BOSTON PIZZA
ROYALTIES INCOME FUND

ANNUAL REPORT 2021

PROFILE

Founded in Alberta in 1964, Boston Pizza has grown to become Canada's #1 casual dining brand by continually improving its menu offerings, guest experience and restaurant design. Boston Pizza's success has allowed the concept to grow and prosper in new markets across Canada and served more than 50 million guests annually prior to the coronavirus disease ("COVID-19") pandemic in 2020.

As at January 1, 2022 there were 383 Boston Pizza locations in Canada, stretching from Victoria to St. John's, with all but three of the restaurants owned and operated by independent franchisees.

In every Boston Pizza location, guests enjoy a comfortable atmosphere, professional service and an appealing and diverse menu. Whether it's a business lunch, family dinner or watching the game with friends, Boston Pizza provides its guests the opportunity to enjoy great food in a relaxed and inviting setting. It is this combination of key ingredients that has enabled Boston Pizza to serve more guests in more locations than any other full-service restaurant brand in Canada.

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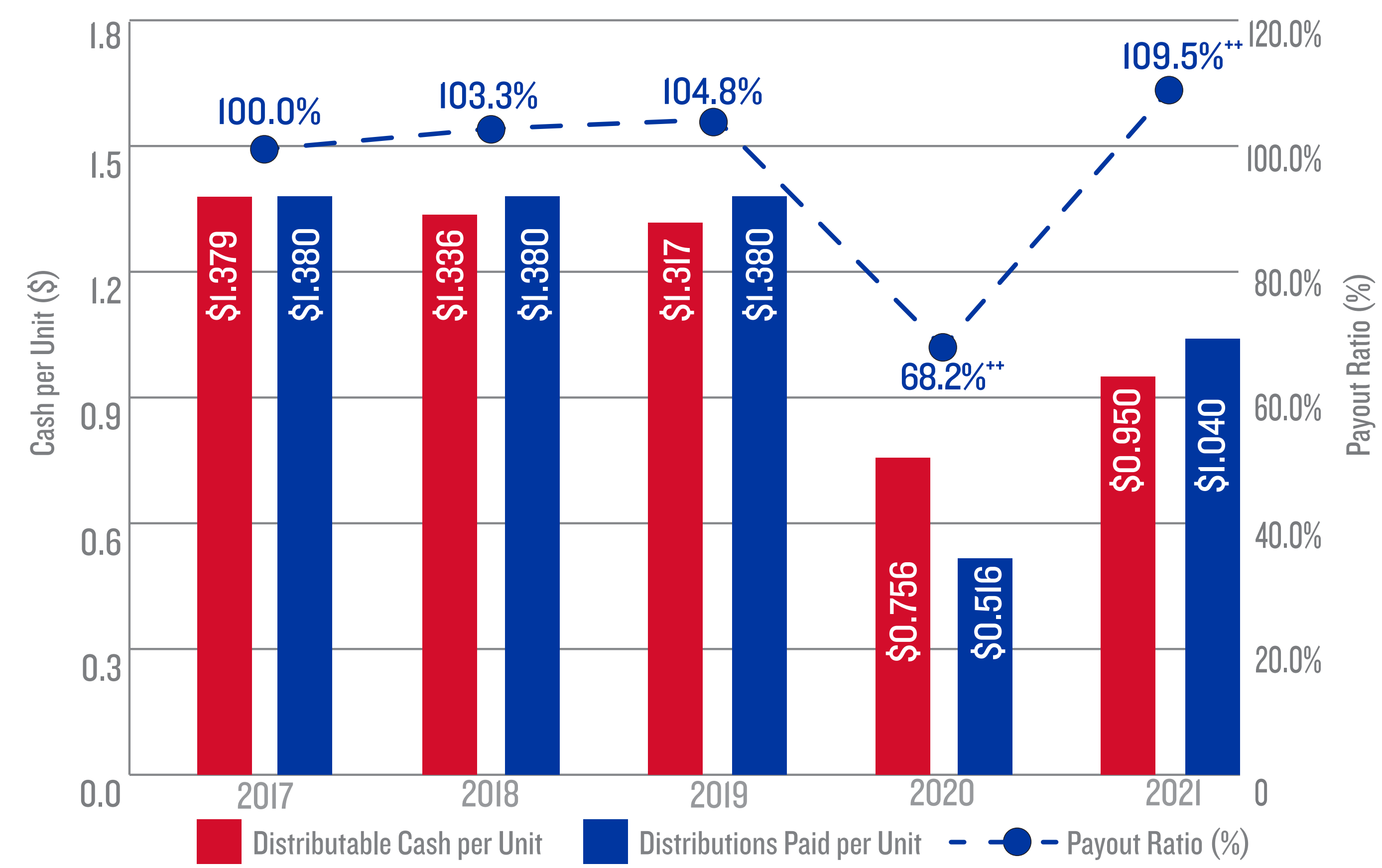
2021 HIGHLIGHTS

- The COVID-19 pandemic continues to impact the restaurant industry and the business and revenues of Boston Pizza Royalties Income Fund (the "Fund"), Boston Pizza International Inc. ("BPI") and Boston Pizza Canada Limited Partnership ("BP Canada LP").
- System-Wide Gross Sales* *(see page 80)* of $812.9 million, representing an increase of 5.1% compared to one year ago.
- Franchise Sales of $660.1 million for the Year, representing an increase of 7.6% compared to one year ago.
- Same Restaurant Sales* *(see page 10)* of positive 8.5% for the Year.
- Cash flows generated from operating activities of $30.5 million for the Year, representing an increase of 33.3% compared to one year ago.
- Distributable Cash* *(see page 9)* increased 25.4% for the Year and Distributable Cash per Unit* *(see page 9)* increased 25.7% for the Year.
- Payout Ratio* *(see page 9)* of 109.5% for the Year and a cash balance of $5.2 million at the end of the Year.
- Boston Pizza did not open any new full-service restaurants and closed four full-service restaurants in 2021.
- The monthly distribution rate increased from $0.065 per Unit of the Fund to $0.085 per Unit beginning with the September 2021 distribution that was paid on October 29, 2021.

* Non-GAAP Financial Measure, Non-GAAP Ratio or Supplementary Financial Measure under National Instrument 52-112. See page reference for details.

DISTRIBUTIONS PER UNIT AND PAYOUT RATIO



++ A special distribution of $0.20 per unit was declared in December 2020 and paid in January 2021. The Payout Ratio is calculated by dividing the amount of distributions paid during the applicable period by the Distributable Cash for that period. Accordingly, the Payout Ratio for 2020 does not factor in the special distribution that was paid on January 29, 2021 even though the cash generated to fund the special distribution was generated during 2020 as a result of monthly distributions on Units being temporarily suspended in respect of March through August of 2020. If the special distribution was included in the calculation of Payout Ratio in the year it was declared, the Payout Ratio would be 94.6% for 2020 and 88.4% for 2021.

MESSAGE FROM THE CHAIRMAN OF BOSTON PIZZA ROYALTIES INCOME FUND

On behalf of the trustees, I am pleased to present the 2021 annual report for Boston Pizza Royalties Income Fund (the "**Fund**").

The coronavirus pandemic ("**COVID-19**") has continued to challenge and disrupt business everywhere, and Boston Pizza has been no exception to that throughout the pandemic. From the onset of COVID-19, the business of Boston Pizza restaurants in the royalty pool varied inversely with the severity of COVID-19 across Canada. The beginning of 2021 saw various governmental authorities across Canada imposing assorted restrictions on the operations of restaurants in an attempt to control the spread of COVID-19. The restrictions ranged from limiting operating hours, reductions in permitted hours to serve alcohol, closures of indoor dining rooms and closures of patio dining depending upon the particular regions and times. As COVID-19 case counts declined in February and March of 2021, the business of Boston Pizza restaurants in the royalty pool again improved as the assorted governmental restrictions were eased. However, that improvement was temporary as the third wave of COVID-19 developed shortly thereafter and again various governmental authorities across Canada imposed assorted restrictions on the operations of restaurants in an attempt to control the spread of COVID-19. As the third wave of COVID-19 subsided in May and June of 2021, the business of Boston Pizza restaurants in the royalty pool again improved as the assorted governmental restrictions were once again eased. As the fourth wave of COVID-19 developed in Canada, the business of Boston Pizza restaurants again declined as various governmental authorities across Canada again implemented assorted restrictions, including vaccine card or vaccine passport systems that require guests to show proof of vaccination when dining in restaurants. It was a difficult ending to a challenging year but, with the right combination of government and public support, Boston Pizza International Inc. ("**BPI**") and the Fund are optimistic about the prospect for better days ahead in 2022.

The effects of the COVID-19 pandemic on Boston Pizza's restaurant operations had a direct impact on the royalty and distribution payments to the Fund. The following is a summary of some changes regarding distributions declared by the trustees on units of the Fund ("**Unit**"):

1. On October 1, 2020, the trustees recommenced monthly distributions of $0.065 per Unit compared to the monthly distributions of $0.102 per Unit that existed prior to the Fund temporarily suspending distributions on March 23, 2020;

2. On December 16, 2020, the trustees declared the special distribution of $0.20 per Unit which was paid on January 29, 2021 to unitholders of record at the close of business on December 31, 2020; and

3. On October 8, 2021, the trustees increased the monthly distribution to $0.085 per Unit for September 2021 from the previous monthly rate of $0.065 per Unit, being an increase of $0.020 per Unit or 30.8%.

The trustees will continue to closely monitor the Fund's available cash balances and distribution levels, based on its policy of stable and sustainable distribution flow to unitholders.

On behalf of the trustees, I would like to thank unitholders for their support during these unprecedented times and express appreciation to BPI, Boston Pizza franchisees and their respective employees for their hard work and commitment during the pandemic. The trustees continue to actively work with all internal and external stakeholders of the Boston Pizza system to get through the COVID-19 crisis and on to the business recovery opportunity ahead.

Marc Guay
Chairman, Boston Pizza Royalties Income Fund

LETTER FROM THE PRESIDENT OF BOSTON PIZZA INTERNATIONAL INC.

On behalf of Boston Pizza International Inc. ("**BPI**"), its board of directors, management team and employees, I am pleased to present our 2021 Annual Report. This report covers the fiscal year-ended December 31, 2021 (the "**Year**").

HIGHLIGHTS

- System-Wide Gross Sales of $812.9 million for the Year, representing an increase of 5.1%, versus the same period one year ago.
- Same Restaurant Sales of positive 8.5% for the Year.
- COVID-19 continued to impact the business of BPI in 2021 as reflected in Same Restaurant Sales of negative 21.5% when compared to 2019.
- Raised just over $1.2 million in 2021 for Boston Pizza Foundation Future Prospects, bringing the aggregate total to over $34 million raised and donated since the inception of the Boston Pizza Foundation in 1990.

Readers are cautioned that they should refer to the annual consolidated financial statements and Management's Discussion and Analysis of BPI for the fiscal year-ended December 31, 2021, available on SEDAR at www.sedar.com and on the Boston Pizza Royalties Income Fund's website at www.bpincomefund.com, for a full description of BPI's financial results.

OPERATIONAL HIGHLIGHTS

In 2021, Boston Pizza restaurants across Canada continued to be impacted by government restrictions arising from the COVID-19 pandemic. However, we were pleased to see our overall results strengthen in 2021 compared to 2020. The back-half of 2021 experienced an improved trend compared to the first half of the Year, with some weeks reaching or even exceeding pre-pandemic sales levels. COVID-19 case counts and government restrictions fluctuated throughout the Year, however, we remained focused on the safety of guests and staff in our restaurants, and serving our communities as permitted by government health authorities. Guest demand for take-out and delivery was at an all-time high in 2021 at Boston Pizza. We continued to enhance our digital ordering systems and work with our delivery service partners to achieve year-over-year increases in the off-premise segment of our business. We also met challenges in 2021 related to other aspects of the pandemic. Boston Pizza successfully managed through supply chain disruptions and labour shortage challenges being experienced in Canada and around the world. Our team worked hard to maintain a stable supply chain and mitigate cost increases for our franchisees. We also provided systems and tools to help our franchisees attract and retain staff. On the restaurant development front, the pandemic was a contributing factor in the four Boston Pizza restaurants that permanently closed in 2021. As the economy begins to recover in 2022, we will continue to work diligently on new or existing restaurant development opportunities that were delayed due to the pandemic.

We started the first quarter of 2021 when the second wave of the pandemic was at its peak. Government restrictions, in many regions, involved limited operating hours, a reduction in permitted hours to serve alcohol, and/or the closure or seating capacity restrictions of in-restaurant dining. To partially mitigate the impact of these restrictions, Boston Pizza kicked off the first quarter with our *Meal Deals* promotion, a guest-favourite which offered pizza, pasta and wing bundles at compelling price-points. In addition, we extended our popular *Valentine's Day Promotion* to give guests more opportunities to enjoy a heart-shaped pizza and give back to local communities. As part of our *Valentine's Day Promotion*, the Boston Pizza Foundation Future Prospects raised over $270,000 in 2021 to help local charities in communities across Canada.

As we entered the second quarter of 2021, COVID-19 case counts increased due to the third wave of the pandemic. Boston Pizza restaurants were once again operating under various government restrictions in most regions across Canada. With the pandemic delaying the start of the National Hockey League season, Boston Pizza ran a *Call The Shot* promotion. Guests participated in hockey trivia and prizing, and enjoyed pizza flights that consisted of three 6-inch gourmet pizzas.

In the third quarter of 2021, as the third wave of the pandemic subsided and government restrictions were relaxed, Boston Pizza restaurants across all regions were able to open their dining rooms and patios for the summer season. This resulted in the third quarter generating our strongest sales results since the start of the pandemic, with some weeks achieving sales levels that exceeded pre-pandemic sales levels on a comparative basis. We had a successful *Summer Patio Promotion* which included our patio "re-training" campaign and a new *Summer Feature Menu* that further contributed to our strong sales results in the third quarter of 2021.

At the beginning of the fourth quarter, most regions had implemented vaccine passports which required guests to show proof of vaccination for in-restaurant dining. Although vaccine passports enabled in-restaurant dining to remain available for many guests, we saw a decrease in guest traffic at our restaurants during this period. During this time, we hosted several successful promotions such as our family-favourite *Kids Cards* promotion, where a Kids Card with 5 free kids meals could be purchased with a $5 donation to the Boston Pizza Foundation Future Prospects. The Boston Pizza Foundation Future Prospects raised over $750,000 with this promotion to help our charity partners support mentoring youth in communities across Canada. We also brought back the *Call the Shot* promotion and launched our *Holiday Feature Menu* where guests received a free Toblerone Bar when a meal was purchased off our *Holiday Feature Menu*.

At the end of 2021 and the beginning of 2022, all regions in Canada were significantly impacted by the Omicron variant and the resulting fifth wave of the pandemic. The significant increase in COVID-19 cases resulted in capacity restrictions for dining rooms as well as closures of dining rooms. By the end of the first quarter in 2022, COVID-19 case counts have improved and government restrictions have been relaxed. These are positive developments, however, our current outlook remains cautious as COVID-19 could continue to have a negative impact on the business of Boston Pizza restaurants during 2022. Our top priority remains to safely operate the dining rooms, sports bars and patios of Boston Pizza restaurants across Canada. We will continue to maximize our take-out and delivery sales while also adapting other areas of our business to responsibly address future challenges and opportunities presented by COVID-19.

Boston Pizza has been a gathering place for communities across Canada for almost 60 years, providing our guests with much-needed opportunities to share food, share life and connect. After living with the pandemic for over two years, the desire to gather around with friends and families is stronger than ever. We believe that providing genuine hospitality occasions will be even more essential to the lives of Canadians than it was pre-pandemic. At Boston Pizza, we are excited and prepared to serve our guests from coast-to-coast this year.

LETTER FROM THE PRESIDENT OF BOSTON PIZZA INTERNATIONAL INC.

I want to close by conveying my deep appreciation to our employees, franchisees, and business partners for their hard work and support during these unprecedented times. I am extremely proud of our accomplishments during the pandemic and look forward to what we can achieve together in the future.

On behalf of Boston Pizza International Inc.,

Jordan Holm,

President, Boston Pizza International Inc.

Certain information in this letter constitutes “forward-looking information” that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of Boston Pizza Royalties Income Fund (the “Fund”), Boston Pizza Holdings Trust, Boston Pizza Royalties Limited Partnership, Boston Pizza Holdings Limited Partnership, Boston Pizza Holdings GP Inc., Boston Pizza GP Inc., BPI, Boston Pizza Canada Limited Partnership (“BP Canada LP”), Boston Pizza Canada Holdings Inc., Boston Pizza Canada Holdings Partnership, Boston Pizza restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. All statements, other than statements of historical facts, included in this letter that address activities, events or developments that BPI and BP Canada LP expects or anticipates will or may occur in the future, including such things as, continuing to work diligently on new or existing restaurant development opportunities that were delayed due to the pandemic, BPI’s and BP Canada LP’s current outlook remaining cautious as COVID-19 could continue to have a negative impact on the business of Boston Pizza restaurants during 2022, BPI’s and BP Canada LP’s top priority remaining to safely operate the dining rooms, sports bars and patios of Boston Pizza restaurants across Canada, BPI and BP Canada LP maximizing take-out and delivery sales while adapting other areas of their business to responsibly address future challenges and opportunities presented by COVID-19, BPI and BP Canada LP believing that providing genuine hospitality occasions will be even more essential to the lives of Canadians than it was pre-pandemic, and other such matters are forward-looking information. When used in this letter, forward-looking information may include words such as “anticipate”, “estimate”, “may”, “will”, “expect”, “believe”, “plan”, “should”, “continue” and other similar terminology. The material factors and assumptions used to develop the forward-looking information contained in this letter include the following: expectations related to future general economic conditions, Boston Pizza restaurants maintaining operational excellence, and the COVID-19 pandemic may continue to negatively impact the restaurant industry. Risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by the forward-looking information contained herein, relate to (among others): competition, demographic trends, consumer preferences and discretionary spending patterns, business and economic conditions, legislation and regulation, reliance on operating revenues, accounting policies and practices, the results of operations and financial condition of BPI and BP Canada LP, pandemics and national health crises, in particular COVID-19, as well as those factors discussed under the heading “Risks and Uncertainties” in the most recent Annual Information Form of the Fund. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this letter. Except as required by law, neither BPI, BP Canada LP nor the Fund assumes any obligation to update previously disclosed forward-looking information. For a complete list of the risks associated with forward-looking information and BPI’s and BP Canada LP’s business, please refer to the “Risks and Uncertainties” and “Note Regarding Forward-Looking Information” sections included in the most recent Annual Information Form of the Fund and BPI’s Management’s Discussion and Analysis for the year ended December 31, 2021 available at www.sedar.com and www.bpincomefund.com.

BOSTON PIZZA ROYALTIES INCOME FUND

FINANCIAL HIGHLIGHTS

The tables below set out selected information from the audited annual consolidated financial statements of Boston Pizza Royalties Income Fund (the "**Fund**"), which includes the accounts of the Fund, its wholly-owned subsidiaries Boston Pizza Holdings Trust (the "**Trust**"), Boston Pizza Holdings GP Inc. ("**Holdings GP**") and Boston Pizza Holdings Limited Partnership ("**Holdings LP**"), its 80% owned subsidiary Boston Pizza GP Inc. ("**Royalties GP**"), and Boston Pizza Royalties Limited Partnership ("**Royalties LP**"), together with other information and should be read in conjunction with the audited annual consolidated financial statements of the Fund for the years ended December 31, 2021 and December 31, 2020. The financial information in the tables included in this Management's Discussion and Analysis ("**MD&A**") are reported in accordance with International Financial Reporting Standards ("**IFRS**") except as otherwise noted and are stated in Canadian dollars. Capitalized terms used in the tables and notes below are defined elsewhere in this MD&A.

For the years ended December 31	2021	2020	2019
(in thousands of dollars – except restaurants, SRS, Payout Ratio and per Unit items)			
Number of restaurants in Royalty Pool	387	395	396
Franchise Sales reported by restaurants in the Royalty Pool	660,051	613,199	853,728
Royalty income	26,402	24,528	34,149
Distribution Income	8,752	8,114	11,246
Total revenue	35,154	32,642	45,395
Administrative expenses	(1,299)	(1,439)	(1,248)
Interest expense on debt and financing fees	(3,879)	(3,360)	(2,830)
Interest expense on Class B Unit liability	(2,506)	(2,085)	(4,133)
Interest income	94	144	40
Profit before fair value gain (loss) and income taxes	27,564	25,902	37,224
Fair value gain (loss) on investment in BP Canada LP	25,206	(14,349)	(9,002)
Fair value (loss) gain on Class B Unit liability	(11,229)	6,382	4,120
Fair value gain (loss) on Swaps	2,303	(2,064)	(824)
Current and deferred income tax expense	(6,437)	(6,301)	(9,015)
Net and comprehensive income	37,407	9,570	22,503
Basic earnings per Unit	1.74	0.44	1.03
Diluted earnings per Unit	1.74	0.17	0.88
Distributable Cash[1] / Distributions / Payout Ratio[2]			
Cash flows generated from operating activities	30,475	22,866	35,621
BPI Class B Unit entitlement[3]	(2,770)	(2,450)	(4,133)
Interest paid on long-term debt	(3,692)	(3,157)	(2,821)
Principal repayments on long-term debt	(3,787)	(690)	-
Current income tax expense	(6,307)	(6,141)	(8,595)
Current income tax paid	6,520	5,871	8,628
Distributable Cash[1]	20,439	16,299	28,700
Distributions paid	22,382	11,120	30,067
Payout Ratio[2]	109.5%	68.2%	104.8%
Distributable Cash per Unit[4]	0.950	0.756	1.317
Distributions paid per Unit	1.040	0.516	1.380
Other			
Same Restaurant Sales[5]	8.5%	(27.6%)	(1.5%)
Number of restaurants opened	0	2	5
Number of restaurants closed	4	11	6
As at December 31	2021	2020	2019
Total assets	411,313	390,804	396,426
Total liabilities	135,514	133,904	131,323

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA ROYALTIES INCOME FUND
For the Period and Year ended December 31, 2021

Notes – Non-GAAP and Specified Financial Measures

[1] "**Distributable Cash**" is a non-GAAP financial measure under National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* ("**NI 52-112**"). Distributable Cash is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. The Fund defines Distributable Cash to be, in respect of any particular period, the Fund's cash flows generated from operating activities for that period (being the most comparable financial measure in the Fund's primary financial statements) minus (a) BPI's entitlement in respect of its Class B Units in respect of the period (see note 3 below), minus (b) interest paid on long-term debt during the period, minus (c) principal repayments on long-term debt that are contractually required to be made during the period, minus (d) the current income tax expense in respect of the period, plus (e) current income tax paid during the period (the sum of (d) and (e) being "**SIFT Tax on Units**"). Management believes that Distributable Cash provides investors with useful information about the amount of cash the Fund has generated and has available for distribution on the Units in respect of any period. The tables in the "Financial Highlights" section of this MD&A provide a reconciliation from this non-GAAP financial measure to cash flows generated from operating activities, which is the most directly comparable IFRS measure. Current income tax expense in respect of any period is prepared using reasonable and supportable assumptions (including that the base rate of SIFT Tax will not increase throughout the calendar year and that certain expenses of the Fund will continue to be deductible for income tax purposes), all of which reflect the Fund's planned courses of action given management's judgment about the most probable set of economic conditions. There is a risk that the federal government of Canada could increase the base rate of SIFT Tax or that applicable taxation authorities could assess the Fund on the basis that certain expenses of the Fund are not deductible. Investors are cautioned that if either of these possibilities occurs, then the actual results for this component of Distributable Cash may vary, perhaps materially, from the amounts used in the reconciliation.

[2] "**Payout Ratio**" is a non-GAAP ratio under NI 52-112. Payout Ratio is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. The Fund defines Payout Ratio for any period as the aggregate distributions paid by the Fund during that period divided by the Distributable Cash generated in that period. Management believes that Payout Ratio provides investors with useful information regarding the extent to which the Fund distributes cash generated on Units. Since Payout Ratio is calculated by dividing the amount of distributions paid during the applicable period by the Distributable Cash for that period, the Payout Ratio for 2020 does not factor in the Special Distribution (defined below) that was paid on January 29, 2021 even though the cash generated to fund the Special Distribution was generated during 2020 as a result of monthly distributions on Units being temporarily suspended in respect of March through August of 2020. If the Special Distribution was included in the calculation of Payout Ratio for 2020, it would be 94.6%. Similarly, if the Special Distribution was excluded in the calculation of Payout Ratio for 2021, it would be 88.4%.

[3] "**BPI Class B Unit entitlement**" is a supplementary financial measure under NI 52-112 and therefore may not be comparable to similar measures presented by other issuers. The BPI Class B Unit entitlement is the interest expense on Class B Units in respect of a period plus management's estimate of how much cash BPI would be entitled to receive pursuant to the limited partnership agreement governing Royalties LP (a copy of which is available on www.sedar.com) on its Class B Units if Royalties LP fully distributed any residual cash generated in respect of that period after the Fund pays interest on long-term debt, principal repayments on long-term debt and SIFT Tax on Units in respect of that period. Management believes that the BPI Class B Unit entitlement is an important component in calculating Distributable Cash since it represents the amount of residual cash generated that BPI would be entitled to receive and therefore would not be available for distribution to Unitholders. Management prepares such estimate using reasonable and supportable assumptions that reflect the Fund's planned courses of action given management's judgment about the most probable set of economic conditions.

[4] "**Distributable Cash per Unit**" is a non-GAAP ratio under NI 52-112. Distributable Cash per Unit is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. The Fund defines Distributable Cash per Unit for any period as the Distributable Cash generated in that period divided by the weighted average number of Units outstanding during that period. Management believes that Distributable Cash per Unit provides investors with useful information regarding the amount of cash per Unit that the Fund has generated and has available for distribution in respect of any period.

[5] "**Same Restaurant Sales**" or "**SRS**" is a supplementary financial measure under NI 52-112 and therefore may not be comparable to similar measures presented by other issuers. Prior to the fourth quarter of 2021, the Fund defined SRS as the change in gross revenues of Boston Pizza Restaurants as compared to the gross revenues for the same period in the previous year (where restaurants were open for a minimum of 24 months). Commencing with the fourth quarter of 2021, the Fund defines SRS as the change in Franchise Sales of Boston Pizza Restaurants as compared to the Franchise Sales for the same period in the previous year (where restaurants were open for a minimum of 24 months). The Fund believes that the current method of calculating SRS provides Unitholders more meaningful information regarding the performance of Boston Pizza Restaurants since Royalty and Distribution Income are payable to the Fund by BPI and BP Canada LP on Franchise Sales and not gross revenues of Boston Pizza Restaurants. All historical SRS figures contained in this MD&A have been restated to conform to the current method of calculating SRS.

SUMMARY OF QUARTERLY RESULTS

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
(in thousands of dollars – except restaurants, SRS, Payout Ratio and per Unit items)				
Number of restaurants in Royalty Pool	387	387	387	387
Franchise Sales reported by restaurants in the Royalty Pool	183,177	213,038	134,839	128,997
Royalty income	7,327	8,522	5,393	5,160
Distribution Income	2,423	2,815	1,797	1,717
Total revenue	9,750	11,337	7,190	6,877
Administrative expenses	(327)	(317)	(309)	(346)
Interest expense on debt and financing fees	(939)	(1,000)	(999)	(941)
Interest expense on Class B Unit liability	(1,037)	(450)	(605)	(414)
Interest income	7	18	29	40
Profit before fair value gain (loss) and income taxes	7,454	9,588	5,306	5,216
Fair value gain (loss) on investment in BP Canada LP	11,294	(3,928)	6,274	11,566
Fair value (loss) gain on Class B Unit liability	(5,032)	1,751	(2,796)	(5,152)
Fair value gain on Swaps	730	262	193	1,118
Current and deferred income tax expense	(1,804)	(2,230)	(1,235)	(1,168)
Net and comprehensive income	12,642	5,443	7,742	11,580
Basic earnings per Unit	0.59	0.25	0.36	0.54
Diluted earnings per Unit	0.59	0.13	0.36	0.54
Distributable Cash / Distributions / Payout Ratio				
Cash flows generated from operating activities	8,524	9,586	6,448	5,917
BPI Class B Unit entitlement	(858)	(923)	(523)	(466)
Interest paid on long-term debt	(892)	(991)	(929)	(880)
Principal repayments on long-term debt	(679)	(1,036)	(1,036)	(1,036)
Current income tax expense	(1,814)	(2,190)	(1,185)	(1,118)
Current income tax paid	1,790	2,230	1,250	1,250
Distributable Cash	6,071	6,676	4,025	3,667
Distributions paid	5,488	4,196	4,197	8,501
Payout Ratio	90.4%	62.9%	104.3%	231.8%
Distributable Cash per Unit	0.282	0.310	0.187	0.170
Distributions paid per Unit	0.255	0.195	0.195	0.395
Other				
Same Restaurant Sales	25.5%	15.1%	27.0%	(24.9%)
Number of restaurants opened	0	0	0	0
Number of restaurants closed	2	0	1	1

SUMMARY OF QUARTERLY RESULTS (continued)

	Q4 2020	Q3 2020	Q2 2020	Q1 2020
(in thousands of dollars – except restaurants, SRS, Payout Ratio and per Unit items)				
Number of restaurants in Royalty Pool	395	395	395	395
Franchise Sales reported by restaurants in the Royalty Pool	146,561	185,420	107,149	174,069
Royalty income	5,862	7,417	4,286	6,963
Distribution Income	1,946	2,452	1,423	2,293
Total revenue	7,808	9,869	5,709	9,256
Administrative expenses	(301)	(392)	(352)	(394)
Interest expense on debt and financing fees	(963)	(964)	(730)	(703)
Interest expense on Class B Unit liability	(1,437)	-	-	(648)
Interest income	54	61	24	5
Profit before fair value gain (loss) and income taxes	5,161	8,574	4,651	7,516
Fair value gain (loss) on investment in BP Canada LP	28,861	(12,821)	7,202	(37,591)
Fair value (loss) gain on Class B Unit liability	(12,857)	5,712	(3,208)	16,735
Fair value gain (loss) on Swaps	230	(296)	(158)	(1,840)
Current and deferred income tax expense	(1,798)	(1,857)	(908)	(1,738)
Net and comprehensive income (loss)	19,597	(688)	7,579	(16,918)
Basic earnings (loss) per Unit	0.91	(0.03)	0.35	(0.78)
Diluted earnings (loss) per Unit	0.91	(0.30)	0.35	(1.36)
Distributable Cash / Distributions / Payout Ratio				
Cash flows generated from (used in) operating activities	7,889	6,185	(709)	9,501
BPI Class B Unit entitlement	(787)	(1,015)	-	(648)
Interest paid on long-term debt	(915)	(873)	(668)	(701)
Principal repayments on long-term debt	(690)	-	-	-
Current income tax expense	(1,748)	(1,817)	(858)	(1,718)
Current income tax paid	1,640	2,971	-	1,260
Distributable Cash	5,389	5,451	(2,235)	7,694
Distributions paid	4,197	-	-	6,923
Payout Ratio	77.9%	0.0%	0.0%	90.0%
Distributable Cash per Unit	0.250	0.253	(0.104)	0.355
Distributions paid per Unit	0.195	-	-	0.319
Other				
Same Restaurant Sales	(29.7%)	(14.6%)	(50.3%)	(15.9%)
Number of restaurants opened	0	1	0	1
Number of restaurants closed	1	4	4	2

OVERVIEW

This MD&A covers the three-month period from October 1, 2021 to December 31, 2021 (the "**Period**") and the twelve-month period from January 1, 2021 to December 31, 2021 (the "**Year**") and is dated February 8, 2022. It provides additional analysis of the operations, financial position and financial performance of the Fund and should be read in conjunction with the Fund's applicable audited annual consolidated financial statements and accompanying notes. The audited annual consolidated financial statements of the Fund are in Canadian dollars and have been prepared in accordance with IFRS except as otherwise noted.

