the Royalty Pool may result in the payment by the Company to the Partnership of an amount meant to reflect the reduction in System Sales and the corresponding decrease in the Royalty.

The following is a summary only of the manner in which these adjustments are to be calculated and implemented. Reference should be made to each of the two Licence and Royalty Agreements and the Amended and Restated Limited Partnership Agreement for the full text and nuances of these adjustment provisions.

Adjustments to the Pizza Pizza Royalty Pool

The Pizza Pizza Royalty Pool will be adjusted annually, on January 1 of each calendar year (the "Adjustment Date"), to include Pizza Pizza Restaurants that were open on or prior to December 31 of

the previous year and not permanently closed prior to the Adjustment Date and which were not previously included in the Royalty Pool ("Additional Restaurants"). At the same time, the Royalty Pool will be adjusted to remove restaurants that were included in the Royalty Pool during the immediately preceding fiscal year but which have been permanently closed prior to the Adjustment Date ("Closed Restaurants"). Following that Adjustment Date, for the purposes of calculating the Royalty, System Sales will be determined based on Pizza Pizza Restaurants included in the Royalty Pool following those additions and removals of restaurants. For this purpose, a new or relocated restaurant that is opened by the same franchisee in replacement of an existing restaurant that is closed will not be treated as an Additional Restaurant and the restaurant that is closed will not be treated as a Closed Restaurant; rather, the new restaurant will continue to be included in the Royalty Pool.

Adjustments if there are Additional Restaurants but no Closed Restaurants

If System Sales increase due to the inclusion of Additional Restaurants in the Royalty Pool, the amount of the annual Royalty payable to the Partnership thereafter will be expected to increase. As a result, on an Adjustment Date, if Additional Restaurants are added to the Royalty Pool and there are no Closed Restaurants or Make-Whole Payments (as defined below) carried over and owing, the Class B Exchange Multiplier will be adjusted upwards to reflect the value to the Partnership of that future increase in System Sales and the corresponding increase in the Royalty. This adjustment will be made with reference to the "Determined Amount" which is equal to 92.5% of the amount of the Additional System Sales for the 52 week period commencing on the Adjustment Date resulting from the inclusion of the Additional Restaurants in the Royalty Pool, net of any decrease in System Sales (as compared to the year prior to the Adjustment Date) attributable to restaurants in the Royalty Pool whose franchised territories formerly included populations (in the year prior to the relevant Adjustment Date) now included in the territory of the Additional Restaurant (the "Additional System Sales"), multiplied by the Royalty rate, and divided by the Unit Yield, and multiplied by a number equal to (1-Tax%). "Tax%" will be an estimate of the Fund's effective tax rate for the year (determined using the total income taxes paid by the Fund during the fiscal year divided by the total cash received by the Fund during that fiscal year) (i.e., for the Adjustment Date of January 1, 2012, it will be the effective Fund tax rate for the year ended December 31, 2011). This estimate of the effective tax rate will be subject to an adjustment when the actual effective entity level tax rate of the Fund for the year is known.

$$\text{Determined Amount} = 92.5\% \times (1 - \text{Tax}\%) \times \frac{\text{Additional System Sales of Additional Restaurants} \times \text{Royalty rate}}{\text{Unit Yield}}$$

The "Unit Yield" as of the Adjustment Date will be equal to the amount of the cash distributions paid by the Fund to Unitholders for each Unit held during the 52 week period ended immediately prior to such date, divided by the Current Market Price of a Unit on such date.

Adjustments and Make-Whole Payments if there are Closed Restaurants

If there are Closed Restaurants, the amount of the Royalty payable to the Partnership by the Company can be expected to decrease both in the year in which the permanent closure of the restaurant occurred and in subsequent years. As a result, the Pizza Pizza Licence and Royalty Agreement and the Limited Partnership Agreement provide for the following adjustments to be made.

First, an amount reflecting the reduction in the Royalty resulting from the decrease in System Sales will be paid by the Company to the Partnership (the "Make-Whole Payment"), commencing from the date of permanent closure of a Closed Restaurant. Such amount will be calculated based on the System Sales generated by the Closed Restaurant for the first 52-week period in which the Closed Restaurant was included in the Royalty Pool multiplied by the Royalty rate. One-twelfth of the Make-Whole Payment will be paid every month for the remainder of the year in which the permanent closure occurred, up to the next Adjustment Date (pro rated for partial months).

Subsequently, on each Adjustment Date, the Make-Whole Payment will be taken into account in calculating the adjustment to be made to the Royalty Pool on that Adjustment Date. If Additional System Sales of the Additional Restaurants to be added to the Royalty Pool are sufficient to offset the lost System Sales from the Closed Restaurants for the first 52-week period in which the Closed Restaurants were included in the Royalty Pool, the Partnership will be required to pay the applicable Determined Amount to Pizza Pizza, although the Determined Amount (and thus the extent of the adjustment of the Class B Exchange Multiplier) will be reduced to account for the Closed Restaurants. If the System Sales generated by the Closed Restaurants for the first 52-week period in which the Closed Restaurants were included in the Royalty Pool exceed the Additional System Sales of Additional Restaurants to be added to the Royalty Pool, the Make-Whole Payment will be carried over, and continue to be paid for subsequent years, until on an Adjustment Date, Additional System Sales of Additional Restaurants are sufficient to offset the System Sales attributable to all Closed Restaurants. In these circumstances, the amount of the Make-Whole Payment will be reduced to account for any expected increase in the Royalty related to the Additional System Sales of Additional Restaurants to be added to the Royalty Pool as at such Adjustment Date.

The following formula reflects the manner in which the Determined Amount will be calculated where there are both Additional Restaurants and Closed Restaurants as of an Adjustment Date:

$$\text{Determined Amount} = 92.5\% \times (1 - \text{Tax}\%) \times \frac{[(\text{Additional System Sales of Additional Restaurants} - \text{System Sales of Closed Restaurants}) \times \text{Pizza 73 Royalty rate}]}{\text{Unit Yield}}$$

Adjustment of the Class B Exchange Multiplier

The change in the amount of the Royalty to be received by the Partnership as a result of changes in the restaurants included in the Royalty Pool (and their System Sales) will affect the extent of Pizza Pizza's retained interest through the adjustment to the exchange rate at which the Class B Units may ultimately be exchanged for Units of the Fund, referred to as the "Class B Exchange Multiplier", which has the meaning described in the Glossary of Terms. The Class B Exchange Multiplier determines the number of Units into which the Class B Units are exchangeable from time to time. On July 6, 2005, each Class B Unit was exchangeable for one Unit, representing a Class B Exchange Multiplier of one. If there are Additional Restaurants (but no Closed Restaurants) on an Adjustment Date, or if the Additional System Sales of Additional Restaurants are sufficient to offset the System Sales attributable to all Closed Restaurants, the Class B Exchange Multiplier will be adjusted upwards, based on the Determined Amount, to reflect the increase in value of the Partnership due to an increase in the royalty stream. This adjustment will also increase the entitlement of the holders of Class B Units to distributions of cash and allocations of income from the Partnership in the manner set out below.

The Class B Exchange Multiplier is adjusted on two occasions, based on the calculation of the Determined Amount as set out above. The first adjustment will be made on an Adjustment Date, at which date the Company will forecast the expected Additional System Sales that will be generated for the first 52-week period that the Additional Restaurants are included in the Royalty Pool (the "Forecast Additional System Sales of Additional Restaurants"). The Partnership will, on that first Adjustment Date, adjust the Class B Exchange Multiplier based on only 80% of the estimated Determined Amount (calculated using Pizza Pizza's forecast in accordance with the formulas described above) in the following manner:

$$\text{Adjusted Class B Exchange Multiplier} = \frac{(80\% \text{ of Determined Amount} / \text{Current Market Price of the Units})}{\text{Class B Units Outstanding}} + \text{Class B Exchange Multiplier from Preceding Fiscal Year}$$

On the following Adjustment Date, the actual Determined Amount will be calculated for the previous 52-week period and will be compared to the estimated Determined Amount. If actual Additional System Sales of the Additional Restaurants exceed 80% of Forecast Additional System Sales of Additional Restaurants, a second upwards adjustment to the Class B Exchange Multiplier will be made, in the same

manner as the first adjustment. If, however, actual Additional System Sales of Additional Restaurants are less than 80% of Forecast Additional System Sales of Additional Restaurants, the Class B Exchange Multiplier will be adjusted downwards. There will also be corresponding adjustments to any distributions or other amounts payable over such period to reflect such adjustments.

Effective January 1, 2011, upon the addition of 17 net new restaurants to the Royalty Pool, the Class B Exchange Multiplier initially increased to 1.5535 in accordance with the foregoing calculations. The second adjustment to the Class B Exchange Multiplier in respect of 2011 was made in early 2012 effective January 1, 2011, and as a result, the final Class B Exchange Multiplier effective for 2011 was 1.5531.

Distribution Entitlement of Class B Units

The distribution entitlement of the Class B Units will vary, based on changes in the Class B Exchange Multiplier from time to time. Each Class B Unit will carry an entitlement to an aggregate annual distribution, payable monthly, based on the number of Units for which that Class B Unit is exchangeable, determined at the most recent Adjustment Date.

On the closing date of the Fund's initial public offering, the Class B Exchangeable Multiplier was 1.0. Therefore, in calculating the distribution entitlement of a Class B Unit immediately following, the Partnership's available cash was allocated to the holder of that unit without adjustment. However effective January 1, 2011, the Class B Exchange Multiplier increased to 1.5535 (meaning that one Class B Unit could be exchanged for 1.5535 Units of the Fund). As a result, during 2011, the Partnership's available cash was allocated to the holder of that unit as if it held 1.5535 Class B Units.

If at the end of the year, after distributions have been paid on this basis, the actual System Sales are higher or lower than the estimate used to calculate the Class B Exchange Multiplier (and thereby to determine the distribution entitlement of the Class B Units), the Class B Distribution Adjustment described under "Description of the Partnership — Partnership Securities — Distributions" will be payable by the holders of the Class B Units to the Partnership (if actual System Sales were less than estimated System Sales for the year) or by the Partnership to the holders of the Class B Units (if actual System Sales exceeded estimated System Sales). In respect of the year ended December 31, 2011, it was determined in early 2012 that sales of the 17 net restaurants added to the royalty pool were lower than estimated, resulting in an decrease in the Company's Unit equivalent holdings of Class B Units by 1,766 to 6,325,753, effective January 1, 2011.

Adjustments to the Pizza 73 Royalty Pool

The Pizza 73 Royalty Pool will be adjusted annually, on January 1 of each calendar year (the "Adjustment Date") to include Pizza 73 Restaurants that were open on or prior to September 1 of the previous year and not permanently closed prior to the Adjustment Date and which were not previously included in the Pizza 73 Royalty Pool ("Additional Restaurants"). At the same time, the Pizza 73 Royalty Pool will be adjusted to remove restaurants that were included in the Pizza 73 Royalty Pool during the immediately preceding fiscal year but which have been permanently closed prior to the Adjustment Date ("Closed Restaurants"). Following that Adjustment Date, for the purposes of calculating the Pizza 73 Royalty, Pizza 73 System Sales will be determined based on Pizza 73 Restaurants included in the Pizza 73 Royalty Pool following those additions and removals of restaurants. For this purpose, a new or relocated restaurant that is opened by the same Owner/Operator in replacement of an existing restaurant that is closed will not be treated as an Additional Restaurant and the restaurant that is closed will not be treated as a Closed Restaurant; rather, the new restaurant will continue to be included in the Pizza 73 Royalty Pool.

