PIZZA PIZZA ROYALTY CORP.

ANNUAL INFORMATION FORM

For the year ended December 31, 2018

March 1, 2019

TABLE OF CONTENTS

GLOSSARY OF TERMS 5
EXPLANATORY NOTES 11
COMPANY STRUCTURE 11
The Company 11
Organizational Structure 12
The Partnership 13
Pizza Pizza GP Inc. 13
Pizza Pizza Limited 13
GENERAL DEVELOPMENT OF THE BUSINESS 14
Three Year History 14
Recent Developments 14
DESCRIPTION OF THE BUSINESS 15
The Company 15
The Partnership 15
Credit Facility 16
BUSINESS OF PPL 16
Overview 16
Restaurant Format 17
Restaurant Locations 17
System Sales 18
Same Store Sales Growth 19
Pizza Pizza Brand 23
Pizza 73 Brand 23
Competitive Strength 23
Growth Strategy in Existing and New Markets 24
Pizza Pizza Franchise Operations 25
Franchising Operations and Structure 25
Relationship with Franchisees 25
Franchise Agreement 26
Pizza 73 Ownership Structure 27
Marketing and Advertising 28
Management of PPL 29
Personnel 30
DESCRIPTION OF THE COMPANY 30
Common Shares 30
Exchangeable Securities 30
Preferred Shares 30
Dividends 30
Take-over Bids 32
Book-Entry Only System 32
Company Administration 33

DESCRIPTION OF THE PARTNERSHIP 33
Partners and Partnership Securities 33
Distributions 34
Allocation of Net Income and Loss 35
Exchange Rights 36
LICENCE AND ROYALTY 36
The Licence 36
The Pizza Pizza and Pizza 73 Royalty 37
Security for the Royalty 37
Security 37
Negative Covenants 38
Certain Remedies 39
Operating Covenants of PPL in the Pizza Pizza and Pizza 73 Licence and Royalty Agreements 40
Adjustments to the Royalty Pools and Payments Made Under the Licence and Royalty Agreements 40
Adjustments to the Pizza Pizza Royalty Pool 41
Adjustments to the Pizza 73 Royalty Pool 43
MANAGEMENT AND CORPORATE GOVERNANCE OF PIZZA PIZZA GP 47
Capital of Pizza Pizza GP 48
Management and Control of Pizza Pizza GP 48
Restrictive Covenants 48
Restrictions on the Transfer of Partnership Securities 48
Rights of Offer 49
Other Matters 51
MARKET FOR SECURITIES 51
DIRECTORS AND MANAGEMENT 52
Directors of the Company 52
Committees of the Board of Directors 52
Directors and Executive Officers of Pizza Pizza GP 54
Conflicts of Interest 55
AUDIT COMMITTEE INFORMATION 55
Audit Committee Mandate 55
Composition of Audit Committee 55
Relevant Education and Expertise 55
Pre-Approval Policies and Procedures 55
Auditors 56
External Fees by Audit Category 56
Audit Fees 56
Audit-Related Fees 56
Tax Fees 56
All Other Fees 56
RISK FACTORS 56
Risks Related to the PPL Business and the Quick Service Restaurant Industry 56
Competition 56
Retail Pizza Market and Changes in Consumer Taste 57

Restaurant Industry 57
Availability, Cost, Quality of Raw Materials and Reliance on Suppliers 57
Additional Sales and Restaurant System Operations 58
The Closure of Restaurants may Affect the Amount of the Royalty 58
Franchise Fees and Other Revenues 58
Revenue Reporting Risks 58
Intellectual Property 59
Reliance on Information Technology 59
Security Breaches of Confidential Guest Information 59
Dependence on Key Personnel 60
Attracting and Retaining Quality *Employees* 60
Franchisee and Owner/Operator Relations 60
Concentration of Restaurants in the Greater Toronto Area 60
Potential Litigation and Other Complaints 60
Government Regulation 60
Franchise Regulation Risk 61
Food Product Regulation 61
Laws Concerning Employees 61
Risks Related to the Structure of the Company 61
Dependence on CL 61
Leverage and Restrictive Covenants 61
Cash Distributions are Not Guaranteed and Will Fluctuate with the 62
Interests 62
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS 62
LEGAL PROCEEDINGS 63
AUDITORS, TRANSFER AGENT AND REGISTRAR 63
MATERIAL CONTRACTS 63
INTERESTS OF EXPERTS 63
ADDITIONAL INFORMATION 64
EXHIBI 65
AUDIT COMMITTEE CHARTER 65

GLOSSARY OF TERMS

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

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

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

Adjustment Date means January 1 of each calendar year.

Administration Agreement means the amended and restated administration agreement, entered into between the Company and the Partnership in connection with the Conversion, pursuant to which the Partnership agreed to provide or arrange for the provision of services required for the administration of the Company.

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

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

associate has the meaning set out in the *Securities Act* (Ontario).

CBCA means the *Canada Business Corporations Act*.

CRA means the Canadian Revenue Agency.

CDS means CDS Clearing and Depository Services Inc.

Class A LP Units means the Class A limited partnership units of the Partnership.

Class B Exchange Multiplier means the number of Shares into which a Class B Unit is exchangeable from time to time.

Class B Units means the Class B ordinary partnership units of the Partnership held by PPL or any Related Party.

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

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

means the Class C ordinary partnership units of the Partnership, which were exchanged for Class C LP Units in connection with the Conversion.

Class D Exchange Multiplier means the number of Shares into which a Class D Unit is exchangeable from time to time.

Class D Units means the Class D ordinary partnership units of the Partnership held by PPL or any Related Party.

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

Company means Pizza Pizza Royalty Corp., or PPRC, and includes, where the context requires, its consolidated subsidiaries.

means the continuance of the Fund from an income trust to a corporation pursuant to a plan of arrangement under the OBCA, effective December 31, 2012.

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

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

means directors of Pizza Pizza Royalty Corp.

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

"Governance Agreement" means the governance agreement dated July 6, 2005 entered into among the Fund, the Trust, Pizza Pizza GP, PPL, and certain holders of exchangeable securities, as amended and restated on July 24, 2007, and as further amended and restated in connection with the Conversion.

means the common shares of Pizza Pizza GP.

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

"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 December 15, 2011 (effective January 2, 2011), and as further amended and restated in connection with the Conversion.

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

"Management" means senior management of PPL.

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

means the *Business Corporations Act* (Ontario).

"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 a designated nominee of such Operator named in the Unanimous Shareholder Agreement.

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

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

"Partnership Special Resolution" means, in respect of matters pertaining to the governance, management and affairs of the Partnership, a resolution of the board of directors of Pizza Pizza GP that is consented to by each of the Company and PPL; provided that if such a resolution is not approved by Pizza Pizza GP, PPL may require the Company to seek the approval of such a resolution by a majority vote of the Company's shareholders.

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

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

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

"Pizza 73 Rights" means all intellectual property rights, whether registered or not, including the Pizza 73 Marks and all goodwill associated therewith, all know-how and related technical knowledge and all other proprietary rights pertaining to or used in connection with the Pizza 73 business, including all copyrights, trade names, business names, trade secrets, confidential information, uniform standards, methods, systems and procedures for establishment, construction, design, operation or marketing of Pizza 73 Restaurants using certain types of equipment, supplies, ingredients, recipes, merchandising, advertising and business techniques, together with the rights to order phone numbers and order website domain names that are currently owned by Pizza 73 and used in connection with the operation of Pizza 73 Restaurants, and all copyrights in the operations manuals and similar manuals or documents for the Unit Companies, as amended from time to time, as well as all copyrights in all menus and advertising and promotional materials. For greater certainty, the Pizza 73 Rights do not include the hardware, software, operating technology or other intellectual property used in connection with Pizza 73's single number ordering system.

"Pizza 73 Royalty" means the royalty and other amounts payable by 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 Royalty Pool" means, in any period, all Pizza 73 Restaurants for which Pizza 73 System Sales is to be determined for such period.

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

"Pizza Pizza GP" means Pizza Pizza GP Inc.

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

"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 the Company 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 licensees in Canada, and also includes any Chicken Chicken restaurant included in the Royalty Pool.

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

technology or other intellectual property used in connection with the Company's single number ordering system.

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

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

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

means Pizza Pizza Limited, the private operating company and includes, where the context requires, its consolidated subsidiaries.

means Pizza Pizza Royalty Corp. or the Company.

“**QSR**” means quick service restaurant.

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

"Royalty" means the royalty and other amounts payable by 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, as described under "Licence and Royalty — The Pizza Pizza and Pizza 73 Royalty".

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

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

means, at the relevant time, the holders of the Shares.

means the common shares of the Company.

"SIFT Tax" or, Specified Investment Flow-Through tax, is an entity level tax imposed on Canadian publicly traded income trusts under the Tax Act.

“**SSSG**” means same store sales growth

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

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

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

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

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

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

"TSX" means the Toronto Stock Exchange.

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

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

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

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

"Year End" means December 31.

EXPLANATORY NOTES

All information contained in this Annual Information Form is presented as of December 31, 2018 unless otherwise indicated. All dollar amounts are stated in Canadian currency unless otherwise stated. Reference is made to the Glossary of Terms for the meaning of certain defined terms.

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

COMPANY STRUCTURE

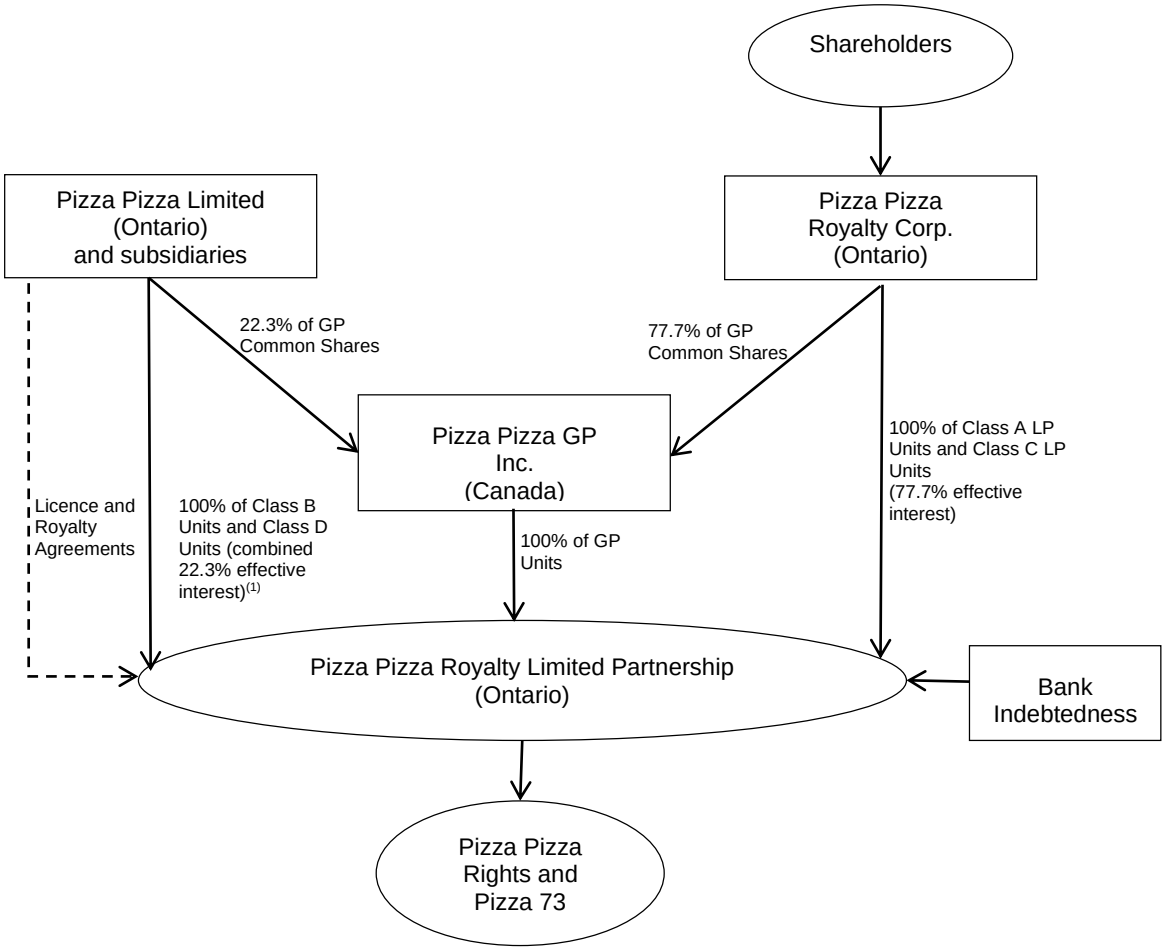
The Company

The Company is governed by the OBCA pursuant to its articles of incorporation dated April 4, 2012 and articles of arrangement dated December 31, 2012. The Company's common shares (the "Shares") are traded on the Toronto Stock Exchange ("TSX") under the stock symbol "PZA". The registered and head office of the Company is located at 500 Kipling Avenue, Toronto, Ontario, M8Z 5E5.

The Company, indirectly through the Partnership, owns the trademarks and trade names used by PPL in its Pizza Pizza and Pizza 73 restaurants. The Pizza Pizza trademarks and other intellectual property (the "Pizza Pizza Rights") were licensed to PPL in 2005 for 99 years, for which PPL pays the Partnership a royalty equal to 6% of the System Sales of its Pizza Pizza restaurants in the Royalty Pool. On July 24, 2007, the Partnership acquired the trademarks and other intellectual property of Pizza 73 (the "Pizza 73 Rights") from Pizza 73 Inc. and licensed them to PPL for 99 years, for which PPL pays a royalty equal to 9% of the System Sales of the Pizza 73 restaurants in the Royalty Pool. For the year 2018, the Royalty Pool consisted of 652 Pizza Pizza restaurants and 106 Pizza 73 restaurants. The Company owns all of the Class A LP and Class C LP Units. The Company receives, indirectly, Royalty payments through the Partnership. The Company makes monthly cash dividend payments to its Shareholders funded by Partnership distributions on its Class A LP Units and Class C LP Units less estimated amounts required for the payment of taxes and other expenses. See "Description of the Company — Dividends".

Organizational Structure

The following chart illustrates the organizational structure of the Company and its subsidiaries as at December 31, 2018. See “Description of the Partnership – Exchange Rights” and “Licence and Royalty – Adjustments to the Royalty Pools and Payments Made Under the Licence and Royalty Agreements”.



