



## **PIZZA PIZZA ROYALTY INCOME FUND**

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### **NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS TO BE HELD ON MAY 30, 2012**

and

### **MANAGEMENT INFORMATION CIRCULAR**

and

### **NOTICE OF APPLICATION TO THE ONTARIO SUPERIOR COURT OF JUSTICE WITH RESPECT TO A PLAN OF ARRANGEMENT INVOLVING PIZZA PIZZA ROYALTY INCOME FUND, PIZZA PIZZA HOLDINGS TRUST, PIZZA PIZZA GP INC., PIZZA PIZZA ROYALTY LIMITED PARTNERSHIP, PIZZA PIZZA LIMITED, PIZZA PIZZA ROYALTY CORP. AND UNITHOLDERS**

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**April 26, 2012**

If you are in doubt as to how to deal with these materials or the matters they describe, please consult your professional advisor. If you require more information with respect to voting your securities of Pizza Pizza Royalty Income Fund, please contact Curt Feltner, Chief Financial Officer, Pizza Pizza GP Inc. by phone at (416) 967-1010 or by email at [cfeltner@pizzapizza.ca](mailto:cfeltner@pizzapizza.ca).





April 26, 2012

Dear Unitholders:

You are invited to attend the annual and special meeting (the “**Meeting**”) of holders (“**Unitholders**”) of trust units (the “**Units**”) (collectively the “**Unitholders**”) of Pizza Pizza Royalty Income Fund (the “**Fund**”) at the TMX Broadcast Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario on Wednesday, May 30, 2012 at 10:00 a.m. (Eastern time).

At the Meeting, you will be asked to consider, among other items of business, the Fund’s proposed conversion to a corporate structure by way of a plan of arrangement (the “**Conversion**”) involving the Fund, Pizza Pizza Holdings Trust (the “**Trust**”), Pizza Pizza GP Inc. (“**Pizza Pizza GP**”), Pizza Pizza Royalty Limited Partnership (the “**Partnership**”), Pizza Pizza Limited (“**PPL**”), Pizza Pizza Royalty Corp. (“**ParentCo**”), and Unitholders. If you cannot attend the Meeting, we encourage you to submit your voting instructions as soon as possible.

If approved, the Conversion will result in the reorganization of the Fund’s income trust structure into a corporate structure under ParentCo, which will own 73.5% of the common shares of Pizza GP and 100% of the Class A limited partnership units and Class C limited partnership units of the Partnership. Pursuant to the Conversion, Unitholders will receive, for each Unit held, one common share (a “**Share**”) of ParentCo on the effective date of the Conversion (the “**Effective Date**”).

If the Conversion is approved by the Unitholders, the Fund will continue to operate under its existing structure for the remainder of 2012. The Effective Date is expected to be December 31, 2012, and Units would be converted into Shares at that time. Following the Effective Date, the Shares will be listed on the Toronto Stock Exchange under the symbol “PZA”.

Following the completion of the Conversion, the board of directors of ParentCo will be comprised of the current members of the board of trustees of the Fund. Accordingly, the board of directors of ParentCo will continue to be independent of PPL and its management team.

The Fund is currently paying a monthly distribution of \$0.0584 per Unit. Following the Effective Date, ParentCo plans to pay monthly dividends per share not less than the amount currently paid per Unit. Currently, distributions paid by the Fund are treated in part as a taxable dividend and in part as a return of capital for tax purposes. Following the Conversion, the full amount of distributions paid by ParentCo will be treated as taxable dividends. The amount of any dividends payable by ParentCo will be at the discretion of the board of directors of ParentCo and will be evaluated periodically. ParentCo’s dividend policy may be revised subject to business circumstances and expected capital requirements depending on, among other things, the Partnership’s royalty income, its debt service requirements, any restrictions under the Term Facility or other credit arrangements, the satisfaction of applicable solvency tests for the declaration and payment of dividends and other conditions existing from time to time.

The Board of Trustees has concluded that the Conversion is fair to Unitholders, is in the best interest of the Fund and the Unitholders and recommends that Unitholders vote in favour of the resolution approving the Conversion and related matters, attached as Appendix “A” to the accompanying Information Circular (the “**Conversion Resolution**”).

The Conversion Resolution must be approved by not less than 66 $\frac{2}{3}$ % of the votes cast by the Unitholders voting together as a single class in person or by proxy at the Meeting. The Conversion is also subject to the approval of the Ontario Superior Court of Justice and receipt of all necessary regulatory approvals.

The accompanying Information Circular contains additional information concerning matters to be considered at the Meeting, including a detailed description of the Conversion and information regarding the future development of the Fund and its subsidiaries, and PPL. Please give this material your careful consideration and, if you require assistance, consult your financial, tax or other professional advisors. Please complete and return the form of proxy or voting instruction form, as the case may be, provided to you in accordance with the instructions provided by your broker or intermediary.

On behalf of the Board of Trustees, I would like to thank our Unitholders for their continued support of the Fund. We believe that the Conversion will allow us to move forward, with a new structure, while maintaining our focus on delivering value to our Unitholders. We look forward to seeing you at the Meeting.

Yours truly,

(Signed) *“Elizabeth Wright”*

Elizabeth Wright  
Chair  
Board of Trustees of Pizza Pizza Royalty Income Fund

**PIZZA PIZZA ROYALTY INCOME FUND**  
**NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS**

**NOTICE IS HEREBY GIVEN** to holders ("**Unitholders**") of trust units ("**Units**") of the **PIZZA PIZZA ROYALTY INCOME FUND** (the "**Fund**") that the annual and special meeting of Unitholders (the "**Meeting**") will be held at the TMX Broadcast Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario on Wednesday, May 30, 2012 at 10:00 a.m. (Eastern time) for the following purposes:

1. To receive the audited financial statements of the Fund for the period ended December 31, 2011 and the report of the auditors thereon;
2. To appoint auditors for the Fund for the ensuing year and to authorize the trustees of the Fund to fix the remuneration of the auditors;
3. To elect trustees of the Fund to hold office until the next annual general meeting of the Unitholders of the Fund;
4. To consider and if thought advisable, pass, with or without variation a special resolution (the "**Conversion Resolution**"), the full text of which is set forth in Appendix "A" to the Management Information Circular ("**Information Circular**"), to approve the conversion of the Fund to a corporate structure by way of a plan of arrangement (the "**Conversion**"), all as more particularly described in the Information Circular; and
5. To transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

As of the date of the Information Circular, management is not aware of any changes to these items and does not expect any other items to be brought forward at the Meeting. If there are changes or new items, your proxyholder can vote your Units on these items as he or she sees fit.

Unitholders as at the close of business on April 30, 2012 will be entitled to vote at the Meeting. The Fund's trustees encourage you to participate by ensuring that the Units you hold are represented and that your wishes are made known at the Meeting. You may vote by following the simple instructions provided in the Information Circular.

Accompanying this Notice of Meeting are: (i) an Information Circular; (ii) a form of proxy and notes thereto; and (iii) a reply card for use by Unitholders who wish to receive the annual and/or interim financial statements of the Fund and of Pizza Pizza Limited. A copy of the 2011 Annual Report of the Fund is available on the Fund's website, [www.pizzapizza.ca](http://www.pizzapizza.ca) and will also be available at the meeting.

If you are a *registered Unitholder* and are unable to attend the Meeting in person, please date and execute the accompanying form of proxy and deposit it with CIBC Mellon Trust Company, Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1, before 5:00 p.m. (Eastern time) on May 28, 2012 or not less than 48 hours, excluding Saturdays, Sundays and holidays, before the meeting or any adjournment thereof.

If you are a *non-registered Unitholder* and receive these materials through your broker or through another intermediary ("**Intermediary**"), please complete and return the materials in accordance with the instructions provided to you by your broker or by the other Intermediary.

DATED at Toronto, Ontario this 26th day of April, 2012

**BY ORDER OF THE BOARD OF TRUSTEES**

(Signed) "*Elizabeth Wright*"

Elizabeth Wright  
Chair of the Board of Trustees



**ANNUAL AND SPECIAL MEETING OF UNITHOLDERS  
MANAGEMENT INFORMATION CIRCULAR  
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## MANAGEMENT INFORMATION CIRCULAR

### Introduction

This Management Information Circular (the “Information Circular”) is furnished in connection with the solicitation of proxies by and on behalf of the Board of Trustees for use at the Meeting and any adjournment thereof. No Person has been authorized to give any information or make any representation in connection with the Conversion or any other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under “Glossary of Terms” or elsewhere in this Information Circular. All dollar amounts are expressed in Canadian currency unless otherwise stated.

Information contained in this Information Circular is given as of April 26, 2012, unless otherwise specifically stated.

This Information Circular is being sent to you as a holder (“**Unitholder**”) of trust units (“**Units**”) of the Pizza Pizza Royalty Income Fund (the “**Fund**”) in connection with the annual and special meeting of Unitholders to be held on May 30, 2012 (the “**Meeting**”). The Meeting will be held at the TMX Broadcast Centre, the Exchange Tower, 130 King Street West, Toronto, Ontario, on Wednesday, May 30, 2012 at 10:00 a.m. (Eastern time).

All summaries of, and references to, the Conversion in this Information Circular are qualified in their entirety by reference to the complete text of the Plan of Arrangement, a copy of which is attached as Exhibit A to the Arrangement Agreement, which agreement is attached as Appendix “C” to this Information Circular. **You are urged to carefully read the full text of the Plan of Arrangement.**

### Forward-Looking Statements

Certain statements in this Information Circular 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 Information Circular, such statements include such words as “may”, “will”, “expect”, “believe”, “plan” and other words with 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 Information Circular. The Fund does not intend to 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 PPL. The foregoing list of factors is not exhaustive. See “Risk Factors” in the Annual Information Form for a description of these risks and other risks affecting Pizza Pizza’s business and an investment in Units. Many of these risks will also be applicable to ParentCo following completion of the Conversion.

The information contained in this Information Circular, including the documents incorporated by reference herein, identifies additional factors that could affect the operating results and performance of the Fund and ParentCo. We urge you to carefully consider those factors.

### **Advice to Beneficial Holders of Units**

These meeting materials are being sent to both registered and non-registered Unitholders. The information set forth in this section is of significant importance to Unitholders who do not hold Units in their own name. Unlike some issuers where the names of individual security holders are recorded on a register of holders, the ownership of Units is tracked through a book-entry only system administered by CDS Clearing and Depository Services Inc. (“CDS”).

In a book-based system, the only registered Unitholder (a “**Registered Unitholder**”) is CDS, who acts as clearing agent for the brokers and other intermediaries who, in turn, act on behalf of the investors in Units (the “**Non-Registered Unitholders**”).

**If Non-Registered Unitholders wish to vote their Units they must carefully review and follow the voting instructions provided by their Intermediary.**

#### *Delivery of Voting Instructions by Non-Registered Unitholders*

Applicable regulatory policy requires Intermediaries to seek voting instructions from Non-Registered Unitholders in advance of Unitholder meetings. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Non-Registered Unitholders in order to ensure their Units are voted at the Meeting. Generally, Non-Registered Unitholders who receive meeting materials will be given either:

- (a) a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) and which is restricted as to the number of Units beneficially owned by the Non-Registered Unitholder but which is otherwise not completed. This form of proxy need not be signed by the Non-Registered Unitholder. In this case, the Non-Registered Unitholder who wishes to submit a proxy should complete the rest of the form of proxy and deliver the proxy in accordance with the instructions provided by the Intermediary; or
- (b) a voting instruction form which must be completed and signed by the Non-Registered Unitholder in accordance with the directions on the voting instruction form and returned to the Intermediary or its service company. In some cases, the completion of the voting instruction form by telephone, the internet, or facsimile is permitted. The purpose of these procedures is to permit Non-Registered Unitholders to direct the voting of the Units that they beneficially own. These procedures do not permit a Non-Registered Unitholder to vote Units in person at a Meeting.

#### *Voting in Person by Non-Registered Unitholders*

A Non-Registered Unitholder who receives a form of proxy or a voting instruction form and wishes to vote at the Meeting in person should strike out the names of the persons designated in the form of proxy and insert the Non-Registered Unitholder's name in the blank space provided or, in the case of a voting instruction form, follow the corresponding directions on the form. In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.

See “General Proxy Matters” in this Information Circular.

## Information for United States Unitholders

None of the securities to be issued to United States Unitholders in exchange for their securities under the Conversion have been or will be registered under the 1933 Act, and such securities are being issued to Unitholders in reliance on the exemption from registration set forth in Section 3(a)(10) of the 1933 Act. The solicitation of proxies for the Meeting is not subject to the proxy requirements of Section 14(a) of the 1934 Act. Accordingly, the solicitations and transactions contemplated in this Information Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian securities laws, and this Information Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. Unitholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the 1933 Act and proxy statements under the 1934 Act. Specifically, information concerning the operations of the Fund contained or incorporated by reference herein has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards. The audited and unaudited historical financial statements of the Fund and the audited historical financial statements of ParentCo included in or incorporated by reference in this Information Circular have been presented in Canadian dollars, were prepared in accordance with Canadian GAAP and are subject to Canadian auditing and auditor independence standards, which differ from United States GAAP and auditing and auditor independence standards in certain material respects, and thus may not be comparable to financial statements of United States companies.

Unitholders with investment decisions made in a state or other jurisdiction in which ParentCo is not ultimately satisfied that all required regulatory approvals have been received (**"Ineligible Unitholders"**) who would otherwise receive Shares in exchange for their Units may, at the sole discretion of ParentCo, have such Shares issued on their behalf to a selling agent, which shall, as agent for such Ineligible Unitholders (and without liability except for gross negligence or willful misconduct), sell such Shares on their behalf over the facilities of the TSX and have net proceeds of such sale, less any applicable brokerage commissions, other expenses and withholding taxes, delivered to such Unitholders. ParentCo will have no liability for any such proceeds received or the remittance thereof to such Unitholders.

The enforcement by investors of civil liabilities under the United States securities laws may be affected adversely by the fact that the Fund and its subsidiaries (including ParentCo) are organized under provincial or federal laws of Canada, that their respective trustees, directors and officers are residents of countries other than the United States, and that substantially all of the assets of the Fund and its subsidiaries are located outside the United States.

**THE SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES PASSED ON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

## BUSINESS OF THE MEETING AND SUMMARY INFORMATION

*The following is a summary of certain information contained elsewhere in this Information Circular, including the Appendices hereto, and is qualified in its entirety by reference to the more detailed information contained or referred to elsewhere in this Information Circular or in the Appendices hereto. Certain capitalized words and terms used in this summary and the Information Circular are defined in the "Glossary of Terms".*

### Presentation of the Financial Statements

The Fund's audited consolidated financial statements for the year ended December 31, 2011, together with the report of the auditor, will be presented at the Meeting. These financial statements are included in the Fund's 2011 Annual Report which is available on SEDAR at [www.sedar.com](http://www.sedar.com) or upon request from Curtis Feltner, Chief Financial Officer of Pizza Pizza GP Inc. by phone at (416) 967-1010 or by email at [cfeltner@pizzapizza.ca](mailto:cfeltner@pizzapizza.ca).

### Appointment and Remuneration of Auditor

The persons named in the enclosed form of proxy intend to vote in favour of appointing Ernst and Young LLP, Chartered Accountants ("**E&Y**"), as auditors of the Fund to hold office until the next annual meeting of Unitholders or until their successors are appointed, and authorizing the Trustees to fix the remuneration of the auditors, unless the Unitholder who has given the proxy has directed that the Units represented thereby be withheld from voting in respect of the appointment of auditors.

During 2011, the Fund's auditors, RSM Richter LLP, Chartered Accountants, entered into a transaction with E&Y under which the Toronto audit, tax and corporate finance practices of RSM Richter LLP were combined with E&Y. As a result, E&Y appears as the Fund's auditors in the 2011 audited consolidated financial statements as the successor to RSM Richter LLP, who acted as auditors of the Fund since its inception on May 26, 2005.

### Election of Trustees

Each of the persons nominated for election at the Meeting as a trustee of the Fund will hold office until the next annual meeting of the Unitholders of the Fund or until his or her successor is duly elected or appointed in accordance with the Fund's amended and restated declaration of trust dated June 24, 2005, as amended July 24, 2007 (the "**Declaration of Trust**"). In the absence of instructions to the contrary, the enclosed form of proxy will be voted in favour of the election of the five individuals who are nominated for election as trustees of the Fund. All of the nominees are currently trustees of the Fund.

### Approval of the Conversion

The Meeting will consider and, if thought advisable, will pass, with or without variation, the Conversion Resolution, the full text of which is set forth in Appendix "A", approving the Conversion.

If approved, the Conversion will result in the reorganization of the Fund's income trust structure under a corporate structure under ParentCo, which will own, among other things, 73.5% of the common shares of Pizza Pizza GP and all of the Class A LP Units and Class C LP Units.

Pursuant to the Conversion, Unitholders will receive, for each Unit held, one common share (a "**Share**") of ParentCo on the Effective Date of the Conversion. All Class B Units and Class D Units of the Partnership outstanding at the time of the Conversion will remain outstanding following the Conversion but will become exchangeable for Shares, instead of Units, based on the number of Units into which such Class B Units and Class D Units are exchangeable from time to time in accordance

with the amended and restated exchange agreement dated July 24, 2007 (the “**Exchange Agreement**”).

If the Conversion is approved by the Unitholders, the Fund will continue to operate under its existing structure for the remainder of 2012. The Effective Date is expected to be December 31, 2012, and Units would be converted into Shares at that time. Following the Effective Date, the Shares will be listed on the Toronto Stock Exchange under the symbol “PZA”. See “The Conversion — Effect of the Conversion on Unitholders” and “The Conversion — Procedure for Exchange of Units”.

### ***Approval and Recommendation of the Board of Trustees***

After duly considering the financial aspects and other considerations relating to the proposed Conversion, including without limitation the terms of the proposed Conversion and the Board of Trustees’ duties and responsibilities to Unitholders, the Board of Trustees approved the proposed Conversion and concluded that the Conversion was fair to Unitholders and was in the best interests of Unitholders, and resolved to recommend that Unitholders vote their Units in favour of the Conversion. **Accordingly, the Board of Trustees recommends that Unitholders vote FOR the Conversion Resolution. In the absence of contrary instructions, the Trustees named as proxyholders in the enclosed proxy intend to vote FOR the Conversion Resolution.**

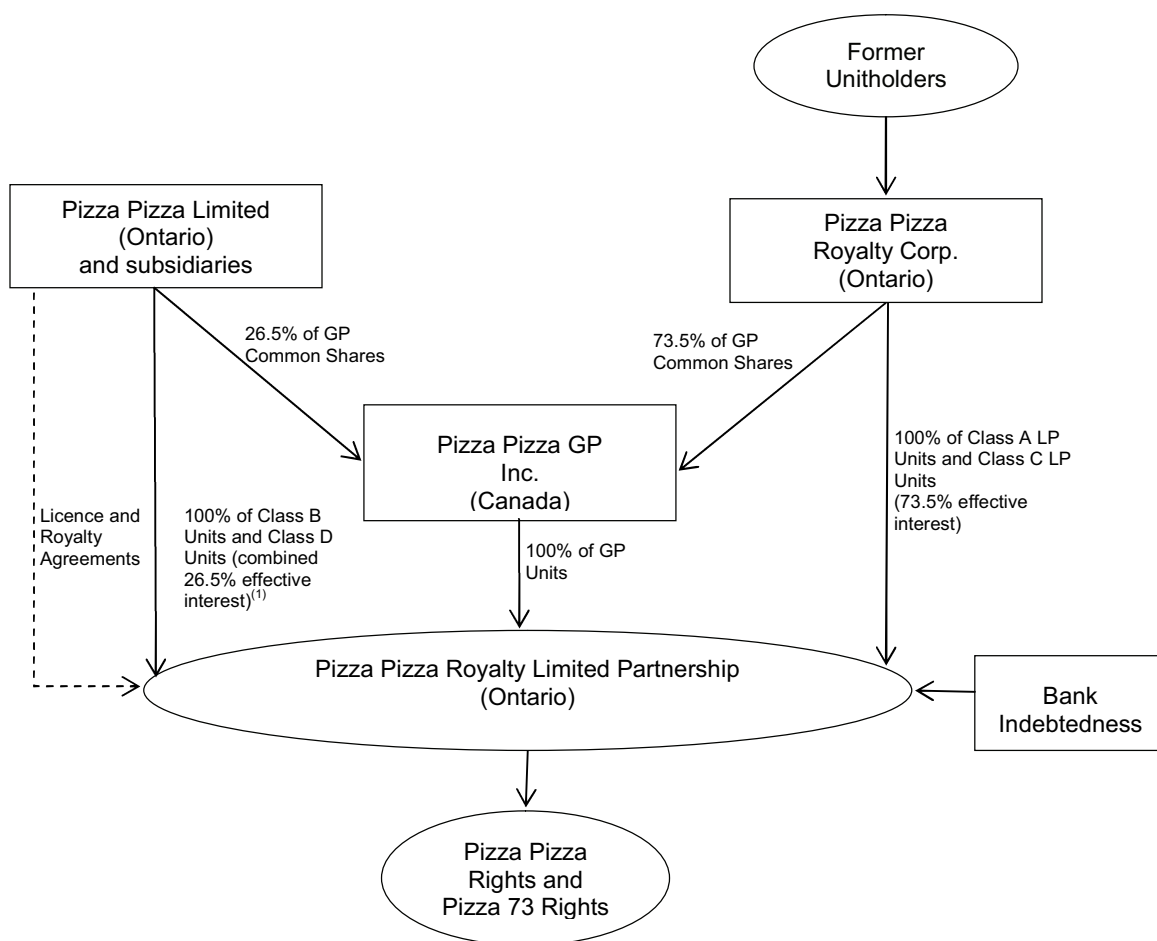
In reaching its conclusions and formulating its recommendation, the Board of Trustees considered, among others, the following factors:

- ParentCo will continue to operate with the benefit of the same stable, predictable royalty stream and underlying agreements with PPL that have contributed to Unitholder value;
- the tax benefit to the Fund of being a publicly-traded income trust has been eliminated as a consequence of the SIFT Rules, thereby removing the primary tax benefit of the income trust structure;
- the Conversion provides for an effective and efficient method of converting from a trust to a corporation consistent with existing legislation;
- a tax deferred wind-up of the Fund must be implemented before 2013 and the Arrangement provides for a tax-deferred method of exchanging Units for Shares and winding-up the Fund and the Trust;
- a reorganization to a corporate structure should allow investors to more easily compare ParentCo against other public companies;
- it is anticipated that the reorganized structure of the Fund as a common share public corporation will attract new investors, including non-resident investors, and provide, in the aggregate, a more active and attractive market for the Shares than currently exists for the Units;
- the Conversion must receive the appropriate Unitholder approval in order to be adopted; and
- ParentCo, the Managing General Partner and PPL will be managed by the same experienced team of professionals that have demonstrated their ability to deliver on development and acquisition opportunities and to support and grow distributions to Unitholders.

See “The Conversion — Effect of the Conversion on Unitholders”, “The Conversion — Details of the Conversion — Conversion Steps”, “The Conversion — Arrangement Agreement”, “The Conversion — Interests of Certain Persons or Companies in the Conversion”, “Certain Canadian Federal Income Tax Considerations” and “Risk Factors”.

## Post-Conversion Structure

Following the Effective Date, the former Unitholders will be the sole Shareholders of ParentCo. ParentCo will own, directly or indirectly, 73.5% of the common shares of Pizza Pizza GP and all of the Class A LP Units and Class C LP Units. PPL will own all the Class B Units and Class D Units which will be exchangeable for Shares, instead of Units, based on the number of Units into which such Class B Units and Class D Units are exchangeable from time to time under the Exchange Agreement. The following diagram illustrates the organizational structure of ParentCo immediately following the completion of the Conversion, and the winding-up of the Trust and the Fund. Upon the completion of the Conversion, ParentCo anticipates that 21,818,392 Shares will be issued and outstanding.



(1) A holder of Class B Units has the right to exchange one Class B Unit indirectly for that number of Shares equal to the Class B Exchange Multiplier applicable at the date of exchange. If all Class B Units held by PPL were exchanged for Shares, this would represent a 21.3% interest in ParentCo, assuming completion of the Conversion and based on the current Class B Exchange Multiplier. A holder of Class D Units has the right to exchange one Class D Unit directly for that number of Shares equal to the Class D Exchange Multiplier applicable at the date of exchange. If all Class D Units held by PPL were exchanged for Shares, this would represent a 5.2% equity interest in ParentCo, assuming completion of the Conversion and based on the current Class D Exchange Multiplier. See "Licence and Royalty — Adjustments to the Royalty Pools and Payments Made Under the Licence and Royalty Agreements" in the Fund's Annual Information Form.

The respective effective interests held by PPL and the Fund (and following the Conversion, PPL and the Partnership) are subject to change on an annual basis as a result of adjustments to the Royalty Pool of Pizza Pizza and Pizza 73 Restaurants for which PPL pays a royalty to the Partnership. See

“The Conversion — Treatment of Convertible Securities” and “Information Concerning the Fund — Recent Developments”.

### ***Procedure for Exchange of Units***

As the Units trade in the “book entry” system and no certificates are issued to Non-Registered Holders, no certificates for the Shares will be issued to beneficial holders following the completion of the Conversion. On or about the Effective Date, the Fund will deliver to CDS a global certificate evidencing the aggregate number of Shares issued to former Unitholders in connection with the Conversion. Beneficial holders of Units do not need to take any action involving their Units.

Ineligible Unitholders who would otherwise receive Shares in exchange for their Units may, at the sole discretion of ParentCo, have such Shares issued on their behalf to a selling agent, which shall, as agent for such Ineligible Unitholders (and without liability except for gross negligence or willful misconduct), sell such Shares on their behalf over the facilities of the TSX and have the net proceeds of such sale, less any applicable brokerage commissions, other expenses and withholding taxes, delivered to such Unitholders. ParentCo will have no liability for any such proceeds received or the remittance thereof to such Unitholders.

See “The Conversion — Procedure for Exchange of Units”.

### ***Approvals***

#### ***Unitholder Approval***

Pursuant to the Interim Order, the number of votes required to pass the Conversion Resolution shall be not less than 66 $\frac{2}{3}$ % of the votes cast by Unitholders, represented either in person or by proxy, at the Meeting. See “The Conversion — Approvals — Unitholder Approval” and “General Proxy Matters — Procedure and Votes Required”.

The Declaration of Trust does not provide for a Unitholder right of dissent in connection with the Conversion or the approval of the Conversion Resolution.

#### ***Court Approval***

Implementation of the Conversion requires the approval of the Court. An application for the Final Order approving the Conversion is expected to be made on June 4, 2012 at 10:00 a.m. (Eastern time) in Toronto, Ontario. On the application, the Court will consider the fairness of the Conversion. See “The Conversion — Approvals — Court Approvals”.

#### ***Stock Exchange Listing Approvals***

The TSX has conditionally approved the substitutional listing of the Shares issuable pursuant to the Conversion under the symbol “PZA”, subject to ParentCo fulfilling the requirements of the TSX. See “The Conversion — Approvals — Stock Exchange Listing Approval”.

#### ***Lender Approval***

The implementation of the Conversion requires the approval of the lenders to the Partnership under the Term Facility. See “The Conversion — Approvals — Lender Approval”.

## ***Information Concerning the Fund and its Subsidiaries***

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, indirectly through the Trust and the Partnership, the Pizza Pizza Rights, the Pizza 73 Rights and the PPL Loan. 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" and "Description of the Fund" in the Annual Information Form.

The Fund makes monthly cash distributions to its Unitholders funded by interest received on the Holding Trust Notes and by distributions on the Holding Trust Units, less estimated amounts required for the payment of taxes and other expenses, any cash redemptions of the Units and reasonable Reserves. See "Description of the Fund — Cash Distributions" in the Annual Information Form.

The Fund's subsidiaries currently include:

- The Trust, an unincorporated limited purpose trust established under the laws of the Province of Ontario pursuant to the Trust 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.
- Pizza Pizza GP, 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 (the "**Managing General Partner**") of the Partnership with authority to manage and control the business and affairs of the Partnership. It is owned as to 73.5% by the Trust and 26.5% by PPL. The Fund is currently entitled to designate five of the eight directors of Pizza Pizza GP and PPL is entitled to elect the other three directors.
- 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 PPL is the general partner of the Partnership, currently holding all of the Class B Units, Class C Units and Class D Units.
- The Partnership acquired the Pizza Pizza Rights from PPL 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 licencing 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 Pizza Pizza and Pizza 73 Rights by PPL, 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.
- ParentCo is a wholly owned subsidiary of the Fund formed under the OBCA. ParentCo was established to facilitate the Conversion, and it will not carry on any active business prior to the Effective Date. ParentCo's authorized capital consists of an unlimited number of

common shares and up to 5,500,000 preference shares issuable in series. Following the Conversion, ParentCo will own, directly or indirectly, 73.5% of the common shares of Pizza Pizza GP and all of the Class A LP Units and Class C LP Units of the Partnership. See "Appendix "F" — Information Concerning ParentCo".

See "Information Concerning the Fund".

### ***Information Concerning PPL***

PPL was amalgamated with Pacific and Canadian Food Services Inc. under the OBCA pursuant to articles of amalgamation dated December 29, 2008. The registered and head office of the Partnership is located at 500 Kipling Avenue, Toronto, Ontario, M8Z 5E5. PPL is the successor to a corporation initially incorporated in 1967. PPL owns Class B Units, Class C Units and Class D Units representing approximately an effective 26.5% interest in the Partnership at January 1, 2012.

### ***Certain Canadian Federal Income Tax Considerations — The Conversion***

A Resident Unitholder will not realize a capital gain or capital loss on a disposition of Units to ParentCo in exchange for shares. The exchange will occur on a tax-deferred basis with no election being required to be filed by Resident Unitholders.

A Non-Resident Unitholder generally will not be subject to any Canadian tax in respect of a disposition of Units on the Conversion.

This Information Circular contains a summary of the principal Canadian federal income tax considerations relevant to Residents and Non-Residents and which relate to the Conversion and the above comments are qualified in their entirety by reference to such summary. See "Certain Canadian Federal Income Tax Considerations".