Purpose of the Fund / Sources of Revenue

The Fund is a limited purpose open-ended trust established in July 2002, and the units of the Fund (the "**Units**") trade on the Toronto Stock Exchange under the symbol BPF.UN. The Fund was originally created to acquire, indirectly through Royalties LP, the Canadian trademarks owned by Boston Pizza International Inc. ("**BPI**", and where applicable also includes its wholly-owned subsidiaries) (collectively the "**BP Rights**"[6]) used in connection with the operation of Boston Pizza restaurants in Canada ("**Boston Pizza Restaurants**") and the business of BPI, its affiliated entities and franchisees (herein referred to as "**Boston Pizza**"). In May 2015, the Fund, indirectly through Holdings LP, completed an investment in Boston Pizza Canada Limited Partnership ("**BP Canada LP**") to effectively increase the Fund's interest in Franchise Sales (as defined below) of Boston Pizza Restaurants in the Royalty Pool (as defined below) by 1.5%, from 4.0% to 5.5% less the pro rata portion payable to BPI in respect of its retained interest in the Fund. BP Canada LP is a limited partnership controlled and operated by BPI and is the exclusive franchisor of Boston Pizza Restaurants.

The Fund has the following principal sources of revenue:

Royalty Income

Royalties LP licenses the BP Rights to BPI in return for BPI paying Royalties LP a royalty equal to 4.0% (the "**Royalty**") of Franchise Sales of those Boston Pizza Restaurants included in the Royalty Pool, as defined in the license and royalty agreement dated July 17, 2002, as amended on May 9, 2005 between Royalties LP and BPI (the "**Royalty Pool**"). As of December 31, 2021, there were 387 Boston Pizza Restaurants in the Royalty Pool.

"**Franchise Sales**" means the gross revenue: (i) of the corporate Boston Pizza Restaurants owned by BPI that are in the Royalty Pool; and (ii) reported to BP Canada LP by franchised Boston Pizza Restaurants that are in the Royalty Pool, without audit or other form of independent assurance, and in the case of both (i) and (ii), after deducting revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts and excluding applicable sales and similar taxes. Nevertheless, BP Canada LP periodically conducts audits of the Franchise Sales reported to it by its franchisees, and the Franchise Sales reported herein include results from sales audits of earlier periods.

Distribution Income

Holdings LP holds Class 1 limited partnership units ("**Class 1 LP Units**") and Class 2 limited partnership units ("**Class 2 LP Units**") of BP Canada LP, and BPI holds, indirectly through Boston Pizza Canada Holdings Partnership ("**BPCHP**"), a general partnership owned and controlled by BPI, Class 2 general partnership units ("**Class 2 GP Units**") of BP Canada LP, which are exchangeable into Units. The Class 1 LP Units and Class 2 LP Units entitle Holdings LP to receive distributions from BP Canada LP equal, in aggregate, to 1.5% of Franchise Sales, less the *pro rata* portion payable to BPI in respect of its retained interest in the Fund ("**Distribution Income**"). Specifically, the Class 1 LP Units entitle Holdings LP to receive a priority distribution equal to the amount of interest that Holdings LP pays on amounts drawn on Facility D (as defined below) plus 0.05% of that

6) BP Rights are the trademarks that as at July 17, 2002 were registered or the subject of pending applications for registration under the *Trademarks Act* (Canada) and other trademarks and trade names which are confusingly similar to any of the registered or pending trademarks. The BP Rights purchased do not include the rights outside of Canada to any trademarks or trade names used by BPI or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the *Trademarks Act* (Canada).

amount, with the balance of 1.5% of Franchise Sales being distributed pro rata to Holdings LP and BPI on the Class 2 LP Units and Class 2 GP Units, respectively.

Top-Line Fund / Increases in Franchise Sales

The Fund effectively has the right to receive from BPI and BP Canada LP an amount equal to 5.5% of Franchise Sales (4.0% of which is payable via the Royalty and 1.5% of which is payable as Distribution Income on the Class 1 LP Units and Class 2 LP Units), less the pro rata portion payable to BPI in respect of its retained interest in the Fund. A key attribute of the Fund's structure is that it is a "top-line" fund. Both Royalty and Distribution Income of the Fund are based on Franchise Sales of Boston Pizza Restaurants in the Royalty Pool and are not determined by the profitability of BPI, BP Canada LP or Boston Pizza Restaurants in the Royalty Pool. The Fund's cash payments include administrative expenses, principal repayments and interest expenses on debt, amounts paid by Royalties LP to BPI on the Class B general partner units ("**Class B Units**") of Royalties LP, and current income tax. Therefore, the Fund is not subject to the variability of earnings or expenses associated with an operating business. Given this structure, the success of the Fund depends primarily on the ability of BPI and BP Canada LP to maintain and increase Franchise Sales of Boston Pizza Restaurants in the Royalty Pool.

Increases in Franchise Sales are derived from both new Boston Pizza Restaurants added to the Royalty Pool and Same Restaurant Sales. The two principal factors that affect SRS are changes in guest traffic and changes in average guest cheque. These factors are dependent upon existing Boston Pizza Restaurants maintaining operational excellence, general market conditions, weather, pricing, and marketing programs undertaken by BPI and BP Canada LP. One of BPI's and BP Canada LP's competitive strengths in increasing Franchise Sales of existing restaurants is that the standard franchise agreement for Boston Pizza Restaurants requires that each Boston Pizza Restaurant undergoes a complete restaurant renovation every seven years and completes equipment upgrades as required by BP Canada LP. Restaurants typically close for two to three weeks to complete the renovation and experience an incremental sales increase in the year following the re-opening.

Franchise Sales are also affected by the permanent closures of Boston Pizza Restaurants. A Boston Pizza Restaurant is closed when it ceases to be viable or when the franchise agreement applicable to that Boston Pizza Restaurant has expired or been terminated.

Addition of New Restaurants to Royalty Pool

On January 1 of each year (each, an "**Adjustment Date**"), an adjustment is made to add to the Royalty Pool new Boston Pizza Restaurants that opened ("**New Restaurants**") and to remove any Boston Pizza Restaurants that permanently closed since January 1 of the previous year ("**Closed Restaurants**"). In return for adding new Royalty and Distribution Income from the New Restaurants after subtracting the Royalty and Distribution Income that is lost from the Closed Restaurants[7] (such difference, "**Net Royalty and Distribution Income**"), BPI receives the right to indirectly acquire additional Units (in respect of the Royalty, "**Class B Additional Entitlements**" and in respect of Distribution Income, "**Class 2 Additional Entitlements**", and collectively, "**Additional Entitlements**"). The calculation of Additional Entitlements is designed to be accretive to Unitholders as the expected increase in Franchise Sales from the New Restaurants added to the Royalty Pool less the decrease in Franchise Sales from the Closed Restaurants is valued at a 7.5% discount. The Additional Entitlements are calculated at 92.5% of the estimated Royalty and Distribution Income expected to be generated by the New Restaurants less the actual Royalty and Distribution Income lost from the Closed Restaurants, multiplied by one minus the effective tax rate estimated to be paid by the Fund, divided by the yield of the Fund, divided by the weighted average Unit price over a specified period. BPI receives 80% of the Additional Entitlements initially, with the balance received when the actual full year performance of the New Restaurants and the actual effective tax rate paid by the Fund are known with certainty (such balance of Units in respect of the increased Royalty, the "**Class B Holdback**", and in respect of the increased Distribution Income, the "**Class 2 Holdback**", and collectively, the "**Holdback**"). BPI receives 100% of the distributions on the Additional Entitlements throughout the year. After the New Restaurants have been part of the Royalty Pool for a full year, an audit of the Franchise Sales of these restaurants is performed, and the actual effective tax rate paid by the Fund is determined. At such time, an adjustment is made to reconcile distributions paid to BPI and the Additional Entitlements received by BPI.

7) The Royalty and Distribution Income that is lost from the Closed Restaurants is calculated based upon the actual Franchise Sales received from the Closed Restaurants during the 12-month period immediately following their addition to the Royalty Pool.

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It is possible that on an Adjustment Date the Net Royalty and Distribution Income is negative as a result of the estimated Royalty and Distribution Income expected to be generated by the New Restaurants being less than the actual Royalty and Distribution Income that is lost from the Closed Restaurants (the amount by which it is less is the "**Deficiency**"). In such case, BPI would not receive any Additional Entitlements, however, nor would BPI lose any of the Additional Entitlements previously received by BPI. Rather, on future Adjustment Dates, BPI would be required to make-up the Deficiency by first adding Net Royalty and Distribution Income in an amount equal to the Deficiency before receiving any further Additional Entitlements (i.e. BPI only receives Additional Entitlements in respect of the cumulative amount by which Royalty and Distribution Income from New Restaurants exceeds actual Royalty and Distribution Income lost from Closed Restaurants).

Ongoing Effects of COVID-19

COVID-19 had significant adverse effects on the business of the Fund, BPI and BP Canada LP during the Period and the Year. Throughout 2021, the business of Boston Pizza Restaurants in the Royalty Pool varied inversely with the severity of COVID-19 across Canada. The beginning of 2021 saw various governmental authorities across Canada imposing assorted restrictions on the operations of restaurants in an attempt to control the spread of COVID-19. The restrictions ranged from limiting operating hours, reductions in permitted hours to serve alcohol, closures of indoor dining rooms and closures of patio dining depending upon the particular regions and times. As COVID-19 case counts declined in February and March of 2021, the business of Boston Pizza Restaurants in the Royalty Pool again improved as the assorted governmental restrictions were eased. However, that improvement was temporary as the third wave of COVID-19 developed shortly thereafter and again various governmental authorities across Canada imposed assorted restrictions on the operations of restaurants in an attempt to control the spread of COVID-19. As the third wave of COVID-19 subsided in May and June of 2021, the business of Boston Pizza Restaurants in the Royalty Pool again improved as the assorted governmental restrictions were once again eased. As the fourth wave of COVID-19 developed in Canada, the business of Boston Pizza Restaurants again declined as various governmental authorities across Canada again implemented assorted restrictions, including vaccine card or vaccine passport systems that require guests to show proof of vaccination when dining in restaurants.

COVID-19 continues to impact the business of the Fund, BPI and BP Canada LP, and the operation of Boston Pizza Restaurants. Franchise Sales of Boston Pizza Restaurants in the Royalty Pool, and the resulting Royalty and Distribution Income, for January 2022 were approximately 129% of the level they were in January 2021 and approximately 70% of the level they were in January 2019.[8] SRS for January 2022 was approximately positive 29% when compared to the same period in 2021 and approximately negative 28% when compared to the same period in 2019.

Seasonality

Boston Pizza Restaurants typically experience seasonal fluctuations in Franchise Sales, which are inherent in the full-service restaurant industry in Canada. Seasonal factors, such as tourism and better weather generally allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters each year compared to the first and fourth quarters. Seasonality's general effect on Franchise Sales impacts the Fund's Distributable Cash and Payout Ratio (as defined below). It is unknown how and to what extent seasonality will affect Franchise Sales, Distributable Cash or Payout Ratio given the effects of COVID-19 on Boston Pizza Restaurants.

8 Franchise Sales of Boston Pizza Restaurants in the Royalty Pool is reported on a quarterly basis in the Fund's financial statements, however, the financial statements do not report it on a monthly basis. Therefore, this is a supplementary financial measure under NI 52-112. The Fund believes that Franchise Sales of Boston Pizza Restaurants in the Royalty Pool for this month provides useful information to investors regarding recent performance of Boston Pizza.

New Restaurant Openings, Permanent Closures and Renovations

During the Period, there were no New Restaurants and two Closed Restaurants. During the Year, there were no New Restaurants and four Closed Restaurants. Two of the Closed Restaurants were corporately owned restaurants operated by subsidiaries of BPI. BPI previously had five corporately owned Boston Pizza Restaurants. BPI's strategy is to divest itself of the remaining three corporately owned Boston Pizza Restaurants and exclusively focus on strengthening the brand and its franchised business. As well, three Boston Pizza Restaurants were renovated during the Period and ten Boston Pizza Restaurants were renovated during the Year. Boston Pizza Restaurants typically close for two to three weeks to complete the renovation and experience an incremental sales increase in the year following the re-opening.

OPERATING RESULTS

Same Restaurant Sales and Franchise Sales

Period

SRS was positive 25.5% for the Period compared to negative 29.7% reported in the fourth quarter of 2020. As COVID-19 began to adversely affect sales in Boston Pizza Restaurants in March of 2020, the Fund believes that it is also useful to calculate and report SRS comparing 2021 Franchise Sales to 2019 Franchise Sales. If SRS were calculated comparing Franchise Sales in the Period to Franchise Sales in the fourth quarter of 2019, SRS would be negative 11.5%. The increase in SRS for the Period was principally due to increases in restaurant guest traffic due to the easing of dining restrictions during the Period.

Franchise Sales of Boston Pizza Restaurants in the Royalty Pool were $183.2 million for the Period compared to $146.6 million for the fourth quarter of 2020. The $36.6 million increase in Franchise Sales for the Period was primarily due to positive SRS.

Year

SRS was positive 8.5% for the Year compared to negative 27.6% reported in 2020. If SRS were calculated comparing Franchise Sales for the Year to Franchise Sales in 2019, SRS would be negative 21.5%. The increase in SRS for the Year was principally due to increases in restaurant guest traffic due to the easing of dining restrictions and increased take-out and delivery sales.

Franchise Sales of Boston Pizza Restaurants in the Royalty Pool were $660.1 million for the Year compared to $613.2 million in 2020. The $46.9 million increase in Franchise Sales for the Year was primarily due to positive SRS.

Royalty Income and Distribution Income

Period

Royalty income and Distribution Income earned by the Fund was $7.3 million and $2.4 million for the Period, respectively, compared to $5.9 million and $1.9 million, respectively, for 2020. Royalty income and Distribution Income in respect of the Period was based on the Royalty Pool of 387 Boston Pizza Restaurants reporting Franchise Sales of $183.2 million. In the fourth quarter of 2020, Royalty income and Distribution Income was based on the Royalty Pool of 395 Boston Pizza Restaurants reporting Franchise Sales of $146.6 million. The $1.4 million increase in Royalty income and the $0.5 million increase in Distribution Income for the Period was primarily due to positive SRS.

Year

Royalty income and Distribution Income earned by the Fund was $26.4 million and $8.8 million for the Year, respectively, compared to $24.5 million and $8.1 million, respectively, for 2020. Royalty income and Distribution Income for the Year was based on the Royalty Pool of 387 Boston Pizza Restaurants reporting Franchise Sales

of $660.1 million. In 2020, Royalty income and Distribution Income was based on the Royalty Pool of 395 Boston Pizza Restaurants reporting Franchise Sales of $613.2 million. The $1.9 million increase in Royalty income and the $0.7 million increase in Distribution Income for the Year was primarily due to positive SRS.

Administrative Expenses

Period

Administrative expenses incurred by the Fund were $0.3 million for the Period compared to $0.3 million for the fourth quarter of 2020. Administrative expenses are comprised of professional fees, trustee fees and expenses, the reimbursement charge payable to BPI and other general and administrative expenses.

Year

Administrative expenses incurred by the Fund were $1.3 million for the Year compared to $1.4 million for the same period in 2020. The decrease in administrative expense for the Year was primarily due to a decrease in advisory costs incurred with respect to COVID-19.

Interest and Financing Expenses

Period

Interest and financing expenses incurred by the Fund totaled $2.0 million for the Period, comprised of interest on long-term debt and financing fees of $1.0 million and interest on Class B Units of $1.0 million. Interest and financing expenses incurred by the Fund totaled $2.4 million for the fourth quarter of 2020, comprised of interest on long-term debt of $1.0 million and interest on Class B Units of $1.4 million. The Class B Units are classified as financial liabilities and therefore, amounts paid by Royalties LP to BPI in respect of the Class B Units are classified as interest expense and not distributions. The change in interest and financing expenses for the Period was primarily due to the decrease in interest expense on Class B Units of $0.4 million due to the Fund declaring the Special Distribution (defined below) in December 2020, which was partially offset by higher distribution rates in the Period compared to the fourth quarter of 2020.

Year

Interest and financing expenses incurred by the Fund totaled $6.4 million for the Year, comprised of interest on long-term debt and financing fees of $3.9 million and interest on Class B Units of $2.5 million. Interest and financing expenses incurred by the Fund totaled $5.5 million in 2020, comprised of interest on long-term debt of $3.4 million and interest on Class B Units of $2.1 million. The change in interest and financing expenses for the Year was primarily due to the increase in interest on long-term debt of $0.5 million resulting from higher interest rates and higher interest expense on Class B Units of $0.4 million due to the Fund not declaring distributions on Units in the second and third quarters of 2020, higher distribution rates per Unit starting in September 2021, partially offset by the Special Distribution in December 2020.

Profit before Fair Value Gain (Loss) and Income Taxes

Period

The Fund's profit before fair value gain (loss) and income taxes was $7.5 million for the Period compared to $5.2 million for the fourth quarter of 2020. The $2.3 million increase in profit before fair value gain (loss) and income taxes for the Period was primarily due to higher Royalty and Distribution Income of $1.9 million and a decrease in interest on Class B Units of $0.4 million.

Year

The Fund's profit before fair value gain (loss) and income taxes was $27.6 million for the Year compared to $25.9 million for the same period in 2020. The $1.7 million increase in profit before fair value gain (loss) and income taxes for the Year was primarily due to higher Royalty and Distribution Income of $2.5 million and a decrease in administrative expenses of $0.1 million, partially offset by the higher interest on long-term debt of $0.5 million and higher interest on Class B Units of $0.4 million.

Fair Value Gain (Loss)

The Fund classifies the investment in Class 1 LP Units and Class 2 LP Units as financial assets at fair value through profit or loss, the Class B Unit liability as a financial liability at fair value through profit or loss, and Swaps (as defined below) as derivative instruments. As such, fair value adjustments are recognized in the Fund's statements of comprehensive income in accordance with IFRS. For additional information regarding Swaps, refer to the "Liquidity & Capital Resources – Interest Rate Swaps" section of this MD&A. For additional information regarding financial liabilities and assets at fair value, refer to the "Critical Accounting Estimates" section of this MD&A.

Period

During the Period, the Fund recognized a fair value gain of $7.0 million compared to a fair value gain of $16.2 million for the same period in 2020. The change in fair value was principally due to the change in the price of Units, which is used to estimate the value of the Class 2 LP Units and upon which the Class B Unit liability is measured. Changes in interest rates, upon which the Swaps are measured, also impact the change in fair value.

The Fund indirectly acquired the Class 1 LP Units on May 6, 2015 for $33.3 million. The Class 1 LP Units are entitled to distributions determined with respect to the interest cost payable on Facility D (as defined below). The Fund estimates the fair value of the Class 1 LP Units using a market-corroborated input, being the interest rate applicable on Facility D. Consequently, the Fund estimated the fair value of Class 1 LP Units as at December 31, 2021 to be $33.3 million (September 30, 2021 – $33.3 million), resulting in no fair value adjustment for the Period.

The Fund estimates the fair value of the Class 2 LP Units by multiplying the number of Class 2 LP Units indirectly held by the Fund at the end of the Period by the closing price of the Units on the last business day of the Period. Based on the Fund's closing price of $15.45 per Unit at December 31, 2021 (September 30, 2021 – $13.38 per Unit) and the 5,455,762 Class 2 LP Units held by the Fund (September 30, 2021 – 5,455,762), the fair value of the Class 2 LP Units was estimated to be $84.3 million (September 30, 2021 – $73.0 million), resulting in a fair value gain of $11.3 million for the Period. In general, the fair value of the Class 2 LP Units will increase as the market price of Units increases and vice versa.

The Fund estimates the fair value of the Class B Unit liability by multiplying the number of Units that BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI at the end of the Period by the closing price of the Units on the last business day of the Period. Based on the Fund's closing price of $15.45 per Unit at December 31, 2021 (September 30, 2021 – $13.38 per Unit) and the 2,430,823 Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI (September 30, 2021 – 2,430,823), the Class B Unit liability (on a fully-diluted basis) was valued at $37.6 million (September 30, 2021 – $32.5 million), resulting in a fair value loss of $5.0 million. In general, the Fund's Class B Unit liability will increase as the market price of Units increases and vice versa. In addition, the Fund's Class B Unit liability increases as the number of Units BPI would be entitled to receive if it exchanged all of its Class B Units (including the Class B Holdback) increases and vice versa.

The Fund recognized a fair value gain of $0.7 million in the Period as a result of the increase in the fair value of the Swaps from September 30, 2021 to December 31, 2021 due to changes in interest rates during the Period. For the same period in 2020, the Fund recognized fair value gain of $0.2 million as a result of the increase in the fair value of the Swaps from September 30, 2020 to December 31, 2020 due to changes in interest rates.

Year

During the Year, the Fund recognized a fair value gain of $16.3 million compared to a fair value loss of $10.0 million for the same period in 2020. The change in fair value was principally due to the change in the price

of Units, which is used to estimate the value of the Class 2 LP Units and upon which the Class B Unit liability is measured. Changes in interest rates, upon which the Swaps are measured, also impact the change in fair value.

The Fund indirectly acquired the Class 1 LP Units on May 6, 2015 for $33.3 million. As discussed above the Fund estimated the fair value of Class 1 LP Units as at December 31, 2021 to be $33.3 million (December 31, 2020 – $33.3 million), resulting in no fair value adjustment for the Year.

As at December 31, 2020, the Fund indirectly held 5,455,762 Class 2 LP Units and the Fund's closing price was $10.83 per Unit. Consequently, the Fund estimated the fair value of the Class 2 LP Units as at December 31, 2020 to be $59.1 million. As discussed above, the Fund estimated the fair value of the Class 2 LP Units as at December 31, 2021 to be $84.3 million, resulting in a fair value gain of $25.2 million for the Year. In general, the fair value of the Class 2 LP Units will increase as the market price of Units increases and vice versa.

As at December 31, 2020, the number of Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI was 2,430,381 and the Fund's closing price was $10.83 per Unit. The Class B Unit liability (on a fully-diluted basis) as at December 31, 2020 was valued at $26.3 million. As discussed above, the Class B Unit liability at the end of the Period was valued at $37.6 million. The difference between the Class B Unit liability at the end of the Period and December 31, 2020 was an increase of $11.2 million, comprised of a fair value loss of $11.2 million and a nominal adjustment of Class B Additional Entitlements received by BPI in February 2021 related to the January 1, 2020 Adjustment Date.

The Fund recorded a $2.3 million fair value gain for the Year as a result of the increase in the fair value of the Swaps from December 31, 2020 to December 31, 2021 due to changes in interest rates for the Year. In 2020, the Fund recorded a $2.1 million fair value loss as a result of the decrease in the fair value of the Swaps from December 31, 2019 to December 31, 2020 due to changes in interest rates.

Income Taxes

The Fund is subject to specified investment flow-through tax ("**SIFT Tax**"), which is the Fund's only current income tax expense.

Period

The Fund's income tax expense for the Period was $1.8 million, comprised primarily of current income tax expense and nominal non-cash deferred income tax recovery. The Fund's income tax expense for the fourth quarter of 2020 was $1.8 million, comprised primarily of current income tax expense. The nominal increase in current income tax expense is attributable to higher profit before fair value gain (loss) and income taxes, partially offset by a decrease in income taxes other than SIFT Tax ("**Non-SIFT Tax**") as the Fund was not subject to any Non-SIFT Tax for the Period but was in the fourth quarter of 2020.

Year

The Fund's income tax expense for the Year was $6.4 million, comprised of $6.3 million in current income tax expense and $0.1 million in non-cash deferred income tax expense. The Fund's income tax expense in 2020 was $6.3 million, comprised of $6.1 million in current income tax expense and $0.2 million in non-cash deferred income tax expense. The $0.2 million increase in current income tax expense is attributable to higher profit before fair value gain (loss) and income taxes, partially offset by a decrease in Non-SIFT Tax as the Fund was not subject to any Non-SIFT Tax for the Year but was in 2020. The nominal decrease in non-cash deferred income tax expense is due to a change in the temporary difference between the accounting and tax base of the BP Rights owned by Royalties LP generated since the inception of the Fund.

Net and Comprehensive Income (Loss) / Basic and Diluted Earnings (Loss)

Period

The Fund's net and comprehensive income was $12.6 million for the Period compared to $19.6 million for the fourth quarter of 2020. The Fund's basic earnings per Unit was $0.59 for the Period compared to $0.91 for the fourth quarter of 2020. The Fund's diluted earnings per Unit was $0.59 for the Period compared to $0.91 for the fourth quarter of 2020. The $7.0 million decrease in the Fund's net and comprehensive income for the Period compared to the fourth quarter of 2020 was primarily due to a $9.2 million decrease in fair value gain, partially offset by a $2.3 million increase in profit before fair value gain (loss) and income taxes.

Year

The Fund's net and comprehensive income was $37.4 million for the Year compared to $9.6 million in 2020. The Fund's basic earnings per Unit was $1.74 for the Year compared to $0.44 in 2020. The Fund's diluted earnings per Unit was $1.74 for the Year compared to $0.17 for the same period in 2020. The $27.8 million increase in the Fund's net and comprehensive income for the Year compared to the same period in 2020 was primarily due to a $26.3 million increase in fair value gain and a $1.7 million increase in profit before fair value (loss) gain, which was partially offset by higher current income tax expense of $0.2 million.

Distributions

Period

During the Period, the Fund declared distributions on the Units in the aggregate amount of $7.3 million or $0.340 per Unit. During the fourth quarter of 2020, the Fund declared distributions on the Units in the aggregate amount of $9.9 million or $0.460 per Unit. During the Period, the Fund paid distributions on the Units in the aggregate amount of $5.5 million or $0.255 per Unit. During the fourth quarter of 2020, the Fund paid distributions on the Units in the aggregate amount of $4.2 million or $0.195 per Unit. The amount of distributions declared during the Period decreased by $0.120 per Unit due to the special one-time cash distribution to Unitholders of $0.20 per Unit in the fourth quarter of 2020, which was declared on December 16, 2020 and was paid on January 29, 2021 to Unitholders of record at the close of business on December 31, 2020 (the "**Special Distribution**") without any special distribution being declared during the Period, partially offset by the monthly distribution rate increasing from $0.065 per Unit to $0.085 per Unit commencing with the September 2021 distribution. Distributions paid during the Period increased by $0.060 per Unit due to the monthly distribution rate increasing from $0.065 per Unit to $0.085 per Unit commencing with the September 2021 distribution.

Year

During the Year, the Fund declared distributions on the Units in the aggregate amount of $18.5 million or $0.860 per Unit compared to $14.3 million or $0.664 per Unit in 2020. During the Year, the Fund paid distributions on the Units in the aggregate amount of $22.4 million or $1.040 per Unit, compared to $11.1 million or $0.516 per Unit for the same period in 2020. The amount of distributions declared for the Year increased by $0.196 per Unit due to the monthly distribution rate during the Year increasing from $0.065 per Unit to $0.085 per Unit commencing with the September 2021 distribution and the Fund not declaring distributions in the second or third quarters of 2020, partially offset by a lower monthly distribution rate of $0.065 per Unit for the first quarter of the Year compared to $0.102 per Unit for the first quarter of the prior year and by the Special Distribution declared in the prior year. The amount of distributions paid during the Year increased by $0.524 per Unit due to the Special Distribution, the Fund not having paid distributions in respect of the second and third quarters of 2020, and the Fund increasing the monthly distribution rate from $0.065 per Unit to $0.085 per Unit commencing with the September 2021 distribution, partially offset by decreases in the monthly distribution rates: (a) from $0.115 per Unit that was in effect for the December 2019 distribution that was paid on January 31, 2020 to $0.065 per Unit for the December 2020 distribution that was paid on January 29, 2021; and (b) from $0.102 per Unit that was in effect for the January and February 2020 distributions that were paid on February 28 and March 31, 2020, respectively, to $0.065 per Unit for the January and February 2021 distributions that were paid on February 26 and March 31, 2021, respectively.

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BOSTON PIZZA ROYALTIES INCOME FUND
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The Fund pays distributions on the Units in respect of any calendar month not later than the last business day of the immediately subsequent month. Consequently, monthly distributions payable by the Fund on the Units in respect of the Period were the September 2021 distribution (which was paid on October 29, 2021), the October 2021 distribution (which was paid on November 30, 2021), the November 2021 distribution (which was paid on December 31, 2021), and the December 2021 distribution (which was paid on January 31, 2022). Similarly, the distributions payable by the Fund on the Units in respect of any other period are paid in the immediately subsequent month of such period.

On February 8, 2022, the trustees of the Fund declared a distribution for the period of January 1, 2022 to January 31, 2022 of $0.085 per Unit, which will be payable on February 28, 2022 to Unitholders of record on February 21, 2022. Including the January 2022 distribution, which will be paid on February 28, 2022, the Fund will have paid out total distributions of $371.5 million or $23.63 per Unit which includes 229 monthly distributions and the Special Distribution.