(1) A holder of Class B Units has the right to exchange one Class B Unit indirectly for that number of Shares equal to the Class B Exchange Multiplier applicable at the date of exchange. If, as of December 31, 2018, all Class B Units held by PPL were exchanged for Shares, this would represent a 15.8% equity interest in the Company. A holder of Class D Units has the right to exchange one Class D Unit indirectly for that number of Shares equal to the Class D Exchange Multiplier applicable at the date of exchange. If, as of December 31, 2018, all Class D Units held by PPL were exchanged for Shares, this would represent a 6.5% equity interest in the Company. As the number of restaurants included in the Royalty Pool increases, the number of Shares into which Class B and Class D Units are exchangeable will also increase. See “Licence and Royalty – Adjustments to the Royalty Pools and Payments Made Under the Licence and Royalty Agreements”. Following the vend-in of restaurants on January 1, 2019, PPL holds Class B and Class D Units which, if exchanged for Shares, would represent a 23.0% interest in the Company.

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 and holds 100% of the GP Units. The Company is the sole limited partner of the Partnership, holding all of the Class A and Class C LP Units, and PPL is the general partner of the Partnership, currently holding all of the Class B and Class D Units. See "Description of the Partnership".

Pizza Pizza GP Inc.

Pizza Pizza GP is a corporation incorporated under the CBCA. 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. As of December 31, 2018, it is owned 77.7% by the Company and 22.3% by PPL. The Company is entitled to designate six of the nine directors of Pizza Pizza GP and PPL is entitled to designate the other three directors. See "Management and Corporate Governance of Pizza Pizza GP".

Pizza Pizza Limited

PPL, a private operating company, was amalgamated with Pizza 73 Inc. under the OBCA pursuant to articles of amalgamation dated July 24, 2007. The registered and head office of PPL is located at 500 Kipling Avenue, Toronto, Ontario, M8Z 5E5. PPL 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 and Class D Units representing an effective 22.3% interest in the Partnership at December 31, 2018.

GENERAL DEVELOPMENT OF THE BUSINESS

The Company is the successor to Pizza Pizza Royalty Income Fund (the "Fund"), which completed its initial public offering in July 2005. Effective December 31, 2012, the Fund completed the Conversion, and the units of the Fund held by its unitholders were transferred to the Company in consideration for Shares, on the basis of one Share for each unit so transferred. Following the Conversion, the Company held the outstanding Class A LP Units, Class C LP Units and GP Units that were formerly indirectly owned by the Fund.

The Shares commenced trading on the TSX on January 2, 2013 under the symbol "PZA".

Three Year History

In 2016, the Royalty Pool contained 736 Pizza Pizza and Pizza 73 Restaurants, which increased to 751 restaurants in 2017 and then increased to 758 restaurants in 2018. On January 1, 2019, the Royalty Pool increased to 772 restaurants. For the financial year ended December 31, 2018, Royalty income was determined on the basis of the System Sales from 652 Pizza Pizza Restaurants and 106 Pizza 73 Restaurants. See also "Business of PPL".

Recent Developments

January 1, 2018 Royalty Pool Vend-in: On January 1, 2018, one net new Pizza Pizza restaurant was added to the Royalty Pool as a result of 17 new restaurants opening and 16 closing from January 1, 2017 to December 31, 2017. The total number of Pizza Pizza restaurants in the Royalty Pool increased to 652. The additional system sales from the 17 new restaurants were estimated at $3,860,000 annually, less sales of $3,861,000 from 16 permanently closed Pizza Pizza restaurants, resulting in the estimated Determined Amount being ($1,000). The yield of the Shares was determined to be 5.39% calculated using $15.88 as a weighted average share price. Weighted average share price is calculated based on the market price of the Shares traded on the TSX during the period of 20 consecutive days ending on the fifth trading day before January 1, 2018. As per the Limited Partnership Agreement, whenever the estimated Determined Amount is negative it shall be deemed to be zero. Accordingly, the Class B Exchange Multiplier remained unchanged at 2.000691. The second adjustment to the Class B Exchange Multiplier is adjusted to be effective January 1, 2018, once the actual performance of the new restaurants is determined in early 2019.

On January 1, 2018, six net Pizza 73 restaurants were added to the Royalty Pool as a result of eight new restaurants opening between September 2, 2016 and September 1, 2017 and two restaurants closing between January 1, 2017 and December 31, 2017. The forecasted additional system sales from the eight new restaurants were estimated at $4,836,000 annually, less $260,000 in system sales attributable to the two closed Pizza 73 restaurants, resulting in net estimated Pizza 73 sales of $4,576,000 added to the Royalty Pool. The total number of Pizza 73 restaurants in the Royalty Pool increased to 106. The yield of the Shares was determined to be 5.39% calculated using $15.88 as a weighted average share price. Weighted average share price is calculated based on the market price of the Shares traded on the TSX during the period of 20 consecutive days ending on the fifth trading day before January 1, 2018. As a result of the contribution of the additional net sales to the Royalty Pool, the Class D Exchange Multiplier increased fractionally by 80% of the total adjustment or 2.76781 (or 276,781 exchangeable shares); the new Class D Multiplier was 20.29401 and the Class D Units could be exchanged for 2,029,401 shares effective January 1, 2018. This adjustment also increased the entitlement of the holders of the Class D Units to distributions of cash and allocations of income from the Partnership. The second adjustment to the Class D Exchange Multiplier is adjusted to be effective January 1, 2018, once the actual performance of the new restaurants is determined in early 2019.

An independent audit of the Royalty Pool System Sales is conducted before February 28 of each year. The purpose of this audit is to compare actual royalty revenue of the Royalty Pool to the reported royalty revenue

of the Company. The results of the audit are reported in the Company's management's discussion and analysis of the financial conditions and results of operations for the year ended December 31, 2018, available at www.sedar.com.

The chart below shows the Shares that would be outstanding if all of the Class B and Class D Units of the Partnership held by PPL were converted to Shares on December 31, 2018.

Shares outstanding & issuable on December 31, 2018		
Shares outstanding		24,618,392
Class B equivalent Shares held by PPL at December 31, 2017	4,842,483	
PPL additional Class B equivalent Shares - True-up Holdback as at December 31, 2017	175,727	
Additional PPL Class B equivalent Shares as of January 1, 2018	-	5,018,210
Class D equivalent Shares held by PPL at December 31, 2017	1,752,620	
PPL additional Class D equivalent Shares - True-up Holdback as at December 31, 2017	-	
Additional PPL Class D equivalent Shares as of January 1, 2018	276,781	2,029,401
Number of fully diluted Shares		31,666,003
PPL's proportion of all Shares outstanding and available for exchange		22.3%

DESCRIPTION OF THE BUSINESS

The Company

The Company owns, through the Partnership, the Pizza Pizza Rights and the Pizza 73 Rights. The Company does not conduct an active business and has no employees. The Company receives the benefit of Pizza Pizza Royalty and Pizza 73 Royalty payable by PPL under the Pizza Pizza Licence and Royalty Agreement and the Pizza 73 Licence and Royalty Agreement, respectively, indirectly through its interests in the Partnership. The Company 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 Company. See "Description of the Company - Company Administration".

The Partnership

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

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

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

Credit Facility

The Partnership has a $47 million credit facility from a syndicate of Canadian chartered banks. On April 24, 2015, the Partnership renewed the credit facility. The outstanding balance of the credit facility remained unchanged, however the maturity date of the credit facility was extended to April 24, 2020. The credit facility bears interest at the Canadian Bankers' Acceptance rate plus a credit spread between 0.875% to 1.375%, depending on the level of debt-to-annualized EBITDA. The credit facility's interest rate is effectively fixed until April 2020 as a result of two interest rate swaps which obligate the Partnership to pay the swap counterparties an amount based upon a fixed interest rate of 1.875% per annum plus the current credit spread of 0.875%, and the swap counterparties pay the Partnership an amount equal to the Canadian Bankers' Acceptance rate. The effective interest rate as at December 31, 2018 was 2.75% (December 31, 2017 – 2.75%).

The credit facility includes affirmative and negative covenants customary for agreements of this nature. In particular, the Partnership has agreed to a financial covenant in which, on a four quarter rolling basis, Distributions may not exceed Distributable Cash Flow for such period *plus* the aggregate amount of Distributable Cash Flow for prior Distribution Periods not distributed, which as at December 31, 2018 was $8,026,000 (December 31, 2017 - $7,823,000). In addition, the Partnership is required to maintain a funded debt-to-EBITDA ratio not to exceed 2.0:1 on a four quarter rolling average. The funded debt-to-EBITDA ratio for the four quarters ended December 31, 2018 is 1.35:1 (December 31, 2017 – 1.34:1). The Partnership is presently making interest-only payments on the credit facility. The funded debt-to-EBITDA ratio for the last four quarters' rolling average continues to be below 1.5:1; therefore the credit spread is 0.875%. If, in the future, the ratio increases above 1.5:1, the credit spread will change as follows:

Funded Debt:EBITDA	Credit Spread
< 1.5:1	0.875%
1.5 - 2.0:1	1.125%
> 2.0:1	1.375%

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

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

BUSINESS OF PPL

Overview

PPL, a privately-owned Canadian corporation, opened its first restaurant in Ontario in 1967 and has since grown to become Canada's number one pizza QSR brand. Since the 2007 acquisition of the Pizza 73 chain, Pizza Pizza expanded its restaurant network to Alberta and across the country. Pizza Pizza and Pizza 73 serve nearly 29,000,000 customers annually.

Pizza Pizza and Pizza 73 have established strong brand names and are leaders in the pizza component of the QSR industry. PPL generally operates its Pizza Pizza Restaurants as franchise-oriented restaurants and the majority of the Pizza 73 Restaurants are owned and operated as independent businesses with each restaurant being a corporation equally owned by an independent Owner/Operator and PPL. At December 31, 2018, PPL had 773 total locations in its system, comprised of 683 franchised or licenced restaurants, 81 jointly-controlled restaurants and nine owned and operated as corporate restaurants.

PPL provides a high level of service and operational support to its Franchisees and Owner/Operators, including a turn-key restaurant; central food distribution centers, which provide all food and non-food items used in restaurant operations; call centre operations; and monitoring systems intended to ensure high product quality and operational consistency across the chains.

Beginning in 2017, Pizza Pizza launched a major restaurant re-imaging program, including updating its lobby and signage, which further modernizes the customer experience and sets the course for future growth. As at December 31, 2018, 100 of the 428 traditional Pizza Pizza stores showcase the new, re-imaged lobby and signage.

PPL believes its leading market share, its high-quality menu offerings and new product introductions, its geographic diversification and major convenience advantage, plus its continued investment in technological innovation, present long-term opportunities for sales growth.

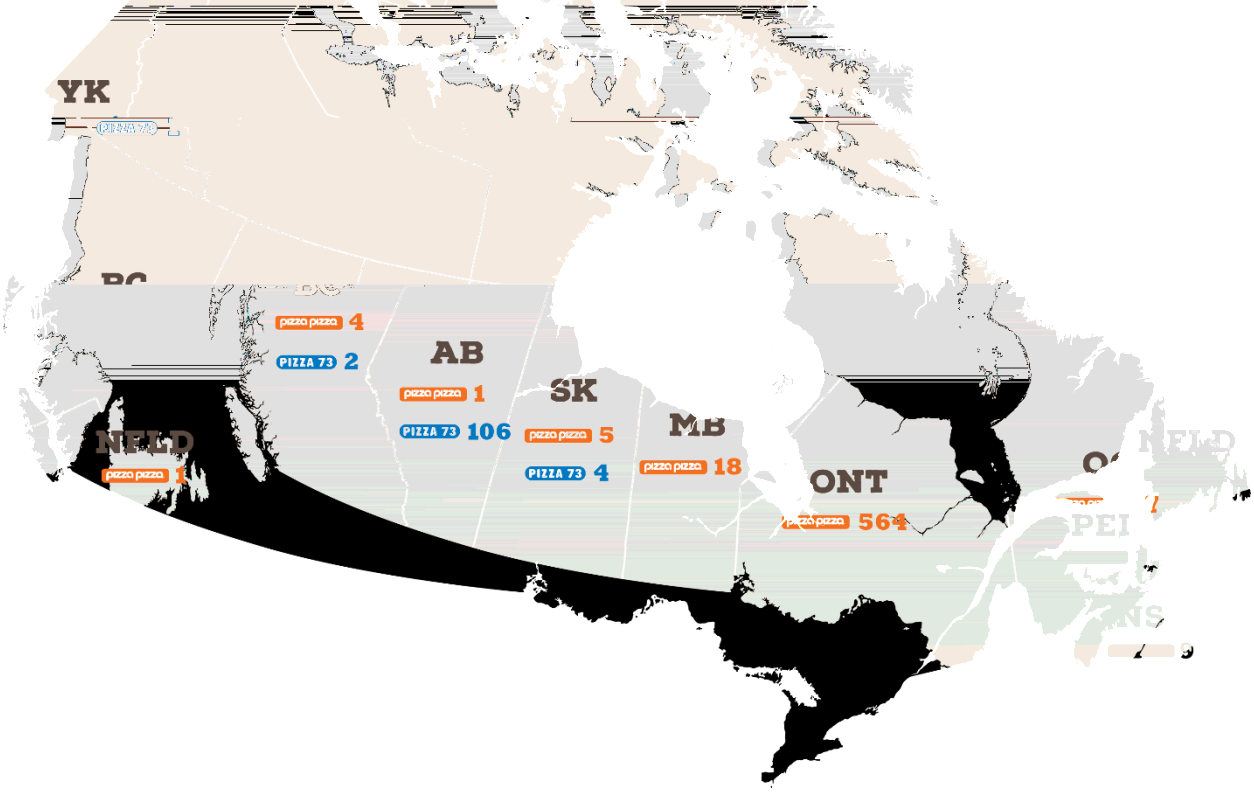
Restaurant Format

PPL's restaurant system includes traditional and non-traditional formats. These restaurants allow PPL to tailor its offerings to a particular market or venue, providing greater opportunities for its Franchisees while meeting consumer demands. Traditional Pizza Pizza Restaurants feature self-service counters and generally range in size from 1,400 to 3,000 square feet, with customer seating, while traditional Pizza 73 Restaurants are approximately 1,200 square feet with limited seating. Traditional restaurants also support take-out and delivery service. PPL seeks to locate these restaurants in high traffic and high visibility locations that are easily accessible. Non-traditional restaurants feature a more limited menu and are targeted to "captured traffic" locations. Non-traditional restaurants typically offer counter service and are oriented to individual purchases by walk-in customers. Some of PPL's non-traditional partnerships include the Scotiabank Arena, the Bell Centre, Canada's Wonderland, the Rogers Place in Edmonton and various universities and colleges across Canada.