### ***Other Tax Considerations***

**This Information Circular does not address any tax considerations of the Conversion other than certain Canadian federal income tax considerations. Unitholders who are resident in jurisdictions other than Canada should consult their own tax advisors with respect to the tax implications of the Conversion, including any associated filing requirements, in such jurisdictions and with respect to the tax implications in such jurisdictions of owning Shares after the Conversion. Unitholders should also consult their own tax advisors regarding Canadian federal, provincial or territorial tax and foreign tax considerations of the Conversion or of holding Shares.**

### ***Timing of Completion of the Conversion***

If the Meeting is held as scheduled and is not adjourned and the other necessary conditions are satisfied or waived, the Fund and ParentCo will apply for the Final Order approving the Conversion at a hearing scheduled for June 4, 2012. The Board of Trustees will have the discretion to determine the Effective Date, once the Final Order has been granted, and it is currently expected that the Effective Date will be December 31, 2012. It is a condition precedent to the completion of the Conversion that the Final Order is in form and substance satisfactory to the Fund, the Trust, ParentCo, Pizza Pizza GP, the Partnership and PPL and all other conditions set forth in the Arrangement Agreement have been satisfied or waived. See "The Conversion — Conditions Precedent to the Conversion".

The Conversion will become effective upon the filing with the Director under the OBCA of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Director, and the issuance of the Certificate by such Director.

### ***Risk Factors Relating to ParentCo and the Ownership of Shares***

For a description of certain risk factors that may affect the Fund and its Subsidiaries, along with risks related to PPL's business which may impact the Fund, see "Appendix "F" — Information Concerning ParentCo — Risk Factors". These risks will continue to apply to ParentCo after the Effective Date.

The following is a list of certain additional risk factors relating to the activities of ParentCo and the ownership of Shares following the Effective Date that prospective investors should carefully consider before making an investment decision relating to Shares:

- the uncertainty of future dividend payments by ParentCo and the level thereof, as ParentCo's dividend policy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, the Partnership's royalty income, its debt service requirements and the satisfaction of solvency tests imposed by the OBCA for the declaration and payment of dividends;
- the level of ParentCo's consolidated indebtedness from time to time could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise; and
- ParentCo or its subsidiaries may make future acquisitions or may enter into financings or other transactions involving the issuance of securities of ParentCo which may be dilutive.

In addition, for a description of risk factors in respect of the Fund and its Subsidiaries, see the section entitled "Risk Factors" in the Annual Information Form, which is incorporated herein by reference. Unitholders should carefully consider all such risk factors.

### **Selected Pro Forma Financial Information**

Unaudited pro forma consolidated financial statements of ParentCo after giving effect to the Conversion are attached as Appendix "D" to this Information Circular.

The pro forma adjustments are based upon the assumptions described in the notes to the unaudited pro forma financial statements, including that the Conversion is completed. The unaudited pro forma financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating or financial results that would have occurred had the Conversion actually occurred at the times contemplated by the notes to the unaudited pro forma financial statements or of the results expected in future periods.

### **Other Matters**

As of the date hereof, none of the Trustees nor the directors and officers of the Managing General Partner know of any matter which will be brought before the Meeting, other than those referred to herein.

## **BACKGROUND TO AND REASONS FOR THE CONVERSION**

### **Background to the Conversion**

The tax benefit to the Fund of being a trust has been eliminated as a consequence of amendments to the Tax Act relating to the taxation of publicly-traded income trusts, such as the Fund. Moreover, a wind-up of the Fund must be implemented before 2013 in order to benefit from favourable tax-deferral rules under the Tax Act. Accordingly, the Fund undertook a review of its strategic alternatives and available options during 2011, which has culminated in the presentation to Unitholders of the proposed Conversion.

### **Trust Conversion to a Corporation**

#### ***The SIFT Rules***

On October 31, 2006, the Minister announced the federal government's tax-fairness plan (the "**Tax-Fairness Plan**") that included a proposal to amend the Tax Act to change the tax treatment of publicly-traded income trusts, such as the Fund. The Tax Act has been amended to implement the taxation of "SIFT trusts" (as defined in the Tax Act) announced as part of the Tax-Fairness Plan (the "**SIFT Rules**"). The SIFT Rules apply a tax at the trust level on certain income earned by, among other entities, publicly-traded income trusts, at a rate of tax comparable to the combined federal and provincial corporate tax rate and treat distributions of such income to Unitholders as dividends from a taxable Canadian corporation.

Historically, the Fund was not liable for any amounts of income tax under the Tax Act because it generally was entitled to deduct (and did fully deduct) distributions to Unitholders in computing its income that would otherwise have been subject to tax. Since January 1, 2011, the Fund has become liable, under the SIFT Rules, to pay income tax under the Tax Act at a rate comparable to the combined federal and provincial corporate tax rate on distributions to Unitholders (the "**SIFT Tax**"). Consequently, the tax advantage of remaining a trust no longer exists.

### **Strategic Analysis**

The Board of Trustees and management of the Managing General Partner continuously review the Fund's strategic objectives and opportunities to ensure that the Fund's capital structure is efficient and that Unitholder value is being maximized. As a result of the changes to the tax treatment of publicly-traded income trusts as of January 1, 2011, the Fund undertook a review of its strategic alternatives and available options. That review led to the proposed Conversion providing for the reorganization of the Fund's income trust structure into a corporate structure. The proposed reorganization will be effected pursuant to a plan of arrangement under the OBCA.

### **Approval and Recommendation of the Board of Trustees**

**The Board of Trustees has reviewed the terms of the Conversion and has determined that the Conversion is in the best interests of the Fund and Unitholders and fair to Unitholders and has authorized the submission of the Conversion to the Unitholders for approval. Accordingly, the Board of Trustees recommends that Unitholders vote FOR the Conversion Resolution.**

In reaching its conclusions and formulating its recommendation, the Board of Trustees considered, among others, the following factors:

- ParentCo will continue to operate with the benefit of the same stable, predictable royalty stream and underlying agreements with PPL that have contributed to Unitholder value;

- the tax benefit to the Fund of being a publicly-traded income trust has been eliminated as a consequence of the SIFT Rules, thereby removing the primary tax benefit of the income trust structure;
- the Conversion provides for an effective and efficient method of converting from a trust to a corporation consistent with existing legislation;
- a tax deferred wind-up of the Fund must be implemented before 2013 and the Arrangement provides for a tax-deferred method of exchanging Units for Shares and winding-up the Fund and the Trust;
- a reorganization to a corporate structure should allow investors to more easily compare ParentCo against other public companies;
- it is anticipated that the reorganized structure of the Fund as a common share public corporation will attract new investors, including non-resident investors, and provide, in the aggregate, a more active and attractive market for the Shares than currently exists for the Units;
- the Conversion must receive the appropriate Unitholder approval in order to be adopted; and
- ParentCo, the Managing General Partner and PPL will be managed by the same experienced team of professionals that have demonstrated their ability to deliver on development and acquisition opportunities and to support and grow distributions to Unitholders.

The foregoing discussion of the information and factors considered and given weight by the Board of Trustees is not intended to be exhaustive. In addition, in reaching the determination to approve and recommend the Conversion Resolution, the Board did not assign any relative or specific weights to the foregoing factors, and individual trustees of the Board may have given different weights to different factors.

### **Distributions and Dividend Policy**

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. Monthly distributions are paid to Unitholders of record on the last Business Day of each month, except for December where it is always the last day, and is 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. The Fund anticipates continuing its policy of monthly distributions of cash available for distribution to Unitholders for the remainder of 2012, prior to the Effective Date.

The Fund is currently paying a monthly distribution of \$0.0584 per Unit. Following the Effective Date, ParentCo plans to pay monthly dividends per share not less than the amount currently paid per Unit. Currently, distributions paid by the Fund are treated in part as a taxable dividend and in part as a return of capital for tax purposes. Following the Conversion, the full amount of distributions paid by ParentCo will be treated as taxable dividends. The amount of any dividends payable by ParentCo will be at the discretion of the board of directors of ParentCo and will be evaluated periodically. ParentCo's dividend policy may be revised subject to business circumstances and expected capital requirements depending on, among other things, the Partnership's royalty income, its debt service requirements, any restrictions under the Term Facility or other credit arrangements, the satisfaction of applicable solvency tests for the declaration and payment of dividends and other conditions existing from time to time.

## THE CONVERSION

### General

If approved, the Conversion will result in the reorganization of the Fund's trust structure under a corporation, ParentCo, which will own 73.5% of the common shares of Pizza Pizza GP and all of the Class A LP Units and Class C LP Units. Following the completion of the Conversion, the board of directors of ParentCo will be comprised of the current members of the board of trustees of the Fund. Accordingly, the board of directors of ParentCo will continue to be independent of PPL and its management team.

### Effect of the Conversion on Unitholders

Under the Conversion, the Units held by the Unitholders will be transferred to ParentCo in consideration for Shares on the basis of one Share for each Unit so transferred. PPL will sell or transfer all of the 3,000,000 Class C Units to the Trust on the Effective Date, in repayment of the PPL Loan, and in connection therewith the Class C Units shall be purchased by the Partnership, and subsequently cancelled, in exchange for the issuance to the Trust by the Partnership of 3,000,000 Class C LP Units, in accordance with the Exchange Agreement. All the outstanding Class B Units and Class D Units will remain outstanding following the Conversion but will become exchangeable for Shares, instead of Units, based on the number of Units into which such Class B Units and Class D Units are exchangeable from time to time in accordance with the Exchange Agreement.

The Fund is currently paying a monthly distribution of \$0.0584 per Unit. Following the Effective Date, ParentCo plans to pay monthly dividends per share not less than the amount currently paid per Unit. Currently, distributions paid by the Fund are treated in part as a taxable dividend and in part as a return of capital for tax purposes. Following the Conversion, the full amount of distributions paid by ParentCo will be treated as taxable dividends. The amount of any dividends payable by ParentCo will be at the discretion of the board of directors of ParentCo and will be evaluated periodically. ParentCo's dividend policy may be revised subject to business circumstances and expected capital requirements depending on, among other things, the Partnership's royalty income, its debt service requirements, any restrictions under the Term Facility or other credit arrangements, the satisfaction of applicable solvency tests for the declaration and payment of dividends and other conditions existing from time to time.

See "The Conversion — Details of the Conversion — Conversion Steps", "The Conversion — Procedure for Exchange of Units", "Certain Canadian Federal Income Tax Considerations", "Risk Factors" and "Appendix "F" — Information Concerning ParentCo — Dividend Record and Policy".

### Treatment of Convertible Securities

PPL owns 100% of the Class B Units and Class D Units. Prior to the Conversion, pursuant to the Exchange Agreement the Class B Units are exchangeable for Units on the basis that one Class B Unit may be exchanged for that number of Units determined in accordance with the "**Class B Exchange Multiplier**", as defined in the Limited Partnership Agreement, applicable at the date of the exchange. Similarly, the Class D Units are exchangeable for Units on the basis that one Class D Unit may be exchanged for that number Units determined in accordance with the "**Class D Exchange Multiplier**", as such term is defined in the Limited Partnership Agreement, applicable at the date of the exchange. The Class B Units and Class D Units are part of the arrangements to deal with the increase in the number of restaurants (Pizza Pizza and Pizza 73, respectively) in the Royalty Pool from time to time and the associated adjustments to the payments made under the Licence and Royalty Agreements.

Following the Conversion, similar arrangements relating to the exchange of Class B Units and Class D Units of the Partnership will continue. The Exchange Agreement and the Limited Partnership

Agreement will be amended concurrent with the Conversion to reflect the replacement of the Fund with ParentCo. On completion of the Conversion, PPL will own all the Class B Units and Class D Units which will be exchangeable for Shares, instead of Units, based on the number of Units into which such Class B Units and Class D Units are exchangeable from time to time in accordance with the Exchange Agreement.

## **Details of the Conversion**

### ***Pre-Conversion Steps***

Prior to commencing the reorganization that is contemplated by the Conversion, the Fund and its Subsidiaries have undertaken, or will undertake, the following transaction steps:

#### *Amendments to the Declaration of Trust, the Trust Declaration of Trust, the Administration Agreement, the Governance Agreement and the Limited Partnership Agreement*

1. the Declaration of Trust, the Trust Declaration of Trust, the Administration Agreement, the Governance Agreement and the Limited Partnership Agreement shall each be amended to the extent necessary to facilitate the Conversion as provided in the Arrangement Agreement;

#### *Final Distributions of the Partnership/Trust/Fund*

2. on December 31, 2012 the steps will take place in the following order:
  - (a) the income of the Partnership for the year that will end on December 31, 2012 will be determined as accurately as possible as the year end date approaches and will be allocated to all partners of the Partnership in accordance with the Limited Partnership Agreement prior to the Conversion;
  - (b) the Partnership will pay to PPL any remaining and unpaid amounts required to be paid on the Class C Units;
  - (c) the Partnership will pay any amounts required to be paid on the Class B Units and Class D Units to PPL;
  - (d) the Partnership will pay any amounts required to be paid on the Class A LP Units to the Trust;
  - (e) the Trust will pay all interest amounts owed by it under the existing intercompany notes held by the Fund;
  - (f) the Trust will distribute an amount on its units held by the Fund at least equal to the balance of the Trust's income for 2012;
  - (g) the Fund will distribute an amount on its Units held by its public Unitholders at least equal to the balance of the Fund's income (less its SIFT Tax expense) for 2012.

### ***Conversion Steps***

Pursuant to the Conversion, commencing at the Effective Time, each of the events set out below shall occur five minutes apart and shall be deemed to occur in the following order without any further act or formality, except as otherwise provided in the Plan of Arrangement, provided however, that all such events shall be completed no later than 11:55 p.m. on the Effective Date:

#### *Termination of PPL Loan Arrangements*

1. PPL will pay to the Trust all amounts required to be paid by it as interest under the PPL Loan to December 31, 2012 following which PPL will sell or transfer its Class C Units to the Trust in repayment of the PPL Loan and in connection therewith the Class C Units shall be purchased by the Partnership, and subsequently cancelled, in exchange for the issuance to the Trust by the Partnership of 3,000,000 Class C LP Units, in accordance with the Exchange Agreement;

#### *Acquisition of Units by ParentCo*

2. ParentCo will acquire all of the outstanding Units held by Unitholders in exchange for Shares on the basis of one Share for each Unit, immediately following which the one common share of ParentCo held by the Fund will be purchased for cancellation for \$1.00;

#### *Dissolution of the Trust*

3. the Trust will be dissolved in accordance with the Trust Declaration of Trust and its assets and liabilities shall be distributed to, or assumed by, the Fund;

#### *Dissolution of the Fund*

4. the Fund will be dissolved in accordance with the its Declaration of Trust and its assets and liabilities shall be distributed to, or assumed by, ParentCo;

#### *Reduction in Stated Capital of ParentCo*

5. there shall have been added to the stated capital account maintained for the Shares an amount determined by the directors in accordance with Section 24 of the OBCA in respect of the Shares issued in consideration for Units, and ParentCo shall be authorized to reduce its stated capital in an amount determined by the directors, in accordance with Section 34(1) of the OBCA;

#### *Amendments to Exchange Agreement and Licence and Royalty Agreements*

6. the Exchange Agreement and the Licence and Royalty Agreements will be amended to the extent necessary such that the Class B Units and Class D Units will be exchangeable for Shares, instead of Units, based on the number of Units into which such Class B Units and Class D Units are exchangeable from time to time in accordance with the Exchange Agreement;

#### *Credit Agreements*

7. the security documentation relating to the Licence and Royalty Agreements and the Partnership's credit facilities will be amended to reflect ParentCo as the new parent company and the elimination of the Trust and the Fund.

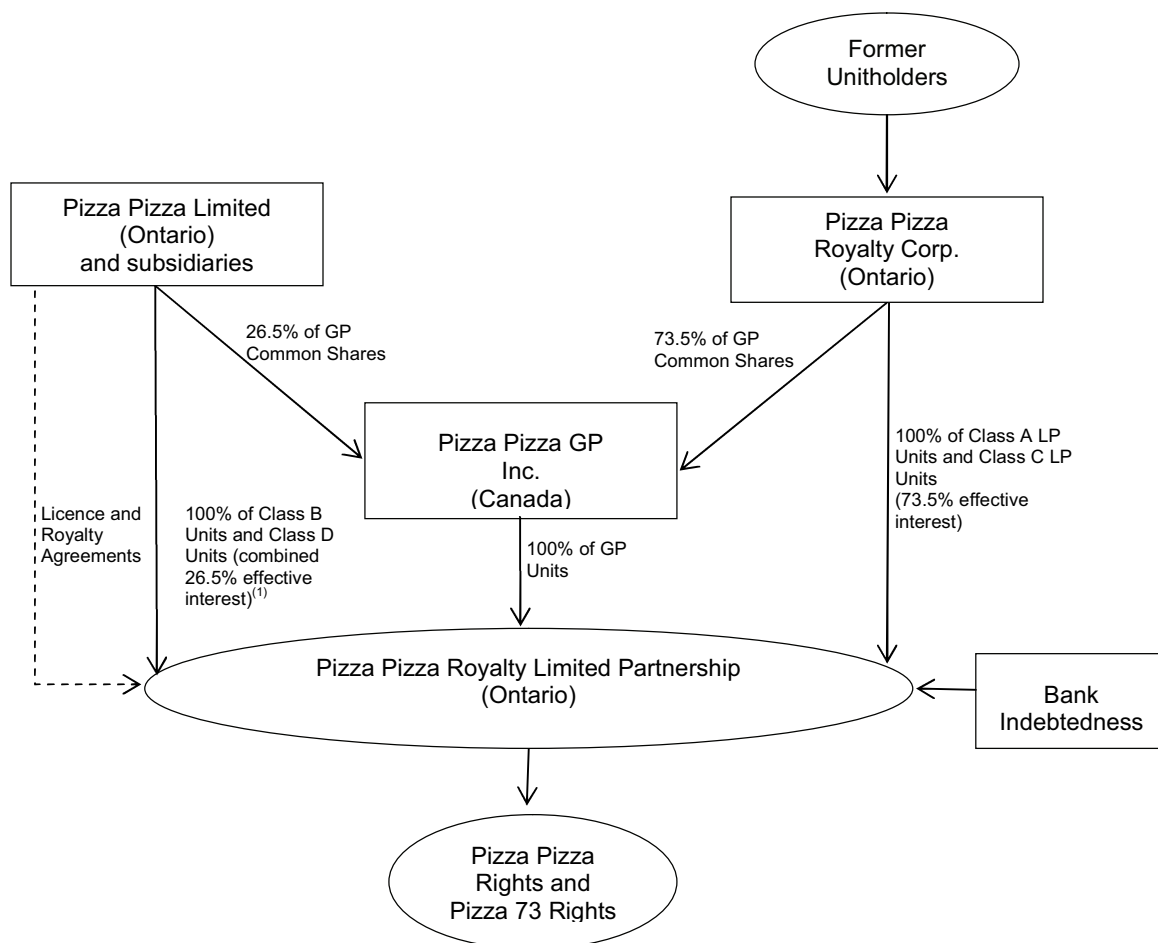
### **Information Concerning ParentCo**

ParentCo will become a reporting issuer in all of the provinces of Canada and will become subject to the informational reporting requirements under the securities laws of such jurisdictions as a result of the Conversion.

Reference is made to "Appendix "F" — Information Concerning ParentCo" for a more detailed description of ParentCo.

## Post-Conversion Structure

Following the Effective Date, the former Unitholders will be the sole Shareholders of ParentCo. The following diagram illustrates the organizational structure of ParentCo immediately following the completion of the Conversion. Upon the completion of the Conversion, ParentCo anticipates that 21,818,392 Shares will be issued and outstanding.



(1) A holder of Class B Units has the right to exchange one Class B Unit indirectly for that number of Shares equal to the Class B Exchange Multiplier applicable at the date of exchange. If all Class B Units held by PPL were exchanged for Shares, this would represent a 21.3% interest in ParentCo, assuming completion of the Conversion and based on the current Class B Exchange Multiplier. A holder of Class D Units has the right to exchange one Class D Unit directly for that number of Shares equal to the Class D Exchange Multiplier applicable at the date of exchange. If all Class D Units held by PPL were exchanged for Shares, this would represent a 5.2% equity interest in ParentCo, assuming completion of the Conversion and based on the current Class D Exchange Multiplier. See "Licence and Royalty — Adjustments to the Royalty Pools and Payments Made Under the Licence and Royalty Agreements" in the Fund's Annual Information Form.

The respective effective interests held by PPL and the Fund (and following the Conversion, PPL and the Partnership) are subject to change on an annual basis as a result of adjustments to the Royalty Pool of Pizza Pizza and Pizza 73 Restaurants for which PPL pays a royalty to the Partnership. See "The Conversion — Treatment of Convertible Securities" and "Information Concerning the Fund — Recent Developments".

## **Arrangement Agreement**

The Conversion is being effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains covenants, representations and warranties of and from each of the Fund, ParentCo, the Trust, Pizza Pizza GP, the Partnership and PPL and various conditions precedent, both mutual and with respect to each entity.

**The Arrangement Agreement is attached as Appendix “C” to this Information Circular and reference is made thereto for the full text thereof.**

## **Procedure for the Conversion Becoming Effective**

The Conversion is proposed to be carried out pursuant to Section 182 of the OBCA. The following procedural steps must be taken for the Conversion to become effective:

1. the Conversion Resolution must be approved by the Unitholders voting at the Meeting;
2. the Conversion must be approved by the Court pursuant to the Final Order;
3. all conditions precedent to the Conversion, including those set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate parties; and
4. the Final Order, Articles of Arrangement and related documents, in the form prescribed by the OBCA, must be filed with the Director and the Certificate must be issued by the Director.

## **Approvals**

### ***Unitholder Approval***

Pursuant to the Interim Order, the number of votes required to pass the Conversion Resolution shall be not less than 66 $\frac{2}{3}$ % of the votes cast by Unitholders, represented either in person or by proxy, voting together as a single class, at the Meeting. See “General Proxy Matters — Procedure and Votes Required”.

Notwithstanding the foregoing, the Conversion Resolution proposed for consideration by the Unitholders authorizes the Board of Trustees, without further notice to or approval of such Unitholders, subject to the terms of the Conversion Resolution, to amend or terminate the Arrangement Agreement or the Plan of Arrangement, or to revoke the Conversion Resolution at any time prior to the Conversion becoming effective pursuant to the provisions of the OBCA. The Board of Trustees may exercise this discretion if it were to identify any changed circumstance or condition such that they determine that it would no longer be advisable to proceed with the Conversion. The full text of the Conversion Resolution is attached as Appendix “A” to this Information Circular.

The Declaration of Trust does not provide for a Unitholder right of dissent in connection with the Conversion or the approval of the Conversion Resolution.

## **Court Approvals**

### ***Interim Order***

On April 26, 2012, the Court granted the Interim Order facilitating the calling of the Meeting and prescribing the conduct of the Meeting and other matters. The Interim Order is attached as Appendix “B” to this Information Circular.

### *Final Order*

The OBCA provides that an arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, and if the Conversion Resolution is approved by Unitholders at the Meeting in the manner required by the Interim Order, the Fund and ParentCo will make an application to the Court for the Final Order.

The application for the Final Order approving the Conversion is scheduled for June 4, 2012 at 10:00 a.m. (Eastern time), or as soon thereafter as counsel may be heard in Toronto, Ontario. At the hearing, any Unitholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing with the Court and serving upon the Fund a notice of appearance ("**Notice of Appearance**") together with any evidence or materials which such party intends to present to the Court on or before 4:00 p.m. (Toronto time) on May 31, 2012. **Service of such notice shall be effected by service upon the solicitors for the Fund: Torys LLP, Suite 3000, 79 Wellington Street West, Toronto, Ontario, M5K 1N2, Attention: Andrew Gray.**

The securities to be issued to Unitholders pursuant to the Conversion will not be registered under the 1933 Act, in reliance upon the exemption from registration provided by Section 3(a)(10) thereof. The Court will be advised prior to the hearing of the application for the Final Order that if the terms and conditions of the Conversion are approved by the Court, the securities issued to Unitholders pursuant to the Conversion will not require registration under the 1933 Act.

The Fund has been advised by its counsel, Torys LLP, that the Court has broad discretion under the OBCA when making orders with respect to the Conversion and that the Court will consider, among other things, the fairness and reasonableness of the Conversion, both from a substantive and a procedural point of view. The Court may approve the Conversion, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, the Board of Trustees may determine not to proceed with the Conversion.

### ***Stock Exchange Listing Approval***

It is a condition to completion of the Conversion that the TSX shall have conditionally approved the substitutional listing of the Shares issuable pursuant to the Conversion. The TSX has conditionally approved the substitutional listing of the Shares issuable pursuant to the Conversion under the symbol "PZA", subject to ParentCo fulfilling the requirements of the TSX.

### ***Lender Approval***

The implementation of the Conversion requires the approval of the lenders to the Partnership under the Term Facility. In the First Amending Agreement and Consent dated December 6, 2011, the lenders agreed that they would consent to the Conversion provided that certain conditions were met, including that ParentCo guarantees the Partnership's obligations under the Term Facility and provides security for its guarantee consistent with that currently granted by the Fund and the Trust. The Fund expects that these conditions will be satisfied on the Effective Date.

### ***Conditions Precedent to the Conversion***

The respective obligations of the Fund, ParentCo, the Trust, Pizza Pizza GP, the Partnership, and PPL to consummate the transactions contemplated by the Arrangement Agreement, and in particular the Conversion, are subject to the satisfaction, on or before the Effective Date or such other time specified, of a number of conditions, any of which may be waived by the mutual consent of such parties without prejudice to their right to rely on any other of such conditions. These conditions include, without limitation:

- (a) the Interim Order shall have been granted in form and substance satisfactory to the Fund, ParentCo, the Trust, Pizza Pizza GP, the Partnership, and PPL, acting reasonably, not later than May 1, 2012 or such later date as the parties to the Arrangement Agreement may agree and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;
- (b) the Conversion Resolution shall have been approved by the requisite number of votes cast by the Unitholders at the Meeting in accordance with the provisions of the Interim Order and any applicable regulatory requirements;
- (c) the Final Order shall have been granted in form and substance satisfactory to the Fund, ParentCo, the Trust, Pizza Pizza GP, the Partnership, and PPL, acting reasonably, not later than June 30, 2012 or such later date as the parties to the Arrangement Agreement may agree;
- (d) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to the Fund, ParentCo, the Trust, Pizza Pizza GP, the Partnership, and PPL, acting reasonably, shall have been accepted for filing by the Director together with the Final Order in accordance with subsection 183(1) of the OBCA;
- (e) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:
  - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated in the Arrangement Agreement; or
  - (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated in the Arrangement Agreement;
- (f) all necessary material third party and regulatory consent and approvals with respect to the transactions contemplated under the Arrangement shall have been completed or obtained including, without limitation, the necessary consents and approvals from the principal lenders to the Fund and any of its Subsidiaries;
- (g) the TSX shall have conditionally approved the listing or the substitutional listing of the Shares to be issued pursuant to the Arrangement, subject only to the filing of required documents which cannot be filed prior to the Effective Date; and
- (h) the Declaration of Trust, the Trust Declaration of Trust, the Exchange Agreement, the Licence and Royalty Agreements, the Limited Partnership Agreement, the Administration Agreement and the Governance Agreement shall have been amended to the extent necessary to facilitate the Conversion.

Upon the conditions being fulfilled or waived, the Fund, ParentCo, the Trust, Pizza Pizza GP, the Partnership, and PPL intend to file a copy of the Final Order and the Articles of Arrangement with the Director under the OBCA, together with such other materials as may be required by the Director, in order to give effect to the Conversion.

## **Timing of Completion of the Conversion**

If the Meeting is held as scheduled and is not adjourned and the other necessary conditions are satisfied or waived, the Fund and ParentCo will apply for the Final Order approving the Conversion at a hearing scheduled for June 4, 2012. The Board of Trustees will have the discretion to determine the Effective Date, once the Final Order has been granted, and it is currently expected that the Effective Date will be December 31, 2012. It is a condition precedent to the completion of the Conversion that the Final Order is in form and substance satisfactory to the Fund, ParentCo, the Trust, Pizza Pizza GP, the Partnership and PPL and all other conditions set forth in the Arrangement Agreement have been satisfied or waived.

The Conversion will become effective upon the filing with the Director of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Director.

## **Procedure for Exchange of Units**

As the Units trade in the “book entry” system and no certificates are issued to Non-Registered Holders, no certificates for the Shares will be issued to beneficial holders following the completion of the Conversion. Beneficial holders of Units do not need to take any action involving their Units. Unitholders whose Units are held through a broker, securities dealer, bank, trust company or other nominee may wish to contact their nominee with respect to the exchange of their Units for Shares.

On or about the Effective Date, the Fund will deliver to CDS a certificate evidencing the aggregate number of Shares issued to former Unitholders in connection with the Conversion.

Unitholders resident in a state or other jurisdiction in which ParentCo is not ultimately satisfied that all required regulatory approvals have been received who would otherwise receive Shares in exchange for their Units may, at the sole discretion of ParentCo, have such Shares issued on their behalf to a selling agent, which shall, as agent for such Ineligible Unitholders (and without liability except for gross negligence or willful misconduct), sell such Shares on their behalf over the facilities of the TSX and have the net proceeds of such sale, less any applicable brokerage commissions, other expenses and withholding taxes, delivered to such Unitholders. ParentCo will have no liability for any such proceeds received or the remittance thereof to such Unitholders.

The Fund reserves the right to permit the procedure for the exchange of securities pursuant to the Conversion to be completed other than as set forth above.

## **Interests of Certain Persons or Companies in the Conversion**

As of April 26, 2012, the trustees, directors and officers of the Fund and its Subsidiaries and PPL and its Subsidiaries, and their respective associates, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of approximately 696,331 Units, representing approximately 3.2% of the outstanding Units. The Conversion will not result in any change of control, termination or other payments being made to any directors, officers or employees of the Fund, PPL or their respective subsidiaries pursuant to employment, change of control or similar agreements.

Immediately after giving effect to the Conversion, it is anticipated that the Trustees, directors and executive officers of the Fund and its Subsidiaries and PPL and its Subsidiaries, and their respective associates, as a group would beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 696,331 Shares, representing approximately 3.2% of the outstanding Shares.