Distributions related to the Year were as follows:

PERIOD	PAYMENT DATE	AMOUNT/UNIT
Special Distribution	January 29, 2021	20.0¢
December 1 – 31, 2020	January 29, 2021	6.5¢
January 1 – 31, 2021	February 26, 2021	6.5¢
February 1 – 28, 2021	March 31, 2021	6.5¢
March 1 – 31, 2021	April 30, 2021	6.5¢
April 1 – 30, 2021	May 31, 2021	6.5¢
May 1 – 31, 2021	June 30, 2021	6.5¢
June 1 – 30, 2021	July 30, 2021	6.5¢
July 1 – 31, 2021	August 31, 2021	6.5¢
August 1 – 30, 2021	September 30, 2021	6.5¢
September 1 – 30, 2021	October 29, 2021	8.5¢
October 1 – 31, 2021	November 30, 2021	8.5¢
November 1 – 30, 2021	December 31, 2021	8.5¢
December 1 – 31, 2021*	January 31, 2022*	8.5¢

** Paid subsequent to the Period and the Year.*

Distributions for the Period and the Year were funded entirely by cash flows generated from operating activities. No debt was incurred at any point during the Period or the Year to fund distributions.

Cash Flows from Operating Activities

Period

Cash generated from operating activities for the Period was $8.5 million compared to $7.9 million in the fourth quarter of 2020. The increase of $0.6 million was primarily due to an increase of Royalty and Distribution Income of $1.9 million, partially offset by a decrease in changes in working capital of $1.1 million and an increase in income taxes paid of $0.2 million.

Year

Cash generated from operating activities for the Year was $30.5 million compared to $22.9 million in 2020. The increase of $7.6 million was primarily due to increased changes in working capital of $5.7 million and an increase of Royalty and Distribution Income of $2.5 million, partially offset by an increase in income taxes paid of $0.6 million.

Cash Flow used in Financing Activities

Period

During the Period, the Fund used $7.8 million in cash for financing activities compared to $6.3 million in the fourth quarter of 2020. The increase of $1.5 million was primarily due to higher distributions paid to Unitholders of $1.3 million and higher interest paid on Class B Units of $0.2 million.

Year

During the Year, the Fund used $33.0 million in cash for financing activities compared to $16.9 million in 2020. The increase of $16.1 million was primarily due to higher distributions paid to Unitholders of $11.3 million, higher repayment of long-term debt of $3.1 million, higher interest paid on Class B Units of $1.6 million and higher interest paid on long-term debt of $0.5 million. Additionally, in 2020, draws of $4.3 million were made on the Credit Facilities with the proceeds used to purchase Units under the Fund's normal course issuer bid ("**NCIB**") then in effect for $3.5 million and to repay other liabilities for $0.8 million. There were no comparable draws, NCIB transactions or repayments of other liabilities for the Year.

Distributable Cash / Distributable Cash per Unit

Period

The Fund generated Distributable Cash of $6.1 million for the Period compared to $5.4 million for the fourth quarter of 2020. The increase in Distributable Cash of $0.7 million or 12.7% was primarily due to an increase in cash flow generated from operating activities of $0.6 million and an adjustment to income taxes of $0.1 million, partially offset by increased BPI Class B Unit entitlement of $0.1 million.

The Fund generated Distributable Cash per Unit of $0.282 for the Period compared to $0.250 per Unit for the fourth quarter of 2020. The increase in Distributable Cash per Unit of $0.032 or 12.8% was primarily attributable to the increase in Distributable Cash outlined above.

Year

The Fund generated Distributable Cash of $20.4 million for the Year compared to $16.3 million in 2020. The increase in Distributable Cash of $4.1 million or 25.4% was primarily due to an increase in cash flow generated from operating activities of $7.6 million and an adjustment to income taxes of $0.5 million, partially offset by higher contractually required debt repayments of $3.1 million, an increase of interest paid on long-term debt of $0.5 million and increased BPI Class B Unit entitlement of 0.3 million.

The Fund generated Distributable Cash per Unit of $0.950 for the Year compared to $0.756 per Unit in 2020. The increase in Distributable Cash per Unit of $0.194 or 25.7% was primarily attributable to the increase in Distributable Cash outlined above and fewer Units outstanding compared to the same period in 2020 due to the NCIB.

The Fund's Distributable Cash and Distributable Cash per Unit since January 1, 2019, generated in each financial quarter, are as follows:

Distributable Cash

(in millions of dollars)	Q1	Q2	Q3	Q4	Annual
2021	$ 3.7	$ 4.0	$ 6.7	**$ 6.1**	**$ 20.4**
2020	$ 7.7	$ (2.2)	$ 5.5	$ 5.4	$ 16.3
2019	$ 6.6	$ 7.3	$ 7.8	$ 7.0	$ 28.7

Distributable Cash per Unit

	Q1	Q2	Q3	Q4	Annual
2021	$ 0.170	$ 0.187	$ 0.310	**$ 0.282**	**$ 0.950**
2020	$ 0.355	$ (0.104)	$ 0.253	$ 0.250	$ 0.756
2019	$ 0.303	$ 0.336	$ 0.359	$ 0.319	$ 1.317

COVID-19 has resulted in material declines to Franchise Sales and SRS when compared to periods prior to COVID-19. The declines in Franchise Sales and SRS will result in significant declines to Royalty and Distribution Income payable by BPI and BP Canada LP to the Fund when compared to periods prior to COVID-19, and significant declines in the amount of Distributable Cash available for distribution to Unitholders when compared to periods prior to COVID-19.

Payout Ratio

Period

The Fund's Payout Ratio for the Period was 90.4% compared to 77.9% in the fourth quarter of 2020. The increase in the Fund's Payout Ratio for the Period was due to distributions paid increasing by $1.3 million or 30.8%, partially offset by Distributable Cash increasing by $0.7 million or 12.7%.

Year

The Fund's Payout Ratio for the Year was 109.5% compared to 68.2% in 2020. The increase in the Fund's Payout Ratio for the Year was due to distributions paid increasing by $11.3 million or 101.3%, partially offset by Distributable Cash increasing by $4.1 million or 25.4%.

As discussed above, Payout Ratio is calculated by dividing the amount of distributions paid during the applicable period by the Distributable Cash for that period. Accordingly, Payout Ratio for the Year factors in the Special Distribution that was paid on January 29, 2021 even though the cash generated to fund the Special Distribution was generated during 2020. If the Special Distribution was excluded in the calculation of Payout Ratio for the Year, Payout Ratio would be 88.4%.

The Fund's quarterly and annual Payout Ratios with respect to each financial quarter since January 1, 2019 are as follows:

	Q1	Q2	Q3	Q4	Annual
2021	231.8%	104.3%	62.9%	**90.4%**	**109.5%**
2020	90.0%	0.0%	0.0%	77.9%	68.2%
2019	113.9%	102.6%	96.2%	108.0%	104.8%

The Fund's Payout Ratio is typically higher in the first and fourth quarters compared to the second and third quarters since Boston Pizza Restaurants generally experience higher Franchise Sales levels during the summer months when restaurants open their patios and benefit from increased tourist traffic. However, the effects of COVID-19 may materially affect the Fund's Payout Ratio in the future.

New Restaurants Added to the Royalty Pool

Boston Pizza Restaurants Added to Royalty Pool on January 1, 2021

On January 1, 2021, the Royalty Pool was adjusted to include the two New Restaurants that opened across Canada between January 1, 2020 and December 31, 2020, and to remove 11 Closed Restaurants for 2020. In addition, one seasonal Boston Pizza Restaurant that was believed to have permanently closed in 2019, and accordingly was removed from the Royalty Pool on January 1, 2020, re-opened during 2020. The Fund and BPI agreed to make adjustments to place the parties in the position they would have been had that seasonal Boston Pizza Restaurant not been removed from the Royalty Pool on January 1, 2020. With the adjustment for these openings and closures during 2020, the Royalty Pool on January 1, 2021 included 387 Boston Pizza Restaurants. The estimated annual Franchise Sales in 2021 for the two New Restaurants that opened in 2020 was $3.3 million. As described above, BPI is required to deduct from this amount the actual Franchise Sales received from the 11 Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool, which is $18.5 million. Accordingly, the resulting estimated annual net Franchise Sales for the two New Restaurants and the 11 Closed Restaurants that opened and closed in 2020 was negative $15.2 million. Consequently, this resulted in the Net Royalty and Distribution Income having a Deficiency of $0.8 million (being 5.5% of negative $15.2 million Franchise Sales) as a result of the estimated Royalty and Distribution Income expected to be generated by the New Restaurants ($0.2 million) being less than the actual Royalty and Distribution Income that is lost from the Closed Restaurants ($1.0 million). Since there was a Deficiency of $0.8 million, BPI did not receive any Additional Entitlements on January 1, 2021. However, BPI did not lose any of the Additional Entitlements it received in respect of previous years. Instead, BPI will be required to make-up the Deficiency on future Adjustment Dates by first adding Net Royalty and Distribution Income in an amount equal to the Deficiency before receiving any further Additional Entitlements.

As noted above, one seasonal Boston Pizza Restaurant that was believed to have permanently closed in 2019 was removed from the Royalty Pool on January 1, 2020. During 2020, management of BPI became aware of new information, which resulted in that seasonal Boston Pizza Restaurant being re-opened for business. Since that location is seasonal and it re-opened in 2020, the Fund and BPI determined that this location should never have been removed from the Royalty Pool on January 1, 2020. Consequently, the number of Boston Pizza Restaurants in the Royalty Pool was adjusted to 387, being the 395 Boston Pizza Restaurants that were part of the Royalty Pool on January 1, 2020, plus the two New Restaurants that opened in 2020, plus the one seasonal Boston Pizza Restaurant that was removed from the Royalty Pool on January 1, 2020, less the 11 Closed Restaurants for 2020. As part of the adjustment that occurred in early 2021 to reconcile distributions paid to BPI and Additional Entitlements received by BPI in respect of the New Restaurants that were added to the Royalty Pool on January 1, 2020, the parties also adjusted distributions paid to BPI and the number of Additional Entitlements held by BPI to put BPI and the Fund into the position they would have been had that seasonal Boston Pizza Restaurant not been removed from the Royalty Pool on January 1, 2020. Franchise Sales reported by the Fund and BPI in 2020 included Franchise Sales generated by this seasonal Boston Pizza Restaurant, so no adjustments were required in that regard.

Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2020

In February 2021, an audit of the Franchise Sales of the five New Restaurants that were added to the Royalty Pool on January 1, 2020 was performed and the actual effective tax rate paid by the Fund for the 2020 calendar year was determined. The purpose of this was to compare the actual Franchise Sales from these five New Restaurants to the estimated amount of Franchise Sales expected to be generated by these five New Restaurants during 2020 and to compare the actual effective tax rate paid by the Fund for 2020 to the estimated effective tax rate the Fund expected to pay for 2020. The original Franchise Sales expected to be generated from these five New Restaurants less the Franchise Sales from the six Boston Pizza Restaurants that closed in 2020 was $1.6 million. The actual Franchise Sales generated from these five New Restaurants after subtracting the Franchise Sales from the five Boston Pizza Restaurants that closed in 2020 (i.e. excluding the seasonal Boston Pizza Restaurant that re-opened in 2020) was $0.1 million higher. The original effective tax rate the Fund expected to pay for 2020 was 24.0% and the actual effective tax rate paid by the Fund for 2020 was 29.3%. As a result, Royalties LP increased interest payable to BPI by a nominal amount in early 2021 to reconcile the difference paid on the full number of Class B Additional Entitlements and the effective tax rate. In addition, BP Canada LP decreased a distribution payable to Holdings LP on its Class 2 LP Units by a nominal amount, and correspondingly increased a distribution payable to BPI on its Class 2 GP Units by the same amount, to reconcile the difference paid on the full number of Class 2 Additional Entitlements and the effective tax rate. BPI received only 80% of the Additional Entitlements at the Adjustment Date in 2020. Following the audit, BPI received 9,538 Additional Entitlements, comprised of 6,937 Class B Additional Entitlements and 2,601 Class 2 Additional Entitlements.

Subsequent Events

Boston Pizza Restaurants Added to Royalty Pool on January 1, 2022

On January 1, 2022, the Royalty Pool was adjusted to remove four Closed Restaurants for the Year resulting in the number of Boston Pizza Restaurants in the Royalty Pool decreasing from 387 to 383. The actual Franchise Sales received from the four Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool is $6.2 million. Since no New Restaurants opened during the Year, the resulting estimated annual net Franchise Sales for the four Closed Restaurants that closed in 2021 is negative $6.2 million. Consequently, this resulted in the Net Royalty and Distribution Income having a Deficiency for 2021 of $0.3 million (being 5.5% of negative $6.2 million Franchise Sales). Since there is a Deficiency for 2021 of $0.3 million, BPI did not receive any Additional Entitlements on January 1, 2022. However, BPI did not lose any of the Additional Entitlements it received in respect of previous years. Instead, BPI will be required to make-up the cumulative Deficiency for both 2020 and 2021 on future Adjustment Dates by first adding Net Royalty and Distribution Income in an amount equal to the cumulative Deficiency before receiving any further Additional Entitlements.

Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2021

In February 2022, an audit of the Franchise Sales of the two New Restaurants that were added to the Royalty Pool on January 1, 2021 was performed and the actual effective tax rate paid by the Fund for the 2021 calendar year was determined. The purpose of this was to compare the actual Franchise Sales from these two New Restaurants to the estimated amount of Franchise Sales expected to be generated by these two New Restaurants during 2021 and to compare the actual effective tax rate paid by the Fund for 2021 to the estimated effective tax rate the Fund expected to pay for 2021. The original Franchise Sales expected to be generated from these two New Restaurants less the Franchise Sales from the 11 Boston Pizza Restaurants that closed in 2021 was negative $15.2 million. The actual Franchise Sales generated from these two New Restaurants after subtracting the Franchise Sales from the 11 Boston Pizza Restaurants that closed in 2021 was $0.2 million less. The original effective tax rate the Fund expected to pay for 2021 was 26.0% and the actual effective tax rate paid by the Fund for 2021 was 26.2%. As a result, the Deficiency in respect of 2020 was adjusted to be $0.8 million. The cumulative Deficiency for 2020 and 2021 is $1.2 million, comprised of the adjusted Deficiency for 2020 of $0.8 million and the Deficiency for 2021 of $0.3 million.

Units Outstanding

The following table sets forth a summary of the outstanding Units. BPI owns 100% of the Class B Units and 1% of the ordinary general partner units of Royalties LP. BPI also owns 100% of the Class 2 GP Units, and 100% of the Class 3, Class 4, Class 5 and Class 6 general partnership units of BP Canada LP. The Class B Units and Class 2 GP Units are exchangeable for Units. References to "Class B Additional Entitlements" and "Class 2 Additional Entitlements" in the table below refer to the number of Units into which the Class B Units and Class 2 GP Units, respectively, are exchangeable as of the dates indicated.

Summary of Boston Pizza Royalties Income Fund Units

	Dec. 31, 2021 Excluding Holdback	Dec. 31, 2021 Including Holdback	Feb. 8, 2022 Excluding Holdback	Feb. 8, 2022 Including Holdback	
Units Outstanding					
Total Issued and Outstanding Fund Units	21,521,463	21,521,463	21,521,463	21,521,463	
Class B Additional Entitlements Outstanding					
Class B Additional Entitlements (Excluding Jan. 1, 2022 Adjustment Date)	2,430,823	2,430,823	2,430,823	2,430,823	
Class B Holdback (Excluding Jan. 1, 2022 Adjustment Date)	N/A	--	N/A	N/A	(1)
Class B Additional Entitlements – Issued Jan. 1, 2022	N/A	N/A	--	--	
Class B Holdback – Created Jan. 1, 2022	N/A	N/A	N/A	--	(2)
Class B Holdback – Issued in respect of 2021 after audit	N/A	N/A	--	--	(3)
Total Class B Additional Entitlements	2,430,823	2,430,823	2,430,823	2,430,823	
Class 2 Additional Entitlements Outstanding					
Class 2 Additional Entitlements (Excluding Jan. 1, 2022 Adjustment Date)	831,354	831,354	831,354	831,354	
Class 2 Holdback (Excluding Jan. 1, 2022 Adjustment Date)	N/A	--	N/A	N/A	(1)
Class 2 Additional Entitlements – Issued Jan. 1, 2022	N/A	N/A	--	--	
Class 2 Holdback – Created Jan. 1, 2022	N/A	N/A	N/A	--	(2)
Class 2 Holdback – Issued in respect of 2021 after audit	N/A	N/A	--	--	(3)
Total Class 2 Additional Entitlements	831,354	831,354	831,354	831,354	
Summary					
Total Issued and Outstanding Fund Units	21,521,463	21,521,463	21,521,463	21,521,463	
Total Additional Entitlements	3,262,177	3,262,177	3,262,177	3,262,177	
Total Diluted Units	24,783,640	24,783,640	24,783,640	24,783,640	
BPI's Total Percentage Ownership	13.2%	13.2%	13.2%	13.2%	

1) Additional Entitlements from the two New Restaurants and 11 Closed Restaurants added to and removed from the Royalty Pool on January 1, 2021 prior to the audit of the Franchise Sales of the two New Restaurants and the determination of the actual effective tax rate paid by the Fund.
2) There is no Holdback for the adjustment to the Royalty Pool that occurred on January 1, 2022 since BPI did not receive any Additional Entitlements in respect thereof due to a Deficiency existing.
3) Additional Entitlements from the two New Restaurants and 11 Closed Restaurants added to and removed from the Royalty Pool on January 1, 2021 after the audit of the Franchise Sales of the two New Restaurants and the determination of the actual effective tax rate paid by the Fund.

BPI directly and indirectly holds 100% of the special voting units (the "**Special Voting Units**") of the Fund, which entitle BPI to one vote in respect of matters to be voted upon by Unitholders for each Unit that BPI would be

entitled to receive if it exchanged all of its Class B Units and Class 2 GP Units for Units. As of February 8, 2022, BPI was entitled to 3,262,177 votes, representing 13.2% of the aggregate votes held by holders of Units and Special Voting Units. The number of Units that BPI is entitled to receive upon the exchange of its Class B Units and Class 2 GP Units and the number of votes that BPI is entitled to in respect of its Special Voting Units is adjusted periodically to reflect any additional Boston Pizza Restaurant that were added to the Royalty Pool.

TAX TREATMENT OF DISTRIBUTIONS

Of the $0.86 in distributions declared per Unit during the Year, 92.1% or $0.79 per Unit are taxable eligible dividends and 7.9% or $0.07 per Unit represents a tax-deferred return of capital.

LIQUIDITY & CAPITAL RESOURCES

The Fund's long-term distribution policy is to distribute the total amount of cash received by the Fund from the Trust on the units of the Trust and notes of the Trust less the sum of: (a) administrative expenses and other obligations of the Fund; (b) amounts which may be paid by the Fund in connection with any cash redemptions of Units; (c) any interest expense incurred by the Fund; (d) any contractually required repayments of principal of the Fund's indebtedness; and (e) reasonable reserves established by the trustees of the Fund in their sole discretion, including, without limitation, reserves to pay SIFT Tax, in order to maximize returns to Unitholders. 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 change in distributions will be implemented in such a manner so that the continuity of uniform monthly distributions is maintained, while making provisions for working capital due to seasonal variations of Boston Pizza Restaurant sales. It is expected that future distributions will continue to be funded entirely by cash flows from operations. The Fund believes its current sources of liquidity are sufficient to cover its currently known short and long-term obligations.

Indebtedness

Holdings LP and Royalties LP have credit facilities with a Canadian chartered bank (the "**Bank**") in the amount of up to $92.5 million (originally $97.0 million) expiring on December 31, 2022 (the "**Credit Facilities**"). The Credit Facilities are comprised of a: (a) $2.0 million committed operating facility issued to Royalties LP ("**Facility A**"); (b) $57.2 million (originally $61.7 million) committed non-revolving credit facility issued to Royalties LP for the purpose of refinancing Royalties LP's previous credit facilities, to facilitate the Fund repurchasing and cancelling Units under normal course issuer bids or substantial issuer bids, to finance the cash component of any exchange of exchangeable units of BP Canada LP and to repay reimbursement charges owing by Royalties LP to BPI for performing administrative services to the Fund ("**Facility B**"); and (c) $33.3 million committed non-revolving credit facility issued to Holdings LP for the purpose of subscribing for Class 1 LP Units of BP Canada LP ("**Facility D**"). The amount available under Facility B permanently reduces whenever Royalties LP repays principal on Facility B.

The Credit Facilities bear interest at variable interest rates comprised of either or a combination of the Bank's bankers' acceptance rates or Canadian dollar offered rates plus between 2.00% and 3.00%, or the Bank's prime rate plus between 0.75% and 1.75%, depending upon the Fund's total funded net debt to EBITDA ratio.

The principal amounts drawn on Facility A, Facility B and Facility D are due and payable upon maturity. In addition, Royalties LP made principal payments of $0.7 million on December 31, 2020, $1.0 million on each of March 31, 2021, June 30, 2021 and September 30, 2021 and $0.7 million on December 31, 2021, and is required to make the following further principal payments on Facility B of $0.5 million on each of March 31, 2022, June 30, 2022 and September 30, 2022.

The Credit Facilities are secured by a first charge on the assets of Holdings LP and Royalties LP. The Credit Facilities are guaranteed by the Fund and all of its subsidiaries, each of whom granted security over all its assets in favour of the Bank in support of such guarantees.

The principal financial covenant under the Credit Facilities is that the Fund's total funded net debt to EBITDA ratio is not to exceed 3.25:1 on June 22, 2020, increasing immediately to not exceed 3.75:1 after June 22, 2020, further increasing to not exceed 4.25:1 on October 1, 2020, reducing to not exceed 3.50:1 on April 1, 2021 and reducing further to not exceed 3.00:1 on and after July 1, 2021. In addition, the amended and restated credit agreement dated January 24, 2020 among Royalties LP, Holdings LP, the Bank and others governing the Credit Facilities, as amended by a first supplemental credit agreement dated June 22, 2020 (collectively, the "**Credit Agreement**") contains certain covenants and restrictions, including the requirement to meet certain financial ratios described above. A failure of the Fund or its subsidiaries to comply with these covenants and restrictions could entitle the Bank to demand repayment of the outstanding balance drawn on the Credit Facilities prior to maturity. Royalties LP and Holdings LP were in compliance with all of their financial covenants and financial condition tests as of the end of the Period. Full particulars of the Credit Facilities, including applicable interest rates, security, guarantees and other terms and conditions are contained within the Credit Agreement, a copy of which is available on www.sedar.com.

As of December 31, 2021, working capital of the Fund totaled negative $82.1 million (December 31, 2020 – $2.4 million). The Fund has no requirement to maintain a certain amount of working capital. As of December 31, 2021, no amount was drawn on Facility A, $54.8 million was drawn on Facility B and $33.3 million was drawn on Facility D. The Fund's working capital is negative $82.1 million primarily because the amounts drawn on the Credit Facilities are characterized as current liabilities since the Credit Facilities' maturity date is December 31, 2022. Without the inclusion of the amounts drawn on the Credit Facilities as current liabilities, the Fund's working capital would be $5.8 million at December 31, 2021. The Fund expects that it will be able to refinance its credit facilities in 2022. This is based on the Fund's ability to generate positive cash flow from operations, its history of being able to successfully refinance its debt, and its pro forma Debt to EBITDA Ratio being at a foreseeably manageable level by industry standards.

The following table provides a summary of the Fund's contractual obligations and commitments (including expected interest payments) as at December 31, 2021:

(in thousands of dollars)	< 1 year	1 - 5 years	Total	Book Value
Accounts payable and accrued liabilities	586	–	586	586
Distributions payable to Fund unitholders	1,829	–	1,829	1,829
Interest payable on Class B Units	265	–	265	265
Current income tax payable	24	–	24	24
Credit Facilities and Swaps[1]	91,484	–	91,484	87,808
	94,188	–	94,188	90,512

Note:

1) The Credit Facilities and Swaps include expected interest payments based on the Fund's blended rate of 3.98% to the scheduled maturity date of the Credit Facilities of December 31, 2022 and excludes deferred financing costs of $0.2 million.

Interest Rate Swaps

Royalties LP and Holdings LP, as applicable, previously entered into the following interest rate swaps under their respective International Swap Dealers Association Master Agreements with the Bank (the "**Swaps**"):

(a) Royalties LP entered into a Swap to fix the interest rate at 1.51% plus between 2.00% and 3.00% per annum (depending upon funded debt to EBITDA ratios) for a term that ended on February 1, 2022 for $13.9 million of the $54.8 million drawn on Facility B;

(b) Royalties LP entered into a Swap to fix the interest rate at 2.40% plus between 2.00% and 3.00% per annum (depending upon funded debt to EBITDA ratios) for a term ending on January 1, 2023 for $15.0 million of the $54.8 million drawn on Facility B;

(c) Royalties LP entered into a Swap to fix the interest rate at 2.27% plus between 2.00% and 3.00% per annum (depending upon debt to EBITDA ratios) for a term ending on April 1, 2024 for $15.0 million of the $54.8 million drawn on Facility B;

(d) Holdings LP entered into a Swap to fix the interest rate at 1.02% plus between 2.00% and 3.00% per annum (depending upon debt to EBITDA ratios) for a term ending on August 14, 2025 for $17.0 million of the $33.3 million drawn on Facility D; and

(e) Holdings LP entered into a Swap to fix the interest rate at 1.09% plus between 2.00% and 3.00% per annum (depending upon debt to EBITDA ratios) for a term ending on March 1, 2026 for $15.0 million of the $33.3 million drawn on Facility D.

On January 27, 2022, Royalties LP entered into a swap that commenced on February 1, 2022 to fix the interest rate at 2.28% plus between 2.00% and 3.00% per annum (depending upon debt to EBITDA ratios) for a term ending on February 1, 2027 for $15.0 million of the $54.8 million drawn on Facility B to replace and increase the swap described in item (a) above that ended on February 1, 2022.

As of December 31, 2021, $10.9 million drawn on Facility B and $1.3 million drawn on Facility D bore interest at variable interest rates applicable to the Credit Facilities discussed above.

The Fund uses the Swaps to mitigate its exposure to interest rate risk related to the Credit Facilities. The Fund accounts for the Swaps as derivative instruments in accordance with IFRS. The fair market value of the Swaps is determined using valuation techniques at each reporting date and any change in the fair value of the Swaps is included in the Fund's comprehensive income or loss. The Fund recognized a $0.7 million fair value gain on the Swaps for the Period in its consolidated statements of comprehensive income (loss) compared to $0.2 million gain for the fourth quarter of 2020. During the Year, the Fund recorded a $2.3 million fair value gain on the Swaps (2020 – $2.1 million fair value loss) in the consolidated statements of comprehensive income (loss).

Related Party Transactions

BPI and BP Canada LP are considered to be related parties of the Fund by virtue of the common officers and directors of BPI and Royalties GP. The Fund's related party transactions at the end of the Period were as follows:

- The Fund has engaged Royalties LP, its administrator, to provide certain administrative services on behalf of the Fund ("**Administrative Services**"). In turn, certain of the Administrative Services are performed by BPI as a general partner of Royalties LP. Under the terms of the partnership agreement governing Royalties LP, BPI is entitled to be reimbursed for certain out-of-pocket expenses incurred in performing the Administrative Services. BPI and Royalties LP agreed to limit the annual amount of out-of-pocket expenses for which BPI is entitled to be reimbursed to not more than $0.4 million for 2020, 2021 and 2022, with such limit thereafter increasing by not more than the percentage change in the Canadian Consumer Price Index (as calculated by Statistics Canada) in the calendar year prior.

- The total amount charged by BPI in respect of the Administrative Services for the Period and the Year was $0.1 million and $0.4 million, respectively (Q4 2020 – $0.1 million, 2020 - $0.4 million). The total amount paid to BPI in respect of these services for the Period and the Year was $0.1 million and $0.4 million, respectively (Q4 2020 – $0.1 million, 2020 - $1.2 million).

- As at December 31, 2021, interest payable by the Fund to BPI in respect of the Class B Units was $0.3 million (December 31, 2020 – $0.9 million).

- As at December 31, 2021, the Royalty receivable from BPI was $2.6 million (December 31, 2020 – $4.9 million), and the Distribution Income receivable from BP Canada LP was $0.8 million (December 31, 2020 – $1.5 million). See the "Distributions" section of this MD&A for more details.

Other related party transactions and balances are referred to elsewhere in this MD&A.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The President ("**President**") and the Chief Financial Officer ("**CFO**") of Royalties GP, managing general partner of Royalties LP, administrator of the Fund, have designed or caused to be designed under their supervision disclosure controls and procedures to provide reasonable assurance that all material information regarding the Fund is gathered and reported to senior management, including the President and CFO, on a timely basis, particularly during the period in which the annual and interim filings are being prepared, so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the Fund's disclosure controls and procedures, as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, was carried out under the supervision of, and with the participation of management, including the President and CFO. Based on that evaluation, the President and CFO have concluded that the design and operation of these disclosure controls and procedures were effective in providing reasonable assurance that: (a) information required to be disclosed by the Fund in its annual filings, interim filings or other reports filed and submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods specified in securities legislation, and (b) material information regarding the Fund is accumulated and communicated to the Fund's administrator, Royalties LP, as well as the President and CFO in a timely manner, particularly during the period in which the annual and interim filings are being prepared.

During the Period, there was no change in the Fund's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting. The Fund complies with the Committee of Sponsoring Organizations of the Treadway Commission Internal Control – Integrated Framework: 2013.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Fund's audited annual consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. Significant areas requiring the use of management judgment and estimates relate to the determination of the following:

Judgment – Consolidation

Applying the criteria outlined in IFRS 10, judgment is required in determining whether the Fund controls Royalties LP. Making this judgment involves taking into consideration the concepts of power over Royalties LP, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of Royalties LP so as to generate economic returns. Using these criteria, management has determined that the Fund ultimately controls Royalties LP through its 80% ownership of the managing general partner, Royalties GP.

Estimates - Intangible Assets – the BP Rights

The Fund carries the BP Rights at historical cost comprising the amount of consideration paid for the BP Rights in 2002, as well as the value of additional Boston Pizza Restaurants added to the Royalty Pool to date. The value of additional Boston Pizza Restaurants added to the Royalty Pool is determined on a formula basis that is designed to estimate the present value of the cash flows that would ultimately be payable to the Fund as a result of the new Boston Pizza Restaurants being added to the Royalty Pool. The calculation is dependent on a number of different variables including the estimated sales of the new Boston Pizza Restaurants for the calendar year in which they are add to the Royalty Pool and the tax rate. The value assigned to the new Boston Pizza Restaurants, and as a result, the value assigned to the BP Rights, could differ from actual results.