Restaurant Locations

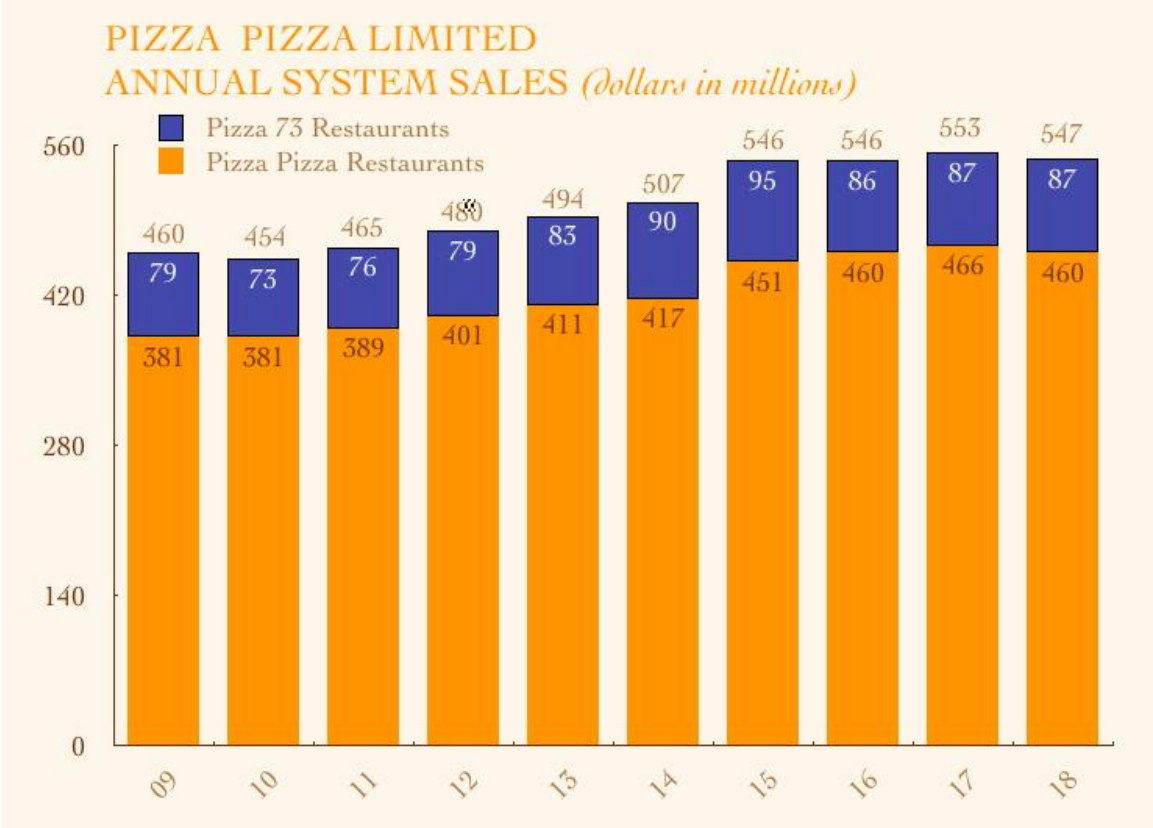
By brand, traditional Pizza Pizza Restaurants presently operate in Ontario, Quebec, Saskatchewan, Manitoba, Nova Scotia, British Columbia and Prince Edward Island, with the highest market penetration in southern Ontario. Traditional Pizza 73 Restaurants operate primarily in Alberta. Non-traditional restaurants currently operate primarily in Ontario and Alberta, but with a number of locations across Canada as well. The following table sets forth the number and format of Pizza Pizza and Pizza 73 Restaurants, by province, at December 31, 2018. The number of restaurants as at December 31, 2018, and from time to time, may differ from the number of restaurants in the Royalty Pool due to the Royalty Pool's Adjustment Date of January 1.

Restaurant Format	Number of Restaurants							
	Ontario	Alberta	Quebec	B.C.	Manitoba	Sask.	Other	Total
Traditional restaurants.....	362	81	42	4	14	7	6	516
Non-traditional restaurants.....	202	26	15	2	4	2	6	257
Total.....	564	107	57	6	18	9	12	773



System Sales

System Sales for the 52-week period ended December 30, 2018 decreased by 1.1% to $547,472,000 from $553,324,000 for the 52-week period ended December 31, 2017. By brand for the period, the System Sales include $460,002,000 in Pizza Pizza retail sales and $87,470,000 in Pizza 73 retail sales, as compared with System Sales of $466,090,000 and $87,234,000 for Pizza Pizza and Pizza 73, respectively, for the 52 weeks in 2017. The decrease in System Sales is primarily attributed to the negative 1.6% same store sales growth ("SSSG"), offset by the sales from new stores added less restaurant closures since January 1, 2018.



Same Store Sales Growth

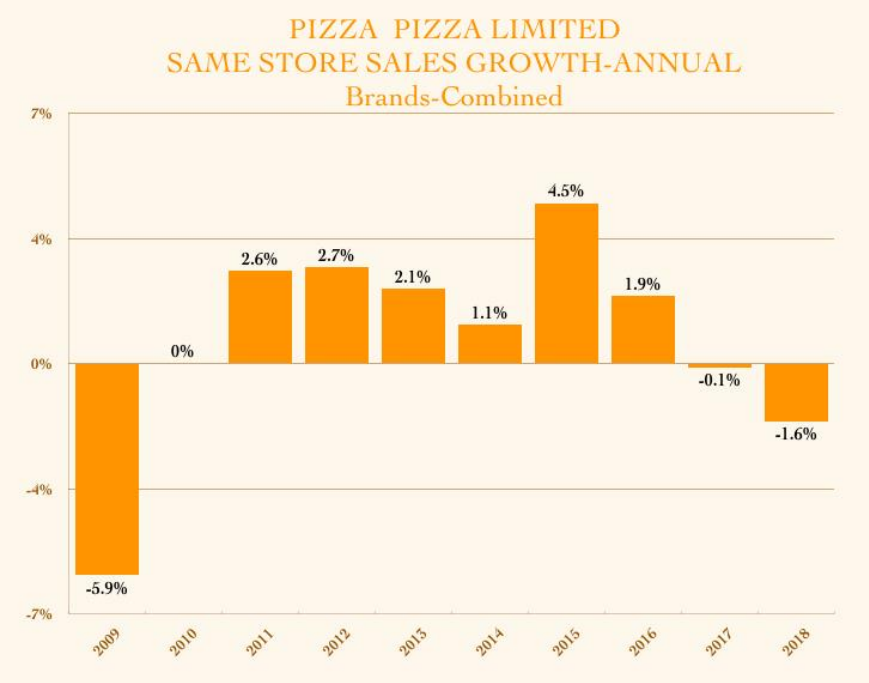
The following chart shows the annual SSSG for the past five years:

SSSG **(%)**	**2018**	**2017**	**2016**	**2015**	**2014**
Pizza Pizza	-1.7	0.3	3.3	5.2	-0.3
Pizza 73	-0.9	-2.2	-5.2	1.1	7.6
Combined	-1.6	-0.1	1.9	4.5	1.1

SSSG is driven by the change in the average customer check and in customer traffic, both of which are affected by changes in pricing and sales mix. For the year, traffic decreased while the average customer check increased. As many provinces increased the minimum wage, selective increases in retail prices were taken in 2018 as additional attention was directed to restaurant profitability. The price increases resulted in softness in traffic counts compared to the prior year. Marketing strategies will be designed to support customer traffic growth, in what continues to be, a highly competitive, value-oriented retail environment.

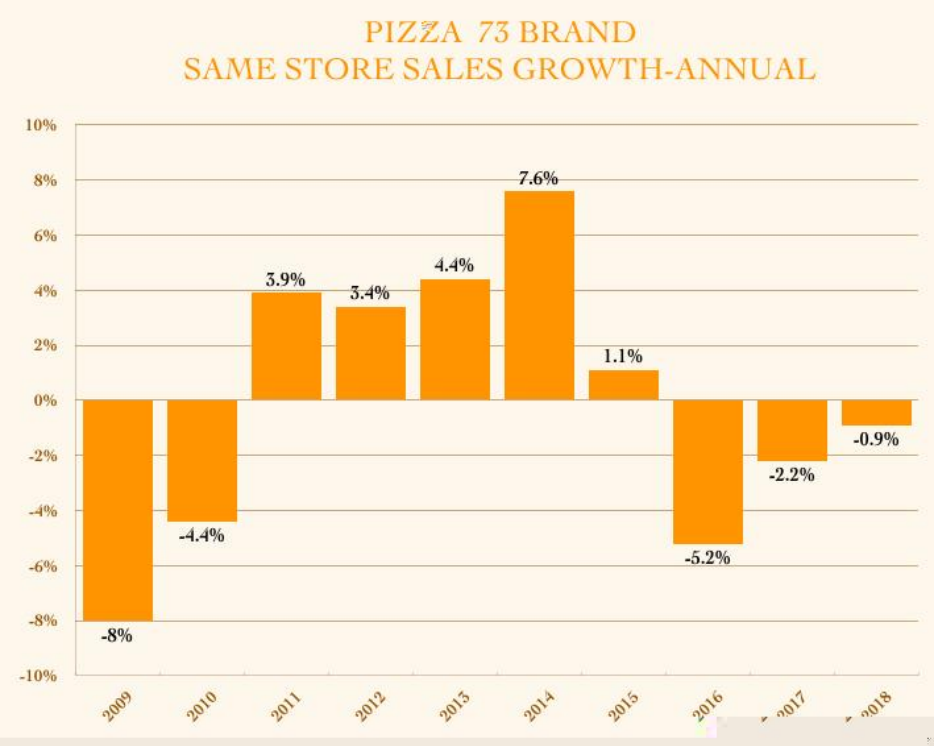
The following charts show historical SSSG performance:

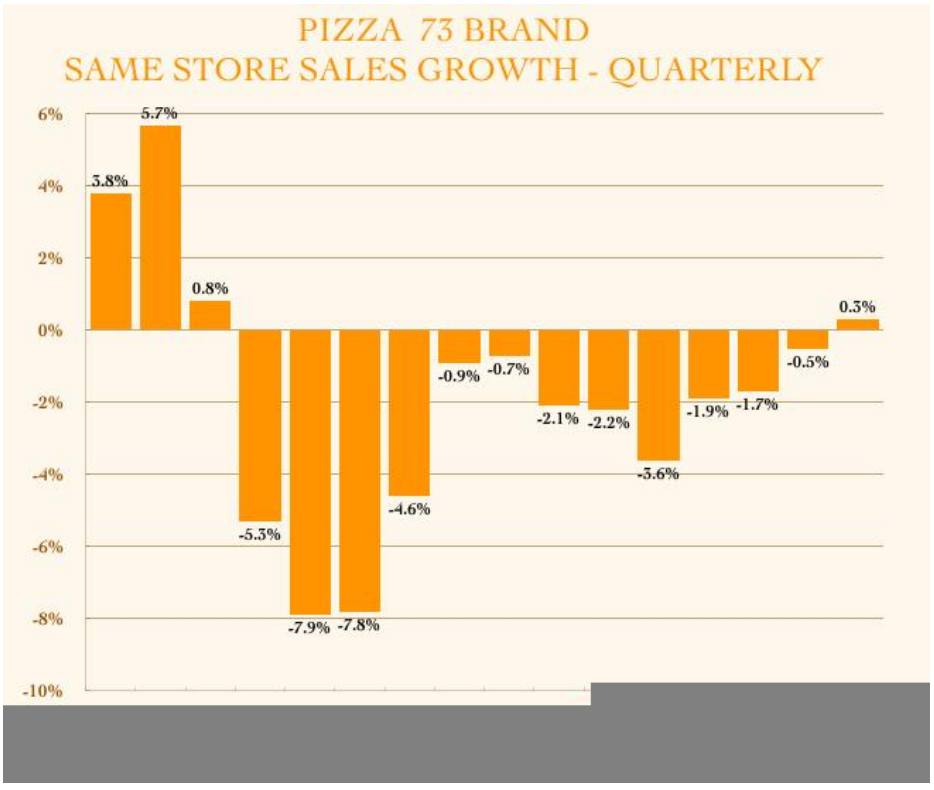
a) Annual and Quarterly SSSG, both brands combined:



b) Annual and

c) Annual and Quarterly SSSG, Pizza 73 brand:





Pizza Pizza Brand

Pizza Pizza opened its first location in Toronto in 1967 and today it is the #1 pizzeria in Canada. In 2017, PPL kicked off a system-wide, restaurant reimaging program to modernize dining areas and signage in the restaurants. The reimaging program will continue over the next three to five years.

PPL franchisees continually reinvest to maintain a modern restaurant system. The centrally managed renovation or reimaging program, funded by Franchisees, allows for the continuous renewal of the Pizza Pizza concept. Pizza Pizza's franchise agreement provides that Franchisees are required to renovate their restaurants at least every five years, to current standards set by Pizza Pizza. This allows PPL to ensure that locations are maintained at the highest standards, and enables regular updating of the Pizza Pizza concept. This obligation is funded by a percentage contribution of gross sales of pizza products by each Franchisee, which is set aside for the Franchisee to fund renovations when required.

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

Customers can enjoy a quick meal at one of Pizza Pizza's many convenient locations when they are away from home, while customers who prefer to remain at home for reasons of convenience, time of day or inclement weather, can easily order from Pizza Pizza through the one-number telephone ordering system, or on-line, through various digital channels.

Pizza 73 Brand

PPL has grown the Pizza 73 restaurant system from 48 restaurants in July 2007 to 112 restaurants at December 31, 2018.

From 2003 to 2009, the Pizza 73 restaurants achieved significant SSSG, averaging 16.2% per year. However, since 2009, Alberta has experienced two recessions, including the current economic downturn. Pizza 73, operating largely in a weakened Alberta economy, reported a 0.9% decline in same store sales for 2018 as the lower price of crude oil has resulted in increased unemployment and a decline in that province's consumer spending. In 2019, PPL will pursue initiatives supporting SSSG, including ongoing development of the Pizza 73 concept to capitalize on changing customer preferences and market trends. A key element of these initiatives is the Owner/Operators' commitment to periodically renovate and upgrade their restaurants. See "Business of PPL – Growth Strategy in Existing and New Markets" and "– Pizza 73 Ownership Structure".