Adjustments if there are Additional Restaurants but no Closed Restaurants

If Pizza 73 System Sales increase due to the inclusion of Additional Restaurants in the Pizza 73 Royalty Pool, the amount of the annual Pizza 73 Royalty payable to the Partnership thereafter will be expected to increase. As a result, on an Adjustment Date, if Additional Restaurants are added to the Pizza 73 Royalty Pool and there are no Closed Restaurants or Make-Whole Payments (as defined below) carried over and

owing, the Class D Exchange Multiplier will be adjusted upwards to reflect the value to the Partnership of that future increase in Pizza 73 System Sales and the corresponding increase in the Pizza 73 Royalty. See “— Adjustment of the Class D Exchange Multiplier”. This adjustment will be made with reference to the “Determined Amount” which is equal to 92.5% of the amount of the additional Pizza 73 System Sales for the 52 week period commencing on the Adjustment Date resulting from the inclusion of the Additional Restaurants in the Pizza 73 Royalty Pool, net of any decrease in Pizza 73 System Sales attributable to restaurants in the Pizza 73 Royalty Pool (“Adjusted Restaurants”) whose territories formerly included populations now included in the territory of the Additional Restaurant (the “Additional System Sales”), multiplied by the Pizza 73 Royalty rate, and divided by the Unit Yield, and multiplied by a number equal to (1-Tax%). “Tax%” will be an estimate of the Fund’s effective tax rate for the year (determined using the total income taxes paid by the Fund during the fiscal year divided by the total cash received by the Fund during that fiscal year) (i.e., for the Adjustment Date of January 1, 2012, it will be the effective Fund tax rate for the year ended December 31, 2011). This estimate of the effective tax rate will be subject to an adjustment when the actual effective entity level tax rate of the Fund for the year is known. For this purpose, the decrease in Pizza 73 System Sales attributable to an Adjusted Restaurant will be netted from the additional Pizza 73 System Sales on the first Adjustment Date after the Step Out Payment described below under “— Step Out Payments” is no longer payable (the “Step Out Adjustment Date”). The decrease in Pizza 73 System Sales of an Adjusted Restaurant shall be determined as the difference, if any, between (i) the Pizza 73 System Sales attributable to that restaurant for a 52 week period ending at the end of the month preceding the effective date of its territory change, and (ii) the actual Pizza 73 System Sales for that Adjusted Restaurant in the year preceding the Step Out Adjustment Date.

$$\text{Determined Amount} = 92.5\% \times (1 - \text{Tax}\%) \times \frac{\text{Additional System Sales of Additional Restaurants} \times \text{Pizza 73 Royalty rate}}{\text{Unit Yield}}$$

The “Unit Yield” as of the Adjustment Date will be equal to the amount of the cash distributions paid by the Fund to Unitholders for each Unit held during the 52 week period ended immediately prior to such date, divided by the Current Market Price of a Unit on such date.

Adjustments and Make-Whole Payments if there are Closed Restaurants

If there are Closed Restaurants, the amount of the Pizza 73 Royalty payable to the Partnership by the Company can be expected to decrease both in the year in which the permanent closure of the restaurant occurred and in subsequent years. As a result, the Pizza 73 Licence and Royalty Agreement and the Limited Partnership Agreement, as amended and restated effective upon the closing of the Acquisition and the Share Purchase, will provide for the following adjustments to be made.

First, an amount reflecting the reduction in the Pizza 73 Royalty resulting from the decrease in Pizza 73 System Sales will be paid by the Company to the Partnership (the “Make-Whole Payment”), commencing from the date of permanent closure of a Closed Restaurant. Such amount will be calculated based on the Pizza 73 System Sales generated by the Closed Restaurant for the first 52-week period in which the Closed Restaurant was included in the Pizza 73 Royalty Pool multiplied by the Pizza 73 Royalty rate. One-twelfth of the Make-Whole Payment will be paid every month for the remainder of the year in which the permanent closure occurred, up to the next Adjustment Date (pro rated for partial months).

Subsequently, on each Adjustment Date, the Make-Whole Payment will be taken into account in calculating the adjustment to be made to the Pizza 73 Royalty Pool on that Adjustment Date. If Additional System Sales of the Additional Restaurants to be added to the Pizza 73 Royalty Pool are sufficient to offset the lost Pizza 73 System Sales from the Closed Restaurants for the first 52-week period in which the Closed Restaurants were included in the Pizza 73 Royalty Pool, the Partnership will be required to pay the applicable Determined Amount to Pizza Pizza, although the Determined Amount (and thus the extent of the adjustment of the Class D Exchange Multiplier described below) will be reduced to account for the Closed Restaurants. If the Pizza 73 System Sales generated by the Closed Restaurants for the first 52-week period in which the Closed Restaurants were included in the Pizza 73 Royalty Pool exceed the Additional System Sales of Additional Restaurants to be added to the Pizza 73 Royalty Pool, the

Make-Whole Payment will be carried over, and continue to be paid for subsequent years, until on an Adjustment Date, Additional System Sales of Additional Restaurants are sufficient to offset the Pizza 73 System Sales attributable to all Closed Restaurants. In these circumstances, the amount of the Make-Whole Payment will be reduced to account for any expected increase in the Pizza 73 Royalty related to the Additional System Sales of Additional Restaurants to be added to the Pizza 73 Royalty Pool as at such Adjustment Date.

The following formula reflects the manner in which the Determined Amount will be calculated where there are both Additional Restaurants and Closed Restaurants as of an Adjustment Date:

$$\text{Determined Amount} = 92.5\% \times (1 - \text{Tax}\%) \times \frac{[(\text{Additional System Sales of Additional Restaurants} - \text{Pizza 73 System Sales attributable to all Closed Restaurants}) * \text{Pizza 73 Royalty rate}]}{\text{Unit Yield}}$$

Adjustment of the Class D Exchange Multiplier

The change in the amount of the Pizza 73 Royalty to be received by the Partnership as a result of changes in the restaurants included in the Pizza 73 Royalty Pool (and their Pizza 73 System Sales) will affect the extent of Pizza Pizza's retained interest through the adjustment to the exchange rate at which the Class D Units may ultimately be exchanged for Units of the Fund, referred to as the "Class D Exchange Multiplier", which has the meaning described in the Glossary of Terms. The Class D Exchange Multiplier determines the number of Units into which the Class D Units are exchangeable from time to time. On the closing of the Acquisition, a Class D Unit will not be exchangeable for Units, representing a Class D Exchange Multiplier of zero. If there are Additional Restaurants (but no Closed Restaurants) on an Adjustment Date, or if the Additional System Sales of Additional Restaurants are sufficient to offset the Pizza 73 System Sales attributable to all Closed Restaurants, the Class D Exchange Multiplier will be adjusted upwards, based on the Determined Amount, to reflect the increase in value of the Partnership due to an increase in the royalty stream. This adjustment will also increase the entitlement of the holders of Class D Units to distributions of cash and allocations of income from the Partnership in the manner set out below.

The Class D Exchange Multiplier is adjusted on two occasions, based on the calculation of the Determined Amount as set out above. The first adjustment will be made on an Adjustment Date, at which date the Company will forecast the expected Additional System Sales that will be generated for the first 52-week period that the Additional Restaurants are included in the Pizza 73 Royalty Pool (the "Forecast Additional System Sales of Additional Restaurants"). The Partnership will, on that first Adjustment Date, adjust the Class D Exchange Multiplier based on only 80% of the estimated Determined Amount (calculated using Pizza Pizza's forecast in accordance with the formulas described above) in the following manner:

$$\text{Adjusted Class D Exchange Multiplier} = \frac{(80\% \text{ of Determined Amount/Current Market Price of the Units})}{\text{Class D Units Outstanding}} + \text{Class D Exchange Multiplier from Preceding Fiscal Year}$$

On the following Adjustment Date, the actual Determined Amount will be calculated for the previous 52-week period and will be compared to the estimated Determined Amount. If actual Additional System Sales of the Additional Restaurants exceed 80% of Forecast Additional System Sales of Additional Restaurants, a second upwards adjustment to the Class D Exchange Multiplier will be made, in the same manner as the first adjustment. If, however, actual Additional System Sales of Additional Restaurants are less than 80% of Forecast Additional System Sales of Additional Restaurants, the Class D Exchange Multiplier will be adjusted downwards. There will also be corresponding adjustments to any distributions or other amounts payable over such period to reflect such adjustments.

Effective January 1, 2011, upon the addition of seven net new restaurants in the Royalty Pool, the Class D Exchange Multiplier remained the same at 15.4543 in accordance with the foregoing calculations. The second adjustment to the Class D Exchange Multiplier in respect of 2011 was made in early 2012

effective January 1, 2011, and as a result, the Class D Exchange Multiplier effective for 2011 remained unchanged.

Distribution Entitlement of Class D Units

The distribution entitlement of the Class D Units will vary, based on changes in the Class D Exchange Multiplier from time to time. Each Class D Unit will carry an entitlement to an aggregate annual distribution, payable monthly, based on the number of Units for which that Class D Unit is exchangeable, determined at the most recent Adjustment Date.

On the Pizza 73 Acquisition closing date, the Class D Exchangeable Multiplier was zero. As such, the holders of Class D Units did not initially have any distribution entitlement. However, effective January 1, 2011, the Class D Exchange Multiplier remained at 15.4543 (meaning that one Class D Unit could be exchanged for 15.4543 Units of the Fund). As a result, during 2011, the Partnership's available cash was allocated to the holder of that Class D Unit as if it held 15.4543 Units.

If at the end of the year, after distributions have been paid on this basis, the actual Pizza 73 System Sales higher or lower than the estimate used to calculate the Class D Exchange Multiplier (and thereby to determine distribution entitlement of the Class D Units), the Class D Distribution Adjustment described under "The Class Units and the Exchange Rights" will be payable by the holders of the Class D Units to the Partnership (if actual Pizza 73 System Sales were less than estimated Pizza 73 System Sales for the year) or by the Partnership holders of the Class D Units (if actual Pizza 73 System Sales exceeded estimated Pizza 73 System Sales). In respect of the year ended December 31, 2011, sales of the seven net restaurants added to the Royalty Pool were lower than estimated, resulting in no change to the Company's Unit equivalent holdings of Class D Units at 1,545,432, effective January 1, 2011.

Step Out Payments

Each Pizza 73 Unit Company operates within a territory that is established by its Unanimous Shareholder Agreement, which defines the area served by the company's Pizza 73 Restaurant. In particular, orders received from that area will be directed to that Pizza 73 Restaurant to be filled and delivered. As a result of the significant growth recently experienced in the Calgary and Edmonton metropolitan areas, certain existing Pizza 73 Restaurants have operated at or near their capacity levels, as the population in their respective territories, and the order volume they are required to fill, has grown. As a result, the territory assigned to certain of the existing Pizza 73 Restaurants included in the Pizza 73 Royalty Pool may be reallocated between an existing restaurant and new Pizza 73 Restaurants that will be opened to better serve the area (subject to the agreement of the relevant Unit Company shareholders). A reduction in the territory of an existing Pizza 73 Restaurant may be implemented even when it is not operating at capacity, as where growth in that territory is expected or Pizza 73 seeks greater market penetration through the development of new locations in a market. This would result in an initial decrease in the Pizza 73 System Sales of the existing Pizza 73 Restaurant, the territory of which has been reduced.