The impairment test requires that the Fund use a valuation technique to determine if impairment exists. The valuation of the intangibles is based on a value in use approach and depends on certain estimates, including

projected Franchise Sales for restaurants that are in the Royalty Pool and the discount rate. This valuation technique may not represent the actual recoverable amount that the Fund expects the BP Rights to generate. The Fund concluded that the recoverable amount exceeds the carrying amount of the BP Rights, therefore no impairment was recorded for the Year.

Estimate – Class B Units, Class 1 LP Units and Class 2 LP Units Fair Value Adjustments

The Fund must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements. The Fund's fair value hierarchy comprises the following levels:

- Level 1 – quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – pricing inputs are other than quoted in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – valuations in this level are those with inputs for the asset or liability that are not based on observable data.

The fair values of the Class B Unit liability, Class 1 LP Units and Class 2 LP Units are all determined using Level 2 inputs and are measured on a recurring basis.

(i) Class B Units

The Fund records its Class B Unit liabilities at fair value, which may result in changes to the fair value adjustment on the Class B Unit liability line on the statements of financial position, the fair value gain (loss) on the Class B Unit liability line on the statements of comprehensive income (loss), and the corresponding non-cash adjustment line on the statements of cash flows. This requires that the Fund use a valuation technique to determine the value of the Class B Unit liability at each reporting date. The Fund estimates the fair value of the Class B Unit liability using a market approach by multiplying the number of Units BPI would be entitled to receive if it exchanged all Class B Units (including the Class B Holdback) held by BPI at the end of the Period by the closing price of the Units on the last business day of the Period. This valuation technique may not represent the actual value of the financial liability should such Class B Units be extinguished. Changes in the distribution rate on the Class B Units and the yield of the Fund's Units could materially impact the Fund's financial position and net income.

(ii) Class 1 Units and Class 2 LP Units

The Fund records the Class 1 LP Units and Class 2 LP Units held by Holdings LP at fair value, which may result in a fair value adjustment on the investment in BP Canada LP financial asset line on the statements of financial position, and fair value gain (loss) line on the statements of comprehensive income (loss), and a corresponding non-cash adjustment line on the statements of cash flows.

The Class 1 LP Units are entitled to distributions determined with respect to the interest cost payable on Facility D. The Fund estimates the fair value of the Class 1 LP Units using a market-corroborated input, being the interest rate applicable on Facility D. Consequently, the Fund estimated the fair value of Class 1 LP Units at carrying value adjusted for interest rate risk.

The fair value of the Class 2 LP Units is determined using a market approach, which involves using observable market prices for similar instruments. The Class 2 LP Units have similar cash distribution entitlements to the Class 2 GP Units, which are exchangeable into Units. Consequently, the Fund estimates the fair value of the Class 2 LP Units by multiplying the issued and outstanding number of Class 2 LP Units indirectly held by the Fund at the end of the applicable period by the closing price of the Units at the end of that period (or previous business day, if such day is not a business day).

These valuation techniques may not represent the actual value of the Class 1 LP Units and Class 2 LP Units should such units be sold. Changes in the distribution rates on the Class 1 LP Units and Class 2 LP Units and the yield of the Fund's Units could materially impact the Fund's financial position and net income.

SHORT-TERM OUTLOOK

The information contained in this "Short-Term Outlook" section is forward-looking information. Please see the "Note Regarding Forward-Looking Information" and "Risks & Uncertainties" sections of this MD&A for a discussion of the risks and uncertainties in connection with forward-looking information.

COVID-19 had sudden, unexpected and unprecedented impacts on the general economy, the restaurant industry and has specifically caused significant disruption to the business of the Fund, BPI and BP Canada LP. The focus of BPI's management is to continue to: (i) monitor carefully the continuously evolving COVID-19 situation; (ii) modify the operating procedures of Boston Pizza Restaurants to ensure the safety of guests and staff of BP Canada LP's franchisees; (iii) responsibly and safely operate the dining rooms, sports bars and patios of Boston Pizza Restaurants across Canada as permitted by applicable provincial health authorities; (iv) maximize the opportunity to grow its take-out and delivery business; and (v) review and adapt current and future plans to responsibly address the challenges and opportunities presented by COVID-19.

The trustees of the Fund will continue to closely monitor BPI's and BP Canada LP's business as the COVID-19 situation continues to develop and consider the best interests of the Fund and its stakeholders. While COVID-19 persists, the trustees of the Fund expect that Franchise Sales and SRS at Boston Pizza Restaurants, and resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders will continue to be adversely affected.

RISKS & UNCERTAINTIES

Risks Related to the Business of BPI and BP Canada LP

Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy

The Canada Emergency Wage Subsidy ("**CEWS**") was a program that provided a subsidy of up to 75% of remuneration paid by an employer to each eligible employee up to a maximum of $847 per week. The Canada Emergency Rent Subsidy ("**CERS**") was a program available to Canadian businesses, non-profit organizations, or charities who saw a drop in revenue during the COVID-19 pandemic to cover part of their commercial rent or property expenses. The CEWS and CERS programs expired on October 23, 2021. On October 21, 2021, the federal government introduced The Tourism and Hospitality Recovery Program, which will provide additional support to companies in the tourism and hospitality industry experiencing at least a 40% revenue reduction, with the program expected to extend until May 7, 2022. On December 22, 2021, the federal government announced that the Local Lockdown Program lowered the revenue reduction requirement to 25% from 40% for the period December 19, 2021 to February 12, 2022.

A number of Boston Pizza Restaurants were receiving CEWS and/or CERS. Fewer Boston Pizza Restaurants may be eligible for the Tourism and Hospitality Recovery Program than were eligible for CEWS and/or CERS. It is unknown to what extent the replacement of the CEWS and CERS programs with the Tourism and Hospitality Recovery Program will affect the financial condition of Boston Pizza Restaurants. If fewer Boston Pizza Restaurants are eligible to participate in the Tourism and Hospitality Recovery Program than CEWS and/or CERS, it may decrease their profitability, thereby increasing risks of Boston Pizza Restaurants closing.

Supply Chain Disruption / Labour Availability

As economies reopen, the global recovery from the economic impacts of COVID-19 is disrupting supply chains around the world. In addition, multiple economic sectors reopening simultaneously is creating a temporary but significant labour shortage throughout North America. While Boston Pizza currently has a stable supply chain, it is possible that the global supply chain disruption caused by COVID-19 could result in supply interruptions, commodity unavailability or increased commodity costs for Boston Pizza Restaurants. In addition, the current

labour shortage may impede Boston Pizza Restaurants' ability to attract and retain sufficient numbers of qualified staff. If Boston Pizza Restaurants are unable to source sufficient raw materials and labour at reasonable prices, it may: (i) limit their ability to generate Franchise Sales, thereby decreasing the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders; and/or (ii) decrease their profitability, thereby increasing risks of Boston Pizza Restaurants closing.

COVID-19 Risk

On March 11, 2020, World Health Organization declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic has had sudden, unexpected and unprecedented impacts on the general economy, the restaurant industry and has specifically caused significant disruption to the business and revenues of the Fund and BPI. The COVID-19 pandemic has resulted and will continue to result in material declines to Franchise Sales and SRS when compared to the same period prior to COVID-19. The declines in Franchise Sales and SRS will result in significant declines to Royalty and Distribution Income payable by BPI and BP Canada LP to the Fund when compared to the same period prior to COVID-19, and significant declines in the amount of Distributable Cash available for distribution to Unitholders when compared to the same period prior to COVID-19. It is unknown if, when and to what extent the Franchise Sales of Boston Pizza Restaurants will return to the levels they were at prior to the emergence of the COVID-19 pandemic. As well, it is unknown how many and how long additional COVID-19 outbreaks, including outbreaks caused by variants of the COVID-19 virus, will last and the extent to which they necessitate further reduced service levels or temporary closures of Boston Pizza Restaurants. Any reduced service levels or temporary closures of Boston Pizza Restaurants will result in further declines to Franchise Sales, SRS, Royalty, Distribution Income and the amount of Distributable Cash available for distribution to Unitholders. In addition, it is unknown if and to what extent the COVID-19 pandemic will alter consumer behaviour and demand for casual dining restaurant services.

COVID-19 and the reactions to it, including the possibility that it may result in a prolonged global recession, may also have the effect of exacerbating the potential impact of the other risks disclosed in this Risk & Uncertainties section.

The Restaurant Industry and its Competitive Nature

The performance of the Fund is directly dependent upon the Royalty received from BPI and Distribution Income received from BP Canada LP. The amount of the Royalty and Distribution Income received by Royalties LP and Holdings LP from BPI and BP Canada LP, respectively, is dependent on various factors that may affect the casual dining sector of the restaurant industry. The restaurant industry generally, and in particular the casual dining sector, is intensely competitive with respect to price, service, location and food quality. Competitors include national and regional chains, as well as independently owned restaurants. If BPI, BP Canada LP and the Boston Pizza franchisees are unable to successfully compete in the casual dining sector, Franchise Sales may be adversely affected; the amount of the Royalty and Distribution Income may be reduced and the ability of BPI to pay the Royalty, and the ability of BP Canada LP to pay Distribution Income, may be impaired. The restaurant industry is also affected by adverse weather conditions, changes in demographic trends, traffic patterns, general economic conditions and the type, number, and location of competing restaurants. In addition, factors such as government regulations, smoking bylaws, inflation, pandemics and national health crises (including COVID-19), publicity from any food borne illnesses, increased food, labour and benefits costs, continuing operations of key suppliers and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and therefore potentially affect Franchise Sales. BPI's and BP Canada LP's success also depends on numerous factors affecting discretionary consumer 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 revenue and operating income, which could adversely affect Franchise Sales, the Royalty, Distribution Income and the ability of BPI to pay the Royalty to Royalties LP, and the ability of BP Canada LP to pay Distribution Income to Holdings LP.

Growth of the Royalty and Distribution Income

The growth of the Royalty payable by BPI to Royalties LP under the License and Royalty Agreement between Royalties LP and BPI (for the license to use the BP Rights in Canada for 99 years, commencing on July 17, 2002), and the growth of Distribution Income payable by BP Canada LP to Holdings LP, are dependent upon the ability of BPI and BP Canada LP to (i) maintain and grow their franchised restaurants, (ii) locate new restaurant sites in prime locations, and (iii) obtain qualified operators to become Boston Pizza franchisees. BPI and BP Canada LP face competition for restaurant locations and franchisees from their competitors and from franchisors of other businesses. BPI's and BP Canada LP's inability to successfully obtain qualified franchisees could adversely affect their business development. The opening and success of a Boston Pizza Restaurant is dependent on a number of factors, including: availability of suitable sites; negotiations of acceptable lease or purchase terms for new locations; availability, training and retention of management and other employees necessary to staff new Boston Pizza Restaurants; adequately supervising construction; securing suitable financing; and other factors, some of which are beyond the control of BPI and BP Canada LP. Boston Pizza franchisees may not have all the business abilities or access to financial resources necessary to open a Boston Pizza Restaurant or to successfully develop or operate a Boston Pizza Restaurant in their franchise areas in a manner consistent with BPI's and BP Canada LP's standards. BPI and BP Canada LP provide training and support to Boston Pizza franchisees, but the quality of franchised operations may be diminished by any number of factors beyond BPI's and BP Canada LP's control. Consequently, Boston Pizza franchisees may not successfully operate restaurants in a manner consistent with BPI's and BP Canada LP's standards and requirements, or may not hire and train qualified managers and other restaurant personnel. If they do not, the image and reputation of BPI and BP Canada LP may suffer, and gross revenue and results of operations of the Boston Pizza Restaurants could decline.

The Closure of Boston Pizza Restaurants May Affect the Amount of Royalty and Distribution Income

The amount of the Royalty payable to Royalty LP by BPI, and the amount of Distribution Income payable by BP Canada LP to Holdings LP, are dependent upon the Franchise Sales, which is dependent on the number of Boston Pizza Restaurants that are included in the Royalty Pool and the Franchise Sales of those Boston Pizza Restaurants. Each year, a number of Boston Pizza Restaurants may close and there is no assurance that BPI and BP Canada LP will be able to open sufficient new Boston Pizza Restaurants to replace the Franchise Sales of the Boston Pizza Restaurants that have closed.

BPI and BP Canada LP Revenue

The ability of BPI to pay the Royalty and the ability of BP Canada LP to pay Distribution Income are dependent on (i) Boston Pizza franchisees' ability to generate revenue and to pay royalties to BP Canada LP, (ii) BP Canada LP's ability to enter into arrangements with suppliers and distributors to generate competitive pricing for franchisees and revenue for BP Canada LP, and (iii) BP Canada LP's receipt of amounts for other franchise fees (including initial and renewal franchise fees). Failure of BP Canada LP to achieve adequate levels of collection from Boston Pizza franchisees or the loss of revenues from arrangements with suppliers and distributors could have a serious effect on the ability of BP Canada LP to pay Distribution Income and of BPI to pay the Royalty.

Intellectual Property

The ability of BPI and BP Canada LP to maintain or increase Franchise Sales will depend on their ability to maintain "brand equity" through the use of the BP Rights licensed from Royalties LP. If Royalties LP fails to enforce or maintain any of its intellectual property rights, BPI and BP Canada LP may be unable to capitalize on their efforts to establish brand equity. All registered trademarks in Canada can be challenged pursuant to provisions of the *Trademarks Act* (Canada) and if any BP Rights are ever successfully challenged, this may have an adverse impact on Franchise Sales, and therefore on the Royalty and Distribution Income. Royalties LP owns the BP Rights in Canada. However, it does not own identical or similar trademarks owned by parties not related to BPI or Royalties LP in other jurisdictions. Third parties may use such trademarks in jurisdictions other than Canada in a manner that diminishes the value of such trademarks. If this occurs, the value of the BP Rights may suffer and gross revenue by Boston Pizza Restaurants could decline. Similarly, negative publicity or events associated with such trademarks in jurisdictions outside of Canada may negatively affect the image and reputation of Boston Pizza Restaurants in Canada, resulting in a decline in gross revenue by Boston Pizza Restaurants.

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA ROYALTIES INCOME FUND
For the Period and Year ended December 31, 2021

Government Regulation

BPI and BP Canada LP are subject to various federal, provincial and local laws affecting their business. Each Boston Pizza Restaurant is subject to licensing and regulation by a number of governmental authorities, which may include alcoholic beverage control, smoking laws, health and safety and fire agencies. Difficulties in obtaining or failures to obtain the required licenses or approvals could delay or prevent the development of a new Boston Pizza Restaurant in a particular area or restrict the operations of an existing Boston Pizza Restaurant.

Regulations Governing Food Service and Alcoholic Beverages

Boston Pizza Restaurants are subject to various federal, provincial and local government regulations, including those relating to the sale of food and alcoholic beverages. Such regulations are subject to change from time to time. The failure to obtain and maintain these licenses, permits and approvals could adversely affect the operations of a Boston Pizza Restaurant. Typically, licenses must be renewed annually and may be revoked, suspended or denied renewal for cause at any time if governmental authorities determine that the Boston Pizza Restaurant's conduct violates applicable regulations. Difficulties or failures to maintain or obtain the required licenses and approvals could adversely affect existing Boston Pizza Restaurants and delay or result in a decision to cancel the opening of new Boston Pizza Restaurants, which would adversely affect BPI's and BP Canada LP's business.

In addition, the ability of Boston Pizza Restaurants to serve alcoholic beverages is an important factor in attracting customers. Alcoholic beverage control regulations require each Boston Pizza Restaurant to apply to provincial or municipal authorities for a license or permit to sell alcoholic beverages on the premises and, in certain locations, to provide service for extended hours and on Sundays. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of Boston Pizza Restaurants, including minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing, inventory control, and handling, storage and dispensing of alcoholic beverages. The failure of BPI, BP Canada LP or a Boston Pizza franchisee to retain a license to serve liquor for a Boston Pizza Restaurant would adversely affect that restaurant's operations. BPI, BP Canada LP or a Boston Pizza franchisee may be subject to legislation in certain provinces, which may provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. BPI and BP Canada LP carry host liquor liability coverage as part of their existing comprehensive general liability insurance. There is no assurance that such insurance coverage will be adequate.

Laws Concerning Employees

The operations of Boston Pizza Restaurants are also subject to minimum wage laws governing such matters as working conditions, overtime and tip credits, as well as rules and regulations regarding the employment of temporary foreign workers. Significant numbers of Boston Pizza 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 Boston Pizza Restaurants' labour costs. In some regions of Canada, Boston Pizza Restaurants employ temporary foreign workers – the supply of labour in such regions could be reduced by regulations concerning the employment of temporary foreign workers.

Sales Tax Regulations

While there are variations in studies about the extent to which sales taxes impact retail sales, the increase in the after-tax price of goods and services has a negative effect on the customer's perception of spending on restaurant dining. Such negative perception can potentially reduce the frequency of guest visits to restaurants, the total amount which guests spend per restaurant visit, or both. Price elasticity appears to have less impact on densely-populated and market-dominant areas such as urban or downtown restaurants. However, as customer perception of disposable spending is adversely affected by increased after-tax prices, Franchise Sales are at risk of declining if retail sales taxes increase.

Franchise Regulation Risk

The complete failure to provide a disclosure document as required by the franchise disclosure laws and regulations of the provinces of British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Prince Edward Island (or the provision of a disclosure document that is materially non-compliant) provides a franchisee with a two-year absolute right of rescission. If a disclosure document is not provided within the time required by applicable provincial legislation, a franchisee is provided with sixty days from receipt of the disclosure document in which to rescind the franchise agreement. The statutory right of rescission gives a franchisee the right to receive back all monies paid, and to recover for its losses, if any. Franchise legislation also provides a franchisee with a statutory right of action to sue if a franchisee suffers a loss because of a misrepresentation contained in the disclosure document, or as a result of the franchisor's failure to comply with its disclosure obligations. These rights are in addition to any rights that might exist at common law. Claims arising from any non-compliance with franchise disclosure laws may adversely affect the ability of BP Canada LP to pay Distribution Income to Holdings LP, and of BPI to pay the Royalty to Royalties LP.

Potential Litigation and Other Complaints

BPI, BP Canada LP and Boston Pizza franchisees may be the subject of complaints or litigation from guests alleging food related illness, injuries suffered on the premises or other food quality, health or operational concerns. Adverse publicity resulting from such allegations may materially affect the sales by Boston Pizza Restaurants, regardless of whether such allegations are true or whether BPI, BP Canada LP or a Boston Pizza franchisee is ultimately held liable.

Insurance

BPI and BP Canada LP maintain insurance coverage to protect them from liabilities they incur in the course of their business. There is no assurance that such insurance coverage will respond to, or be adequate to protect them from, such liabilities. Additionally, in the future, BPI's and BP Canada LP's insurance premiums may increase and they may not be able to obtain similar levels of insurance on reasonable terms or at all. Any substantial inadequacy of, or inability to obtain insurance coverage could materially adversely affect BPI's and BP Canada LP's business, financial condition and results of operations. Furthermore, there are types of losses BPI or BP Canada LP may incur that cannot be insured against or that are not economically reasonable to insure. Such losses could have a material adverse effect on BPI's and BP Canada LP's business and results of operations.

Dependence on Key Personnel

The success of the Fund depends upon the personal efforts of senior management of BPI, including their ability to retain and attract appropriate franchisee candidates. The loss of the services of such key personnel or the failure to attract such franchisees could have a material adverse effect on the performance of the Fund.

Security of Confidential Consumer Information and Personal Information

BPI, BP Canada LP and Boston Pizza franchisees collect and/or use confidential consumer information related to the electronic processing of credit and debit card transactions, personal information of consumers in connection with Boston Pizza's "MyBP" loyalty platform and personal information of their respective employees. If any of BPI, BP Canada LP or Boston Pizza franchisees experiences a security breach in which any of this type of information is stolen or disclosed, BPI, BP Canada LP or Boston Pizza franchisees may incur unanticipated costs, become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and/or become subject to lawsuits or other proceedings relating to these types of incidents. In addition, most provinces have enacted legislation requiring notification of security breaches involving personal information, including credit and debit card information. Any such claims or proceedings could cause BPI or BP Canada LP to incur significant unplanned expenses, which could have an adverse impact on their financial condition and results of operations. Furthermore, adverse publicity resulting from these allegations may have a material adverse effect on Franchise Sales, Royalty, Distribution Income and the ability of BP Canada LP to pay Distribution Income to Holdings LP, or BPI to pay the Royalty to Royalties LP.

Reliance on Technology

BPI, BP Canada LP and Boston Pizza franchisees rely heavily upon information systems, including point-of-sale processing in Boston Pizza Restaurants, for management of their supply chain, payment of obligations, collection of cash, credit and debit card transactions and other processes and procedures, including the taking and sending of orders to Boston Pizza Restaurants. BPI's and BP Canada LP's ability to efficiently and effectively manage their business depends significantly on the reliability and capacity of these systems. BPI's and BP Canada LP's operations depend upon their ability to protect their computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive problems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, expanding BPI's and BP Canada LP's systems as they grow or a breach in security of these systems could result in delays in customer service and reduced efficiency in BPI's and BP Canada LP's operations. Remediation of such problems could result in significant, unplanned capital investments.

Risks Related to the Structure of the Fund

Investment Eligibility

There can be no assurance that the Units will continue to be qualified investments for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans or tax-free savings accounts under the *Income Tax Act (Canada)* (the "**Tax Act**"). In addition, a Unit may be a prohibited investment in respect of a registered disability savings plan, registered education savings plan, registered retirement savings plan, registered retirement income fund or tax-free savings account where, in general terms, the holder, subscriber or annuitant (as the case may be) does not deal at arm's length with the Fund or has a "significant interest" (as defined in the Tax Act) in the Fund. The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments.

Dependence of the Fund on the Trust, Holdings LP, BPI and BP Canada LP

The cash distributions to the Unitholders are entirely dependent on the ability of the Trust to pay its interest obligations, if any, under the Series 1 Trust Notes, Series 2 Trust Notes and Series 3 Trust Notes (collectively, the "**Trust Notes**"), and to make distributions on the units of the Trust (the "**Trust Units**"). The ability of the Trust to pay its interest obligations or make distributions on Trust Units held by the Fund is entirely dependent upon the ability of Holdings LP to make distributions on the limited partner units of Holdings LP held by the Trust. The ability of Holdings LP to make distributions on limited partner units held by the Trust is entirely dependent upon the ability of Royalties LP to make distributions on the limited partner units of Royalties LP held by Holdings LP and upon BP Canada LP's ability to pay Distribution Income on the limited partner units of BP Canada LP held by Holdings LP.

The only sources of revenue of the Fund are: (i) the Royalty payable by BPI to Royalties LP; and (ii) Distribution Income payable by BP Canada LP to Holdings LP. BP Canada LP collects franchise fees and other amounts from Boston Pizza franchisees and BPI generates revenues from its corporate restaurants. In the conduct of the business, BPI pays expenses and incurs debt and obligations to third parties. These expenses, debts and obligations could impact the ability of BPI to pay the Royalty to Royalties LP, or of BP Canada LP to pay Distribution Income to Holdings LP.

Royalties LP, Holdings LP and the Fund are each entirely dependent upon the operations and assets of BPI and BP Canada LP to pay the Royalty to Royalties LP and Distribution Income to Holdings LP, and each is subject to the risks encountered by BPI and BP Canada LP in the operation of their business, including the risks relating to the casual dining restaurant industry referred to above and the results of operations and financial condition of BPI and BP Canada LP.

Leverage Risks

Refinancing Risk – Royalties LP and Holdings LP have third-party debt service obligations under the Credit Facilities. The degree to which Royalties LP and Holdings LP are leveraged could have important consequences to Unitholders, including: (i) a portion of Royalties LP's and Holdings LP's cash flow from operations could be dedicated to the payment of the principal of and interest on their indebtedness, thereby reducing funds available for distribution to the Fund; and (ii) certain of Royalties LP's and Holdings LP's borrowings are at variable rates of interest, which exposes them to the risk of increased interest rates. The Credit Facilities are due on December 31, 2022, at which time Royalties LP and Holdings LP will need to refinance such loans. There can be no assurance that refinancing of this indebtedness will be available to Royalties LP or Holdings LP, or available to Royalties LP or Holdings LP on acceptable terms. If Royalties LP and Holdings LP cannot refinance this indebtedness on acceptable terms upon maturity, it will negatively impact the ability of Royalties LP and Holdings LP to make distributions on their partnership securities, which in turn will negatively impact Distributable Cash and the Fund's ability to make distributions on the Units. Royalties LP's and Holdings LP's ability to make scheduled payments of principal or interest on, or to refinance, their indebtedness depends on future cash flows, which is dependent on Distribution Income Holdings LP receives from BP Canada LP, Royalty payments Royalties LP receives from BPI, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

Restrictive Covenants – The Credit Facilities contain numerous restrictive covenants that limit the discretion of Royalties LP's and Holdings LP's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Royalties LP and Holdings LP to incur additional indebtedness, to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees, to sell or otherwise dispose of assets, to allow a change of control, to change the terms of their limited partnership agreements and to merge or consolidate with another entity. A failure to comply with the obligations in the Credit Facilities could result in an event of default which, if not cured or waived, could result in the acceleration of the relevant indebtedness. If the indebtedness under the Credit Facilities were to be accelerated, there can be no assurance that Royalties LP's, Holdings LP's and the Trust's assets would be sufficient to repay that indebtedness.

Interest Rate Risks – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is exposed to interest rate risk primarily through its long-term borrowings. Variations in interest rates could result in significant changes in the amount required by the Fund to be applied to debt service that could negatively impact Distributable Cash and the Fund's ability to make distributions on the Units. The Fund manages exposure to interest rate risk primarily through fixing a significant portion of the Fund's interest rate debt and by evenly staggering interest rate swap expiry dates over a longer period of time. See the "Liquidity & Capital Resources" section of this MD&A for more details on the Fund's long-term debt.

Risks Related to Debt of BPI

- BPI has third-party debt service obligations under its credit facilities with the Bank (the "**BPI Credit Facilities**"). The degree to which BPI is leveraged could have important consequences to Unitholders, including: (i) a portion of BPI's cash flow from operations could be dedicated to the payment of the principal of and interest on BPI's indebtedness, thereby reducing funds available for payment of the Royalty; and (ii) certain of BPI's borrowings are at variable rates of interest. The BPI Credit Facilities are due on December 31, 2022, at which time BPI will need to refinance such loans. There can be no assurance that refinancing of this indebtedness will be available to BPI, or available to BPI on acceptable terms. If BPI cannot refinance this indebtedness on acceptable terms upon maturity, it will negatively impact the ability of BPI to pay Royalty. Given the Fund's dependence upon BPI, this will negatively impact Distributable Cash and the Fund's ability to make distributions on the Units. BPI's ability to make scheduled payments of principal or interest on, or to refinance, its indebtedness depends on future cash flows, which is dependent on the success of Boston Pizza Restaurants, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

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- The BPI Credit Facilities contain numerous restrictive covenants that limit the discretion of BPI's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of BPI to incur additional indebtedness, to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees, to sell or otherwise dispose of assets, to allow a change of control, and to merge or consolidate with another entity. A failure by BPI to comply with the obligations in the BPI Credit Facilities could result in an event of default which, if not cured or waived, could result in the acceleration of the relevant indebtedness. If the indebtedness under the BPI Credit Facilities were to be accelerated, there can be no assurance that BPI's assets would be sufficient to repay that indebtedness. If BPI were unable to repay that indebtedness, it would adversely affect BPI's ability to pay the Royalty, thereby negatively impacting Distributable Cash and the Fund's ability to make distributions on the Units.

- BPI is exposed to interest rate risk primarily through its long-term borrowings. Variations in interest rates could result in significant changes in the amount required by BPI to be applied to debt service that could negatively impact BPI's ability to pay Royalty. BPI monitors its exposure to interest rate risk by monitoring the fluctuation in the bankers' acceptance rates, prime interest rate and evaluates interest rate swaps when necessary.

Risks Related to Debt of Franchisees – Numerous franchisees of BP Canada LP have third-party debt service obligations under various credit arrangements with their lenders. The degree to which franchisees of BP Canada LP are leveraged and the extent to which such franchisees are exposed to interest rate risk could impact the amount of cash such franchisees are required to spend on debt service. This in turn could negatively impact the ability of such franchisees to pay BP Canada LP royalty and advertising fees and may increase the probability of Boston Pizza Restaurants closing. As well, any failure of franchisees of BP Canada LP to either comply with the agreements governing their third-party debt service obligations or to repay or refinance such debt upon maturity could negatively impact the ability of such franchisees to pay BP Canada LP royalty and advertising fees and may increase the probability of Boston Pizza Restaurants closing.

Cash Distributions are Not Guaranteed and Will Fluctuate with Royalties LP's and Holdings LP's Performance

Although the Fund's policy is to distribute the total amount of cash received by the Fund from the Trust on the Trust Units and the Trust Notes less the sum of: (a) administrative expenses and other obligations of the Fund; (b) amounts which may be paid by the Fund in connection with any cash redemptions of Units; (c) any interest expense incurred by the Fund; (d) any contractually required repayments of principal of the Fund's indebtedness; and (e) reasonable reserves established by the trustees of the Fund in their sole discretion, including, without limitation, reserves established to pay SIFT Tax, in order to maximize returns to Unitholders, there can be no assurance regarding the amounts of income to be generated by the Fund, Royalties LP or Holdings LP. The actual amount distributed in respect of the Units will depend upon numerous factors, including amount of and payment of Distribution Income by BP Canada LP, and the Royalty by BPI.

Restrictions on Certain Unitholders and Liquidity of Units

The Declaration of Trust imposes various restrictions on Unitholders. Unitholders that are non-residents of Canada for the purposes of the Tax Act ("**Non-residents**") and partnerships that are not Canadian partnerships for purposes of the Tax Act are prohibited from beneficially owning more than 50% of the Units (on a non-diluted and a fully-diluted basis). These restrictions may limit (or inhibit the exercise of) the rights of certain Unitholders, including Non-residents, to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units held by the public.

