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 over 31,500,000 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, 2017, PPL had 760 total locations in its system, comprised of 674 franchised or licenced restaurants, 79 jointly-controlled restaurants and seven 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.

Pizza Pizza Limited celebrated its 50th anniversary in 2017. Marketing campaigns featured an historical review of how Pizza Pizza became the #1 pizzeria in Canada by showcasing our progress over the years. Throughout the year, promotional campaigns, customer appreciation events, customer contests and charity events engaged with the many communities across Canada which have made Pizza Pizza the #1 pizza brand.

At the beginning of 2017, Pizza Pizza began 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.

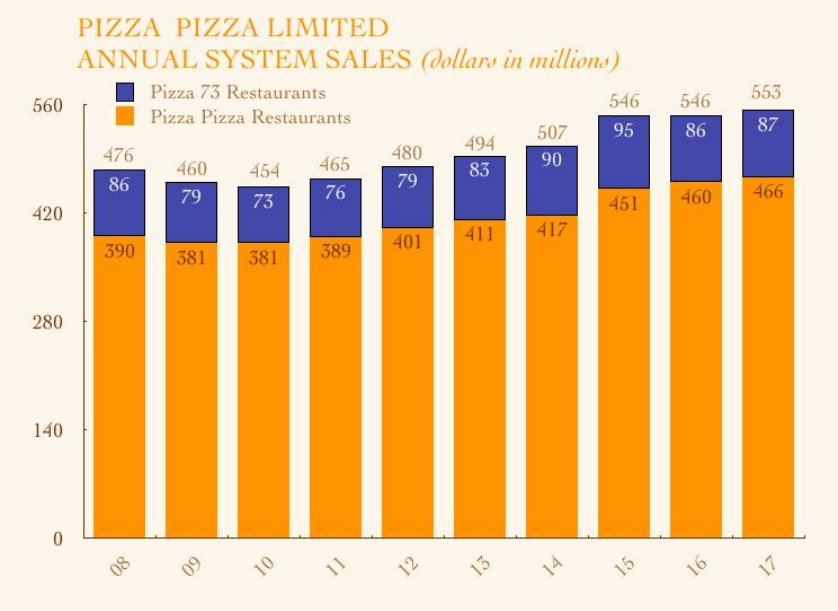
PPL believes its leading market share, its high-quality menu offerings and new product introductions, its geographic diversification and major convenience advantage, plus its continued investment in technological innovation, present long-term opportunities for sales growth.

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 Air Canada Centre, 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 and Nova Scotia, with the highest market penetration in southern Ontario. Traditional Pizza 73 Restaurants operate primarily in Alberta. Non-traditional restaurants currently operate primarily in Ontario and Alberta, but with a number of locations across Canada as well. The following table sets forth the



Same Store Sales Growth

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

SSSG **(%)**	**2017**	**2016**	**2015**	**2014**	**2013**
Pizza Pizza	0.3	3.3	5.2	-0.3	1.6
Pizza 73	-2.2	-5.2	1.1	7.6	4.4
Combined	-0.1	1.9	4.5	1.1	2.1