Based on Pizza 73's past experience, Management believes that the decline in Pizza 73 System Sales in respect of a Pizza 73 Restaurant following such a territory reduction will typically be significantly greater than the impact historically experienced on Pizza Pizza Restaurants that has resulted from comparable changes to the defined territory served by Pizza Pizza Restaurants, due in part to the greater reliance of Pizza 73 Restaurants on delivery volumes. To the extent that those "lost" Pizza 73 System Sales are effectively transferred to the new Pizza 73 Restaurant, those sales would not be reflected in the Pizza 73 Royalty Pool until the next applicable Adjustment Date. Accordingly, pursuant to the Pizza 73 Licence and Royalty Agreement, the Company will pay to the Partnership a monthly payment (the "Step Out Payment") in respect of an Adjusted Restaurant, the territory of which has been reduced, from the month in which the reduction occurs to the end of the next following calendar year. The Step Out Payment will be calculated as the difference between the average monthly Pizza 73 Royalty payment attributable to that Adjusted Restaurant in the 12 months immediately preceding the month in which the territory reduction occurs, less the Pizza 73 Royalty payment attributable to the restaurant in the current month. One limitation of the vend-in arrangements for a new Pizza 73 Restaurant that is opened as a result of

such a territory adjustment is that the sales of this restaurant (upon which the vend-in price received by the Company is based, when the new restaurant is added to the Pizza 73 Royalty Pool as an Additional Restaurant) may include growth in sales of the existing Pizza 73 Restaurant that would have been achieved in the absence of the new restaurant. The Step Out Payment will maintain monthly Pizza 73 Royalty payments in respect of an affected Pizza 73 Restaurant for a maximum of 23 months following a reduction of its territory, but will not offset any adverse impact on the growth prospects of the affected restaurant or the Pizza 73 Royalty income foregone as a consequence of such reduced growth (although the Pizza 73 System Sales of the new restaurant will be subject to inclusion in the Pizza 73 Royalty Pool as an Additional Restaurant on a subsequent Adjustment Date).

In respect of the year-ended December 31, 2011, there were no restaurants for which a Step-Out Payment was required.

MANAGEMENT AND CORPORATE GOVERNANCE OF PIZZA PIZZA GP

Pizza Pizza GP has the authority to manage the business and affairs of the Partnership, to make decisions regarding the business of the Partnership and to bind the Partnership in respect of any such decision. Pizza Pizza GP is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Partnership and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The activities of the Partnership will be overseen by the Board of Directors of Pizza Pizza GP and by employees of the Partnership who will be specifically engaged for that purpose.

The Company, as a general partner of the Partnership, will be actively engaged in the business of the Partnership, will be responsible for, and have authority in, assisting Pizza Pizza GP in the management of the business and affairs of the Partnership and will perform such additional specific duties in connection with the business of the Partnership as shall be delegated to it by Pizza Pizza GP from time to time pursuant to the Limited Partnership Agreement. The Company will provide consultation and management services to the Partnership as to the operation and management of the Partnership's business, in addition to the assistance provided to Pizza Pizza GP.

In particular, the Company will be responsible for:

- the performance of the duties of the Partnership pursuant to the Administration Agreement;
- the provision of accounting, bookkeeping and administrative services; and
- subject to the approval of Pizza Pizza GP, allocating distributions of cash and allocations of taxable and accounting income to the partners.

The Limited Partnership Agreement provides that all material transactions and agreements involving the Partnership must be approved by Pizza Pizza GP's board of directors and, where those agreements involve the Company or its affiliates or associates, they must be approved by a majority of the directors who are not nominees of the Company or of an affiliate or an associate of the Company. In addition, where those transactions or agreements involve the creation of debt obligations for which the Company, as a general partner, is liable, they must be approved by the Company.

The authority of Pizza Pizza GP will be limited in certain respects under the Limited Partnership Agreement. Pizza Pizza GP is prohibited from dissolving the Partnership or selling, exchanging or otherwise disposing of all or substantially all of the assets of the Partnership (otherwise than in conjunction with an internal reorganization) without the prior approval of the partners given by a resolution of the board of directors of Pizza Pizza GP that is consented to by each of the general partners and the Trust (a "Partnership Special Resolution").

The Chief Executive Officer and the Chief Financial Officer of Pizza Pizza GP perform functions similar to a chief executive officer and chief financial officer in respect of the Fund. As such, the Chief Executive Officer and the Chief Financial Officer of Pizza Pizza GP will execute the certificates required to be filed pursuant to National Instrument 52-109 — Certification of Disclosure in Issuers' Annual and Interim Filings.

Capital of Pizza Pizza GP

The authorized share capital of Pizza Pizza GP consists of an unlimited number of common shares ("Common Shares") without par value. At December 31, 2011, 73.5% of the issued and outstanding Common Shares are owned by the Trust and 26.5% are owned by the Company.

Each Common Share entitles the holder thereof to receive notice of and to attend all meetings of shareholders of Pizza Pizza GP and to one vote per share at such meetings (other than meetings of another class of shares of Pizza Pizza GP). The Common Shares entitle the holders thereof to receive in any year dividends as and when declared by the board of directors on the Common Shares. In the event of a Liquidation Distribution, holders of the Common Shares, after payment of or other proper provision for all of the liabilities of Pizza Pizza GP, are entitled to share ratably in all remaining assets of Pizza Pizza GP. The articles of Pizza Pizza GP restrict the transfer of Common Shares of Pizza Pizza GP without the consent of the directors or shareholders of Pizza Pizza GP.

Management and Control of Pizza Pizza GP

The business of Pizza Pizza GP is managed and supervised by its board of directors. The Fund and the Trust have entered into the Governance Agreement with Pizza Pizza GP and the Company which provides for various matters relating to Pizza Pizza GP and the management, control and operation of the business, operations and affairs of the Partnership by Pizza Pizza GP.

Restrictive Covenants

Michael Overs had agreed in the Governance Agreement that he would not, for so long as he continued to beneficially own securities representing 5% or more of the outstanding voting securities of Pizza Pizza GP, own or operate or otherwise be interested in any pizza QSR business in Canada during the term of the Licence and Royalty Agreements, except through ownership of Units and as permitted by the Licence and Royalty Agreements. Pursuant to the Licence and Royalty Agreements, the Company will only be permitted to carry on its pizza QSR business and the Chicken Chicken business during the term of the agreements.

Restrictions on the Transfer of Partnership Securities

The Trust has agreed in the Governance Agreement that the Trust will not sell or otherwise dispose of any of its Partnership Securities except with the prior written consent of the Company or as may be required pursuant to the PPL Loan.

The Company has agreed in the Governance Agreement that, until the Fund is liquidated, the Partnership Securities held by the Company may only be sold or otherwise disposed of by the Company to a Related Party, to the Trust pursuant to the Retained Interest and Exchange Rights or the Limited Partnership Agreement or, in the case of the Class C Units, pursuant to the transfer of such Class C Units to the Trust. The Partnership Securities may also be sold or otherwise disposed of by the Company in the event of:

- a takeover bid for all of the Units in which the offeror acquires 90% of all of the issued and outstanding Units (including rights to the Units to be issued to the Company upon exercise of the Retained Interest and Exchange Rights); or
- a takeover bid, amalgamation, plan of arrangement or other business combination or reorganization involving all or substantially all of the shares in the capital of, or the assets of, the Partnership, or all or substantially all of the Units or assets of the Fund.

If a takeover bid is made for all of the issued and outstanding Units (including rights to the Units to be issued upon exercise by the Company of the Retained Interest and Exchange Rights) or a proposal is made for the sale of all or substantially all of the direct or indirect properties of the Fund, and

- not less than 90% of the Units on a fully-diluted basis, including the Partnership Securities exchangeable for Units upon exercise of the Retained Interest and Exchange Rights (other than

Units held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, or

- not less than $66\frac{2}{3}\%$ of the Units are voted in favour of such proposal,

the Fund shall have the option, exercisable within 60 days of the termination of the takeover bid or completion of such sale, to require the Company to sell its Partnership Securities (other than the Class C Units) to the Fund. The aggregate price at which such Partnership Securities will be sold is equal to the consideration paid per Unit pursuant to such takeover bid or sale, multiplied by the number of Units which the Company would be entitled to receive if the Company exercised its Exchange Rights on the date of purchase or sale, as the case may be.

The Company has agreed in the Governance Agreement not to sell or otherwise dispose of any of its Partnership Securities to any person other than the Fund, the Trust, the Partnership or a Related Party, provided in the case of a sale or disposition to a Related Party, the Related Party becomes a party to the Governance Agreement together with the Company.

Rights of Offer

Pursuant to the Governance Agreement, the Management Team (as defined below) and the Fund have rights of first offer in respect of certain transactions involving the sale of the Company business, as more particularly described below. Pursuant to this right, none of the Overs Family (as defined below), the Company or any parties related to them will enter into any agreement for a transaction (a "Change of Control Transaction") which, if completed, would result in a Change of Control (as defined below) of the Company unless the Management Team is first provided with the opportunity to acquire, directly or indirectly through one or more subsidiaries, the assets and undertaking and/or the shares, as the case may be, of the Company (the "Company Business") held directly or indirectly by the Overs Family. The acquisition opportunity will be offered for consideration and on terms to be set forth in a written notice (the "Right of First Offer Notice") by the Company to the Management Team and the Fund. A Right of First Offer Notice must set forth a summary of the Change of Control Transaction and details of its material terms, including the amount of the purchase price to be paid for the Company Business.

The Management Team's right of first offer will expire if:

- the Management Team does not inform the Company and the Fund in writing within 30 days after the receipt of the Right of First Offer Notice that it desires to purchase the Company Business; or
- the Management Team does not enter into an agreement with the Company, the Overs Family or the relevant related party for the purchase of the Company Business within 30 days after the Management Team informs the Company in writing that it desires to purchase the Company Business.

If the Management Team's right of first offer expires as described above, the Fund will then have the right to pursue the acquisition opportunity described in the Right of First Offer Notice. The Fund's right of offer will expire if it does not inform the Company in writing within 30 days after the expiry of the Management Team's right of first offer that it desires to purchase the Company Business, or if the Fund (or a subsidiary entity) does not enter into an agreement with the Company, the Overs Family or the relevant related party for the purchase of the Company Business within 30 days after informing the Company in writing that it desires to purchase the Company Business.

The Company, the Overs Family or the related party may only enter into an agreement in respect of a Change of Control Transaction if:

- the amounts that would be received by the Company, the Overs Family or the related party upon completion of the Change of Control Transaction, after taking into account the amount of income taxes that would be payable under the Tax Act by the Company, the Overs Family or

- the related party if the consideration payable in respect of the Change of Control Transaction were immediately distributed to, or paid to, the Company, the Overs Family or the related party, is at least equal to the purchase price to be paid by the Management Team or the Fund, as applicable, as set forth in the Right of First Offer Notice;
- the terms of the transaction as contained in such agreement, when considered as a whole in a commercially reasonable manner, having regard to the nature of the transaction and the summary of the proposed transaction, as contained in the Right of First Offer Notice, are not materially more favourable to the purchaser than the summary of the terms of the proposed transaction contained in the Right of First Offer Notice; and
 - in the case of an agreement to purchase the Company Business, on or before the completion of the transaction, the purchaser (including a "Successor Corporation" as defined below) enters into an agreement with the Fund and its subsidiary entities agreeing to assume the obligations of the Company under all agreements with the Fund and its subsidiary entities, including the Governance Agreement and the Licence and Royalty Agreements.

If the Company, the Overs Family or the related party does not enter into such an agreement within 210 days after the date the Right of First Offer Notice was given to the Management Team and the Fund in respect of such transaction, or a Change of Control Transaction permitted by the foregoing is not completed by the first anniversary of the date upon which such Right of First Notice Offer was first given, none of the Company, the Overs Family and the relevant related party may enter into an agreement that, if completed, would result in a Change of Control, unless the Management Team and the Fund is again provided with the opportunity to acquire the Company Business in accordance with the foregoing.

