

PIZZA PIZZA ROYALTY INCOME FUND MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis is a discussion of the results of operations and financial condition of the Pizza Pizza Royalty Income Fund (the "Fund") for the quarter ended September 30, 2007 and the year-to-date results from January 1, 2007 to September 30, 2007. The consolidated financial statements of the Fund are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The MD&A has been prepared as of November 12, 2007.

A copy of this report and additional information about the Fund is available at www.sedar.com or www.pizzapizzaroyaltyincomefund.com.

OVERVIEW AND BUSINESS OF THE FUND

The Fund is a limited purpose, open-ended trust established under the laws of Ontario to indirectly, through the Pizza Pizza Royalty Limited Partnership (the "Partnership"), acquire the trademarks and trade names used by Pizza Pizza Limited ("Pizza Pizza") in its Pizza Pizza and Pizza 73 restaurants. The Pizza Pizza trademarks were licensed to Pizza Pizza in 2005 for 99 years, for which Pizza Pizza pays the Fund a royalty equal to 6% of the system sales of its Pizza Pizza restaurants in the Royalty Pool. There are 531 Pizza Pizza restaurants in the Royalty Pool for the year 2007. On July 24, 2007, the Partnership, acquired the trademarks and other intellectual property of Pizza 73 ("Pizza 73 Rights") and licensed them to Pizza Pizza for 99 years, for which Pizza Pizza pays the Fund a royalty equal to 9% of the system sales of 41 Pizza 73 restaurants added to the Royalty Pool, increasing the Pool to 572 restaurants.

A key attribute of the Fund is that revenues are based on top-line, system sales of the Royalty Pool restaurants and not on the profitability of either Pizza Pizza or the restaurants in the Royalty Pool. The success of the Fund depends primarily on the ability of Pizza Pizza to maintain and increase system sales of the Royalty Pool and to meet its royalty obligations.

Increases in system sales are derived from both the development of new Pizza Pizza and Pizza 73 restaurants and same store sales growth ("SSSG"). The key metric for yield growth of the Fund is SSSG which is dependent on maintaining operational excellence within each restaurant, general market conditions, pricing, and marketing programs undertaken by Pizza Pizza. One of Pizza Pizza's competitive strengths in increasing SSSG is that over 95% of its Pizza Pizza restaurants are new or renovated and have been expanded to accommodate customer seating. The seating in the larger restaurants, as compared to the prior smaller store model, offers Franchisees the ability to concentrate on increasing "walk-in" sales, thereby potentially increasing same store sales.

From inception, the Fund adopted the guideline of Canadian Institute of Chartered Accountants referred to as "AcG-15", Consolidation of Variable Interest Entities. As a result, the Fund's subsidiary, the Partnership which owns the Pizza Pizza and Pizza 73 Rights, is accounted for on the equity basis. Pizza Pizza, the operating company that pays royalties to the Partnership, consolidates the Partnership based on this same guideline.

Annually, on January 1 (the "Adjustment Date"), an adjustment is made to the Royalty Pool to include the forecasted system sales from new restaurants opened on or before December 31 for Pizza Pizza restaurants and on or before September 1 for Pizza 73 restaurants. These forecasted system sales will be reduced by system sales from any restaurants that have been permanently closed during the calendar year. The change in the amount of the Royalty due to the Partnership as a result of changes in the system sales of the Royalty Pool will affect Pizza Pizza's retained interest through an adjustment to the rate at which the Class B Partnership units may ultimately be exchanged for units of the Fund. On the Adjustment Date, the adjustment to the Class B Exchange Multiplier (as defined in the License and Royalty Agreement) involves first calculating the "Determined Amount", which is defined as 92.5% of the royalty revenue added to the Royalty Pool, divided by the prevailing yield of the Fund units. The Determined Amount is multiplied by 80%, then divided by the current market price of the units, and then further divided by the number of Class B Partnership units outstanding. This fraction is added to the Class B Exchange Multiplier from the preceding year. On the following Adjustment Date, a second adjustment to the Class B Exchange Multiplier will be made in the same manner once the system sales

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for new restaurants are known with certainty. The adjustment for new restaurants rolled into the Royalty Pool is designed to be accretive for current unitholders.

If, during a year, a restaurant is closed, the sales of the restaurant from the closing date would no longer be included in the calculation of the royalty payable to the Partnership by Pizza Pizza. To compensate for this, in certain circumstances, the License and Royalty Agreement and the Limited Partnership Agreement provide that an amount (the Make-Whole Payment) reflecting the reduction in the royalty resulting from the restaurant closure will be paid by Pizza Pizza to the Partnership for the balance of the year in which the restaurant was closed, commencing from the closing date. The Make-Whole Payment will be the sales of the closed restaurant for the first 52-week period in which it was included in the Royalty Pool multiplied by the royalty rate, payable as to one-twelfth per month.

Pizza Pizza's interest in the Fund was diluted from 23% to approximately 20% on July 24, 2007 as a result of the issuance of Fund units to partially underwrite the Pizza 73 acquisition. Additionally on September 27, 2007, Pizza Pizza sold 500,000 of its equivalent Fund units, through a private placement with an entity controlled by its ultimate shareholder. As at September 30, 2007, Pizza Pizza owns an effective 18.4% interest in the Fund and total units held or controlled by Pizza Pizza and its shareholder is 22.7% on a fully diluted basis.

Pizza Pizza's agreement to maintain at least a 20% interest in the Fund and the requirement to subordinate distributions on those units expired on June 30, 2007.

Pizza Pizza's 18.4% interest in the earnings of the Partnership arises from its ownership of Class B and Class C Partnership units. Subject to the Subordination Agreement, each Class B Unit can be exchanged indirectly for that number of units equal to the Class B Exchange Multiplier (as defined in the License and Royalty Agreement) applicable at the date of the exchange. Class C Units can be exchanged by requiring the Fund to purchase those Class C Units in consideration of the assumption by the Fund of an amount of the indebtedness under the PPL Loan equal to \$10.00 per Class C Unit transferred.

FINANCIAL HIGHLIGHTS

The following tables set out selected financial information and other data of the Fund and should be read in conjunction with the unaudited consolidated financial statements of the Fund. Readers should note that the 2007 results are not directly comparable to the 2006 results due to the fact that there are 572 restaurants in the Royalty Pool for 2007 compared to 501 restaurants in the Royalty Pool for the 2006.