Fund not a Corporation

Investors are cautioned that the Fund is not generally regulated by established corporate law and Unitholders' rights are governed primarily by the specific provisions of the Declaration of Trust of the Fund, which address such items as the nature of the Units, the entitlement of Unitholders to cash distributions, restrictions respecting non-resident holdings, meetings of Unitholders, delegation of authority, administration, Fund governance and liabilities and duties of the trustees to Unitholders. As well, in the event of an insolvency or restructuring of the Fund under Canadian insolvency legislation, the rights of Unitholders may be different from those of shareholders of an insolvent or restructuring corporation.

Nature of Units

Securities such as the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the Trust, Royalties LP or Holdings LP and should not be viewed by investors as units in the Trust, Royalties LP or Holdings LP. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Units represent a fractional interest in the Fund. The Fund's only assets are Series 1 Trust Notes, Trust Units, common shares of Royalties GP and common shares of Holdings GP. The price per Unit is typically a function of the anticipated amount of distributions.

Possible Unitholder Liability

The Declaration of Trust of the Fund provides that no Unitholder will be subject to any liability whatsoever to any person in connection with the holding of Units. However, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be personally liable despite such statement in the Declaration of Trust for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the affairs of the Fund will be conducted to seek to minimize such risk wherever possible. There is legislation under the laws of British Columbia (discussed below) and certain other provinces which is intended to provide protection for beneficial owners of trusts.

On March 30, 2006, the *Income Trust Liability Act* (British Columbia) came into force. This legislation creates a statutory limitation on the liability of beneficiaries of British Columbia income trusts such as the Fund. The legislation provides that a unitholder of a trust will not be, as a beneficiary, liable for any act, default, obligation or liability of the trustees. However, this legislation has not been judicially considered and it is possible that reliance on the legislation by a Unitholder could be successfully challenged on jurisdictional or other grounds.

Distribution of Securities on Redemption of Units or Termination of the Fund

Upon a redemption of Units or termination of the Fund, the trustees may distribute Series 2 Trust Notes and Series 3 Trust Notes directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for Series 2 Trust Notes or Series 3 Trust Notes. In addition, the Series 2 Trust Notes and Series 3 Trust Notes are not freely tradable and are not currently listed on any stock exchange. Securities of the Trust so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans or tax free savings accounts and may be prohibited investments for registered disability savings plans, registered education savings plans, registered retirement savings plans, registered retirement income funds and tax free savings accounts, depending upon the circumstances at the time.

The Fund May Issue Additional Units Diluting Existing Unitholders' Interests

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units and Special Voting Units for such consideration and on such terms and conditions as will be established by the trustees of the Fund without the approval of any Unitholders. Additional Units will be issued by the Fund upon the exchange of the Class B Units or Class 2 GP Units held by BPI or any related party.

Income Tax Matters

There can be no assurance that Canadian federal income tax laws will not be changed in a manner that adversely affects the Fund and the Unitholders. If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax treatment afforded to Unitholders would be materially and adversely different in certain respects.

Distributions on the Trust Units accrue at the Fund level for income tax purposes whether or not actually paid. Similarly, the Royalty may accrue at the Royalties LP level, and Distribution Income may accrue at the Holdings LP level, for income tax purposes whether or not actually paid. As a result, the income of Royalties LP or Holdings LP allocated to the Fund (through the Trust and Holdings LP), in respect of a particular fiscal year may exceed the cash distributed by Royalties LP or Holdings LP to the Fund (through the Trust and Holdings LP) in such year. The Declaration of Trust provides that the trustees of the Fund may declare distributions to Unitholders in such amounts as the trustees may determine from time to time. Where, in a particular year, the Fund does not have sufficient available cash to distribute the amounts so declared to Unitholders (for instance, where distributions on the Trust Units are due but not paid in whole or in part), the Declaration of Trust provides that additional Units may be distributed to Unitholders in lieu of cash distributions. Unitholders will generally be required to include an amount equal to the fair market value of those distributed Units in their taxable income.

On January 1, 2011, the Fund became liable to pay the SIFT Tax. The payment of the SIFT Tax reduces the amount of cash available for distributions to Unitholders.

Internal Control Over Financial Reporting

All internal control systems contain inherent limitations, no matter how well designed. As a result, management acknowledges that its internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of internal controls can provide only reasonable, not absolute, assurance that all internal control issues that may result in material misstatements, if any, have been detected.

ADDITIONAL INFORMATION

Additional information relating to the Fund, Royalties LP, Royalties GP, BPCHP, the Trust, Holdings LP, Holdings GP, BPI and BP Canada LP, including the Fund's Annual Information Form dated February 8, 2022, is available on SEDAR at www.sedar.com and on the Fund's website at www.bpincomefund.com.

NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain information in this MD&A constitutes "forward-looking information" that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of BPI, the Fund, the Trust, Royalties LP, Holdings LP, Holdings GP, Royalties GP, BPCHP, BP Canada LP, Boston Pizza Restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this MD&A, forward-looking information may include words such as "estimate", "may", "will", "expect", "believe", "plan", "should" and other similar terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this MD&A.

Forward-looking information in this MD&A includes, but is not limited to, such things as:

- future distributions and dates distributions are to be paid or payable;
- adjustments to Additional Entitlements that are to occur in the future and when such adjustments will occur;
- how changes in distributions will be implemented;
- how distributions will be funded;
- declines in Franchise Sales and SRS will result in significant declines to Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders when compared to periods prior to COVID-19;
- the effects of COVID-19 may materially affect the Fund's Payout Ratio in the future;
- BPI management modifying operations and procedures of Boston Pizza Restaurants to ensure the safety of guests and employees of BP Canada LP's franchisees;
- the trustees of the Fund continuing to closely monitor BPI's and BP Canada LP's business as the COVID-19 situation continues to develop and considering the best interests of the Fund and its stakeholders;
- BPI's strategy to divest itself from the remaining three corporately owned Boston Pizza Restaurants and exclusively focus on strengthening the brand and its franchised business;

- that the global supply chain disruption caused by COVID-19 could result in supply chain interruptions, commodity unavailability or increased commodity costs for Boston Pizza Restaurants;
- that the current labour shortage may impede Boston Pizza Restaurants' ability to attract and retain sufficient numbers of qualified staff;
- that fewer Boston Pizza Restaurants may be eligible for the Tourism and Hospitality Recovery Program than were eligible for CEWS and/or CERS, which may result in a decrease to their profitability, thereby increasing risks of Boston Pizza Restaurants closing;
- that in the event Boston Pizza Restaurants are unable to source sufficient raw materials and labour at reasonable prices, it may (i) limit their ability to generate Franchise Sales, thereby decreasing the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders; and/or (ii) decrease their profitability, increasing risks of Boston Pizza Restaurants closing;
- the Fund's expectation that future distributions will continue to be funded entirely by cash flows from operations;
- the Fund's current sources of liquidity being sufficient to cover its currently known short and long-term obligations;
- the Fund's plans to refinance the Credit Facilities before maturity on December 31, 2022;
- impact of seasonality on Franchise Sales and Payout Ratio;
- estimated effective tax rate;
- estimated 2022 annual Franchise Sales, Royalty and Distribution Income to be generated by New Restaurants; and
- that Boston Pizza Restaurants will close for two to three weeks to complete a renovation and experience an incremental sales increase in the year following the re-opening.

The forward-looking information disclosed herein is based on a number of assumptions including, among other things:

- the Fund maintaining the same distribution policy;
- absence of amendments to material contracts;
- no strategic changes of direction occurring;
- absence of changes in law;
- protection of BP Rights;
- pace of commercial real estate development;
- franchisees' access to financing;
- franchisees duly paying franchise fees and other amounts;
- there will be no closures of Boston Pizza Restaurants that materially affect the amount of Royalty or Distribution Income paid by BPI and BP Canada LP, respectively, to the Fund;
- future results being similar to historical results;
- expectations related to future general economic conditions;
- management of BPI and BP Canada LP maintaining current strategies to drive higher guest traffic and higher average guest cheques;
- Boston Pizza Restaurants maintaining operational excellence;
- culinary innovation and menu re-pricing;
- continuing operations of key suppliers;
- availability of experienced management and hourly employees;
- the absence of significant supply chain interruptions;
- ability to obtain qualified franchisees;
- ability to open sufficient New Restaurants to replace Franchise Sales of Closed Restaurants;
- ability to comply with disclosure obligations under franchise laws and regulations;
- ability to obtain adequate insurance coverage;
- ability to enter into arrangements with suppliers and distributors to generate competitive pricing for franchisees and revenue for BP Canada LP;
- no additional increases in SIFT Tax and sales tax rates;
- COVID-19 will continue to negatively impact Boston Pizza dining rooms and sports bars across Canada; and
- COVID-19 and its related restrictions will continue to dissipate.

This forward-looking information involves a number of risks, uncertainties and future expectations including, but not limited to:

- competition;
- consumer spending habits;
- consumer confidence in the retail sector;
- household debt;
- weather;
- pricing;
- changes in demographic trends;
- changes in consumer preferences and discretionary spending patterns;
- changes in national and local business and economic conditions;
- legislation and government regulation;
- cash distributions are not guaranteed;
- accounting policies and practices;
- the results of operations and financial conditions of BPI and the Fund;
- inflation;
- publicity from any food borne illness;
- increase in food, labour or benefits costs;
- Boston Pizza Restaurant closures;
- successful challenge of the BP Rights;
- inadequacy of insurance coverage;
- increases in the rate of SIFT Tax and sales tax;
- litigation against franchisees;
- inability to attract and retain key personnel;
- data security breaches and technological failures;
- pandemics and national health crises, in particular COVID-19;
- government restrictions with respect to the operation of Boston Pizza dining rooms and sports bars across Canada, including the implementation of vaccine card and vaccine passport systems, and their impact on Franchise Sales and SRS;
- the replacement of the CEWS and CERS programs with the Tourism and Hospitality Recovery Program and the effect it will have on the financial condition of Boston Pizza Restaurants; and
- the trustees of the Fund continuing to monitor the effects of COVID-19 on the Fund and adjusting distribution policy in a prudent manner as circumstances warrant with a view to preserving Unitholder value.

The foregoing list of factors is not exhaustive and should be considered in conjunction with the risks and uncertainties set out in this MD&A.

This MD&A discusses some of the factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking information. Forward-looking information is provided as of the date hereof and, except as required by law, the Fund assumes no obligation to update or revise forward-looking information to reflect new events or circumstances.

MANAGEMENT'S STATEMENT OF RESPONSIBILITIES

The accompanying consolidated financial statements are the responsibility of management and have been reviewed and approved by the Trustees of Boston Pizza Royalties Income Fund (the "Fund"). The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments.

Management maintains appropriate policies, procedures and systems of internal control which provide reasonable assurance that the Fund's assets are safeguarded and the financial records are relevant, reliable, and provide a proper basis for the preparation of the consolidated financial statements and other financial information.

The Board of Directors of Boston Pizza GP Inc. and the Trustees of the Fund ensure that management fulfills its responsibilities for financial reporting and internal control through the Audit Committee. The Audit Committee meets with management and meets independently with the external auditors to satisfy itself that management's responsibilities are properly discharged. The Audit Committee also reviews the consolidated financial statements and reports to the Trustees of the Fund. The Fund's external auditors have full and direct access to the Audit Committee.

The consolidated financial statements have been independently audited by KPMG LLP in accordance with Canadian generally accepted auditing standards. Their report follows and expresses their opinion on the Fund's consolidated financial statements.

Marc Guay

Chairman, Boston Pizza Royalties Income Fund
on behalf of the Trustees

February 8, 2022

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
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INDEPENDENT AUDITORS' REPORT

To Unitholders of Boston Pizza Royalties Income Fund

Opinion

We have audited the consolidated financial statements of Boston Pizza Royalties Income Fund (the Fund) which comprise:

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in Unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Fund as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Assessment of the recoverable amount of Intangible assets – BP Rights

Description of the matter

We draw attention to Notes 2(c), 3(i) and 6 to the financial statements. The Intangible assets – BP Rights are measured at historical cost and have a carrying value of $284,188 thousand. The Fund performs an impairment test over the Intangible assets - BP Rights annually or when events or changes in circumstances indicate that the carrying value exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In determining the recoverable amount of the Intangible assets - BP Rights, the Fund's significant assumptions include projected franchise sales by restaurants that are in the Royalty Pool and pre-tax discount rate.

Why the matter is a key audit matter

We identified the assessment of the recoverable amount of Intangible assets – BP Rights as a key audit matter. This matter represented an area of significant risk of misstatement given the high degree of estimation uncertainty in determining the recoverable amount. Minor changes in projected franchise sales by restaurants that are in the Royalty Pool and pre-tax discount rate had a significant effect on the recoverable amount. These factors indicated a significant risk of material misstatement. As a result, specialized skills and knowledge and significant auditor judgment were required in evaluating the results of our audit procedures.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

We evaluated the appropriateness of the Fund's projected franchise sales by restaurants that are in the Royalty Pool by comparing the projected franchise sales to historical franchise sales and external industry reports. When performing this assessment, we considered specific conditions and events affecting the franchise sales.

We compared the Fund's historical franchise sales growth rate expectations to actual results to assess the Entity's ability to accurately predict franchise sales growth.

We involved valuation professionals with specialized skills and knowledge, who assisted in the evaluation of the pre-tax discount rate used in the determination of the recoverable amount. The valuation professionals evaluated the pre-tax discount rate by comparing it against a pre-tax discount rate range that was independently developed using publicly

available market data for comparable entities. The valuation professionals considered features and risks specific to the Intangible assets – BP Rights.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all

relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditors' report is Michael J. Kennedy.

KPMG LLP

Chartered Professional Accountants

February 8, 2022
Vancouver, Canada

BOSTON PIZZA ROYALTIES INCOME FUND
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

		December 31, 2021		December 31, 2020
Assets				
Current assets				
Cash and cash equivalents	$	5,162	$	7,700
Royalty receivable from Boston Pizza International Inc. *(note 14)*		2,602		4,870
Distributions receivable from Boston Pizza Canada Limited Partnership *(note 14)*		820		1,543
Prepaid expenses		105		109
Interest rate swaps *(note 7)*		215		-
		8,904		14,222
Interest rate swaps *(note 7)*		615		-
Investment in Units of Boston Pizza Canada Limited Partnership *(note 5)*		117,606		92,400
Intangible assets – BP Rights *(note 6)*		284,188		284,182
Total assets	$	411,313	$	390,804
Liabilities and Unitholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	$	586	$	522
Distributions payable to Fund unitholders (*note 11(c)*)		1,829		5,703
Interest payable on Class B Units (*note 14*)		265		911
Current income tax payable (*note 4*)		24		237
Interest rate swaps (note 7)		360		801
Credit Facilities *(note 7)*		87,963		3,613
		91,027		11,787
Interest rate swaps *(note 7)*		141		1,173
Credit Facilities *(note 7)*		-		87,963
Deferred income taxes (*note 4*)		6,790		6,660
Class B Unit Liability *(note 8)*		37,556		26,321
Total liabilities		135,514		133,904
Unitholders' equity				
Fund Units *(note 11)*		325,048		325,048
Accumulated deficit *(note 12)*		(49,249)		(68,148)
		275,799		256,900
Total liabilities and unitholders' equity	$	411,313	$	390,804

Subsequent events *(note 17)*

The accompanying notes are an integral part of these consolidated financial statements.

Marc Guay

David Merrell

Paulina Hiebert

BOSTON PIZZA ROYALTIES INCOME FUND
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in thousands of Canadian dollars, except per Fund Unit data)

		2021		2020
Revenue				
Royalty income *(note 13)*	$	26,402	$	24,528
Distribution income *(note 13)*		8,752		8,114
Total revenue		35,154		32,642
Administration charge from Boston Pizza International Inc.		400		400
Professional fees		247		351
Other administrative expenses		458		424
Trustee fees and expenses		194		264
Total administrative expenses		1,299		1,439
Earnings before interest, fair value (gain) loss on financial instruments and income taxes		33,855		31,203
Interest expense on debt and financing fees		3,879		3,360
Interest expense on Class B Unit Liabilities *(note 8)*		2,506		2,085
Interest income		(94)		(144)
Net interest expense		6,291		5,301
Profit before fair value (gain) loss and income taxes		27,564		25,902
Fair value (gain) loss on investment in Boston Pizza Canada Limited Partnership *(note 5)*		(25,206)		14,349
Fair value loss (gain) on Class B Unit Liability (*note 8*)		11,229		(6,382)
Fair value (gain) loss on interest rate swaps (*note 7*)		(2,303)		2,064
Total fair value (gain) loss		(16,280)		10,031
Earnings before income taxes		43,844		15,871
Current income tax expense *(note 4)*		6,307		6,141
Deferred income tax expense *(note 4)*		130		160
Total tax expense		6,437		6,301
Net income and comprehensive income for the period	$	37,407	$	9,570
Net earnings per Fund Unit				
Basic *(note 3(f))*	$	1.74	$	0.44
Diluted *(note 3(f))*	$	1.74	$	0.17
Weighted average Fund Units outstanding		21,521,463		21,565,799
Weighted average fully diluted Fund Units outstanding		24,783,640		24,827,368

The accompanying notes are an integral part of these consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND
Consolidated Statements of Changes in Unitholders' Equity
(Expressed in thousands of Canadian dollars)

		Fund Units		Accumulated deficit		Total unitholders' equity
Balance – January 1, 2021	$	325,048	$	(68,148)	$	256,900
Net and comprehensive income for the period		-		37,407		37,407
Distributions declared *(note 11(c))*		-		(18,508)		(18,508)
Balance – December 31, 2021	$	325,048	$	(49,249)	$	275,799
Balance – January 1, 2020	$	328,504	$	(63,401)	$	265,103
Acquisition of Fund Units *(note 11(d))*		(3,456)		-		(3,456)
Net and comprehensive income for the period		-		9,570		9,570
Distributions declared *(note 11(c))*		-		(14,317)		(14,317)
Balance – December 31, 2020	$	325,048	$	(68,148)	$	256,900

The accompanying notes are an integral part of these consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in thousands of Canadian dollars)

		2021		2020
Operating activities				
Net and comprehensive income for the period	$	37,407	$	9,570
Adjustments for:				
Fair value (gain) loss on investment in Boston Pizza Canada Limited Partnership		(25,206)		14,349
Fair value loss (gain) on Class B Unit Liability		11,229		(6,382)
Fair value (gain) loss on interest rate swaps		(2,303)		2,064
Interest expense on Class B Unit Liabilities		2,506		2,085
Deferred income tax expense		130		160
Current income tax expense		6,307		6,141
Interest expense on debt and financing fees		3,879		3,360
Interest income		(94)		(144)
Changes in non-cash working capital		3,046		(2,610)
Current income tax paid		(6,520)		(5,871)
Interest received		94		144
Net cash generated from operating activities		30,475		22,866
Financing activities				
Distributions paid to Fund unitholders		(22,382)		(11,120)
Interest paid on Class B Unit Liabilities		(3,152)		(1,511)
Interest paid on long-term debt		(3,692)		(3,157)
Acquisition of Fund Units		-		(3,456)
Proceeds from long-term debt		-		4,300
Repayment of long-term debt		(3,787)		(690)
Payment of deferred financing fees		-		(485)
Repayment of other liabilities		-		(800)
Net cash used in financing activities		(33,013)		(16,919)
(Decrease) increase in cash and cash equivalents		(2,538)		5,947
Cash and cash equivalents – beginning of year		7,700		1,753
Cash and cash equivalents – end of year	$	5,162	$	7,700

Supplemental cash flow information *(note 16)*

The accompanying notes are an integral part of these consolidated financial statements.

1. General Information:

(a) Organization:

Boston Pizza Royalties Income Fund together with its subsidiaries (*note 3(b)*) (the "**Fund**") is an unincorporated open-ended limited purpose trust established under the laws of the Province of British Columbia, Canada, and is governed by the Declaration of Trust signed June 10, 2002, and as amended and restated on July 17, 2002, September 22, 2008, and December 7, 2010. The Fund's principal business office is located at 10760 Shellbridge Way, Richmond, BC.

The Fund was established to indirectly, through Royalties LP (*note 3 (b)*), acquire the trademarks and trade names owned by Boston Pizza International Inc. (Boston Pizza International Inc. together with its wholly-owned subsidiaries, "**BPI**") (*note 3(b)*) including "Boston Pizza" and other similar related items, logos and designs (collectively, the "**BP Rights**") used in connection with the operation of Boston Pizza restaurants in Canada ("**Boston Pizza Restaurants**"). The BP Rights do not include the rights outside of Canada to any trademarks or trade names used by BPI or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the *Trademarks Act* (Canada). The Fund also holds an investment indirectly, through Holdings LP (*note 3(b)*), in Boston Pizza Canada Limited Partnership ("**BP Canada LP**"). BP Canada LP is a limited partnership controlled and operated by BPI and is the exclusive franchisor of Boston Pizza Restaurants in Canada. The rights to operations outside of Canada are owned by an affiliated company.

(b) Nature of operations:

The Fund, as indirect owner of the BP Rights, has granted BPI exclusive license to the use of the BP Rights for a term of 99 years beginning in July 2002 (the "**License and Royalty Agreement**"). In return, BPI pays the Fund a royalty of 4.0% (the "**Royalty**") of franchise sales ("**Franchise Sales**") of Boston Pizza Restaurants in the Royalty Pool (the "**Royalty Pool**") as defined in the License and Royalty Agreement. The Fund, through its indirect investment in BP Canada LP is entitled to receive a distribution equal to 1.5% of Franchise Sales of Boston Pizza Restaurants in the Royalty Pool less the pro rata portion payable to BPI in respect of its retained interest in the Fund (the "**Distribution**"). There are 387 Boston Pizza Restaurants in the Royalty Pool as at December 31, 2021 (December 31, 2020 – 395).

Substantially all of the Fund's revenues are earned from certain operations of BPI and BP Canada LP, accordingly, the revenues of the Fund and its ability to pay distributions to Fund unitholders are dependent on the ongoing ability of BPI and BP Canada LP to generate and pay Royalty and Distribution to the Fund.

On March 11, 2020, the World Health Organization declared the new coronavirus disease ("COVID-19") outbreak a pandemic. COVID-19 had significant adverse effects on the business of the Fund, BPI and BP Canada LP during the year. Throughout 2021, the business of Boston Pizza Restaurants in the Royalty Pool varied inversely with the severity of COVID-19 across Canada. In early 2021, various governmental authorities across Canada had imposed assorted restrictions on the operations of restaurants in an attempt to control the spread of COVID-19. The restrictions ranged from limiting operating hours, reductions in permitted hours to serve alcohol, closures of indoor dining rooms and closures of patio dining depending upon the particular regions and times.

1. General Information (continued):

(b) Nature of operations (continued):

As COVID-19 case counts declined in February and March of 2021, the business of Boston Pizza Restaurants in the Royalty Pool again improved as the assorted governmental restrictions were eased. However, that improvement was temporary as the third wave of COVID-19 developed shortly thereafter and again various governmental authorities across Canada imposed assorted restrictions on the operations of restaurants in an attempt to control the spread of COVID-19. As the third wave of COVID-19 subsided in May and June of 2021, the business of Boston Pizza Restaurants in the Royalty Pool again improved as the assorted governmental restrictions were once again eased. As the fourth wave of COVID-19 developed in Canada, the business of Boston Pizza Restaurants again declined as various governmental authorities across Canada again implemented assorted restrictions, including vaccine card or vaccine passport systems that require guests to show proof of vaccination when dining in restaurants.

As at December 31, 2021, the Fund has cash and cash equivalents of $5.2 million, positive working capital, not including credit facilities which the Fund plans to refinance before maturity (refer to *Note 7* for further information), of $5.8 million and an undrawn credit facility of $2.0 million available for use. The Fund expects that it will be able to refinance its credit facilities in 2022. This is based on the Fund's ability to generate positive cash flow from operations, its history of being able to successfully refinance its debt, and its pro forma Debt to EBITDA Ratio being at a foreseeably manageable level by industry standards. Assuming the successful refinancing of the credit facilities, the Fund anticipates it will have sufficient liquidity to fund its operations and debt services payments for the foreseeable future.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

These consolidated financial statements were authorized for issue by the Trustees of the Fund on February 8, 2022.

(b) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Fund's functional currency.

(c) Use of estimates and judgments:

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

2. Basis of preparation (continued):

(c) Use of estimates and judgments (continued):

Significant areas requiring the use of management judgment and estimates relate to the determination of the following:

Judgment

- Consolidation

  Applying the criteria outlined in IFRS 10, judgment is required in determining whether the Fund controls Royalties LP. Making this judgement involves taking into consideration the concepts of power over Royalties LP, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of Royalties LP so as to generate economic returns. Using this criteria management has determined that the Fund ultimately controls Royalties LP through its 80% ownership of the managing general partner, Boston Pizza GP Inc.

Estimates

- Intangible Assets – the BP Rights (*note 6*)

  The Fund carries the BP Rights at historical cost comprising the amount of consideration paid for the BP Rights in 2002, as well as the value of additional Boston Pizza Restaurants rolled into the Royalty Pool to date. The value of additional Boston Pizza Restaurants added to the Royalty Pool is determined on a formula basis that is designed to estimate the present value of the cash flows that would ultimately be payable to the Fund as a result of the new Boston Pizza Restaurants being added to the Royalty Pool. The calculation is dependent on a number of different variables including the estimated sales of the new Boston Pizza Restaurants for the calendar year in which they are rolled into the Royalty Pool and the tax rate. The value assigned to the new Boston Pizza Restaurants, and as a result, the value assigned to the BP Rights, could differ from actual results.

  The impairment test requires that the Fund use a valuation technique to determine if impairment exists (refer to *note 3(i)*). The valuation of the intangibles is based on a value in use approach, and depends on certain significant assumptions including projected Franchise Sales by restaurants that are in the Royalty Pool and the pre-tax discount rate. This valuation technique may not represent the actual recoverable amount that the Fund expects the BP Rights to generate. The Fund concluded that the recoverable amount exceeds the carrying amount of the BP Rights therefore, no impairment was recorded for the year ended December 31, 2021.

2. Basis of preparation (continued):

(c) Use of estimates and judgments (continued):

- Investment in Boston Pizza Canada Limited Partnership Fair Value Adjustment (*note 5*)

  The Fund records its investment in BP Canada LP at fair value. The investment consists of Class 1 limited partnership units ("**Class 1 LP Units**") and Class 2 limited partnership units ("**Class 2 LP Units**"). This requires that the Fund use a valuation technique to determine the value of the investment in BP Canada LP at each reporting date (refer to *note 9*).

  This valuation technique may not represent the actual value of the financial asset and could materially impact the Fund's financial position and net and comprehensive income.

- Class B Unit Fair Value Adjustment (*note 8*)

  The Fund records a liability in respect of Class B general partner units ("**Class B Units**") of Royalties LP (the "**Class B Unit Liability**") at fair value. This requires that the Fund use a valuation technique to determine the value of the Class B Unit Liability at each reporting date (refer to *note 9*).

  This valuation technique may not represent the actual value of the financial liability should such units be extinguished and changes in the distribution rate on the Class B Units and the yield of the units of the Fund ("**Fund Units**") could materially impact the Fund's financial position and net and comprehensive income.

3. Significant accounting policies:

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

(a) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- The investment in BP Canada LP (Class 1 LP Units and Class 2 LP Units) is measured at fair value through the statement of comprehensive income.
- Class B Unit Liability is measured at fair value through the statement of comprehensive income.
- The Fund holds derivative financial instruments to manage its interest rate exposure. Financial derivatives not using hedge accounting are recognized initially at fair value; attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, financial derivatives are recognized at fair value and changes therein are accounted for through the consolidated statement of comprehensive income.

3. Significant accounting policies (continued):

(b) Consolidation:

These consolidated financial statements include the accounts of Boston Pizza Royalties Income Fund, its wholly-owned subsidiaries Boston Pizza Holdings Trust (the "**Trust**"), Boston Pizza Holdings GP Inc. and Boston Pizza Holdings Limited Partnership ("**Holdings LP**"), its 80%-owned subsidiary Boston Pizza GP Inc. ("**BPGP**") and its interest in Boston Pizza Royalties Limited Partnership ("**Royalties LP**"). BPGP is the managing general partner of Royalties LP. The 20% residual ownership of BPGP is owned by BPI directly or indirectly. BPI is a general partner of Royalties LP.

Subsidiaries are those entities which the Fund controls by having the power to govern the financial and operating policies of such entities so as to obtain economic benefits from their relevant activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund directs the activities of another entity.

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and balances on deposit with banks.

(d) Revenue:

Royalty, Distribution, and interest income are recognized on the accrual basis and is accrued for when earned. Royalty from BPI to the Fund are 4%, and Distribution from BPI to the Fund are 1.5% less the pro rata portion payable to BPI in respect of its retained interest in the Fund, of Franchise Sales for such period reported by BPI for Boston Pizza Restaurants in the Royalty Pool. Refer to *note 1(b)* for further information.

(e) Distributions on Fund Units:

Declarations of distributions from the Fund are at the discretion of the Trustees of the Fund. The amount of cash available to be distributed to Fund unitholders is determined with reference to the Fund's cash flow from operations adjusted for items such as BPI's entitlements in respect of its Class B Units, interest paid on long-term debt, contractually required debt repayments, specified investment flow-through ("**SIFT**") tax expense and SIFT tax paid.

Distributions are recorded when declared and are subject to the Fund retaining such reasonable working capital reserves as may be considered appropriate by the Trustees of the Fund.

(f) Basic and diluted earnings per Fund Unit:

Basic earnings per Fund Unit is based on the weighted average number of Fund Units outstanding during the period. Diluted earnings per Fund Unit is based on the weighted average number of Fund Units, including BPI's Class B Units (*note 8*) and Class 2 general partnership units of BP Canada LP ("**Class 2 GP Units**") (*note 5*) outstanding during the period.

Diluted earnings per Fund Unit includes the Class B Units and Class 2 GP Units and is calculated by adjusting the weighted average number of Fund Units outstanding to assume conversion of all Class B Units and Class 2 GP Units.

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

3. Significant accounting policies (continued):

(f) Basic and diluted earnings per Fund Unit (continued):

For the year ended December 31, 2021, the basic and diluted earnings per Fund Unit is $1.74. When diluted earnings are anti-dilutive, diluted earnings per Fund Unit is considered equal to basic earnings per Fund Unit. For December 31, 2020, the basic and diluted earnings per Fund Unit were $0.44 and $0.17, respectively.