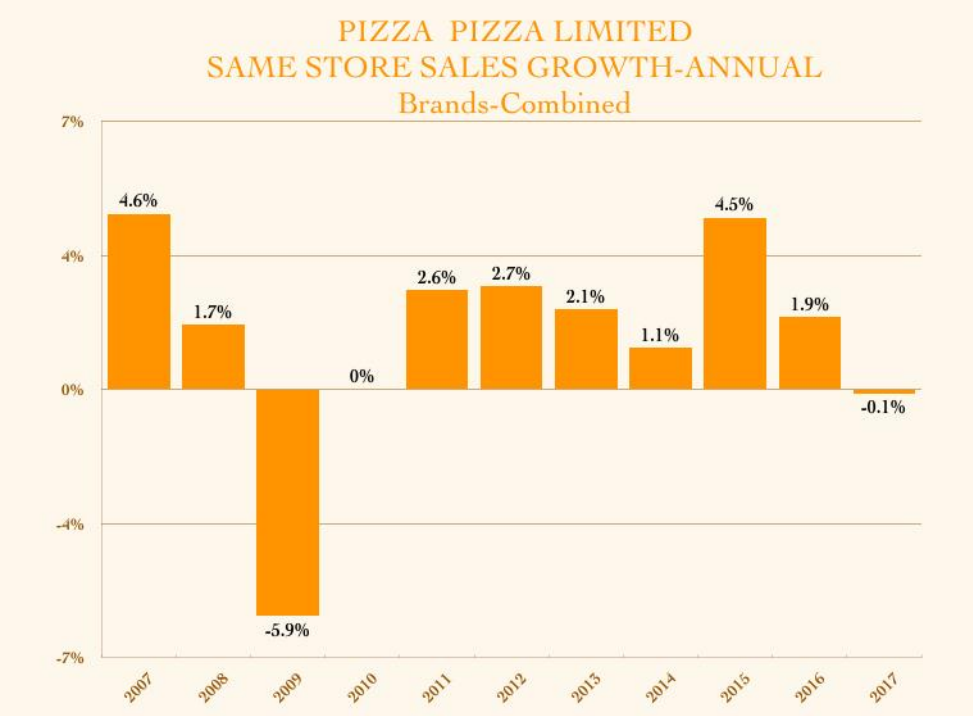
SSSG is driven by the change in the average customer check and in customer traffic, both of which are affected by changes in pricing and sales mix. For the year, traffic increased while the average customer check decreased slightly. The decrease in the average check was the result of Pizza Pizza marketing campaigns rolling back prices during its 50th anniversary celebrations. The Pizza 73 traffic counts continue to be negatively impacted by the weakened Alberta economy, resulting in negative SSSG. Management continues to closely monitor consumer behavior and the reaction to marketing campaign messages in a highly competitive, value-oriented retail environment.

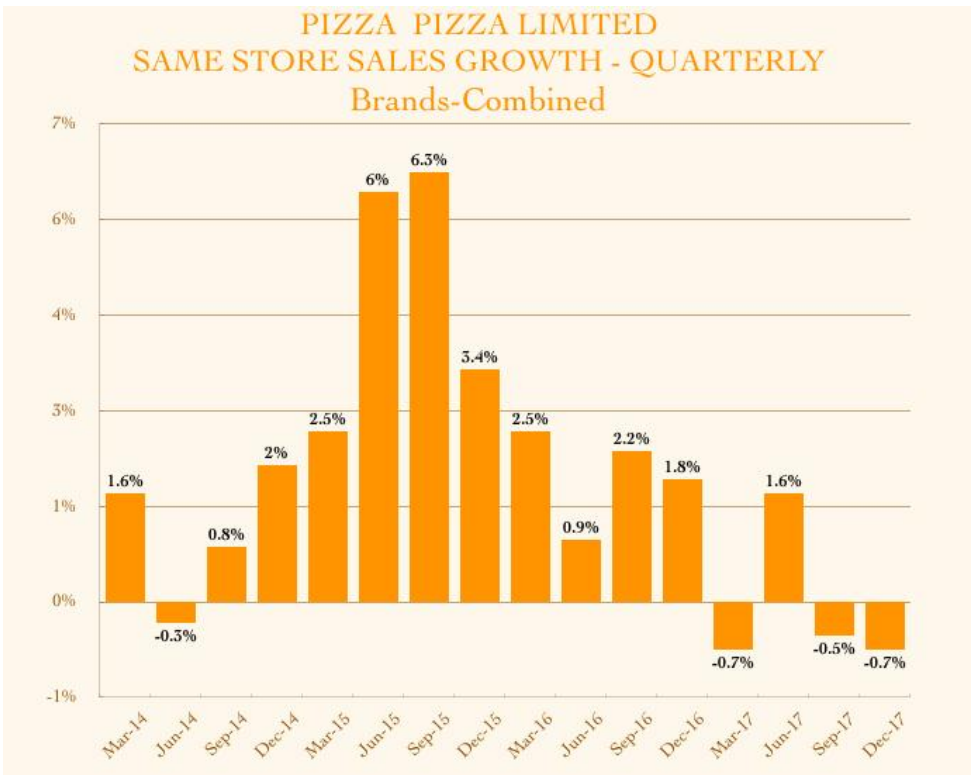
Management believes that Pizza Pizza Limited's 2017 same store sales decrease of 0.1% is a product of the geographical strengths and weaknesses of the Canadian economy. Pizza 73, reported a SSSG decrease of 2.2% for 2017 operating in Alberta. Pizza Pizza, the market leader in Ontario and Quebec, reported an increase of 0.3% in SSSG.