Equity earned by the Fund through its interest in the Partnership and interest income earned from the Pizza Pizza Limited Loan have been derived as shown in the table below:

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Pizza Pizza Royalty Limited Partnership

	3 months ended		9 months ended	
	September 30, 2007 (unaudited) ⁽¹⁾	September 30, 2006 (unaudited)	September 30, 2007 (unaudited) ⁽¹⁾	September 30, 2006 (unaudited)
(in thousands of dollars, except number of restaurants, days in the period, and per unit amounts)				
Restaurants in Royalty Pool	572	501	572	501
Same store sales growth	5.1%	4.0%	5.0%	4.5%
System sales reported by Pizza Pizza restaurants in the Royalty Pool	\$ 95,041	\$ 90,773	\$ 276,721	\$ 259,272
System sales reported by Pizza 73 restaurants in the Royalty Pool	13,894	-	13,894	-
	108,935	90,773	290,615	259,272
Royalty – 6% on Pizza Pizza system sales	\$ 5,703	\$ 5,446	\$ 16,604	\$ 15,556
Royalty – 9% on Pizza 73 system sales	1,250	-	1,250	-
Total Royalty on System Sales	6,953	5,446	17,854	15,556
Partnership expenses ⁽²⁾	(813)	(390)	(1,649)	(1,284)
Earnings available for distribution to the Fund and Pizza Pizza ⁽²⁾	6,140	5,056	16,205	14,272
Pizza Pizza's interest ⁽³⁾	(1,564)	(1,385)	(4,581)	(3,974)
	4,576	3,671	11,624	10,298
Interest income ⁽⁴⁾	499	450	1,399	1,350
Net earnings excluding the impact of non-cash future income tax expense and issuance costs ⁽⁶⁾	\$ 5,075	\$ 4,121	\$ 13,023	\$ 11,648
Net earnings (loss) ⁽⁵⁾	\$ 708	\$ 4,121	\$ (44)	\$ 11,648
Basic earnings per Fund unit excluding the impact of non-cash future income tax expense and issuance costs ⁽⁶⁾	\$ 0.248	\$ 0.229	\$ 0.692	\$ 0.649
Basic earnings per Fund unit ⁽⁵⁾	\$ 0.035	\$ 0.229	\$ -	\$ 0.649
Diluted earnings per Fund unit ⁽⁵⁾	\$ 0.035	\$ 0.225	\$ -	\$ 0.633
Distributions declared	\$ 4,772	\$ 3,824	\$ 12,634	\$ 11,285
Distributions per Fund unit	\$ 0.222	\$ 0.213	\$ 0.660	\$ 0.629
Payout ratio	94%	93%	97%	97%
	September 30, 2007		December 31, 2006	
Total assets	\$ 212,332		\$ 171,796	
Total liabilities	\$ 14,556		\$ 1,275	

- (1) Pizza 73 was acquired on July 24, 2007 and resulted in the addition of 41 restaurants to the Royalty Pool.
- (2) The Fund, indirectly through the Partnership, incurs administrative expenses and interest expense on the \$47 million outstanding bank loan. Interest expense on the bank loan for the current quarter was \$590 and \$1.1 million for the nine months ended (2006 - \$255 and \$806). Excludes the write-off of \$207 in issuance costs paid from the proceeds raised to acquire the Pizza 73 trademarks and rights on July 24, 2007.
- (3) Represents the interest of Pizza Pizza in the earnings of the Partnership from Class B and Class C Partnership units. The Class B units are exchangeable into Fund units based on value of the Class B Exchange Multiplier at the time of exchange as defined in the Licence and Royalty Agreement and represents 18.4% of the fully diluted units of the Fund at September 30, 2007, and excludes Pizza Pizza's share of the issuance costs.
- (4) The Fund indirectly earns interest income on the \$30 million loan to Pizza Pizza, with interest income accruing at 6% per annum, payable monthly.

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- (5) Net earnings (loss) for the quarter and nine months ended September 30, 2007 reflect the non-cash future tax expense of \$4,198 and \$12,898 respectively, relating to the new tax legislation.
- (6) "Net earnings excluding the impact of non-cash future income tax expense and issuance costs" is not a recognized measure under Canadian GAAP. References to net earnings excluding the impact of non-cash future income tax expense and issuance costs are to earnings determined in accordance with GAAP applicable to the financial statements before amounts for taxes and the Fund's share of issuance costs of the Partnership as included in the earnings. Pizza Pizza believes that, in addition to net income, net earnings excluding the impact of non-cash future income tax expense and issuance costs is a useful supplemental measure in evaluating its performance as it provides investors with an indication of operating earnings. Investors are cautioned, however, that this should not be construed as an alternative net income as a measure of profitability. The method of calculating net earnings excluding the impact of non-cash future income tax expense and issuance costs for the purposes of this report may differ from that used by other issuers and, accordingly, it may not be comparable to that used by other issuers.

	Q3 2007 (unaudited) ⁽¹⁾	Q2 2007 (unaudited)	Q1 2007 (unaudited)	Q4 2006 (unaudited)
(in thousands of dollars, except number of restaurants, days in the Period and per unit amounts)				
Restaurants in Royalty Pool	572	531	531	501
Days in the Period	92	91	90	92
Same store sales growth	5.1%	4.3%	5.5%	5%
System sales reported by Pizza Pizza restaurants in Royalty Pool	\$ 95,041	\$ 92,162	\$ 89,518	\$ 93,866
System sales reported by Pizza 73 restaurants in Royalty Pool	13,894	-	-	-
	\$ 108,935	\$ 92,162	\$ 89,518	\$ 93,866
Royalty – 6% on Pizza Pizza system sales	\$ 5,703	\$ 5,530	\$ 5,371	\$ 5,632
Royalty – 9% on Pizza 73 system sales	1,250	-	-	-
Royalty on System Sales of Royalty Pool Partnership expenses ⁽²⁾	\$ 6,953 (813)	\$ 5,530 (498)	\$ 5,371 (338)	\$ 5,632 (426)
Earnings available for distribution to the Fund and Pizza Pizza	6,140	5,032	5,033	5,206
Pizza Pizza's interest ⁽³⁾	(1,564)	(1,508)	(1,509)	(1,414)
	4,576	3,524	3,524	3,792
Interest income ⁽⁵⁾	499	450	450	450
Net earnings excluding the impact of non- cash future income tax expense and issuance costs ⁽⁷⁾	\$ 5,075	\$ 3,974	\$ 3,974	\$ 4,242
Net earnings (loss) ⁽⁶⁾	\$ 708	\$ (4,726)	\$ 3,974	\$ 4,242
Basic earnings per Fund unit excluding the impact of non-cash future income tax expense and issuance costs ⁽⁷⁾	\$ 0.248	\$ 0.221	\$ 0.221	\$ 0.237
Basic earnings (loss) per Fund unit ⁽⁶⁾	\$ 0.035	\$ (0.263)	\$ 0.221	\$ 0.237
Diluted earnings (loss) per Fund unit ⁽⁶⁾	\$ 0.035	\$ (0.157)	\$ 0.215	\$ 0.231
Distributions declared	\$ 4,772	\$ 3,931	\$ 3,931	\$ 3,822
Distributions per Fund unit	\$ 0.222	\$ 0.219	\$ 0.219	\$ 0.213
Payout ratio	94%	99%	99%	90%