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

Competitive Strength

Management believes that PPL benefits from the following competitive strengths:

- *Strong brand recognition.* Both Pizza Pizza and Pizza 73 restaurants are well known in their principal markets due to their memorable phone numbers (967-11-11 in the Greater Toronto Area, and 473-73-73 in Edmonton) and their accompanying jingles.

- *Number one market position.* Both Pizza Pizza and Pizza 73 are market leaders in their respective geographic markets. According to the latest industry survey, for the last twelve months ended September 2017, Pizza Pizza is estimated to have a market share of 27%, which is significantly more market share among pizza restaurant chains in Ontario, measured by sales

revenue, than the closest competitor (12%), while Pizza 73 holds approximately 19% of the Alberta pizza market. In addition, the two brands have a total of 773 locations across Canada, which is almost double the closest pizza competitor.

- *An extensive and modern restaurant system*. The majority of the traditional Pizza Pizza Restaurants and Pizza 73 Restaurants are either new or have been modernized. Pizza Pizza Franchisees are obligated to renovate their restaurants and to contribute on an ongoing basis to a renovation fund. Beginning in early 2017, Pizza Pizza began a restaurant re-imaging program, including updating the stores' lobby and signage, which will further modernize the customer experience and set the course for future growth. This is a significant advantage in that it allows Pizza Pizza to ensure that locations are maintained at the highest standards. In many cases this regular updating and renovation has been a key determinant of the continued success of specific locations. As at December 31, 2018, 100 of the 428 traditional Pizza Pizza stores showcase the new, re-imaged lobby and signage.

- *A proven track record of innovation.* Since its inception, PPL has adopted many innovative concepts including the one-number telephone ordering system, networked call centres, delivery guarantees, the monitoring of restaurants through a live web-feed and its many digital ordering platforms, including its Webby Award-winning iPhone app. In 2014, Pizza Pizza introduced a customer loyalty program. In 2015, PPL was one of the first QSR restaurants to introduce an ordering app for the Apple Watch. In 2015, Pizza 73 launched its new digital ordering webist and app, and expanded the apps in 2017 with the introduction of its Android app. In 2017, Pizza Pizza began a project to enhance its full array of digital ordering websites and apps, with a go-live date scheduled for 2019. In addition, PPL places high importance on its ability to update and modernize its product offerings to meet changing customer preferences.

- *Centralized management and controls.* Management oversees key aspects of the restaurant business allowing restaurant operators to focus on revenue generating activities. PPL also devotes substantial resources to Franchisee and Owner/Operator support as well as training programs, product supply and quality initiatives. In addition, PPL leverages its significant purchasing power and economies of scale to manage costs and to target increased margins at the restaurant level.

- *A strong committed management team.* PPL has a seasoned, five member senior management team with an average of over 20 years' experience with PPL.

- *A history of stability of the restaurant system.* PPL has historically maintained a low closure rate throughout its restaurant chain. Since December 31, 2000, 49 traditional and 137 non-traditional Pizza Pizza Restaurants have been permanently closed through December 31, 2018, whereas total restaurants increased from 413 to 773 during that same period. There were nine closures within the Pizza 73 brand in the last nine years. Non-traditional locations, by the nature of shorter term contract for the premises, can have higher closure rates than traditional locations.

Growth Strategy in Existing and New Markets

Management believes that PPL is well positioned to continue building its presence in the Canadian pizza QSR segment with the Pizza Pizza and Pizza 73 brands. Consistent with its experience over the past decade, PPL's future growth is expected to come from a combination of SSSG and new restaurant growth. In 2018, nine traditional and 11 non-traditional Pizza Pizza locations were opened.

Management also believes that there are opportunities for continued growth in existing markets and intends to continue developing new restaurants in other provinces as part of a national expansion program. Over the past five years, PPL has opened new restaurants outside its major markets, including locations in Saskatchewan, Nova Scotia, Manitoba and Quebec. In 2018, PPL opened its first traditional location in Prince Edward Island and two traditional locations in British Columbia. In addition, PPL's commissaries, which manufacture and/or distribute almost all products used by the Franchisees and Owner/Operators, have the

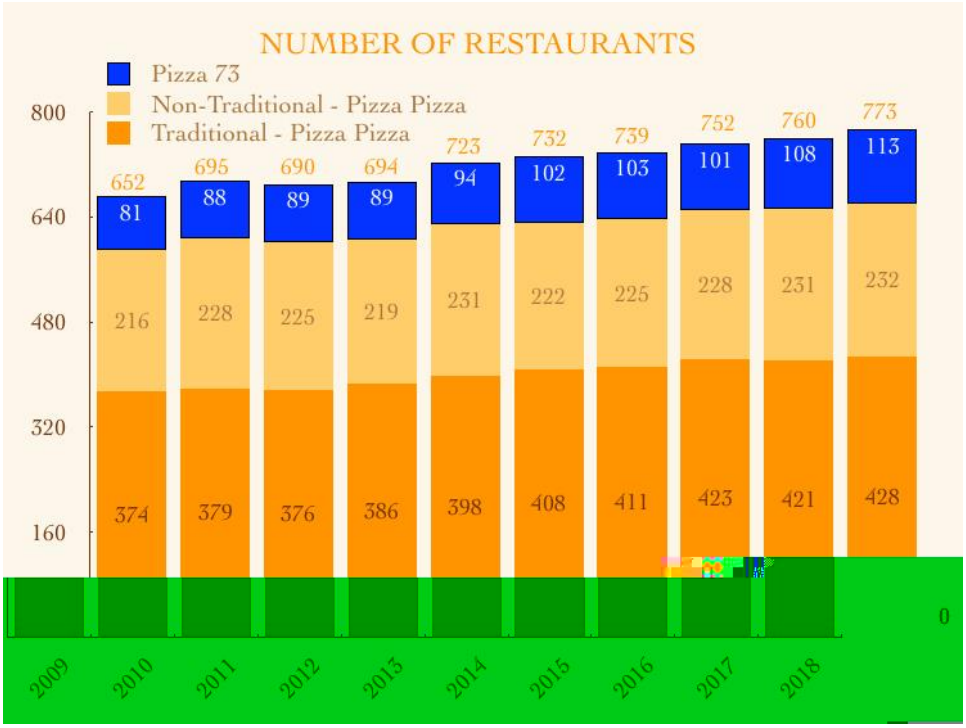
capacity to support Additional System Sales without substantial capital investment. Management also believes that Pizza Pizza's brand recognition, combined with the strength of the operational system, will provide additional opportunities for growth in new markets across Canada.

In Western Canada, Pizza 73 Restaurants are concentrated in the larger urban markets in Alberta, particularly Edmonton and Calgary. From 2007 to 2018, 47 Pizza 73 Restaurants opened. In 2018, four traditional restaurants and two non-traditional Pizza 73 locations opened. In 2018, a new food distribution centre was opened to better service the chain.The new facility consolidated the Edmonton and Calgary distribution centres into one centre, adding additional capacity for continued store expansion.

Pizza Pizza Franchise Operations

Franchising Operations and Structure

The Pizza Pizza business model is primarily based on its franchise operations. The following chart shows the growth of the restaurant system from 2009 to December 31, 2018.



Relationship with Franchisees

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

PPL believes it has developed a rigorous, systematic screening process for the selection of qualified Franchisees. PPL strives to select only persons with appropriate levels of funding, professional competence, experience, reputation, ability and financial responsibility. PPL believes that restaurant profitability and quality of customer service are maximized when restaurants are operated by talented and committed owners/operators. Pizza Pizza Franchisees are generally required to direct their full time and attention to the business and to participate personally in the operation of the franchise. In the event that a Franchisee is not performing in accordance with the franchise agreement, PPL has historically either arranged for the sale of

the franchise to a new Franchisee or repurchased or terminated the franchise with a view to ensuring the location is performing to its potential prior to re-franchising it to a new Franchisee. Occasionally, it is necessary to permanently close a location.

PPL has also developed an Associate Program, under which operators enter into a licence agreement to manage and operate a restaurant whose assets are owned by PPL. The aim of this program is to allow the operator to gain experience operating a restaurant while accumulating the financial resources to acquire the restaurant as a traditional Franchisee. As of December 31, 2018, 32 Pizza Pizza Restaurants were being operated under this program.

The capital cost associated with becoming a Franchisee and opening a new traditional Pizza Pizza restaurant is between $250,000 and $400,000. Minimum cash requirements are between 25% and 33% of the total restaurant costs. PPL estimates that the investment for a Franchisee in a new traditional Pizza Pizza restaurant, excluding land and pre-opening costs, is $175,000 for leaseholds in approximately 1,500 square feet and $150,000 for equipment, furniture and fixtures.

Franchise Agreement

Traditional Restaurants

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

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

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

PPL collects an ongoing franchise fee from each Franchisee. For Pizza Pizza traditional restaurants, the standard franchise fee is typically 6% of net sales (gross sales net of franchisee discounts, promotions and sales taxes), paid on a weekly basis but may decrease for amounts in excess of specified targets of annual sales levels. From time to time PPL will reduce franchise fees on a temporary basis to account for renovation and relocations or in other limited circumstances. For non-traditional restaurants, the franchise fee averages approximately 4.9% of net sales. The weighted average franchise fee, including both traditional and non-traditional restaurants, was approximately 5.6% in fiscal 2018.

In addition to a Franchisee's obligation to pay initial and weekly franchise fees, the franchise agreement requires that a Franchisee contribute a continuing advertising fee to the marketing fund, which is approximately 6% of net sales. This fee is separate from and in addition to the 6% weekly franchise fee described above. Advertising fees are also payable weekly, and are used to advertise the Pizza Pizza system in its principal markets. Of the funds collected in 2018, approximately 90% was spent on local and national campaigns and approximately 10% was spent on costs to cover operations of the advertising program.

In return for the franchise fees described above, PPL provides a Franchisee with the right to use the trademarks, restaurant designs, PPL system and methods and a number of other franchise support programs. Under the franchise agreement, PPL is not obliged to provide any financial covenants or guarantees in connection with a Franchisee's real estate lease, equipment lease or purchase, or other financial

arrangements. Further, each Franchisee is required to maintain replacement cost insurance for property of all types, business interruption, comprehensive general and umbrella liability, food borne illness, crime and fidelity, boiler and machinery and such other insurance as PPL and its advisors may require and amend from time to time. Currently, all franchisees participate in a comprehensive program administered by PPL and an insurance broker.

The standard franchise agreement also provides that PPL is entitled to mark-up all goods and supplies sold from its Commissary to the franchisees, with such mark-up not to exceed 18% of its costs. For the 52 weeks ended December 30, 2018, the average mark-up realized by PPL was less than 18%.

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

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

Non-Traditional Restaurants

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

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

PPL collects an ongoing licensing fee from each licensee of a non-traditional restaurant, which averages approximately 4.9% of net sales. In return for the licence fee described above, PPL provides the licensee with the right to use the trademarks, restaurant designs, Pizza Pizza system and methods and a number of support programs.

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

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

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

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

Pizza 73 Ownership Structure

Except for seven franchised locations, each traditional Pizza 73 Restaurant is owned and operated as an independent business by a Unit Company. Each Unit Company is equally owned by PPL and an Owner/Operator, and is governed by a Unanimous Shareholder Agreement and related agreements. The

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

The transfer of shares of the Unit Company requires the consent of PPL and the Unit Company. The parties also have shareholder arrangements pertaining to the sale of each other's interests, such as rights of refusal and buy/sell arrangements. In the event that PPL chooses to permit the Owner/Operator to purchase its shares in a Unit Company pursuant to these arrangements, the Unit Company ceases to be entitled to use Pizza 73 Rights and other system benefits.

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

Marketing and Advertising

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

PPL seeks to develop and execute marketing programs that appeal to its customers by differentiating Pizza Pizza and Pizza 73 from its competitors, thereby attracting new customers, building customer loyalty and increasing frequency of visits. PPL supports the Pizza Pizza brand primarily with digital, radio, television and print advertising such as flyers, as well as billboards at major venues such as Toronto's Scotiabank Arena and Ottawa's Canadian Tire Centre. PPL targets a broad market through different advertising mediums, including digital media, printed media, radio and television for its Pizza 73 branded restaurants. Major sponsorships are in place with the Calgary Flames and Edmonton Oilers. Printed media is used to target specific geographic areas and conveys considerably more information to consumers including price points and menu offerings compared to other forms of media. Radio and television advertising is used to increase brand awareness, and to reinforce specific offerings. Advertising funds are also directed towards the development of other materials, such as point of purchase promotions and coupons. For the 52-week period ended December 30, 2018, PPL's annualized marketing expenditures exceeded $33,000,000 on its promotional and advertising programs.

Sales promotions and contests, coupons and special discounts, cross promotions with strategic partners and limited-time menu offerings are also used to stimulate purchases and introduce new products, such as chicken toppings, wings and other chicken offerings which are sourced from chickens "raised without antibiotics" and the 2018 introductions of cauliflower crust pizza, artichoke as a topping, sweet potato fries, and at Pizza 73 cod bites and pork ribs. In addition, the marketing fund supports local hockey teams, special community events, public service programs and several charitable organizations.

Management of PPL

Paul Goddard, Chairman and Chief Executive Officer, leads PPL's management team overseeing day-to-day operations and corporate strategy. PPL and its management team are dedicated to working with the Pizza Pizza and Pizza 73 restaurant partners and employees, suppliers and business associates to build on the success PPL has historically achieved.

PPL's ability to attract and retain skilled management personnel has been a key factor in the development of its restaurant system. The current executive team has a combined total exceeding 105 years' experience with Pizza Pizza.

The following individuals are the executive officers of Pizza Pizza:

Name	Current Position	Year Started
Paul Goddard.....	Chairman & Chief Executive Officer	2009
Curtis Feltner	Chief Financial Officer	1993
Sebastian Fuschini	Senior Vice President, Franchising	1981
Paul Methot.....	Senior Vice President, Operations	1984
Philip Goudreau…….....	Senior Vice President, Operations Western Canada	2011

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

Curtis Feltner — Chief Financial Officer
Curtis Feltner holds a B.Sc. degree from Indiana University. 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, then to Senior Vice President in 2015. Prior to joining PPL, he worked in a financial capacity in the real estate industry for ten years.