A Change of Control is defined in the Governance Agreement as:

- the direct or indirect acquisition by a person or persons, acting jointly or in concert, of beneficial ownership ("acting jointly or in concert" and "beneficial ownership" are to be as defined in the Securities Act in existence as of July 6, 2005) of 50% or more of the Company's then outstanding voting securities; or
- the approval by the shareholder or shareholders of the Company of (a) an amalgamation involving the Company; or (b) a complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing, a Change of Control will be deemed to not occur if, following the completion of the proposed transaction:

- the Overs Family or the Company would own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the corporation or other entity (each a "Successor Corporation") (a) that has acquired 50% or more of the combined voting power of the Company's then outstanding voting securities, (b) resulting from an amalgamation involving the Company, or (c) that acquires (including by virtue of a liquidation distribution) the assets and undertakings previously owned by the Company, provided that, in the case of (a) or (c), the Successor Corporation assumes all of the obligations of the Company under all agreements between the Company and the Fund and its subsidiary entities;
- 50% or more of the combined voting power of the outstanding voting securities of the Company (or, as the case may be, a Successor Corporation) are held directly or indirectly by persons who are employees of the Company (or, as the case may be, a Successor Corporation) or its affiliates, provided that, in the case of a sale of the assets and undertakings of the Company, the Successor Corporation assumes all of the obligations of the Company under all agreements between the Company and the Fund and its subsidiary entities; or
- following a transaction that involves the transfer of shares of the Company or an amalgamation of the Company, 50% or more of the combined voting power of the Company's then outstanding securities (or of a Successor Corporation, in the case of an amalgamation) are held by the Overs Family, or by employees of the Company or its affiliates, provided that in all cases, any such transferee of shares from the Overs Family agrees to be bound by the terms of the right of first offer.

The right of first offer provisions will not apply to a Change of Control resulting from or related to pledges of shares of the Company to (or indirectly held by) a bank or other financial institution or to the direct or indirect realization on such pledge by the bank or other financial institution, including any related voting trust arrangements. However, if the bank or other financial institution realizes on any pledge and such realization would otherwise have resulted in a Change of Control, the Management Team will have the right, exercisable for 60 days, to acquire the Company Business at its agreed or arbitrated fair market value for the consideration and on the terms set forth in a Right of First Offer Notice by the bank or other financial institution to the Management Team and the Fund. To the extent that the right of first offer is not exercised by the Management Team, the Fund or a subsidiary entity will then have the right, exercisable for a further 60 day period, to acquire the Company Business on the terms set out in the Right of First Offer Notice delivered by the bank or other financial institution.

For the purposes of the right of first offer provisions of the Governance Agreement:

- the “Management Team” includes one or more of the individuals who are senior officers of the Company on the date of closing of the Fund’s initial public offering and who continue to be employed by the Company on the date that the Right of First Offer Notice is delivered, together with any other person or company, provided a majority of the outstanding voting and non-voting securities are beneficially owned and controlled by one or more of such management and individuals; provided that, if a dispute arises among such individuals as to the exercise of the right of first offer, such right may be exercised by a majority by number of such individuals to the exclusion of the others; and
- the “Overs Family” means the Estate of Michael Overs, together with any of his spouse, his widow, his issue (including adoptees adopted prior to their age of majority and their issue) and any trust in which any one or more of the foregoing individuals or the spouses of the issue (whether surviving or not) of Michael Overs have a beneficial interest; provided that such a trust shall only be included in the definition of “Overs Family” to the extent that it is reasonable to regard any securities held by such trust as being held, directly or indirectly, for the benefit of such individuals.

Other Matters

The Governance Agreement provides that none of the restrictions in the Governance Agreement will prevent the Company or any subsidiary of the Company from pledging the Class B and Class D Units to a financial institution as security for a bona fide loan to the Company or such subsidiary so long as the financial institution enters into an agreement with the Fund and the Partnership agreeing to be bound by the restrictions contained in the Governance Agreement and that, upon any realization upon the Class B and Class D Units, the Class B and Class D Units will be exchanged for Units through the exercise of the Retained Interest and Exchange Rights.

The Governance Agreement provides that, as long as the Company continues to hold a 10% interest in the Fund and/or the Partnership on a combined basis, the Company will have a pre-emptive right to participate in any future issuance of Units or equity or debt securities convertible, exercisable or exchangeable for or into Units or equity securities of the Fund, the Partnership or any subsidiary of the Partnership in order to maintain the Company’s then-current combined interest in the Fund and/or the Partnership.

MARKET FOR SECURITIES

The outstanding Units of the Fund are listed on the Toronto Stock Exchange under the symbol "PZA.UN". The following table sets forth the price range and average volume of Units on the TSX for the period January 1, 2011 to December 31, 2011.

Month	Low (Cdn\$)	High (Cdn\$)	Volume
January 2011	8.23	8.98	616,826
February 2011	8.50	8.98	598,488
March 2011	8.65	9.02	1,174,764
April 2011	8.93	9.20	748,901
May 2011	8.95	9.49	368,566
June 2011	8.78	9.40	414,058
July 2011	8.80	9.04	214,124
August 2011	8.04	9.00	363,684
September 2011	8.07	8.73	315,984
October 2011	7.27	8.65	338,716
November 2011	8.21	8.67	219,735
December 2011	8.44	8.75	312,595

TRUSTEES, DIRECTORS AND MANAGEMENT

Trustees of the Fund

The Fund will have a minimum of two Trustees and a maximum of ten Trustees, a majority of who must be residents of Canada within the meaning of the Tax Act. The Trustees are to supervise the activities and manage the affairs of the Fund.

At December 31, 2011, the Fund had five Trustees, each of whom also served as a trustee of the Trust and as a director of Pizza Pizza GP. Trustees are appointed at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting. The Trustees must be "independent" of the Fund and of the Company as defined in National Instrument 52-110 — Audit Committees.

The Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustees may, in respect of the trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the investments and conduct the affairs of the Fund. The Trustees are responsible for, among other things:

- acting for, voting on behalf of and representing the Fund as a unitholder and noteholder of the Trust, including voting for the election of the Holdings Trustees;
- supervising the activities and managing the investments and affairs of the Fund;
- effecting payments of distributable cash from the Fund to Unitholders;
- voting in favour of the Fund's nominees to serve as Holdings Trustees; and
- supervising corporate disclosure and insider trading policies.

Compensation for directors of Pizza Pizza GP (and who are not officers or directors of Pizza Pizza) is \$30,000 per Trustee per year and \$1,000 per Trustee for attending each regularly scheduled monthly meeting of the Trustees and \$1,000 per Trustee for each extraordinary meeting of the Trustees or a committee of the Board of Directors (in each case, except where the Trustee attends a meeting of the directors of Pizza Pizza GP on the same day and for which compensation is paid. In addition, the Board Chair receives an annual payment of \$12,500 and each of the Audit and Governance Committee Chairs receive an annual payment of \$7,500

Committees of the Fund Board of Trustees

Audit Committee: As required by applicable securities laws, the Fund has established an audit committee to monitor the Fund's financial reporting, accounting systems and internal controls, and to liaise with the Fund's external auditors. The audit committee consists of three trustees, each of whom is "independent" within the meaning of National Instrument 52-110 — Audit Committees, subject to the provisions of that instrument. See "Audit Committee Information"

Corporate Governance Matters: In lieu of a corporate governance committee, the Trustees are directly responsible for developing the Fund's approach to governance issues, filling vacancies among the Trustees and periodically reviewing the composition and effectiveness of the Trustees and the contribution of individual Trustees. In fulfilling their governance responsibilities, the Trustees consult with the Governance Committee of the board of directors of Pizza Pizza GP.

The Trustees are also responsible for adopting and periodically reviewing and updating the Fund's written disclosure policy. This policy, among other things:

- articulates the legal obligations of the Fund, its affiliates and their respective trustees, directors, officers and employees with respect to confidential corporate information;
- identifies spokespersons of the Fund who are the only persons authorized to communicate with third-parties such as analysts, media and investors;
- provides guidelines on the disclosure of forward looking information;
- requires advance review by the Trustees of any disclosure of financial information to ensure the information is not material, and establish policies and procedures to ensure that selective disclosure of material information does not occur, provided that if it does occur, a news release is issued immediately; and
- establishes policies and proceedings relating to "black-out" periods immediately prior to and following the disclosure of quarterly and annual financial results and immediately prior to the disclosure of certain material changes during which the Fund, its subsidiary entities and their respective trustees, directors, officers, employees and consultants may not purchase or sell Units or enter into derivative-based transactions involving Units.

The following table outlines the names, and province and country of residence of the current Trustees of the Fund, together with their principal occupations.

Name and Province/ Country of Residence	Principal Occupation	Trustee since
Arnold Cader ⁽¹⁾ Ontario, Canada	President, The Delphi Corporation, Corporate Director	June 8, 2005
Richard McCoy Ontario, Canada	Corporate Director	June 8, 2005
Robert Nobes ⁽¹⁾ Toronto, Canada	Corporate Director	December 5, 2007
Terrance Reid ⁽¹⁾ Ontario, Canada	Corporate Director	June 8, 2005
Elizabeth Wright Ontario, Canada	Principal, Wright Consulting, Corporate Director	June 8, 2005

(1) Member of the Audit Committee.

Directors and Executive Officers of Pizza Pizza GP

The following table sets forth, for each of the directors and executive officers of Pizza Pizza GP, the person's name, province and country of residence, position held with Pizza Pizza GP and principal occupation of each person who is a director or executive officer of Pizza Pizza GP:

Name and Province/ Country of Residence	Principal Occupation	Period of Service as a Director
Paul Goddard ⁽¹⁾ Ontario, Canada	Chief Executive Officer and President, Pizza Pizza Limited	since March 31, 2010
Curt Feltner ⁽¹⁾ Ontario, Canada	Chief Financial Officer, Pizza Pizza Limited	since June 8, 2005
Arnold Cader ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	President, The Delphi Corporation, Corporate Director	since June 8, 2005
Richard McCoy ⁽²⁾⁽⁴⁾ Ontario, Canada	Corporate Director	since June 8, 2005
Terence Reid ⁽²⁾⁽³⁾ Ontario, Canada	Corporate Director	since June 8, 2005
Robert Nobes ⁽²⁾⁽³⁾ Toronto, Canada	Corporate Director	since December 5, 2007
Elizabeth Wright ⁽²⁾⁽⁴⁾ Ontario, Canada	Principal, Wright Consulting, Corporate Director	since June 8, 2005

- (1) Company Nominee.
- (2) Fund Nominee.
- (3) Member of the Audit Committee.
- (4) Member of the Corporate Governance Committee.

All of the Trustees of the Fund and directors and executive officers of Pizza Pizza GP, other than Mr. Goddard, have been engaged in their principal occupations or other senior positions with the firms and organizations listed or their predecessors or affiliates for five years or more. See also "Matters to be Acted upon at the Meeting - Biographies" in the Fund's Notice of Annual General Meeting of Unitholders and Information Circular for its annual and special meeting of Unitholders dated May 30, 2012.

As at December 31, 2011, the Trustees of the Fund and the directors and executive officers of Pizza Pizza GP, as a group, beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 98,700 Units of the Fund¹.

Pursuant to the provisions of the Governance Agreement, the board of directors of Pizza Pizza GP is to consist of eight individuals. Five directors are to be nominated by the Fund (each of whom may be a trustee of the Fund or the Trust and must be independent of the Company) and three directors are to be nominated by the Company. The Company's entitlement to nominate directors will be subject to the Company holding a 10% interest in the Fund, whether directly or indirectly through its Class B and Class D units of the Partnership which are exchangeable for Units. As at December 31, 2011, the Company had not exercised its right to nominate a third director of Pizza Pizza GP.