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	Q3 2006 (unaudited)	Q2 2006 (unaudited)	Q1 2006 (unaudited)	Q4 2005 (unaudited)
(in thousands of dollars, except number of restaurants, days in the Period and per unit amounts)				
Restaurants in Royalty Pool	501	501	501	500
Days in the Period	92	91	90	92
Same store sales growth	4%	5%	5%	6%
System sales reported by restaurants in Royalty Pool	\$ 90,773	\$ 86,015	\$ 82,484	\$ 89,651
Royalty	\$ 5,446	\$ 5,161	\$ 4,949	\$ 5,379
Partnership expenses ⁽²⁾	(390)	(455)	(439)	(418)
Earnings available for distribution to the Fund and Pizza Pizza	5,056	4,706	4,510	4,961
Pizza Pizza's interest ⁽³⁾	(1,385)	(1,314)	(1,275)	(1,352)
	3,671	3,392	3,235	3,608
Interest income ⁽⁵⁾	450	450	450	450
Net earnings excluding the impact of the non-cash future income tax expense ⁽⁴⁾	\$ 4,121	\$ 3,842	\$ 3,685	\$ 4,058
Net earnings	\$ 4,121	\$ 3,842	\$ 3,685	\$ 4,058
Basic earnings per Fund unit excluding the impact of non-cash future income tax expense ⁽⁴⁾	\$ 0.229	\$ 0.214	\$ 0.205	\$ 0.226
Basic earnings per Fund unit	\$ 0.229	\$ 0.214	\$ 0.205	\$ 0.226
Diluted earnings per Fund unit	\$ 0.225	\$ 0.209	\$ 0.203	\$ 0.209
Distributions declared	\$ 3,824	\$ 3,744	\$ 3,717	\$ 3,643
Distributions per Fund unit	\$ 0.213	\$ 0.209	\$ 0.207	\$ 0.203
Payout ratio	93%	97%	101%	90%

- (1) Pizza 73 was acquired on July 24, 2007 and resulted in the addition of 41 restaurants to the Royalty Pool.
- (2) The Fund, indirectly through the Partnership, incurs administrative expenses and interest expense on the \$47 million outstanding bank loan. Interest expense on the bank loan for the current quarter was \$590 and \$1.1 million for the nine months ended (2006 - \$255 and \$806). Excludes the write-off of \$207 in issuance costs paid from the proceeds raised to acquire the Pizza 73 trademarks and rights on July 24, 2007.
- (3) Represents the interest of Pizza Pizza in the earnings of the Partnership from Class B and Class C Partnership units. The Class B units are exchangeable into Fund units based on value of the Class B Exchange Multiplier at the time of exchange as defined in the Licence and Royalty Agreement and represents 18.4% of the fully diluted units of the Fund at September 30, 2007.
- (4) For December 31, 2005, earnings shown exclude structuring costs of \$9.5 million related to indirectly receiving proceeds from the Fund's initial public offering. The structuring costs were paid from the initial public offering proceeds and were expensed during 2005 since they were determined to be a cost without a future benefit.
- (5) The Fund indirectly earns interest income on the \$30 million loan to Pizza Pizza, with interest income accruing at 6% per annum, payable monthly.
- (6) Net earnings (loss) for the quarter and nine months ended September 30, 2007 reflect the non-cash future tax expense of \$4,198 and \$12,898 respectively, relating to the new tax legislation.
- (7) "Net earnings excluding the impact of non-cash future income tax expense and issuance costs" is not a recognized measure under Canadian GAAP. References to net earnings excluding the impact of non-cash future income tax expense and issuance costs are to earnings determined in accordance with GAAP applicable to the financial statements before amounts for taxes and the Fund's share of issuance costs of the Partnership as included in the earnings. Pizza Pizza believes that, in addition to net income, net earnings excluding the impact of non-cash future income tax expense and issuance costs is a useful supplemental measure in evaluating its performance as it provides investors with an indication of operating earnings. Investors are cautioned, however, that this should not be construed as an alternative net income as a measure of profitability. The method of calculating net earnings excluding the impact of non-cash future income tax expense and issuance costs for the purposes of this report may differ from that used by other issuers and, accordingly, it may not be comparable to that used by other issuers.

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SIGNIFICANT BUSINESS ACTIVITY

Pizza 73 Acquisition

Concurrently, on July 24, 2007, the Fund and Pizza Pizza acquired Pizza 73 for a combined purchase price of \$70.25 million. The Fund, through the Partnership, acquired the trademarks and other intellectual property of Pizza 73 for \$54.04 million (the "Transaction") and Pizza Pizza acquired the operating business of Pizza 73 for \$16.21 million. An additional \$3 million earn-out will be paid to the Pizza 73 vendors by Pizza Pizza in July 2008, provided certain revenue and profitability targets are met. The Transaction was immediately accretive to the Fund's distributable cash per unit.

Acquisition summary:

Public issuance of Fund units (2,600,000 @ \$9.15)	\$	23,790
Private placement of Fund units (766,392 @ \$9.15)		7,013
Credit facility increase		27,000
Purchase of Pizza 73 Rights and Marks	\$	57,803
Pizza Pizza's cost of acquiring the Pizza 73 shares	\$	16,210
Combined purchase price	\$	74,013
Underwriter's fee		(1,190)
Less estimated transaction costs		(2,573)
Proceeds paid to Pizza 73 vendors	\$	70,250

Issuance of Units

Ownership of the Fund on a fully diluted basis at September 30, 2007 is as follows:

	Issued & Outstanding units, and Exchangeable Equivalent units
Units outstanding on January 1, 2007	17,952,000
Issued on July 24, 2007	
Public offering	2,600,000
Private placement	766,392
Converted on September 27, 2007	
Pizza Pizza's conversion of 414,872 of its Class B Partnership units, equivalent to 500,000 Class B Partnership units when applied against the multiplier	500,000
Fund units held by public unitholders on September 30, 2007	21,818,392
Class B exchangeable units held by Pizza Pizza	4,908,915
Fully diluted units	26,727,307

Effective July 24, 2007, the Fund issued 2,600,000 units to the public at \$9.15 per unit for gross proceeds of \$23.79 million before underwriter's fee. Also the Fund issued 766,392 units at \$9.15 through a private placement with the ultimate shareholder of Pizza Pizza and the vendors of Pizza 73 for gross proceeds of approximately \$7 million. The net proceeds from the Offering, after deducting fees, together with the

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private placement and the net borrowings under the Partnership's amended credit facility, were used to fund the acquisition of the Pizza 73 Rights and Marks.