Sebastian Fuschini — Senior Vice President, Franchising
Following graduation from Centennial College in 1980 with a business degree, Mr. Fuschini worked in the food industry with Burger King and Movenpick. In 1981, Mr. Fuschini joined PPL as a district supervisor. Mr. Fuschini has served as Director, Franchising and Vice President, Franchising since 1990, and was promoted to Senior Vice President, Franchising in 2015.

Paul Methot — Senior Vice President, Operations
Mr. Methot received a Bachelor of Arts (Honours) in Business Administration from the University of Western Ontario in 1983. Mr. Methot initially worked for Coopers & Lybrand in the area of mergers and acquisitions. He first joined PPL as Director of Real Estate in 1984, leaving to work for First City Investments in the real estate area from 1988 to 1989. Mr. Methot returned to PPL in 1989 as Director of Real Estate. From 1990 to 1993, he served as Vice President, Corporate Development. From 1993 to May 2005, Mr. Methot served as Vice President, Commissary, at which time he moved into the position of Vice President, Operations. In 2015, he was promoted to Senior Vice President, Operations.

Philip Goudreau — Senior Vice President, Operations Western Canada
Mr. Goudreau joined PPL in 2011 as Vice President of Operations & Development, Western Canada, and was promoted to Senior Vice President in 2015. He manages the Pizza 73 brand plus a select number of Pizza Pizza restaurants located in Western provinces. Prior to joining PPL, Mr. Goudreau worked for Wendy's International for 22 years in various Training and Senior Operations roles where he managed the business in both Eastern and Western Canada.

Personnel

As at December 31, 2017, PPL had approximately 1,600 employees, including 800 under the Pizza 73 brand. Approximately 4,000 people are employed by the Pizza Pizza Franchisees in the restaurant operations.

DESCRIPTION OF THE COMPANY

The Company, indirectly through the Partnership, owns the trademarks and trade names used by PPL in the Pizza Pizza and Pizza 73 restaurants. The Company receives, indirectly, royalty payments through the Partnership. The Company makes monthly cash dividend payments to its shareholders funded by Partnership distributions on its Class A LP Units and Class C LP Units less estimated amounts required for the payment of taxes and other expenses. The company does not conduct an active business and has no employees.

Common Shares

The Company is authorized to issue an unlimited number of Shares of which 24,618,392 are issued and outstanding as at the date hereof. Shareholders are entitled to one vote per Share at shareholder meetings of the Company, to receive dividends if, as and when declared by the Board and to receive the remaining property and assets of the Company upon its dissolution or winding-up. Shareholders may make use of the various shareholder remedies available pursuant to the OBCA. Additional information relevant to the Shares, the rights of shareholders thereof and the operation and conduct of the Company can be found in the Company's articles and by-laws, which have been filed under the Company's profile on SEDAR at www.sedar.com.

Exchangeable Securities

PPL may exchange its Class B and Class D Units for Shares as described in the Exchange Agreement. The Exchange Rights may be exercised with respect to any number of Class B Units and/or Class D Units. See "Description of the Partnership - Exchange Rights".

Preferred Shares

The Company is authorized to issue 5,500,000 preferred shares, issuable in series, to be designated Preferred Shares, none of which are outstanding. Each series of Preferred Shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board prior to the issuance thereof. Holders of Preferred Shares, except as required by law, will not be entitled to vote at meetings of Shareholders. With respect to payments of dividends and distribution of assets in the event of liquidation, dissolution, or winding-up of the Company, the Preferred Shares are entitled to preference over the Shares.

Dividends

The Board has established and adopted a dividend policy to pay a monthly dividend to Shareholders of record on the last business day of each month with actual payments to be made on or about the 15th day of the following month.

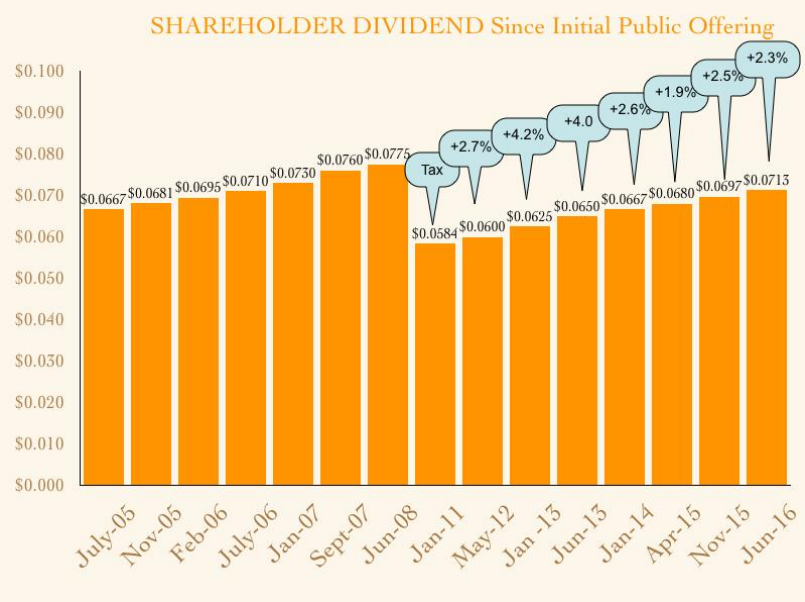
For Canadian tax payers the Company's dividends are 100% eligible taxable dividends. Shareholders who are non-residents of Canada are required to pay all withholding taxes payable in respect of any dividends paid by the Company, whether such dividends are in the form of cash or additional Shares. Non-residents should consult their own tax advisors regarding the tax consequences of investing in the Shares.

The amount of any dividends payable by the Company is at the discretion of the board of directors of the Company and will be evaluated periodically. The Company's dividend policy may be revised subject to business circumstances and depending on, among other things, the Partnership's royalty income, its debt service requirements, restrictions and covenants under the credit facility or other credit arrangements, the satisfaction of applicable solvency tests for the declaration and payment of dividends and other conditions existing for time to time. See "Credit Facility".

For 2018, the Company declared dividends of $21,063,000, or $0.8556 per Share, which is unchanged from 2017; the payout ratio was 104% for 2018 and was 101% for 2017.

The Company's last dividend increase was in June 2016, when the monthly dividend increased by 2.3% to $0.0713 per Share ($0.8556 annualized).

From July 2005 to June 2008, the Fund increased distributions six times. In January 2011, the Fund began paying the new SIFT Tax. This corporate income tax required an adjustment to the distribution in January 2011. Subsequent to January 2011, the distribution became an eligible dividend as opposed to interest income. Since January 2011, the dividend has increased seven times as depicted in the chart below.



Dividends declared for 2018 are as follows:

Period	Payment Date	Amount/share
January 1-31, 2018	February 15, 2018	7.13¢
February 1-28, 2018	March 15, 2018	7.13¢
March 1-31, 2018	April 13, 2018	7.13¢
April 1-30, 2018	May 15, 2018	7.13¢
May 1-31, 2018	June 15, 2018	7.13¢
June 1-30, 2018	July 13, 2018	7.13¢
July 1-31, 2018	August 15, 2018	7.13¢
August 1-31, 2018	September 14, 2018	7.13¢
September 1-30, 2018	October 15, 2018	7.13¢
October 1-31, 2018	November 15, 2018	7.13¢
November 1-30, 2018	December 14, 2018	7.13¢
December 1-31, 2018	January 15, 2019	7.13¢
Total		85.56¢

Dividends declared for 2017 are as follows:

Period	Payment Date	Amount/share
January 1-31, 2017	February 15, 2017	7.13¢
February 1-28, 2017	March 15, 2017	7.13¢
March 1-31, 2017	April 13, 2017	7.13¢
April 1-30, 2017	May 15, 2017	7.13¢
May 1-31, 2017	June 15, 2017	7.13¢
June 1-30, 2017	July 14, 2017	7.13¢
July 1-31, 2017	August 15, 2017	7.13¢
August 1-31, 2017	September 15, 2017	7.13¢
September 1-30, 2017	October 13, 2017	7.13¢
October 1-31, 2017	November 15, 2017	7.13¢
November 1-30, 2017	December 15, 2017	7.13¢
December 1-31, 2017	January 15, 2018	7.13¢
Total		85.56¢

Dividends declared for 2016 are as follows:

Period	Payment Date	Amount/share
January 1-31, 2016	February 12, 2016	6.97¢
February 1-29, 2016	March 13, 2016	6.97¢
March 1-31, 2016	April 15, 2016	6.97¢
April 1-30, 2016	May 13, 2016	6.97¢
May 1-31, 2016	June 15, 2016	6.97¢
June 1-30, 2016	July 15, 2016	7.13¢
July 1-31, 2016	August 15, 2016	7.13¢
August 1-31, 2016	September 15, 2016	7.13¢
September 1-30, 2016	October 14, 2016	7.13¢
October 1-31, 2016	November 15, 2016	7.13¢
November 1-30, 2016	December 15, 2016	7.13¢
December 1-31, 2016	January 13, 2017	7.13¢
Total		84.76¢

Take-over Bids

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

Book-Entry Only System

Registration of interests in and transfers of the Shares will be made only through a book-based system (the "Book-Entry Only System") administered by CDS. Shares must be purchased, transferred and surrendered for redemption through a CDS Participant. All rights of Shareholders must be exercised through, and all payments or other property to which such Shareholder is entitled will be made or delivered by, CDS or the CDS Participant through which the Shareholder holds such Shares. Upon purchase of any Shares, the Shareholders will receive only a customer confirmation from the registered dealer which is a CDS Participant

and from or through which the Shares are purchased. A reference in this Annual Information Form to a Shareholder means, unless the context otherwise requires, the owner of the beneficial interest in such Shares.

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

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

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

Company Administration

The Company has entered into the Administration Agreement with the Partnership whereby the Partnership will provide or arrange for the provision of services required in the administration of the Company, including those necessary to: (i) ensure compliance by the Company 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 Shareholders all information to which Shareholders are entitled, including relevant information with respect to income taxes; (iv) call and hold meetings of Shareholders and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings; (v) provide for the calculation of dividends to Shareholders; and (vi) the provision of general accounting, bookkeeping and administrative services. The Administration Agreement may be terminated by the Company upon payment to the Partnership of all costs and expenses incurred by the Partnership in terminating contracts entered into by the Partnership with the approval of the Company for the performance by the Partnership of its duties under the Administration Agreement.

The Partnership will pay all expenses incurred by it and attributable to the exercise of its duties in the administration of the Company and the Company will reimburse the Partnership for such expenses. PPL, pursuant to the Partnership Agreement, is providing certain administrative services to the Company. The fee for these services, which on an annual basis shall not exceed $25,000, has been waived for the year.

DESCRIPTION OF THE PARTNERSHIP

The Partnership is a limited partnership formed under the laws of Ontario. The business of the Partnership is the ownership of the Pizza Pizza Rights and Pizza 73 Rights, the taking of actions consistent with the Licence and Royalty Agreements to exploit, to the fullest extent possible, the use of the Pizza Pizza Rights and Pizza 73 Rights by PPL, the collection of the Royalty payable to the Partnership under the Licence and Royalty Agreements, and the administration of the affairs of the Company. The Partnership is governed by the Limited Partnership Agreement.

Partners and Partnership Securities

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

The partners of the Partnership at December 31, 2018 are:

- Pizza Pizza GP, as the managing general partner, holding one outstanding GP Unit;
- PPL, as a general partner with an effective 22.3% interest in the Partnership, holding 2,508,239 Class B Units and 100,000 Class D Units; and
- the Company, as the sole limited partner, holding 18,310,094 Class A LP Units and 3,000,000 Class C LP Units, an effective 77.7% interest in the Partnership. See "Material Contracts".

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

The rights and entitlements of the Partnership Securities with respect to voting, distributions of distributable cash, allocations of Partnership income and distributions of proceeds of liquidation of the Partnership are described below. PPL's rights to exchange its Class B or Class D Units for Shares are described under "Exchange Rights". The Partnership issues Class A LP Units to the Company on PPL's exchange of any Class B Units or Class D Units.

Distributions

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

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

- debt service obligations, if any, including payments on account of principal of and interest on the Term Facility or any other debt obligations of the Partnership;
- expenses of the Company to be paid by the Partnership under the Administration Agreement; and
- reasonable reserves considered necessary or desirable by Pizza Pizza GP to cover seasonality, shot-to-medium term variability in sales and any unusual administrative expenditures.

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

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

number of all outstanding Shares (assuming the exchange of all Class D Units and such Class B Units based on the Class B Exchange Multiplier then applicable), (II) the aggregate amount distributed to holders of Class D Units will be equal to the proportion of the Partnership's available cash that (x) the number of Shares into which all outstanding Class D Units are exchangeable (based on the Class D Exchange Multiplier then applicable) is of (y) the number of all outstanding Shares (assuming the exchange of all Class B Units and such Class D Units based on the Class D Exchange Multiplier then applicable) and (III) where the balance of such available cash will be distributed to holders of the Class A LP Units.

In addition, at the end of business on December 31 in each fiscal year of the Partnership, an amount equal to any positive Class B Distribution Adjustment and Class D Distribution Adjustment shall be declared distributable to holders of Class B Units and Class D Units, respectively, on December 31, pro rata and in priority to the distributions referred to in clause (iii

the Partnership to that partner. Income and loss of the Partnership for accounting purposes is allocated to each partner in the same proportion as income or loss is allocated for tax purposes.

Exchange Rights

Pursuant to the Exchange Agreement, holders of Class B Units have the right to exchange one Class B Unit for that number of Shares equal to the Class B Exchange Multiplier applicable at the date of such exchange, as described under "Licence and Royalty — Adjustments to the Royalty Pool and Payments Made Under the Licence and Royalty Agreement - Adjustments to the Royalty Pool". The Company will deliver an equivalent proportion of the common shares of Pizza Pizza GP held by it. The Partnership will then purchase the Class B Units acquired by the Company in return for that number of Class A LP Units equal to the product of (i) the Class B Exchange Multiplier applicable at the date of exchange and (ii) the number of Class B Units so acquired by the Company.

Pursuant to the Exchange Agreement, holders of Class D Units are entitled to exchange one Class D Unit for that number of Shares equal to the Class D Exchange Multiplier applicable at the date of such exchange, as described under "Licence and Royalty — Adjustments to the Royalty Pool and Payments Made Under the Licence and Royalty Agreements - Adjustments to the Royalty Pools". The Company will deliver an equivalent proportion of the common shares of Pizza Pizza GP held by it. The Partnership will then purchase the Class D Units acquired by the Company in return for that number of Class A LP Units equal to the product of (i) the Class D Exchange Multiplier applicable at the date of exchange and (ii) the number of Class D Units so acquired by the Company.