None of (i) the principal holders of Units, (ii) any trustee, director or officer of the Fund and its Subsidiaries, (iii) the persons who have been trustees of the Fund or directors or officers of the Fund and its Subsidiaries since the commencement of the Fund's last financial year, and (iv) any associate or affiliate of any of the foregoing persons, has or had any material interest in any transaction in the last three years or any proposed transaction that materially affected, or will materially affect, the Fund or any of its affiliates, except as disclosed above or elsewhere in this Information Circular or in the documents incorporated herein by reference.

## **Expenses of the Conversion**

The estimated costs to be incurred by the Fund with respect to the Conversion and related matters including, without limitation, financial advisory, accounting and legal fees, and the preparation, printing and mailing of this Information Circular and other related documents and agreements, are expected to aggregate approximately \$350,000.

## **Securities Law Matters**

### ***Canada***

All securities to be issued under the Conversion, including, without limitation, the Shares to the Unitholders, will be issued in reliance on exemptions from prospectus and registration requirements of applicable Canadian securities laws and, following completion of the Conversion, the Shares will generally be "freely tradable" (other than as a result of any "control person" restrictions which may arise by virtue of the ownership thereof) under applicable securities laws of the provinces and territories of Canada.

### ***United States***

The securities to be issued under the Conversion to Unitholders will not be registered under the 1933 Act. Such securities will be issued in reliance upon the exemption from registration provided by Section 3(a)(10) of the 1933 Act. Section 3(a)(10) exempts securities issued in exchange for one or more outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by any court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all Persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Conversion will be considered. The Court granted the Interim Order on April 26, 2012 and, subject to the approval of the Conversion by Unitholders, a hearing on the Conversion will be held on June 4, 2012 by the Court. See "The Conversion — Approvals — Court Approvals — Final Order".

The Shares to be held by Unitholders following completion of the Conversion will be freely tradable in the United States under United States federal securities laws, except by Persons who will be "affiliates" of ParentCo after the Conversion or were "affiliates" of the Fund or ParentCo within 90 days before the Effective Time. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Any resale of such Shares by such an affiliate may be subject to the registration requirements of the 1933 Act, absent an exemption therefrom. Subject to certain limitations, such affiliates may immediately resell Shares outside the United States without registration under the 1933 Act pursuant to Regulation S. Persons who are affiliates of ParentCo after the Conversion may only resell their Shares in the United States in the manner contemplated by Rule 144 under the 1933 Act. Rule 144 generally

provides that such affiliates may not sell the Shares received pursuant to the Conversion unless pursuant to an effective registration statement or in accordance with the volume, current public information and manner of sale limitations of Rule 144. These limitations generally require that any sales made by an affiliate in any three month period not exceed the greater of 1% of the outstanding securities of ParentCo or, if such securities are listed on a United States securities exchange (such as the New York Stock Exchange or NASDAQ), the average weekly trading volume over the four calendar weeks preceding the placement of the sell order, and that sales be made in unsolicited, open market “brokers’ transactions” (as such term is defined in Rule 144) at times when certain information specified by Rule 144 is publicly available with respect to ParentCo.

The foregoing discussion is only a general overview of certain requirements of United States securities laws applicable to the securities received upon completion of the Conversion. **All holders of such securities are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.**

### **Experts**

Certain legal matters relating to the Conversion are to be passed upon by Torys LLP, on behalf of the Fund, the Trust, Pizza Pizza GP, the Partnership, PPL and ParentCo. Based on securityholdings as of April 26, 2012, the partners and associates of Torys LLP hold less than one percent of the outstanding Units, and are expected to hold less than one percent of the outstanding Shares on the Effective Date.

None of the aforementioned persons is or is expected to be elected, appointed or employed as a director, officer or employee of the Fund or ParentCo or of any associate or affiliate of the Fund or ParentCo.

## **RISK FACTORS**

Certain risk factors relating to the activities of the Fund are contained in the Annual Information Form which is incorporated by reference herein. Unitholders should carefully consider the risk factors and all other information contained herein and in the Fund’s other public filings. In addition, for risk factors specific to ParentCo, see “Appendix “F” — Information Concerning ParentCo — Risk Factors”.

### **Risk Factors Relating to the Conversion**

#### ***Conditions Precedent and Required Regulatory and Third Party Approvals***

The completion of the Conversion in the form contemplated by the Plan of Arrangement is subject to a number of conditions precedent, some of which are outside the control of the Fund, including, without limitation, Unitholder approval at the Meeting, regulatory and third party approvals and the issuance of the Final Order. There can be no certainty, nor can the Fund provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

Failure to obtain the Final Order on terms acceptable to the Board of Trustees would likely result in the decision being made not to proceed with the Conversion. If any of the required regulatory and third party approvals cannot be obtained on terms satisfactory to the Board of Trustees, or at all, the Plan of Arrangement may have to be amended in order to mitigate against the negative consequence of the failure to obtain any such approval, and accordingly, the benefits available to Unitholders resulting from the Conversion may be reduced. Alternatively, in the event that the Plan of Arrangement cannot be amended so as to mitigate against the negative consequences of the failure to obtain a required regulatory or third party approval, the Conversion may not proceed at all. If the Conversion is not completed before 2013, the Fund would not be able to take advantage of the favourable tax treatment currently available for a conversion to a corporate structure under Canadian federal tax laws.

This may result in uncertainty as to the Fund's future structuring opportunities and strategy, and adversely affect the market price of the Units.

### ***Dilution of ParentCo Shareholders***

ParentCo is authorized to issue an unlimited number of Shares without the approval of any Shareholders. Shareholders will have no pre-emptive rights in connection with such further issues. Moreover, additional Shares may be issued by ParentCo in connection with the exchange of the Class B and Class D Units.

### ***Risk Factors Relating to the Activities of ParentCo and the Ownership of Shares***

The following is a list of certain risk factors relating to the activities of ParentCo and its affiliates and the ownership of Shares following the Effective Date:

- the uncertainty of future dividend payments by ParentCo and the level thereof, as ParentCo's dividend policy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, the Partnership's royalty income, its debt service requirements and the satisfaction of solvency tests imposed by the OBCA for the declaration and payment of dividends;
- the level of ParentCo's consolidated indebtedness from time to time could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise; and
- ParentCo or its subsidiaries may make future acquisitions or may enter into financings or other transactions involving the issuance of securities of ParentCo which may be dilutive.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Torys LLP, counsel to the Fund, the following is, as of the date hereof, a fair and adequate summary of the principal Canadian federal income tax consequences under the Tax Act to Unitholders in respect of the Conversion. This summary is applicable to a Unitholder who (i) holds its Units as capital property and (ii) deals at arm's length and is not affiliated with the Fund and ParentCo. The Units will generally constitute capital property to a Unitholder provided that the Unitholder does not use or hold its Units in the course of carrying on a business, and did not acquire the Units in one or more transactions considered to be an adventure or concern in the nature of trade. A Unitholder who is resident in Canada for the purposes of the Tax Act and who might not otherwise be considered to hold its Units as capital property may, in certain circumstances, be entitled to have the Units and any other "Canadian security" (as defined in the Tax Act) held by it in the taxation year of the election and in all subsequent taxation years treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. A Unitholder contemplating making such an election should consult its own tax advisor.

This summary is not applicable to a Unitholder that is a "financial institution" (as defined in the Tax Act) for the purposes of the "mark-to-market property" rules, to a Unitholder that is a "specified financial institution" (as defined in the Tax Act), to a Unitholder an interest in which would be a "tax shelter investment" (as defined in the Tax Act) or to a Unitholder who has elected to have the "functional currency" reporting rules under the Tax Act apply.

This summary is based upon the facts set out in this Information Circular, the provisions of the Tax Act in force prior to the date hereof, and the current administrative and assessing policies and practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of

the Minister prior to the date hereof (the “**Tax Proposals**”). No assurance can be given that the Tax Proposals will be enacted as currently proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account, or anticipate any changes in law, whether by legislative, regulatory, or judicial action or decision. This summary does not take into account any provincial, territorial, or foreign income tax considerations. The provincial, territorial, or foreign income tax consequences of the Conversion may differ significantly from those identified in the following discussion. A Unitholder should consult its own tax advisor in respect of the provincial, territorial, or foreign income tax consequences of the Conversion.

**This summary is of a general nature only and should not be construed, nor is it intended to be, legal or tax advice or representations to any particular Unitholder. Accordingly, a Unitholder should consult with its own tax advisor for advice with respect to the income tax consequences to it in its particular circumstances.**

### **Unitholders Resident in Canada**

The following portion of the summary is generally applicable to a Unitholder who, for the purposes of the Tax Act and any applicable income tax treaty or convention and at all relevant times, is resident or is deemed to be resident in Canada (a “**Resident Unitholder**”).

The Tax Act provides for an “automatic rollover” in certain circumstances where Units of a trust such as the Fund are exchanged for shares of a corporation (the “**Exchange Rule**”). The Exchange Rule applies to a disposition of Units to ParentCo in exchange for Shares prior to 2013 if (i) the disposition occurs during a specified period at the end of which all of the Fund’s issued and outstanding Units are held by ParentCo, (ii) the Resident Unitholder receives no consideration for the disposition other than Shares issued during the specified period, (iii) no election is made under subsections 85(1) or (2) in respect of the disposition, and (iv) all of the Shares issued to Unitholders who have disposed of their Units in exchange for Shares during the specified period are of a single class of shares. Pursuant to the Exchange Rule, a Resident Unitholder who disposes of all of its Units to ParentCo in exchange for Shares will be deemed to have disposed of each such Unit for proceeds of disposition equal to the “cost amount” (as defined in the Tax Act) of such Unit to the Resident Unitholder immediately before the disposition. Resident Unitholders will also be deemed to have acquired each Share received on the exchange at a cost equal to the cost amount to the Resident Unitholder of the particular Unit so exchanged. As a consequence, under the Exchange Rule, Resident Unitholders will not realize a capital gain or capital loss on the disposition of their Units to ParentCo in exchange for Shares.

The Conversion has been structured such that the Exchange Rule will apply to the Conversion. The Exchange Rule will apply to the disposition of Units in exchange for Shares such that Resident Unitholders will not realize a capital gain or capital loss on the disposition and Resident Unitholders will not need to file income tax elections under Section 85 of the Tax Act with ParentCo in order to achieve such a “rollover”. Accordingly, ParentCo will not make joint elections under Section 85 of the Tax Act with Unitholders in respect of the Conversion.

### **Reduction of Stated Capital**

The reduction in the stated capital of the Shares pursuant to the Conversion will not result in any immediate Canadian income tax consequences to Shareholders. However, the reduction of the stated capital and consequential reduction in the paid-up capital of the Shares may, in limited circumstances, have future Canadian income tax consequences to Shareholders if ParentCo were to repurchase any of its Shares or if ParentCo were wound up.

## Eligibility for Investment

Provided that the Shares are listed on a “designated stock exchange” (as defined in the Tax Act) which includes the TSX, the Shares, if issued on the date hereof, would be qualified investments under the Tax Act for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (“**TFSA**s”).

Notwithstanding the foregoing, if the Shares are “prohibited investments” for purposes of an RRSP, RRIF or TFSA, the annuitant under the RRSP or RRIF or the holder of a TFSA will be subject to a penalty tax as set out in the Tax Act. The Shares will generally be a “prohibited investment” for an RRSP, RRIF or TFSA, as the case may be, if the annuitant of the RRSP or RRIF or the holder of the TFSA does not deal at arm’s length with ParentCo for purposes of the Tax Act or has a “significant interest” (within the meaning of the Tax Act) in ParentCo or in a corporation, partnership or trust with which ParentCo does not deal at arm’s length for purposes of the Tax Act. Annuitants and holders should consult their own tax advisors in this regard.

## Unitholders Not Resident in Canada

The following portion of the summary is generally applicable to a Unitholder who for the purposes of the Tax Act and at all relevant times is not and is not deemed to be resident in Canada (including as a consequence of an applicable income tax treaty or convention) and who does not use or hold the Units in a business carried on in Canada (a “**Non-Resident Unitholder**”). Special rules, which are not discussed in this summary, may apply to a Non-Resident Unitholder that is an insurer carrying on business in Canada and elsewhere.

A Non-Resident Unitholder generally will not be subject to taxation in Canada with respect to the disposition of Units to ParentCo in exchange for Shares pursuant to the Conversion.

## MANAGEMENT OF THE FUND

### Trustee Nominees

All of the nominees for election as trustees of the Fund at the Meeting are currently Trustees. The following table sets forth, for each nominee, the name, the province and country of residence, the principal occupation and the number of Units beneficially owned or over which control or direction is exercised as at the date of this Information Circular. The information as to Units owned or controlled has been furnished by the respective nominees individually.

<b>Name and Province/ Country of Residence</b>	<b>Principal Occupation</b>	<b>Trustee Since</b>	<b>Units Beneficially Owned or Controlled</b>
Arnold Cader <sup>(1)</sup> Ontario, Canada	President, The Delphi Corporation, Corporate Director	June 8, 2005	15,000 <sup>(2)</sup>
Richard McCoy Ontario, Canada	Corporate Director	June 8, 2005	5,000
Robert Nobes <sup>(1)</sup> Ontario, Canada	Corporate Director	December 5, 2007	1,300
Terence Reid <sup>(1)</sup> Ontario, Canada	Corporate Director	June 8, 2005	30,018
Elizabeth Wright Ontario, Canada	Principal, Wright Consulting, Corporate Director	June 8, 2005	5,000

(1) Member of the Audit Committee.

(2) 15,000 Units are owned by The Delphi Corporation, which is controlled by Mr. Cader.

## **Biographies**

The following are brief profiles of the Trustees, who will also serve as directors of the Managing General Partner.

**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 has served as an independent trustee on several family trusts and estates. In addition, he has served on numerous public and private corporate and charitable boards, and currently serves on the board of Radiation Safety Institute of Canada, 360 Vox Corporation and the board of Mood Disorders Association of Ontario. Mr. Cader holds B.Comm and LLB degrees from the University of Toronto.

**Richard McCoy.** Richard McCoy has been in the investment business for over 35 years. Prior to retiring in October 2003, Mr. McCoy was Vice Chairman, Investment Banking at TD Securities Inc. Prior to joining TD Securities Inc. in May, 1997, Mr. McCoy was Deputy Chairman of CIBC Wood Gundy Securities. Mr. McCoy holds an MBA from the Richard Ivey School of Business Administration, University of Western Ontario.

**Robert Nobes.** Prior to retiring in 2003, Robert Nobes was a Senior Partner at 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, with responsibility for quality control and risk management, and was also 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. Mr. Nobes is a Fellow of the Institute of Chartered Accounts of Ontario (FCA).

**Terence Reid.** Terence Reid retired as Vice-Chairman of CIBC Wood Gundy in 1997 after a career there spanning 31 years during which he provided investment banking services to many of Canada's leading corporations. He subsequently acted as a consultant in the Ontario electricity industry and helped develop an internet start-up business. Between 2001 and 2003 he was president of Laketon Investment Management, a Canadian investment asset manager. Mr. Reid was Chairman of the Montreal Stock Exchange and served on a number of investment industry committees. He is also a director of Kinross Gold Corp. He holds a diploma in law from the University of Witwatersrand, Johannesburg and an MBA from the University of Toronto.

**Elizabeth Wright.** Elizabeth Wright started Wright Consulting in January 2005 as Principal. Prior to Wright Consulting, she was a partner in the executive search firm, Ray & Berndtson/Lovas Stanley. Prior to joining Ray & Berndtson in 1999, she was Senior Vice President Corporate Development and Director of Midland Walwyn Capital Inc. Prior to that she held executive positions at various financial institutions, including two Canadian chartered banks and a Canadian trust company. She serves as a director of a number of corporate and not for profit boards. Ms. Wright holds an MBA from the University of Toronto and a B.A. from Smith College.

### **Directors and Officers of the Managing General Partner**

Under the amended and restated governance agreement dated July 24, 2007 between, among others, the Fund, the Trust, PPL and the Managing General Partner (the “**Governance Agreement**”), five of the directors of the Managing General Partner are nominated by the Fund and, for so long as PPL holds a 10% interest in the Fund, whether directly or indirectly through its Class B Units and Class D Units which are exchangeable for Units, three of the directors are nominated by PPL. See “Statement of Corporate Governance Practices — Governance Agreement”. As of the date of this Information Circular, PPL has nominated only two directors of the Managing General Partner.

The following are brief profiles of the two directors nominated by PPL, who will serve as directors of the Managing General Partner.

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

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

The following table sets forth the names, province and country of residence, position held with the Managing General Partner, the principal occupation and the number of Units beneficially owned or over which control or direction is exercised as at the date of this Information Circular of each of the seven persons nominated as directors of the Managing General Partner. The information as to Units owned or controlled has been furnished by the respective nominees individually.

<b>Name and Province/ Country of Residence</b>	<b>Principal Occupation</b>	<b>Position with Managing General Partner</b>	<b>Director Since</b>	<b>Units Beneficially Owned or Controlled</b>
Paul Goddard <sup>(1)</sup> Ontario, Canada	Chief Executive Officer and President, PPL	Director	March 31, 2010	1,600 <sup>(5)</sup>
Curt Feltner <sup>(1)</sup> Ontario, Canada	Chief Financial Officer, PPL	Director and Chief Financial Officer	June 8, 2005	48,000
Arnold Cader <sup>(2) (3) (4)</sup> Ontario, Canada	President, The Delphi Corporation, Corporate Director	Director	June 8, 2005	15,000 <sup>(6)</sup>
Richard McCoy <sup>(2) (4)</sup> Ontario, Canada	Corporate Director	Director	June 8, 2005	5,000
Robert Nobes <sup>(2) (3)</sup> Ontario, Canada	Corporate Director	Director	December 5, 2007	1,300
Terence Reid <sup>(2) (3)</sup> Ontario, Canada	Corporate Director	Director	June 8, 2005	30,018
Elizabeth Wright <sup>(2) (4)</sup> Ontario, Canada	Principal, Wright Consulting, Corporate Director	Director	June 8, 2005	5,000

(1) Company Nominee.

(2) Fund Nominee.

(3) Member of the Audit Committee.

(4) Member of the Governance Committee.

(5) Additionally, 524,413 Units are owned by an associate of Mr. Goddard.

(6) 15,000 Units are owned by The Delphi Corporation, which is controlled by Mr. Cader.

All of the Trustees and directors and executive officers of the Managing General Partner 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. As at the date of this Information Circular, the Trustees and the directors and officers of the Managing General Partner, as a group, beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 105,918 Units.

## **INFORMATION CONCERNING 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, indirectly through the Trust and the Partnership, the Pizza Pizza Rights, the Pizza 73 Rights and the PPL Loan. 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" and "Description of the Fund" in the Annual Information Form.

The Fund makes monthly cash distributions to its Unitholders funded by interest received on the Holding Trust Notes and by distributions on the Holding Trust Units, less estimated amounts required for the payment of taxes and other expenses, any cash redemptions of the Units and reasonable Reserves. See "Description of the Fund — Cash Distributions" in the Annual Information Form.

## The Trust

The Trust is an unincorporated limited purpose trust established under the laws of the Province of Ontario pursuant to the Trust 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.

## 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 PPL. The Fund is entitled to designate five of the eight directors of Pizza Pizza GP and PPL is entitled to elect the other three directors.

## 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 PPL is the general partner of the Partnership, currently holding all of the Class B Units, Class C Units and Class D Units.

The Partnership acquired the Pizza Pizza Rights from PPL 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 licencing 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 PPL, 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.

## Inter-Corporate Relationships

The following are the names, the percentage of voting securities that the Fund owns (directly or indirectly), the nature of the entity and the jurisdiction of incorporation, continuance or formation of the Fund's material Subsidiaries as at the date hereof:

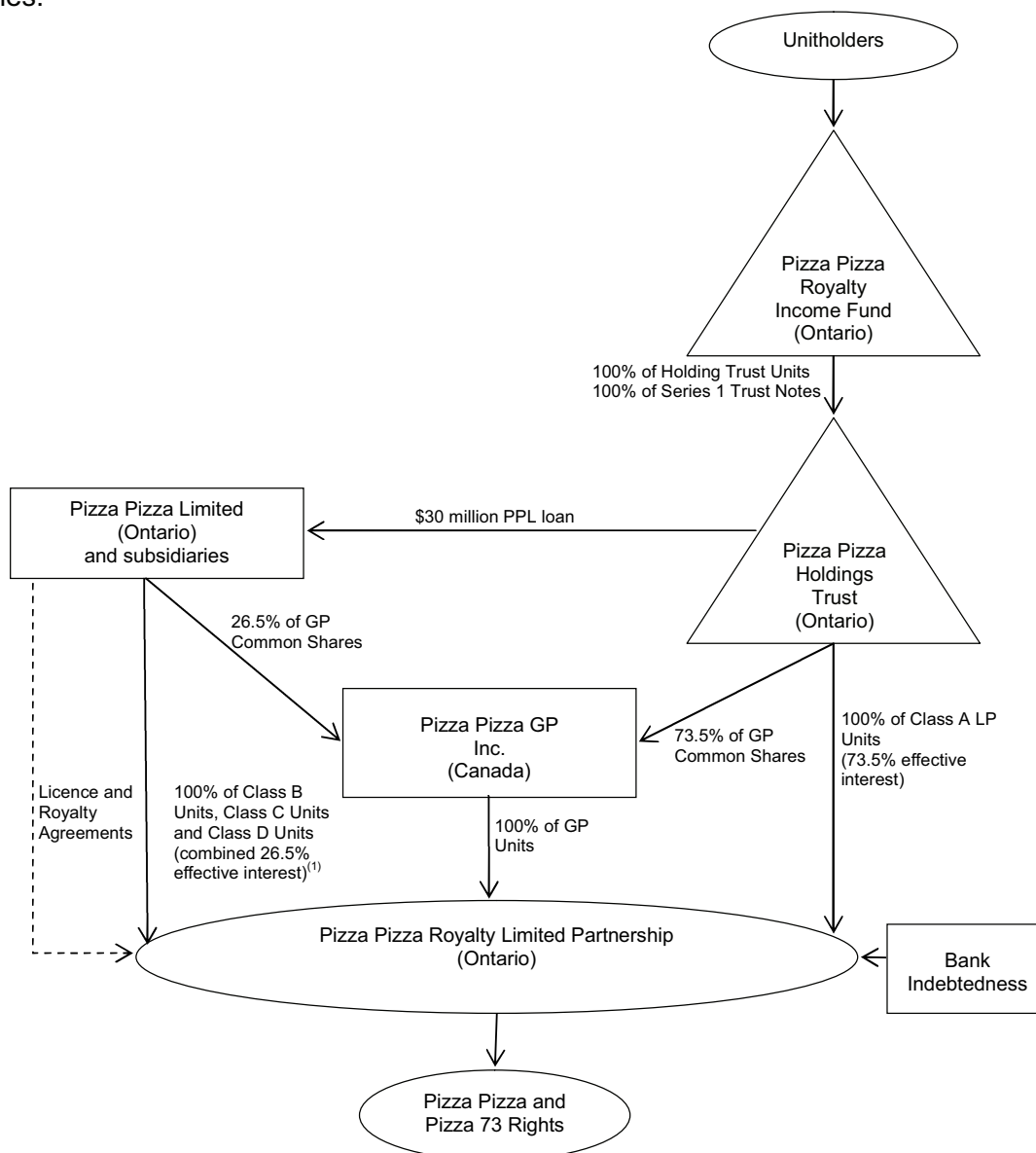
	Percentage of Voting Securities (directly or indirectly)	Nature of Entity	Jurisdiction of Incorporation/ Formation
Pizza Pizza Holdings Trust .....	100%	Trust	Ontario
Pizza Pizza GP Inc. ....	73.5%	Corporation	Canada
Pizza Pizza Royalty Limited Partnership .....	73.5%	Partnership	Ontario

## PPL

PPL was amalgamated with Pacific and Canadian Food Services Inc. under the OBCA pursuant to articles of amalgamation dated December 29, 2008. The registered and head office of PPL is located at 500 Kipling Avenue, Toronto, Ontario, M8Z 5E5. Pizza Pizza Limited is the successor to a corporation initially incorporated in 1967. PPL 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. PPL owns Class B Units, Class C Units and Class D Units representing approximately an effective 26.5% interest in the Partnership at January 1, 2012.

### Organizational Structure

The following diagram describes the current inter-corporate relationships among the Fund and its Subsidiaries:



(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 January 1, 2012, all Class B Units held by PPL 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 January 1, 2012, all Class D Units held by PPL were exchanged for Units, this would represent a 5.2% equity interest in the Fund. See "Licence and Royalty – Adjustments to the Royalty Pools and Payments Made Under the Licence and Royalty Agreements" in the Fund's Annual Information Form.

## **Summary Description of the Business**

PPL, 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, PPL operates two brands, Pizza Pizza and Pizza 73, and serves over 30,000,000 customers annually.

The Fund through its interest in the Trust, and in turn through the Trust's interest in the Partnership, acquired the Pizza Pizza Rights 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 PPL 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.

For further information regarding the Fund, its Subsidiaries and their respective business activities, see "Structure of the Fund" and "Description of the Business" in the Annual Information Form, which is incorporated herein by reference.

## **Recent Developments**

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 System Sales and 9% on Pizza 73 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. For the financial year ended December 31, 2011, the Royalty Pool was determined on the basis of the System Sales from 607 Pizza Pizza Restaurants and 88 Pizza 73 Restaurants added on January 1, 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 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 to adjust for the impact that the SIFT Tax will have on the economics of the vend-in mechanism. The amendment commenced with the vend-in of restaurants on January 1, 2012, and will apply to each Adjustment Date thereafter. The vend-in mechanism was designed to compensate PPL 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 PPL's entitlement, which adjusted the economics of the vend-in mechanism back to that prior to the imposition of the SIFT Tax.

On January 1, 2012 six net Pizza Pizza Restaurants were removed from the Royalty Pool, decreasing the total number of Pizza Pizza Restaurants in the Royalty Pool to 601, 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.

In addition, on January 1, 2012, one new Pizza 73 restaurant was added to the Royalty Pool, resulting in total of 89 Pizza 73 restaurants in 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. Accordingly, on January 1, 2012 the Royalty Pool was decreased to 690 restaurants.

### Price Range and Trading Volume of Units

The outstanding Units are listed and posted for trading on the TSX under the trading symbol "PZA.UN". The following table sets forth the price range for and trading volume of the Units as reported by the TSX for the periods indicated.

	<b>Toronto Stock Exchange</b>		
	<b>Low (\$)</b>	<b>High (\$)</b>	<b>Volume</b>
<b><u>2012</u></b>			
January .....	\$8.56	\$9.24	307,332
February .....	\$9.43	\$8.94	362,652
March .....	\$9.40	\$9.21	392,024
April (to April 26) .....	\$9.31	\$10.21	399,258
<b><u>2011</u></b>			
January .....	\$8.23	\$8.98	616,826
February .....	\$8.50	\$8.98	598,488
March .....	\$8.65	\$9.02	1,174,764
April .....	\$8.93	\$9.20	748,901
May .....	\$8.95	\$9.49	368,566
June .....	\$8.78	\$9.40	414,058
July .....	\$8.80	\$9.04	214,124
August .....	\$8.04	\$9.00	363,684
September .....	\$8.07	\$8.73	315,984
October .....	\$7.27	\$8.65	338,716
November .....	\$8.21	\$8.67	219,735
December .....	\$8.44	\$8.75	312,595
<b><u>2010</u></b>			
January .....	\$7.00	\$7.70	1,216,047
February .....	\$7.05	\$7.45	763,399
March .....	\$7.25	\$7.60	861,559
April .....	\$7.10	\$7.38	741,852
May .....	\$6.40	\$7.19	743,870
June .....	\$6.61	\$6.96	494,567
July .....	\$6.64	\$6.97	600,004
August .....	\$6.78	\$7.24	631,902
September .....	\$7.10	\$7.68	569,817
October .....	\$7.54	\$8.01	917,195
November .....	\$7.66	\$7.95	620,634
December .....	\$7.67	\$8.47	750,483

### Prior Sales

No securities of the Fund were issued during the twelve months preceding the date of this Information Circular.

## **Legal Proceedings and Regulatory Actions**

PPL 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 PPL which would be material.

## **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. Canadian Stock Transfer Company Inc. acts as the Administrative Agent for CIBC Mellon Trust Company at its principal transfer office in Toronto, Ontario.

## **Documents Incorporated by Reference**

### **Information in respect of the Fund has been incorporated by reference in this Information Circular from documents filed with securities commissions or similar authorities in Canada.**

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of the Fund at 500 Kipling Avenue, Toronto, Ontario, M8Z 5E5, telephone (416) 967-1010. In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the SEDAR website at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Fund's financial statements and management's discussion and analysis, which are incorporated herein by reference.

The following documents of the Fund, filed with the various securities commissions or similar authorities in the jurisdictions where the Fund is a reporting issuer, are specifically incorporated by reference into and form an integral part of this Information Circular:

- (i) the Annual Information Form dated March 28, 2012 for the year ended December 31, 2011;
- (ii) the audited consolidated financial statements of the Fund as at and for the years ended December 31, 2011, together with the notes thereto and the auditors' report thereon;
- (iii) management's discussion and analysis of the financial condition and results of operations of the Fund for the quarter and year ended December 31, 2011;
- (iv) the audited consolidated financial statements of PPL as at and for the fifty-two weeks ended January 1, 2012; and
- (v) management's discussion and analysis of the financial condition and results of PPL for the 13-week quarter and the 52-week period ended January 1, 2012.

Any documents of the type described in Section 11.1 of Form 44-101F1 — Short Form Prospectus, filed by the Fund with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this Information Circular and prior to the Meeting Date shall be deemed to be incorporated by reference in this Information Circular.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Information Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference**

herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Circular.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

National Instrument 58-101 of the Canadian Securities Administrators (“**NI 58-101**”) requires every reporting issuer in Canada to disclose on an annual basis its approach to corporate governance with reference to the criteria outlined in NI 58-101. The Fund’s assessment of its approach to corporate governance is summarized in Appendix “G” to this Information Circular.