On September 27, 2007, Pizza Pizza converted 414,872 of its Class B Partnership units, equivalent to 500,000 Class B Partnership units when applied against the multiplier, into 500,000 Fund units and sold the Fund units through a private placement.

During the quarter, these transactions increased the outstanding, publicly-traded units by 3,866,392 from 17,952,000 to 21,818,392, as at September 30, 2007.

Credit Facility Amended

On July 24, 2007, the Partnership amended the existing credit agreement to increase the committed, non-revolving facility from \$20 million to \$47 million and to extend the term by five years to 2012. The \$1 million revolving, operating facility continues. The facilities bear interest at Prime plus 0% to 0.25% or the Bankers Acceptance rate plus 1.0% to 1.75%, depending on the level of debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"). The Partnership continued its current interest rate swap and entered into two additional interest rate swaps to mitigate the risk associated with the credit facilities bearing interest at a floating rate. The interest rate on the existing \$20 million interest swap decreased to 4.8% from 5.3% and the incremental facility of \$27 million will be initially fixed at 5.05% plus a 1.25% spread equal to a 6.3% rate and all may change based on the level of debt to EBITDA. As part of the amended credit agreement, the Partnership has agreed to a financial covenant in which, on a four quarter rolling basis, Distributions may not exceed the sum of Distributable Cash Flow for such period *plus* the aggregate amount of Distributable Cash Flow for prior Distribution Periods not distributed.

RESTAURANTS ADDED TO THE ROYALTY POOL

In January 2007, adjustments to royalty payments and Pizza Pizza's Class B Exchange Multiplier were made based on the actual performance of the net, one restaurant added to the Royalty Pool on January 1, 2006. As a result of the adjustments, the new Class B Exchange Multiplier is 1.02345 and Pizza Pizza's exchangeable units increased by 30,113 to 4,593,233 Fund units, effective January 1, 2006.

On January 1, 2007, 30 net, new restaurants were added to the Royalty Pool as a result of 35 new restaurants opening from September 2, 2005 to December 31, 2006 and five closings during 2006. The additional system sales from the 30 net, new restaurants are estimated at \$15.4 million annually. The total number of restaurants in the Royalty Pool increased to 531. The yield of the Fund units was determined to be 10.56% calculated using \$7.94 as a weighted average unit price. Weighted average unit price is calculated based on the market price of the units traded on the TSX during the period of 20 consecutive days ending on the fifth trading day before January 1, 2007. As a result of the contribution of the additional net sales to the Royalty Pool, Pizza Pizza's Class B Exchange Multiplier increased fractionally by 80% of the total adjustment or 0.18174; the new Class B Multiplier is 1.20519. This adjustment also increased the entitlement of the holders of the Class B Units to distributions of cash and allocations of income from the Partnership. The second adjustment to the Class B Exchange Multiplier will be effective January 1, 2007, once the actual performance of the new restaurants is determined in early 2008.

In lieu of converting the new entitlements into Fund units, Pizza Pizza increased the Class B Exchange Multiplier. As a result of the January 1 vend-in, Pizza Pizza's Class B Partnership units increased to 5,408,915 exchangeable Fund units which, at the time, equated to 23% of the fully diluted units of the Fund. The Fund reported an increase in its investment in the Partnership and a contributed surplus of \$5.4 million to reflect the increase in value as a result of the vend-in of the new royalty stream.

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On July 24, 2007, the number of Royalty Pool restaurants was further increased to 572, to include 41 Pizza 73 restaurants as a result of the Partnership acquiring the Pizza 73 trademarks and rights. (See "Significant Business Activity")

On September 27, 2007, Pizza Pizza converted 414,872 of its Class B Partnership units, equivalent to 500,000 Class B Partnership units, to Fund units, resulting in 4,908,915 equivalent Class B Partnership units outstanding after the conversion. (See "Significant Business Activity")

ROYALTY POOL SALES

The restaurants in the Royalty Pool increased on July 24, 2007 from 531 to 572, to include 41 Pizza 73 restaurants vended in on the purchase of the Pizza 73 Rights by the Partnership.

System sales from the 572 restaurants in the Royalty Pool for the three months ended September 30, 2007 were \$108.9 million and \$290.6 million for the nine months ended September 30, 2007. For the prior year comparative quarter and nine month periods, system sales for the 501 restaurants in the Royalty Pool were \$90.8 million and \$259.3 million, respectively. Sales from the 41 Pizza 73 restaurants added to the Pool on July 24, 2007 were \$13.9 million for the quarter ended September 30, 2007.

Pizza Pizza's system sales for the quarter ended March 31 have generally been the softest quarter and the December 31 quarter system sales have been the strongest due to seasonality of the business.

Same Store Sales Growth ("SSSG"), the key driver of yield growth for unitholders of the Fund, increased by 5.1% for the third quarter and 5.0% for the nine months ended September 30, 2007. For the quarter, SSSG for Pizza Pizza was 3.1% (4% in 2006) and 20.8% for Pizza 73. Sales benefited from increased traffic at the restaurants coupled with an increase in the average check. System sales were also impacted by the addition of new restaurants added since January 1, 2006.

OPERATING RESULTS

The operations of the Fund and Partnership, which is 81.6% owned by the Fund at September 30, 2007, are separately analyzed in the following information to provide a better appreciation of the financial condition and results of the Fund and should be read in conjunction with the Fund's consolidated financial statements and accompanying notes.

Partnership Operations

The Partnership, earns royalty income from restaurants in the Royalty Pool. The Fund earns equity income from its investment in the Partnership. The Fund's equity income from the Partnership is calculated as the royalty income less the Partnership's operating expenses less earnings attributable to Pizza Pizza.

The following provides information on the Partnership performance for the quarter and nine months ended September 30, 2007.

Revenues

Royalty Income earned by the Partnership was \$7 million for the quarter and \$17.9 million for the nine months ended September 30, 2007. A 6% royalty was earned on the \$95 million in system sales of the 531 Pizza Pizza restaurants for the quarter and on the \$276.7 million of system sales for the nine months. A 9% royalty was earned on the \$13.9 million in system sales of the 41 Pizza 73 restaurants for partial period from July 24, 2007 to September 30, 2007.

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Royalty Income earned by the Partnership for the prior year comparative quarter and nine month period in 2006 was \$5.4 million and \$15.6 million respectively. The 501 Pizza Pizza restaurants in the Royalty Pool reported system sales of \$90.8 million for the quarter and \$259.3 for the nine months ended September 30, 2006.