The following reconciles the basic earnings to the diluted earnings:

(in thousands, except per Fund Unit data)		2021		2020
Net income for the period	$	37,407	$	9,570
Increase in Distribution income to the Fund		1,149		1,084
Decrease in interest expense on Class B Unit Liability		2,506		2,085
Fair value loss (gain) on Class B Unit Liability		11,229		(6,382)
Increase in Fund's current and deferred income taxes		(2,127)		(2,206)
Fund's diluted earnings		50,164		4,151
Weighted average fully diluted Fund Units outstanding		24,783,640		24,827,368
Diluted earnings per Fund Unit	$	2.02 (Anti-Dilutive)	$	0.17 (Dilutive)

(g) Financial instruments:

(i) Recognition, classification and measurement:

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

All financial assets are initially recorded at fair value and subsequently classified as measured at amortized cost, fair value through other comprehensive income ("**FVOCI**"), or fair value through profit and loss ("**FVTPL**").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold the asset to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

On initial recognition of an equity instrument that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

All financial liabilities are initially recorded at fair value and subsequently classified as measured at amortized cost or FVTPL. On initial recognition, the Fund may irrevocably designate a financial liability at FVTPL when doing so results in more relevant information, because either:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed with its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

For financial assets classified as measured at FVTPL or designated at FVTPL, changes in fair value are recognized in the consolidated statement of comprehensive income. For financial assets classified as measured at FVOCI or an irrevocable election has been made, changes in fair value are recognized in the consolidated statement of comprehensive loss. For financial assets and other financial liabilities measured at amortized cost, interest income and interest expense are calculated using the effective interest method and is recognized in the consolidated statement of income.

(ii) Business model assessment:

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the asset is managed and information is provided to management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated;
- whether the assets are held for trading purposes;
- the risks that affect the performance of the financial assets held within the business model and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sale activity.

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

(iii) Contractual cash flow characteristics assessment:

In assessing whether the contractual cash flows are solely payments of principal and interest, ‘principal’ is defined as the fair value of the financial asset on initial recognition and ‘interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

The Fund considers the contractual terms of the financial asset and whether the asset contains contractual terms that could change the timing or amount of cash flows such that it would not meet the condition of principal and interest. Contractual terms considered in this assessment include contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms, terms that limit the claim to cash flows from specified assets, and features that modify the consideration from time value of money.

(h) Impairment of financial assets:

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is ‘credit impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Fund on terms that the Fund would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets.

Financial instruments and contract assets

The Fund recognizes loss allowances for expected credit losses (“**ECL**”) on:

- financial assets measured at amortized cost;
- debt investments measured at fair value through other comprehensive income; and
- contracted assets.

3. Significant accounting policies (continued):

(h) Impairment of financial assets (continued):

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which the credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables are measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECL that result from all possible default events over the expected life of a financial instrument. ECLs are probability-weighted estimate of credit losses, and credit losses are measured as the present value of cash shortfalls from a financial asset.

The Fund determines whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating lifetime ECLs, by considering reasonably available quantitative and qualitative information based on the Fund's credit risk experience, forward looking information, and other reasonable estimates.

(i) Impairment of non-financial assets:

Long-lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized, such as the BP Rights, are also subject to an annual impairment test (*note 6*). For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses may be reversed if the fair value of the asset is determined to be greater than its carrying amount.

The Fund tested the BP Rights for impairment at December 31, 2021 and determined no impairment exists (*note 6*).

(j) Identifiable long-lived assets:

Long-lived assets consist of the BP Rights (*note 6*). The long-lived assets are indefinite life assets and are not amortized but tested for impairment on an annual basis and when indicators of impairment exist.

3. Significant accounting policies (continued):

(k) Accounting standards and amendments issued and adopted:

The Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

The amendments introduce a practical expedient to account for a change in the basis for determining contractual cash flows of a financial asset or financial liability that is required by IBOR reform. Under the practical expedient, if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis, then the effective interest rate will be updated to reflect the change. A similar practical expedient applies to lease modifications that are required by IBOR reform. These amendments do not have an impact on the Fund's consolidated financial statements.

COVID-19-related rent concessions (Amendments to IFRS 16)

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19, only if certain conditions are met. These conditions state that the rent concession must reduce or defer lease payments originally due on or before June 30, 2021, and that no other substantive changes can be made to other terms and conditions of the lease. These amendments do not have an impact on the Fund's consolidated financial statements.

4. Income taxes:

The Fund has recorded current income tax expense of $6.3 million for the year ended December 31, 2021 (December 31, 2020 – $6.1 million). The current income tax position (receivable or payable) is the cumulative result of the Fund's SIFT tax installments above the Fund's SIFT tax expense.

The reconciliation to statutory tax rate is as follows:

(in thousands, except tax rate)		2021		2020
Profit before income taxes	$	43,844	$	15,871
Combined Canadian federal and provincial rate		27.0%		27.0%
Computed expected tax expense		11,838		4,285
Current year's earnings not taxable		(1,812)		(1,831)
Current year's earnings that are taxable		(3,589)		3,431
Non-SIFT tax		-		416
Total tax expense per statement of income	$	6,437	$	6,301

The Fund has recorded a deferred income tax expense of $0.1 million for the year ended December 31, 2021 (December 31, 2020 – $0.2 million). The total balance of $6.8 million in deferred income tax liability (December 31, 2020 – $6.7 million) arises as a result of the Fund recognizing, in the current period, its cumulative share of the temporary differences between the accounting and tax bases of the BP Rights owned by the Royalties LP generated since the inception of the Fund. This expense had no impact on the Fund's cash flow for the period.

As at December 31, 2021, there is an unrecognized deductible temporary difference associated with the Fund's investments in BP Canada LP of $3.1 million (2020 – $31.5 million) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilized.

5. Investment in Units of Boston Pizza Canada Limited Partnership:

Limited partnership units

The investment in BP Canada LP is comprised of Class 1 LP Units and Class 2 LP Units. The Class 1 LP and Class 2 LP Units are held indirectly by the Fund and entitle the Fund to a cash distribution equal to 1.5% of Franchise Sales of Boston Pizza Restaurants in the Fund's Royalty Pool, less the pro rata portion payable to BPI in respect of its retained interest in the Fund. Refer to *note 9* for the fair value calculation of the investment in BP Canada LP.

(in thousands, except per unit data)	Issued and outstanding LP Units		Investment in BP Canada LP
Class 1 LP Units			
Class 1 LP Units at December 31, 2021 and 2020	1,000	$	33,314
Class 2 LP Units			
Class 2 LP Units at December 31, 2020	5,455,762	$	114,113
Fair value loss on Class 2 LP Units - cumulative			(55,027)
Balance at December 31, 2020	5,455,762		59,086
Fair value gain on Class 2 LP Units			25,206
Class 2 LP Units balance at December 31, 2021	5,455,762	$	84,292
Total LP Units balance at December 31, 2021		$	117,606

General partnership units

BPI receives its proportionate share of the 1.5% of franchise sales of Boston Pizza Restaurants in the Royalty Pool through distributions on Class 2 GP Units of BP Canada LP that are exchangeable for Fund Units. BPI continues to pay the Fund the balance of the Fund's interest in Franchise Sales of Royalty Pool restaurants ("**Franchise Sales Participation**") in the form of royalty fees.

The number of Fund Units that BPI is entitled to receive in exchange for its Class 2 GP Units is adjusted on January 1 of each year (each, an "**Adjustment Date**") to reflect the addition of new Boston Pizza Restaurants to the Royalty Pool (the number of Fund Units BPI is indirectly entitled to receive in connection therewith is the "**Class 2 Additional Entitlements**", with 80% of the Class 2 Additional Entitlements being received on the Adjustment Date with the balance (the "**Class 2 Holdback**") being received once the performance of the new stores and the actual effective tax rate paid by the Fund are known for certain), all in a manner similar to adjustments to the Class B Units that BPI holds (refer to note 8).

It is possible that on an Adjustment Date, the net additional Royalty and Distribution is negative as a result of the estimated Royalty and Distribution expected to be generated by new Boston Pizza Restaurants being less than the Royalty and Distribution that is lost from permanently closed Boston Pizza Restaurants (the amount by which it is less is the "**Deficiency**"). In such case, BPI would not receive any Class 2 Additional Entitlements, however, nor would BPI lose any of the Class 2 Additional Entitlements previously received by BPI. Rather, on future Adjustment Dates, BPI would be required

5. Investment in Units of Boston Pizza Canada Limited Partnership (continued):

to make-up the Deficiency by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any further Class 2 Additional Entitlements.

BPI also has the right to further increase the Fund's Franchise Sales Participation by up to an additional 1.5% of Franchise Sales (in 0.5% increments) upon meeting certain financial thresholds designed to ensure that the additional Franchise Sales Participation is accretive to the Fund and that BPI retains the financial capacity to satisfy its obligations to the Fund.

BPI has the right to receive Fund Units when it exercises its rights to exchange Class 2 GP Units into Fund Units. Should an exchange occur, BP Canada LP would issue additional Class 2 LP Units to the Fund, the Fund would issue additional Fund Units to BPI, resulting in an increase in the Fund's investment in BP Canada LP recognizing its entitlement to a larger portion of distributions.

As at December 31, 2021, BPI's Class 2 GP Units were exchangeable for 831,354 Fund Units (December 31, 2020 – 828,753).

	Issued and outstanding Class 2 GP Additional Entitlements	Issued and outstanding Class 2 GP Additional Entitlements including Class 2 GP Holdback
Balance at December 31, 2019	803,520	820,908
Class 2 Additional Entitlements granted January 1, 2020(1)	9,742	12,177
Adjustment to prior year Class 2 Additional Entitlements(2)	15,491	(1,897)
Balance at December 31, 2020	828,753	831,188
Class 2 Additional Entitlements granted January 1, 2021(3)	-	-
Adjustment to prior year Class 2 Additional Entitlements(4)	2,601	166
Balance at December 31, 2021	831,354	831,354

(1) On January 1, 2020, five new Boston Pizza Restaurants opened during the period from January 1, 2019 to December 31, 2019 were added to the Royalty Pool while six restaurants that closed during 2019 were removed. The Franchise Sales from restaurants added to the Royalty Pool on January 1, 2020, net of closures, has been estimated at $1.6 million.

(2) Adjusted for actual performance of five net new Boston Pizza Restaurants added to the Royalty Pool on January 1, 2019 and the actual effective tax rate paid by the Fund in 2019.

(3) On January 1, 2021, two new Boston Pizza Restaurants opened during the period from January 1, 2020 to December 31, 2020 were added to the Royalty Pool while 11 restaurants that closed during 2020 were removed. The Franchise Sales from restaurants added to the Royalty Pool on January 1, 2021, net of closures has been estimated at negative $15.2 million. This resulted in negative estimated Royalty and Distribution to the Fund of $0.8 million (the "**Deficiency**"). As a result of the Deficiency, BPI did not receive any Class 2 GP Additional Entitlements on January 1, 2021. BPI will be required to make-up the Deficiency on future adjustment dates by first adding royalty and distribution income in an amount equal to the Deficiency before receiving any future Class 2 GP Additional Entitlements.

(4) Adjusted for actual performance of five new Boston Pizza Restaurants added to the Royalty Pool on January 1, 2020 and the six Boston Pizza Restaurant that permanently closed and were removed from the Royalty Pool on January 1, 2020, the actual effective tax rate paid by the Fund in 2020 and the adjustment for the seasonal Boston Pizza Restaurant that re-opened in 2020.

6. Intangible assets – BP Rights:

Royalties LP and BPI entered into the License and Royalty Agreement to allow BPI the use of the BP Rights for a term of 99 years beginning in July 2002, for which BPI pays the Royalty. Since the trademarks may remain in force indefinitely, the BP Rights have an indefinite life, are recognized at cost and are not amortized but are tested for indicators of impairment at each reporting date and tested for impairment annually on December 31.

In January of each year, new Boston Pizza Restaurants are added to the Royalty Pool. In exchange for adding new Boston Pizza Restaurants into the Royalty Pool, BPI is granted the Class B Additional Entitlements (*note 8*), the fair value of which are determined using the expected annual Franchise Sales of the new Boston Pizza Restaurants discounted by the yield of the Fund Units.

The value of the Class B Additional Entitlements is adjusted in the following year once the annual Franchise Sales of the new Boston Pizza Restaurants and the actual effective tax rate of the Fund are known for certain. The fair values of the Class B Additional Entitlements are recognized as an intangible asset and are added to the carrying value of the BP Rights.

Each year on December 31, the Fund tests the carrying value of the BP Rights for impairment. Impairment exists if the carrying value of the BP Rights exceeds the recoverable amount. The recoverable amount is determined as the higher of its fair value less cost to sell or its value in use.

The Fund determined the recoverable amount of the BP Rights based on a value in use model. Management calculates the value in use by discounting the expected royalty payment to be received by the Fund based on projected franchise sales by restaurants that are in the Royalty Pool to their present value using a pre-tax discount rate that reflects current markets assessments of the time value of money and risks specific to the BP Rights. The pre-tax discount rate was determined to be 9.5% (December 31, 2020 – 10.5%).

As at December 31, 2021, the Fund has tested the BP Rights for impairment in the manner described above and has determined that the recoverable amount exceeds the carrying value by approximately $118 million (December 31, 2020 - $41 million). The Fund has determined that no impairment exists.

The Fund performed a sensitivity analysis on the significant assumptions in the value in use calculation, which are the projected franchise sales by restaurants in the Royalty Pool and the pre-tax discount rate. If actual franchise sales were 28% lower or the pre-tax discount rate was 3.5% higher, the recoverable amount would approximate carrying value.

6. Intangible assets – BP Rights (continued):

(in thousands)		
Balance – December 31, 2019	$	283,823
Class B Additional Entitlements granted January 1, 2020 [(1)]		440
Adjustment to prior year Class B Additional Entitlements [(2)]		(81)
Balance – December 31, 2020		284,182
Class B Additional Entitlements granted January 1, 2021 [(3)]		-
Adjustment to prior year Class B Additional Entitlements [(4)]		6
Balance – December 31, 2021	$	284,188

(1) On January 1, 2020, five new Boston Pizza Restaurants opened during the period from January 1, 2019 to December 31, 2019 were added to the Royalty Pool while six restaurants that closed during 2019 were removed.

(2) Adjusted for actual performance of new restaurants that were added to the Royalty Pool in 2019 and actual effective tax rate for 2019.

(3) On January 1, 2021 two new Boston Pizza Restaurants opened during the period from January 1, 2020 to December 31, 2020 were added to the Royalty Pool while 11 restaurants that closed during 2020 were removed.

(4) Adjusted for actual performance of five new Boston Pizza Restaurants added to the Royalty Pool on January 1, 2020 and the six Boston Pizza Restaurants that permanently closed and were removed from the Royalty Pool on January 1, 2020, the actual effective tax rate paid by the Fund in 2020 and the adjustment for the seasonal Boston Pizza Restaurant that re-opened in 2020.

7. Credit facilities:

(a) Holdings LP and Royalties LP have credit facilities with a Canadian chartered bank (the "**Bank**") in the amount of up to $92.5 million (originally $97.0 million) expiring on December 31, 2022 (the "**Credit Facilities**"). The Credit Facilities are comprised of:

(i) a $2.0 million committed operating facility issued to Royalties LP ("**Facility A**");

(ii) a $57.2 million (originally $61.7 million) committed non-revolving credit facility issued to Royalties LP for the purpose of refinancing Royalties LP's previous credit facilities, to facilitate the Fund repurchasing and canceling Fund Units under normal course issuer bids or substantial issuer bids, to finance the cash component of any exchange of general partner units of BP Canada LP and to repay deferred reimbursement charges owing by Royalties LP to BPI for performing administrative services to the Fund ("**Facility B**"); and

(iii) a $33.3 million committed non-revolving credit facility issued to Holdings LP for the purpose of subscribing for Class 1 LP Units ("**Facility D**").

The amount available under Facility B permanently reduces whenever Royalties LP repays principal on that facility. The following table summarizes the Fund's long-term debt and its fixed and variable rate swap terms as of December 31, 2021 under Facility B and Facility D.

7. Credit facilities (continued):

(in thousands)		December 31, 2021		December 31, 2020
Credit facility managed by interest rate swaps:				
Facility D bearing interest at 0.87% plus between 2.00% and 3.00% per annum, with a swap maturity date of March 1, 2021 *(note 7(c)(ii))*	$	-	$	16,314
Facility B bearing interest at 1.51% plus between 2.00% and 3.00% per annum, with a swap maturity date of February 1, 2022		13,900		13,900
Facility B bearing interest at 2.40% plus between 2.00% and 3.00% per annum, with a swap maturity date of January 1, 2023		15,000		15,000
Facility B bearing interest at 2.27% plus between 2.00% and 3.00% per annum, with a swap maturity date of April 1, 2024		15,000		15,000
Facility D bearing interest at 1.02% plus between 2.00% and 3.00% per annum, with a swap maturity date of August 14, 2025 *(note 7(c)(i))*		17,000		17,000
Facility D bearing interest at 1.09% plus between 2.00% and 3.00% per annum, with a swap maturity date of March 1, 2026 *(note 7(c)(ii))*		15,000		-
Credit Facility at variable interest rates:				
Facility B bearing interest at short-term Canadian dollar offered loan rates (0.44% plus 2.50% per annum at December 31, 2021 and 0.47% plus 2.50% per annum at December 31, 2020)		10,923		14,710
Facility D bearing interest at short-term Canadian dollar offered loan rates (0.44% plus 2.50% per annum at December 31, 2021)		1,314		-
Deferred financing fees		(174)		(348)
	$	87,963	$	91,576
Current portion of long-term debt		88,137		3,787
Current portion of deferred financing fees		(174)		(174)
	$	-	$	87,963

The Credit Facilities bear interest at fixed or variable interest rates, as selected by Royalties LP or Holdings LP, as applicable, comprised of either or a combination of the Bank's bankers' acceptance rates or Canadian dollar offered rates plus between 2.00% and 3.00%, or the Bank's prime rate plus between 0.75% and 1.75%, depending upon the Fund's total funded net debt to EBITDA ratio.

The principal amounts drawn on Facility A, Facility B and Facility D are due and payable upon maturity. In addition, Royalties LP made principal repayments on Facility B as described in *note 7(b)(ii)* and is required to make the following further principal payments on Facility B of $0.5 million on each of March 31, 2022, June 30, 2022 and September 30, 2022. Facility D requires interest-only payments. The Fund plans to refinance its debt before maturity.

The Fund is subject to certain financial covenants and reporting requirements arising from the Credit Facilities which are described in *note 10.* Royalties LP and Holdings LP were in compliance with all of their financial covenants and financial condition tests as of December 31, 2021.

The Credit Facilities are secured by a first charge on the assets of Holdings LP and Royalties LP. The Credit Facilities are guaranteed by the Fund, the Trust, Boston Pizza Holdings GP Inc., Holdings LP,

7. Credit facilities (continued):

Royalties LP and BPGP, all of whom have granted security for their obligations under those guarantees. No guarantee or security has been given by BPI or BP Canada LP with respect to the Credit Facilities.

As of December 31, 2021, no amount was drawn on Facility A, $54.8 million was drawn on Facility B and $33.3 million was drawn on Facility D.

(b) The Credit Facilities were drawn and repaid as follows:

(i) During the year ended December 31, 2021, the Fund did not draw from its Credit Facilities. During the year ended December 31, 2020, the Fund drew $0.8 million from Facility B and repaid BPI for deferred out-of-pocket expenses. In addition to this, during year ended December 31, 2020, the Fund acquired 266,300 Fund Units under the normal course issuer bid at an average price of $12.98 per unit for a total of $3.5 million and financed such purchases by drawing on Facility B.

(ii) During the year ended December 31, 2021, the Fund made principal repayments of $3.8 million (December 31, 2020 – $0.7 million) on Facility B in accordance with the terms of the Credit Facilities.

(c) Certain interest rate swap agreements were expired and the Fund entered into new agreements as follows:

(i) On August 1, 2020, the $17.0 million interest rate swap on Facility D matured and was converted to debt bearing interest at variable interest rates plus the applicable margin of 2.50% per annum. On August 13, 2020, the Fund entered into a new agreement commencing August 14, 2020 to swap $17.0 million (of its then $32.4 million variable interest rate debt) at a five year fixed rate term of 1.02% based on the Bank's bankers' acceptance rates plus the applicable margin.

(ii) On August 13, 2020, the Fund entered into a new agreement to forward swap $15.0 million on Facility D. The swap came into effect March 1, 2021 at a five-year fixed rate term of 1.09% based on the Bank's bankers' acceptance rates plus the applicable margin. This partially replaced the $16.3 million interest rate swap on Facility D that expired on March 1, 2021.

The Fund recorded a net financial derivative asset based on the fair value of the interest rate swaps at December 31, 2021 of $0.3 million (December 31, 2020 – liability of $2.0 million) in accordance with accounting for derivatives under IFRS. The Fund intends to hold the outstanding interest rate swaps to maturity.

8. Royalties LP unit liabilities:

Class B Units:

The Class B Units are presented in the Fund's consolidated financial statements as a result of the Fund consolidating the accounts of Royalties LP under IFRS. The Class B Units are classified as a financial liability and are initially and subsequently recorded at fair value. The determination of the fair value of the Class B Unit Liability is described in *note 9*.

BPI has the right to exchange Class B Units for a number of Fund Units based, at any time, on a defined calculation which is based in part on the net Franchise Sales from Boston Pizza Restaurants added to the Royalty Pool. On each Adjustment Date, an adjustment is made to add to the Royalty Pool new Boston Pizza Restaurants that opened and to remove any Boston Pizza Restaurants that permanently closed since the previous Adjustment Date. In return for adding net additional Royalty revenue, BPI receives the right to indirectly acquire additional Fund Units (the "**Class B Additional Entitlements**" and together with Class 2 Additional Entitlements, the "**Additional Entitlements**"). BPI receives 80% of the Class B Additional Entitlements on the Adjustment Date with the balance (the "**Class B Holdback**", and together with Class 2 Holdback, the "**Holdback**") received once the performance of the new Boston Pizza Restaurants and the actual effective tax rate paid by the Fund are known for certain. BPI receives 100% of the distributions from the Class B Additional Entitlements throughout the year. Once the new Boston Pizza Restaurants have been in the Royalty Pool for a full year, an audit of the Franchise Sales of the new Boston Pizza Restaurants is performed and the actual effective tax rate paid by the Fund is determined. At such time, an adjustment is made to reconcile the number of Class B Additional Entitlements and associated distributions to the actual performance of the new Boston Pizza Restaurants and the actual effective tax rate of the Fund.

It is possible for a Deficiency to exist on an Adjustment Date (refer to *note 5*). In such case, BPI would not receive any Additional Entitlements, however, nor would BPI lose any of the Additional Entitlements previously received by BPI. Rather, on future Adjustment Dates, BPI would be required to make-up the Deficiency by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any further Additional Entitlements. BPI is entitled to vote in an equivalent number of Fund Units into which the Class B Units are exchangeable at any time.

The Fund has no obligation to settle this financial liability in cash. If BPI were to exchange all of its Class B Units for Fund Units on December 31, 2021, the Fund would issue the equivalent number of Fund Units and the Class B Unit Liability would be extinguished.

8. Royalties LP unit liabilities (continued):

The following chart summarizes the Class B Additional Entitlements and Class B Unit Liability:

	Issued and outstanding Additional Entitlements	Issued and outstanding Additional Entitlements including Holdback		Class B Unit Liability
Balance at December 31, 2019	2,356,599	2,402,966	$	32,344
Class B Additional Entitlements granted January 1, 2020 (1)	25,978	32,473		440
Adjustment to prior year Class B Additional Entitlements (2)	41,309	(5,058)		(81)
Fair value gain	-	-		(6,382)
Balance at December 31, 2020	2,423,886	2,430,381	$	26,321
Class B Additional Entitlements granted January 1, 2021 (3)	-	-		-
Adjustment to prior year Class B Additional Entitlements (4)	6,937	442		6
Fair value loss	-	-		11,229
Balance at December 31, 2021	2,430,823	2,430,823	$	37,556

(1) On January 1, 2020, five new Boston Pizza Restaurants opened during the period from January 1, 2019 to December 31, 2019 were added to the Royalty Pool while six restaurants that closed during 2019 were removed. The Franchise Sales from restaurants added to the Royalty pool on January 1, 2020, net of closures, has been estimated at $1.6 million.

(2) Adjusted for actual performance of five net new Boston Pizza Restaurants added to the Royalty Pool on January 1, 2019 and the actual effective tax rate paid by the Fund in 2019.

(3) On January 1, 2021, two new Boston Pizza Restaurants that opened across Canada between January 1, 2020 and December 31, 2020 were added to the Royalty Pool and the eleven restaurants that permanently closed during 2020 were removed. The estimated net franchise sales from the two new Boston Pizza Restaurants less the eleven Boston Pizza Restaurants that permanently closed is negative $15.2 million. As a result of the Deficiency, BPI did not receive any Class B Additional Entitlements on January 1, 2021.

(4) Adjusted for actual performance of five new Boston Pizza Restaurants added to the Royalty Pool on January 1, 2020 and the six Boston Pizza Restaurants that permanently closed and were removed from the Royalty Pool on January 1, 2020, the actual effective tax rate paid by the Fund in 2020 and the adjustment for the seasonal Boston Pizza Restaurant that re-opened in 2020.

9. Financial Instruments

Financial Assets and Liabilities by Categories and Fair Value Information

The following table shows the carrying values of assets and liabilities for each financial instrument category (*note 3(g)*) at December 31, 2021 and December 31, 2020. Unless otherwise noted, the fair values on the instruments approximate their carrying amount. The Fund must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements.

9. Financial Instruments(continued):

The Fund's fair value hierarchy comprises the following levels:

- Level 1 – quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – pricing inputs are other than quoted in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – valuations in this level are those with inputs for the asset or liability that are not based on observable data.

			December 31, 2021		December 31, 2020
Fair value through profit and loss					
Class 1 Limited Partnership Units of BP Canada LP[(i)]	Level 2	$	33,314	$	33,314
Class 2 Limited Partnership Units of BP Canada LP[(ii)]	Level 2		84,292		59,086
Fair value of interest rate swaps [(iii)]	Level 2		329		(1,974)
Class B Unit Liability [(iv)]	Level 2		(37,556)		(26,321)
Amortized cost					
Cash and cash equivalents		$	5,162	$	7,700
Royalty receivable from BPI			2,602		4,870
Distributions receivable from BP Canada LP			820		1,543
Accounts payable and accrued liabilities			(586)		(522)
Distributions payable to Fund unitholders			(1,829)		(5,703)
Interest payable on Class B Units			(265)		(911)
Credit facilities			(87,963)		(91,576)

(i) The Class 1 LP Units are entitled to distributions determined with respect to the interest cost incurred on Facility D (*note 7*). The fair value of the Class 1 LP Units is estimated using a market-corroborated input (interest rate on the credit facility).

(ii) The Class 2 LP Units have similar cash distribution entitlements and provisions to the Class 2 GP Units held by BPI, which are exchangeable for an equivalent number of Fund Units. The fair value of the Class 2 LP Units is determined by multiplying the issued and outstanding Class 2 LP Units indirectly held by the Fund at the end of the period by the closing price of a Fund Unit on the last business day of the period. As at December 31, 2021, the closing price of a Fund Unit was $15.45 (December 31, 2020 – $10.83) while the number of issued and outstanding Class 2 LP Units held by the Fund was 5,455,762 (December 31, 2020 – 5,455,762) resulting in a Class 2 LP Units fair value of $84.3 million (December 31, 2020 - $59.1 million). The fair value gain of the investment in BP Canada LP for the year ending December 31, 2021 was $25.2 million (December 31, 2020 - loss of $14.3 million).

(iii) The Credit Facilities are carried at amortized cost. Royalties LP and Holdings LP use interest rate swaps to manage risks from fluctuations in interest rates on $75.9 million (December 31,

9. Financial Instruments (continued):

2020 – $77.2 million) of this balance, and any changes in the fair value of the interest rate swaps are recorded in the consolidated statement of comprehensive income in the period in which they arise. Without factoring in the interest rate swaps, the fair value of the $75.9 million of the Credit Facilities approximates its carrying amount since the debt has variable interest rates at terms that the Fund believes are reflective of currently available terms. The fair value of the remaining Credit Facilities, before deferred financing fees, approximates its carrying value of $12.2 million (December 31, 2020 – $14.7 million) since the debt has variable interest rates at terms that the Fund believes are reflective of currently available terms. The Credit Facilities are presented net of deferred financing fees which were $0.2 million at December 31, 2021 (December 31, 2020 – $0.3 million).

(iv) The Class B Units are exchangeable for an equivalent number of Fund Units, and therefore the fair value of a Class B unit is estimated to be equivalent to that of a Fund unit. The Fund estimates the fair value of the Class B Units Liability by multiplying the issued and outstanding Class B Additional Entitlements (including Class B Holdback) held by BPI at the end of the period by the closing price of the Fund Units on the last business day of the period. As at December 31, 2021, the closing price of a Fund Unit was $15.45 (December 31, 2020 – $10.83) while the number of Fund Units BPI would be entitled to receive if it exchanged all of its Class B Units (including Class B Holdback) was 2,430,823 (December 31, 2020 – 2,430,381) resulting in a Class B Unit Liability fair value of $37.6 million (December 31, 2020 – $26.3 million). For the year ended December 31, 2021, the increase of $11.2 million is due to $11.2 million in fair value loss. This valuation technique may not represent the actual value of the financial asset should such Class B Units be exchanged.

Financial Instruments and Related Risks

The Fund is primarily exposed to credit risk, liquidity risk and interest rate risk as they relate to the identified financial instruments.

Credit risk

Credit risk is defined as an unexpected loss in cash and earnings if another party is unable to pay its obligations in due time. The Fund's exposure to credit risk arises from its Royalty receivable from BPI and Distribution receivable from BP Canada LP. The outstanding balances in these accounts represent the Fund's maximum credit exposure. The Fund monitors this risk through its regular review of operating and financing activities of BPI and BP Canada LP.

The performance of the Fund is directly dependent upon the Royalty and Distribution payments received from BPI and BP Canada LP. The amount of Royalty and Distribution received is dependent on various factors that may affect the casual dining sector of the restaurant industry including competition and general economic conditions. In general, the restaurant industry, and in particular the casual dining sector, is intensely competitive with respect to price, service, location, and food quality. If BPI and BP Canada LP and its franchisees are unable to successfully compete in the casual dining sector or the economy is weak for an extended period of time, Franchise Sales, the basis on which Royalty and Distribution are paid, may be adversely affected. The reduction of royalties from Franchise Sales may impact BPI and BP Canada LP's ability to pay Royalty or Distribution due to the Fund.