### **Role of the Trustees**

The Fund does not conduct any active business. The role of the Trustees is primarily to act on behalf of the Fund as sole unitholder and noteholder of the Trust and to manage the limited affairs of the Fund. In turn, the role of the trustees of the Trust is to act on behalf of the Trust as the owner of the limited partnership units of the Partnership and to manage the limited affairs of the Trust. The Fund and the Trust have delegated to the Partnership under the Administration Agreement, summarized below, certain administrative duties that would otherwise fall upon the Trustees and the trustees of the Trust.

The Partnership owns the trademarks and trade names used by PPL in its Pizza Pizza and Pizza 73 Restaurants, and licences that intellectual property to PPL in consideration for payments under separate licence and royalty agreements. The Partnership’s business is managed by the Managing General Partner, under the direction of the board of directors.

### **Administration Agreement**

Under the Administration Agreement, the Partnership has agreed to provide or arrange for the provision of administrative services to the Fund and the Trust. With respect to the Fund, the administrative services provided by the Partnership will include, without limitation, 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 all 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 redemption of Units; (vii) ensure compliance with the Fund’s limitations on Non-Resident ownership; (viii) administer certain loans; and (ix) meet general accounting, bookkeeping and administrative needs. The Partnership is obligated to pay all expenses incurred by it and attributable to the exercise of its duties in the administration of the Fund and the Trust and no fee is payable to the Partnership for the services provided by it to the Fund or the Trust under the Administration Agreement.

### **Role of the Partnership in Corporate Governance**

Since the Fund does not carry on an active business and since the responsibility for the administration and management of the day-to-day operations of the Fund has been delegated to the Partnership, many of the governance matters addressed in the NI 58-101 are matters dealt with by the

Partnership, through its Managing General Partner. The Managing General Partner of the Partnership has the authority to manage the business and affairs of the Partnership, including the authority to carry out the Partnership's obligations under the Administration Agreement. Thus the Fund is managed and administered by the Partnership which, in turn, is managed by the Managing General Partner. Certain matters relating to the conduct of the business and affairs of the Managing General Partner are provided for in the Governance Agreement. PPL and the Fund are, respectively, 26.5% and 73.5% holders of the common shares of the Managing General Partner. The relevant terms of the Governance Agreement are described below.

## **Governance Agreement**

Under the Governance Agreement, five of the directors of the Managing General Partner are nominated by the Fund (each of whom may be a Trustee and must be an independent director within the meaning of National Instrument 52-110 of the Canadian Securities Administrators) and, for so long as PPL holds a 10% interest in the Fund, whether directly or indirectly through its Class B Units and Class D Units of the Partnership which are exchangeable for Units, up to three of the directors are nominated by PPL. In addition, the Governance Agreement provides for the establishment of an audit committee and a governance committee of the Managing General Partner, each of which are comprised solely of nominees of the Fund.

The audit committee is responsible for monitoring the Managing General Partner and the Partnership's financial reporting, accounting systems, internal controls and liaising with external auditors. The Annual Information Form includes additional information on the audit committee in the section entitled "Audit Committee Information", including the Audit Committee's charter and composition and the relevant education and experience of its members.

The governance committee is responsible for, among other things, overseeing the operations of the Partnership, addressing any conflicts of interest between the Partnership and PPL, annually reviewing the operations and performance of PPL and for assisting the board in establishing its approach to corporate governance issues and advising the board in filling vacancies. The corporate governance practices of the Fund and the Managing General Partner are discussed in Appendix "G" and Appendix "I" to this Information Circular by reference to NI 58-101.

## **MANAGEMENT CONTRACTS**

Certain administrative services are performed by the Partnership, by the Managing General partner, on behalf of the Fund and the Trust. The address of the Partnership and the Managing General Partner is 500 Kipling Avenue, Toronto, Ontario M8Z 5E5. See "Statement of Corporate Governance Practices — Administration Agreement", "Management of the Fund — Directors and Officers of the Managing General Partner" and "Interests of Informed Persons in Material Transactions".

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **Compensation of Trustees and Directors of the Managing General Partner**

Each of the Trustees are also directors of the Managing General Partner and are entitled to combined annual compensation of \$30,000 plus an additional \$500 for each special meeting attended and \$1,000 for each regular meeting and for each other meeting of the board of directors or a committee meeting of the board of directors. For fiscal 2011, the Trustees received aggregate compensation in the amount of \$219,500, including an annual payment of \$12,500 for the Board Chair and \$7,500 for each of the audit and governance committee Chairs. Each of the directors of the Managing General Partner is reimbursed for general expenses as they arise from time to time. During the fiscal period December 31, 2011, Mr. Goddard and Mr. Feltner did not receive any annual compensation for their roles as directors of the Managing General Partner.

The following table presents the total compensation paid to the Trustees and directors of the Managing General Partner in 2011. These individuals did not participate in any other incentive or pension plans during 2011.

### Trustee and Director Compensation Table

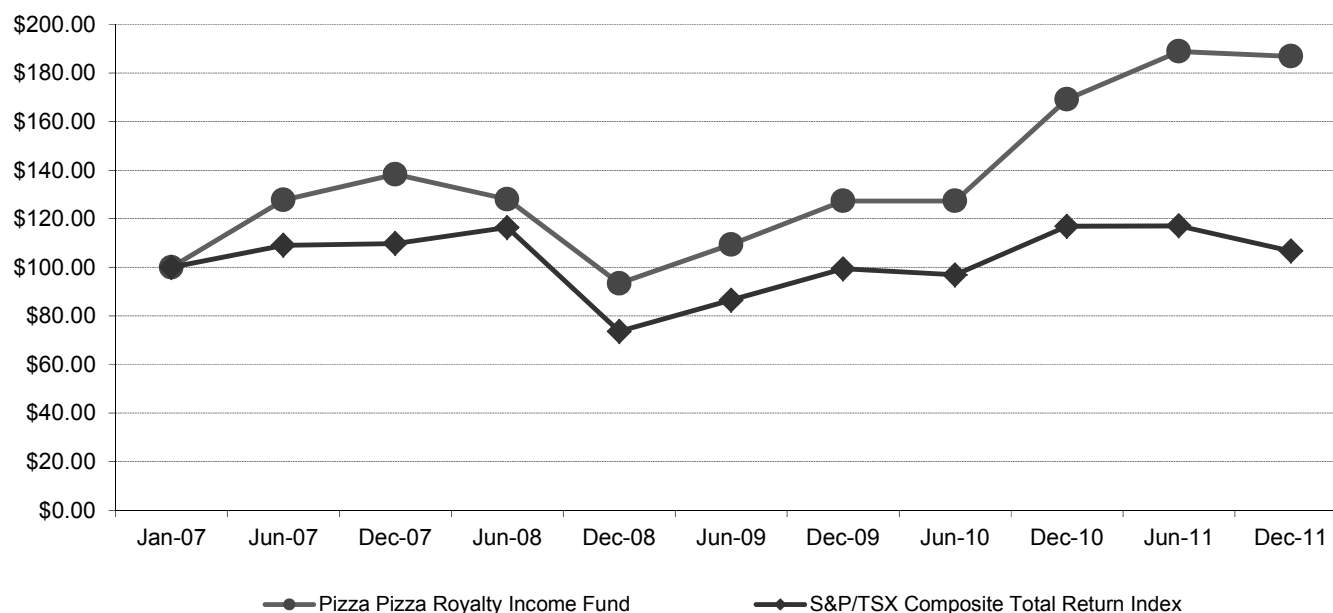
Name	Fees Earned	All Other Compensation	Total Compensation
Paul Goddard	\$nil	\$nil	\$nil
Curt Feltner	\$nil	\$nil	\$nil
Arnold Cader	\$46,500	\$nil	\$46,500
Richard McCoy	\$38,000	\$nil	\$38,000
Robert Nobes	\$46,500	\$nil	\$46,500
Terence Reid	\$38,000	\$nil	\$38,000
Elizabeth Wright	\$50,500	\$nil	\$50,500

### No Additional Executive Compensation

Neither the Fund nor the Managing General Partner employs any person and no officer of the Managing General Partner receives any compensation from the Managing General Partner or any other person for holding any such office.

### Performance Graph

The following graph compares the total cumulative return to Unitholders for \$100 invested in Units with the total cumulative return of the S&P/TSX Composite Index for the period from January 1, 2007 to December 31, 2011. Distributions paid are assumed to be reinvested.



	Jan-07	Jun-07	Dec-07	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11
Pizza Pizza Royalty Income Fund	\$100.00	\$127.73	\$138.26	\$128.03	\$93.38	\$109.40	\$127.31	\$127.34	\$169.20	\$188.91	\$186.90
S&P/TSX Composite Total Return Index	\$100.00	\$109.05	\$109.83	\$116.41	\$73.58	\$86.51	\$99.38	\$96.85	\$116.87	\$117.06	\$106.69

## **INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS**

None of the Trustees, proposed nominees for election as trustees of the Fund, directors and proposed nominees for election as director or officers of the Managing General Partner, nor any associates of such persons, are or have been indebted to the Fund or any of its Subsidiaries at any time since January 1, 2011 or have at any time since that date been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Fund, the Partnership or the Managing General Partner.

## **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The directors and officers of the Managing General Partner, the Trustees and the trustees, directors and officers of any direct or indirect Subsidiary of the Fund are covered under the directors' and officers' insurance policies established by the Partnership. The aggregate limit of liability applicable to those insured trustees, directors and officers under the policies is \$15 million inclusive of defence costs. The policies will pay on behalf of the Managing General Partner all losses for which the Managing General Partner grants indemnification to such directors and officers in excess of a deductible of \$50,000 for each loss. The premiums for the policies are paid by the Partnership. For the policy year ended August, 2011 such premium amounted to \$54,000 plus applicable taxes and for the policy year ending August, 2012 such premiums amounted to \$51,165 plus applicable taxes.

The Declaration of Trust provides for the indemnification of the Trustees from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties as trustees, subject to certain usual limitations. The by-laws of the Managing General Partner and the Fund's other Subsidiaries also provide for the indemnification of their respective directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties of office, subject to certain limitations. In addition, indemnity agreements have been provided to all Trustees, and to all trustees, directors and/or officers of each of its various Subsidiary entities, for various items including, but not limited to, all costs to settle lawsuits or actions due to the association with the Fund, subject to certain restrictions. The term of the indemnification is not explicitly defined, but is limited to events during the period during which the indemnified party served as a trustee, director or officer of the applicable Fund entity.

## **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as disclosed in this Information Circular and in Note 11 to the Fund's consolidated financial statements for the period ended December 31, 2011 (which disclosure is incorporated by reference in this Information Circular), no "insider" of the Fund, the Managing General Partner or the Partnership, or any of its associates or affiliates, has had an interest in any transaction since January 1, 2011 that has materially affected, or would materially affect, the Fund or any of its Subsidiaries. See also "Interest of Management and Others in Material Transactions" in the Annual Information Form for the year ended December 31, 2011, which is incorporated by reference in this Information Circular. Further, other than as described above, the Fund and the Managing General Partner are not aware of any direct or indirect material interest, Trustee or proposed nominee for election as a trustee of the Fund, director or proposed nominee for election as a director or officer of the Managing General Partner, or any associate or affiliate of any such persons in any material transaction since January 1, 2011, which has materially affected or would materially affect the Fund or any of its Subsidiaries.

## GENERAL PROXY MATTERS

### Voting Securities and Principal Holders

Only registered holders of Units as at the close of business on April 30, 2012 (the “**Record Date**”), who either personally attend the meeting or who have completed and delivered a form of proxy in the manner described herein, shall be entitled to vote or to have their Units voted at the Meeting.

### Units

As of the date of the Information Circular, 21,818,392 Units, each carrying the right to one vote per Unit, are issued and outstanding.

### Principal Holders

To the knowledge of the Trustees, and the directors and officers of the Managing General Partner, the only persons or companies who beneficially own, directly or indirectly, or exercise control or direction over Units carrying more than 10% of the voting rights attached to all outstanding Units of the Fund are as follows:

Name	Number of Units	Percentage of Units
Goodman & Company	4,093,000	18.76%

PPL holds Class B Units, Class C Units and Class D Units of the Partnership. The Class B Units and Class D Units of the Partnership are exchangeable into Units of the Fund, subject to certain conditions. If all of the Class B Units and Class D Units of the Partnership were so exchanged as of the date of this Information Circular, PPL would own 7,885,685 Units of the Fund, representing a 26.5% interest in the Fund on a fully-diluted basis. The Class B Units and Class D Units of the Partnership do not carry voting rights at the Meeting. The Estate of Michael Overs holds 100% of the special voting shares of PPL and PPL's parent company owns 100% of the common shares.

### Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies to be used at the time and place and for the purposes set forth in the Notice of Meeting accompanying this Information Circular, and any adjournment thereof. **The solicitation of proxies by this circular is being made by or on behalf of the management of the Managing General Partner of the Partnership, administrator to and on behalf of the Fund.**

It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally or by telephone, e-mail, fax or other means of telecommunication by directors, officers or employees of the Managing General Partner at nominal cost. The cost of this solicitation will be borne by the Partnership as administrator to and on behalf of the Fund.

### Appointment of Proxies

**The persons named in the enclosed form of proxy are trustees of the Fund. A Registered Unitholder who wishes to appoint some other person to represent him/her at the Meeting may do so by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy. A Non-Registered Unitholder who wishes to appoint some other person to represent him/her at the Meeting should follow the instructions provided by their Intermediary for regarding such appointments. In either case, the person appointed need not be a Unitholder of the Fund.**

## **Deposit of Proxies**

To be valid, executed forms of proxy must be deposited with CIBC Mellon Trust Company, Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1 before 5:00 p.m. (Toronto time) on May 28, 2012 or not less than 48 hours, excluding Saturdays, Sundays and holidays, before the Meeting or any adjournment thereof. The Chair of the Meeting retains the discretion to accept proxies filed subsequently. Non-Registered Unitholders must follow the instructions provided by their Intermediary regarding when and where their form of proxy or voting instruction form should be delivered.

## **Voting of Units — Advice to Non-Registered Holders**

### *Investors in Units and Non-Registered Unitholders*

Unlike some issuers where the names of individual security holders are recorded on a register of holders, the ownership of Units is tracked through a book-entry only system administered by CDS. In a book-based system, the only Registered Unitholder is CDS, who acts as clearing agent for the brokers and other Intermediaries who, in turn, act on behalf of the Non-Registered Unitholders.

In a book-based system, Non-Registered Unitholders can only exercise their rights as beneficial owners of Units through CDS or a participant in the CDS depository service. This means that in order for Non-Registered Unitholders to exercise their right to vote their Units at a meeting of the Fund, they must provide voting instructions to CDS as the Registered Unitholder.

**If Non-Registered Unitholders wish to vote their Units they must carefully review and follow the voting instructions provided by their Intermediary.**

### *Delivery of Voting Instructions by Non-Registered Unitholders*

Applicable regulatory policy requires Intermediaries to seek voting instructions from Non-Registered Unitholders in advance of Unitholder meetings. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Non-Registered Unitholders in order to ensure their Units are voted at the Meeting. Generally, Non-Registered Unitholders who receive meeting materials will be given either:

(a) a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) and which is restricted as to the number of Units beneficially owned by the Non-Registered Unitholder but which is otherwise not completed. This form of proxy need not be signed by the Non-Registered Unitholder. In this case, the Non-Registered Unitholder who wishes to submit a proxy should complete the rest of the form of proxy and deliver the proxy in accordance with the instructions provided by the Intermediary; or

(b) a voting instruction form which must be completed and signed by the Non-Registered Unitholder in accordance with the directions on the voting instruction form and returned to the Intermediary or its service company. In some cases, the completion of the voting instruction form by telephone, the internet, or facsimile is permitted. The purpose of these procedures is to permit Non-Registered Unitholders to direct the voting of the Units that they beneficially own. These procedures do not permit a Non-Registered Unitholder to vote Units in person at a Meeting.

### *Voting in Person by Non-Registered Unitholders*

A Non-Registered Unitholder who receives a form of proxy or a voting instruction form and wishes to vote at the Meeting in person should strike out the names of the persons designated in the

form of proxy and insert the Non-Registered Unitholder's name in the blank space provided or, in the case of a voting instruction form, follow the corresponding directions on the form. In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.

## **Revocation of Proxies**

A Registered Unitholder who has given a proxy may revoke the proxy by depositing a written instrument, executed in the same manner as a proxy, with CIBC Mellon Trust Company, Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1 at any time up to and including the last Business Day preceding the day of the Meeting or any adjournment thereof, or by depositing the instrument with the Chair of the Meeting on the day of the Meeting or any adjournment thereof. A proxy may also be revoked in any other manner permitted by law.

## **Voting of Proxies**

Every matter to be dealt with at the Meeting other than the Conversion Resolution shall, unless a poll vote is demanded, be decided by a show of hands on which every person present and entitled to vote shall be entitled to one vote. The Conversion Resolution shall be decided by a poll vote, on which each Unit will be entitled to one vote. Persons entitled to vote are Registered Unitholders and proxy holders representing Registered Unitholders. **On any poll the persons designated in the enclosed form of proxy will vote or withhold from voting Units in respect of which they are appointed by proxy in accordance with the instructions of the Registered Unitholder indicated thereon. In the absence of such instructions with respect to a particular matter described in the enclosed form in the enclosed form of proxy or in this Information Circular, the Units will be voted "FOR" each of the matters to be voted on by Unitholders.**

The enclosed form of proxy confers discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to any other matter which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting, it is the intention of the persons designated in the enclosed form of proxy to vote in accordance with their best judgment on such matter or business. At the time of printing this Information Circular, neither the Trustees nor the directors and officers of the Managing General Partner knew of any such amendment, variation or other matter.

## **Units**

On April 26, 2012, the Fund had outstanding 21,818,392 Units. Each holder of Units of record at the close of business on April 30, 2012, the Record Date established for notice of the Meeting, will be entitled to vote on all matters proposed to come before the Meeting, even though such Unitholder has since that date disposed of such Unitholder's Units. No Unitholder who acquires Units after the Record Date shall be entitled to vote at the Meeting or any adjournment thereof.

Only registered holders of Units as at the Record Date, who either personally attend the meeting or who have completed and delivered a form of proxy in the manner described herein, shall be entitled to vote or to have their Units voted at the Meeting.

## **Procedure and Votes Required**

The Interim Order provides that each registered Unitholder at the close of business on the Record Date will be entitled to receive notice of, to attend and to vote at the Meeting. Computershare Investor Services Inc., the Fund's transfer agent, counts and tabulates the votes.

Pursuant to the Interim Order:

- (a) each Unit will be entitled to one vote at the Meeting;
- (b) the number of votes required to pass the Conversion Resolution shall be not less than sixty-six and two thirds per cent ( $66\frac{2}{3}\%$ ) of the votes cast by Unitholders, either in person or by proxy; and
- (c) the quorum for the Meeting consists of two or more individuals present in person either holding personally or representing by proxy not less in aggregate than 10% of the votes attached to all outstanding Units. In the event that a quorum is not present within 30 minutes after the time fixed for the Meeting, the Meeting will be adjourned to a day not less than 14 days later, at such time and place as determined by the Chair of the Meeting. If at such adjourned meeting a quorum as above defined is not present, the Unitholders present either in person or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling that meeting.

Other matters to be considered at the Meeting will be subject to approval by a majority of the votes cast by Unitholders, either in person or by proxy.

#### **AUDIT COMMITTEE**

Information regarding the Fund's audit committee can be found in the section entitled "Audit Committee Information" of the Annual Information Form for the financial year ended December 31, 2011, incorporated herein by reference.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Fund is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Fund's website at [www.pizzapizza.ca](http://www.pizzapizza.ca). Financial information in respect of the Fund and its affairs is provided in the Fund's annual audited comparative consolidated financial statements for the year ended December 31, 2011 and the related management's discussion and analysis. Copies of the Fund's financial statements and related management's discussion and analysis are available upon request from the Chief Financial Officer of the Fund at 500 Kipling Avenue, Toronto, Ontario, M8Z 5E5, telephone (416) 967-1010.

#### **APPROVAL OF THE INFORMATION CIRCULAR**

The contents and delivery of this Information Circular and related documents have been approved by the Trustees and by the Managing General Partner of the Partnership, in its capacity as administrator to the Fund.

**DATED** at Toronto, Ontario, this 26<sup>th</sup> day of April, 2012.

**BY ORDER OF THE BOARD OF TRUSTEES OF PIZZA PIZZA ROYALTY INCOME FUND AND BY  
THE BOARD OF DIRECTORS OF PIZZA PIZZA GP INC.**

(Signed) "*Elizabeth Wright*"  
Chair of the Board of Trustees of Pizza Pizza Royalty Income Fund

## AUDITORS' CONSENT

We have read the management information circular of Pizza Pizza Royalty Income Fund (the "**Fund**") dated April 26, 2012 relating to the plan of arrangement involving the Fund, Pizza Pizza Holdings Trust, Pizza Pizza GP Inc., Pizza Pizza Royalty Limited Partnership, Pizza Pizza Limited and Pizza Pizza Royalty Corp. (the "**Corporation**") and registered owners of trust units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned management information circular of our report to the trustees of the Fund on the consolidated balance sheets of the Fund as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of earnings, comprehensive income and changes in equity and cash flows for the years ended December 31, 2011 and 2010. Our report is dated March 28, 2012.

We consent to the incorporation by reference in the above-mentioned management information circular of our report to the shareholders of Pizza Pizza Limited on the consolidated balance sheets of Pizza Pizza Limited as at January 1, 2012, January 2, 2011 and January 4, 2010 and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the 52-week periods ended January 1, 2012 and January 2, 2011. Our report is dated March 28, 2012.

We consent to the inclusion in the above-mentioned management information circular of our report to the shareholder of the Corporation on the balance sheet of the Corporation as at April 4, 2012. Our report is dated April 23, 2012.

Toronto, Canada  
April 26, 2012

(Signed) "*Ernst & Young LLP*"  
Chartered Accountants  
Licensed Public Accountants

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular. Terms and abbreviations used in the Appendices to this Information Circular (other than in Appendix “F”) are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated.

**“1933 Act”** means the United States Securities Act of 1933, as amended.

**“1934 Act”** means the United States Securities Exchange Act of 1934, as amended.

**“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.

**“Annual Information Form”** means the annual information form of the Fund dated March 28, 2012 in respect of the Fund’s financial year ended December 31, 2011, incorporated by reference in this Information Circular.

**“Arrangement”** means an arrangement under Section 182 of the OBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the Arrangement Agreement or the Plan of Arrangement or made at the direction of the Court in the Final Order.

**“Arrangement Agreement”** means the arrangement agreement dated as of April 23, 2012 among the Fund, the Trust, Pizza Pizza GP, the Partnership, PPL and ParentCo pursuant to which the Fund, the Trust, Pizza Pizza GP, the Partnership, PPL and ParentCo have proposed to implement the Arrangement, a copy of which agreement is attached as Appendix “C” to this Information Circular, including any amendments thereto.

**“Articles of Arrangement”** means the articles in respect of the Arrangement required under subsection 183 of the OBCA to be filed with the Director after the Final Order has been granted giving effect to the Arrangement.

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

**“Audit Committee”** means the audit committee of ParentCo.

**“Board”** or **“Board of Trustees”** means the board of trustees of the Fund.

**“Business Day”** means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open for business in Toronto, Ontario, for the transaction of banking business.

**“CDS”** has the meaning ascribed to it under “Management Information Circular — Advice to Beneficial Holders of Units”.

**“Certificate”** means the certificate which may be issued by the Director pursuant to subsection 183 of the OBCA.

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

**“Class B Exchange Multiplier”** has the meaning ascribed to it under “The Conversion — Treatment of Convertible Securities”.

**“Class B Units”** has the meaning ascribed to it under “Management of the Fund — Directors and Officers of the Managing General Partner”.

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

**“Class C LP Units”** means the Class C limited partnership units of the Partnership issued to the Trust or a permitted transferee pursuant to the Exchange Agreement.

**“Class D Exchange Multiplier”** has the meaning ascribed to it under “The Conversion — Treatment of Convertible Securities”.

**“Class D Units”** has the meaning ascribed to it under “Management of the Fund — Directors and Officers of the Managing General Partner”.

**“Conversion”** means the exchange of each outstanding Unit of the Fund for one Share in the capital of ParentCo, pursuant to the Arrangement, on the terms and conditions set forth in the Plan.

**“Conversion Resolution”** means the special resolution in respect of the Arrangement, in substantially the form attached as Appendix “A” to this Information Circular, to be voted upon by Unitholders at the Meeting.

**“Court”** means the Ontario Superior Court of Justice.

**“Declaration of Trust”** has the meaning ascribed to it under “Business of the Meeting and Summary Information — Election of Trustees”.

**“Director”** means the director of corporations appointed under Section 278 of the OBCA.

**“E&Y”** has the meaning ascribed to it under “Business of the Meeting and Summary Information — Appointment and Remuneration of Auditor”.

**“Effective Date”** means the date the Conversion is effective under the OBCA upon filing with the Director of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Director.

**“Effective Time”** means the time on the Effective Date at which the Conversion is effective, as specified in the Plan.

**“Exchange Agreement”** has the meaning ascribed to it under “Business of the Meeting and Summary Information — Approval of the Conversion”.

**“Exchange Rule”** has the meaning ascribed to it under “Certain Canadian Federal Income Tax Considerations — Unitholders Resident in Canada”.

**“Final Order”** means the final order of the Court approving the Conversion to be applied for following the Meeting and to be granted pursuant to the provisions of subsection 182(5) of the OBCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction.

**“Franchisee”** means the franchisees of Pizza Pizza Restaurants pursuant to the franchise agreements.

**“Fund”** has the meaning ascribed to it under “Management Information Circular — Introduction”.

**“GAAP”** means generally accepted accounting principles in Canada as in effect from time to time, unless otherwise stated.

**“Governance Agreement”** has the meaning ascribed to it under “Management of the Fund — Directors and Officers of the Managing General Partner”.

**“Governance Committee”** means the governance committee of ParentCo.

**“Income Tax Act”** or **“Tax Act”** means the Income Tax Act, R.S.C. 1985, c. 1. (5th Supp), as amended, including the regulations promulgated thereunder.

**“Ineligible Unitholders”** has the meaning ascribed to it under “Management Information Circular — Information for United States Unitholders”.

**“Information Circular”** means this information circular of the Fund dated April 26, 2012, together with all appendices hereto, distributed to Unitholders in connection with the Meeting.

**“Interim Order”** means the interim order of the Court dated April 26, 2012 under subsection 182(5) of the OBCA containing declarations and directions with respect to the Conversion and the Meeting and issued pursuant to the application of the Fund and ParentCo, a copy of which order is attached as Appendix “B” to this Information Circular, as such order may be affirmed, amended or modified by any court of competent jurisdiction.

**“Intermediary”** has the meaning ascribed to it under “Management Information Circular — Advice to Beneficial Holders of Units”.

**“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 PPL, 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 on December 15, 2011 (effective January 2, 2011) with Pizza Pizza GP Inc., the Trust and PPL as parties thereto, as further amended from time to time.

**“Management”** means senior management of PPL.

**“Management’s Discussion and Analysis”** means the management’s discussion and analysis of the Fund dated March 28, 2012 in respect of the Fund’s financial year ended December 31, 2011, incorporated by reference in this Information Circular.

**“Managing General Partner”** has the meaning ascribed to it under “Business of the Meeting and Summary Information — Approval of the Conversion — Information Concerning the Fund and its Subsidiaries”.

**“Meeting”** has the meaning ascribed to it under “Management Information Circular — Introduction”.

**“Minister”** means the Minister of Finance (Canada).

**“NI 58-101”** has the meaning ascribed to it under “Statement of Corporate Governance Practices”.

**“Non-Registered Unitholder”** has the meaning ascribed to it under “Management Information Circular — Advice to Beneficial Holders of Units”.

**"Non-Resident"** means: (i) a Person who for the purposes of the Tax Act is neither a resident nor deemed to be resident in Canada (including as a consequence of an applicable income tax treaty or convention); or (ii) a partnership that is not a "Canadian partnership" for the purposes of the Tax Act.

**"Non-Resident Unitholder"** has the meaning ascribed to it under "Certain Canadian Federal Income Tax Considerations — Unitholders Not Resident in Canada".

**"Notice of Appearance"** has the meaning ascribed to it under "Conversion — Approvals — Court Approvals — Final Order".

**"Notice of Meeting"** means the Notice of the Annual and Special Meeting of Unitholders which accompanies this Information Circular.

**"OBCA"** means the Business Corporations Act (Ontario) R.S.O. 1990, c. B.16, as amended, including the regulations promulgated thereunder.

**"Order"** has the meaning ascribed to it under "Appendix "F" — Information Concerning ParentCo — Cease Trade Orders, Bankruptcies, Penalties or Sanctions — Corporate Cease Trade Orders or Bankruptcies".

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

**"ParentCo"** means Pizza Pizza Royalty Corp., a corporation existing under the OBCA and, prior to the completion of the Arrangement, a wholly-owned subsidiary of the Fund.

**"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.

**"Person"** means any individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government, regulatory authority or other entity.

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

**"Pizza 73 Licence and Royalty Agreement"** means the licence and royalty agreement, as amended from time to time, between the Partnership and PPL dated July 24, 2007.

**"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 trademarks, 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 PPL or their respective affiliates, licencees, partners, or subsidiaries in Canada.

**"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 PPL 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 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 PPL by Pizza 73 Restaurants which are subject to a unanimous shareholder agreement with PPL 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 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, between the Partnership and PPL dated July 24, 2007.

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

**"Pizza Pizza Restaurants"** refers to the pizza quick service restaurants operated by PPL and its franchisees or licencees 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 PPL'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 licence to use the Pizza Pizza Rights in Canada for 99 years.

**"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 PPL; and (ii) the amount of gross sales reported to PPL 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 PPL upon the establishment or renewal of franchises and franchise agreements, and (iii) revenue from PPL-approved national promotions and discounts.

**"Plan"** or **"Plan of Arrangement"** means the Plan of Arrangement attached as Exhibit "A" to Appendix "C" to this Information Circular, as amended or supplemented from time to time in accordance with the terms thereof.

**"PPL"** means Pizza Pizza Limited and includes, where the context requires, its consolidated subsidiaries.

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

**"Record Date"** has the meaning ascribed to it under "General Proxy Matters — Voting Securities and Principal Holders".

**"Registered Unitholder"** has the meaning ascribed to it under "Management Information Circular — Advice to Beneficial Holders of Units".