The quarter over quarter increase is due to the additional 30 Pizza Pizza restaurants and 41 Pizza 73 restaurants added to the Royalty Pool, and period-over-period same store sales growth.

Expenses

The Partnership's operating expenses include administrative expenses, amortization of deferred financing fees and interest paid on a \$47 million bank term loan. [See "Liquidity and Capital Resources-Term Loan".]

Operating expenses for the quarter were \$813,000, including \$590,000 of interest expense on the \$47 million credit facility, \$167,000 of administrative expenses, and \$56,000 in amortization of deferred financing fees. During the quarter, the Partnership expensed \$207,000 of issuance costs related to the Pizza 73 transaction, payment of which was deducted from the proceeds of issuance. The issuance costs paid by the Partnership were deemed to not have future value as an asset and were expensed.

For the nine month period, the operating expenses were \$1.6 million, including \$1.1 million of interest, \$415,000 of administrative expenses, and \$85,000 in amortization.

Operating expenses for the prior year comparative quarter were \$390,000 including \$255,000 of interest expense on its \$20 million credit facility, \$122,000 of administrative expenses, and \$13,000 in amortization of deferred financing fees. For the comparative nine month period, operating expenses were \$1.3 million including \$805,000 of interest expense on its \$20 million credit facility, \$442,000 of administration expenses, and \$37,000 in amortization of deferred financing fees.

The increase in the year-to-date interest expense is the result of the increase in the credit facility from \$20 million to \$47 million, offset by a decrease in the interest rate charged on the \$20 million facility. On July 24, 2007, the fixed interest rate on \$20 million of the credit facility was reduced to 4.8% and the interest on the remaining \$27 million was 6.3%. Administrative expenses increased by \$45,000 from the comparative quarter in 2006. As compared with the third quarter of 2006, trustee fees and increased auditor fees accounted for \$32,000 of the increase in general and administrative expenses. Amortization of deferred financing fees increased this quarter with the write-off of the previous loan financing fees totaling \$47,000. The administration expenses decreased on a year-to-date basis from the comparative period in 2006 due to less professional fees.

Net earnings

The Partnership had net earnings from operations for the quarter of \$6.1 million and \$16.2 million for the nine months ended September 30, 2007, which were allocated to the Fund and Pizza Pizza based on their respective interest in the Partnership, as compared to \$5.1 million and \$14.3 million earned in the comparable quarter and nine month period, respectively.

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Selected Partnership balance sheet items

	(in thousands of dollars)	
	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Current Assets	\$ 3,851	\$ 2,909
Total Assets	298,795	234,333
Current Liabilities	\$ 2,235	\$ 1,443
Loan Payable	47,000	20,000
Total Liabilities & Equity	298,795	234,333

Fund Operations

Equity income is earned by the Fund through limited partnership holdings of LP units representing its effective 81.6% interest in the Partnership. Interest income is earned on a \$30 million loan to Pizza Pizza Limited (the "PPL Loan") and is calculated at 6% per annum, payable monthly.

Equity income in the Partnership

Equity income earned by the Fund before the write-off of issuance costs for the quarter and nine month period ended September 30, 2007 was \$4.6 million and \$11.6 million, respectively. Equity income, including issuance costs was \$4.4 million and \$11.5 million for the quarter and nine months ending September 30, 2007, respectively. The equity income earned for the comparative quarter and nine month period were \$3.7 million and \$10.3 million respectively based on its 79.7% share of the Partnership at that time. The increase in equity income is the result of greater royalty revenue earned by the Partnership.

During the third quarter of 2007, the Fund's percentage ownership interest in the Partnership increased to 81.6% from 77% as a result of the issuance of new Class A Partnership units to acquire the Pizza 73 Rights and on the conversion of the Class B Partnership units by Pizza Pizza. In reference to prior year comparisons, the Fund's interest in the Partnership decreased to 77% on January 1, 2007 from 79.7% in the prior year as a result of Pizza Pizza vending in restaurants.

Interest Income

Interest income earned on the \$30 million loan from the Fund to Pizza Pizza was \$450,000 for both the quarters ended September 30, 2007 and September 30, 2006, and \$1.4 million for the nine month periods ended September 30, 2007 and September 30, 2006. An additional \$49,000 in interest was earned during the current quarter on the subscription receipt proceeds held during July.

Net earnings before income taxes and write-off of issuance costs

Net earnings excluding the impact of non-cash future income tax and the write-off of issuance costs for the quarter ended September 30, 2007 were \$5.1 million or \$0.248 per unit, as compared to \$4.1 million or \$0.229 per unit for the comparable quarter in 2006 which equates to an 8.3% increase per unit. Net earnings for the nine month period ended September 30, 2007 were \$13 million or \$0.692 per unit, as compared to \$11.7 million of \$0.649 basic earnings per unit, a 6.9% increase.

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Future tax expense

On October 31, 2006, the Department of Finance (Canada) announced proposed tax legislation which included a provision to eliminate the deduction of distributions from taxable income for certain forms of publicly traded income trusts and partnerships. The proposed legislation became enacted into law in the second quarter of 2007 and changed the rules applicable to publicly traded income trusts in 2011. As the new trust tax legislation has been enacted, the Fund is required to give accounting recognition to these new rules. During the current quarter, the Fund recognized a non-cash future income tax expense and a corresponding liability of \$4.2 million representing the Fund's proportional share of the temporary difference between the accounting and tax basis, at a 31.5% tax rate applicable to the Fund on the Pizza 73 Rights in the Partnership. On a year-to-date basis, the Fund recognized \$12.9 million of future tax expense. The Fund will not be liable for current taxes until January 1, 2011.

Net earnings (loss)

Net earnings in 2007 have decreased solely as a result of the non-cash, future tax expense recognized in the second and third quarters. For the quarter ended September 30, 2007 net earnings were \$708,000 million or \$0.035 per unit, as compared to net earnings of \$4.1 million or \$0.229 per unit for the comparable quarter in 2006. Net loss for the nine month period ended September 30, 2007 was \$44,000 or \$0.00 per unit, as compared to net earnings of \$11.7 million or \$0.649 per unit for the comparable period in 2006.

Distributions

The Fund declared distributions of \$4.8 million or \$0.222 per unit for the quarter ended September 30, 2007, equating to a 94% payout ratio; for the 2006 comparable quarter, the Fund declared distributions of \$3.8 million or \$0.213 per unit for a payout ratio of 93%. For the nine months ended September 30, 2007, distributions of \$12.6 million or \$0.660 per unit were declared equating to a 97% payout ratio; for the nine months ended September 30, 2006, distributions of \$11.3 million, or \$0.629 per unit were declared equating to a 97% payout ratio.