Conflicts of Interest

The Company is a party to a number of material contracts with the Fund and its subsidiaries, as disclosed in this annual information form. To the best of the Fund's knowledge, and other than as disclosed in this annual information form, there are no known existing or potential conflicts of interest between the Fund and any Trustee of the Fund or any director or officer of Pizza Pizza GP.

¹ 15,000 Units are owned by The Delphi Corporation, which is directed by Mr. Cader.

AUDIT COMMITTEE INFORMATION

The Fund and Pizza Pizza GP have each established an Audit Committee.

Audit Committees' Mandate

The mandates of each of the Audit Committees is to provide assistance to the Board of Directors of Pizza Pizza GP in fulfilling its oversight responsibilities with respect to Pizza Pizza GP, the Partnership, the Trust and the Fund by reviewing the financial information that will be provided to Unitholders, the systems of corporate financial controls which management and the board of directors have established and the audit process. The mandates of each of the Audit Committees are attached hereto as Exhibit "A" and Exhibit "B".

Composition of Audit Committees

The members of each of the Audit Committees are Mr. Robert Nobes (Chairman), Mr. Arnold Cader and Mr. Terence Reid. Each of Messrs. Nobes, Cader and Reid are independent and financially literate within the meaning of National Instrument 52-110 – Audit Committees.

Relevant Education and Expertise

The following section lists the education and experience of each Audit Committee member that is relevant to his responsibilities as a member of the Audit Committees.

Robert Nobes - Prior to retiring in 2003, Robert Nobes was a Senior Partner of KPMG. Mr. Nobes joined KPMG in 1961. He has had exposure to large retail clients, both public and private. At KPMG, Mr. Nobes was the partner in charge of the Greater Toronto Area professional practice; had responsibility for quality control and risk management; and was a securities reviewing partner. He was a member of the board of directors of E.D. Smith Income Fund where he served as chair of the audit committee. He is a Fellow of the Institute of Chartered Accounts of Ontario (FCA).

Arnold Cader - Mr. Cader is the President of The Delphi Corporation, a real estate and business consulting firm he established in 1986. Prior to that, he served as Executive Vice President of Four Seasons Hotels Inc. for seven years. Mr. Cader serves as an independent trustee on several family trusts and estates. In addition, he has served on numerous public and private corporate and charitable Boards. Mr. Cader holds B.Comm and LLB degrees from the University of Toronto.

Terence Reid - Prior to retiring in December 2003, Terence Reid was President, Laketon Investment Management. Prior to joining Laketon in March 2001, Mr. Reid was a Vice Chairman at Baystreetdirect.com. Prior to joining Baystreetdirect.com in November 1999, Mr. Reid was the Vice Chairman of CIBC World Markets Inc. Mr. Reid holds a diploma in law from the University of the Witwatersrand and an MBA from the University of Toronto.

Pre-Approval Policies and Procedures

The Audit Committees must pre-approve all non-audit services to be provided to the Fund and its subsidiaries by the external auditors.

Auditors

Since the Fund's last audit, the Fund's auditors, RSM Richter LLP, Chartered Accountants, have entered into a transaction with Ernst & Young LLP ("Ernst & Young") under which the Toronto audit, tax and corporate finance practices of RSM Richter LLP were combined with Ernst & Young. As a result, Ernst & Young will appear as the Fund's auditors of record on a going-forward basis.

External Fees by Audit Category

The fees billed by Ernst & Young (formerly, RSM Richter LLP) for the period ended December 31, 2011 were \$35,000 for audit fees, \$52,500 for audit-related fees, \$18,000 for tax fees and \$23,250 for all other fees.

Audit Fees

Audit fees are the fees related to the external audit of the Fund and its wholly owned subsidiary companies and affiliated entities. It would include audits of acquired businesses, services associated with registration statements, prospectuses, periodic reports and other documents filed with securities regulatory bodies including special attest services.

Audit-Related Fees

Audit related services include presentations or training on accounting or regulatory pronouncements, due diligence services related to tax and accounting matters in connection with potential acquisitions and advice and documentation assistance with respect to internal controls over financial reporting and disclosure controls of Fund.

Tax Fees

Tax fees include fees associated with the preparation of the corporate and trust tax returns, assistance with responding to Canada Revenue Agency or provincial tax authorities and assistance with the preparation of T3 and T5 summaries and supplementaries. It would also include Canadian and US tax planning services, if any, commodity tax services and executive and other employee related tax services.

All Other Fees

All other fees includes any other services provided not included above.

RISK FACTORS

An investment in the Fund's Units involves a number of risks. In addition to the other information contained in this annual information form, Unitholders should give careful consideration to the following factors.

Risks Related to the Quick Service Restaurant Industry

Competition

The performance of the Fund is directly dependent upon Royalty and interest payments received from the Company. The amount of Royalty received from the Company is dependent on various factors that may affect the quick service restaurant industry. The Company competes with other companies, including other well-capitalized franchisors with extensive financial, technological, marketing and personnel resources and high brand name recognition and awareness. Some of these competitors have been in existence for longer and may be better established in the markets where Restaurants operated by the Company, its franchisee or Owner/Operators are, or may be located. Experience has shown that a change in pricing or other marketing initiatives or promotional strategies, including new product and concept developments, by one or more of the competitors could have an adverse impact on the Company's sales. There can be no assurance that the Company will be able to respond to various competitive factors affecting the franchise operations of the Company in the quick service restaurant industry. Sales of frozen pizza at Canadian grocery stores have increased substantially over the past ten years. There can be no assurance that sales of frozen pizza will not significantly impact the sales of Pizza Pizza and Pizza 73 Restaurants.

Retail Pizza Market and Changes in Consumer Taste

Pizza Pizza franchisees obtain a significant portion of their revenues from the sale of pizza, salads, sandwiches and soft drinks and the Company receives fees from Pizza Pizza franchisees based on gross sales. The quick service restaurant industry is characterized by the frequent introduction of new products, accompanied by substantial promotional campaigns. In recent years, numerous companies in the quick service restaurant industry have introduced products positioned to capitalize on the growing consumer preference for food products that are, or are perceived to be, healthy, nutritious, low in calories and low in fat content. Any significant event that adversely affects consumption of pizza, salads, sandwiches and soft drinks, such as cost, changing tastes or health concerns, could adversely impact the gross sales of Pizza Pizza and Pizza 73 Restaurants and consequently, the amount of the Royalty payable to the Company.

Restaurant Industry

The performance of the Fund is dependent upon the Royalty received from the Company. The amount of the Royalty will be dependent upon System Sales, which is subject to a number of factors that affect the restaurant industry generally and the quick service segment of this industry in particular, including the highly competitive nature of the industry, traffic patterns, demographic considerations and the type, number and proximity of competing quick service restaurants. Competitors include national and regional chains, as well as independently owned restaurants. If Pizza Pizza is unable to successfully compete in the QSR segment, System Sales may be adversely affected, the amount of Royalty reduced and the ability of Pizza Pizza to pay the Royalty may be impaired. In addition, factors such as government regulations, inflation, publicity from any food-borne illnesses, increased food, labour and benefit costs, continuing operations of key suppliers and the availability of experienced management and hourly employees may also adversely affect the gross sales of the quick service restaurant industry in general and the gross sales by Pizza Pizza and Pizza 73 Restaurants in particular. The Company's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue of restaurants. This risk is heightened by the impact of social media.

Availability, Cost and Quality of Raw Materials

Sales by Pizza Pizza Franchisees and Pizza 73 Unit Companies are dependent upon the availability and quality of the products used in the products sold by such Pizza Pizza Franchisees and Pizza 73 Unit Companies. The availability and price of these commodities is subject to fluctuation and may be affected by a variety of factors affecting the supply and demand of the products used in these products, such as beef, demand for the products, disease and other factors. A significant reduction in the availability or quality of products or increases in the prices of such products purchased by Pizza Pizza Franchisees and Pizza 73 Unit Companies resulting from any of the above factors could have a material adverse effect on gross sales of Pizza Pizza and Pizza 73 Restaurants and could adversely affect the profitability of the Company-wide restaurant operations, particularly if the Company is unable to reflect increased costs in the selling price of its product.

Additional Sales and Restaurant System Operations

The growth of the Royalty is dependent upon the ability of the Company to (i) maintain and grow the current system of franchises and Unit Company locations, (ii) execute its current strategy for growth, (iii) locate new retail sites in prime locations and (iv) obtain qualified operators to become Pizza Pizza Franchisees and Pizza 73 Owner/Operators. The Company has limited ability to fund growth itself through debt due to the arrangements relating to the Amended and Restated General Security Agreement and the Pizza Pizza General Security Agreement and this may be dependent on the identification, recruitment and training of suitable Franchsies and Owner/Operators and the financial capacity of its Franchisees and Owner/Operators to open new stores. The Company faces competition for retail locations and Franchisees and Owner/Operators from its competitors and from franchisors of other businesses. The Company's

inability to successfully obtain qualified Franchisees and Owner/Operators could adversely affect its business development. The opening and success of franchised restaurants is dependent on a number of factors, including availability of suitable sites, negotiations of acceptable lease or purchase terms for new locations, permitting and government regulatory compliance and the ability to meet construction schedules. Pizza Pizza Franchisees and Pizza 73 Owner/Operators may not have all these business abilities or access to financial resources necessary to open a Pizza Pizza or Pizza 73 restaurant or to successfully develop or operate a Pizza Pizza or Pizza 73 restaurant in their franchise areas in a manner consistent with the Company's standards.

The Company provides training and support to Pizza Pizza Franchisees and Pizza 73 Owner/Operators, but the quality of owner/operator and franchised operations may be diminished by any number of factors beyond its control. Consequently, Pizza Pizza Franchisees and Pizza 73 Owner/Operators may not successfully operate restaurants in a manner consistent with the Company's standards and requirements, or may not hire and train qualified managers and other store personnel. If they do not, the image and reputation of the Company may suffer, and gross sales of the restaurants could decline.

The Closure of Restaurants may Affect the Amount of the Royalty

The amount of the Royalty payable by the Company is dependent upon the System Sales generated by Pizza Pizza franchisees and Unit Companies which is dependent, for its stability, on the number of restaurants that are included in the Royalty Pool and the gross sales by these restaurants. Occasionally, restaurants close, and while the Company is required to replace the gross sales that are lost as a result of the closure of restaurants with the gross sales from new restaurants, or pay the Make-Whole Payment and Step Out Payments, there is no assurance that the Company will be able to obtain sufficient new restaurants to replace the gross sales of the restaurants that have closed, or will have the financial resources to make the Make-Whole Payment and Step Out Payment. In addition, many of the remaining terms of the leases from which restaurants operate are shorter than the remaining terms of the associated franchise agreements, and it will be necessary to renew these leases or to obtain satisfactory alternate locations. There is no assurance that the leases will be renewed or suitable alternate locations will be obtained and, in this event, the restaurant will close.

Franchise Fees and Other Revenues

The ability of the Company to pay the Royalty is dependent in part on the Pizza Pizza franchisees' and Unit Companies' ability to generate sales and to pay fees and other amounts to the Company. Failure to achieve adequate levels of collection from Pizza Pizza Franchisees and Unit Companies could have a serious effect on the ability of the Company to pay the Royalty. The profitability of the Company is also dependent on sales of products and merchandise which is sold on a cost-plus basis to the restaurants. Events affecting the predictability of the Company's commissary operations could have a negative effect on revenues.