**"Resident"** means a resident of Canada within the meaning of the Tax Act.

**"Resident Unitholder"** has the meaning ascribed to it under "Certain Canadian Federal Income Tax Considerations — Unitholders Resident in Canada".

**"Royalty"** means the royalty and other amounts payable by PPL 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.

**"RRIF"** has the meaning ascribed to it under "Certain Canadian Federal Income Tax Considerations — Eligibility for Investment".

**"RRSP"** has the meaning ascribed to it under "Certain Canadian Federal Income Tax Considerations — Eligibility for Investment".

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

**"Shareholder"** means a holder of Shares.

**"Shares"** means the common shares in the capital of ParentCo.

**"SIFT Rules"** has the meaning ascribed to it under "Background and Reasons for the Conversion — Trust Conversion to a Corporation — The SIFT Rules".

**"SIFT Tax"** has the meaning ascribed to it under "Background and Reasons for the Conversion — Trust Conversion — The SIFT Rules."

**"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-Fairness Plan"** has the meaning ascribed to it under "Background to and Reasons for the Conversion — Trust Conversion to a Corporation — The SIFT Rules".

**"Tax Proposals"** has the meaning ascribed to it under "Certain Canadian Federal Income Tax Considerations".

**"Term Facility"** means the credit agreement dated as of July 6, 2005 as amended and restated as of July 24, 2007, as further amended December 6, 2011 between the Partnership and two chartered banks, consisting of a non-revolving five-year term facility of up to a maximum of \$47,000,000.

**"TFSA"** has the meaning ascribed to it under "Certain Canadian Federal Income Tax Considerations — Eligibility for Investment".

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

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

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

**"TSX"** means the Toronto Stock Exchange.

**"Unit"** has the meaning ascribed to it under "Management Information Circular — Introduction".

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

**"Unitholder"** has the meaning ascribed to it under "Management Information Circular — Introduction".

**"Unitholders"** means the Unitholders, collectively.



## APPENDIX "A"

### CONVERSION RESOLUTION

"BE IT RESOLVED THAT:

1. the arrangement under Section 182 of the *Business Corporations Act* (Ontario) (the "**Conversion**") substantially as set forth in the Plan of Arrangement (the "**Plan of Arrangement**") attached as Exhibit "A" to Appendix "C" to the Information Circular of Pizza Pizza Royalty Income Fund (the "**Fund**") dated April 26, 2012 (the "**Information Circular**") and all transactions contemplated thereby, be and are hereby authorized and approved;
2. the arrangement agreement ("**Arrangement Agreement**") dated April 23, 2012 among the Fund, Pizza Pizza Holdings Trust, Pizza Pizza GP Inc., Pizza Pizza Limited Partnership, Pizza Pizza Royalty Limited Partnership, and Pizza Pizza Royalty Corp. ("**ParentCo**"), a copy of which is attached as Appendix "C" to the Information Circular, together with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 5 hereof, such approval to be evidenced conclusively by the execution and delivery of any such amendments or variations, is hereby confirmed, ratified and approved;
3. the amendments to the Declaration of Trust, Trust Declaration of Trust and the Limited Partnership Agreement (each as defined in the Plan of Arrangement) as may be necessary to facilitate the Conversion and also as provided in the Arrangement Agreement be and are hereby authorized and approved;
4. notwithstanding that this resolution has been duly passed and/or has received the approval of the Ontario Superior Court of Justice, the board of trustees of the Fund may, without further notice to or approval of the holders of Units, subject to the terms of the Conversion, amend or terminate the Arrangement Agreement or the Plan of Arrangement or revoke this resolution at any time prior to the filing of the Articles of Arrangement giving effect to the Conversion; and
5. any trustee or officer of the Fund or any officer Pizza Pizza Royalty Limited Partnership, as administrator of the Fund, is hereby authorized, for and on behalf of the Fund, to execute and deliver Articles of Arrangement and to execute, with or without the corporate seal, and, if appropriate, deliver all other documents and instruments and do all other things as in the opinion of such trustee or officer may be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action."



**APPENDIX “B”**  
**INTERIM ORDER**

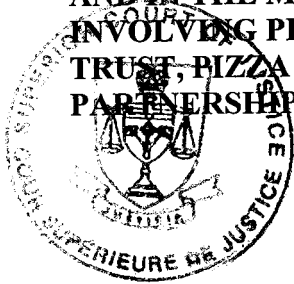
**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE  
MR. JUSTICE CAMPBELL

) THURSDAY, THE 26TH  
) DAY OF APRIL 2012  
)

**IN THE MATTER OF AN APPLICATION UNDER SECTION 182 OF THE  
BUSINESS CORPORATIONS ACT, R.S.O. 1990 c. B. 16, AS AMENDED, THE  
TRUSTEE ACT, R.S.O. 1990, c. T. 23 AS AMENDED AND RULE 14.05 OF THE  
RULES OF CIVIL PROCEDURE**

**AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT  
INVOLVING PIZZA PIZZA ROYALTY INCOME FUND, PIZZA PIZZA HOLDINGS  
TRUST, PIZZA PIZZA GP INC., PIZZA PIZZA ROYALTY LIMITED  
PARTNERSHIP, PIZZA PIZZA LIMITED AND PIZZA PIZZA ROYALTY CORP.**



**PIZZA PIZZA ROYALTY INCOME FUND,  
PIZZA PIZZA HOLDINGS TRUST,  
PIZZA PIZZA GP INC.,  
PIZZA PIZZA ROYALTY LIMITED PARTNERSHIP  
PIZZA PIZZA LIMITED AND  
PIZZA PIZZA ROYALTY CORP.**

**Applicants**

**INTERIM ORDER**

**THIS MOTION**, made by Pizza Pizza Royalty Income Fund (the "Fund"), Pizza Pizza Holdings Trust, Pizza Pizza GP Inc., Pizza Pizza Royalty Limited Partnership, Pizza Pizza Limited, Pizza Pizza Royalty Corp. ("ParentCo") (collectively, the "Applicants") for an interim order pursuant to the Amended and Restated Declaration of Trust of the Fund, dated June 24, 2005 (the "Declaration of Trust"), section 60 of the *Trustee Act*, R.S.O. and section 182(5) of the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B.16, as amended ("OBCA"), was heard this day at Toronto, Ontario.

**ON READING** the notice of application, the notice of motion, the affidavit of Curt Feltner, sworn April 24, 2012 (the “Affidavit”) and the exhibits thereto, and on hearing the submissions of counsel for the Applicants,

**Definitions**

1. **THIS COURT ORDERS** that for the purposes of this Interim Order, all capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the draft Management Information Circular (the “Circular”) attached as Exhibit “A” to the Affidavit.

**The Meeting**

2. **THIS COURT ORDERS** that The Fund is permitted to call, hold and conduct a special meeting (the “Meeting”) of the holders (the “Unitholders”) of units of the Fund (the “Units”) to be held on May 30, 2012 commencing at 10:00 a.m. (Toronto Time) at the TMX Broadcast Centre in Toronto in order for the Unitholders to consider and, if determined advisable, pass a resolution authorizing, adopting and approving, with or without variation, the Arrangement and the Plan of Arrangement (the “Conversion Resolution”, a copy of which is Appendix A to the Circular).

3. **THIS COURT ORDERS** that the Meeting shall be called, held and conducted in accordance with the Circular and the Declaration of Trust, subject to the terms of this Interim Order or any further order of this Court.

4. **THIS COURT ORDERS** that the record date (the “Record Date”) for determination of the Unitholders entitled to notice of, and to vote at, the Meeting shall be April 30, 2012.

5. **THIS COURT ORDERS** that the only persons entitled to attend or speak at the Meeting shall be:

- (a) the Unitholders or their respective proxyholders;
- (b) the officers, trustees, auditors and advisors of the Fund; and
- (c) other persons who may receive the permission of the Chair of the Meeting.

6. **THIS COURT ORDERS** that the Fund may transact such other business at the Meeting as is contemplated in the Circular, or as may otherwise be properly before the Meeting.

#### **Quorum**

7. **THIS COURT ORDERS** that the Chair of the Meeting shall be determined by the Fund and that the quorum at the Meeting shall be two or more individuals present in person either holding personally or representing by proxy not less in aggregate than 10% of the votes attached to all outstanding Units.

#### **Amendments to the Arrangement and Plan of Arrangement**

8. **THIS COURT ORDERS** that the Fund is authorized to make, subject to the terms of the Arrangement Agreement, and paragraph 9, below, such amendments, modifications or supplements to the Arrangement and the Plan of Arrangement as it may determine without any additional notice to the Unitholders, or others entitled to receive notice under paragraph 12 hereof and the Arrangement and Plan of Arrangement, as so amended, modified or supplemented shall be the Arrangement and Plan of Arrangement to be submitted to the Unitholders at the Meeting and shall be the subject of the Conversion Resolution.

Amendments, modifications or supplements may be made following the Meeting, but shall be subject to review and, if appropriate, further direction by this Court at the hearing for the final approval of the Arrangement.

9. **THIS COURT ORDERS** that, if any amendments, modifications or supplements to the Arrangement or Plan of Arrangement as referred to in paragraph 8, above, would, if disclosed, reasonably be expected to affect a Unitholder's decision to vote for or against the Conversion Resolution, notice of such amendment, modification or supplement shall be distributed, subject to further order of this Court, by press release, newspaper advertisement, prepaid ordinary mail, or by the method most reasonably practicable in the circumstances, as the Fund may determine.

### **Amendments to the Circular**

10. **THIS COURT ORDERS** that the Fund is authorized to make such amendments, revisions and/or supplements to the Circular as it may determine and the Circular, as so amended, revised and/or supplemental, shall be the Circular to be distributed in accordance with paragraph 12.

### **Adjournments and Postponements**

11. **THIS COURT ORDERS** that the Fund, if it deems advisable and subject to the terms of the Arrangement Agreement, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the Unitholders respecting the adjournment or postponement, and notice of any such adjournment or postponement shall be given by such method as the Fund may determine is appropriate in the circumstances. This provision shall not limit the authority of the Chair of the Meeting in respect of adjournments and postponements.

### **Notice of Meeting**

12. **THIS COURT ORDERS** that, in order to effect notice of the Meeting, the Fund shall send the Circular (including the Notice of Application and this Interim Order), the Notice of Meeting, and the form of proxy, along with such amendments or additional documents as the Fund may determine are necessary or desirable and are not inconsistent with the terms of this Interim Order (collectively, the "Meeting Materials"), to the following:

- (a) registered Unitholders at the close of business on the Record Date, at least twenty-one days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting, by one or more of the following methods:
  - (i) by pre-paid ordinary or first class mail at the addresses of the registered Unitholders as they appear on the books and records of the Fund, or its registrar and transfer agent, at the close of business on the Record Date and if no address is shown therein, then the last address of the person known to the Corporate Secretary of the Fund;

- (ii) by delivery, in person or by recognized courier service or inter-office mail, to the address specified in (i) above; or
  - (iii) by facsimile or electronic transmission to any registered Unitholder, who is identified to the satisfaction of the Fund, who requests such transmission in writing and, if required by the Fund, who is prepared to pay the charges for such transmission;
- (b) non-registered Unitholders by providing sufficient copies of the Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 of the Canadian Securities Administrators; and
- (c) the trustees and auditors of the Fund by delivery in person, by recognized courier service, by pre-paid ordinary or first class mail or, with the consent of the person, by facsimile or electronic transmission, at least twenty-one days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting;

and that compliance with this paragraph shall constitute sufficient notice of the Meeting.

13. **THIS COURT ORDERS** that accidental failure or omission by the Fund to give notice of the Meeting or to distribute the Meeting Materials to any person entitled by this Interim Order to receive notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of the Fund, or the non-receipt of such notice shall, subject to further order of this Court, not constitute a breach of this Interim Order nor shall it invalidate any resolution passed or proceedings taken at the Meeting. If any such failure or omission is brought to the attention of the Fund, it shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

14. **THIS COURT ORDERS** that the Fund is hereby authorized to make such amendments, revisions or supplements to the Meeting Materials, as the Fund may determine in accordance with the terms of the Arrangement Agreement (“Additional Information”), and that notice of such Additional Information may, subject to paragraph 9, above, be distributed

by press release, newspaper advertisement, pre-paid ordinary mail, or by the method most reasonably practicable in the circumstances, as the Fund may determine.

15. **THIS COURT ORDERS** that distribution of the Meeting Materials pursuant to paragraphs 12 of this Interim Order shall constitute notice of the Meeting and good and sufficient service of the within Application upon the persons described in paragraphs 12 and 13 and that those persons are bound by any orders made on the within Application. Further, no other form of service of the Meeting Materials or any portion thereof need be made, or notice given or other material served in respect of these proceedings and/or the Meeting to such persons or to any other persons, except to the extent required by paragraph 9, above.

#### **Solicitation and Revocation of Proxies**

16. **THIS COURT ORDERS** that THE FUND is authorized to use the letter of transmittal and proxies substantially in the form of the drafts accompanying the Company Circular, with such amendments and additional information as the Fund may determine are necessary or desirable, subject to the terms of the Arrangement Agreement. The Fund is authorized, at its expense, to solicit proxies, directly or through its officers, directors or employees, and through such agents or representatives as they may retain for that purpose, and by mail or such other forms of personal or electronic communication as it may determine. the Fund may waive generally, in its discretion, the time limits set out in the Circular for the deposit or revocation of proxies by Unitholders, if the Fund deems it advisable to do so.

17. **THIS COURT ORDERS** that Unitholders shall be entitled to revoke their proxies by delivering in instruments in writing as required by the Circular.

#### **Voting**

18. **THIS COURT ORDERS** that the only persons entitled to vote in person or by proxy on the Conversion Resolution, or such other business as may be properly brought before the Meeting, shall be those Unitholders who hold Units as of the close of business on the Record Date. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Conversion Resolution.

19. **THIS COURT ORDERS** that votes shall be taken at the Meeting on the basis of one vote per Company Share and that in order for the Plan of Arrangement to be implemented, subject to further Order of this Court, the Conversion Resolution must be passed, with or without variation, at the Meeting by an affirmative vote of at least two-thirds ( $66\frac{2}{3}\%$ ) of the votes cast in respect of the Conversion Resolution at the Meeting in person or by proxy by the Unitholders. Such votes shall be sufficient to authorize THE FUND to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what is provided for in the Company Circular without the necessity of any further approval by the Unitholders, subject only to final approval of the Arrangement by this Court.

20. **THIS COURT ORDERS** that in respect of matters properly brought before the Meeting pertaining to items of business affecting the Fund (other than in respect of the Conversion Resolution), each Company Shareholder is entitled to one vote for each Company Share held.

#### **Hearing of Application for Approval of the Arrangement**

21. **THIS COURT ORDERS** that upon approval by the Unitholders of the Plan of Arrangement in the manner set forth in this Interim Order, the Fund may apply to this Court for final approval of the Arrangement.

22. **THIS COURT ORDERS** that distribution of the Notice of Application and the Interim Order in the Company Circular, when sent in accordance with paragraph 12 shall constitute good and sufficient service of the Notice of Application and this Interim Order and no other form of service need be effected and no other material need be served unless a Notice of Appearance is served in accordance with paragraph 23.

23. **THIS COURT ORDERS** that any Notice of Appearance served in response to the Notice of Application shall be served on the lawyers for the Fund at the following address: Torys LLP, Suite 3000, Box 270, TD Centre, 79 Wellington Street West, Toronto, Ontario, M5K 1N2, Attention: Andrew Gray.

24. **THIS COURT ORDERS** that, subject to further order of this Court, the only persons entitled to appear and be heard at the hearing of the within application shall be: the Fund and any person who has filed a Notice of Appearance herein in accordance with the Notice of Application, this Interim Order and the *Rules of Civil Procedure*.

25. **THIS COURT ORDERS** that any materials to be filed by the Fund in support of the within Application for final approval of the Arrangement may be filed up to one day prior to the hearing of the Application without further order of this Court.

26. **THIS COURT ORDERS** that in the event the within Application for final approval does not proceed on the date set forth in the Notice of Application, and is adjourned, only those persons who served and filed a Notice of Appearance in accordance with paragraph 23 shall be entitled to be given notice of the adjourned date.

#### **Precedence**

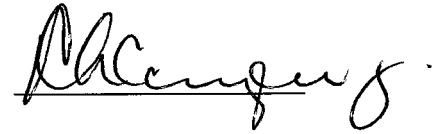
27. **THIS COURT ORDERS** that, to the extent of any inconsistency or discrepancy between this Interim Order, the Declaration of Trust and the terms of any instrument creating, governing or collateral to the Units, this Interim Order shall govern.

#### **Extra-Territorial Assistance**

28. **THIS COURT** seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States or other country to act in aid of and to assist this Court in carrying out the terms of this Interim Order.

**Variance**

29. **THIS COURT ORDERS** that the Fund shall be entitled to seek leave to vary this Interim Order upon such terms and upon the giving of such notice as this Court may direct.



ENTERED AT / INSCRIT A TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:



APR 26 2012

**IN THE MATTER OF AN APPLICATION UNDER SECTION 182 OF THE *BUSINESS CORPORATIONS ACT*, R.S.O. 1990 c. B. 16, AS AMENDED, THE *TRUSTEE ACT*, R.S.O. 1990, c. T. 23 AS AMENDED AND RULE 14.05 OF THE *RULES OF CIVIL PROCEDURE***

Commercial List Court File No: CV 12-9697-00CL

**AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT INVOLVING PIZZA PIZZA ROYALTY INCOME FUND, PIZZA PIZZA HOLDINGS TRUST, PIZZA PIZZA GP INC., PIZZA PIZZA ROYALTY LIMITED PARTNERSHIP, PIZZA PIZZA LIMITED AND PIZZA PIZZA ROYALTY CORP.**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**INTERIM ORDER**

Torys LLP  
Suite 3000  
79 Wellington St. W.  
Box 270, TD Centre  
Toronto, Ontario  
M5K 1N2 Canada

Andrew Gray LSUC#: 46626V  
Tel: 416.865.7630  
Fax: 416.865.7380

Lawyers for the Applicants



## APPENDIX “C”

### ARRANGEMENT AGREEMENT

#### ARRANGEMENT AGREEMENT

**THIS ARRANGEMENT AGREEMENT** is made as of the 23 day of April, 2012.

**AMONG:**

**PIZZA PIZZA ROYALTY INCOME FUND**, a limited purpose trust established under the laws of the Province of Ontario (the “**Fund**”)

– and –

**PIZZA PIZZA HOLDINGS TRUST**, a limited purpose trust established under the laws of the Province of Ontario (the “**Trust**”)

– and –

**PIZZA PIZZA ROYALTY CORP.**, a corporation incorporated under the laws of Ontario (“**ParentCo**”)

– and –

**PIZZA PIZZA GP INC.**, a corporation incorporated under the laws of Canada (“**Pizza Pizza GP**”)

– and –

**PIZZA PIZZA ROYALTY LIMITED PARTNERSHIP**, a limited partnership established under the laws of the Province of Ontario (the “**Partnership**”)

– and –

**PIZZA PIZZA LIMITED**, a corporation amalgamated under the laws of Ontario (the “**PPL**”)

**WHEREAS:**

The Fund, the Trust, Pizza Pizza GP, the Partnership, PPL and ParentCo wish to propose an arrangement with the registered holders of trust Units (the “**Units**”) of the Fund (collectively, the “**Unitholders**”);

- A. the parties hereto intend to carry out the transactions contemplated herein by way of an arrangement under the *Business Corporations Act* (Ontario); and
- B. the parties hereto have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for the other matters relating to such arrangement.

**NOW THEREFORE**, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto hereby covenant and agree as follows:

## ARTICLE 1 INTERPRETATION

### 1.1 **Definitions**

In this Agreement, the following terms have the following meanings:

“**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;

“**Agreement**”, “**herein**”, “**hereof**”, “**hereto**”, “**hereunder**” and similar expressions mean and refer to this arrangement agreement (including the schedules hereto) as supplemented, modified or amended, and not to any particular article, Section, schedule or other portion hereof;

“**Arrangement**” means the proposed arrangement under the provisions of Section 182 of the OBCA, on the terms and conditions set forth in the Plan of Arrangement as supplemented, modified or amended;

“**Articles of Arrangement**” means the articles in respect of the Arrangement required under subsection 183(1) of the OBCA to be filed with the Director after the Final Order has been granted giving effect to the Arrangement;

“**Business Day**” means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Toronto, in the Province of Ontario, for the transaction of banking business;

“**Certificate**” means the certificate which may be issued by the Director pursuant to subsection 183(2) of the OBCA;

“**Conversion Resolution**” means the special resolution of the Unitholders approving the Arrangement;

“**Court**” means the Ontario Superior Court of Justice;

“**Declaration of Trust**” means the amended and restated declaration of trust June 24, 2005, as amended July 24, 2007, by which the Fund is governed, as amended from time to time.

“**Director**” means the director of corporations appointed under Section 278 of the OBCA;

“**Effective Date**” means the date the Arrangement is effective under the OBCA ;

“**Effective Time**” means 11:25 p.m. (local time in Toronto, Ontario) on the Effective Date, or such other time on the Effective Date as may be determined by ParentCo;

“**Final Order**” means the final order of the Court approving the Arrangement pursuant to subsection 182(5) of the OBCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

“**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 amended and restated governance agreement dated July 24, 2007 between, among others, the Fund, the Trust, PPL and the Managing General Partner;

“**Information Circular**” means the information circular of the Fund dated April 26, 2012, together with all appendices thereto and forwarded as part of the proxy solicitation materials to Unitholders in respect of the Meeting;

“**Interim Order**” means the interim order of the Court dated April 26, 2012 under subsection 182(5) of the OBCA containing declarations and directions with respect to the Arrangement and the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

“**Limited Partnership Agreement**” means the limited partnership agreement dated June 22, 2005 entered into between Pizza Pizza GP and PPL, 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, the Trust and PPL as parties thereto, as further amended from time to time;

“**Meeting**” means the annual and special meeting of Unitholders to be held on May 30, 2012. to consider, among other things, the Arrangement and related matters, and any adjournment thereof;

“**OBCA**” means the *Business Corporations Act* (Ontario) R.S.O. 1990, c. B.16, as amended, including the regulations promulgated thereunder;

“**ParentCo**” means Pizza Pizza Royalty Corp., a corporation incorporated under the OBCA and, prior to the completion of the Arrangement, a wholly-owned subsidiary of the Fund;

“**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;

“**Person**” means an individual, partnership, association, body corporate, trust, unincorporated organization, government, regulatory authority, or other entity;

“**Pizza Pizza GP**” means Pizza Pizza GP Inc., a corporation incorporated under the laws of Canada;

“**Plan of Arrangement**” means the plan of arrangement attached hereto as Exhibit A, as amended or supplemented from time to time in accordance with the terms thereof;

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

“**Securities Act**” means the *Securities Act* (Ontario);

“**Shares**” means the common shares in the capital of ParentCo;

“**Subsidiary**” has the meaning set out in the Securities Act and includes a partnership or other entity;

“**Trust**” means Pizza Pizza Holdings Trust, a limited purpose trust established under the laws of Ontario pursuant to the Trust Declaration of Trust;

“**Trust Declaration of Trust**” means the amended and restated declaration of trust dated June 24, 2005 by which the Trust is governed, as amended from time to time.

“**TSX**” means the Toronto Stock Exchange;

“**Unit**” means a trust unit of the Fund; and

“**Unitholders**” means holders of Units.

## 1.2 **Currency**

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.

## 1.3 **Interpretation not Affected by Headings**

The division of this Agreement into articles, sections and schedules and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

#### 1.4 **Article References**

Unless reference is specifically made to some other document or instrument, all references herein to articles, sections and schedules are to articles, sections and schedules of this Agreement.

#### 1.5 **Extended Meanings**

Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, bodies corporate, trusts, unincorporated organizations, governments, regulatory authorities, and other entities.

#### 1.6 **Date for any Action**

In the event that any date on which any action required to be taken hereunder by any of the parties hereto is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

#### 1.7 **Entire Agreement**

This Agreement, together with the exhibit attached hereto, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties with respect to the subject matter hereof.

#### 1.8 **Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

#### 1.9 **Exhibit**

Exhibit "A" annexed to this Agreement, being the Plan of Arrangement, is incorporated by reference into this Agreement and forms a part hereof.

### **ARTICLE 2 THE ARRANGEMENT**

#### 2.1 **Arrangement**

As soon as reasonably practicable, the Fund and ParentCo shall apply to the Court pursuant to Section 182(5) of the OBCA for an order approving the Arrangement and in connection with such application shall:

- (a) forthwith file, proceed with and diligently prosecute an application for an Interim Order under Section 182(5) of the OBCA, providing for, among other things, the calling and holding of the Meeting for the purpose, among other things, of considering and, if deemed advisable, approving the Conversion Resolution;
- (b) subject to obtaining all necessary approvals of the Unitholders as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take steps necessary to submit the Arrangement to the Court and apply for the Final Order; and
- (c) subject to fulfillment of the conditions set forth herein, shall deliver to the Director Articles of Arrangement and such other documents as may be required to give effect to the Arrangement, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out therein without any act or formality.

## 2.2 **Effective Date**

The Arrangement shall become effective at the Effective Time on the Effective Date.

### **ARTICLE 3 COVENANTS**

#### 3.1 **Covenants of the Fund, the Trust, Pizza Pizza GP, the Partnership, and PPL**

Each of the Fund, the Trust, Pizza Pizza GP, the Partnership, and PPL covenants and agrees that it will:

- (a) take, and cause its Subsidiaries to take, all reasonable actions necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) in the case of the Fund, solicit proxies to be voted at the Meeting in favour of the Conversion Resolution and prepare the Information Circular and proxy solicitation materials and any amendments or supplements thereto as required by, and in compliance with, the Interim Order, and applicable corporate and securities laws, and file and distribute the same to the Unitholders in a timely and expeditious manner in all jurisdictions where the same are required to be filed and distributed;
- (d) convene the Meeting as ordered by the Interim Order and conduct such Meeting in accordance with the Interim Order and as otherwise required by law;
- (e) until the Effective Date, conduct its operations and those of its Subsidiaries in the ordinary and normal course of business and in accordance with applicable laws, generally accepted industry practice and any operating and other agreements applicable to its properties and assets and those of its Subsidiaries;
- (f) use all reasonable efforts to cause each of the conditions precedent set forth in Article 4 which are within its control to be satisfied on or before the Effective Date;
- (g) subject to the approval of the Conversion Resolution by the Unitholders, as required by the Interim Order, submit the Arrangement to the Court and apply, in conjunction with ParentCo, for the Final Order;
- (h) forthwith carry out the terms of the Final Order to the extent applicable to it;
- (i) upon issuance of the Final Order and subject to the conditions precedent in Article 4, forthwith proceed to file the Articles of Arrangement, the Final Order and all related documents with the Director pursuant to subsection 183(1) of the OBCA;
- (j) not, except in the ordinary course of business or as contemplated in connection with the Plan of Arrangement, merge into or with, or consolidate with, any other Person or, perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement;
- (k) until the Effective Date, except as specifically provided for hereunder and in the Arrangement, not alter or amend its constating or governing documents, articles or by-laws or those of its Subsidiaries as the same exist at the date of this Agreement;
- (l) in the case of the Fund, prior to the Effective Date, make application to list the Shares issuable pursuant to the Arrangement on the TSX;
- (m) amend the Governance Agreement and Administration Agreement, to the extent necessary, to facilitate the Arrangement;

- (n) in the case of the Fund, amend the Declaration of Trust, to the extent necessary, to facilitate the Arrangement;
- (o) in the case of the Partnership, amend the Limited Partnership Agreement, to the extent necessary, to facilitate the Arrangement; and
- (p) in the case of the Trust, amend the Trust Declaration of Trust, to the extent necessary, to facilitate the Arrangement.

### 3.2 **Covenants of ParentCo**

ParentCo covenants and agrees that it will:

- (a) take all reasonable action necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) until the Effective Date, other than as contemplated herein, in the Plan of Arrangement or in the Information Circular, not carry on any business, enter into any transaction or effect any corporate act whatsoever other than as contemplated herein or in the Information Circular without the prior written consent of the Fund;
- (d) other than as contemplated herein, in the Plan of Arrangement or in the Information Circular, until the Effective Date, not issue any securities or enter into any agreements to issue or grant options, warrants or rights to purchase any of its securities;
- (e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 4 which are within its control to be satisfied on or before the Effective Date;
- (f) subject to approval of the Conversion Resolution by the Unitholders, as required by the Interim Order, submit the Arrangement to the Court and apply, in conjunction with the Fund, for the Final Order;
- (g) forthwith carry out the terms of the Final Order to the extent applicable to it subject to the discretion of the Fund's board of trustees;
- (h) upon issuance of the Final Order and subject to the conditions precedent in Article 4, forthwith proceed to file the Articles of Arrangement, the Final Order and all related documents with the Director pursuant to Section 183 of the OBCA and subject to the discretion of the Fund's board of trustees;
- (i) reserve and authorize for issuance the Shares issuable pursuant to the Arrangement; and
- (j) prior to the Effective Date, cooperate with the Fund in making the application to list the Shares on the TSX.

## **ARTICLE 4 CONDITIONS PRECEDENT**

### 4.1 **Mutual Conditions Precedent**

The respective obligations of the Fund, the Trust, Pizza Pizza GP, the Partnership, PPL and ParentCo to complete the transactions contemplated by this Agreement shall be subject to the fulfillment or satisfaction, on or before the Effective Date, of each of the following conditions, any of which may be waived collectively by them without prejudice to their right to rely on any other condition:

- (a) the Interim Order shall have been granted in form and substance satisfactory to the Fund, the Trust, Pizza Pizza GP, the Partnership, PPL and ParentCo, acting reasonably, not later than May 1, 2012 or such later

date as the parties hereto may agree and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;

- (b) the Conversion Resolution shall have been approved by the requisite number of votes cast by the Unitholders at the Meeting in accordance with the provisions of the Interim Order and any applicable regulatory requirements;
- (c) the Final Order shall have been granted in form and substance satisfactory to the Fund, the Trust, Pizza Pizza GP, the Partnership, PPL and ParentCo acting reasonably, not later than June 30, 2012 or such later date as the parties hereto may agree;
- (d) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to the Fund, the Trust, Pizza Pizza GP, the Partnership, PPL and ParentCo acting reasonably, shall have been accepted for filing by the Director together with the Final Order in accordance with subsection 183(1) of the OBCA;
- (e) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:
  - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or
  - (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein;
- (f) all necessary material third party and regulatory consent and approvals with respect to the transactions contemplated under the Arrangement shall have been completed or obtained including, without limitation, the necessary consents and approvals from the principal lenders to the Fund and any of its Subsidiaries; and
- (g) the TSX shall have conditionally approved the listing or the substitutional listing of the Shares to be issued pursuant to the Arrangement, subject only to the filing of required documents which cannot be filed prior to the Effective Date.