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

Through the ownership of its Class B Units, PPL, as of December 31, 2018, effectively owned 15.8% of the fully diluted Shares of the Company, assuming all outstanding Class B Units were exchanged based on the Class B Exchange Multiplier then applicable.

Through the ownership of its Class D Units, PPL, as at December 31, 2018, effectively owned 6.5% of the fully diluted Shares of the Company, assuming all outstanding Class D Units were exchanged based on the Class D Exchange Multiplier then applicable.

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

Pursuant to the Exchange Agreement, holders of Class B Units or Class D Units have been granted demand and "piggy-back" registration rights by the Company, enabling them to require the Company to file a prospectus and otherwise assist with a public offering of Shares in Canada on the terms prescribed therein, for so long as the aggregate direct or indirect retained interest in the Company is 10% or more. The demand registration rights were exercised in 2015 in connection with the secondary offering by PPL of 2,800,000 Shares. The Company's expenses in respect of such offering will be borne by the holder (or on a *pro rata* basis if both a holder and the Company are selling Shares in the offering). In the event of a "piggy-back" offering, the Company's financing requirements are to take priority.

LICENCE AND ROYALTY

The Licence

Pursuant to the Licence and Royalty Agreements, PPL has been granted licences to use the Pizza Pizza Rights and Pizza 73 Rights in connection with the operation of its restaurant business in Canada for a period of 99 years. It has the right to use the Pizza Pizza Rights and Pizza 73 Rights for other ancillary uses in support of brand recognition and customer goodwill for the restaurant business in Canada. It also has the right

to sublicence the Pizza Pizza Rights and Pizza 73 Rights to its Owner/Operators, Franchisees and sublicencees in all provinces and territories of Canada. The Partnership retains and will defend ownership of the Pizza Pizza Rights and Pizza 73 Rights. Subject to certain exceptions, PPL has a right of first refusal over any intended use of the Pizza Pizza Rights and Pizza 73 Rights by the Partnership in association with any new ware or service, or any intended licence to a third party for use of the Pizza Pizza Rights and Pizza 73 Rights in connection with any new ware or service. The Partnership has agreed not to use, or licence for use, the Pizza Pizza Rights and Pizza 73 Rights, for certain purposes designated under the Licence and Royalty Agreements, which generally includes uses that may diminish the value of the Licence to PPL.

The Pizza Pizza and Pizza 73 Royalty

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

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

For the fiscal year of the Partnership ending December 31, 2018, the Royalty was determined on the basis of the System Sales for the period January 1, 2018 to December 31, 2018 from the 758 restaurants in the Royalty Pool on January 1, 2018. The System Sales for these restaurants for the period January 1, 2018 to December 31, 2018 were approximately $546,343,000.

Effective January 1, 2018, 17 new Pizza Pizza restaurants and eight new Pizza 73 restaurants were added to the Royalty Pool and 16 Pizza Pizza restaurants and two Pizza 73 restaurant were closed and removed from the Royalty Pool. Of the 17 new Pizza Pizza restaurants opened during 2018, six were traditional restaurants and 11 were non-traditional locations. The eight Pizza 73 restaurants opened were all traditional locations opened during the period from September 1, 2016 to September 1, 2017. After this annual adjustment, the Royalty Pool increased by a net seven restaurants. During 2018, royalties were paid to the Company on 758 restaurants in the Royalty Pool.

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

Security for the Royalty

Security

As security for the payment of the Pizza Pizza Royalty and Pizza 73 Royalty, and all other obligations of PPL, under the Licence and Royalty Agreements, PPL entered into an Amended and Restated General Security Agreement extending the existing general security interest of the Partnership in all present and after acquired property of PPL (subject to customary permitted liens and certain other exceptions as described below),

including all amounts payable to PPL by its franchisees and Owner/Operators. Under the Amended and Restated General Security Agreement, the Partnership is entitled, in the event of a default by PPL, to appoint a receiver with the power to carry on the business of PPL. In addition, in the event of a default by PPL, PPL shall immediately pay the Partnership an amount equal to the Royalty paid for the previous 12 months. All amounts realized by the receiver, after costs, will be applied to the costs of operating the business of Pizza Pizza and to the payment to the Partnership of the amounts due under the Licence and Royalty Agreements.

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

Negative Covenants

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

1. Additional indebtedness and encumbrances (a basket for permitted indebtedness and encumbrances will be determined). PPL may not exceed a ratio of funded debt to EBITDA of 2.5:1.0. To the extent the Partnership has any outstanding debt, the lenders must approve any funded indebtedness of PPL greater than $250,000 in aggregate;

2. Loans, guarantees, advances or investments in any entity that is not a subsidiary which has provided its secured guarantee, with the exception of:

   (a) guarantees, letters of commitment, and other agreements that could be construed as contingent liabilities to support lender franchisee loans and non-Bank credit facilities extended to Franchisees and Unit Companies, which will not exceed $4,000,000 in the aggregate without the prior written consent of the lenders. All such guarantees will be limited to credit facilities made available to Franchisees and Unit Companies under the *Canadian Small Business Financing Act* (“CSBFA”); and

   (b) obligations to support non-CSBFA franchisee loans with other financial institutions where PPL’s obligations are limited to (i) servicing the principal and interest of such loans for a period no greater than 90 days from the time of franchisee default, and (ii) such payments only being made from drawings under a letter of credit provided to such financial institution, with the letter of credit to be provided by either the lenders or an institution acceptable to the lenders.

3. Except for payments constituting royalties under the Licence and Royalty Agreements (which may be made by PPL on a monthly or quarterly basis to the Partnership without restriction), all dividends, distributions, withdrawals, bonuses (aside from management bonuses in the normal course), advances, redemptions, payments of principal or interest (other than permitted payments on permitted indebtedness) to any partner, director, officer, shareholder or affiliate of PPL or any related party, except to the extent of meeting the following distribution test:

   (a) all financial covenants herein must be met both before and after any distribution; and

   (b) after payment of the royalty, any other type of distribution as described above must be from “Excess Cash Flow”. “Excess Cash Flow” shall mean EBITDA less cash taxes, unfunded capital expenditures, interest expense and all scheduled principal and lease payments.

4. Sale of any assets other than those sold in the normal course of business including the sale of corporate stores or interests therein to Franchisees or Owner/Operators of the Pizza 73 Unit Companies.

5. Amendment, deletion or change of anything material, in the opinion of the lenders, in the Licence and Royalty Agreements or any of the supporting security documents.

6. Capital expenditures by PPL to a maximum of $8,000,000 in 2018 and as per the budgeted amount satisfactory to the Bank in subsequent years, unless otherwise approved in writing by the lenders.

7. Liquidation, dissolution, merger, amalgamation, reorganization.

8. Entry into or agreement to be bound by any agreement having the effect of restricting any subsidiary or related party from making royalty distributions to the Partnership.

9. Change of control.

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

Certain Remedies

In the event of a default by PPL under the Licence and Royalty Agreements or the Amended and Restated General Security Agreement, including the failure to pay the Royalty, the Partnership is entitled to a number of remedies, both at law and under those agreements. The principal remedies are as follows:

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

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

Until the Royalty is brought into good standing or the Partnership agreed to other arrangements, and subject

The foregoing is a summary only of the remedies available to the Partnership in the event of a default by PPL under the Licence and Royalty Agreements and the Amended and Restated General Security Agreement. Reference should be made to the full text of these agreements, available on SEDAR at www.sedar.com, for additional details concerning these remedies.

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

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

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

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

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

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

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

Adjustments to the Pizza Pizza Royalty Pool

The Pizza Pizza Royalty Pool will be adjusted annually, on January 1 of each calendar year (the "Adjustment Date"), to include Pizza Pizza Restaurants that were open on or prior to December 31 of the previous year and not permanently closed prior to the Adjustment Date and which were not previously included in the Royalty Pool ("Additional Restaurants"). At the same time, the Royalty Pool will be adjusted to remove restaurants that were included in the Royalty Pool during the immediately preceding fiscal year but which have been permanently closed prior to the Adjustment Date ("Closed Restaurants"). Following that Adjustment Date, for the purposes of calculating the Royalty, System Sales will be determined based on Pizza Pizza Restaurants included in the Royalty Pool following those additions and removals of restaurants. For this purpose, a new or relocated restaurant that is opened by the same franchisee in replacement of an existing restaurant that is closed will not be treated as an Additional Restaurant and the restaurant that is closed will not be treated as a Closed Restaurant; rather, the new restaurant will continue to be included in the Royalty Pool.

Adjustments if there are Additional Restaurants but no Closed Restaurants

If System Sales increase due to the inclusion of Additional Restaurants in the Royalty Pool, the amount of the annual Royalty payable to the Partnership thereafter will be expected to increase. As a result, on an Adjustment Date, if Additional Restaurants are added to the Royalty Pool and there are no Closed Restaurants or Make-Whole Payments (as defined below) carried over and owing, the Class B Exchange Multiplier will be adjusted upwards to reflect the value to the Partnership of that future increase in System Sales and the corresponding increase in the Royalty. This adjustment will be made with reference to the "Determined Amount" which is equal to 92.5% of the amount of the Additional System Sales for the 52 week period commencing on the Adjustment Date resulting from the inclusion of the Additional Restaurants in the Royalty Pool, net of any decrease in System Sales (as compared to the year prior to the Adjustment Date) attributable to restaurants in the Royalty Pool whose franchised territories formerly included populations (in the year prior to the relevant Adjustment Date) now included in the territory of the Additional Restaurant (the "Additional System Sales"), multiplied by the Royalty rate, and divided by the Share Yield, and multiplied by a number equal to (1-Tax%). "Tax%" will be an estimate of the Company's effective tax rate for the year (determined using the total income taxes paid by the Company during the fiscal year divided by the total cash received by the Company during that fiscal year) (i.e., for the Adjustment Date of January 1, 2018, it is the effective Company tax rate for the year ended December 31, 2017). This estimate of the effective tax rate will be subject to an adjustment when the actual effective entity level tax rate of the Company for the year is known.

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

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

Adjustments and Make-Whole Payments if there are Closed Restaurants

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

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

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

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

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

Adjustment of the Class B Exchange Multiplier

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

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

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

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

On May 19, 2009, a Unitholders' Special Resolution approving an amendment to the Limited Partnership Agreement was passed, permitting the Partnership and holders of all the outstanding Class B Units to agree to a cash payment in lieu of an adjustment to the Class B Exchange Multiplier.

On January 1, 2018, one net new Pizza Pizza restaurant was added to the Royalty Pool as a result of 17 new restaurants opening and 16 closing from January 1, 2017 to December 31, 2017. The Class B Exchange Multiplier remained unchanged at 2.000691 in accordance with the foregoing calculations. The second adjustment to the Class B Exchange Multiplier in respect of 2018 was made in early 2019 effective January 1, 2018, and as a result, the final Class B Exchange Multiplier effective for 2018 was unchanged at 2.000691.

Distribution Entitlement of Class B Units

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

On the closing date of the Fund's initial public offering, the Class B Exchangeable Multiplier was 1.0. Therefore, in calculating the distribution entitlement of a Class B Unit immediately following, the Partnership's available cash was allocated to the holder of that share without adjustment. However, effective January 1, 2018, the Class B Exchange Multiplier was 2.000691 (meaning that one Class B Unit could be exchanged for 2.000691 shares of the Company). As a result, during 2018, the Partnership's available cash was allocated to the holder of that Class B Unit as if it held 2.000691 Shares.

If at the end of the year, after distributions have been paid on this basis, the actual System Sales are higher or lower than the estimate used to calculate the Class B Exchange Multiplier (and thereby to determine the distribution entitlement of the Class B Units), the Class B Distribution Adjustment described under "Description of the Partnership — Partnership Securities — Distributions" will be payable by the holders of the Class B Units to the Partnership (if actual System Sales were less than estimated System Sales for the year) or by the Partnership to the holders of the Class B Units (if actual System Sales exceeded estimated System Sales). In respect of the year ended December 31, 2018, it was determined in early 2019 that sales of the 17 new restaurants added to the Royalty Pool were higher than estimated, however, the estimated Determined Amount was still negative; as a result, the number of Shares issuable on exchange of the Class B Units remained unchanged at 5,018,210 effective January 1, 2018.

Adjustments to the Pizza 73 Royalty Pool

The Pizza 73 Royalty Pool will be adjusted annually, on January 1 of each calendar year (the ''Adjustment Date'') to include Pizza 73 Restaurants that were open on or prior to September 1 of the previous year and not permanently closed prior to the Adjustment Date and which were not previously included in the Pizza

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

Adjustments if there are Additional Restaurants but no Closed Restaurants

If Pizza 73 System Sales increase due to the inclusion of Additional Restaurants in the Pizza 73 Royalty Pool, the amount of the annual Pizza 73 Royalty payable to the Partnership thereafter will be expected to increase. As a result, on an Adjustment Date, if Additional Restaurants are added to the Pizza 73 Royalty Pool and there are no Closed Restaurants or Make-Whole Payments (as defined below) carried over and owing, the Class D Exchange Multiplier will be adjusted upwards to reflect the value to the Partnership of that future increase in Pizza 73 System Sales and the corresponding increase in the Pizza 73 Royalty. See — Adjustment of the Class D Exchange Multiplier’’. This adjustment will be made with reference to the ‘‘Determined Amount’’ which is equal to 92.5% of the amount of the additional Pizza 73 System Sales for the 52 week period commencing on the Adjustment Date resulting from the inclusion of the Additional Restaurants in the Pizza 73 Royalty Pool, net of any decrease in Pizza 73 System Sales attributable to restaurants in the Pizza 73 Royalty Pool (‘‘Adjusted Restaurants’’

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

Subsequently, on each Adjustment Date, the Make-Whole Payment will be taken into account in calculating the adjustment to be made to the Pizza 73 Royalty Pool on that Adjustment Date. If Additional System Sales of the Additional Restaurants to be added to the Pizza 73 Royalty Pool are sufficient to offset the lost Pizza 73 System Sales from the Closed Restaurants for the first 52-week period in which the Closed Restaurants were included in the Pizza 73 Royalty Pool, the Partnership will be required to pay the applicable Determined Amount to PPL, although the Determined Amount (and thus the extent of the adjustment of the Class D Exchange Multiplier described below) will be reduced to account for the Closed Restaurants. If the Pizza 73 System Sales generated by the Closed Restaurants for the first 52-week period in which the Closed Restaurants were included in the Pizza 73 Royalty Pool exceed the Additional System Sales of Additional Restaurants to be added to the Pizza 73 Royalty Pool, the Make-Whole Payment will be carried over, and continue to be paid for subsequent years, until on an Adjustment Date, Additional System Sales of Additional Restaurants are sufficient to offset the Pizza 73 System Sales attributable to all Closed Restaurants. In these circumstances, the amount of the Make-Whole Payment will be reduced to account for any expected increase in the Pizza 73 Royalty related to the Additional System Sales of Additional Restaurants to be added to the Pizza 73 Royalty Pool as at such Adjustment Date.