As many provinces increase minimum wage, selective increases in retail prices will be taken in 2018 as additional attention is directed to restaurant profitability. Marketing strategies will be designed to support customer traffic growth.

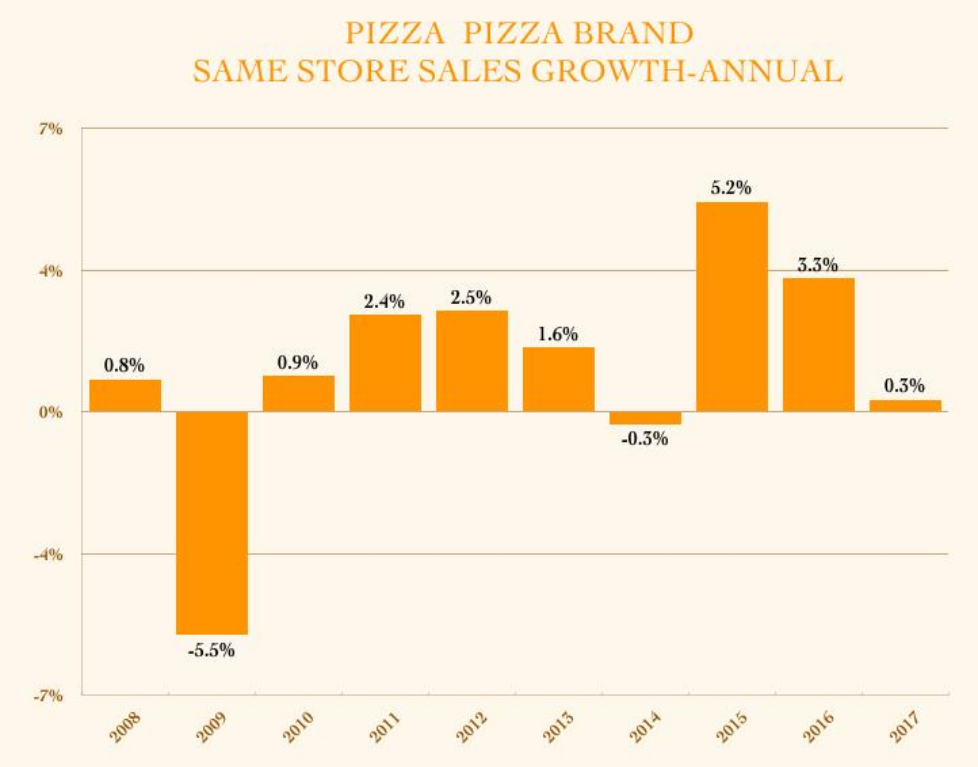
The following charts show historical SSSG performance:

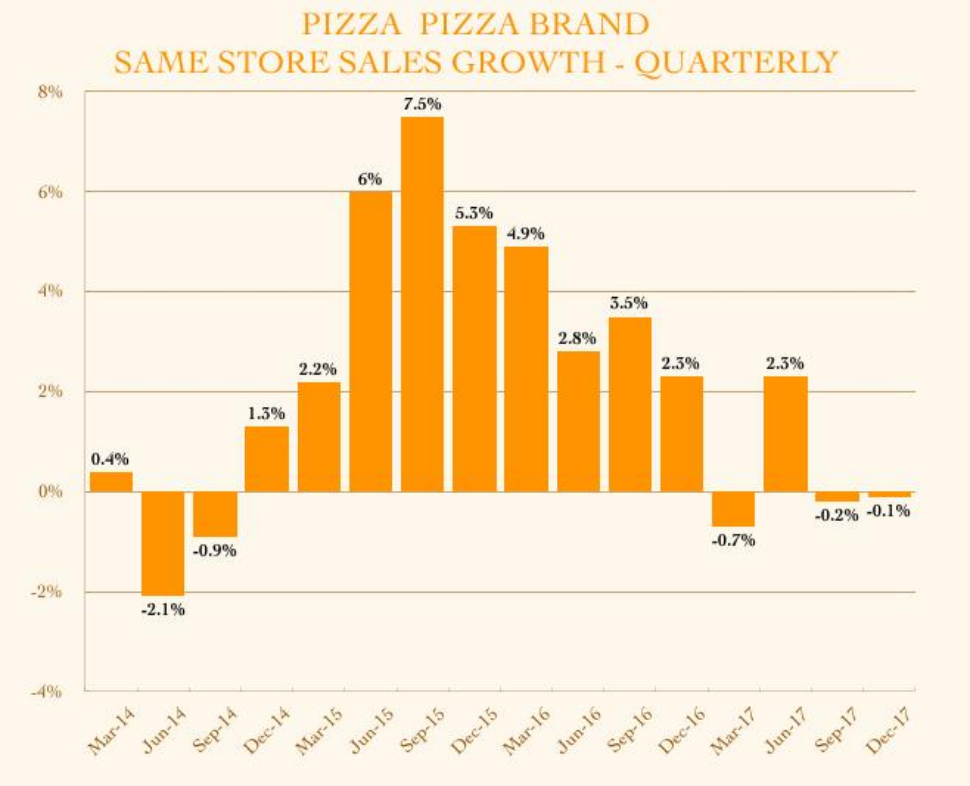
a) Annual and Quarterly SSSG, both brands combined:





b) Annual and Quarterly SSSG, Pizza Pizza brand:





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 2017, six traditional and 11 non-traditional Pizza Pizza locations were opened.

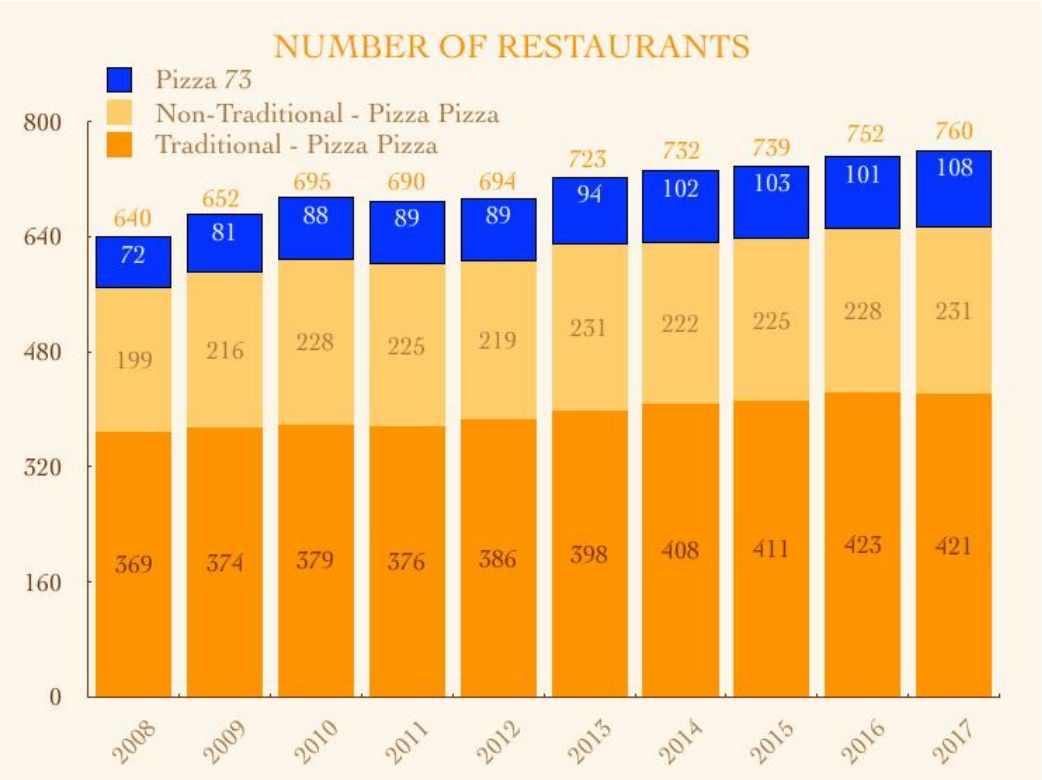
Management also believes that there are opportunities for continued growth in existing markets, and intends to continue developing new restaurants in other provinces as part of a national expansion program. Over the past five years, PPL has opened new restaurants outside its major markets, including locations in Saskatchewan, Nova Scotia, Manitoba and Quebec. In 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 2017, 41 Pizza 73 Restaurants opened. In 2017, seven traditional restaurants and one non-traditional Pizza 73 location opened; six in Alberta, one in Saskatchewan, and one in the Yukon.