#### **4.2 Additional Conditions to Obligations of the Fund, the Trust, Pizza Pizza GP, the Partnership, and PPL**

In addition to the conditions contained in Section 4.1, the obligation of the Fund, the Trust, Pizza Pizza GP, the Partnership, and PPL to complete the transactions contemplated by this Agreement is subject to the fulfillment or satisfaction, on or before the Effective Date, of each of the following conditions, any of which may be waived by them without prejudice to their right to rely on any other condition:

- (a) each of the covenants, acts and undertakings of ParentCo to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed or complied with; and
- (b) the board of trustees of the Fund shall not have determined in its sole and absolute discretion that to proceed with the Arrangement would not be in the best interests of the Unitholders.

#### **4.3 Additional Conditions to Obligations of ParentCo**

In addition to the conditions contained in Section 4.1, the obligation of ParentCo to complete the transactions contemplated by this Agreement is subject to the fulfillment or satisfaction, on or before the Effective Date, of the condition, that each of the covenants, acts and undertakings of the Fund, the Trust, Pizza Pizza GP, the Partnership and PPL to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed or complied with, provided that such condition may be waived by ParentCo without prejudice to its right to rely on any other condition.

#### 4.4 **Notice and Effect of Failure to Comply with Conditions**

If any of the conditions precedents set forth in Sections 4.1, 4.2, 4.3 hereof shall not be complied with or waived by the party or parties for whose benefit such conditions are provided on or before the date required for the performance thereof, then a party for whose benefit the condition precedent is provided may, in addition to any other remedies they may have at law or equity, rescind and terminate this Agreement provided that prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, the party intending to rely thereon has delivered a written notice to the other party, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the party delivering such notice is asserting as the basis for the non fulfillment of the applicable conditions precedent and the party in breach shall have failed to cure such breach within three (3) Business Days of receipt of such written notice thereof (except that no cure period shall be provided for a breach which by its nature cannot be cured). More than one such notice may be delivered by a party.

#### 4.5 **Satisfaction of Conditions**

The conditions set out in this Article 4 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the parties, Articles of Arrangement are filed under the OBCA to give effect to the Arrangement.

### **ARTICLE 5 AMENDMENT AND TERMINATION**

#### 5.1 **Amendments**

This Agreement may, at any time and from time to time before or after the Meeting, be amended in any respect whatsoever by written agreement of the parties hereto without further notice to or authorization on the part of their respective securityholders; provided that any such amendment that changes the consideration to be received by the Unitholders pursuant to the Arrangement is brought to the attention of the Court before approval of the Final Order and is subject to such requirements as may be ordered by the Court.

#### 5.2 **Termination**

This Agreement shall be terminated in each of the following circumstances:

- (a) the mutual agreement of the parties;
- (b) the Arrangement shall not have become effective on or before January 1, 2013 or such later date as may be agreed to by the parties hereto; and
- (c) termination of this Agreement under Article 4 hereof.

### **ARTICLE 6 GENERAL**

#### 6.1 **Binding Effect**

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

#### 6.2 **No Assignment**

No party may assign its rights or obligations under this Agreement.

#### 6.3 **Exclusivity**

None of the covenants of the Fund contained herein shall prevent the board of trustees of the Fund from responding as required by law to any unsolicited submission or proposal regarding any acquisition or disposition of assets or any unsolicited proposal to amalgamate, merge or effect an arrangement or any unsolicited acquisition proposal generally or make any

disclosure to its securityholders with respect thereto which in the judgment of the board of trustees of the Fund, acting upon the advice of outside counsel, is required under applicable law.

#### 6.4 **Equitable Remedies**

All representations, warranties and covenants herein or to be given hereunder as to enforceability in accordance with the terms of any covenant, agreement or document shall be qualified as to applicable bankruptcy and other laws affecting the enforcement of creditors' rights generally and to the effect that specific performance, being an equitable remedy, may only be ordered at the discretion of the court.

#### 6.5 **Survival of Representations and Warranties**

The representations and warranties contained herein shall survive the performance by the parties of their respective obligations hereunder for a period of one year.

#### 6.6 **Severability**

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

#### 6.7 **Further Assurances**

Each party hereto shall, from time to time and at all times hereafter, at the request of another party hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

#### 6.8 **Time of Essence**

Time shall be of the essence.

#### 6.9 **Liability of the Fund**

The parties hereto acknowledge that, except to the extent that the Partnership is entering into this Agreement in its own right, Partnership is entering into this Agreement on behalf of the Fund and the obligations of the Fund hereunder shall not be personally binding upon the trustees of the Fund or any holder of Units and that any recourse against the Fund, the trustees of the Fund, or any holder of Units in any manner in respect of any indebtedness, obligation or liability of the Fund arising hereunder or arising in connection herewith or from the matters to which this Agreement relates, if any, including without limitation claims based on contract, on negligence, tortious behaviour or otherwise, shall be limited to, and satisfied only out by, the Fund.

#### 6.10 **Counterparts**

This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

**IN WITNESS WHEREOF** this Agreement has been executed and delivered by the parties hereto effective as of the date first above written.

**PIZZA PIZZA ROYALTY INCOME FUND** by its  
Administrator, **PIZZA PIZZA ROYALTY LIMITED  
PARTNERSHIP** by its managing general partner,  
**PIZZA PIZZA GP INC.**

By: (Signed) "Curtis Feltner"  
Name: Curtis Feltner  
Title: Chief Financial Officer, Pizza Pizza GP Inc.

**PIZZA PIZZA GP INC.**, in its capacity as managing  
general partner of **PIZZA PIZZA ROYALTY  
LIMITED PARTNERSHIP**

By: (Signed) "Curtis Feltner"  
Name: Curtis Feltner  
Title: Chief Financial Officer, Pizza Pizza GP Inc.

**PIZZA PIZZA GP INC.**

By: (Signed) "Curtis Feltner"  
Name: Curtis Feltner  
Title: Chief Financial Officer, Pizza Pizza GP Inc.

**PIZZA PIZZA HOLDINGS TRUST** by its  
Administrator, **PIZZA PIZZA ROYALTY LIMITED  
PARTNERSHIP** by its managing general partner,  
**PIZZA PIZZA GP INC.**

By: (Signed) "Curtis Feltner"  
Name: Curtis Feltner  
Title: Chief Financial Officer, Pizza Pizza GP Inc.

**PIZZA PIZZA LIMITED**

By: (Signed) "Liza Overs"  
Name: Liza M. Overs  
Title: Director

**PIZZA PIZZA ROYALTY CORP.**

By: (Signed) "Curtis Feltner"  
Name: Curtis Feltner  
Title: Director

## EXHIBIT “A”

### PLAN OF ARRANGEMENT UNDER SECTION 182 OF THE *BUSINESS CORPORATIONS ACT (ONTARIO)*

#### ARTICLE 1 INTERPRETATION

1.1 In this Plan of Arrangement, the following terms have the following meanings:

- (a) “**Arrangement**”, “**herein**”, “**hereof**”, “**hereto**”, “**hereunder**” and similar expressions mean and refer to the arrangement pursuant to the provisions of Section 182 of the OBCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;
- (b) “**Arrangement Agreement**” means the agreement dated as of April 23, 2012, among the Fund, the Trust, Pizza Pizza GP, the Partnership, PPL and ParentCo with respect to the Arrangement and all amendments thereto;
- (c) “**Articles of Arrangement**” means the articles in respect of the Arrangement required under subsection 183(1) of the OBCA to be filed with the Director after the Final Order has been granted;
- (d) “**Business Day**” means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Toronto, in the Province of Ontario, for the transaction of banking business;
- (e) “**Book Entry System**” has the meaning ascribed to it under Section 4.2;
- (f) “**CDS**” means CDS Clearing and Depository Services Inc.;
- (g) “**CDS Participant**” has the meaning ascribed to it under Section 4.2;
- (h) “**Certificate**” means the certificate which may be issued by the Director pursuant to subsection 183(2) of the OBCA;
- (i) “**Class B Units**” means the Class B ordinary partnership units of the Partnership held by PPL or any related party;
- (j) “**Class C Units**” means the Class C ordinary partnership units of the Partnership held by PPL or any related party;
- (k) “**Class C LP Units**” means the Class C limited partnership units of the Partnership issued to the Trust or a permitted transferee pursuant to the Exchange Agreement;
- (l) “**Class D Units**” means the Class D ordinary partnership units of the Partnership held by PPL or any related party;
- (m) “**Court**” means the Ontario Superior Court of Justice;
- (n) “**Declaration of Trust**” means the amended and restated declaration of trust June 24, 2005, as amended July 24, 2007, by which the Fund is governed, as amended from time to time.
- (o) “**Director**” means the director of corporations appointed under Section 278 of the OBCA;
- (p) “**Effective Date**” means the date the Arrangement is effective under the OBCA;
- (q) “**Effective Time**” means 11:25 p.m. (local time in Toronto, Ontario) on the Effective Date, or such other time on the Effective Date as may be determined by ParentCo;
- (r) “**Exchange Agreement**” means the amended and restated exchange agreement dated July 24, 2007 among the Fund, PPL, Pizza Pizza GP, the Trust, and the Partnership;

- (s) “**Final Order**” means the final order of the Court approving this Arrangement pursuant to the provisions of subsection 182(5) of the OBCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (t) “**Fund**” means Pizza Pizza Royalty Income Fund, an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario;
- (u) “**Information Circular**” means the information circular of the Fund dated April 26, 2012, together with all appendices thereto and forwarded as part of the proxy solicitation materials to Unitholders in respect of the Meeting;
- (v) “**Interim Order**” means the interim order of the Court dated April 26, 2012 under subsection 182(5) of the OBCA containing declarations and directions with respect to the Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (w) “**Letter of Transmittal**” means the letter of transmittal sent by the Fund to CDS & Co., as the sole registered holder of Units;
- (x) “**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;
- (y) “**Limited Partnership Agreement**” means the limited partnership agreement dated June 22, 2005 entered into between Pizza Pizza GP and PPL, 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, 2010 (effective January 2, 2011) with Pizza Pizza GP, the Trust and PPL as parties thereto, as further amended from time to time;
- (z) “**Meeting**” means the annual and special meeting of Unitholders to be held on May 30, 2012, to consider, among other things, the Arrangement and related matters, and any adjournment thereof;
- (aa) “**OBCA**” means the *Business Corporations Act* (Ontario) R.S.O. 1990, c. B.16, as amended, including the regulations promulgated thereunder;
- (bb) “**ParentCo**” means Pizza Pizza Royalty Corp., a corporation existing under the OBCA and, prior to the completion of the Arrangement, a wholly-owned subsidiary of the Fund;
- (cc) “**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;
- (dd) “**Person**” means an individual, partnership, association, body corporate, trust, unincorporated organization, government, regulatory authority, or other entity;
- (ee) “**Pizza 73 Licence and Royalty Agreement**” means the licence and royalty agreement between the Partnership and PPL dated July 24, 2007, as amended from time to time;
- (ff) “**Pizza Pizza GP**” means Pizza Pizza GP Inc., a corporation incorporated under the laws of Canada;
- (gg) “**Pizza Pizza Licence and Royalty Agreement**” means the amended and restated licence and royalty agreement between the Partnership and PPL dated July 24, 2007, as amended from time to time;
- (hh) “**Plan of Arrangement**” means this plan of arrangement, as amended or supplemented from time to time in accordance with the terms hereof;
- (ii) “**PPL**” means Pizza Pizza Limited, a corporation amalgamated under the laws of Ontario;
- (jj) “**PPL Loan**” means the loan to PPL in the aggregate amount of \$30,000,000, which was acquired by the Trust on July 6, 2005;
- (kk) “**Securities Act**” means the Securities Act (Ontario);

- (ll) “**Shares**” means the common shares in the capital of ParentCo;
- (mm) “**Subsidiary**” has the meaning set out in the Securities Act and includes a partnership or other entity;
- (nn) “**Trust**” means Pizza Pizza Holdings Trust, a limited purpose trust established under the laws of the Province of Ontario;
- (oo) “**Trust Declaration of Trust**” means the amended and restated declaration of trust dated June 24, 2005 by which the Trust is governed, as amended from time to time.
- (pp) “**Unit**” means a trust unit of the Fund; and
- (qq) “**Unitholders**” means holders of Units.

1.2 The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.

1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.

1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.

1.5 In the event that the date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

1.6 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

## **ARTICLE 2 ARRANGEMENT AGREEMENT**

2.1 This Plan of Arrangement is made pursuant to, and is subject to the provisions of, and forms part of, the Arrangement Agreement.

2.1 This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issue of the Certificate, if any, shall become effective on, and be binding on and after, the Effective Time on: (i) Unitholders; (ii) the Fund; (iii) the Trust; (iv) Pizza Pizza GP; (v) the Partnership; (vi) PPL and (viii) ParentCo.

2.3 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein. If no Certificate is required to be issued by the Director pursuant to section 182 of the OBCA, the Arrangement shall become effective on the date the Articles of Arrangement are filed with the Director pursuant to subsection 183(1) of the OBCA.

2.4 Other than as expressly provided for herein, no portion of this Plan of Arrangement shall take effect with respect to any party or Person until the Effective Time. Furthermore, each of the events listed in Article 3 shall be, without affecting the timing set out in Article 3, mutually conditional, such that no event described in said Article 3 may occur without all steps occurring, and those events shall effect the integrated transaction which constitutes the Arrangement.

## **ARTICLE 3 ARRANGEMENT**

3.1 Commencing at the Effective Time, each of the events set out below shall occur five minutes apart and shall be deemed to occur in the following order without any further act or formality, except as otherwise provided in the Plan of Arrangement, provided however, that all such events shall be completed no later than 11:55 p.m. on the Effective Date

### **Termination of PPL Loan Arrangements**

- (a) PPL will pay to the Trust all amounts required to be paid by it as interest under the PPL Loan to December 31, 2012 following which PPL will sell or transfer its Class C Units to the Trust in repayment of the PPL Loan and the Partnership will purchase the Class C Units from the Trust in exchange for the issuance by the Partnership to the Trust of a corresponding number of Class C LP Units;

### **Acquisition of Units by ParentCo**

- (b) ParentCo will acquire all of the outstanding Units held by Unitholders in exchange for Shares on the basis of one Share for each Unit, immediately following which the one common share of ParentCo held by the Fund will be purchased for cancellation for \$1.00;

### **Dissolution of the Trust**

- (c) the Trust will be dissolved in accordance with the Trust Declaration of Trust and its assets and liabilities shall be distributed to, or assumed by, the Fund;

### **Dissolution of the Fund**

- (d) the Fund will be dissolved in accordance with the its Declaration of Trust and its assets and liabilities shall be distributed to, or assumed by, ParentCo;

### **Reduction in Stated Capital of ParentCo**

- (e) there shall have been added to the stated capital account maintained for the Shares an amount determined by the directors in accordance with Section 24 of the OBCA in respect of the Shares issued in consideration for Units, and ParentCo shall be authorized to reduce its stated capital in an amount determined by the directors, in accordance with Section 34(1) of the OBCA.

### **Amendments to the Exchange Agreement and Licence and Royalty Agreements**

- (f) the Exchange Agreement and the Licence and Royalty Agreements will be amended to the extent necessary such that the Class B Units and Class D Units will be exchangeable for Shares, instead of Units, based on the number of Units into which such Class B Units and Class D Units were exchangeable on the Effective Date;

### **Credit Agreements**

- (g) the security documentation relating to the Licence and Royalty Agreements and the Partnership's credit facilities will be amended to reflect ParentCo as the new parent company/public vehicle and the elimination of the Trust and the Fund.

3.2 Upon the exchange at the Effective Time of Units for Shares pursuant to Section 3.1:

- (i) each former holder of Units shall cease to be the holder of the Units so exchanged and the name of each such holder shall be removed from the register of holders of Units;
- (ii) each such holder of Units shall become the holder of the Shares exchanged for the Units by such holder and shall be added to the register of holders of Shares in respect thereof; and
- (iii) ParentCo shall become the holder of the Units so exchanged and shall be added to the register of holders of Units in respect thereof.

## **ARTICLE 4 OUTSTANDING CERTIFICATES**

4.1 Any certificates formerly representing Units that are not deposited, together with a duly completed Letter of Transmittal (where applicable) and any other documents as may reasonably be required shall, from and after the Effective

Date, represent only the right to receive Shares in respect thereof. If certificates formerly representing Units have not been so deposited on or before the sixth anniversary of the Effective Date, such certificates shall cease to represent a right or claim of any kind or nature and the right of the holder of the Units previously represented thereby to receive Shares shall be deemed to be surrendered to ParentCo, together with all interest or distributions thereon held for such holder.

4.2 Registration of interests in and transfers of the Shares will be made through a book-based system (the “**Book Entry System**”) administered by CDS. On or about the Effective Date, ParentCo will deliver to CDS one or more certificates evidencing the aggregate number of Shares issued in connection with the Arrangement.

4.3 Shares may be purchased, transferred or surrendered for redemption through a participant in the CDS depository service (a “**CDS Participant**”). All rights of holders of Shares may be exercised through, and all payments or other property to which such holder is entitled, may be made or delivered by CDS or the CDS Participant through which the holder holds such Shares. Upon purchase of such Shares, the holders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Shares are purchased.

4.4 ParentCo may issue certificates representing Shares to one or more shareholders, where such issuances is warranted in the opinion of ParentCo. ParentCo also has the option to terminate registration of the Shares through the Book Entry System, in which case certificates for the Shares in fully registered form would be issued to beneficial owners of such Shares or their nominees.

4.5 If any certificate which immediately prior to the Effective Time represented an interest in outstanding Units that were transferred pursuant to subsections 4.1 hereof has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the registered holder thereof in the Unit register shall, as a condition precedent to the receipt of any Shares to be issued to such person, provide to ParentCo a bond, in form and substance satisfactory to ParentCo, or otherwise indemnify ParentCo to its satisfaction, in its sole and absolute discretion, against any claim that may be made against them with respect to the certificate alleged to have been lost, stolen or destroyed.

## **ARTICLE 5 AMENDMENTS**

5.1 The Fund, the Trust, Pizza Pizza GP, the Partnership, PPL and ParentCo may amend this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment must be: (i) set out in writing; (ii) approved by the other parties; and (iii) filed with the Court.

5.2 Any amendment, modification or supplement to this Plan of Arrangement may be made prior to the Effective Date by the Fund, the Trust, Pizza Pizza GP, the Partnership, PPL and ParentCo (or, if following the Arrangement, ParentCo) without the approval of the Court or the Unitholders, provided that it concerns a matter which, in the reasonable opinion of the Fund, the Trust, Pizza Pizza GP, the Partnership, PPL and ParentCo (or, if following the Arrangement, ParentCo), is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement or is not adverse to the financial or economic interests of any current or former holder of Units.

5.3 Subject to Section 5.2, any amendment to this Plan of Arrangement may be proposed by the Fund, the Trust, Pizza Pizza GP, the Partnership, PPL and ParentCo at any time prior to or at the Meeting (provided that the other parties shall have consented thereto) with or without any other prior notice or communication to Unitholders, and if so proposed and accepted by the persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

5.4 Subject to Section 5.2, the Fund, the Trust, Pizza Pizza GP, the Partnership, PPL and ParentCo may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the Meeting and prior to the Effective Time with the approval of the Court and, if and as required by the Court, after communication to Unitholders.

## **ARTICLE 6 GENERAL**

6.1 Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances,

instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein.

6.2 If, prior to the Effective Date, any term or provision of this Plan of Arrangement is held by the Court to be invalid, void or unenforceable, the Court, at the request of any parties, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan of Arrangement shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

This Plan of Arrangement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Any questions as to the interpretation or application of this Plan of Arrangement and all proceedings taken in connection with this Plan of Arrangement and its provisions shall be subject to the exclusive jurisdiction of the Court.



**APPENDIX “D”**

**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF PIZZA PIZZA  
ROYALTY CORP.**

# Pizza Pizza Royalty Corp.

Pro Forma Consolidated Balance Sheet (Unaudited)

As at December 31, 2011 (Expressed in Thousands of Canadian Dollars)

	Pizza Pizza Income Fund	Royalty Notes	Pro Forma Adjustments	Pro Forma Consolidated
<b>Assets</b>				
<b>Current assets</b>				
Cash and equivalents	6,694		-	6,694
Receivable from Pizza Pizza Limited	1,338		-	1,338
Trade and other receivables	49		-	49
<b>Total current assets</b>	<b>8,081</b>		<b>-</b>	<b>8,081</b>
<b>Non-current assets</b>				
Loan receivable from Pizza Pizza Limited	30,000	2(b)	(30,000)	-
Pizza Pizza Rights and Marks	249,721		-	249,721
Pizza 73 Rights and Marks	69,491		-	69,491
<b>Total non-current assets</b>	<b>349,212</b>		<b>(30,000)</b>	<b>319,212</b>
<b>Total assets</b>	<b>357,293</b>		<b>(30,000)</b>	<b>327,293</b>
<b>Liabilities and Unitholders' Equity</b>				
<b>Current liabilities</b>				
Trade and other payables	343	2(a)	350	693
Distributions payable to Fund unitholders	1,274	2(e)	(1,274)	-
Dividends payable	-	2(e)	1,274	1,274
Income tax payable	3,710		-	3,710
<b>Total current liabilities</b>	<b>5,327</b>		<b>350</b>	<b>5,677</b>
<b>Non-current liabilities</b>				
Borrowings	46,838		-	46,838
Provision for other charges	1,089		-	1,089
Derivative financial instruments	2,270		-	2,270
Exchangeable units	67,314	2(c)	(67,314)	-
Class C Partnership units	30,000	2(b)	(30,000)	-
Deferred tax liability	8,169	2(d)	(3,769)	4,400
<b>Total non-current liabilities</b>	<b>155,680</b>		<b>(101,083)</b>	<b>54,597</b>
<b>Unitholders'/Shareholders' Equity</b>				
Fund units	212,928	2(e)	(212,928)	-
Common shares	-	2(e)	212,928	212,928
Exchangeable Partnership units	-	2(c)	67,314	67,314
Accumulated other comprehensive loss	(1,496)	2(d)	(358)	(1,854)
Deficit	(15,146)	2(a)	(350)	(11,369)
		2(d)	4,127	
<b>Total Unitholders'/Shareholders' equity attributable to the Unitholders/Shareholders</b>	<b>196,286</b>		<b>70,733</b>	<b>267,019</b>
<b>Total liabilities and Unitholders'/Shareholders' equity</b>	<b>357,293</b>		<b>(30,000)</b>	<b>327,293</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Pizza Pizza Royalty Corp.

Consolidated Statements of Earnings and Other Comprehensive Income (Unaudited)

(Expressed in Thousands of Canadian Dollars except for units and share and per unit/share amounts)

	Pizza Pizza Royalty Income Fund	Notes	Pro Forma Adjustments	Pro Forma Consolidated
Royalty Pool System Sales	467,880		-	467,880
Royalty income	30,375		-	30,375
Administrative expenses	(617)	3(a)	(350)	(967)
<b>Operating profit</b>	<b>29,758</b>		<b>(350)</b>	<b>29,408</b>
Interest income on loan receivable from Pizza Pizza Limited	1,800	3(b)	(1,800)	-
Interest expense on borrowings	(2,190)		-	(2,190)
Termination cost on derivative financial instruments	(1,198)		-	(1,198)
Distributions on exchangeable units	(6,823)	3(c)	6,823	-
Interest expense on Class C Partnership units	(1,800)	3(b)	1,800	-
<b>Profit for the year before income taxes and change in value of exchangeable units</b>	<b>19,547</b>		<b>6,473</b>	<b>26,020</b>
Change in fair value of exchangeable units	(1,063)	3(d)	1,063	-
<b>Profit for the year before income taxes</b>	<b>18,484</b>		<b>7,536</b>	<b>26,020</b>
Current income tax expense	(3,710)		-	(3,710)
Deferred tax income (expense)	(2,878)	3(e)	4,125	1,247
<b>Profit for the year attributable to Unitholders/Shareholders</b>	<b>11,896</b>		<b>11,661</b>	<b>23,557</b>
<b>Other comprehensive income</b>				
Termination cost on derivative financial instrument	990		-	990
Cash flow hedges	(1,843)		-	(1,843)
Deferred tax impact of cash flow hedges	627	3(e)	(594)	33
<b>Total comprehensive income attributable to Unitholders/Shareholders</b>	<b>11,670</b>		<b>11,067</b>	<b>22,737</b>
Weighted average number of units/shares (note 4)	21,818,392		7,872,951	29,691,343
Basic earnings per unit/share	0.55			0.79
Weighted average number of diluted units/shares (note 4)	29,691,343		-	29,691,343
Diluted earnings per unit/share	0.55			0.79

# Pizza Pizza Royalty Corp.

Notes to the Pro Forma Consolidated Financial Statements (Unaudited)

(Expressed in Thousands of Canadian Dollars except for units and shares and per unit/share amounts)

## 1. Basis of Presentation

On April 23, 2012, the Board of Trustees of Pizza Pizza Royalty Income Fund (the "Fund") approved the proposed reorganization of the Fund's income trust structure into a corporate structure pursuant to a plan of arrangement (the "Arrangement") under the *Business Corporation Act* (Ontario). The Arrangement will require approval from not less than 66 2/3% of votes cast by holders ("Unitholders") of trust units ("Units") voting in person or by proxy at a special meeting of Unitholders scheduled to be held on May 30, 2012 (the "Special Meeting"). In addition, the Arrangement will require approval from the Ontario Superior Court of Justice and the Toronto Stock Exchange as well as other necessary regulatory approvals.

Pursuant to and on the effective date of the Arrangement, the Units held by Unitholders will be transferred to Pizza Pizza Royalty Corp. (the "Corporation") in consideration for common shares of the Corporation ("Common Shares") on the basis of one Common Share for each Unit transferred. Subsequent to the Unit for Common Share exchange, the Pizza Pizza Holdings Trust (the "Trust") and the Fund will be wound up. For a detailed description of the above and other transactions forming part of the Arrangement, see the accompanying management information circular ("Information Circular") dated April 26, 2012 prepared by management in connection with the Special Meeting.

The unaudited pro forma consolidated financial statements have been prepared by management for inclusion in the Information Circular in accordance with International Financial Reporting Standards ("IFRS"). The unaudited pro forma consolidated balance sheet has been prepared using information derived from the audited consolidated balance sheet of the Fund as at December 31, 2011, along with pro forma adjustments described in Note 2. The unaudited pro forma consolidated statement of earnings and comprehensive income for the year ended December 31, 2011 has been prepared using information derived from the audited statements of earnings and comprehensive income for the year ended December 31, 2011, along with the pro forma adjustments described in Note 3.

The unaudited pro forma consolidated balance sheet has been prepared as if the Arrangement had occurred on December 31, 2011. The unaudited pro forma consolidated statement of earnings and comprehensive income have been prepared as if the Arrangement had occurred on January 1, 2011.

The Arrangement is not a business combination transaction, since in substance this is a continuation of the previous operations of the Fund and has been accounted for accordingly.

The unaudited pro forma consolidated financial statements are prepared for illustrative purposes only and are based on the assumptions set forth in the notes to these statements. These financial statements are not indicative of the results of operations or of the financial position that might have occurred if the Arrangement had actually taken place on the dates indicated or of the results that may be obtained in the future. The pro forma adjustments are based upon currently available information and management's estimates and assumptions. Actual adjustments may differ materially from the pro forma adjustments. In the opinion of management of the Fund, these unaudited pro forma consolidated financial statements include all significant adjustments necessary for the fair presentation, in all material respects, of the Arrangement in accordance with IFRS.

The unaudited pro forma consolidated financial statements should be read in conjunction with the Information Circular, which contains a description of the Arrangement, and with the audited consolidated financial statements of the Fund for the year ended December 31, 2011, which are incorporated by reference in the Information Circular.

# Pizza Pizza Royalty Corp.

Notes to the Pro Forma Consolidated Financial Statements (Unaudited)

(Expressed in Thousands of Canadian Dollars except for units and shares and per unit/share amounts)

## 2. Pro Forma Adjustments to the Consolidated Balance Sheet

The unaudited pro forma consolidated balance sheet gives effect to the following adjustments as if the Arrangement had occurred on December 31, 2011:

- a) Trade and other payables have been adjusted by an additional accrual of \$350 for estimated transaction costs with respect to the Arrangement.
- b) Pizza Pizza Limited ("PPL") will sell its Class C Units in the Pizza Pizza Royalty Limited Partnership (the "Partnership") to the Pizza Pizza Holdings Trust as repayment of the loan receivable from PPL. Subsequent to the sale, the Class C Units will be eliminated upon consolidation.
- c) PPL's ownership of the Class B and Class D Partnership Units ("Exchangeable Units") have been reclassified from liabilities to equity, and presented as Exchangeable Partnership units. As the Exchangeable Units are no longer financial liabilities they are no longer measured at fair value, but are reclassified to equity at their carrying amount on the conversion date.
- d) Deferred income taxes have been adjusted to reflect the recognition of Canadian deferred income taxes as a result of the conversion to a corporation.
- e) The Fund Units have been reclassified from Fund Units to Common Shares, as the Unitholders will receive a corresponding number of Common Shares of the Corporation. Accordingly, Distributions payable to Fund unitholders has been reclassified to Dividends payable.