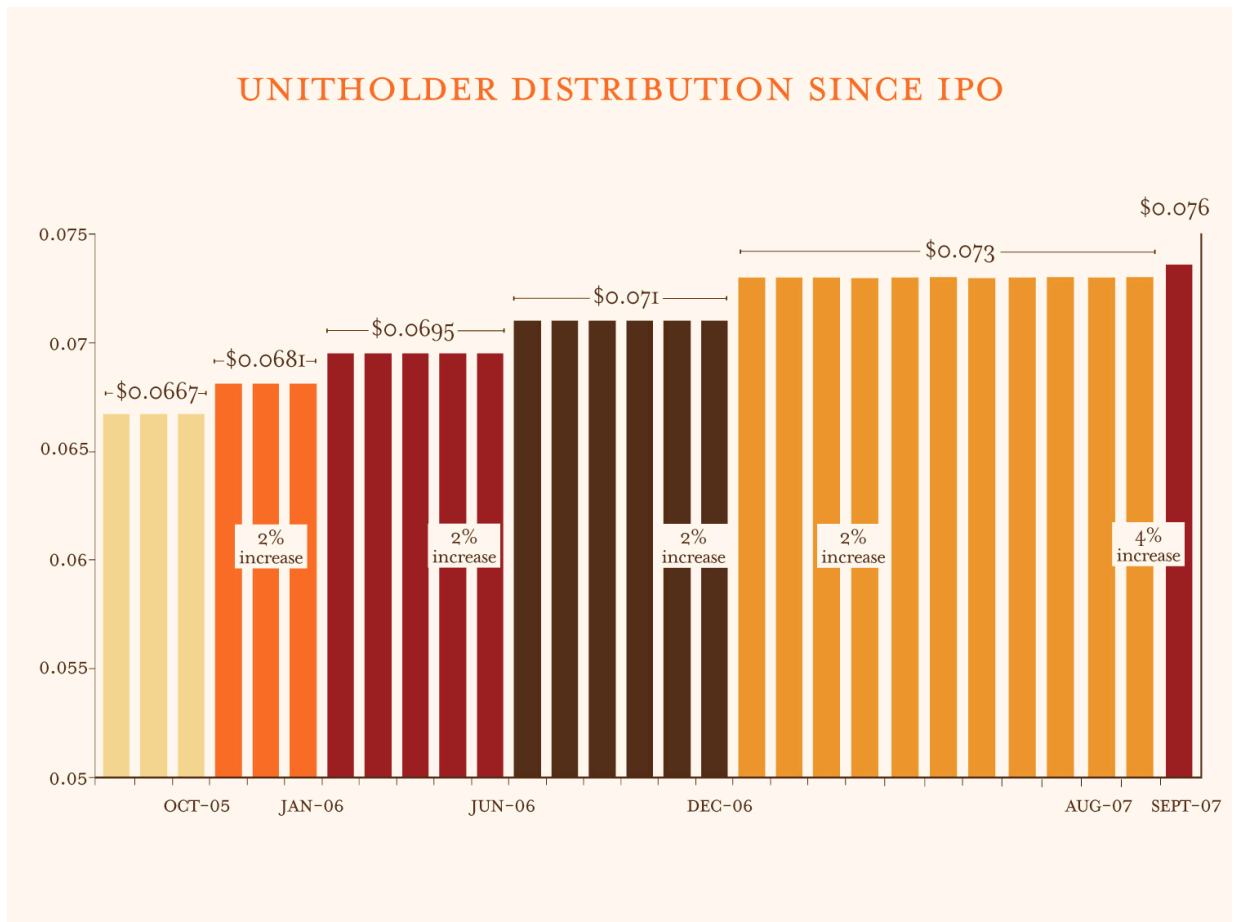
As of September 30, 2007, working capital of the Partnership was \$1.6 million, accumulated as a reserve to cover seasonality and any unusual administrative expenditures.

Distributions declared for 2007 are as follows:

<u>Period</u>	<u>Payment Date</u>	<u>Amount/unit</u>
January 1-31, 2007	February 15, 2007	7.3¢
February 1-28, 2007	March 15, 2007	7.3¢
March 1-31, 2007	April 13, 2007	7.3¢
April 1-30, 2007	May 15, 2007	7.3¢
May 1-31, 2007	June 15, 2007	7.3¢
June 1-30, 2007	July 13, 2007	7.3¢
July 1-31, 2007	August 15, 2007	7.3¢
August 1-31, 2007	September 14, 2007	7.3¢
September 1-30, 2007	October 15, 2007	7.6¢
Total		66.0¢

Distributions for the year were funded entirely by cash flow from operations. No debt was incurred at any point during the year to fund distributions.

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LIQUIDITY & CAPITAL RESOURCES

The Fund's distribution policy is to distribute all available cash in order to maximize returns to Unitholders, after allowing for reasonable reserves held at the Partnership level. In light of seasonal variations that are inherent to the restaurant industry, the Fund's policy is to make equal distribution payments to Unitholders on a monthly basis in order to smooth out these fluctuations. Any further increase in distributions will be implemented in such a manner so that the continuity of uniform monthly distributions is maintained. It is expected that future distributions will continue to be funded entirely by cash flow from operations.

As of September 30, 2007, working capital of the Partnership was \$1.6 million (December 31, 2006 - \$1.5 million), accumulated as a reserve to cover seasonality and any unusual administrative expenditures.

PIZZA PIZZA ROYALTY INCOME FUND

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Term Loan and Operating Loan

On July 24, 2007 the Partnership amended the existing credit agreement to increase the committed, non-revolving facility from \$20 million to \$47 million and to extend the term by five years to 2012. The initial \$20 million facility was arranged during the initial public offering to partially finance the purchase of the PPL Rights from Pizza Pizza. To partially finance the Pizza 73 transaction, the facility was increased by \$27 million. As security for repayment of the facility, Pizza Pizza Limited granted to the Partnership a continuing, general security interest, subject to certain exceptions, in all present and acquired property of Pizza Pizza. The facility bears interest at Prime plus 0% to 0.25% or the Bankers Acceptance rate plus 1.0% to 1.75%, depending on the level of debt to EBITDA, with EBITDA defined as annualized earnings before interest, taxes, depreciation and amortization. During 2007, the interest rate on the facility was fixed with three interest rate swaps through July 23, 2012.

The interest rate on the initial \$20 million facility has decreased during the third quarter from 3.55% plus 1.50% credit spread to 3.55% plus 1.25% credit spread. The remaining \$27 million is initially fixed with two swaps at 5.05% plus 1.25% credit spread.