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 2008 to December 31, 2017.



Dividends

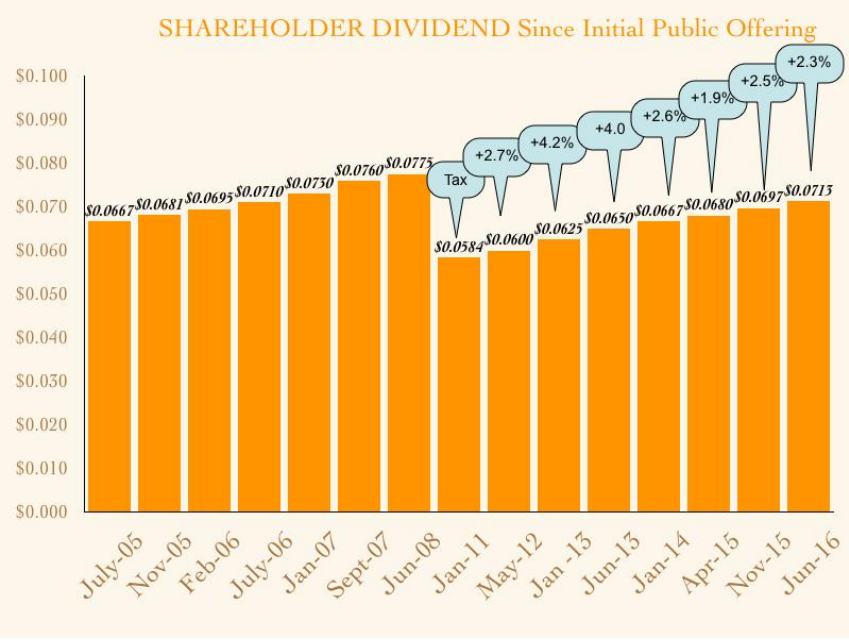
The Board has established and adopted a dividend policy to pay a monthly dividend to Shareholders of record on the last business day of each month with actual payments to be made on or about the 15th day of the following month.

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 2017, the Company declared dividends of $21,063,000, or $0.8556 per Share, compared to $20,867,000, or $0.8476 per Share, in 2016; the payout ratio was 101% for 2017 and was 99% for 2016.

In June 2016, the Company increased the monthly dividend by 2.3% to $0.0713 per Share ($0.8556 annualized). In 2015, the Company increased the monthly dividend twice. First, in April 2015, the Company increased the monthly dividend by 1.95% to $0.068 per Share ($0.816 annualized). The dividend was increased a second time in November 2015 by 2.5% to $0.0697 per Share ($0.836 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 been increased seven times as depicted in the chart below.



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¢

Dividends declared for 2015 are as follows:

Period	Payment Date	Amount/share
January 1-31, 2015	February 13, 2015	6.67¢
February 1-28, 2015	March 13, 2015	6.67¢
March 1-31, 2015	April 15, 2015	6.67¢
April 1-30, 2015	May 15, 2015	6.80¢
May 1-31, 2015	June 15, 2015	6.80¢
June 1-30, 2015	July 15, 2015	6.80¢
July 1-31, 2015	August 14, 2015	6.80¢
August 1-31, 2015	September 15, 2015	6.80¢
September 1-30, 2015	October 15, 2015	6.80¢
October 1-31, 2015	November 13, 2015	6.80¢
November 1-30, 2015	December 15, 2015	6.97¢
December 1-31, 2015	January 15, 2016	6.97¢
Total		81.55¢

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, 2017 are:

- Pizza Pizza GP, as the managing general partner, holding one outstanding GP Unit;
- PPL, as a general partner with an effective 21.1% 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 78.9% 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 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) above. The Class B Distribution Adjustment provides the holders of the Class B Units with a cumulative preferential cash distribution equal to the amount that would have been paid on the Class B Units during the relevant period had the Pizza Pizza System Sales actually experienced over that period been reflected in the calculation of the Class B Exchange Multiplier at the beginning of that period. Similarly, the Class D Distribution Adjustment provides the holders of the Class D Units with a cumulative preferential cash distribution equal to the amount that would have been paid on the Class D Units during the relevant period had the Pizza 73 System Sales actually experienced over that period been reflected in the calculation of the Class D Exchange Multiplier at the beginning of that period. These distribution adjustments will be calculated as at December 31 in each fiscal year. The Class B Distribution Adjustment will be the amount (whether positive or negative) equal to (i) the amount of cash that would have been distributed on Class B Units during that fiscal year if the Class B Exchange Multiplier determined at the end of the fiscal year (based on actual Pizza Pizza System Sales) had been applied from the beginning of that fiscal year, less (ii) the cash declared distributable on Class B Units during the fiscal year (not including any Class B Distribution Amount declared payable on the Adjustment Date in that fiscal year); provided that, if the Class B Distribution Adjustment as so calculated is negative, the holders of the Class B Units will pay such amount to the Partnership as soon as practicable, pro rata in accordance with their respective holdings of such Units. Similarly, the Class D Distribution Adjustment will be the amount (whether positive or negative) equal to (i) the amount of cash that would have been distributed on Class D Units during that fiscal year if the Class D Exchange Multiplier determined at the end of the fiscal year (based on actual Pizza 73 System Sales) had been applied from the beginning of that fiscal year, less (ii) the cash declared distributable on Class D Units during the fiscal year (not including any Class D Distribution Amount declared payable on the Adjustment Date in that fiscal year); provided that, if the Class D Distribution Adjustment as so calculated is negative, the holders of the Class D Units will pay such amount to the Partnership as soon as practicable, pro rata in accordance with their respective holdings of such Units.

Distributions made by the Partnership on the Class B Units and Class D Units owned by PPL were $6,963,000 for 2017 compared to $6,585,000 for 2016. The monthly Partnership distribution to PPL and to PPRC was increased once in June 2016 to $0.0871 ($1.046 annualized).

Distributions to the Company by the Partnership on its Class A and Class C LP units are calculated on a pro rata ownership basis; at December 31, 2017 the Company owns 78.9% of the Partnership and PPL owns 21.1%. Monthly, available Partnership funds are distributed based on the percentage ownership. The Company reserves a portion of its monthly distribution for taxes and, on occasion, replenishment of the cash reserve, prior to paying the shareholder dividend. See “Description of the Company - Dividends”.

Allocation of Net Income and Loss

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

Exchange Rights

Pursuant to the Exchange Agreement, holders of 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, 2017, effectively owned 15.5% 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, 2017, effectively owned 5.6% 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.

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 2017 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 to applicable law (including laws governing bankruptcy and insolvency matters and reorganizations) and to the rights of parties to other agreements in the case of a default, a receiver appointed by the Partnership or by the court would continue to operate PPL's business over which the Partnership and the Company have a security interest.

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;

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, 2017, it is the effective Company tax rate for the year ended December 31, 2016). 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:

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

exchanged for 17.52620 Shares of the Company). As a result, during 2017, the Partnership's available cash was allocated to the holder of that Class D Unit as if it held 17.52620 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, 2017, it was determined in early 2018 that sales of the four 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 D Units remained unchanged at 1,752,620 effective January 1, 2017.

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, 2017, 78.9% of the issued and outstanding GP Shares are owned by the Company and 21.1% 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 arrangement or other business combination or reorganization involving all or substantially all of the shares in the capital of, or the assets of, the Partnership, or all or substantially all of the Shares or assets of the Company.