9. Financial Instruments (continued):

The Fund has reviewed its Royalty receivable from BPI and Distribution receivable from BP Canada LP. Based on the BPI cash balance and working capital requirements, the Fund has determined that the collection risk on the Royalty receivable and Distribution receivable is minimal and no indicators of impairment exist. As at December 31, 2021, the Fund had no provision for credit risk recorded in its financial statements (December 31, 2020 – nil).

Liquidity risk

Liquidity risk results from the Fund's potential inability to meet its financial obligations. Beyond effective net working capital and cash management, the Fund constantly monitors its operations and cash flows to ensure that current and future distributions to Fund unitholders will be met. The Fund's capital resources are comprised of its cash and cash equivalents, Royalty receivable from BPI, Distribution receivable from BP Canada LP and its undrawn Facility A (*note 7*).

(in thousands)		December 31, 2021
Cash and cash equivalents	$	5,162
Royalty receivable from Boston Pizza International Inc.		2,602
Distribution receivable from Boston Pizza Canada Limited Partnership		820
Undrawn Facility A		2,000
	$	10,584

The Fund's obligations under the Credit Facilities, as detailed in *note 7*, are secured by a first charge over the assets of the Fund, mature at dates specified in *note 7* and have scheduled repayment terms according to dates specified in *note 7*.

The Fund is subject to certain guarantor covenants and reporting requirements arising from the Credit Facilities that are further described in *note 10*.

The Fund's capital resources are comprised of cash and cash flow from operating activities. The maturities of the Fund's financial liabilities are as follows:

(in thousands)	Value	Maturity
Accounts payable and accrued liabilities	586	< 1 year
Distributions payable to Fund unitholders	1,829	< 1 year
Interest payable on Class B Units	265	< 1 year
Credit Facilities (*note 7 (c)*)	87,963	< 1 year

The Fund expects that it will be able to refinance its Credit Facilities in 2022 (*note 1*).

Interest rate risk

The Fund's exposure to interest rate risk is mainly through the Credit Facilities. The Fund has entered into interest rate swaps under the International Swap Dealers Association Master Agreements to manage interest rate risk on $75.9 million of its Credit Facilities and these interest rate swaps are detailed in *note 7*. Therefore, the Fund's interest rate risk is mainly related to its $12.2 million floating rate debt. A 1.0% change in short-term interest rates would result in a minimal change in interest expense based on the Fund's floating rate debt at December 31, 2021.

10. Capital Disclosures:

The Fund's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide distributions to Fund unitholders and benefits for other stakeholders. The Fund includes its Credit Facilities and unitholders' equity, in its definition of capital.

The Fund seeks to maintain a balance between the higher returns that might be possible with the leverage afforded by higher borrowing levels and the security afforded by a sound capital structure. It does this by maintaining appropriate debt levels in relation to its cash flows, working capital and other assets in order to provide the maximum distributions to Fund unitholders commensurate with the level of risk. Also, the Fund utilizes its debt capabilities to buy back Fund Units, when appropriate, in order to maximize cash distribution rates for remaining Fund unitholders.

The Fund manages its capital structure and adjusts to respond to changes in economic conditions, the underlying risks inherent in its operations, and capital requirements to maintain and grow its operations. In order to maintain or adjust its capital structure, the Fund may and has adjusted the amount of distributions paid to Fund unitholders during the year ended December 31, 2021, purchase Fund Units in the market, or issue new Fund Units. The Fund's policy is to distribute all available cash from operations to Fund unitholders after provisions for cash required for working capital and other reserves considered advisable by the Fund's Trustees.

The Fund has historically eliminated the impact of seasonal fluctuations by equalizing monthly distributions. The Fund had debt, net of deferred financing fees, of $88.0 million at December 31, 2021 (December 31, 2020 – $91.6 million). In addition, the Fund's banking covenant requires the Fund's total funded net debt to EBITDA ratio to not exceed 3.00:1. The Fund is in compliance with its covenants as at December 31, 2021.

The Fund is not subject to any other statutory capital requirements and has no commitments to sell or otherwise issue Fund Units, other than the commitment to exchange Class B Units and Class 2 GP Units held by BPI for Fund Units, as described in *notes 5, 8 and 11*.

11. Fund Units:

(a) The Fund's Declaration of Trust provides that an unlimited number of Fund Units may be issued. Each Fund Unit is transferable and represents an equal undivided beneficial interest in any distributions of the Fund and in the net assets of the Fund. All Fund Units have equal rights and privileges. Each Fund Unit entitles the holder thereof to participate equally in the allocations and distributions and to one vote at all meetings of Fund unitholders for each Fund Unit held. The Fund Units issued are not subject to future calls or assessments.

Pursuant to the Declaration of Trust, the holders, other than the Fund or its subsidiaries, of the Class A general partner units of Royalties LP ("**Class A Units**"), Class B Units, and Class 2 GP Units are entitled to vote in all votes of Fund unitholders as if they were holders of the number of Fund Units they would receive if Class A Units, Class B Units, and Class 2 GP Units were exchanged into Fund Units at the record date of such votes, and will be treated in all respects as Fund unitholders for the purpose of any such votes.

11. Fund Units (continued):

Fund Units are redeemable at any time at the option of the Fund unitholder at a price based on market value as defined in the Declaration of Trust, subject to a maximum of $50,000 in cash redemptions in any one month. The limitation may be waived at the discretion of the Trustees of the Fund. Redemptions in excess of these amounts, assuming no waiving of the limitation, shall be paid by way of distribution in specie of a pro rata number of securities of the Trust held by the Fund.

(b) Fund Units outstanding:

(in thousands, except unit data)	Number of Fund Units		Fund Units as equity
Balance at January 1, 2021 and December 31, 2021	21,521,463	$	325,048

As at December 31, 2021, the Class B Units held by BPI were exchangeable into 2,430,823 Fund Units and the Class 2 GP Units held by BPI were exchangeable into 831,354 Fund Units, for a total of 13.2% of the issued and outstanding Fund Units on a fully diluted basis.

(c) Distributions declared to and paid to Fund unitholders were as follows:

	Declared		Paid	
(in thousands, except per unit data)	2021	2020	2021	2020
Monthly Distributions	$ 18,508	$ 10,013	$ 18,078	11,120
Special Distribution	-	4,304	4,304	-
Total Distributions	$ 18,508	$ 14,317	$ 22,382	11,120
Monthly Distributions per Fund Unit	$ 0.86	$ 0.46	$ 0.84	0.52
Special Distribution per Fund Unit	-	0.20	0.20	-
Total Distributions per Fund Unit	$ 0.86	$ 0.66	$ 1.04	0.52

(d) On February 13, 2020, the Fund announced that it had received TSX approval of a Notice of Intention to make a normal course issuer bid through the facilities of the TSX or other Canadian marketplaces from February 19, 2020 to February 18, 2021 (the "**NCIB**"). The NCIB permitted the Fund to repurchase for cancellation up to 550,000 Fund Units at price no greater than $14.50. Due to the volatility in the trading price of Units, the automatic securities purchase plan in place was automatically suspended by its terms on March 12, 2020 and remained suspended until the NCIB expired on February 18, 2021. During the year ended December 31, 2021, the Fund did not acquire any Fund Units under the NCIB. During the year ended December 31, 2020, the Fund acquired 266,300 Fund Units under the NCIB at an average price of $12.98 per Fund Unit for a total of $3.5 million.

12. Accumulated deficit:

The Fund's accumulated deficit includes fair value adjustments and deferred income tax expense, which are non-cash items. Excluding the cumulative effect of fair value adjustments and deferred income tax expense, the Fund would have a surplus of $8.6 million at December 31, 2021 ($5.8 million at December 31, 2020).

13. Operations:

(in thousands, except number of Restaurants in the Royalty Pool)	2021	2020
Restaurants in the Royalty Pool	387	395
Franchise Sales reported by Restaurants in the Royalty Pool	$ 660,051	$ 613,199
Royalty income – 4% of Franchise Sales	26,402	24,528
Distribution income – 1.5% of Franchise Sales (less BPI retained interest)	8,752	8,114

Boston Pizza Restaurants experience seasonal fluctuations in Franchise Sales, which are inherent in the full service restaurant industry in Canada. Seasonal factors such as tourism and better weather allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters compared to the first and fourth quarters. It is unknown how and to what extent seasonality will affect franchise sales given the effects of COVID-19 on Boston Pizza Restaurants.

14. Related party transactions:

BPI and BP Canada LP are considered to be related parties of the Fund by virtue of common officers and directors in BPGP, BPI, and BP Canada LP. The Fund has engaged Royalties LP, its administrator, to provide certain administrative services on behalf of the Fund. In turn, certain of the administrative services are performed by BPI as a general partner of Royalties LP. The total amount charged from BPI in respect of these out-of-pocket expenses for the year ended December 31, 2021 was $0.4 million (December 31, 2020 – $0.4 million). The total amount payable to BPI in respect of these services for the year ended December 31, 2021 was nominal (December 31, 2020 – nominal).

As at December 31, 2021, interest payable to BPI on Class B Units was $0.3 million (December 31, 2020 – $0.9 million), Royalty receivable from BPI was $2.6 million (December 31, 2020 – $4.9 million), and Distribution receivable from BP Canada LP was $0.8 million (December 31, 2020 – $1.5 million).

15. Compensation of key management:

Key management personnel who receive direct remuneration from the Fund are the Trustees of the Fund. Aggregate details of their remuneration are set out in the table below with further information about the remuneration of individual Trustees provided in the Fund's Annual Information Form. Other key management personnel are compensated indirectly by the Fund through the administration charge.

(in thousands)	2021	2020
Remuneration paid to Trustees	$ 207	$ 252

16. Supplemental cash flow information:

(a) Non-cash transactions

(in thousands)	2021	2020
Amortization of deferred financing fees	$ 174	$ 137
Roll-in of new stores – January 1, net	6	359

16. Supplemental cash flow information (continued):

(b) Reconciliation of changes in non-cash working capital:

(in thousands)		2021		2020
Change in:				
Royalty receivable from BPI	$	2,268	$	(1,881)
Distribution receivable from BP Canada LP		723		(603)
Prepaid expenses		4		(60)
Accounts payable and accrued liabilities		64		-
Adjusted for:				
Interest expense		(3,705)		(3,223)
Interest paid on long-term debt		3,692		3,157
Changes in non-cash working capital	$	3,046	$	(2,610)

17. Subsequent events:

(a) On January 1, 2022, the four restaurants that permanently closed during 2021 were removed from the Royalty Pool. Accordingly, the total number of restaurants in the Royalty Pool decreased to 383 from 387. The estimated net Franchise Sales from the four Boston Pizza Restaurants that permanently closed is negative $6.2 million. This resulted in negative estimated Royalty and Distribution to the Fund of $0.3 million. As a result of the Deficiency, BPI did not receive any Additional Entitlements on January 1, 2022. However, BPI did not lose any of the Additional Entitlements it received in respect of previous years. Instead, BPI will be required to make-up the cumulative Deficiency for both 2020 and 2021 on future Adjustment Dates by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any further Additional Entitlements.

(b) In the first quarter of 2022, adjustments were made based on the actual performance of two new Boston Pizza Restaurants that were added to the Royalty Pool on January 1, 2021 and the eleven restaurants that permanently closed and were removed from the Royalty Pool on January 1, 2021 and the actual effective tax rate paid by the Fund in 2021. The original Franchise Sales expected to be generated from these two new restaurants less the Franchise Sales from the 11 Boston Pizza Restaurants that closed in 2021 was negative $15.2 million. The actual Franchise Sales generated from these two new restaurants after subtracting the Franchise Sales from the 11 Boston Pizza Restaurants that closed in 2021 was $0.2 million less. The original effective tax rate the Fund expected to pay for 2021 was 26.0% and the actual effective tax rate paid by the Fund for 2021 was 26.2%. As a result, the Deficiency in respect of 2020 was adjusted to be $0.8 million.

(c) On February 8, 2022, the Trustees of the Fund declared a distribution for January 2022 of $0.085 per unit, which will be payable on February 28, 2022 to unitholders of record on February 21, 2022.

(d) On January 27, 2022, the Fund entered into a swap that commenced on February 1, 2022 to fix the interest rate at 2.28% plus the applicable margin for a term ending on February 1, 2027 for $15.0 million of the $54.8 million drawn on Facility B. This replaced and increased the $13.9 million interest rate swap on Facility B that expired on February 1, 2022.

BOSTON PIZZA INTERNATIONAL INC.

FINANCIAL HIGHLIGHTS

The tables below set out selected information from the audited annual consolidated financial statements of Boston Pizza International Inc. ("**BPI**" and where applicable also includes its wholly-owned subsidiaries), and the accounts of Boston Pizza Canada Limited Partnership ("**BP Canada LP**"), together with other data, and should be read in conjunction with the audited annual consolidated financial statements of BPI for the years ended December 31, 2021 and December 31, 2020. The financial information reported in the tables included in this Management's Discussion and Analysis ("**MD&A**") are reported in accordance with International Financial Reporting Standards ("**IFRS**") except as otherwise noted and are stated in Canadian dollars. Capitalized terms used in the tables and notes below are defined elsewhere in this MD&A.

For the Year ended December 31	2021	2020	2019
(in thousands of dollars - except number of restaurants and per share items)			
System-Wide Gross Sales[1]	812,856	773,533	1,106,687
Number of Boston Pizza Restaurants[2]	383	387	395
Franchise Sales reported by Boston Pizza Restaurants[3]	660,051	615,094	859,038
Same Restaurant Sales[4]	8.5%	(27.6%)	(1.5%)
Income Statement Data			
Total revenues	90,320	86,075	125,537
Royalty expense	(26,402)	(24,528)	(34,149)
Distribution expense	(8,752)	(8,114)	(11,246)
Operating expenses excluding Royalty expense and Distribution expense	(43,534)	(50,888)	(75,660)
Earnings before interest and fair value (loss) gain	11,632	2,545	4,482
Net interest income (expense)	115	(386)	1,482
Fair value (loss) gain	(13,977)	7,967	4,882
(Loss) earnings before income taxes	(2,230)	10,126	10,846
Current and deferred income tax expense	(3,055)	(2,314)	(324)
Net and comprehensive (loss) income	(5,285)	7,812	10,522
Basic and diluted (loss) income per share	(53.88)	79.64	107.27

Balance Sheet Data	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019
Total assets	154,799	147,829	147,564
Total liabilities	415,300	403,045	420,592

Notes – Non-GAAP, Specified Financial Measures and Other Information

1 "**System-Wide Gross Sales**" is a supplementary financial measure under National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* ("**NI 52-112**") and therefore may not be comparable to similar measures presented by other issuers. System-Wide Gross Sales means the gross revenue: (i) of the corporate Boston Pizza Restaurants in Canada owned by BPI; and (ii) reported to BP Canada LP by franchised Boston Pizza Restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), including revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts, but excluding applicable sales and similar taxes. BPI believes that System-Wide Gross Sales provides useful information to investors regarding the overall performance of the Boston Pizza System.

2 Number of Boston Pizza Restaurants is reported as at the end of the applicable period.

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA INTERNATIONAL INC.
For the Period and Year ended December 31, 2021

3 "**Franchise Sales**" when disclosed on a monthly basis herein, is a supplementary financial measure under NI 52-112 and therefore may not be comparable to similar measures presented by other issuers. Franchise Sales means the gross revenue: (i) of the corporate Boston Pizza Restaurants in Canada owned by BPI; and (ii) reported to BP Canada LP by franchised Boston Pizza Restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), after deducting revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts, and excluding applicable sales and similar taxes. Nevertheless, BP Canada LP periodically conducts audits of the Franchise Sales reported to it by its franchisees, and the Franchise Sales reported herein include results from sales audits of earlier periods. Franchise Sales is the basis upon which franchisees of BP Canada LP pay royalty and contributions into the Advertising Fund to BP Canada LP. BPI believes that Franchise Sales provides useful information to investors regarding the performance of the Boston Pizza System with respect to sales upon which BP Canada LP earns royalty and contributions into the Advertising Fund.

4 "**Same Restaurant Sales**" or "**SRS**" is a supplementary financial measure under NI 52-112 and therefore may not be comparable to similar measures presented by other issuers. Prior to the fourth quarter of 2021, BPI defined SRS as the change in gross revenues of Boston Pizza Restaurants as compared to the gross revenues for the same period in the previous year (where restaurants were open for a minimum of 24 months). Commencing with the fourth quarter of 2021, BPI defines SRS as the change in Franchise Sales of Boston Pizza Restaurants as compared to the Franchise Sales for the same period in the previous year (where restaurants were open for a minimum of 24 months). BPI believes that the current method of calculating SRS provides investors more meaningful information regarding the performance of Boston Pizza Restaurants since Royalty and Distributions are payable to the Fund by BPI and BP Canada LP on Franchise Sales of Boston Pizza Restaurants in the Royalty Pool (as defined below) and not gross revenues of Boston Pizza Restaurants in the Royalty Pool. All historical SRS figures contained in this MD&A have been restated to conform to the current method of calculating SRS.

SUMMARY OF QUARTERLY RESULTS

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
(in thousands of dollars - except number of restaurants and per share items)				
System-Wide Gross Sales[1]	226,821	266,363	162,931	156,741
Number of Boston Pizza Restaurants[2]	383	385	385	386
Franchise Sales reported by Boston Pizza Restaurants[3]	183,177	213,038	134,839	128,997
Same Restaurant Sales[4]	25.5%	15.1%	27.0%	(24.9%)
Income Statement Data				
Total revenues	26,299	28,426	18,296	17,299
Royalty expense	(7,327)	(8,522)	(5,393)	(5,160)
Distribution expense	(2,423)	(2,815)	(1,797)	(1,717)
Operating expenses excluding Royalty expense and Distribution expense	(14,138)	(10,349)	(9,961)	(9,086)
Earnings before interest and fair value (loss) gain	2,411	6,740	1,145	1,336
Net interest income (expense)	482	(142)	(42)	(183)
Fair value (loss) gain	(6,262)	2,177	(3,478)	(6,414)
(Loss) earnings before income taxes	(3,369)	8,775	(2,375)	(5,261)
Current and deferred income tax expense	(743)	(1,925)	(49)	(338)
Net and comprehensive (loss) income	(4,112)	6,850	(2,424)	(5,599)
Basic and diluted (loss) income per share	(41.92)	69.84	(24.71)	(57.08)

	Q4 2020	Q3 2020	Q2 2020	Q1 2020
(in thousands of dollars - except number of restaurants and per share items)				
System-Wide Gross Sales[1]	181,723	237,208	129,845	224,757
Number of Boston Pizza Restaurants[2]	387	388	390	394
Franchise Sales reported by Boston Pizza Restaurants[3]	146,657	186,412	107,522	174,503
Same Restaurant Sales[4]	(29.7%)	(14.6%)	(50.3%)	(15.9%)
Income Statement Data				
Total revenues	21,522	24,499	14,703	25,351
Royalty expense	(5,862)	(7,417)	(4,286)	(6,963)
Distribution expense	(1,946)	(2,452)	(1,423)	(2,293)
Operating expenses excluding Royalty expense and Distribution expense	(11,873)	(12,906)	(8,188)	(17,921)
Earnings (loss) before interest and fair value (loss) gain	1,841	1,724	806	(1,826)
Net interest income (expense)	735	(700)	(513)	92
Fair value (loss) gain	(16,004)	7,109	(3,994)	20,856
(Loss) earnings before income taxes	(13,428)	8,133	(3,701)	19,122
Current and deferred income tax (expense) recovery	(7,272)	1,127	(1,225)	5,056
Net and comprehensive (loss) income	(20,700)	9,260	(4,926)	24,178
Basic and diluted (loss) income per share	(211.04)	94.41	(50.22)	246.50

OVERVIEW

This MD&A covers the three-month period from October 1, 2021 to December 31, 2021 (the "**Period**") and the twelve-month period from January 1, 2021 to December 31, 2021 (the "**Year**") and is dated February 8, 2022. It provides additional analysis of the operations, financial position and financial performance of BPI and should be read in conjunction with BPI's applicable audited annual consolidated financial statements and the accompanying notes. The audited annual consolidated financial statements of BPI are in Canadian dollars and have been prepared in accordance with IFRS except as otherwise noted.

General

BPI is a privately controlled company and prior to April 6, 2015, was the exclusive franchisor of the Boston Pizza (defined below) concept in Canada. On April 6, 2015, BP Canada LP, a British Columbia limited partnership controlled and operated by BPI, became the exclusive franchisor of the Boston Pizza concept in Canada. On May 6, 2015, Boston Pizza Royalties Income Fund (the "**Fund**") completed an indirect investment in BP Canada LP to effectively increase the Fund's indirect interest in Franchise Sales of Boston Pizza Restaurants (defined below) in the Royalty Pool by 1.5%, from 4.0% to 5.5% less the pro rata portion payable to BPI in respect of its retained interest in the Fund (the "**2015 Transaction**").

BPI and BP Canada LP compete in the casual dining sector of the restaurant industry and Boston Pizza is the number one casual dining brand in Canada. With over 380 restaurants stretching from Victoria to St. John's, Boston Pizza has more restaurants and serves more customers annually than any other casual dining restaurant chain in Canada.

Royalty

BP Canada LP charges a 7.0% royalty fee on Franchise Sales for full-service Boston Pizza restaurants open in Canada (the "**Boston Pizza Restaurants**"). BPI pays Boston Pizza Royalties Limited Partnership ("**Royalties LP**"), an entity controlled by the Fund, a 4.0% royalty fee (the "**Royalty**") on Franchise Sales from the Boston Pizza Restaurants in the royalty pool (the "**Royalty Pool**") for the use of the Boston Pizza trademarks in Canada (the "**BP Rights**"[5]). As at December 31, 2021, there were 387 Boston Pizza Restaurants in the Royalty Pool.

Distributions from BP Canada LP

Boston Pizza Holdings Limited Partnership ("**Holdings LP**"), an entity controlled by the Fund, holds Class 1 limited partnership units ("**Class 1 LP Units**") and Class 2 limited partnership units ("**Class 2 LP Units**") of BP Canada LP, and BPI holds, indirectly through Boston Pizza Canada Holdings Partnership ("**BPCHP**"), Class 2 general partnership units of BP Canada LP ("**Class 2 GP Units**"), which are exchangeable for units of the Fund ("**Fund Units**"). The Class 1 LP Units and Class 2 LP Units provide Holdings LP with the right to receive distributions from BP Canada LP equal, in aggregate, to 1.5% of Franchise Sales, less the pro rata portion payable to BPI in respect of its Class 2 GP Units (the "**Distributions**"). Specifically, the Class 1 LP Units entitle Holdings LP to receive a priority distribution equal to the amount of interest that Holdings LP pays on certain indebtedness of Holdings LP plus 0.05% of that amount, with the balance of 1.5% of Franchise Sales being distributed pro rata to Holdings LP and BPI on the Class 2 LP Units and Class 2 GP Units, respectively. After BP Canada LP pays distributions on the Class 1 LP Units, Class 2 LP Units and Class 2 GP Units, BPI is entitled to all residual distributions from BP Canada LP on the Class 3 general partnership units, Class 4 general partnership units, Class 5 general partnership units and Class 6 general partnership units of BP Canada LP that BPI holds.

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5 BP Rights are the trademarks that as at July 17, 2002 were registered or the subject of pending applications for registration under the *Trademarks Act* (Canada), and other trademarks and trade names which are confusing with the registered or pending trademarks. The BP Rights purchased do not include the rights outside of Canada to any trademarks or trade names used by BPI or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the *Trademarks Act* (Canada).

Addition of New Restaurants to Royalty Pool

On January 1 of each year (each, an "**Adjustment Date**"), an adjustment is made to add to the Royalty Pool new Boston Pizza Restaurants that opened ("**New Restaurants**") and to remove any Boston Pizza Restaurants that permanently closed since January 1 of the previous year ("**Closed Restaurants**"). In return for adding new Royalty and Distributions from the New Restaurants and after subtracting the Royalty and Distributions that are lost from the Closed Restaurants[6] (such difference, "**Net Royalty and Distributions**"), BPI receives the right to indirectly acquire additional Fund Units (in respect of the Royalty, "**Class B Additional Entitlements**" and in respect of Distributions, "**Class 2 Additional Entitlements**", and collectively, "**Additional Entitlements**"). The calculation of Additional Entitlements is designed to be accretive to holder of Fund Units ("**Unitholders**") as the expected increase in Franchise Sales from the New Restaurants added to the Royalty Pool less the decrease in Franchise Sales from the Closed Restaurants is valued at a 7.5% discount. The Additional Entitlements are calculated at 92.5% of the estimated Royalty and Distributions expected to be generated by the New Restaurants less the actual Royalty and Distributions lost from the Closed Restaurants, multiplied by one minus the effective tax rate estimated to be paid by the Fund, divided by the yield of the Fund, divided by the weighted average Fund Unit price over a specified period. BPI receives 80% of the Additional Entitlements initially, with the balance received when the actual full year performance of the New Restaurants and the actual effective tax rate paid by the Fund are known with certainty (such balance of Fund Units in respect of the increased Royalty, the "**Class B Holdback**", and in respect of the increased Distributions, the "**Class 2 Holdback**", and collectively, the "**Holdback**"). BPI receives 100% of the distributions on the Additional Entitlements throughout the year. After the New Restaurants have been part of the Royalty Pool for a full year, an audit of the Franchise Sales of these restaurants is performed, and the actual effective tax rate paid by the Fund is determined. At such time, an adjustment is made to reconcile distributions paid to BPI and the Additional Entitlements received by BPI.

It is possible that on an Adjustment Date the Net Royalty and Distributions is negative as a result of the estimated Royalty and Distributions expected to be generated by the New Restaurants being less than the actual Royalty and Distributions that is lost from the Closed Restaurants (the amount by which it is less is the "**Deficiency**"). In such case, BPI would not receive any Additional Entitlements, however, nor would BPI lose any of the Additional Entitlements previously received by BPI. Rather, on future Adjustment Dates, BPI would be required to make-up the Deficiency by first adding Net Royalty and Distributions in an amount equal to the Deficiency before receiving any further Additional Entitlements (i.e. BPI only receives Additional Entitlements in respect of the cumulative amount by which Royalty and Distributions from New Restaurants exceeds actual Royalty and Distributions lost from Closed Restaurants).

Business Strategy

The success of the business of BPI, BP Canada LP, their affiliated entities and franchisees ("**Boston Pizza**") can be attributed to four simple underlying principles that are the foundation for all strategic decision-making – the "Four Pillars" strategy.

- **Building the brand**
- **Continually improving the guest experience**
- **A commitment to Franchisee profitability**
- **On-going engagement in local communities**

BPI and BP Canada LP realize that franchisees have to be profitable to succeed. To enhance profitability and to facilitate the growth of Boston Pizza, BPI and BP Canada LP aggressively enhance and promote the Boston Pizza brand through television, radio, digital, social media, and national and local promotions. The costs associated with national marketing of Boston Pizza are paid for by the Boston Pizza advertising fund (the "**Advertising Fund**").

6 The Royalty and Distributions that are lost from the Closed Restaurants is calculated based upon the actual Franchise Sales received from the Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool.

Franchisees pay 3.0% of Franchise Sales into the Co-op; 76.0% of these funds are used to purchase television, radio, digital and social media advertising, and the remaining 24.0% is used for production of materials and administration. Both Boston Pizza franchisees and the corporate support staff continuously find new ways to improve the guests' experience so that guests will return to Boston Pizza again and again. Boston Pizza and its franchisees connect with their communities by hosting events, engaging with local organizations, and supporting philanthropic causes. Management is confident that this "Four Pillars" strategy will continue to focus BPI's and BP Canada LP's efforts, develop new markets and strengthen Boston Pizza's position as Canada's number one casual dining brand.

Ongoing Effects of COVID-19

COVID-19 had significant adverse effects on the business of BPI and BP Canada LP during the Period and the Year. Throughout 2021, the business of Boston Pizza Restaurants in the Royalty Pool varied inversely with the severity of COVID-19 across Canada. The beginning of 2021 saw various governmental authorities across Canada imposing assorted restrictions on the operations of restaurants in an attempt to control the spread of COVID-19. The restrictions ranged from limiting operating hours, reductions in permitted hours to serve alcohol, closures of indoor dining rooms and closures of patio dining depending upon the particular regions and times. As COVID-19 case counts declined in February and March of 2021, the business of Boston Pizza Restaurants in the Royalty Pool again improved as the assorted governmental restrictions were eased. However, that improvement was temporary as the third wave of COVID-19 developed shortly thereafter and again various governmental authorities across Canada imposed assorted restrictions on the operations of restaurants in an attempt to control the spread of COVID-19. As the third wave of COVID-19 subsided in May and June of 2021, the business of Boston Pizza Restaurants in the Royalty Pool again improved as the assorted governmental restrictions were once again eased. As the fourth wave of COVID-19 developed in Canada, the business of Boston Pizza Restaurants again declined as various governmental authorities across Canada again implemented assorted restrictions, including vaccine card or vaccine passport systems that require guests to show proof of vaccination when dining in restaurants.

COVID-19 continues to impact the business of BPI and BP Canada LP, and the operation of Boston Pizza Restaurants. Franchise Sales, and the resulting Royalty and Distributions, for January 2022 were approximately 129% of the level they were in January 2021 and approximately 70% of the level they were in January 2019. SRS for January 2022 was approximately positive 29% when compared to the same period in 2021 and approximately negative 28% when compared to the same period in 2019.

Seasonality

Boston Pizza Restaurants typically experience seasonal fluctuations in Franchise Sales, which are inherent in the full-service restaurant industry in Canada. Seasonal factors, such as tourism and better weather generally allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters each year compared to the first and fourth quarters. It is unknown how and to what extent seasonality will affect Franchise Sales given the effects of COVID-19 on Boston Pizza Restaurants.

New Restaurant Openings, Permanent/Temporary Closures and Renovations

During the Period, there were no New Restaurants and two Closed Restaurants. During the Year, there were no New Restaurants and four Closed Restaurants. Two of the four Closed Restaurants were corporately owned restaurants operated by subsidiaries of BPI. BPI previously had five corporately owned Boston Pizza Restaurants. BPI's strategy is to divest itself of the remaining three corporately owned Boston Pizza Restaurants and exclusively focus on strengthening the brand and its franchised business. As well, three Boston Pizza Restaurants were renovated during the Period and 10 Boston Pizza Restaurants were renovated during the Year. Boston Pizza Restaurants typically close for two to three weeks to complete the renovation and experience an incremental sales increase in the year following the re-opening.

