

**PIZZA PIZZA LIMITED EXPANDS INTO WESTERN CANADA
WITH PURCHASE OF PIZZA 73
AND
PIZZA PIZZA ROYALTY INCOME FUND TO ACQUIRE
ADDITIONAL ROYALTY STREAM**

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Ontario's "number one pizza" to add 48 restaurants with acquisition of major Alberta pizza company

Toronto, Ontario, June 14, 2007 – Pizza Pizza Royalty Income Fund (the "Fund") (TSX: PZA.un) and Pizza Pizza Limited ("Pizza Pizza") announced today that Pizza Pizza has entered into a definitive agreement to acquire Flying Pizza 73 Inc. and its affiliated companies (together, "Pizza 73"). In connection with this transaction, the Fund has entered into a definitive agreement to acquire 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 are acquiring Pizza 73 for a combined purchase price of \$70.25 million. The Fund, through Pizza Pizza Royalty Limited Partnership (the "Partnership"), will acquire the trademarks and other intellectual property of Pizza 73 for \$54.04 million (the "Transaction") and Pizza Pizza will acquire 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 Fund 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 accretive to the Fund's distributable cash per unit. The Transaction between the Fund and Pizza Pizza will be considered a related party transaction under OSC Rule 61-501 ("61-501") and Autorité des marchés financiers Policy 27 ("Q-27"). A special meeting of unitholders is expected to be held in late July to approve the Transaction, which is subject to approval by a majority of minority unitholders.

"Pizza Pizza has been working on a Western Canadian expansion plan, as announced at the time of the Fund's initial public offering in 2005," stated Michael Overs, Chairman of Pizza Pizza. "This represents an ideal acquisition for Pizza Pizza, as Pizza 73 has achieved impressive growth and is a market leader in the Alberta QSR pizza sector, and the Pizza 73 brand is well recognized throughout Alberta. We look forward to working with Pizza 73's management and owner/operators to expand their restaurant network and continue to grow system sales and the great Pizza 73 brand."

"The trustees of the Fund believe the Transaction is beneficial to unitholders. The Transaction will diversify the Fund's cash flow with the new royalty stream to be generated by Pizza 73 and position

the Fund for continued growth. We fully support Pizza Pizza's initiatives to generate value for unitholders," said Elizabeth Wright, Chair of the Fund.

Guy Goodwin, President of Pizza 73 said, "We are excited with this transaction as it will allow Pizza 73 to accelerate its growth plans. Pizza Pizza's track record of success and industry knowledge will allow Pizza 73 to enter new markets and increase offerings to our customers." Pizza 73 was recently awarded the distinction of being named one of Canada's "50 Best Managed" companies for 2006. Key members of the Pizza 73 management team, including Mr. Goodwin, will be staying with Pizza 73 following the Transaction.

The Transaction has been unanimously approved by the Trustees of the Fund (the "Trustees"), all of whom are independent of Pizza Pizza. Blair Franklin Capital Partners Inc. has provided an opinion to the Trustees that the consideration to be paid by the Fund for the trademarks and other intellectual property of Pizza 73 and the financial terms of the Transaction are fair, from a financial point of view, to the public unitholders of the Fund. LeCG Canada Ltd. has provided a formal valuation to the Trustees which concluded that the fair market value of the trademarks and other intellectual property to be acquired by the Fund pursuant to the Transaction ranges from \$59.0 million to \$62.0 million and that the 9% fixed royalty rate to be payable to the Fund on Pizza 73 system sales is commercially reasonable in the circumstances.

ACQUISITION FINANCING

In connection with the Transaction, the Fund has entered into an agreement with TD Securities Inc. to sell, on a bought deal basis, 2,600,000 subscription receipts priced at \$9.15 per receipt, each representing the right to receive one Unit of the Fund, for gross proceeds of \$23.8 million. The subscription receipt financing is expected to close on or about July 5, 2007. In addition, the Partnership has entered into a fully committed credit facility co-led by BMO Bank of Montreal and Toronto-Dominion Bank to finance the remainder of the purchase price and re-finance existing indebtedness.

Michael Overs, indirectly, and the Pizza 73 vendors have each also agreed to buy approximately \$3.5 million of units, for a total of approximately \$7.0 million, at \$9.15 per unit from the Fund on closing of the acquisition.

TD Securities Inc. is acting as financial advisor to the Fund and Pizza Pizza.

Deloitte & Touche Corporate Finance is acting as financial advisor to Pizza 73.

TRANSACTION HIGHLIGHTS

The Transaction provides the following benefits to unitholders:

- 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.
- Pizza 73 has demonstrated strong same restaurant sales growth from 2003 to the 52 weeks ended April 21, 2007. Same restaurant sales growth was 10.1% in 2003, 20.9% in 2004, 13.5% in 2005, 27.5% in 2006 and 26.1% for the 52 weeks ended April 21, 2007. Management of Pizza Pizza expects same restaurant sales to continue growing, however not at the same rates experienced from 2004 to 2007.
- Increases the Fund's market capitalization and float, and is therefore expected to increase the Fund's liquidity.

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.

ROYALTY POOL OF THE FUND

Upon closing of the Transaction, 41 Pizza 73 restaurants will be added to the royalty pool. For the 52 weeks ended April 21, 2007, these restaurants had system sales of \$62.4 million. Pizza 73 restaurants will be added to the royalty pool on January 1 of each year for those restaurants opened before September 1 of the previous year. As the number of Pizza 73 restaurants in the royalty pool is adjusted, Pizza Pizza’s interest in the Fund will also be adjusted pursuant to a predetermined formula consistent with the current formula for adjustments in the number of Pizza Pizza restaurants in the Pizza Pizza royalty pool.

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 restaurants. The trademarks were licensed to Pizza Pizza in July 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. As of January 1, 2007, there were 531 Pizza Pizza restaurants in the royalty pool.

Since its initial public offering in 2005, the Fund has increased distributions four times while maintaining a 5% same restaurant sales growth. 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 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.

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.

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 closing of the acquisition of the Pizza 73 business and the Transaction; (ii) the integration of the Pizza 73 business by Pizza Pizza; (iii) liabilities that may be assumed in respect of the business and limitations on recourse in respect thereof, and (iv) 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.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities described herein in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to qualification or registration under applicable securities laws of any such jurisdiction. The securities described herein have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act") and may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act.

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