If a take-over bid is made for all of the issued and outstanding Shares (including rights to the Shares to be issued upon exercise by PPL of the Exchange Rights) or a proposal is made for the sale of all or substantially all of the direct or indirect properties of the Company, and

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

- not less than $66\,^{2}/_{3}\%$ of the Shares are voted in favour of such proposal,

the Company shall have the option, exercisable within 60 days of the termination of the take-over bid or completion of such sale, to require PPL to sell its Partnership Securities to the Company. The aggregate price at which such Partnership Securities will be sold is equal to the consideration paid per Share pursuant to such take-over bid or sale, multiplied by the number of Shares which PPL would be entitled to receive if PPL exercised its Exchange Rights on the date of purchase or sale, as the case may be.

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

Rights of Offer

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

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

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

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

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".

The following table sets forth the price range and average trading volume of the Shares on the TSX for the period January 1, 2017 to December 31, 2017.

Month	Low (C$)	High (C$)	Volume Traded
January 2017	17.15	17.73	576,091
February 2017	17.27	18.19	336,366
March 2017	16.02	17.90	558,499
April 2017	17.04	18.14	275,240
May 2017	16.95	18.24	467,738
June 2017	16.92	17.95	371,960
July 2017	16.54	17.30	242,993
August 2017	15.74	16.90	449,926
September 2017	16.02	16.88	235,615
October 2017	16.46	17.40	368,952
November 2017	15.30	17.35	881,282
December 2017	15.51	16.49	382,900

DIRECTORS AND MANAGEMENT

Directors of the Company

The Company will have a minimum of one Director and a maximum of ten. The Directors are to supervise the activities and manage the affairs of the Company.

At December 31, 2017, the Company had six Directors, each of whom also served as a director of Pizza Pizza GP. Directors are appointed at each annual meeting of Shareholders to hold office for a term expiring at the close of the next annual meeting.

Committees of the Board of Directors

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

Name and Province/ Country of Residence	**Principal Occupation**	**Director/Trustee since**
Richard McCoy[(1)] Ontario, Canada	Corporate Director	June 8, 2005
Edward Nash Ontario, Canada	Managing Director, Nash & Company Capital Managers Limited	May 28, 2016
Michelle Savoy Ontario, Canada	Corporate Director	November 2, 2015
Jay Swartz[(1)] Ontario, Canada	Counsel, Davies Ward Phillips & Vineberg LLP	May 28, 2014
Kathryn A. Welsh[(1)] Ontario, Canada	Corporate Director	May 28, 2016
Elizabeth Wright Ontario, Canada	Principal, Wright Consulting, Corporate Director	June 8, 2005

(1) Member of the Audit Committee

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 & Company Capital Managers Limited	since December 11, 2015
Michelle Savoy[(2)] Ontario, Canada	Corporate Director	since November 2, 2015
Jay Swartz[(2)] Ontario, Canada	Counsel, Davies Ward Phillips & Vineberg LLP	since May 28, 2014
Kathy Welsh[(2)] Ontario, Canada	Corporate Director	since December 11, 2015
Elizabeth Wright[(2)] Ontario, Canada	Principal, Wright Consulting, Corporate Director	since June 8, 2005

(1) PPL Nominee
(2) Company Nominee

All of the Directors of the Company and directors and executive officers of Pizza Pizza GP, other than Mr. Nash, have been engaged in their principal occupations or other senior positions with the firms and organizations listed or their predecessors or affiliates for five years or more. See also "Business of PPL – Management of PPL".

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 may compete with third party food delivery services, home meal delivery companies 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, salads, sandwiches 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. Any significant event that adversely affects consumption of pizza, salads, sandwiches and soft drinks, such as cost, changing tastes or health concerns, could adversely impact the gross sales of Pizza Pizza and Pizza 73 Restaurants and consequently, the amount of the Royalty payable to 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

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 payment of the Royalty. 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 $2,589,000, $2,601,000, and $2,904,000 for the fiscal years ended 2017, 2016, and 2015, respectively.
- PPL purchased food from a company controlled by the Overs Family in the amounts of approximately $11,817,000, $12,526,000, and $14,353,000 for the fiscal years ended 2017, 2016, and 2015, respectively.
- PPL earned management fees from companies controlled by the Overs Family in the amount of $600,000, $600,000, and $850,000 for the fiscal years 2017, 2016, and 2015, respectively.

See also Note 22 to the consolidated financial statements of PPL for the period ending December 31, 2017, 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, 2017 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, 2017.

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.