Revenue Reporting Risks

Pursuant to the controlling agreements, Franchisees and Unit Companies report net sales to the Company on a weekly basis without audit or other form of independent assurance. The Company seeks to verify net sales through, among other things, analytical reviews performed by management that consist of historical and year-to-date comparisons of individual restaurant performance and performance within the system, and by comparing purchases of raw materials by each restaurant against reported net sales. Furthermore, audits are performed at random by an internal audit team on restaurants throughout the system. There can be no assurance, however, that net sales reported is accurate and in accordance with the terms of the controlling agreements.

Intellectual Property

The ability of the Company to maintain or increase its System Sales will depend on its ability to maintain "brand equity" through the use of the Pizza Pizza and Pizza 73 Marks and the Pizza Pizza and Pizza 73 Rights. If the Company fails to enforce or maintain any of its intellectual property rights, the Company may

be unable to capitalize on its efforts to establish brand equity. All registered trade marks in Canada can be challenged pursuant to provisions of the *Trade-marks Act* (Canada), and if any Pizza Pizza and Pizza 73 Marks are ever successfully challenged, this may have an adverse impact on System Sales and therefore on the Royalty.

The Partnership owns the Pizza Pizza and Pizza 73 Marks in Canada; however it will not own identical and similar trade marks in other jurisdictions. Third parties may use such trade marks in jurisdictions other than Canada in a manner that diminishes the value of such trade marks. If this occurs, the value of the Pizza Pizza and Pizza 73 Marks may suffer and gross sales by restaurants could decline. Similarly, negative publicity or events associated with the Company or its brand or business in jurisdictions outside of Canada may negatively affect the image and reputation of Pizza Pizza and Pizza 73 Restaurants in Canada, resulting in a decline in gross sales by Pizza Pizza and Pizza 73 Restaurants.

Technology Concerns

The Company relies heavily on information systems, including online and digital ordering, point-of-sale processing in the Restaurants, credit and debit transactions and other processes and procedures. The Company's ability to efficiently and effectively manage operations depends on the reliability and capacity of these technology systems. The Company's systems could be damaged or interrupted by power loss, telecommunication failures, acts of God, computer viruses, physical or electronic break-ins, hacking or similar attacks. In particular, the Company may experience occasional interruptions of its online ordering system, which makes online ordering unavailable or slow to respond, negatively impacting sales and the experience of the customers. If the online ordering system does not perform with adequate speed, the Company's customers may be less inclined to return to the online ordering system, as frequently or at all. Although the Company has put in place systems and procedures to minimize technology failures, sales are subject to the risk of technology failures.

Dependence on Key Personnel

The success of the Company depends upon the personal efforts of senior management, including their ability to retain and attract appropriate Franchisee and Owner/Operator candidates. The Company's senior management team consists of six persons. The loss of the services of one of more key personnel or their devotion of time to other activities could have a material effect on the operations of the Company.

Franchisee and Owner/Operator Relations

The Company's success is dependent on its relationship with its Franchisees and Owner/Operators. There can be no assurances that the Company will be able to maintain positive relationships with all of the Franchisees and Owner/Operators. Adverse publicity resulting from any such strained relationship may affect the sales of the restaurants, regardless of whether such publicity is accurate. In addition, any challenges in the relationships with Franchisees and Owner/Operators may have an adverse impact on the performance of affected Restaurants and the ability of the Company to undertake new initiatives, and could result in the diversion of management resources and increased administrative costs.

Concentration of Restaurants in the Greater Toronto Area

Approximately 195 Pizza Pizza Restaurants are located in the Greater Toronto Area. Adverse conditions, such as power outages or localized health issues may have a negative impact on the restaurant industry and the economy in general in Toronto. These incidents can adversely affect attendance at restaurants and discretionary consumer spending, which may result in decreased patronage in the Pizza Pizza Restaurants or force Pizza Pizza to reduce or cap prices. The occurrence, re-occurrence, continuation or escalation of such local or regional events or circumstances could reduce revenue for the Company and thus adversely affect the Royalty.

Potential Litigation and Other Complaints

The Company, Franchisees and Owner/Operators may be the subject of complaints or litigation from guests alleging food-related illness, injuries suffered on the premises or other food quality, health or operational concerns. Adverse publicity resulting from such allegations may materially affect the sales by restaurants, regardless of whether such allegations are true or whether the Company, a Franchisee, or an Owner/Operator is ultimately held liable.

The Impact of Sales Tax upon System Sales

The introduction of the Goods and Services Tax in Canada in 1991 adversely affected System Sales in that year. The introduction of a sales tax upon sales by restaurants, but not upon sales of food by grocery stores, could negatively affect guest traffic and sales at restaurants.

Risks Relating to the Pizza 73 Acquisition

There may be liabilities that the Company and the Partnership failed to discover or were unable to quantify in their due diligence prior to the closing of the Pizza 73 Acquisition, and they may not be fully indemnified for some or all of these liabilities. The discovery of material liabilities could have a material adverse effect on the business, financial condition or future prospects of the Fund, the Partnership and the Company.

The agreement under which the Company acquired Pizza 73 contains various representations and warranties of the Pizza 73 shareholders. The Pizza 73 shareholders have agreed to indemnify the Company from, among other things: (i) claims or losses relating to the breach of any such representations or warranties; and (ii) the failure of the Pizza 73 shareholders to perform any of their respective covenants under the agreement. Any claim for breach of a representation and warranty must be made before the expiry of a specified period. It is not certain that the Pizza 73 shareholders will have sufficient assets to satisfy any claims for indemnification at the time an indemnification claim is made or a judgment respecting such a claim is entered. As a result, there can be no assurance that the Company will be able to recover from the Pizza 73 shareholders the full amount of any damages suffered by it in respect of any of the matters covered by these indemnity provisions.

In addition, Pizza 73 and the Unit Companies have taken certain positions in their tax filings that they believe are reasonable and appropriate but there is no assurance that the CRA will not challenge these positions. A challenge to these filing positions that Pizza 73 and the Unit Companies have taken, if successful despite the entities' efforts to defend their original position, could result in Pizza 73 and the Unit Companies being required to pay additional taxes (including penalties and interest) and the amount of such additional taxes could be material to Pizza 73 and the Unit Companies. The payment of such additional taxes (including penalties and interest) could have a material adverse effect on the operations and financial condition of Pizza 73 and the Unit Companies. None of Pizza 73 or the Unit Companies are currently subject to any assessment, reassessment or determination issued against them by CRA.

Risks Related to the Structure of the Fund

Dependence of the Fund on the Trust and the Company

The cash distributions to the Unitholders are entirely dependent on the ability of the Trust to pay its interest obligations under the Trust Notes, and to make distributions on the Trust Units and upon the ability of the Company to pay the interest on the PPL Loan and the ability of the Trust to meet its obligations to assume payment of the PPL Loan as consideration for the purchase of Class C Units.

Dependence on the Company

The sole source of revenue of the Fund is the Royalty payable to the Partnership and the interest on the PPL Loan payable to the Trust, by the Company. The Company collects franchise fees, administrative fees,

and other amounts from Franchisees and Owner/Operators and generates revenues from its corporate restaurants. In the conduct of the business, the Company pays expenses and incurs debt and obligations to third parties. These expenses, debts and obligations could impact the ability of the Company to pay the Royalty to the Partnership and interest on the PPL Loan to the Trust.

The Partnership and the Trust are each entirely dependent upon the operations and assets of the Company to pay the Royalty to the Partnership and interest on the PPL Loan to the Trust, and each is subject to the risks encountered by the Company in the operation of its business, including the risks relating to the quick service restaurant industry referred to above and the results of operations and financial condition of the Company.

Income Tax Matters

SIFT Tax Legislation

The Fund is a “SIFT trust” for the purposes of the SIFT Tax legislation. Pursuant to the SIFT Tax legislation, effective January 1, 2011 distributions from the Fund, which prior to 2011 were taxed as ordinary income, are generally characterized as dividends from a taxable Canadian corporation. The deemed dividend is eligible for the enhanced dividend gross-up and tax credit applicable to “eligible dividends” if paid to a Unitholder who is resident in Canada for purposes of the Tax Act. In addition, such distributions are deductible by the Fund but are subject to tax at the Fund level at a rate of tax that is generally equal to the combined federal and provincial corporate income tax rate. Distributions by the Fund, other than out of income, continue to be tax-deferred for a Unitholder who is resident in Canada for purposes of the Tax Act and generally reduce the adjusted cost base of such Unitholder’s Units.

The Tax Act also contains rules (the “SIFT Conversion Rules”) that facilitate the conversion of a SIFT trust into a public corporation without immediate tax consequences to the SIFT trust or its unitholders. The SIFT Conversion Rules facilitate the conversion of such trusts into a corporation on a tax-deferred basis provided that the conversion is effected prior to January 1, 2013.

The SIFT Tax legislation raised a number of organizational and tax planning issues for consideration by the Fund’s trustees. As a result, the Fund’s trustees decided to retain the Fund’s current income trust structure through the end of 2011 and into 2012. As an initial step, beginning with the distribution for the month of January 2011, the Fund’s trustees adopted a new distribution policy, with a reduced monthly distribution that reflects the Fund’s obligation to make SIFT Tax payments. In determining the level of distributions, the Trustees considered factors related to the Company’s operations, the need to augment the cash reserve fund, future costs of converting to a corporation, their assessment of economic conditions in the Company’s principal markets, and the discretionary tax deductions that are available as a result of the Fund’s past tax planning strategy. The costs of implementing any structural changes that may ultimately be proposed by the Fund’s trustees may reduce the funds available for distribution to Unitholders. In addition, any such structural change, and the related impact on returns to investors, could adversely affect the market value of the Units prior to, and after, the implementation of the change. In addition, there can be no assurance that any such structural change will qualify for tax-deferred treatment under the SIFT Conversion Rules.

Other Tax Matters

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Units. There can also be no assurance that taxation authorities will accept other tax positions adopted by the Fund, including its determination of the amounts of federal and provincial income and capital taxes and interest expense, which could adversely affect the amount of distributable cash.

Interest on the Trust Notes and the PPL Loan accrues at the Fund level and at the Trust level, respectively for income tax purposes whether or not actually paid. Similarly, the Royalty may accrue at the Partnership level for income tax purposes whether or not actually paid. As a result, the income of the Partnership

allocated to the Fund (through the Trust), in respect of a particular fiscal year may exceed the cash distributed by the Partnership to the Fund (through the Trust) in such year. Where, in a particular year, the Fund does not have sufficient available cash to distribute the full amount that has been made payable to Unitholders (for instance, where interest payments on the PPL Loan or the Trust Notes or payments of the Royalty are due but not paid in whole or in part), the Declaration of Trust provides that additional Units must be distributed to Unitholders in lieu of cash distributions. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, in circumstances when they do not directly receive a cash distribution.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non residents unless all or substantially all of its property is property other than “taxable Canadian property” as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act. Under the draft amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust’s property is taxable Canadian property or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of units of the Fund were held by non-residents and partnerships other than Canadian partnerships, the Fund would thereafter cease to be a mutual fund trust. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Department of Finance tabled a Notice of Ways and Means Motion which did not include these proposed changes. The Department of Finance indicated that the implementation of the proposed changes would be suspended pending further consultation with interested parties.

Leverage and Restrictive Covenants

The Partnership will have third-party debt service obligations under the Term Facility. See “Description of the Business – The Partnership— Term Facility and Operating Facility”. The degree to which the Partnership is leveraged could have important consequences to the holders of the Units, including: (i) a portion of the Partnership’s cash flow from operations are dedicated to the payment of the interest on its indebtedness, thereby reducing funds available for distribution to the Fund; and (ii) certain of the Partnership’s borrowings may be at variable rates of interest, which exposes the Partnership to the risk of increased interest rates.