The Bank has also granted an extendable 364 day, committed, revolving operating facility for up to \$1 million; no funds have been drawn on this facility.

CONTROLS AND PROCEDURES

Internal controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Pizza Pizza GP Inc., managing general partner of the Partnership and administrator of the Fund, on a timely basis so that the appropriate decisions can be made regarding public disclosure.

There have been no changes in internal control over financial reporting during the quarter ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

As of December 31, 2006, an evaluation of the design of the Fund's internal controls and procedures, as defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* issued by the Canadian Securities Administrators, was carried out under the supervision of and with the participation of management, including the CEO and the CFO. Based on the evaluation, the CEO and the CFO concluded that the design of these controls and procedures are effective.

CRITICAL ACCOUNTING ISSUES

The Fund's only critical accounting estimate is the valuation of its investment in the Partnership. As the Partnership's only significant assets are intangible assets consisting of the PPL and Pizza 73 Rights, the valuation of the Fund's investment is based primarily upon the valuation of intangible assets in the Partnership. The PPL and Pizza 73 Rights are not amortized as they have an indefinite life. The Pizza Pizza GP, Inc., as the general partner of the Partnership and administrator of the Fund, reviews the carrying values of the intangible assets in the Partnership and the Fund's investment at least annually, taking into consideration any events or circumstances which may have impaired the carrying values of these items. If permanent declines in the carrying amounts are determined, these items are written down to their estimated net recoverable amount. Pizza Pizza GP, Inc. believes that there have been no declines in either the carrying value of the intangible assets in the Partnership or in the carrying value of the Fund's investment in the Partnership as of September 30, 2007.

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Management's Discussion & Analysis

CHANGES IN ACCOUNTING POLICIES, INCLUDING INITIAL ADOPTION

Financial Instruments, Hedges and Comprehensive Income

Commencing January 1, 2007, the Fund has adopted three new Canadian Institute of Chartered Accountants ("CICA") accounting standards: (i) *Financial Instruments – Recognition and Measurements*, (ii) *Hedges* and (iii) *Comprehensive Income*, as they affect the accounting of the Partnership.

As allowed under the transitional provisions for the implementation of new accounting standards, prior periods have not been restated. As a result, the Fund has recorded its share of the Partnership's increase of \$298 to opening fiscal 2007 Accumulated Other Comprehensive Income and Investment in Pizza Pizza Royalty Limited Partnership, for the cumulative prior period effect arising on adoption of the new accounting standards. This transition impact arose from recognizing in other comprehensive income, the value of the deferred gains and losses on transition date relating to the interest rate swap, designated as a cash flow hedge by the Partnership.

i) Financial Instruments

The new standards require all financial assets and financial liabilities to be carried at fair value in the Consolidated Balance Sheet, except the following which are carried at amortized cost unless designated as held for trading upon initial recognition: loans and receivables, securities designated as held-to-maturity and non-trading financial liabilities. The method used by the Fund is unchanged as a result of implementing these new accounting standards.

The Fund has decided to elect its accounts receivable from Pizza Pizza Limited, receivable from Pizza Pizza Royalty Limited Partnership and loan receivable from Pizza Pizza Limited as a loan and receivable.

The Fund has decided to elect its distributions payable to Fund unitholders as a financial liability not held for trading.

ii) Hedges

The criteria specifying when a derivative instrument may be accounted for as a hedge has not changed substantially. There are three main types of hedges: (i) fair value hedges, (ii) cash flow hedges and (iii) net investment hedges.

The Partnership's interest rate swap qualifies as a cash flow hedge and thus is being accounted for under this Handbook Section; thus the Fund has reflected the change in the investment in Partnership for the equity share of comprehensive earnings.

iii) Comprehensive Income

A new Statement of Comprehensive Income now forms part of the Fund's consolidated financial statements and displays current period net income and other comprehensive income.

Accumulated other comprehensive income (loss) is a separate component of shareholders' equity. The Consolidated Statement of Accumulated Other Comprehensive Income reflects changes in accumulated other comprehensive income, comprised of changes in unrealized gains and losses on available-for-sale assets as well as changes in the fair value of derivatives designated as cash flow hedges, to the extent they are effective.

PIZZA PIZZA ROYALTY INCOME FUND

Management's Discussion & Analysis

The above result in various adjustments to the opening financial statements as follows:

	Increase
Investment in Pizza Pizza Royalty Limited Partnership	\$ 298,000
Accumulated other comprehensive income – beginning	298,000

Accounting Changes

Effective January 1, 2007, the Fund has adopted the new recommendations of the CICA Handbook Section 1506, Accounting Changes. Under these new recommendations, voluntary changes in accounting policy are permitted only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and requires enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. These recommendations also require the disclosure of new primary sources of generally accepted accounting principles that have been issued but not yet effective.

The impact that the adoption of this section will have on the Fund's financial statements will depend on the nature of future accounting changes and the required additional disclosure on Recent Accounting Pronouncements is disclosed in note 12.

Cash Flow Statements

Effective January 1, 2007, the Fund has adopted the new recommendations of the CICA Handbook Section 1540, Cash Flow Statements, which has been amended to include disclosure of the extent to which cash distributions are non-discretionary. These requirements apply to all cash distributions on financial instruments classified as equity that are determined in accordance with a contractual agreement or relevant constating document. The Fund does not expect the adoption of this standard to have a material impact on disclosure in its financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements issued and not yet effective:

Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for the Fund for interim and annual financial statements beginning on January 1, 2008. The Fund has not yet determined the impact that the adoption of this change on the disclosure in its financial statements.

Financial Instruments Disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures, increases the disclosures currently required that will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing

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how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable. This standard is effective for the Fund for interim and annual financial statements beginning on January 1, 2008. The Fund has not yet determined the impact that the adoption of this change on the disclosure in its financial statements.

Financial Instruments Presentation

CICA Handbook Section 3863, Financial Instruments – Presentation, replaces the existing requirements on presentation of financial instruments which have been carried forward unchanged to this new section. This standard is effective for the Fund for interim and annual financial statements beginning on January 1, 2008. The Fund does not expect the adoption of this standard to have a material impact on presentation in its financial statements.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for the Fund for interim and annual financial statements beginning January 1, 2008. The Fund does not expect the adoption of these changes to have an impact on its financial statements.

International Financial Reporting Standards

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Fund's financial statements is not yet determinable.

OUTLOOK

Pizza Pizza management has advised the Trustees that in 2007 it expects to organically grow the number of Pizza Pizza restaurants by 3% and to continue researching strategic expansion opportunities. The number of Pizza 73 stores is projected to increase by 9 during the next 12 months. Additionally, Pizza Pizza expects to continue franchising its remaining Company-owned restaurants.