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

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

Adjustment of the Class D Exchange Multiplier

The change in the amount of the Pizza 73 Royalty to be received by the Partnership as a result of changes in the restaurants included in the Pizza 73 Royalty Pool (and their Pizza 73 System Sales) will affect the extent of PPL's retained interest through the adjustment to the exchange rate at which the Class D Units may ultimately be exchanged for Shares of the Company, referred to as the ''Class D Exchange Multiplier''. The Class D Exchange Multiplier determines the number of Shares into which the Class D Units are exchangeable from time to time. If there are Additional Restaurants (but no Closed Restaurants) on an Adjustment Date, or if the Additional System Sales of Additional Restaurants are sufficient to offset the Pizza 73 System Sales attributable to all Closed Restaurants, the Class D Exchange Multiplier will be adjusted upwards, based on the Determined Amount, to reflect the increase in value of the Partnership due to an increase in the royalty stream. This adjustment will also increase the entitlement of the holders of Class D Units to distributions of cash and allocations of income from the Partnership in the manner set out below.

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

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

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

On May 19, 2009, a Unitholders' Special Resolution approving an amendment to the Limited Partnership Agreement was passed, permitting the Partnership and holders of all the outstanding Class D Units to agree to a cash payment in lieu of an adjustment to the Class D Exchange Multiplier.

On January 1, 2018, six net new Pizza 73 restaurants were added to the Royalty Pool as a result of eight new restaurants opening and two closing from September 2, 2016 to September 1, 2017. The Class D Exchange Multiplier initially increased to 20.29401 in accordance with the foregoing calculations. The second adjustment to the Class D Exchange Multiplier in respect of 2018 was made in early 2019 effective January 1, 2018, and as a result, the final Class D Exchange Multiplier effective for 2018 was 21.27782.

Distribution Entitlement of Class D Units

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

On the Pizza 73 acquisition closing date, the Class D Exchangeable Multiplier was set at zero. Effective January 1, 2018, the Class D Exchange Multiplier was 20.29401 (meaning that one Class D Unit could be exchanged for 20.29401 Shares of the Company). As a result, during 2018, the Partnership's available cash was allocated to the holder of that Class D Unit as if it held 20.29401 Shares.

If at the end of the year, after distributions have been paid on this basis, the actual Pizza 73 System Sales higher or lower than the estimate used to calculate the Class D Exchange Multiplier (and thereby to determine distribution entitlement of the Class D Units), the Class D Distribution Adjustment described under "Description of the Partnership — Partnership Securities — Distributions" will be payable by the holders of the Class D Units to the Partnership (if actual Pizza 73 System Sales were less than estimated Pizza 73 System Sales for the year) or by the Partnership holders of the Class D Units (if actual Pizza 73 System Sales exceeded estimated Pizza 73 System Sales). In respect of the year ended December 31, 2018, it was determined in early 2019 that sales of the eight new restaurants added to the Royalty Pool were higher than estimated, resulting in an increase, in PPL's Share equivalent holdings of Class D Units by 98,380 to 2,127,782 effective January 1, 2018.

Step Out Payments

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

market. This would result in an initial decrease in the Pizza 73 System Sales of the existing Pizza 73 Restaurant, the territory of which has been reduced.

Based on Pizza 73's past experience, Management believes that the decline in Pizza 73 System Sales in respect of a Pizza 73 Restaurant following such a territory reduction will typically be significantly greater than the impact historically experienced on Pizza Pizza Restaurants that has resulted from comparable changes to the defined territory served by Pizza Pizza Restaurants, due in part to the greater reliance of Pizza 73 Restaurants on delivery volumes. To the extent that those ''lost'' Pizza 73 System Sales are effectively transferred to the new Pizza 73 Restaurant, those sales would not be reflected in the Pizza 73 Royalty Pool until the next applicable Adjustment Date. Accordingly, pursuant to the Pizza 73 Licence and Royalty Agreement, PPL will pay to the Partnership a monthly payment (the ''Step Out Payment'') in respect of an Adjusted Restaurant, the territory of which has been reduced, from the month in which the reduction occurs to the end of the next following calendar year. The Step-Out Payment will be calculated as the difference between the average monthly Pizza 73 Royalty payment attributable to that Adjusted Restaurant in the 12 months immediately preceding the month in which the territory reduction occurs, less the Pizza 73 Royalty payment attributable to the restaurant in the current month. One limitation of the vend-in arrangements for a new Pizza 73 Restaurant that is opened as a result of such a territory adjustment is that the sales of this restaurant (upon which the vend-in price received by PPL is based, when the new restaurant is added to the Pizza 73 Royalty Pool as an Additional Restaurant) may include growth in sales of the existing Pizza 73 Restaurant that would have been achieved in the absence of the new restaurant. The Step Out Payment will maintain monthly Pizza 73 Royalty payments in respect of an affected Pizza 73 Restaurant for a maximum of 23 months following a reduction of its territory, but will not offset any adverse impact on the growth prospects of the affected restaurant or the Pizza 73 Royalty income foregone as a consequence of such reduced growth (although the Pizza 73 System Sales of the new restaurant will be subject to inclusion in the Pizza 73 Royalty Pool as an Additional Restaurant on a subsequent Adjustment Date).

MANAGEMENT AND CORPORATE GOVERNANCE OF PIZZA PIZZA GP

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

PPL, as a general partner of the Partnership, is actively engaged in the business of the Partnership, is responsible for, and has authority in, assisting Pizza Pizza GP in the management of the business and affairs of the Partnership and performs such additional specific duties in connection with the business of the Partnership as is delegated to it by Pizza Pizza GP from time to time pursuant to the Limited Partnership Agreement. PPL provides consultation and management services to the Partnership as to the operation and management of the Partnership's business, in addition to the assistance provided to Pizza Pizza GP.

In particular, PPL is responsible for:

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

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

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

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

Capital of Pizza Pizza GP

The authorized share capital of Pizza Pizza GP consists of an unlimited number of common shares ("GP Shares") without par value. At December 31, 2018, 77.7% of the issued and outstanding GP Shares are owned by the Company and 22.3% are owned by PPL.

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

Management and Control of Pizza Pizza GP

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

Restrictive Covenants

The Governance Agreement provides that so long as the Overs Family (as defined below) continues to beneficially own securities representing 5% or more of the outstanding voting securities of Pizza Pizza GP, they will not own or operate or otherwise be interested in any pizza QSR business in Canada during the term of the Licence and Royalty Agreements, except through ownership of Shares and as permitted by the Licence and Royalty Agreements. Pursuant to the Licence and Royalty Agreements, PPL will only be permitted to carry on its pizza QSR business during the term of the agreements.

Restrictions on the Transfer of Partnership Securities

The Company has agreed in the Governance Agreement that the Company will not sell or otherwise dispose of any of its Partnership Securities except with the prior written consent of PPL.

PPL has agreed in the Governance Agreement that, until the Company is liquidated, the Partnership Securities held by PPL may only be sold or otherwise disposed of by PPL to a Related Party or to the Company pursuant to the Exchange Rights or the Limited Partnership Agreement. The Partnership Securities may also be sold or otherwise disposed of by PPL in the event of:

- a take-over bid for all of the Shares in which the offeror acquires 90% of all of the issued and outstanding Shares (including rights to the Shares to be issued to PPL upon exercise of the Exchange Rights); or

- a take-over bid, amalgamation, plan of arrange

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

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

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

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

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

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

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

- following a transaction that involves the transfer of shares of PPL or an amalgamation of PPL, 50% or more of the combined voting power of PPL's then outstanding securities (or of a Successor Corporation, in the case of an amalgamation) are held by the Overs Family, or by employees of PPL or its affiliates, provided that in all cases, any such transferee of shares from the Overs Family agrees to be bound by the terms of the right of first offer.

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

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

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

Other Matters

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

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

MARKET FOR SECURITIES

The outstanding Shares of the Company are listed on the Toronto Stock Exchange under the symbol "PZA".

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

Corporate Governance Matters: The Company's full board of directors has assumed the duties previously executed by a separate governance committee; this was done for efficiency purposes and cost savings. The full board will continue with the previous governance mandate in developing the Company's approach to governance issues, filling vacancies among the Directors and periodically reviewing the composition and effectiveness of the Directors and the contribution of individual Directors. The governance mandate also includes oversight of the relationship between the Company and PPL, including advice on conflict of interest matters that may arise and review of business plans and other information furnished by PPL under the Licence and Royalty Agreements. For a full description of the governance mandate, please reference the latest filed Management Information Circular.

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

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

Directors and Executive Officers of Pizza Pizza GP

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

Name and Province/ Country of Residence	Principal Occupation	Period of Service as a Director
Paul Goddard[(1)] Ontario, Canada	Chief Executive Officer and President, Pizza Pizza Limited	since March 31, 2010
Curt Feltner[(1)] Ontario, Canada	Chief Financial Officer, Pizza Pizza Limited	since June 8, 2005
Richard McCoy[(2)] Ontario, Canada	Corporate Director	since June 8, 2005
Edward Nash[(2)] Ontario, Canada	Managing Director, Nash &	

Conflicts of Interest

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

AUDIT COMMITTEE INFORMATION

The Company has established an Audit Committee.

Audit Committee Mandate

The mandate of the Audit Committee is to provide assistance to the Board of Directors of the Company in fulfilling its oversight responsibilities with respect to Pizza Pizza GP, the Partnership, and the Company by reviewing the financial information that will be provided to Shareholders, the systems of corporate financial controls which management and the Board of Directors have established and the audit process. The mandate of the Audit Committee is attached hereto as Exhibit "A".

Composition of Audit Committee

The members of the Audit Committee are, Mr. Richard McCoy, Mr. Jay Swartz and Ms. Kathryn Welsh (Chair). Each of Messrs. McCoy and Swartz and Ms. Welsh are independent and financially literate within the meaning of National Instrument 52-110 – Audit Committees.

Relevant Education and Expertise

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

Richard McCoy - Prior to retiring in October 2003, Mr. McCoy was the 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.

Jay Swartz – Jay Swartz is counsel at Davies Ward Phillips & Vineberg LLP, where he has practiced since 1975. He has diverse commercial practice with particular emphasis on banking, debt financings, financial product development, structured finance, corporate restructuring, private equity funds and private company acquisitions. Mr. Swartz was called to the Ontario Bar in 1975. Prior to that he completed his LLB at Osgoode Hall and his BA at York University.

Kathryn (Kathy) A. Welsh. Prior to retiring in 2011, Kathy Welsh was an independent consultant. Prior to forming her own consulting practice in 2004, she held a number of senior financial positions, including Chief Financial Officer for Radian Communication Services Corporation, Simvest Solutions, The Second Cup, and Canada Bread. She began her business career as a senior accountant with KPMG LLP, subsequently holding management positions at Holt Reinhart & Winston of Canada Limited, Innopac Inc. and Maple Leaf Foods Inc. Ms. Welsh has served on a number of public and private company boards, and is currently a Director and Audit Committee Chair for The Caldwell Partners International Inc. Ms. Welsh completed her B.Comm. (Honours – Gold Medalist) at Queen's University in 1980 and earned her CPA designation in 1982; in 2008 she became an Institute Certified Director, Institute of Corporate Directors.

Pre-Approval Policies and Procedures

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

Auditors

The Company's auditors are Ernst & Young LLP ("Ernst & Young").

External Fees by Audit Category

The fees billed by Ernst & Young for the period ended December 31, 2018 were $89,200 (2017 - $84,500) for audit fees, $29,100 (2017 - $38,500) for audit-related fees, and $13,250 (2017 - $13,000) for tax fees.

Audit Fees

Audit fees are the fees related to the external audit of the Company and its wholly owned subsidiary companies and affiliated entities. For 2017, the Company paid $10,000 in incremental audit fees relating to new accounting standards that will commence in 2018.

Audit-Related Fees

Audit related fees are for assurance and related services reasonably related to the performance of the audit of the consolidated financial statements, and include incremental reporting obligations relating to the System Sales audit, and the audit of the annual adjustments to the Royalty Pool, and are not reported under "Audit Fees" above.

Tax Fees

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

All Other Fees

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

RISK FACTORS

An investment in the Shares involves a number of risks. In addition to the other information contained in this annual information form, Shareholders should give careful consideration to the following factors.

Risks Related to the PPL Business and the Quick Service Restaurant Industry

Competition

The performance of the Company is directly dependent upon Royalty payments received from PPL. The amount of Royalty received from PPL is dependent on various factors that may affect the QSR 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 QSR industry. Moreover, PPL competes with third party food delivery

services, home meal delivery companies, grocery chains and other providers of prepared foods, and other companies outside the QSR segment of the restaurant industry. For example, sales of frozen pizza at Canadian grocery stores have increased over the past ten years. Third party food delivery services have allowed new entrants into the delivery business, with little to no capital investment. These competitors may have, among other things, a more diverse menu, and there can be no assurance that these competitive factors will not significantly impact the sales of Pizza Pizza Restaurants 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, chicken offerings, salads and soft drinks and PPL receives fees from Franchisees and from Pizza 73 Unit Companies based on gross sales. The QSR industry is characterized by the frequent introduction of new products, accompanied by substantial promotional campaigns. In recent years, numerous companies in the QSR 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. More recently, plant based diets are attracting more consumers. Any significant event that adversely affects consumption of pizza, chicken offerings, salads and soft drinks, such as cost, changing tastes or health concerns, could adversely impact the gross sales of Pizza Pizza and Pizza 73 Restaurants and consequently, the amount of the Royalty payable to PPL.