The Term Facility contains numerous restrictive covenants that limit the discretion of the Partnership’s management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Partnership to incur additional indebtedness, to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. A failure to comply with the obligations in the Term Facility could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness and acceleration. If the indebtedness under the Term Facility was to be accelerated, there can be no assurance that the Partnership’s assets would be sufficient to repay in full that indebtedness.

The Partnership has to refinance its available credit facilities or other debt and there can be no assurance that the Partnership will be able to do so or be able to do so on terms as favourable as those in place on the closing of the offering. If the Partnership is unable to refinance these credit facilities or other debt, or is only able to refinance these credit facilities or other debt on less favourable and/or more restrictive terms, this may have a material adverse effect on the Partnership’s financial position, which may result in a reduction or suspension of cash distributions to Unitholders. In addition, the terms of any new credit facility or debt may be less favourable or more restrictive than the terms of the existing credit facilities or other debt, which may indirectly limit or negatively impact the ability of the Fund to pay cash distributions.

The Term Facility contains restrictive covenants that limit the discretion of the Partnership with respect to certain business matters. In certain circumstances, these restrictive covenants may restrict the cash

available for distribution by the Partnership to the Trust, and therefore the cash ultimately available for distribution to Unitholders.

Borrowings by the Company could adversely affect the Company's ability to pay the Royalty, the Make-Whole Payments, Step Out Payments and interest on the PPL Loan.

Cash Distributions are Not Guaranteed and Will Fluctuate with the Partnership's Performance

Although the Fund intends to distribute the income earned by the Fund less taxes and other expenses of the Fund and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by the Fund or the Partnership. The actual amount distributed in respect of the Units will depend upon numerous factors, including payment of the Royalty and interest on the PPL Loan by the Company. The Fund will also incur expenses as a public issuer, which will reduce cash available for distribution. The market value of the Units may deteriorate if the Fund is unable to meet its distribution targets in the future, and that deterioration may be significant.

The Fund May Issue Additional Units Diluting Existing Unitholders' Interests

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units and Special Voting Units for such consideration and on such terms and conditions as shall be established by the Trustees without the approval of any Unitholders. Additional Units will be issued by the Fund upon the exchange of the Class B Units and Class D Units.

Government Regulation

The Company and its Franchisees and Unit Companies are subject to various federal, provincial and local laws in respect of the operation of restaurants. Each restaurant is subject to licensing and regulation by a number of governmental authorities, which may include alcoholic beverage control, authorities enforcing smoking laws, health and safety laws and fire laws. Difficulties in obtaining, or failures to obtain, the required licences or approvals could delay or prevent the development of a new restaurant in a particular area. Developing new Pizza Pizza and Pizza 73 Restaurants in particular locations requires licences and land use approval, and could be delayed by difficulties in obtaining such licences and approvals or by more stringent requirements of local government bodies with respect to zoning, land use and licensing. The Company is also subject to environmental regulations, including regulations pertaining to packaging, and pays levies to the governments which are ultimately recovered from its Franchisees. Such direct tax costs may increase or decrease.

Franchise Regulation Risk

The complete failure to provide a disclosure document pursuant to the laws and regulations under the franchise disclosure laws of certain Canadian provinces provide the franchisee with a two year absolute right of rescission. If a disclosure document is not provided within the time required by the provincial legislation, or if the contents of the disclosure document do not meet the requirements of the laws or regulations, the franchisee is provided with a sixty day right of rescission. The statutory right of rescission gives the franchisee the right to receive back all monies paid, and to recover for its losses, if any. The Ontario legislation also provides a franchisee with a statutory right of action to sue if a franchisee suffers a loss because of a misrepresentation contained in the disclosure document, or as a result of the franchisor's failure to comply with its disclosure obligations. These rights are in addition to any rights that might exist at common law.

Laws Concerning Employees

The operations of restaurants are subject to minimum wage laws governing such matters as working conditions, overtime and tip credits. Significant numbers of the Restaurants' food service and preparation personnel are paid at rates related to the minimum wage, and accordingly, further increases in the minimum wage could increase the restaurants' labour costs.

Distribution of Securities on Redemption or Termination of the Fund

Upon a redemption of Units or termination of the Fund, the Trustees may distribute Series 2 Trust Notes and Series 3 Trust Notes directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the Series 2 Trust Notes and Series 3 Trust Notes. In addition, the Series 2 Trust Notes and Series 3 Trust Notes are not freely tradable and are not currently listed on any stock exchange. Securities of the Trust so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts ("Plans"), depending upon the circumstances at the time.

Nature of Units

Securities such as the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the Trust or the Partnership and should not be viewed by investors as units in the Trust or the Partnership. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Units represent a fractional interest in the Fund. The Fund's only direct assets are Series 1 Trust Notes and Trust Units. The market price per Unit is a function of anticipated distributable cash.

Possible Unitholder Liability

The Declaration of Trust includes provisions intended to limit the liability of Unitholders for liabilities and other obligations of the Fund, although no statutory provisions historically confirmed the limited liability status of Unitholders in a manner comparable to shareholders of a CBCA corporation. The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with a holding of Units. However, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be personally liable despite such statement in the Declaration of Trust for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the affairs of the Fund will be conducted to seek to minimize such risk wherever possible. On December 16, 2004, the Ontario Trust Beneficiaries' Liability Act, 2004 was enacted. That Act provides that Unitholders of the Fund are not liable, as beneficiaries of a trust, for any act, default, obligation or liability of the Fund or the Trustees, with reference to activities or obligations of the Fund or the Trustees occurring or arising after December 16, 2004. That Act has not yet been judicially considered and it is possible that reliance on the Act by a Unitholder could be successfully challenged on jurisdictional or other grounds.

Investment Eligibility

There can be no assurance that the Units will continue to be qualified investments for Plans. In addition, the Units may be a "prohibited investment" (as defined in the Tax Act) in respect of a registered retirement savings plan, registered retirement income fund or tax-free savings account where, in general terms, the annuitant or holder, as the case may be, of such Plans, does not deal at arm's length with the Fund or has a "significant interest" (as defined in the Tax Act) in the Fund or in a corporation, partnership or trust with which the Fund does not deal at arm's length. The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Company sold the Pizza Pizza Rights to the Partnership for the consideration set forth under "General Development of the Business – Closing of the Initial Public Offering and the Acquisition of the Pizza Pizza Rights, July 2005". The Company has entered into the Licence and Royalty Agreements with the Partnership, and holds Class B Units, Class C Units and Class D Units. See "General Development of the Business" and "Licence and Royalty" for a description of these transactions and the Fund's other

relationships with management of Pizza Pizza GP, the Company and their respective affiliates and associates.

During the Company's three most recent fiscal years ended, it was party to the following transactions with related parties:

- The Company rented restaurants and other premises, including the Toronto commissary, the Pizza Pizza University facilities and its head office, from companies controlled by the Overs Family, in the amounts of approximately \$2,716,000, \$3,595,000, and \$3,440,000 for the fiscal years ended 2011, 2010, and 2009, respectively.
- The Company purchased food from a company controlled by the Overs Family in the amounts of approximately \$6,451,000, \$9,560,000, and \$9,240,000 for the fiscal years ended 2011, 2010, and 2009, respectively.
- The Company earned management fees from companies controlled by the Overs Family in the amount of \$1,560,000, \$1,760,000, and \$2,160,000 for the fiscal years 2011, 2010, and 2009, respectively.

See also Note 23 to the consolidated financial statements of the Company for the period ending January 1, 2012, which note is incorporated by reference herein.

LEGAL PROCEEDINGS

The Company and the Fund are not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Fund, the Trust, the Partnership, Pizza Pizza GP or the Company which would be material other than listed below.

The Company was named a defendant in a legal proceeding commenced in the Ontario Superior Court of Justice Commercial List (Court File No. 06-CL-6270) on February 1, 2006. The Plaintiff was Lawrence Bernard Austin and the defendants were the Estate of Michael Overs, Tesari Holdings Limited and the Company. The plaintiff's amended claim sought \$90 million in damages plus interest and costs for his alleged share of proceeds from the Fund's initial public offering.

In early November, 2011, the parties entered into a settlement agreement with Mr. Austin, and the claim was withdrawn with no finding of liability on the part of the Company or the Fund, with a full and unconditional release of the defendants, as well as the Fund and its affiliates, in relation to the subject matter of the claim.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund are Ernst and Young LLP, Chartered Accountants, 200 King Street West, Suite 1100, Toronto, Ontario, M5H 3T4.

The transfer agent and registrar for the Units is CIBC Mellon Trust Company, and Canadian Stock Transfer Company Inc. acts as the Administrative Agent for CIBC Mellon Trust Company, at its principal transfer office in Toronto, Ontario.

MATERIAL CONTRACTS

The following are the only material contracts, other than in the ordinary course of business, which have been entered into by any of the Fund, the Trust, the Partnership or Pizza Pizza GP during the year ended December 31, 2011, or in a prior year end remaining in effect, other than in the ordinary course of business, are as follows:

- (a) the Acquisition Agreement referred to under "General Development of the Business – Closing of the Offering and the Acquisition of the Pizza Pizza Rights";

- (b) the Pizza 73 Acquisition Agreement referred to under “General Development of the Business – Significant Acquisition”;
- (c) agreements required for the Term Facility referred to under “General Development of the Business – Business of the Partnership – Term Facility and Operating Facility”;
- (c) agreements required for the PPL Loan and the General Security Agreement referred to under “General Development of the Business – PPL Loan and Acquisition of the PPL Loan July 2005”;
- (d) the Licence and Royalty Agreements and the Amended and Restated General Security Agreement referred to under “Licence and Royalty”;
- (e) the Governance Agreement referred to under “Management and Corporate Governance of Pizza Pizza GP”;
- (f) the Exchange Agreement referred to under “Description of the Partnership - The Pizza Pizza Retained Interest and Exchange Rights”;
- (g) the Limited Partnership Agreement referred to under “Description of the Partnership”;
- (h) the Declaration of Trust referred to under “Description of the Fund”;
- (i) the Holdings Declaration of Trust referred to under “Description of the Trust”;
- (j) the Administration Agreement referred to under “Description of the Fund – Fund Administration” and “Description of the Trust – Trust Administration”; and
- (k) the Note Indenture referred to under “Description of the Trust — Trust Notes”

INTERESTS OF EXPERTS

The Fund’s auditors are Ernst and Young and the consolidated annual financial statements for the year ended December 31, 2011 have been filed under National Instrument 51-102 – Continuous Disclosure Requirements in reliance on the report of Ernst and Young, independent chartered accountants, given on their authority as experts in auditing and accounting. To the knowledge of the Fund, Ernst and Young are independent with respect to the Fund and its subsidiaries in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Fund may be found on the System for Electronic Document Analysis and Retrieval at www.sedar.com and www.pizzapizza.ca. Additional information, including the remuneration and indebtedness of trustees, directors and officers of the Fund and its subsidiaries, principal holders of the Fund’s securities, options to purchase securities and interests of insiders in material transactions, is contained in the Fund’s information circular for its annual meeting of Unitholders. Additional financial information is provided in the Fund’s financial statements and management’s discussion and analysis for the fiscal year ended December 31, 2011.