## 3. Pro Forma Adjustments to the Consolidated Statement of Earnings and Other Comprehensive Income for the year ended December 31, 2011

The unaudited pro forma consolidated statement of earnings gives effect to the following adjustments as if the Arrangement had occurred on January 1, 2011:

- a) Estimated transaction costs incurred in connection with the Arrangement, including legal, advisory and other fees are \$350.
- b) The interest income on the loan receivable from Pizza Pizza Limited of \$1,800 is eliminated upon the sale of the Class C Partnership Units and the settlement of the loan. The interest expense of \$1,800 is eliminated as the Partnership is consolidated with the Corporation.
- c) The distributions on Exchangeable Units of \$6,823 have been reclassified from the statement of earnings to shareholders' equity.
- d) The fair value adjustment of Exchangeable Units is eliminated with the reclassification of Exchangeable Units from a financial liability to equity.
- e) Deferred income taxes have been adjusted to reflect the recognition of Canadian deferred income taxes as a result of the conversion to a corporation.

# Pizza Pizza Royalty Corp.

Notes to the Pro Forma Consolidated Financial Statements (Unaudited)

(Expressed in Thousands of Canadian Dollars except for units and shares and per unit/share amounts)

## 4. Basic and Diluted Earnings per Unit/Share

The pro forma basic earnings per share for the year ended December 31, 2011 takes into consideration the number of Exchangeable units, as the Exchangeable units are classified and presented as equity of the Corporation.

Prior to the conversion, diluted earnings per unit accounted for the distributions on Exchangeable units and the fair value adjustment of Exchangeable units. As Exchangeable units are no longer considered financial liabilities, these items are not presented on the pro forma Statement of Earnings and Other Comprehensive Income. Accordingly, no adjustment is made to the pro forma diluted earnings per share.

**AUDITED BALANCE SHEET OF PIZZA PIZZA ROYALTY CORP.**

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholder of  
**Pizza Pizza Royalty Corp.**

### **Report on the Financial Statement**

We have audited the balance sheet of Pizza Pizza Royalty Corp. as at April 4, 2012 and the explanatory information.

### **Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of this financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statement presents fairly, in all material respects, the financial position of Pizza Pizza Royalty Corp. as at April 4, 2012 in accordance with International Financial Reporting Standards.

Toronto, Ontario  
April 23, 2012

(signed) "Ernst & Young LLP"  
Chartered Accountants  
Licensed Public Accountants

Pizza Pizza Royalty Corp.  
 Balance Sheet  
 As at April 4, 2012  
 (Expressed in whole Canadian Dollars)

	April 4, 2012	
Assets		
Current Assets		
Cash	\$	1
Total Assets	\$	1
Shareholder's Equity		
Share Capital (note 2)	\$	1
Total Shareholder's Equity	\$	1

The accompanying notes are an integral part of this financial statement.

Approved on Behalf of the Board of Directors

(Signed) "*Curtis Feltner*"  
 \_\_\_\_\_  
 Curtis Feltner  
 Director

Pizza Pizza Royalty Corp.  
Notes to the Balance Sheet  
As at April 4, 2012  
(Expressed in whole Canadian Dollars)

1. Incorporation and Basis of Presentation

Pizza Pizza Royalty Corp. (the “Corporation”) was incorporated under the provisions of the *Business Corporations Act* (Ontario) on April 4, 2012, and on that date, issued 1 common share for total cash consideration of \$1. The address of the Corporation’s registered offices is 500 Kipling Ave, Toronto, Ontario, Canada. The Corporation is a wholly-owned subsidiary of the Pizza Pizza Royalty Income Fund (the “Fund”). Other than the issuance of a common share, there have been no other activities and the Corporation will be inactive until the Plan of Arrangement (the “Arrangement”), as described in note 3, is effective. Accordingly, the statements of earnings and comprehensive income and statements of changes in equity and cash flows have not been prepared. The Corporation was formed to effect the Arrangement and ultimately the Fund will be wound-up into the Corporation.

This financial statement has been prepared in accordance with International Financial Reporting Standards.

This financial statement was issued and effective as of April 23, 2012, the date the Board of Directors approved the financial statement. The Board of Directors has the power to amend the financial statement once issued.

2. Share Capital

Authorized –  
An unlimited number of common shares

Issued –  
1 common share ..... \$1

3. Description of the Proposed Plan of Arrangement

On April 23, 2012, the Board of Trustees of the Fund approved the proposed reorganization of the Fund’s income trust structure into a corporate structure pursuant to the Arrangement. The Arrangement will require approval from not less than 66 2/3% of the votes cast by holders (“Unitholders”) of trust units (“Units”) voting in person or by proxy at a special meeting of Unitholders scheduled to be held on May 30, 2012 (the “Special Meeting”). In addition, the Arrangement will require approval from the Ontario Superior Court of Justice and the Toronto Stock Exchange as well as all other necessary regulatory approvals.

Pursuant to and on the effective date of the Arrangement, the Units held by Unitholders will be transferred to the Corporation in consideration for common shares of the Corporation (“Common Share”) on the basis of one Common Share for each Unit transferred. Immediately following the acquisition of the Units by the Corporation, the one common share of the Corporation owned by the Fund will be purchased for cancellation for \$1.00, after which, the Corporation will be the sole unitholder of the Fund and the former unitholders of the Fund will be shareholders in the Corporation.

**APPENDIX “E”**  
**NOTICE OF APPLICATION**

Cv12-9697-00 CL  
Commercial List Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**IN THE MATTER OF AN APPLICATION UNDER SECTION 182 OF THE  
BUSINESS CORPORATIONS ACT, R.S.O. 1990 c. B. 16, AS AMENDED, THE  
TRUSTEE ACT, R.S.O. 1990, cT. 23 AS AMENDED AND RULE 14.05 OF THE RULES  
OF CIVIL PROCEDURE**

**AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT  
INVOLVING PIZZA PIZZA ROYALTY INCOME FUND, PIZZA PIZZA HOLDINGS  
TRUST, PIZZA PIZZA GP INC., PIZZA PIZZA ROYALTY LIMITED  
PARTNERSHIP, PIZZA PIZZA LIMITED AND PIZZA PIZZA ROYALTY CORP.**



**PIZZA PIZZA ROYALTY INCOME FUND,  
PIZZA PIZZA HOLDINGS TRUST,  
PIZZA PIZZA GP INC.,  
PIZZA PIZZA ROYALTY LIMITED PARTNERSHIP  
PIZZA PIZZA LIMITED AND  
PIZZA PIZZA ROYALTY CORP.**

**Applicants**

**NOTICE OF APPLICATION**

**TO THE RESPONDENT:**

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

THIS APPLICATION will come on for a hearing before a Judge presiding over the Commercial List on Monday June 4, 2012, at 10:00 a.m. or as soon after that time as the Application may be heard, at 330 University Avenue, Toronto, Ontario.

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


IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicants' lawyer or, where the applicants do not have a lawyer, serve it on the applicants, and file it, with proof of service, in the court

office where the application is to be heard as soon as possible, but at least five days before the hearing.

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

Date April 18, 2012

Issued by

  
Local registrar

Address of court office 330 University Avenue  
Toronto, Ontario  
M5G 1R7

TO: The Holders of Units  
of Pizza Pizza Royalty Income Fund

AND TO: The Trustees and Auditors of  
Pizza Pizza Royalty Income Fund

## APPLICATION

1. Pizza Pizza Royalty Income Fund (the “Fund”), Pizza Pizza Holdings Trust, Pizza Pizza GP Inc., Pizza Pizza Royalty Limited Partnership, Pizza Pizza Limited, Pizza Pizza Royalty Corp. (“ParentCo”) (collectively, the “Applicants”) make application for:

- (a) an interim order for advice and directions pursuant to the Amended and Restated Declaration of Trust, dated June 24, 2005 (the “Declaration of Trust”), section 60 of the *Trustee Act*, R.S.O. 1990, c. T. 23, as amended, and section 182(5) of the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B.16, as amended (“OBCA”) with respect to calling, holding and conducting a special meeting (the “Meeting”) of the holders of units of the Fund (the “Unitholders”) to consider, among other things, a plan of arrangement involving the Applicants and the Unitholders (the “Arrangement”);
- (b) an order pursuant to s. 182 of the OBCA approving the Arrangement; and
- (c) such further and other relief as counsel may request and this Court may deem just.

2. The grounds for the application are:

- (a) ParentCo. is a company incorporated under the provisions of the OBCA, with its head office on Toronto, Ontario;
- (b) the Trust is an unincorporated open-ended investment trust, established under the laws of the Province of Ontario pursuant to the Declaration of Trust, and has its head office in Toronto, Ontario;
- (c) the Arrangement is an “arrangement” within the meaning of s. 182(1) of the OBCA;
- (d) all preconditions to the approval of the Arrangement by the Court will have been satisfied prior to the hearing of the Application;
- (e) the Arrangement is fair and reasonable;

- (f) the Declaration of Trust will be amended as necessary to facilitate the Arrangement;
  - (g) section 182 of the OBCA;
  - (h) section 60 of the *Trustee Act*, R.S.O. 1990, c. T. 23, as amended (the “Trustee Act”)
  - (i) Rules 14.05(1), 14.05(2), 14.05(3), 17.02 and 38 of the *Rules of Civil Procedure*; and
  - (j) such further and other grounds as counsel may advise and this Court may permit.
3. The following documentary evidence will be used at the hearing of the application:
- (a) the Notice of Application, issued on April 18, 2012;
  - (b) affidavit evidence, to be sworn
  - (c) such further and other material as counsel may advise and this Court may permit.

Notice of this Application to Unitholders outside Ontario is given pursuant to rules 17.02(n) and 17.02(o) of the *Rules of Civil Procedure*.

April 18, 2012

Torys LLP  
Suite 3000  
79 Wellington St. W.  
Box 270, TD Centre  
Toronto, Ontario  
M5K 1N2 Canada

Andrew Gray LSUC#: 46626V  
Tel: 416.865.7380  
Fax: 416.865.7380

Lawyers for the Applicants

IN THE MATTER OF AN APPLICATION UNDER SECTION 182 OF THE *BUSINESS CORPORATIONS ACT*, R.S.O. 1990 c. B. 16, AS AMENDED, THE *TRUSTEE ACT*, R.S.O. 1990, c. T. 23 AS AMENDED AND RULE 14.05 OF THE *RULES OF CIVIL PROCEDURE*

AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT INVOLVING PIZZA PIZZA ROYALTY INCOME FUND, PIZZA PIZZA HOLDINGS TRUST, PIZZA PIZZA GP INC., PIZZA PIZZA ROYALTY LIMITED PARTNERSHIP, PIZZA PIZZA LIMITED AND PIZZA PIZZA ROYALTY CORP.

*Calder-9697-0000*

Commercial List Court File No:

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**NOTICE OF APPLICATION**

Torys LLP  
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Box 270, TD Centre  
Toronto, Ontario  
M5K 1N2 Canada

Andrew Gray LSUC#: 46626V  
Tel: 416.865.7630  
Fax: 416.865.7380

Lawyers for the Applicants

## **APPENDIX “F”**

### **INFORMATION CONCERNING PIZZA PIZZA ROYALTY CORP.**

#### **NOTICE TO READER**

Unless otherwise noted, the disclosure in this Appendix has been prepared assuming that the Conversion has been completed. Pizza Pizza Royalty Corp. (“ParentCo”) will be the publicly listed corporation resulting from the reorganization of the Fund’s trust structure under a corporation pursuant to the Conversion. Unless otherwise defined herein, all capitalized words and phrases used in this Appendix have the meaning given to such words and phrases in the “Glossary of Terms” or elsewhere in the Information Circular.

#### **FORWARD-LOOKING STATEMENTS**

Certain statements in this Information Circular 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 Information Circular, such statements include such words as “may”, “will”, “expect”, “believe”, “plan” and other words with 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 Information Circular. The Fund does not intend to 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 PPL. The foregoing list of factors is not exhaustive. See “Risk Factors” in the Annual Information Form for a description of these risks and other risks affecting Pizza Pizza’s business and an investment in Units. Many of these risks will also be applicable to ParentCo following completion of the Conversion.

#### **CORPORATE STRUCTURE**

##### **Name, Address and Incorporation**

ParentCo was incorporated on April 4, 2012 under the laws of Ontario and was acquired by the Fund on April 17, 2012 for the sole purpose of participating in the Conversion. Once the Conversion has been completed, ParentCo will hold all of the issued and outstanding Units of the Fund which will be wound-up into ParentCo. The head and principal office of ParentCo is located at 500 Kipling Avenue, Toronto, Ontario, M8Z 5E5.

On the Effective Date, ParentCo will become a reporting issuer in all the provinces of Canada and will become subject to the continuous disclosure reporting requirements under the securities laws of such jurisdictions as a result of the Conversion.

##### **Inter-Corporate Relationships**

The following table provides the name, the percentage of voting securities to be owned, directly or indirectly, by ParentCo and the jurisdiction of incorporation, continuance or formation of ParentCo’s subsidiaries after giving effect to the Conversion.

	<b>Percentage of Voting Securities (directly or indirectly)</b>	<b>Nature of Entity</b>	<b>Jurisdiction of Incorporation/ Formation</b>
Pizza Pizza GP Inc. ....	73.5%	Corporation	Canada
Pizza Pizza Royalty Limited Partnership .....	73.5%	Partnership	Ontario

See “The Conversion — Details of the Conversion — Post-Conversion Structure” for additional information concerning the organizational structure of ParentCo immediately following the completion of the Conversion and the winding-up of the Fund and the Trust.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

If approved, the Conversion will result in the reorganization of the Fund’s income trust structure into a corporate structure under ParentCo, which will own 73.5% of the common shares of Pizza Pizza GP and 100% of the Class A LP Units and Class C LP Units, equivalent to a 73.5% effective interest of the Partnership. For a detailed description of the historical development of the business of the Fund, see “General Development of the Business” in the Annual Information Form. For a description of the business to be carried on by ParentCo following the completion of the Conversion, see “Description of the Business” below.

ParentCo will become a reporting issuer in all the provinces of Canada and will be subject to the continuous disclosure requirements under the securities laws of such jurisdictions as a result of the Conversion.

The TSX has conditionally approved the substitutional listing of the Shares to be issued in connection with the Conversion under the symbol “PZA”, subject to ParentCo fulfilling the requirements of the TSX as soon as possible following the Effective Date.

## **DESCRIPTION OF THE BUSINESS**

If the Conversion is completed, ParentCo through its interest in the Partnership will hold Pizza Pizza and Pizza 73 Rights. ParentCo will not conduct an active business and will not have any employees. ParentCo will receive the benefit of Pizza Pizza and Pizza 73 Royalties payable by PPL under the Licence and Royalty Agreements.

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

If the Conversion is completed, ParentCo will own 73.5% of the common shares of Pizza Pizza GP and a 73.5% ownership interest in the Partnership, and the business of Pizza Pizza will continue to be carried on as before the Effective Date (except that public investors will hold their equity interest in ParentCo, rather than the Fund, which will be dissolved). ParentCo’s financial position, risks and outlook after the Conversion is completed will be substantially the same as those outlined in the Management’s Discussion and Analysis.

Readers are encouraged to review the Management’s Discussion and Analysis which is incorporated by reference in this Information Circular.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The authorized capital of ParentCo consists of an unlimited number of common shares and up to 5,500,000 preference shares issuable in series. The following is a summary of the rights, privileges,

restrictions and conditions attaching to the share capital of ParentCo, upon completion of the Conversion.

### **Common Shares**

Holders of common shares will be entitled to one vote per share at meetings of shareholders of ParentCo, to receive dividends if, as and when declared by the board of directors of ParentCo and to receive pro rata the remaining property and assets of ParentCo upon its dissolution or winding-up, subject to the rights of any other class of shares having priority over the common shares.

### **Preference Shares**

The board of directors of ParentCo, may, prior to the issuance of preference shares, determine the series, designation, rights, privileges, restrictions and conditions attaching to the preference shares of each series, provided that the board of directors of ParentCo shall not be permitted to issue more than 5,500,000 preference shares in aggregate. Holders of preference shares, except as required by law, will not be entitled to vote at meetings of shareholders of ParentCo. At the Effective Time, there will be no preference shares issued and outstanding. The preference shares have not been created as, and are not intended to be, an anti-takeover mechanism.

### **Exchange Agreement**

PPL will own 100% of the Class B Units and Class D Units. Prior to the Conversion, pursuant to the Exchange Agreement the Class B Units are exchangeable for Units on the basis that one Class B Unit may be exchanged for that number of Units determined in accordance with the Class B Exchange Multiplier. Similarly, the Class D Units are exchangeable for Units on the basis that one Class D Unit may be exchanged for that number of Units determined in accordance with the Class D Exchange Multiplier. The Class B Units and Class D Units are part of the arrangements to deal with the increase in the number of restaurants (Pizza Pizza and Pizza 73, respectively) in the “Royalty Pool” from time to time and the associated adjustments to the payments made under the Licence and Royalty Agreements.

Following the Conversion, similar arrangements relating to the exchange of Class B Units and Class D Units of the Partnership will continue. The Exchange Agreement and the Limited Partnership Agreement will be amended concurrent with the Conversion to reflect the replacement of the Fund with ParentCo. On completion of the Conversion, PPL will own all the Class B Units and Class D Units which will be exchangeable for Shares, instead of Units, based on the number of Units into which such Class B Units and Class D Units are exchangeable from time to time in accordance with the Exchange Agreement.

## PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the unaudited pro forma consolidated capitalization of ParentCo as at December 31, 2011, both before and after giving effect to the Conversion.

Designation (Authorization)	As at December 31, 2011 before giving effect to the Conversion <sup>(1)(2)</sup>	As at December 31, 2011 after giving effect to the Conversion <sup>(1)(2)</sup>
Cash and Cash Equivalents.....	\$1.00	\$6,694,000
Borrowings .....	—	\$46,838,000
Retained Earnings (Deficit) .....	—	\$(11,369,000)
Common Shares (unlimited) <sup>(3)</sup> .....	\$1.00	\$212,928,000
Shareholders' Equity .....	\$1.00	\$267,019,000
 Common Shares (unlimited) <sup>(3)</sup> .....	 1 share	 21,818,392 shares
Preference Shares (5,500,000) .....	—	—

Notes:

- (1) Pizza Pizza Royalty Corp. was incorporated on April 4, 2012. See Appendix "D" to this Information Circular for the audited balance sheet of ParentCo as at that date.
- (2) See also the unaudited pro forma consolidated financial statements of ParentCo included in Appendix "D" to this Information Circular.
- (3) Excludes common shares that may be issued upon the exchange of any Class B Units and Class D Units of the Partnership that are held by PPL.

## DIVIDEND RECORD AND POLICY

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. Monthly distributions are paid to Unitholders of record on the last Business Day of each month, except for December where it is always the 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. The Fund anticipates continuing its policy of monthly distributions of cash available for distribution to Unitholders for the remainder of 2012, prior to the Effective Date.

The Fund is currently paying a monthly distribution of \$0.0584 per Unit. Following the Effective Date, ParentCo plans to pay monthly dividends per share not less than the amount currently paid per Unit. Currently, distributions paid by the Fund are treated in part as a taxable dividend and in part as a return of capital for tax purposes. Following the Conversion, the full amount of distributions paid by ParentCo will be treated as taxable dividends. The amount of any dividends payable by ParentCo will be at the discretion of the board of directors of ParentCo and will be evaluated periodically. ParentCo's dividend policy may be revised subject to business circumstances and expected capital requirements depending on, among other things, the Partnership's royalty income, its debt service requirements, any restrictions under the Term Facility or other credit arrangements, the satisfaction of applicable solvency tests for the declaration and payment of dividends and other conditions existing from time to time.

## PRIOR SALES

Prior to the Effective Date, ParentCo will not issue any securities from its share capital other than the Share currently held by the Fund. Shares will be issued to holders of Units on the Effective Date in consideration for the transfer of their Units to ParentCo as part of the Conversion, on the basis of one Share for each Unit so transferred. In addition, on the Effective Date, ParentCo will purchase for cancellation the one common share of ParentCo currently owned by the Fund for \$1.00.

## PRINCIPAL SHAREHOLDERS

As of the date hereof, the Fund is the sole shareholder of ParentCo. To the knowledge of the Board, no person or company, other than Goodman & Company, which currently owns 4,093,000 Units or 18.76% of the Outstanding Units, and PPL through its Class B Units and Class D Units of the Partnership which are exchangeable for Shares, will, following the Conversion, beneficially own, directly or indirectly, or exercise control and direction over, more than 10% of the voting rights attached to the outstanding Shares.

## DIRECTORS AND EXECUTIVE OFFICERS

If approved, the Conversion will result in the reorganization of the Fund's trust structure under a corporation, ParentCo, which will own 73.5% of the common shares of Pizza Pizza GP and all of the Class A LP Units and Class C LP Units. Following the completion of the Conversion, the board of directors of ParentCo will be comprised of the current members of the board of trustees of the Fund. Accordingly, the board of directors of ParentCo will continue to be independent of PPL and its management team. The Partnership, through its Managing General Partner, Pizza Pizza GP, will continue to perform certain management services for ParentCo pursuant to the amended Administration Agreement, accordingly it is not anticipated that ParentCo will have any officers. Members of the Board of Trustees will be appointed as directors of ParentCo on the Effective Date and will hold office until the next annual meeting of ParentCo's shareholders.

Name and Municipality of Residence <sup>(1)</sup>	Offices Held	Principal Occupation
Arnold Cader <sup>(2)(3)</sup> ..... Ontario, Canada	Director	President, The Delphi Corporation, Corporate Director
Richard McCoy <sup>(3)</sup> ..... Ontario, Canada	Director	Corporate Director
Robert Nobes <sup>(2)</sup> ..... Ontario, Canada	Director	Corporate Director
Terence Reid <sup>(2)</sup> ..... Ontario, Canada	Director	Corporate Director
Elizabeth Wright <sup>(3)</sup> ..... Ontario, Canada	Chair of the Board of Directors	Principal, Wright Consulting, Corporate Director

Notes:

- (1) The information as to residence and principal occupation, not being within the knowledge of ParentCo, has been furnished by the respective individuals.
- (2) Member of the Audit Committee.
- (3) Member of the Governance Committee.

Following the completion of the Conversion, the board of directors of ParentCo will have two committees: (i) an Audit Committee; and (ii) a Governance Committee. The members of each such committee are indicated in the table above.

It is anticipated that the mandates and policies of ParentCo in respect of corporate governance matters will be substantially similar to those of the Fund. Information regarding the Fund's audit committee can be found in the section entitled "Audit Committee Information" of the Annual Information Form for the financial year ended December 31, 2011 incorporated herein by reference. For a description of corporate governance practices relating to the Fund, see "Statement of Corporate Governance Practices".

Immediately after giving effect to the Conversion, it is anticipated that the proposed directors and officers of ParentCo and their associates, as a group, will beneficially own, directly or indirectly, or

exercise control and direction over, an aggregate of approximately 55,739 Shares, representing approximately 0.5% of the issued and outstanding Shares.

## **Employees**

As at the date of this Information Circular, ParentCo has no employees. It is not expected that ParentCo will have any employees following the Conversion.

## **COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

As of the date hereof, no compensation has been paid by ParentCo to its directors or any executive officers and none will be paid until after the Conversion is completed. The proposed directors of ParentCo are currently compensated by the Fund or its subsidiaries. Immediately following the completion of the Conversion, the individuals serving as directors and executive officers of ParentCo will continue to receive the same compensation as they were receiving prior to the Conversion from the Fund or its applicable subsidiaries. It is not anticipated that ParentCo will have any officers. See the section entitled “Statement of Executive Compensation — Compensation of Trustees and Directors of the Managing General Partner” in this Information Circular.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

There exists no indebtedness of the directors or executive officers of ParentCo, or any of their associates, to ParentCo, nor is any indebtedness of any of such persons to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by ParentCo.

## **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

### **Corporate Cease Trade Orders or Bankruptcies**

To the knowledge of the Fund, within the past 10 years, no proposed directors or executive officers of ParentCo have (a) served as a director, chief executive officer or chief financial officer of any company that was subject to a “cease trade” or similar order, or an order denying the relevant company access to any exemption under securities legislation, which remained in effect for more than 30 consecutive days (an “**Order**”), and that was issued (i) while the proposed nominee was acting as director, chief executive officer or chief financial officer, or (ii) after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the proposed nominee was a director, chief executive officer or chief financial officer, (b) served as a director or executive officer of any company that, while the proposed nominee was acting in that capacity, or within a year after the proposed nominee ceased to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the company’s assets, or (c) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets.

### **Penalties or Sanctions**

To the knowledge of the Fund, no proposed director or executive officer of ParentCo, nor any personal holding company thereof owned or controlled by them, (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) has been subject

to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Personal Bankruptcies**

To the knowledge of the Fund, within the past ten years, no proposed director or executive officer of ParentCo, nor any personal holding company thereof owned or controlled by them, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, has become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets or the assets of his or her holding company.

### **CONFLICTS OF INTEREST**

Except as disclosed in this Information Circular or in this Appendix, no proposed director or senior officer of ParentCo or other insider of ParentCo, nor any associate or affiliate of the foregoing persons, has any existing or potential material conflict of interest with ParentCo or any of its subsidiaries.

### **RISK FACTORS**

Risk factors related to the Fund and its subsidiaries and the quick service restaurant industry will continue to apply to ParentCo after the Effective Date and will not be affected by the Conversion. In the event the Conversion is completed, the business and operations of, and an investment in, ParentCo will be subject to various risk factors set forth in this Information Circular and below. The following information is a summary only of certain risk factors which will be applicable to ParentCo in the event the Conversion becomes effective, and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing in this Information Circular or in any other documents incorporated by reference therein.

After the completion of the Conversion, in the following “Risk Factors” section, references to the Fund and the Trust would be to ParentCo and its direct and indirect subsidiaries, as applicable, and references to Units would be to Shares. Capitalized terms used but not defined in this section “Risk Factors” shall have the meaning ascribed thereto in the Annual Information Form.

### **Risks Related to the Quick Service Restaurant Industry**

#### ***Competition***

The performance of the Fund is directly dependent upon Royalty and interest payments received from PPL. The amount of Royalty received from PPL is dependent on various factors that may affect the quick service restaurant industry. PPL 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 PPL, 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 PPL's sales. There can be no assurance that PPL will be able to respond to various competitive factors affecting the franchise operations of PPL 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 PPL 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 Restaurants and Pizza 73 Restaurants and consequently, the amount of the Royalty payable to PPL.

### ***Restaurant Industry***

The performance of the Fund is dependent upon the Royalty received from PPL. 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 PPL is unable to successfully compete in the quick service restaurant segment, System Sales may be adversely affected, the amount of Royalty reduced and the ability of PPL 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. PPL'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 PPL-wide restaurant operations, particularly if PPL is unable to reflect increased costs into the selling price of its product.

### ***Additional Sales and Restaurant System Operations***

The growth of the Royalty is dependent upon the ability of PPL 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. PPL 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 Franchisees and Owner/Operators and the financial capacity of its Franchisees and

Owner/Operators to open new stores. PPL faces competition for retail locations and Franchisees and Owner/Operators from its competitors and from franchisors of other businesses. PPL'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 PPL's standards.

PPL 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 PPL'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 PPL 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 PPL 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 PPL 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 PPL 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 PPL 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 PPL. Failure to achieve adequate levels of collection from Pizza Pizza Franchisees and Unit Companies could have a serious effect on the ability of PPL to pay the Royalty. The profitability of PPL 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 PPL'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 PPL on a weekly basis without audit or other form of independent assurance. PPL 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 PPL 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 PPL fails to enforce or maintain any of its intellectual property rights, PPL 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 PPL 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***

PPL 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, PPL’s ability to efficiently and effectively manage operations depends on the reliability and capacity of these technology systems. PPL’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, PPL 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, PPL’s customers may be less inclined to return to the online ordering system, as frequently or at all. Although PPL 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 PPL depends upon the personal efforts of senior management, including their ability to retain and attract appropriate Franchisee and Owner/Operator candidates. PPL’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 PPL.

## ***Franchisee and Owner/Operator Relations***

PPL’s success is dependent on its relationship with its Franchisees and Owner/Operators. There can be no assurances that PPL 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 PPL 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 PPL and thus adversely affect the Royalty.

### ***Potential Litigation and Other Complaints***

PPL, 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 PPL, 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 Related to the Structure of the Fund***

#### ***Dependence on PPL***

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 PPL. PPL 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, PPL pays expenses and incurs debt and obligations to third parties. These expenses, debts and obligations could impact the ability of PPL 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 PPL 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 PPL 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 PPL.

#### ***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” in the Annual Information Form. 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. 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. 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. 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.

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

### ***Government Regulation***

PPL 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 licencing 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 licencing. PPL 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.

### ***Investment Eligibility***

There can be no assurance that the Shares will continue to be qualified investments for RRSPs, RRIFs, deferred profit sharing plans, registered education savings plans, registered disability savings

plans and TFSA's. In addition the Shares may be prohibited investments in respect of an RRSP, RRIF or TFSA where, in general terms, the annuitant or holder, as the case may be, does not deal at arm's length with ParentCo or has a significant interest in ParentCo or in a corporation, partnership or trust with which ParentCo does not deal at arm's length. The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments.

## **Risk Factors Relating to the Conversion**

### ***Conditions Precedent and Required Regulatory and Third Party Approvals***

The completion of the Conversion in the form contemplated by the Plan of Arrangement is subject to a number of conditions precedent, some of which are outside the control of the Fund, including, without limitation, Unitholder approval at the Meeting, regulatory and third party approvals and the issuance of the Final Order. There can be no certainty, nor can the Fund provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

Failure to obtain the Final Order on terms acceptable to the Board of Trustees would likely result in the decision being made not to proceed with the Conversion. If any of the required regulatory and third party approvals cannot be obtained on terms satisfactory to the Board of Trustees, or at all, the Plan of Arrangement may have to be amended in order to mitigate against the negative consequence of the failure to obtain any such approval, and accordingly, the benefits available to Unitholders resulting from the Conversion may be reduced. Alternatively, in the event that the Plan of Arrangement cannot be amended so as to mitigate against the negative consequences of the failure to obtain a required regulatory or third party approval, the Arrangement may not proceed at all. If the Conversion is not completed, the market price of the Units may be adversely affected.

### ***Dilution of ParentCo Shareholders***

ParentCo is authorized to issue an unlimited number of Shares without the approval of any Shareholders. Shareholders will have no pre-emptive rights in connection with such further issues. Moreover, additional Shares may be issued by ParentCo in connection with the exchange of the Class B and Class D Units.