Overall Same Store Sales Growth, the key driver of yield growth for Unitholders, was 5.1% for the quarter ended September 30, 2007 and for the nine months ended September 30, 2007 was 5.0%.

The Fund increased its September 2007 distribution by 4.1%, from \$0.073 to \$0.076 per unit. This is the fifth distribution increase since the Fund's initial public offering, and the second increase in 2007. The increase is attributable to Pizza Pizza's acquisition of Pizza 73, Inc., and to the continued same stores sales growth.

RISKS & UNCERTAINTIES

The Fund continues to recognize certain risks and uncertainties associated with the ordinary course of business, including those associated with the business and operations of Pizza Pizza, upon which the Fund relies solely for its income.

The Restaurant Industry

The performance of the Fund is directly dependent upon the royalty and interest payments received from Pizza Pizza. The amount of royalty received from Pizza Pizza is dependent on various external factors that may affect the limited service sector of the restaurant industry. The restaurant industry, generally, is

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intensely competitive with respect to price, service, location and food quality. Competitors include national and regional chains, as well as independently owned restaurants. If Pizza Pizza, Pizza Pizza franchisees and Pizza 73 operators are unable to successfully compete in the limited service sector, System Sales may be adversely affected, the amount of royalty reduced and the ability of Pizza Pizza to pay the royalty or interest on the PPL Loan may be impaired. Changes in demographic trends, traffic patterns, and the type, number, and location of competing restaurants also affect the restaurant industry. In addition, factors such as government regulations, smoking bylaws, inflation, publicity from any food borne illnesses, increased food, labour and benefits costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and therefore, potentially, Pizza Pizza and Pizza 73 System Sales. Pizza Pizza's success also depends on numerous factors affecting discretionary spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce sales and operating income, which could adversely affect revenue, the royalty and the ability of Pizza Pizza to pay the royalty to the Fund or interest on the PPL Loan.

Tax Changes

On October 31, 2006, the Minister of Finance (Canada) announced proposals to significantly change the income tax treatment of most publicly traded trusts and partnerships (other than certain real estate investment trusts) and the distributions and allocations, as the case may be, from these entities to their investors. The proposals were released in draft legislative form on December 21, 2006 and were enacted in June 2007.

Under the legislation, certain income earned by these entities will be taxed in a manner similar to income earned by a corporation and distributions or allocations of such income made by these entities to investors will be taxed in a manner similar to dividends from taxable Canadian corporations. The deemed dividend will be eligible for the new enhanced dividend tax credit if paid or allocated to a resident of Canada. The legislation will be effective commencing in the 2011 taxation year for trusts and partnerships that were publicly traded prior to November 1, 2006, such as the Fund. However, the deferral until 2011 may be rescinded where the affected entity does not comply with the Department of Finance's "normal growth" guidelines.

For illustrative purposes, the consequence for an individual Unitholder, holding units outside a tax-deferred plan who received a \$1 distribution would be as follows, assuming that 25% of the distribution was a non-taxable return of capital:

	2006 Tax Measures	2011 Tax Measures
Distributable amount before tax	\$1.00	\$1.00
Tax paid by the Fund ⁽¹⁾	\$0.00	\$0.24
Distribution after the Fund's tax	\$1.00	\$0.76
Tax paid by the unitholder	\$0.35 ⁽²⁾	\$0.11 ⁽³⁾
Net amount	\$0.65	\$0.65

Notes:

- (1) 31.5% on the taxable portion (75% of the \$1.00 distribution)
- (2) Assuming a 46.41% combined tax rate currently in effect in Ontario on 75% of the distribution treated as income
- (3) Assuming a 22.38% tax rate on the deemed dividend income, and assuming that Ontario adopts the reduction in the tax rate on dividends proposed by the Federal government

The foregoing presentation is based on the Fund's understanding of the legislation enacted into law in June 2007. The tax consequences of the legislation to a Unitholder that is tax-exempt, holds units in a tax-deferred plan or is a non-resident of Canada would differ from the presentation set forth above.

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Unitholders are encouraged to consult their own tax advisors concerning the application of the legislation to their investment in units, with reference to their particular circumstances.

The Fund is currently considering the legislation and guidelines and the possible impact they will have on the Fund and its investors. This legislation is not expected to have an immediate impact on the Fund's distribution policy or the tax treatment of distributions to investors.

Litigation

In the third quarter of 2007, Pizza Pizza Royalty Income Fund received an update from Pizza Pizza regarding a potential claim disclosed in the Fund's 2005 initial public offering prospectus and Pizza Pizza's subsequent financial statement filings.

The claim, which does not name the Fund or its subsidiaries, was formally served on Pizza Pizza and certain of its associates by Lawrence Austin, a former consultant to Pizza Pizza. In the claim, Mr. Austin asserts a right to \$45 million in damages and other amounts, including entitlements to a portion of the proceeds of the Fund's IPO that were directly or indirectly received by Pizza Pizza and its associates.

Pizza Pizza has advised the Fund that it continues to believe the demand to be without merit and it will vigorously defend the claim. The parties have exchanged documents and examinations for discovery have been scheduled. The Fund notes that Michael Overs, the Chairman and CEO of Pizza Pizza, has agreed in an indemnity agreement to indemnify Pizza Pizza and the Fund against any liabilities they may incur in this matter.

Other

For a more detailed list of risks and uncertainties please refer to the Fund's Annual Information Form which is available at www.sedar.com and www.pizzapizzaroyaltyincomefund.com.

FORWARD LOOKING STATEMENTS

Certain statements in this report may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this report, such statements include such words as "may", "will", "expect", "believe", "plan", and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this report. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition; changes in demographic trends; changing consumer preferences and discretionary spending patterns; changes in national and local business and economic conditions; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of Pizza Pizza. The foregoing list of factors is not exhaustive.

ADDITIONAL INFORMATION

Additional information about the Fund including the Fund's most recent Annual Information Form is available on SEDAR at www.sedar.com or at the Fund's website www.pizzapizzaroyaltyincomefund.com.

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UNITHOLDER INFORMATION

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Stock Exchange Listing:
Toronto Stock Exchange: PZA.UN

Trustees of the Fund:

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Richard McCoy
Terence Reid⁽¹⁾
Ron Rogers⁽¹⁾
Elizabeth Wright
(1) Denotes Audit Committee member

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Directors and Officers of the Pizza Pizza GP, Inc., the General Partner of
the Pizza Pizza Royalty Limited Partnership:

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Curt Feltner⁽¹⁾
Richard McCoy
Michael Overs⁽¹⁾
Terence Reid
Ronald Rogers
Daniel Vukovich
Elizabeth Wright
(1) Denotes members of Pizza Pizza Limited management team.