EXHIBIT 'A'

PIZZA PIZZA ROYALTY INCOME FUND

AUDIT COMMITTEE CHARTER

OVERVIEW

The Fund owns, through Pizza Pizza Royalty Limited Partnership (the "Partnership"), the trade marks, trade names and other intellectual property and associated rights (collectively, the "Pizza Pizza Rights and Pizza 73 Rights") used in connection with Pizza Pizza and Pizza 73 Restaurants in Canada that are operated by Pizza Pizza Limited ("PPL"), its franchisees and the owner/operators. The Pizza Pizza Rights and Pizza 73 Rights have been licensed to PPL pursuant to two, separate licence and royalty agreements (the "Licence and Royalty Agreements"), in consideration of which the Partnership is entitled to receive a royalty payment based on the system sales of a defined pool of restaurants. Accordingly, the financial performance of the Fund and its subsidiaries is dependent on the effective operation and management of the restaurant system, and on PPL's performance of its obligations under the Licence and Royalty Agreements. These obligations include the timely provision of financial and other information to the Fund and its subsidiaries to enable the Fund to develop its business plan and strategic objectives, to monitor PPL's compliance with the Licence and Royalty Agreements and to satisfy its continuous disclosure and other obligations as a reporting issuer under applicable securities laws. Although the Fund does not hold a direct or indirect equity interest in PPL and is not otherwise entitled to control or direct the Pizza Pizza business, this Charter recognizes that the contractual and other relationships between the Fund and its subsidiaries, on the one hand, and PPL, on the other hand, require a coordinated approach to accounting and financial reporting issues to support the Fund's compliance with its obligations as a reporting issuer. This Charter also recognizes that certain functions of the Fund may be performed by the directors or management of Pizza Pizza GP Inc. ("Pizza Pizza GP") or PPL.

Mandate of the Audit Committee

1. The Audit Committee shall be comprised of three or more trustees as determined by the board of trustees (the "Board"), each of whom shall be independent trustees free from any direct or indirect material relationship with the Fund or any other relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.
2. All members of the Committee shall be financially literate.
3. The Audit Committee shall meet at least quarterly, prior to the release of quarterly financial results. Additional meetings may be held if deemed necessary at the call of its Chairperson.
4. The Audit Committee shall review with management of Pizza Pizza GP and of PPL and the external auditors, and shall recommend to the Board for action, all public financial reports and other public financial information that require Board approval, including:
 - (a) annual and interim earnings press releases;
 - (b) the Fund's interim and annual audited financial statements;
 - (c) Management's Discussion and Analysis; and

- (d) financial information of the Fund included in the Fund's Annual Report to Unitholders, the Fund's Annual Information Form or in any prospectus or offering document.
- 5. The Audit Committee, through discussions with management of Pizza Pizza GP and of PPL and with the external auditors, shall satisfy itself that:
 - (a) financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles;
 - (b) appropriate accounting policies and practices have been selected and applied consistently;
 - (c) there is an appropriate basis for significant estimates requiring the exercise of management judgment; and
 - (d) significant, contingent liabilities are appropriately accounted for or disclosed.
- 6. The Audit Committee, through discussions with management and external auditors, shall satisfy itself that:
 - (a) management of Pizza Pizza GP and of PPL has established appropriate and cost-effective systems of internal control to safeguard assets, manage significant business risks and ensure accurate and timely financial reporting;
 - (b) significant observations, if any, of external auditors regarding internal controls are appropriately considered and dealt with; and
 - (c) management has established appropriate procedures to comply with applicable legislation for the remittance of certain taxes, pension monies and employee remuneration.
- 7. The Audit Committee shall receive reports from and hold discussions with external auditors to ensure that:
 - (a) the audits are appropriate in scope and extent, properly planned and conducted effectively;
 - (b) significant resolved and any unresolved issues between auditors and management have been brought to its attention;
 - (c) the principal risks of the Fund's activities have been identified and appropriate systems have been implemented to manage these risks; and
 - (d) the integrity of the Fund's internal control and management information systems is satisfactory.
- 8. The Audit Committee has the ultimate authority and responsibility to review and recommend to the Board for action:
 - (a) fees paid to the external auditors; and
 - (b) the appointment of external auditors.

9. The Audit Committee shall ensure the receipt from the external auditors of a formal written statement delineating all relationships between the auditors and the Fund, PPL and their respective subsidiaries to satisfy itself with respect to the external auditors' independence.
10. The Audit Committee shall receive and review the minutes of the audit committees, if any, of wholly-owned subsidiary or controlled subsidiary and majority-owned companies. The Audit Committee may perform any other activity consistent with this Charter, the Fund's declaration of trust and governing law as the Committee or the Board deems necessary or appropriate.
11. The Fund must require its external auditors to report directly to the Audit Committee.
12. The Audit Committee is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund, including the resolution of disagreements between management and the external auditor regarding financial reporting.
13. The Audit Committee must pre-approve all non-audit services to be provided to the Fund or its subsidiaries by the Fund's external auditors.
14. The Audit Committee must review and approve the hiring policies adopted by the Fund and its subsidiaries regarding partners, employees and former partners and employees of the present and former external auditors. The Audit Committee will liaise with PPL with respect to PPL's hiring policies as they related to such persons.
15. The Audit Committee has the authority:
 - (a) to engage independent counsel and advisors as it determines necessary to carry out its duties;
 - (b) to set and pay the compensation for any advisors employed by the Audit Committee; and
 - (c) to communicate directly with the external auditors.
16. The Audit Committee shall review and update this Charter annually and present it for Board approval.
17. The Audit Committee must be satisfied that adequate procedures are in place for the review of the Fund's public disclosure of financial information extracted or derived from the Fund's financial statements (in conjunction with the Disclosure Committee) and must periodically assess the adequacy of those procedures.
18. The Audit Committee must establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Fund regarding accounting, internal accounting controls or auditing matters;
 - (b) the confidential, anonymous submission by employees of the Fund and its subsidiaries of concerns regarding questionable accounting or auditing matters.

EXHIBIT "B"

PIZZA PIZZA GP

AUDIT COMMITTEE CHARTER

OVERVIEW

Pizza Pizza Royalty Income Fund (the "Fund") owns, through Pizza Pizza Royalty Limited Partnership (the "Partnership"), the trade marks, trade names and other intellectual property and associated rights (collectively, the "Rights") used in connection with Pizza Pizza and Pizza 73 restaurants in Canada that are operated by Pizza Pizza Limited ("PPL") and its franchisees and the owner/operators. The Rights have been licensed to PPL pursuant to two separate licence and royalty agreements (the "Licence and Royalty Agreements"), in consideration of which the Partnership is entitled to receive a royalty payment based on the system sales of a defined pool of restaurants. Accordingly, the financial performance of the Fund and its subsidiaries is dependent on the effective operation and management of the restaurant system, and on PPL's performance of its obligations under the Licence and Royalty Agreements and the other related agreements between PPL and the Fund and its subsidiaries (the "PPL Agreements"). These obligations include the timely provision of financial and other information to the Fund and its subsidiaries to enable the Fund to develop its budget, capital plan and distribution policy, to monitor PPL's compliance with the PPL Agreements and to satisfy the Fund's continuous disclosure and other obligations as a reporting issuer under applicable securities laws. Although the Fund does not hold a direct or indirect equity interest in PPL and is not otherwise entitled to control or direct the Pizza Pizza business, this Charter recognizes that the contractual and other relationships between the Fund and its subsidiaries, on the one hand, and PPL, on the other hand, require a coordinated approach to accounting and financial reporting issues to support the Fund's compliance with its obligations as a reporting issuer. This Charter also recognizes that certain functions of Pizza Pizza GP may be performed by the directors or management of PPL.

MANDATE OF THE AUDIT COMMITTEE

1. The Audit Committee shall be comprised of three or more directors as determined by the board of directors (the "Board"), each of whom shall be independent directors within the meaning of National Instrument 52-110 - Audit Committees, as amended from time to time, free from any direct or indirect material relationship with Pizza Pizza GP or any other relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee.
2. All members of the Audit Committee shall be financially literate.
3. The Audit Committee shall meet at least quarterly, prior to the release of quarterly financial results. Additional meetings may be held if deemed necessary at the call of its Chairperson. A majority of the members of the Audit Committee shall constitute a quorum at any meeting.
4. The Audit Committee shall review with management of Pizza Pizza GP and of PPL and the external auditors, and shall recommend to the Board for action, all financial reports and other financial information of Pizza Pizza GP or the Partnership that require Board approval, including financial information of Pizza Pizza GP or the Partnership appearing in the Fund's continuous disclosure filings and in any prospectus or offering document.
5. The Audit Committee, through discussions with management of Pizza Pizza GP and of PPL and with the external auditors, shall satisfy itself that:

- (a) financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles;
 - (b) appropriate accounting policies and practices have been selected and applied consistently;
 - (c) there is an appropriate basis for significant estimates requiring the exercise of management judgment; and
 - (d) significant, contingent liabilities are appropriately accounted for or disclosed.
6. The Audit Committee, through discussions with management and external auditors, shall satisfy itself that:
- (a) management of Pizza Pizza GP and of PPL has established appropriate and cost-effective systems of internal control to safeguard assets, manage significant business risks and ensure accurate and timely financial reporting;
 - (b) significant observations, if any, of external auditors regarding internal controls are appropriately considered and dealt with; and
 - (c) management has established appropriate procedures to comply with applicable legislation for the remittance of certain taxes, pension monies and employee remuneration.
7. The Audit Committee shall receive reports from and hold discussions with external auditors to ensure that:
- (a) the audits are appropriate in scope and extent, properly planned and conducted effectively;
 - (b) significant resolved and any unresolved issues between auditors and management have been brought to its attention;
 - (c) the principal risks of Pizza Pizza GP's and the Partnership's businesses have been identified by management and appropriate systems have been implemented to manage these risks; and
 - (d) the integrity of Pizza Pizza GP's and the Partnership's internal control and management information systems is satisfactory.
8. The Audit Committee has the ultimate authority and responsibility to review and recommend to the Board for action:
- (a) fees paid to the external auditors; and
 - (b) the appointment of external auditors.
9. The Audit Committee shall ensure the receipt from the external auditors of a formal written statement delineating all relationships between the auditors and Pizza Pizza GP, the Partnership, PPL and their respective subsidiaries to satisfy itself with respect to the external auditors' independence.
10. The Audit Committee shall receive and review the minutes of the audit committees, if any, of wholly-owned subsidiary or controlled subsidiary and majority-owned companies.

The Audit Committee may perform any other activity consistent with this Charter, Pizza Pizza GP's By-laws and governing law as the Committee or the Board deems necessary or appropriate.

11. Pizza Pizza GP must require its external auditors to report directly to the Audit Committee.
12. The Audit Committee is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Pizza Pizza GP or the Partnership, including the resolution of disagreements between management and the external auditors regarding financial reporting.
13. The Audit Committee must pre-approve all non-audit services to be provided to Pizza Pizza GP, the Partnership or their respective subsidiaries by the external auditors.
14. The Audit Committee must review and approve the hiring policies adopted by Pizza Pizza GP, the Partnership and their respective subsidiaries regarding partners, employees and former partners and employees of the present and former external auditors. The Audit Committee will liaise with PPL with respect to PPL's hiring policies as they relate to such persons.
15. The Audit Committee has the authority:
 - (a) to engage independent counsel and advisors as it determines necessary to carry out its duties;
 - (b) to set and pay the compensation for any advisors employed by the Audit Committee; and
 - (c) to communicate directly with the external auditors.
16. The Audit Committee shall review and update this Charter annually and present it for Board approval.
17. The Audit Committee must be satisfied that adequate procedures are in place for the review of the Fund's public disclosure of financial information extracted or derived from Pizza Pizza GP's or the Partnership's financial statements (in conjunction with the Disclosure Committee) and must periodically assess the adequacy of those procedures.
18. The Audit Committee must establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by Pizza Pizza GP, the Partnership or their respective subsidiaries regarding accounting, internal accounting controls or auditing matters;
 - (b) the confidential, anonymous submission by employees of Pizza Pizza GP, the Partnership or their respective subsidiaries of concerns regarding questionable accounting or auditing matters.