### ***Risk Factors Relating to the Activities of ParentCo and the Ownership of Shares***

The following is a list of certain risk factors relating to the activities of ParentCo and its affiliates and the ownership of Shares following the Effective Date:

- the uncertainty of future dividend payments by ParentCo, and the amount thereof, as ParentCo's dividend policy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, operating cash flow generated by ParentCo's Subsidiaries, financial requirements for Pizza Pizza's operations, growth opportunities and the satisfaction of solvency tests imposed by the OBCA for the declaration and payment of dividends;
- the level of ParentCo's indebtedness from time to time could impair ParentCo's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise;
- ParentCo may make future acquisitions or may enter into financings or other transactions involving the issuance of securities of ParentCo which may be dilutive; and
- the inability of ParentCo to manage growth effectively could have a material adverse impact on its business, operations and prospects.

## **LEGAL PROCEEDINGS**

Other than the proceedings relating to the approval of the Conversion, there are no legal proceedings to which ParentCo is a party or in respect of which any of their assets are the subject matter, which is material to ParentCo and ParentCo is not aware of any such proceedings that are contemplated.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than has already been disclosed in this Information Circular, there are no material interests, direct or indirect, of any informed person of ParentCo, any proposed director of ParentCo or any associate or affiliate of any informed person or proposed director, in any transaction that would materially affect ParentCo or any of its subsidiaries.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

### **Auditors**

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

### **Transfer Agent and Registrar**

The transfer agent and registrar for the Shares will be CIBC Mellon Trust Company at its principal transfer office in Toronto, Ontario.

## **MATERIAL CONTRACTS**

The only contract entered into by ParentCo that materially affects ParentCo, since incorporation or to which ParentCo will become a party on or prior to the Effective Date, that can reasonably be regarded as material to a proposed investor in the Shares, other than contracts entered into in the ordinary course of business, is the Arrangement Agreement. A copy of the Arrangement Agreement is attached as Appendix "C" to this Information Circular.

For a description of material contracts of the Fund, see the section entitled "Material Contracts" in the Annual Information Form.

## **FINANCIAL INFORMATION**

In the event the Conversion is completed, ParentCo will initially own all of the Units of the Fund. The Fund and the Trust will be dissolved, and ParentCo will consolidate the results of Pizza Pizza GP and the Partnership in its financial statements going forward. In addition, the Partnership and PPL's businesses will continue to be carried on as before the Effective Date. ParentCo's financial position after the Conversion is completed will be substantially the same as those outlined in the consolidated financial statements of the Fund for the year ended December 31, 2011. See also the Financial Statements of ParentCo included in Appendix "D" to this Information Circular.

Readers are encouraged to review the Fund's consolidated financial statements for the year ended December 31, 2011, which have been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and which are incorporated by reference in this Information Circular.

## APPENDIX “G”

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

NI 58-101 Required Disclosure	Fund Status*	Comments regarding the Fund’s Corporate Governance Practices
1. Board of Directors/Trustees	Yes	<p>All of the members of the Fund’s Board of Trustees are independent. The independent Trustees are as follows:</p> <ul style="list-style-type: none"> <li>• Arnold Cader</li> <li>• Richard McCoy</li> <li>• Robert Nobes</li> <li>• Terence Reid</li> <li>• Elizabeth Wright</li> </ul> <p>A majority of the Directors of the Managing General Partner are independent. In addition to the Trustees listed above, who also serve as Directors of the Managing General Partner and are independent, the following are non-independent Directors of the Managing General Partner:</p> <ul style="list-style-type: none"> <li>• Paul Goddard</li> <li>• Curtis Feltner</li> </ul> <p>The Trustees have determined that Paul Goddard and Curtis Feltner are not independent by virtue of their employment with Pizza Pizza Limited.</p> <p>The following Directors are presently a director of another reporting issuer:</p> <p>Arnold Cader is a Director of 360 Vox Corporation. Terence Reid is a Director of Kinross Gold Corporation. Richard McCoy serves on the Board of Directors of Rothmans Inc., Aberdeen Asia-Pacific Income Fund Limited, MDS Inc., Uranium Participation Corporation, and Chorus Aviation Inc.</p> <p>Following each meeting of the Board of Directors of the Managing General Partner, the independent Directors hold a separate meeting at which non-independent Directors and members of management do not attend. There have been four such meetings held in the financial year ended December 31, 2011.</p>

NI 58-101 Required Disclosure	Fund Status*	Comments regarding the Fund's Corporate Governance Practices
		<p>The Chair of the Fund's Board of Trustees for the period January 1, 2011 to December 31, 2011 was independent Trustee Elizabeth Wright. As of January 1, 2012, Elizabeth Wright remains in the role of Chair. Arnold Cader, Richard McCoy, Robert Nobes and Terence Reid are independent Trustees. The Chair's role is to facilitate open and candid discussion among the independent Trustees.</p> <p>The attendance record of each Trustee for board meetings is as follows:</p> <ul style="list-style-type: none"> <li>• Arnold Cader - 7 of 7 meetings</li> <li>• Richard McCoy - 7 of 7 meetings</li> <li>• Terence Reid - 7 of 7 meetings</li> <li>• Robert Nobes - 7 of 7 meetings</li> <li>• Elizabeth Wright - 7 of 7 meetings</li> </ul>
2. Board Mandate	Yes	The Fund's Board of Trustees has a written mandate, which is attached hereto as Appendix "H".
3. Position Descriptions	Yes	<p>The Board of Trustees has written position descriptions for the Chair of the Board of Trustees and the Chair of each committee.</p> <p>The Fund and the Managing General Partner do not have the position of Chief Executive Officer. Given the limited activities undertaken by officers of the Managing General Partner, the board is of the view that formal position descriptions for those officers are not necessary.</p>
4. Orientation and Continuing Education	Yes	Orientation materials relating to the Fund's business and affairs are provided to new Trustees regarding (i) the role of the Board, its committees and its members, and (ii) the nature and operation of the Fund's business. A general orientation package including materials with respect to the Board of Trustees' mandate and the mandate of each committee of the Fund's Board of Trustees and Managing General Partner's board of directors, the Fund's disclosure policy and an overview of PPL business, is provided to Trustees.

NI 58-101 Required Disclosure	Fund Status*	Comments regarding the Fund's Corporate Governance Practices
5. Ethical Business Conduct	Yes	<p data-bbox="846 233 1395 558">PPL provides presentations and written materials to the Trustees from all areas of the business in addition to site tours. The auditors and the legal counsel of the Fund make themselves available to the directors and Trustees to respond to any questions or concerns that they may have. In addition, from time to time relevant industry publications are distributed to the Trustees.</p> <p data-bbox="846 583 1395 644">During 2006, a Code of Business Conduct and Ethics was put in place.</p> <p data-bbox="846 669 1395 827">A copy of the code is available by request at <a href="mailto:info@pizzapizza.ca">info@pizzapizza.ca</a> or Investor Relations, Pizza Pizza Royalty Income Fund, 500 Kipling Ave, Toronto, Ontario, M8Z 5E5.</p> <p data-bbox="846 852 1395 1213">The Board expects that the actions and conduct of the business and affairs of the Fund are carried out in accordance with policies adopted by the Board of Trustees. The Chair would be made aware of any issues regarding compliance of the Code by members of the Board or Senior Management of PPL. The Board and/or senior executive officers of PPL would determine what steps were required, if any, to rectify the issue.</p> <p data-bbox="846 1239 1395 1362">Since the beginning of the most recently completed financial year, no reports have been filed pertaining to any conduct of a Trustee, director or executive officer.</p> <p data-bbox="846 1388 1395 1715">PPL also has an email address (<a href="mailto:privacy@pizzapizza.ca">privacy@pizzapizza.ca</a>) where customers or employees can send anonymous comments or complaints to PPL. PPL's Chief Financial Officer receives the emails and communicates to the Board and PPL's management anything received. Additionally, individuals can contact the Chair of the Board directly at <a href="mailto:chair@pizzapizza.ca">chair@pizzapizza.ca</a>.</p> <p data-bbox="846 1740 1395 1864">The Board currently seeks independent outside counsel when considering transactions or agreements in which PPL has an interest.</p>

<b>NI 58-101 Required Disclosure</b>	<b>Fund Status*</b>	<b>Comments regarding the Fund's Corporate Governance Practices</b>
6. Nomination of Directors/Trustees	Yes	<p>The Governance Committee is responsible for the nomination of Trustees.</p> <p>As set out in the Mandate of the Governance Committee, the Governance Committee recommends to the Board those directors it considers qualified for appointment to the Board.</p>
7. Compensation	Yes	<p>The process, by which the Board determines the compensation of Directors involves a determination on an annual basis by the Governance Committee, composed entirely of independent Trustees, which reviews and recommends to the Trustees, for approval, the remuneration of Directors through a review of the competitive environment. As disclosed in the Information Circular under "Statement of Executive Compensation", no compensation is paid to officers of the Managing General Partner.</p>
8. Other Board Committees	Yes	<p>The Fund, the Managing General Partner and PPL, have established a Disclosure Committee to assist management of the Managing General Partner in reviewing continuous disclosure materials to be release by the Fund and in reviewing the process by which material information regarding the Fund and PPL is gathered, assessed and disclosed.</p>
9. Trustee/Board Assessments	Yes	<p>The Board of Trustees performed an evaluation of its effectiveness and contributions in 2011. Each of the Trustees completed a Board Effectiveness and Trustee Effectiveness Survey and the Governance Committee Chair reviewed the results and presented the findings.</p>

"Yes" indicates that the Fund's corporate governance practices generally comply with the NP 58-201 guidelines.

"No" indicates that the Fund's corporate governance practices do not comply with the relevant NP 58-201 guidelines.

## APPENDIX “H”

### PIZZA PIZZA ROYALTY INCOME FUND

#### MANDATE OF THE BOARD OF TRUSTEES

The amended and restated declaration of trust dated July 24, 2007, as amended from time to time (the “**Declaration of Trust**”), provides that the investments and affairs of the Pizza Pizza Royalty Income Fund (the “**Fund**”) will be subject to the control and authority of a minimum of two and a maximum of ten trustees. The trustees are responsible for supervising the activities and managing the investments and affairs of the Fund pursuant to section 9.2 of the Declaration of Trust. The responsibilities of the board of trustees (the “**Board**”) described herein are exercised in accordance with the Declaration of Trust and do not impose any additional responsibilities or liabilities on the trustees at law or otherwise. The capitalized terms not defined herein shall have the same meaning as in the Declaration of Trust.

#### 1. **ACCOUNTABILITY**

The Board is responsible to unitholders.

#### 2. **ROLE**

The role of the Board is to focus on governance and stewardship of the business carried on by the Fund’s subsidiaries, including Pizza Pizza Royalty Limited Partnership (the “**Partnership**”) and its managing general partner, Pizza Pizza GP Inc. (“**Pizza Pizza GP**”). The Board will develop the Fund’s budget, capital plan and distribution policy in conjunction with its subsidiaries’ boards. In fulfilling its oversight role, the Board will regularly review the strategic plans and budgets developed and provided by Pizza Pizza Limited (“**PPL**”) so that the Board is responsive to the changing business environment in which the Fund and PPL operate.

The Fund owns, through 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 PPL and its franchisees and operators. The Rights have been licenced to PPL pursuant to 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 PPL 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 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.

The Fund does not hold a direct or indirect equity interest in PPL and is not otherwise entitled to control or direct the PPL business. Consequently, the role of the Board is focused on monitoring the business of PPL and advising PPL as to the Fund’s interests in the performance of that business (including under the terms of the PPL Agreements).

#### 3. **RESPONSIBILITIES**

In order that the Board fulfills its role, the Board will:

(a) Define Unitholder Expectations

- Satisfy itself that there is effective communication between the Board and the Fund's unitholders, PPL, other stakeholders, and the public.
- Establish a distribution policy, and declare and effect any payment of distributions.

(b) Review Strategic Goals, Performance Objectives and Operational Policies

- Review the strategic and operational objectives, risk management plans and budgets developed by PPL, advise and consult with PPL as to the interests of the Fund in these plans and budgets, and establish appropriate strategies for the Fund in the context of its relationship with PPL.
- Act as a liaison with PPL, with respect to the development and execution of PPL's corporate strategies and their involvement with, and impact on, the Fund.
- Set targets against which to measure the Partnership's performance.

(c) Delegate Management Authority

- Supervise the delegation of authority to manage and supervise the business of the Fund's subsidiaries and decisions regarding the ordinary course of business and operations.
- Determine what, if any, limitations may be required in the exercise of the authority delegated to management of Pizza Pizza GP or PPL.

(d) Monitor Corporate Performance

- Understand, assess and monitor the principal risks associated with the Fund's investments, including those affecting PPL and its business.
- Monitor performance of the Fund and its subsidiaries against their established budgets and capital plans.

(e) Develop Board Processes

- Develop procedures relating to the conduct of the Board's business and the fulfillment of the Board's responsibilities.
- In conjunction with the Pizza Pizza GP Governance Committee, develop the Board's approach to corporate governance issues, fill vacancies on the Board and periodically review the composition and effectiveness of the trustees and the contribution of individual trustees.

#### 4. **QUALIFICATIONS OF TRUSTEES**

Trustees are expected to have the highest personal and professional ethics and values and be committed to advancing the best interests of the Fund and its unitholders. They are also expected to possess skills and competencies in areas that are relevant to the Fund's activities and that enhance the ability of the Board to effectively oversee the business and affairs of the Fund's subsidiaries.

A majority of the Board must be independent. The term “independent” shall have the meaning given to it in National Instrument 52-110 - Audit Committees, as amended from time to time. The Chairperson of the Board must be an independent trustee. The Chairperson should act as the effective leader of the Board and ensure that the Board’s agenda will enable it to successfully carry out its duties.

Each trustee must have an understanding of the Fund’s and its subsidiaries’ principal operational and financial objectives and plans, financial position and performance. Trustees must have sufficient time to carry out their duties and not assume responsibilities that would materially interfere with, or be incompatible with, Board membership. Trustees who experience a significant change in their personal circumstances, including a change in their principal occupation, are expected to advise the Chairperson of the Board and, if determined appropriate by the Board, resign from the Board.

## **5. MEETINGS**

The Board has meetings at least once in each quarter, with additional meetings held when required. Additional meetings may be called by the Chairperson or any two trustees on proper notice.

The Chairperson is primarily responsible for the agenda. Prior to each Board meeting, the Chairperson will discuss agenda items for the meeting with the senior management of Pizza Pizza GP and PPL, and other members of the Board. Any trustee may propose the inclusion of items on the agenda, request the presence of, or a report by any member of senior management of Pizza Pizza GP and PPL, or at any Board meeting raise subjects that are not on the agenda for that meeting.

The Audit Committee generally has meetings quarterly, with additional meetings held when required. Meeting frequency and agendas for the Board’s standing committees may change from time to time, however, depending on opportunities or risks faced by the Fund and its subsidiaries. The Chairperson of a committee or any two members of a committee may call a committee meeting, request that an item be included on the committee’s agenda or raise subjects that are not on the agenda for that meeting. Audit Committee meetings can also be called by the Fund’s auditor or by the Chief Financial Officer of Pizza Pizza GP.

Notice of the place, day and time of each Board or committee meeting must be served on each trustee, director or manager at least 48 hours prior to the meeting. Trustee or committee members may waive notice of any meeting, and attendance at a meeting without objection is deemed to be waiver of notice. The notice needs to state the purpose or purposes for which the meeting of trustees, directors or managers is being held.

- Subject to the Declaration of Trust, procedures for Board meetings are determined by the Chairperson unless otherwise determined by a resolution of the Board.
- Subject to the Declaration of Trust, procedures for committee meetings are determined by the committee chairperson unless otherwise determined by a resolution of the committee or the Board.
- A quorum for any Board or committee meeting shall be as required by the constating documents of the Fund or the relevant subsidiary, as applicable.

## 6. **TRUSTEES' RESPONSIBILITIES**

### (a) Attendance and Participation

- Each trustee is expected to attend all meetings of the Board and any committee of which he or she is a member. A trustee who is unable to attend a meeting in person may participate by telephone or teleconference. The Board or any committee may also take action from time to time by unanimous written consent.
- In advance of each Board or committee meeting, members will receive the proposed agenda and other materials necessary to the trustees' understanding of the matters to be considered. Trustees are expected to spend the time needed to review the materials in advance of such meetings and to actively participate in such meetings.

### (b) Service on Other Boards and Audit Committee

- The Board does not believe that its members should be prohibited from serving on the boards of other reporting issuers so long as these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a member of the Board. Trustees must advise the Chairperson in advance of accepting an invitation to serve on the board of another public company and, as a general rule, trustees are not allowed to join a board of another public company on which two or more other trustees of the Fund serve.
- Members of the Audit Committee may not serve on the audit committees of more than two other public companies without the prior approval of the Board.

### (c) Access to Independent Advisors

- The Board and any committee may at any time retain outside financial, legal or other advisors at the expense of the Fund or its subsidiaries and have the authority to determine the advisors' fees and other retention terms. Any trustee may, subject to the approval of the Chairperson, retain an outside advisor at the expense of the Fund's subsidiary.

## 7. **EVALUATION OF BOARD, TRUSTEES AND COMMITTEES**

The Board, in conjunction with the Pizza Pizza GP Governance Committee, will ensure that an appropriate system is in place to evaluate and perform an annual evaluation of the effectiveness of the Board as a whole (as well as the committees of the Board, and the boards of trustees or boards of directors and board committees of the Fund's subsidiaries) to ensure they are fulfilling their respective responsibilities and duties. In connection with these evaluations, each trustee will be requested to provide his or her assessment of the effectiveness of the Board and each committee as well as the performance of individual board or committee members. These evaluations should take into account the competencies and skills each member is expected to bring to his or her particular role on a board or committee, as well as any other relevant facts.

## 8. SENIOR MANAGEMENT

### (a) Senior Management's Role

- The primary responsibility of management of Pizza Pizza GP is to safeguard the Fund's assets and to create wealth for unitholders through the exploitation of the Rights and the PPL Agreements.
- The Board shall take such steps as it deems necessary to satisfy itself as to its subsidiaries' and PPL's compliance with their respective obligations under the PPL Agreements and shall, through Pizza Pizza GP, ensure that appropriate action is taken to remedy any instance of non-compliance and develop the PPL relationship for the benefit of the Fund and its unitholders.
- The Fund and its subsidiaries will, in conjunction with PPL, prepare annual budgets and capital plans, which will be used by the Board to develop the Fund's distribution policy. The budgets and capital plans will incorporate tax planning and other strategic considerations that are approved by the Board. A special meeting of the Board will be held each year to review the proposed budget and capital plan, as well as any proposed strategic initiatives, and the business plan and other materials submitted by senior management of PPL in accordance with the PPL Agreements.

### (b) Board Access to Management

- Information provided by Pizza Pizza GP and PPL management to the trustees is critical to their effectiveness. In addition to the reports presented to the Board at its regular and special meetings, the Board is also kept informed on a timely basis by management of Pizza Pizza GP and PPL with respect to progress against established business plans and budgets, and other developments and key decisions taken by management in connection with such plans and budgets. The trustees will periodically assess the quality, completeness and timeliness of information provided by management to the Board.

## 9. COMMUNICATION AND DISCLOSURE POLICIES

The Fund has adopted a Disclosure and Trading Policy which summarizes its policies and practices regarding disclosure of material information to investors, analysts and the media. The purpose of this policy is to ensure that the Fund's communications with the investment community are timely, consistent and in compliance with all applicable securities legislation. This Disclosure and Trading Policy is reviewed annually by the Board.

The Fund will endeavor to keep its unitholders informed of its progress through a comprehensive annual report, annual information form, quarterly interim reports and periodic press releases. It also maintains a website that provides summary information about the Fund and ready access to its published reports, press releases, statutory filings and supplementary information provided to analysts and investors. Trustees and management of Pizza Pizza GP and of PPL will meet with the Fund's unitholders at the annual meeting and be available to respond to questions at that time. In addition, the Fund shall maintain on its website a contact email address that will permit unitholders to provide feedback to the Chairperson of the Board at *fundchairperson@pizzapizza.ca*.

The Fund will also maintain an investor relations program to respond to inquiries in a timely manner. Management of Pizza Pizza GP and of PPL is expected to meet on a regular basis

with investment analysts, financial advisors and interested members of the public to ensure that accurate information is available to investors, including quarterly conference calls and webcasts to discuss the Fund's financial results. The Fund also endeavors to ensure that the media is kept informed of developments as they occur, and have an opportunity to meet and discuss these developments with the Fund's designated spokespersons.

10. **CODE OF BUSINESS CONDUCT AND ETHICS**

The Board expects all trustees, directors, officers and employees of the Fund and its subsidiaries to conduct themselves in accordance with the highest ethical standards.

11. **PROHIBITION ON PERSONAL LOANS**

The Fund will not, either directly or indirectly, including through its subsidiary, extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any trustee or executive officer.

12. **ORIENTATION OF TRUSTEES AND DIRECTORS**

The Chief Financial Officer of PPL and the Chairperson of the Board shall develop an orientation and education program for all trustees and directors of the Fund and its subsidiaries. This program will include a review of the Fund's organizational structure and material documentation, copies of all applicable policies and manuals and an explanation of the business carried on by the Fund's subsidiaries and by PPL, and their key assets. Education of trustees and directors shall be continuing so that they maintain and enhance their understanding of their responsibilities as board members of the Fund and its subsidiaries.

## APPENDIX “I”

### PIZZA PIZZA GP INC.

#### GOVERNANCE COMMITTEE

##### Overview

Pizza Pizza Royalty Income Fund (the “**Fund**”) is an unincorporated open ended limited purpose trust established under the laws of the Province of Ontario. 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 (the “**PPL**”) and its franchisees and operators. The Rights have been licenced to PPL pursuant to 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 PPL’s restaurant system, and on the 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.

None of the Fund, the Partnership and its managing general partner, Pizza Pizza GP Inc. (“**Pizza Pizza GP**”), holds a direct or indirect equity interest in PPL and is not otherwise entitled to control or direct PPL’s business. Consequently, the role of the Fund’s board of trustees and the board of directors of Pizza Pizza GP (the “**Board**”) is focused on monitoring the business of PPL and advising PPL as to the Fund’s interests in the performance of that business (including under the terms of the PPL Agreements).

##### Role of the Partnership in Corporate Governance

Since the Fund does not carry on an active business and since the responsibility for the administration and management of the day-to-day operations of the Fund has been delegated to the Partnership under an administration agreement (the “**Administration Agreement**”), many of the governance matters addressed in National Instrument 58-101 – Disclosure of Corporate Governance Practices (“**NI 58-101**”) are matters dealt with by the Partnership, through Pizza Pizza GP as managing general partner. As the managing general partner of the Partnership, Pizza Pizza GP has the authority to manage the business and affairs of the Partnership, including the authority to carry out the Partnership’s obligations under the Administration Agreement. Thus, the Fund is managed and administered by the Partnership, which in turn is managed by Pizza Pizza GP. In undertaking the management and administration of the Fund, Pizza Pizza GP must comply with the requirements of the Declaration of Trust.

##### Board Composition and Independence

The Board must appoint a minimum of three independent directors to be members of the Committee. For the purpose of this Charter, the term “independent” shall have the meaning given to it in National Instrument 52-110 – Audit Committees, as amended from time to time.

## **Responsibility**

The Governance Committee (the “**Committee**”) is responsible for:

1. overseeing the operations of the Partnership, including payments to be made by PPL to the Partnership under the Licence and Royalty Agreements;
2. considering, and providing a recommendation on, any matter involving a conflict of interest between PPL and Pizza Pizza GP or the Partnership (including any transaction with PPL or any of its affiliates under the PPL Agreements) before such matter is approved by the Board;
3. annually reviewing:
  - (a) the operations of PPL, including its business plans and budgets for the ensuing year,
  - (b) the performance of PPL and its management team, and PPL’s compliance with the PPL Agreements;
  - (c) adjustments to be made pursuant to the Licence and Royalty Agreements;
4. developing Pizza Pizza GP’s and the Fund’s approach to corporate governance issues and compliance with applicable laws, regulations, rules, policies and orders with respect to such issues;
5. working with Pizza Pizza GP’s Chief Financial Officer and other members of management of Pizza Pizza GP to ensure that Pizza Pizza GP maintains appropriate corporate governance and risk management practices, and to consult with management of PPL with respect to its corporate governance and risk management practices;
6. in conjunction with the Fund’s board of trustees, filling vacancies among the Fund’s trustees and Board vacancies (in respect of those members not appointed by PPL), periodically reviewing the composition and effectiveness of the Fund’s trustees and members of the Board and the contribution of individual trustees and Board members (including the development and implementation of a system for an annual evaluation); and
7. performing the additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

The constitution and operation of the Committee shall comply with all requirements under applicable securities laws.

## **Chairperson**

The Committee shall appoint one member to be Chairperson. If, in any year, the Chairperson is not appointed, the incumbent Chairperson shall continue in office until a successor is appointed.

## **Tenure**

Each member shall hold office until his or her term as a member of the Committee expires or is terminated.

## **Removal And Vacancies**

Any member may be removed and replaced at any time by the Board. The Board shall fill vacancies in the Committee by appointment from among the members of the Board. If a vacancy exists on the Committee, the remaining members shall exercise all its powers so long as a quorum remains in office.

## **Duties**

The Committee will have the duties set out below as well as any other duties that are specifically delegated to the Committee by the Board or by the Fund's board of trustees.

## **Board Succession Plan**

The Committee has responsibility for reviewing, as required, a succession plan for the Board and for the Fund's board of trustees.

## **Identify Candidates and Nominate Directors and Trustees**

The Committee shall develop and recommend to the Board and to the board of trustees of the Fund from time to time a list of candidates for membership on the respective boards, with a view to maintaining or enhancing the independence and quality of nominees to be elected at the annual general meeting of the Fund's unitholders. In developing a list of candidates, the Committee shall identify the skills and competencies that should be possessed by board members, assess the skills and competencies possessed by existing members, and consider the skills and competencies of each candidate. The Committee should also determine if each candidate would be an independent member of the applicable board within the meaning of applicable securities laws.

The Chairperson of the Committee, with the assistance of the Chairperson of the Board and one or more trustees of the Fund, should approach candidates for board membership to:

- explore the candidates' interest in joining the boards; and
- confirm that interested candidates understand the role of a member of the applicable board and the contribution that a board member is expected to make, including the commitment of time and energy that is expected.

## **Recruit Members for Board Committees and Filling Vacancies**

The Committee will recommend to the Board those directors it considers qualified for appointment to the Audit Committee and the Committee and those directors or trustees, as the case may be, considered qualified for any other committees of the Board or of the Fund's board of trustees. Where a vacancy occurs at any time in the membership of any such committee, the Committee will recommend to the Board or to the Fund's board of trustees a member to fill such vacancy.

## **Education of Trustees**

The Committee should take steps to satisfy itself that:

- new directors or trustees, as the case may be, are given a proper orientation to the Fund, PPL and their respective subsidiaries and their responsibilities and duties as directors or trustees, as the case may be; and

- Pizza Pizza GP is responsive to any requests from directors or trustees for continuing education opportunities.

### **Performance Assessment of the Board, Board Committees and Individual Members**

The Committee will review on an annual basis the effectiveness of the Board and all committees of the Board, other than this Committee. The effectiveness of this Committee will be reviewed by the Board.

At the request of the Fund's board of trustees, the Committee will evaluate trustees on an ongoing basis to assess their suitability for re-election.

### **Compensation of Board Members**

The Committee shall review, and recommend to the Board and to the Fund's board of trustees, the compensation to be paid to directors and trustees and to members of board committees.

### **Develop Approach to Corporate Governance**

The Committee has the authority and responsibility to review Pizza Pizza GP's overall approach to corporate governance and to make recommendations to the Board in this regard. Among other things, the Committee has the authority and responsibility to:

- develop or review the charters of the Audit Committee, this Committee and any other committees of the Board and recommend to the Board the adoption of, or amendments to, the charters;
- examine the size of the Board and recommend a Board size that facilitates effective decision-making;
- study and recommend the implementation of structures and procedures to ensure that the Board can function effectively and without conflicts of interest, including scheduling, at regular intervals, meetings of the Board without representatives of PPL or management of Pizza Pizza GP or PPL in attendance;
- monitor the relationship between the Fund and its subsidiaries (including the Partnership), on the one hand, and PPL, on the other hand, and recommend a process whereby the Board will have access to, and have an effective relationship with, management of Pizza Pizza GP and of PPL;
- be available as a forum for addressing the concerns of individual directors; and
- monitor developments in the area of corporate governance and undertake other initiatives that may be desirable to maintain the highest standards of corporate governance.

### **Related Party Transactions and Conflicts of Interest**

The Committee shall review and approve in advance all material proposed related party transactions and potential conflict of interest situations that are not dealt with by a special committee of independent directors pursuant to applicable securities law.

The Committee shall be responsible for considering and providing a recommendation on, any matter involving a conflict of interest between PPL and Pizza Pizza GP or the Partnership, before such matter is approved by the Board. These matters include the review of adjustments and related

determinations to be made pursuant to the Licence and Royalty Agreements and the periodic assessment of PPL's compliance with its obligations under the PPL Agreements.

## **Reporting**

The Committee shall report to the Board on:

- the effectiveness of the Board and all committees of the board, other than the Governance Committee;
- the compensation to be paid to the directors of Pizza Pizza GP, the trustees of the Fund and the members and chairpersons of board committees;
- the preparation of the disclosure included in the Fund's management information circular in accordance with NI 58-101 or any successor instrument or similar regulatory or stock exchange requirement; and
- all other material matters dealt with by the Committee.

## **Review and Disclosure**

This Charter shall be reviewed by the Committee at least annually and be submitted to the Board for approval with such amendments as the Committee proposes.

This Charter may also be posted on the Fund's website at the discretion of the Committee.

## **Meetings**

The Committee shall meet as frequently as the Committee deems appropriate to accomplish its mandate. The Chairperson or any two members may call a meeting. A majority of the members of the Committee shall constitute a quorum at any meeting.

## **Retention of Experts**

The Committee may engage such special legal, accounting or other experts, without Board approval and at the expense of Pizza Pizza GP, as the Committee considers necessary to perform its duties.

