

PIZZA PIZZA LIMITED AND PIZZA PIZZA ROYALTY INCOME FUND COMPLETE PIZZA 73 ACQUISITION

Toronto, CANADA, July 24 /CNW/ – Pizza Pizza Royalty Income Fund (the “Fund”) (TSX: PZA.UN) and Pizza Pizza Limited (“Pizza Pizza”) announced today that Pizza Pizza has completed the previously-announced acquisition of Flying Pizza 73 Inc. and its affiliated companies (together, “Pizza 73”). In connection with this transaction, the Fund has acquired the trademarks and other intellectual property associated with Pizza 73 restaurant operations.

The acquisition of Pizza 73, a leading quick service restaurant (“QSR”) pizza retailer, based in Edmonton, Alberta, allows Pizza Pizza, which is marking its 40th year in the industry, to expand into Western Canada and specifically the fast-growing Alberta market. Pizza Pizza, Ontario’s “number one pizza”, operates 532 restaurant locations, predominantly in Ontario and Quebec.

The Fund and Pizza Pizza acquired Pizza 73 for a combined purchase price of \$70.25 million. The Fund, through Pizza Pizza Royalty Limited Partnership (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 earnout will be paid to the Pizza 73 vendors by Pizza Pizza in July 2008, provided certain revenue and profitability targets are met. Pizza Pizza will license the trademarks and other intellectual property associated with Pizza 73 from the Partnership for a 9% royalty payment to the Fund on system sales generated by the Pizza 73 restaurants in the royalty pool. The Transaction is expected to be immediately 4.0% accretive to the Fund's cash available for distribution per fully diluted unit on a pro forma basis for the 52 weeks ended April 21, 2007.

Concurrent with the closing of the Transaction, the Partnership has entered into a credit facility co-led by BMO Bank of Montreal and Toronto-Dominion Bank to finance a portion of the purchase price payable in the Transaction and to re-finance existing indebtedness. In addition, Michael Overs, indirectly, and the Pizza 73 vendors have completed the previously-announced acquisition of an aggregate of 766,392 Units on a private placement basis, for total proceeds to the Fund of approximately \$7.0 million.

As the Transaction between the Fund and Pizza Pizza was considered a related party transaction under Ontario Securities Commission Rule 61-501 and Autorité des marchés financiers Policy Q-27, a special meeting of the Fund's unitholders was held on July 20, 2007, at which certain matters related to the Transaction were approved by more than 99% of the Fund units (“Units”) represented in person or by proxy, including a majority of minority unitholders.

In connection with the Transaction, on July 5, 2007 the Fund issued 2,600,000 subscription receipts, each representing the right to receive one Unit of the Fund, for gross proceeds of \$23.8 million. The proceeds of the offering have been held in escrow pending today's closing of the Transaction. Upon release, the proceeds were applied to satisfy part of the purchase price payable by the Partnership. The subscription receipts will be automatically exchanged for Units effective at 5:00 p.m. (Toronto time) today (July 24), and thereafter the former holders of the subscription receipts will be entitled as unitholders to receive distributions from the Fund. The Units will be issued to the former holders of subscription receipts through the facilities of CDS Clearing and Depository Services Inc. (“CDS”) and CDS Book-Entry Only System customer

confirmations will be entered on July 26, 2007, the second business day following the Transaction closing date.

ABOUT THE FUND

The Fund is a limited purpose, open-ended trust established under the laws of Ontario to indirectly acquire the trademarks and trade names used by Pizza Pizza in its Pizza Pizza and Pizza 73 branded restaurants. The trademarks have been licensed to Pizza Pizza 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, and 9% of the system sales of its Pizza 73 restaurants in the royalty pool. As of January 1, 2007, there were 531 Pizza Pizza restaurants in the royalty pool, and the initial Pizza 73 royalty pool includes 41 restaurants.

Since its initial public offering in 2005, the Fund has increased distributions four times while maintaining a 5% same restaurant sales growth at its Pizza Pizza restaurants. The last distribution increase was in January 2007 when monthly distributions were increased from \$0.071 per unit to \$0.073 per unit.

A key attribute of the Fund's structure is the fact that it is a "top-line" fund. Royalty income of the Fund is based on top-line system sales of the royalty pool restaurants and is not determined by the profitability of either Pizza Pizza or the Pizza Pizza and Pizza 73 restaurants in the royalty pool. Given this structure, the success of the Fund depends primarily on the ability of Pizza Pizza to maintain and increase system sales of the royalty pool restaurants.

ABOUT PIZZA PIZZA LIMITED

Pizza Pizza Limited, a privately-held Canadian corporation, is one of Canada's most successful operators in the quick service restaurant industry and is celebrating its 40th anniversary this year. Founded in 1967, Pizza Pizza is guided by a mission to provide the "best food, made especially for you" and a focus on quality ingredients, customer service, community contribution and continual innovation, especially in offering health-conscious menu choices.

ABOUT PIZZA 73

Founded in 1985, Pizza 73, with its recognizable phone numbers ending in "7373", currently has 48 restaurants in its system. Pizza 73 operates in the take-out and delivery pizza QSR segment, principally in the province of Alberta. Pizza 73 currently has four locations outside of Alberta; three in Saskatchewan and one in British Columbia. Systems sales through its centralized call centre and pizza73.com together accounted for approximately 95% of Pizza 73's sales for the 52 weeks ended April 21, 2007. Pizza 73 restaurants are not franchised, but instead are owned and operated as independent businesses. Each restaurant is a corporation equally owned by an independent owner/operator and Pizza 73. Pizza 73 supports its independent owner/operators with new restaurant openings, product development and supplier arrangements and a centralized marketing program funded by contributions from each restaurant equal to approximately 8% of annual sales. Trademarks and other intellectual property used in the restaurant system are owned by Pizza 73. The Pizza 73 business also includes two commissaries and a call centre.

For the 52 weeks ended April 21, 2007, Pizza 73 had system sales of \$65.0 million. For the years ended July 22, 2006 and July 23, 2005, Pizza 73 had system sales of \$52.8 million and \$40.8 million, respectively.

NON-GAAP MEASURES

Certain financial information contained in this news release, including references to cash available for distribution, are not standard measures under Generally Accepted Accounting Principles ("GAAP") in Canada and may not be comparable to similar measures presented by other entities. These measures are considered to be important measures used by the investment community to assess the source and sustainability of the Fund's cash distributions and should be used to supplement other performance measures prepared in accordance with GAAP in Canada.

FORWARD LOOKING STATEMENTS

Certain statements in this press release may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Fund to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this press release, such statements use such words as "may," "will," "expect," "anticipate," "project," "believe," "plan" and other similar terminology. The risks and uncertainties are detailed from time to time in reports filed by the Fund with the securities regulatory authorities in all of the provinces of Canada to which recipients of this press release are referred for additional information concerning the Fund, its prospects and the risks and uncertainties relating to the Fund and its prospects. New risk factors may arise from time to time and it is not possible for management to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance and achievements of the Fund to be materially different from those contained in forward-looking statements.

Certain of risks and uncertainties that may arise in connection with the acquisition of Pizza 73 include risks associated with (i) the integration of the Pizza 73 business by Pizza Pizza; (ii) liabilities that may be assumed in respect of the business and limitations on recourse in respect thereof, and (iii) operating risks associated with the operation of Pizza 73 business in its principal markets.

The forward-looking information contained in this press release is current only as of the date of this press release. There should not be an expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.

CONTACT

For further information: Curt Feltner, Chief Financial Officer, Pizza Pizza Limited, (416) 967-1010, cfeltner@pizzapizza.ca.