Restaurant Industry

The performance of the Company 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 QSR segment of this industry. The Canadian restaurant industry is intensely competitive with respect to price, value proposition, service, location and food quality. Competitors include national and regional chains, as well as independently owned restaurants. If PPL is unable to successfully compete in the QSR 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 general economic conditions, disposable consumer income, consumer confidence and consumer concerns over food safety, the genetic origin of food products, public health issues and related matters. 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, Quality of Raw Materials and Reliance on Suppliers

Sales by Pizza Pizza Franchisees and Pizza 73 Unit Companies are dependent upon the availability and quality of the raw materials, food and services used in the products sold by such Pizza Pizza Franchisees and Pizza 73 Unit Companies. The availability and price of these commodities are subject to fluctuation and may be affected by a variety of factors affecting the supply and demand of the raw materials used in these products. 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 PPL-wide restaurant operations, particularly if PPL is unable to reflect increased costs in the selling price of its product.

Unfavourable trends or developments, including among others, the unavailability of certain products, transportation disruptions, strikes, lock-outs, labour unrest and financial difficulties affecting PPL's suppliers, may cause a significant reduction in the availability or quality of products or services purchased by Pizza Pizza Franchisees and Pizza 73 Unit Companies.

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 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 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, 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 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 Franchisees' and Unit Companies' ability to generate sales and to pay franchise fees and other amounts to PPL. Failure to achieve adequate levels of collection from Franchisees and Unit Companies could have a material 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 forms 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 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 Marks and Pizza 73 Marks and the Pizza Pizza Rights 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 trademarks in Canada can be challenged pursuant to provisions of the *Trade-marks Act* (Canada), and if any Pizza Pizza Marks and Pizza 73 Marks are ever successfully challenged, this may have an adverse impact on System Sales and therefore on the Royalty.

The Partnership own

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.

Attracting and Retaining Quality Employees

PPL and its Franchisees' and Owner/Operators' business is dependent upon attracting and retaining a large number of quality employees who reflect PPL's two brand images and culture. Many of these employees are in entry level or part-time positions with historically high rates of turnover. The inability of PPL and its Franchisees and Owner/Operators to hire, train and retain employees may adversely affect the operations of the restaurants and could have an adverse effect on sales.

PPL's ability to meet its labour needs while controlling the costs associated with hiring and training new employees is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation and changing demographics. Changes that adversely impact PPL's ability to attract and retain quality employees could adversely affect its business.

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 200 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 PPL 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.

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 licensing and regulation by a number of governmental authorities, which may include alcoholic beverage control, authorities enforcing smoking laws, health and safety laws and fire laws. Difficulties in obtaining, or failures to obtain, the required licences or approvals could delay or prevent the development of a new restaurant in a particular area. Developing new Pizza Pizza and Pizza 73 Restaurants in particular locations requires licences and land use approval, and could be delayed by difficulties in obtaining such licences and approvals or by more stringent requirements of

local government bodies with respect to zoning, land use and licensing. 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.

On January 1, 2017, the *Healthy Menu Choices Act, 2015* (Ontario) came into effect. This legislation requires Ontario restaurant chains to provide caloric information on menus, menu boards and restaurant apps. Similar legislation has been adopted in the United States and could be adopted in other jurisdictions in which PPL operates. Disclosure of caloric information may alter consumer spending habits, which could have an adverse effect on PPL's business.

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 provides 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.

Food Product Regulation

PPL and suppliers of food products to the Pizza Pizza Restaurants and Pizza 73 Restaurants must comply with applicable federal and provincial regulations relating to the manufacture, preparation and labeling of food products. Any failure to comply with these regulations may have an adverse effect on PPL's business, including its perception by customers.

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.

Risks Related to the Structure of the Company

Dependence on PPL

The sole source of revenue of the Company is the Royalty payable to the Partnership 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.

The Partnership is entirely dependent upon the operations and assets of PPL to pay the Royalty to the Partnership, 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 has third-party debt service obligations under the credit facility. See "Description of the Business – The Partnership — Credit Facility". The degree to which the Partnership is leveraged could have

important consequences to the holders of the Shares, 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 Company; and (ii) certain of the Partnership's borrowings may be at variable rates of interest, which exposes the Partnership to the risk of increased interest rates.

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

The Partnership has to refinance its available credit facilities or other debt and there can be no assurance that the Partnership will be able to do so or be able to do so on terms as favourable as those in place. 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 Shareholders. In addition, the terms of any new credit facility or debt may be less favourable or more restrictive that the terms of the existing credit facilities or other debt, which may indirectly limit or negatively impact the ability of the Company to pay cash distributions.

The Term Facility contains restrictive covenants that limit the discretion of the Partnership with respect to certain business matters. In certain circumstances, these restrictive covenants may restrict the cash available for distribution by the Partnership to the Company, and therefore the cash ultimately available for distribution to Shareholders.

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

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

Although the Company intends to distribute the income earned by the Company less taxes and other expenses of the Company, there can be no assurance regarding the amounts of income to be generated by the Company or the Partnership. The actual amount distributed in respect of the Shares will depend upon numerous factors, including the amount and payment of the Royalty. The Partnership maintains reserves to stabilize and support cash available for distribution and, in turn, the Company's dividends. This will typically be the case when the payout ratio exceeds 100%. However, if these reserves are significantly reduced, Pizza Pizza GP may determine that it is necessary to reduce its distributions. The Company will also incur expenses as a public issuer, which will reduce cash available for distribution. The market value of the Shares may deteriorate if the Company is unable to maintain or increase dividend levels in the future, and that deterioration may be significant.

The Company May Issue Additional Shares Diluting Existing Shareholders Interests

The Company's articles allow for the issuance of an unlimited number of Shares. Additional Shares will be issued by the Company upon the exchange of the Class B Units and Class D Units, which will dilute existing shareholders' ownership interest in the Company and may adversely impact the market price of the Shares.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

PPL has entered into the Licence and Royalty Agreements with the Partnership, and holds Class B Units and Class D Units. See "General Development of the Business" and "Licence and Royalty" for a description of

these transactions and the Company's other relationships with management of Pizza Pizza GP, PPL and their respective affiliates and associates. Mr. Goddard and Mr. Feltner, who are directors and officers of Pizza Pizza GP, are also officers of PPL. In addition, Mr. Goddard is a director of PPL and is the spouse of PPL's controlling shareholder.

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

- PPL rented restaurants and other premises, including the Toronto commissary, the Pizza Pizza Training facilities and its head office, from companies controlled by the Overs Family, in the amounts of approximately $2,475,000, $2,589,000, and $2,601,000 for the fiscal years ended 2018, 2017, and 2016, respectively.
- PPL purchased food from a company controlled by the Overs Family in the amounts of approximately $12,508,000, $11,817,000, and $12,526,000 for the fiscal years ended 2018, 2017, and 2016, respectively.
- PPL earned management fees from companies controlled by the Overs Family in the amount of $600,000, for each of the fiscal years 2018, 2017, and 2016, respectively.

See also Note 22 to the consolidated financial statements of PPL for the period ending December 30, 2018, which note is incorporated by reference herein.

LEGAL PROCEEDINGS

PPL and the Company are not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Company, the Partnership, Pizza Pizza GP or PPL which would be material.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Ernst & Young LLP, Chartered Accountants, 100 Adelaide Street West, Toronto, Ontario, M5H 0B3.

The transfer agent and registrar for the Shares AST Trust Company (Canada) at its principal transfer office in Toronto, Ontario.

MATERIAL CONTRACTS

The following are the only material contracts, other than the contracts entered into in the ordinary course of business, which have been entered into by any of the Company, the Partnership or Pizza Pizza GP within either (i) the most recently completed financial year or (ii) a previous financial year that remain in effect:

a) the Licence and Royalty Agreements and the Amended and Restated General Security Agreement referred to under "Licence and Royalty";
b) the Governance Agreement referred to under "Management and Corporate Governance of Pizza Pizza GP";
c) the Exchange Agreement referred to under "Description of the Partnership – The Exchange Rights";
d) the Limited Partnership Agreement referred to under "Description of the Partnership"; and
e) the Administration Agreement referred to under "Description of the Company – Company Administration".

INTERESTS OF EXPERTS

The Company's auditors are Ernst & Young and the consolidated annual financial statements for the year ended December 31, 2018 have been filed under National Instrument 51-102 – Continuous Disclosure Requirements in reliance on the report of Ernst & Young given on their authority as experts in auditing and

accounting. To the knowledge of the Company, Ernst & Young are independent with respect to the Company and its subsidiaries in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on the Canadian Securities Administrators SEDAR website at www.sedar.com, and at www.pizzapizza.ca. Additional information, including the remuneration and indebtedness of directors and officers of the Company and its subsidiaries, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, is contained in the Company's information circular for its annual meeting of Shareholders. Additional financial information is provided in the Company's financial statements and management's discussion and analysis for the fiscal year ended December 31, 2018.

PIZZA PIZZA ROYALTY CORP.
AUDIT COMMITTEE CHARTER

OVERVIEW

Pizza Pizza Royalty Corp. (the "**Company**") owns, through Pizza Pizza Royalty Limited Partnership (the "**Partnership**") the trademarks, trade names and other intellectual property and associated rights (collectively, the "**Rights**") used in connection with Pizza Pizza and Pizza 73 restaurants in Canada that are operated by Pizza Pizza Limited ("**PPL**"), its franchisees and operators. The Rights have been licensed to PPL pursuant to two separate licence and royalty agreements (the "**Licence and Royalty Agreements**") in consideration of which the Partnership is entitled to receive a royalty payment based on the system sales of a defined pool of restaurants. Accordingly, the financial performance of the Company and its subsidiaries is dependent on the effective operation and management of the restaurant system, and on PPL's performance of its obligations under the Licence and Royalty Agreements and the other related agreements between PPL and the Company and its subsidiaries (the "**PPL Agreements**"). These obligations include the timely provision of financial and other information to the Company and its subsidiaries to enable the Company to develop its budget, capital plans and dividend policy, to monitor PPL's compliance with the PPL Agreements and to satisfy the Company's continuous disclosure and other obligations as a reporting issuer under applicable securities laws.

Although the Company does not hold a direct or indirect equity interest in PPL and is not otherwise entitled to control or direct the Pizza Pizza business, this Charter recognizes that the contractual and other relationships between the Company and its subsidiaries, on the one hand, and PPL, on the other hand, require a coordinated approach to accounting and financial reporting issues to support the Company's compliance with its obligations as a reporting issuer. This Charter also recognizes that certain functions of the Company may be performed by the directors or management of Pizza Pizza GP Inc. ("Pizza Pizza GP") or PPL.

Mandate of the Audit Committee

1. The Audit Committee shall be comprised of three or more directors as determined by the board of directors of the Company (the "**Board**"), each of whom shall be independent directors within the meaning of National Instrument 52-110 - Audit Committees, as amended from time to time, free from any direct or indirect material relationship with the Company or any other relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee.

2. All members of the Audit Committee shall be financially literate.

3. The Audit Committee shall meet at least quarterly, prior to the release of quarterly financial results. Additional meetings may be held if deemed necessary at the call of its Chairperson. A majority of the members of the Audit Committee shall constitute a quorum at any meeting.

4. The Audit Committee shall review with management of Pizza Pizza GP and of PPL and the external auditors, and shall recommend to the Board for action, all public financial reports and other public financial information, including:

    a. annual and interim earnings press releases;
    b. the Company's interim and annual audited financial statements;
    c. the Company's Management's Discussion and Analysis; and
    d. financial information of the Company included in the Annual Report to Shareholders, the Company's Annual Information Form or in any prospectus or offering document.

5. The Audit Committee, through discussions with management of Pizza Pizza GP and of PPL and with the external auditors, shall satisfy itself that:

    a. financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles;
    b. appropriate accounting policies and practices have been selected and applied consistently;
    c. there is an appropriate basis for significant estimates requiring the exercise of management judgment; and
    d. significant, contingent liabilities are appropriately accounted for or disclosed.

6. The Audit Committee, through discussions with management of Pizza Pizza GP and of PPL and with the external auditors, shall satisfy itself that:

    a. management of Pizza Pizza GP and of PPL has established appropriate and cost-effective systems of internal control to safeguard assets, manage significant business risks and ensure accurate and timely financial reporting;
    b. significant observations, if any, of external auditors regarding internal controls are appropriately considered and dealt with; and
    c. management has established appropriate procedures to comply with applicable legislation for the remittance of certain taxes, pension monies and employee remuneration.

7. The Audit Committee shall receive reports from and hold discussions with the external auditors to ensure that:

    a. the audits are appropriate in scope and extent, properly planned and conducted effectively;
    b. significant resolved and any unresolved issues between auditors and management have been brought to its attention;
    c. the principal risks of the Company's activities have been identified and appropriate systems have been implemented to manage these risks; and
    d. the integrity of the Company's internal control and management information systems is satisfactory.

8. The Audit Committee has the ultimate authority and responsibility to review and recommend to the Board for action:

    a. fees paid to the external auditors; and
    b. the appointment of external auditors.

9. The Audit Committee shall ensure the receipt from the external auditors of a formal written statement delineating all relationships between the auditors and the Company, PPL and their respective subsidiaries to satisfy itself with respect to the external auditors' independence.

10. The Audit Committee shall receive and review the minutes of the audit committees, if any, of wholly-owned subsidiary or controlled subsidiary and majority-owned companies. The Audit Committee may perform any other activity consistent with this Charter, the Company's constating documents and governing law as the Committee or the Board deems necessary or appropriate.

11. The Company must require its external auditors to report directly to the Audit Committee.

12. The Audit Committee is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attesting services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting.

13. The Audit Committee must pre-approve all non-audit services to be provided to the Company or its subsidiaries by the Company's external auditors.

14. The Audit Committee will work with management in undertaking an annual assessment of auditor performance and independence in accordance with Canadian Public Accountability Board guidelines.

15. The Audit Committee must review and approve the hiring policies adopted by the Company and its subsidiaries regarding partners, employees and former partners and employees of the present and former external auditors. The Audit Committee will liaise with PPL with respect to PPL's hiring policies as they related to such persons.

16. The Audit Committee has the authority to engage independent counsel and advisors as it determines necessary to carry out its duties;

    a. to set and pay the compensation for any advisors employed by the Audit Committee; and
    b. to communicate directly with the external auditors.

17. The Audit Committee shall review and update this Charter annually and present it for Board approval.

18. The Audit Committee must be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and must periodically assess the adequacy of those procedures.

19. The Audit Committee must establish procedures for:

    a. the receipt, retention and treatment of complaints received by the Company and its subsidiaries regarding accounting, internal accounting controls or auditing matters;
    b. the confidential, anonymous submission by employees of the Company and its subsidiaries of concerns regarding questionable accounting or auditing matters.