OPERATING RESULTS

Same Restaurant Sales

Period

SRS was positive 25.5% for the Period compared to negative 29.7% reported in the fourth quarter of 2020. As COVID-19 began to adversely affect sales in Boston Pizza Restaurants in March of 2020, BPI believes that it is also useful to calculate and report SRS comparing 2021 Franchise Sales to 2019 Franchise Sales. If SRS were calculated comparing Franchise Sales in the Period to Franchise Sales in the fourth quarter of 2019, SRS would be negative 11.5%. The increase in SRS for the Period was principally due to increases in restaurant guest traffic due to the easing of dining restrictions during the Period.

Year

SRS was positive 8.5% for the Year compared to negative 27.6% reported in 2020. If SRS were calculated comparing Franchise Sales for the Year to Franchise Sales in 2019, SRS would be negative 21.5%. The increase in SRS for the Year was principally due to increases in restaurant guest traffic due to the easing of dining restrictions and increased take-out and delivery sales.

Revenues

Period

BPI's total revenue was $26.3 million for the Period compared to $21.5 million for the fourth quarter of 2020. BPI's revenue was principally derived from royalty revenue and Advertising Fund contributions received by BP Canada LP from franchised Boston Pizza Restaurants, sales from corporately owned restaurants, initial franchise fees, franchise renewal fees and supplier contributions. The $4.8 million increase in revenue for the Period was primarily due to higher royalty revenues, Advertising Fund revenue, supplier contributions and revenues from corporately owned restaurants resulting from positive SRS.

Year

BPI's total revenue was $90.3 million for the Year compared to $86.1 million in 2020. The $4.2 million increase in revenue for the Year was primarily due to higher royalty revenues, supplier contributions, and Advertising Fund revenues resulting from positive SRS, partially offset by lower revenues from corporately owned restaurants from the closure of two corporate restaurants.

Royalty Expense and Distribution Expense

Period

BPI's Royalty expense to Royalties LP (being 4.0% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool) was $7.3 million and Distribution expense (being 1.5% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool, less BPI's retained interest) was $2.4 million for the Period compared to $5.9 million and $1.9 million, respectively, for the fourth quarter of 2020. The $1.4 million increase in Royalty expense and $0.5 million increase in Distribution expense for the Period was due to positive SRS.

Year

BPI's Royalty expense to Royalties LP was $26.4 million and Distribution expense was $8.8 million for the Year compared to $24.5 million and $8.1 million, respectively, in 2020. The $1.9 million increase in Royalty expense and $0.7 million increase in Distribution expense for the Year was due to positive SRS.

Operating Expenses Excluding Royalty Expense and Distribution Expense

Period

BPI's operating expenses excluding Royalty expense and Distribution expense were $14.1 million for the Period, which included Advertising Fund expenses of $7.4 million, compensation expense of $3.3 million, operational costs of corporately owned restaurants of $2.1 million, depreciation and amortization of $1.3 million and other expense associated with services provided to franchised Boston Pizza Restaurants of $0.7 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of $0.7 million. In the fourth quarter of 2020, BPI's operating expenses excluding Royalty expense and Distribution expense were $11.9 million for the Period, which included advertising fund expenses of $4.2 million, compensation expense of $3.1 million, other expense associated with services provided to franchised Boston Pizza Restaurants of $2.3 million, operational costs of corporately owned restaurants of $1.3 million and depreciation and amortization of $1.5 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of $0.7 million.

The increase in operating expenses excluding Royalty expense and Distribution expense of $2.2 million for the Period was due to an increase in Advertising Fund expenses due to increased advertising activity and an increase in restaurant operating costs, partially offset by other expenses such as bad debt being higher in the prior year due to the impact of COVID-19.

BPI received government financial assistance under the Canada Emergency Wage Subsidy ("**CEWS**") and Canada Emergency Rent Subsidy ("**CERS**") program. During the Period, BPI recognized a nominal amount of government financial assistance under the CEWS and CERS programs (Q4 2020 – $1.0 million).

The deferred gain on the sale of BP Rights to Royalties LP is amortized over 99 years beginning in 2002 for the term of the License and Royalty Agreement dated July 17, 2002, as amended on May 9, 2005, between Royalties LP and BPI. The net deferred gain at December, 2021 was $224.8 million compared to $227.7 million at December 31, 2020.

Year

BPI's operating expenses excluding Royalty expense and Distribution expense were $43.5 million for the Year, which included Advertising Fund expenses of $18.1 million, compensation expense of $14.7 million, depreciation and amortization of $5.0 million, operational costs of corporately owned restaurants of $4.6 million and other expense associated with services provided to franchised Boston Pizza Restaurants of $4.0 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of $2.8 million. In 2020, BPI's operating expenses excluding Royalty expense and Distribution expense were $50.9 million for the Year, which included advertising fund expenses of $16.8 million, compensation expense of $14.9 million, other costs associated with services provided to franchised Boston Pizza Restaurants of $8.2 million, operational costs of corporately owned restaurants of $7.5 million, depreciation and amortization of $5.8 million, and management fees for services rendered by companies under common control of $0.4 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of $2.8 million.

The decrease in operating expenses excluding Royalty expense and Distribution expense of $7.4 million for the Year was attributed to a decrease in other expenses such as travel as a measure to reduce costs, bad debt expense, restaurant operating costs resulting from the closure of two corporately owned restaurants, depreciation and amortization, and management fees, partially offset by an increase in Advertising Fund expenses due to increased advertising activity.

During the Year, BPI recognized $3.7 million of government financial assistance under the CEWS and CERS programs (2020 – $4.8 million).

Earnings before Interest and Fair Value (Loss) Gain

Period

BPI's earnings before interest and fair value (loss) gain was $2.4 million for the Period compared to $1.8 million for the fourth quarter of 2020. The $0.6 million increase in earnings before interest and fair value (loss) gain for the Period was principally due to an increase in revenues, partially offset by increases in Royalty, Distribution, and operating expenses.

Year

BPI's earnings before interest and fair value (loss) gain was $11.6 million for the Year compared to $2.5 million in 2020. The $9.1 million increase in earnings before interest and fair value (loss) gain for the Year was principally due to an increase in revenues and a decrease in operating expenses, partially offset by increases in Royalty and Distribution expenses.

Net Interest Income (Expense)

Period

BPI's net interest income during the Period was $0.5 million, comprised mainly of $1.0 million of interest income received by BPI on its Class B general partner units of Royalties LP ("**Class B Units**"), partially offset by $0.5 million of interest expense on debt and financing costs, $0.1 million of interest expense on lease obligations and nominal interest expense on payables owed to the Fund. BPI's net interest income for the fourth quarter of 2020 was $0.7 million, comprised mainly of $1.4 million of interest income received by BPI on its Class B Units, partially offset by $0.5 million of interest expense on the debt and financing costs, $0.1 million of interest expense on payables owed to the Fund and $0.1 million of interest expense on lease obligations. The $0.2 million decrease in net interest income for the Period was primarily due to lower Class B Units interest income resulting from the Fund declaring a special distribution in December 2020, which was partially offset by the decrease in interest expense on payables owed to the Fund.

Year

BPI's net interest income was $0.1 million for the Year, comprised mainly of $2.5 million of interest income received by BPI on its Class B Units, partially offset by $2.0 million of interest expense on debt and financing costs, $0.3 million of interest expense on lease obligations and $0.1 million of interest expense on payables owed to the Fund. For the Year in 2020, BPI's net interest expense was $0.4 million, comprised mainly of $1.9 million of interest expense on the debt and financing fees, $0.4 million of interest expense on lease obligations and $0.1 million of interest expense on payables owed to the Fund, partially offset by $2.1 million of interest income received by BPI on the Class B Units. The $0.5 million increase in net interest income for the Year was primarily due to the increase in interest income on the Class B Units attributable to the Fund not declaring distribution on Fund Units during the second and third quarters of 2020 and higher monthly distributions on the Class B Units starting in September 2021, partially offset by the special distribution in December 2020.

Fair Value (Loss) Gain

Period

During the Period, BPI recognized a fair value loss of $6.3 million compared to a fair value loss of $16.0 million for the same period in 2020. The change in fair value was principally due to the change in the price of Fund Units into which the Class B Units are exchangeable and upon which the Class 2 LP Units liability is measured.

BPI estimates the fair value of the Class B Units by multiplying the number of Fund Units that BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI at the end of the Period by the closing price of a Fund Unit on the last business day of the Period. As at December 31, 2021, the Fund's closing price was $15.45 per Fund Unit (September 30, 2021 – $13.38 per Fund Unit) and the number of

Fund Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI was 2,430,823 (September 30, 2021 – 2,430,823). Consequently, the Class B Units were calculated to be valued at $37.6 million (September 30, 2021 – $32.5 million), resulting in a fair value gain of $5.0 million. In general, the value of the Class B Units will increase as the market price of Fund Units increase and vice versa. In addition, the value of the Class B Units increases as the number of Fund Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) increases and vice versa.

The Class 1 LP Units are entitled to distributions determined with respect to the interest cost paid by the Fund on the credit facility of the Fund drawn on at the time of the 2015 Transaction to pay for the Fund's indirect investment in Class 1 LP Units of BP Canada LP. BPI estimates the fair value of the Class 1 LP Units liability using a market-corroborated input, being the interest rate on the applicable credit facility. Consequently, BPI estimated the fair value of Class 1 LP Units liability as at December 31, 2021 to be $33.3 million (September 30, 2021 – $33.3 million), resulting in no fair value adjustment for the Period.

BPI estimates the fair value of the Class 2 LP Units liability by multiplying the number of Class 2 LP Units indirectly held by the Fund at the end of the Period by the closing price of a Fund Unit on the last business day of the Period. As at December 31, 2021, the Fund indirectly held 5,455,762 Class 2 LP Units (September 30, 2021 – 5,455,762) and the Fund's closing price was $15.45 per Fund Unit (September 30, 2021 – $13.38 per Fund Unit). Consequently, BPI estimated the fair value of the Class 2 LP Units liability as at December 31, 2021 to be $84.3 million (September 30, 2021 – $73.0 million), resulting in a fair value loss of $11.3 million for the Period. In general, the fair value of the Class 2 LP Units liability will increase as the market price of Fund Units increases and vice versa.

Year

During the Year, BPI recognized a fair value loss of $14.0 million compared to a fair value gain of $8.0 million for the same period in 2020. The change in fair value was principally due to the change in the price of Fund Units into which the Class B Units are exchangeable and upon which the Class 2 LP Units liability is measured.

As at December 31, 2020, the Fund's closing price was $10.83 per Fund Unit and the number of Fund Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI was 2,430,381. The Class B Units were calculated to be valued at $26.3 million as at December 31, 2020. As discussed above, the Class B Units at the end of the Year were valued at $37.6 million. The difference between the value of the Class B Units on December 31, 2020 and at the end of the Year is an increase of $11.2 million, comprised of a fair value gain of $11.2 million and a nominal adjustment of Class B Additional Entitlements received by BPI in February 2021 related to the January 1, 2020 Adjustment Date.

Holdings LP acquired the Class 1 LP Units on May 6, 2015 for $33.3 million. As discussed above, BPI estimates the fair value of the Class 1 LP Units as at December 31, 2021 to be $33.3 million (December 31, 2020 – $33.3 million), resulting in no fair value adjustment for the Year.

As at December 31, 2020, the Fund indirectly held 5,455,762 Class 2 LP Units and the Fund's closing price was $10.83 per Fund Unit. Consequently, BPI estimated the fair value of the Class 2 LP Units liability as at December 31, 2020 to be $59.1 million. As discussed above, BPI estimated the fair value of the Class 2 LP Units liability as at December 31, 2021 to be $84.3 million, resulting in a fair value loss of $25.2 million for the Year.

(Loss) Earnings before Income Taxes

Period

Given the combined effects of the above-noted factors, BPI had loss before income taxes of $3.4 million for the Period compared to $13.4 million for the fourth quarter of 2020. The $10.0 million decrease in loss before income taxes was primarily due to a decrease in fair value loss and an increase in earnings before interest and fair value (loss) gain, partially offset by a decrease in net interest income.

Year

Given the combined effects of the above-noted factors, BPI had loss before income taxes of $2.2 million for the Year compared to earnings before income taxes of $10.1 million in 2020. The $12.4 million decrease in earnings before income taxes was primarily due to an increase in fair value loss, partially offset by an increase in earnings before interest and fair value (loss) gain and an increase in net interest income.

Income Tax Expense (Recovery)

Period

BPI recognized $0.5 million current income tax expense for the Period compared to current income tax recovery of $1.1 million for the fourth quarter of 2020. The $1.6 million increase in current income tax expense for the Period is primarily due to higher earnings before interest and fair value (loss) gain.

BPI recognized $0.2 million deferred income tax expense for the Period compared to $8.3 million for the fourth quarter of 2020. The $8.1 million decrease in deferred income tax expense is primarily due to the recognition of a valuation allowance on the deferred tax asset relating to the temporary difference in fair value of the Class B Units held by BPI in the fourth quarter of 2020.

Year

BPI recognized $2.3 million current income tax expense for the Year compared to $0.6 million in 2020. The $1.7 million increase in current income tax expense Year is primarily due to higher earnings before interest and fair value gain (loss).

BPI recognized $0.7 million deferred income tax expense for the Year compared to $1.7 million in 2020. The $1.0 million decrease in deferred income tax expense is primarily due to the valuation allowance recognized on the Class B Units in 2020.

Net and Comprehensive (Loss) Income

Period

BPI's net and comprehensive loss during the Period was $4.1 million compared to net and comprehensive loss of $20.7 million for the fourth quarter of 2020. The decrease of $16.6 million in net and comprehensive loss for the Period is primarily due to the decrease in loss before income taxes and the decrease in income tax expense compared to the same period in 2020.

Year

BPI's net and comprehensive loss for the Year was $5.3 million compared to net and comprehensive income of $7.8 million in 2020. The increase of $13.1 million in net and comprehensive loss for the Year is primarily due to a decrease in earnings before income taxes and an increase in income tax expense compared to 2020.

New Restaurants Added to the Royalty Pool

Boston Pizza Restaurants Added to Royalty Pool on January 1, 2021

On January 1, 2021, the Royalty Pool was adjusted to include the two New Restaurants that opened across Canada between January 1, 2020 and December 31, 2020, and to remove 11 Closed Restaurants for 2020. In addition, one seasonal Boston Pizza Restaurant that was believed to have permanently closed in 2019, and accordingly was removed from the Royalty Pool on January 1, 2020, re-opened during 2020. The Fund and BPI agreed to make adjustments to place the parties in the position they would have been had that seasonal Boston Pizza Restaurant not been removed from the Royalty Pool on January 1, 2020. With the adjustment for these openings and closures during 2020, the Royalty Pool on January 1, 2021 included 387 Boston Pizza Restaurants. The estimated annual

Franchise Sales in 2021 for the two New Restaurants that opened in 2020 was $3.3 million. As described above, BPI is required to deduct from this amount the actual Franchise Sales received from the 11 Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool, which is $18.5 million. Accordingly, the resulting estimated annual net Franchise Sales for the two New Restaurants and the 11 Closed Restaurants that opened and closed in 2020 was negative $15.2 million. Consequently, this resulted in the Net Royalty and Distributions having a Deficiency of $0.8 million (being 5.5% of negative $15.2 million Franchise Sales) as a result of the estimated Royalty and Distributions expected to be generated by the New Restaurants ($0.2 million) being less than the actual Royalty and Distributions that is lost from the Closed Restaurants ($1.0 million). Since there was a Deficiency of $0.8 million, BPI did not receive any Additional Entitlements on January 1, 2021. However, BPI did not lose any of the Additional Entitlements it received in respect of previous years. Instead, BPI will be required to make-up the Deficiency on future Adjustment Dates by first adding Net Royalty and Distributions in an amount equal to the Deficiency before receiving any further Additional Entitlements.

As noted above, one seasonal Boston Pizza Restaurant that was believed to have permanently closed in 2019 was removed from the Royalty Pool on January 1, 2020. During 2020, management of BPI became aware of new information, which resulted in that seasonal Boston Pizza Restaurant being re-opened for business. Since that location is seasonal and it re-opened in 2020, the Fund and BPI determined that this location should never have been removed from the Royalty Pool on January 1, 2020. Consequently, the number of Boston Pizza Restaurants in the Royalty Pool was adjusted to 387, being the 395 Boston Pizza Restaurants that were part of the Royalty Pool on January 1, 2020, plus the two New Restaurants that opened in 2020, plus the one seasonal Boston Pizza Restaurant that was removed from the Royalty Pool on January 1, 2020, less the 11 Closed Restaurants for 2020. As part of the adjustment that occurred in early 2021 to reconcile distributions paid to BPI and Additional Entitlements received by BPI in respect of the New Restaurants that were added to the Royalty Pool on January 1, 2020, the parties also adjusted distributions paid to BPI and the number of Additional Entitlements held by BPI to put BPI and the Fund into the position they would have been had that seasonal Boston Pizza Restaurant not been removed from the Royalty Pool on January 1, 2020. Franchise Sales reported by the Fund and BPI in 2020 included Franchise Sales generated by this seasonal Boston Pizza Restaurant, so no adjustments were required in that regard.

Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2020

In February 2021, an audit of the Franchise Sales of the five New Restaurants that were added to the Royalty Pool on January 1, 2020 was performed and the actual effective tax rate paid by the Fund for the 2020 calendar year was determined. The purpose of this was to compare the actual Franchise Sales from these five New Restaurants to the estimated amount of Franchise Sales expected to be generated by these five New Restaurants during 2020 and to compare the actual effective tax rate paid by the Fund for 2020 to the estimated effective tax rate the Fund expected to pay for 2020. The original Franchise Sales expected to be generated from these five New Restaurants less the Franchise Sales from the six Boston Pizza Restaurants that closed in 2020 was $1.6 million. The actual Franchise Sales generated from these five New Restaurants after subtracting the Franchise Sales from the five Boston Pizza Restaurants that closed in 2020 (i.e. excluding the seasonal Boston Pizza Restaurant that re-opened in 2020) was $0.1 million higher. The original effective tax rate the Fund expected to pay for 2020 was 24.0% and the actual effective tax rate paid by the Fund for 2020 was 29.3%. As a result, Royalties LP increased interest payable to BPI by a nominal amount in early 2021 to reconcile the difference paid on the full number of Class B Additional Entitlements and the effective tax rate. In addition, BP Canada LP decreased a distribution payable to Holdings LP on its Class 2 LP Units by a nominal amount, and correspondingly increased a distribution payable to BPI on its Class 2 GP Units by the same amount, to reconcile the difference paid on the full number of Class 2 Additional Entitlements and the effective tax rate. BPI received only 80% of the Additional Entitlements at the Adjustment Date in 2020. Following the audit, BPI received 9,538 Additional Entitlements, comprised of 6,937 Class B Additional Entitlements and 2,601 Class 2 Additional Entitlements.

Subsequent Events

Boston Pizza Restaurants Added to Royalty Pool on January 1, 2022

On January 1, 2022, the Royalty Pool was adjusted to remove four Closed Restaurants for the Year resulting in the number of Boston Pizza Restaurants in the Royalty Pool decreasing from 387 to 383. The actual Franchise Sales received from the four Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool is $6.2 million. Since no New Restaurants opened during the Year, the resulting estimated annual net Franchise Sales for the four Closed Restaurants that closed in 2021 is negative $6.2 million. Consequently, this resulted in the Net Royalty and Distributions having a Deficiency for 2021 of $0.3 million (being 5.5% of negative $6.2 million Franchise Sales). Since there is a Deficiency for 2021 of $0.3 million, BPI did not receive any Additional Entitlements on January 1, 2022. However, BPI did not lose any of the Additional Entitlements it received in respect of previous years. Instead, BPI will be required to make-up the cumulative Deficiency for both 2020 and 2021 on future Adjustment Dates by first adding Net Royalty and Distributions in an amount equal to the cumulative Deficiency before receiving any further Additional Entitlements.

Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2021

In February 2022, an audit of the Franchise Sales of the two New Restaurants that were added to the Royalty Pool on January 1, 2021 was performed and the actual effective tax rate paid by the Fund for the 2021 calendar year was determined. The purpose of this was to compare the actual Franchise Sales from these two New Restaurants to the estimated amount of Franchise Sales expected to be generated by these two New Restaurants during 2021 and to compare the actual effective tax rate paid by the Fund for 2021 to the estimated effective tax rate the Fund expected to pay for 2021. The original Franchise Sales expected to be generated from these two New Restaurants less the Franchise Sales from the 11 Boston Pizza Restaurants that closed in 2021 was negative $15.2 million. The actual Franchise Sales generated from these two New Restaurants after subtracting the Franchise Sales from the 11 Boston Pizza Restaurants that closed in 2021 was $0.2 million less. The original effective tax rate the Fund expected to pay for 2021 was 26.0% and the actual effective tax rate paid by the Fund for 2021 was 26.2%. As a result, the Deficiency in respect of 2020 was adjusted to be $0.8 million. The cumulative Deficiency for 2020 and 2021 is $1.2 million, comprised of the adjusted Deficiency for 2020 of $0.8 million and the Deficiency for 2021 of $0.3 million.

Voluntary Dissolution of Three Subsidiaries

BPI closed two corporately owned Boston Pizza Restaurants in 2021 and previously sold one Boston Pizza Restaurant in 2018. These restaurants had been operated by Lansdowne Holdings Ltd. ("**LHL**"), Theatre District Pizza Ltd. ("**TDPL**") and Winston Churchill Pizza Ltd. ("**WCPL**"), all of whom were wholly owned subsidiaries of BPI. LHL, TDPL and WCPL previously guaranteed the obligations of BPI to BPI's lenders and guaranteed the obligations of BPI and BP Canada LP to Royalties LP. Each of LHL, TDPL and WCPL previously granted security over all of their assets in support of those guarantees. During the Period and with the consent of BPI's lenders and Royalties LP, BPI voluntarily dissolved each of LJL, TDPL and WCPL into BPI. In conjunction with their voluntary dissolution, BPI assumed all liabilities of LJL, TDPL and WCPL.

Fund Units Outstanding

The following table sets forth a summary of the outstanding Fund Units. BPI owns 100% of the Class B Units and 1% of the ordinary general partner units of Royalties LP. BPI also owns 100% of the Class 2 GP Units, and 100% of the Class 3, Class 4, Class 5 and Class 6 general partnership units of BP Canada LP. The Class B Units and Class 2 GP Units are exchangeable for Fund Units. References to "Class B Additional Entitlements" and "Class 2 Additional Entitlements" in the table below refer to the number of Fund Units into which the Class B Units and Class 2 GP Units, respectively, are exchangeable as of the dates indicated.

Summary of Boston Pizza Royalties Income Fund Units

	Dec. 31, 2021 Excluding Holdback	Dec. 31, 2021 Including Holdback	Feb. 8, 2022 Excluding Holdback	Feb. 8, 2022 Including Holdback	
Units Outstanding					
Total Issued and Outstanding Fund Units	21,521,463	21,521,463	21,521,463	21,521,463	
Class B Additional Entitlements Outstanding					
Class B Additional Entitlements (Excluding Jan. 1, 2022 Adjustment Date)	2,430,823	2,430,823	2,430,823	2,430,823	
Class B Holdback (Excluding Jan. 1, 2022 Adjustment Date)	N/A	--	N/A	N/A	(1)
Class B Additional Entitlements – Issued Jan. 1, 2022	N/A	N/A	--	--	
Class B Holdback – Created Jan. 1, 2022	N/A	N/A	N/A	--	(2)
Class B Holdback – Issued in respect of 2021 after audit	N/A	N/A	--	--	(3)
Total Class B Additional Entitlements	2,430,823	2,430,823	2,430,823	2,430,823	
Class 2 Additional Entitlements Outstanding					
Class 2 Additional Entitlements (Excluding Jan. 1, 2022 Adjustment Date)	831,354	831,354	831,354	831,354	
Class 2 Holdback (Excluding Jan. 1, 2022 Adjustment Date)	N/A	--	N/A	N/A	(1)
Class 2 Additional Entitlements – Issued Jan. 1, 2022	N/A	N/A	--	--	
Class 2 Holdback – Created Jan. 1, 2022	N/A	N/A	N/A	--	(2)
Class 2 Holdback – Issued in respect of 2021 after audit	N/A	N/A	--	--	(3)
Total Class 2 Additional Entitlements	831,354	831,354	831,354	831,354	
Summary					
Total Issued and Outstanding Fund Units	21,521,463	21,521,463	21,521,463	21,521,463	
Total Additional Entitlements	3,262,177	3,262,177	3,262,177	3,262,177	
Total Diluted Units	24,783,640	24,783,640	24,783,640	24,783,640	
BPI's Total Percentage Ownership	13.2%	13.2%	13.2%	13.2%	

(1) Additional Entitlements from the two New Restaurants and 11 Closed Restaurants added to and removed from the Royalty Pool on January 1, 2021 prior to the audit of the Franchise Sales of the two New Restaurants and the determination of the actual effective tax rate paid by the Fund.
(2) There is no Holdback for the adjustment to the Royalty Pool that occurred on January 1, 2022 since BPI did not receive any Additional Entitlements in respect thereof due to a Deficiency existing.
(3) Additional Entitlements from the two New Restaurants and 11 Closed Restaurants added to and removed from the Royalty Pool on January 1, 2021 after the audit of the Franchise Sales of the two New Restaurants and the determination of the actual effective tax rate paid by the Fund.

BPI directly and indirectly holds 100% of the special voting units (the "**Special Voting Units**") of the Fund, which entitle BPI to one vote in respect of matters to be voted upon by Unitholders for each Unit that BPI would be entitled to receive if it exchanged all of its Class B Units and Class 2 GP Units for Fund Units. As of February 8, 2022, BPI was entitled to 3,262,177 votes, representing 13.2% of the aggregate votes held by holders of Fund Units and Special Voting Units. The number of Fund Units that BPI is entitled to receive upon the exchange of its Class B Units and Class 2 GP Units and the number of votes that BPI is entitled to in respect of its Special Voting Units is adjusted periodically to reflect any additional Boston Pizza Restaurant that were added to the Royalty Pool.

LIQUIDITY & CAPITAL RESOURCES

BPI is an entirely franchised business except for three corporate Boston Pizza Restaurants that it currently owns. For 2022, BPI has forecasted capital requirements of approximately $3.5 million, which consist mainly of the development of software applications and digital platforms, computer equipment, and leasehold improvements. BPI believes it has sufficient cash and capital resources to cover forecasted expenditures, capital requirements, commitments and repayments for 2022. BPI constantly monitors its operations and cash flows to ensure that current and future obligations will be met. BPI believes its current sources of liquidity are sufficient to cover its currently known short and long-term obligations. BPI manages its working capital with the Operating Line (defined below), BCAP Loan (defined below) and the BDC Facilities (defined below).

Indebtedness

BPI Credit Facilities

BPI has credit facilities with a Canadian chartered bank (the "**Bank**") in the amount of up to $35.0 million (originally $43.3 million) expiring on December 31, 2022 (the "**Credit Facilities**"). The Credit Facilities are comprised of: (i) a $10 million committed revolving facility to cover BPI's day-to-day operating requirements if needed (the "**Operating Line**"); and (ii) a $25.0 million (originally $33.3 million) committed non-revolving term facility that was used to finance the reorganization of BPI and its shareholders that completed on September 30, 2017 (the "**Term Loan**"). The Credit Facilities bear interest at variable rates, as selected by BPI. In the case of Canadian prime rate loans, the interest rate is equal to the Bank's prime rate plus between 1.50% and 2.50% (depending on the total funded net debt to EBITDA ratio) and, in the case of bankers' acceptances and Canadian dollar offered rate loans, the interest rate is equal to a variable interest rate based on the Bank's bankers' acceptance rates or Canadian dollar offered rates plus between 2.75% and 3.75% (depending on the total funded net debt to EBITDA ratio). The Term Loan and the principal amount drawn on the Operating Line are due and payable upon maturity. The principal amount drawn on the Term Loan must be reduced by quarterly payments, which permanently reduce the amount available under the Term Loan. BPI expects that it will be able to refinance its credit facilities in 2022. This is based on BPI's ability to generate positive cash flow from operations, its history of being able to successfully refinance its debt, and its pro forma Debt to EBITDA Ratio being at a foreseeably manageable level by industry standards.

The Credit Facilities are guaranteed by all of BPI's subsidiaries except BP Canada LP, and BPI and each of those subsidiaries have granted general security over their assets to secure their obligations under the Credit Facilities and such guarantees. No security has been given by BP Canada LP in respect of the Credit Facilities. BPI and each of BPI's subsidiaries (including BP Canada LP) have also granted Royalties LP security over their assets to secure BPI's and BP Canada LP's obligations to pay Royalty and Distributions. The Bank and Royalties LP entered into a second amended and restated priority agreement dated April 11, 2018 to set forth their relative priorities to such security, full details of which are described in the Fund's Annual Information Form dated February 8, 2022, a copy of which is available on www.sedar.com.

The principal financial covenant under the Credit Facilities is that BPI's trailing 12-month EBITDA must not be less than certain specified values and will be tested on a quarterly basis. The first amended and restated credit agreement dated January 24, 2020 between BPI and the Bank, as amended by the first supplemental credit agreement dated June 22, 2020 governing the Credit Facilities contains certain covenants and restrictions, including the requirement for BPI to have sufficient trailing 12-month EBITDA as previously described. A failure of BPI to comply with these covenants and restrictions could entitle the Bank to demand repayment of the outstanding balance drawn on the Credit Facilities prior to maturity. BPI was in compliance with all of its financial covenants and financial condition tests at December 31, 2021. As of December 31, 2021, no amount was drawn on the Operating Line and $25.0 million was outstanding on the Term Loan.

BCAP Loan

On June 22, 2020, the Bank loaned BPI $6.25 million under Export Development Canada's business credit availability program (the "**BCAP Loan**"). The BCAP Loan may be used to provide additional liquidity to finance operations, and may not be used (i) to repay or refinance existing debt obligations, (ii) to make distributions; or (iii) to pay any bonuses or increases to executive compensation. The BCAP Loan has a term of one year, which

may be extended annually at the request of BPI for up to five years subject to compliance with certain requirements. On June 22, 2021, BPI extended the BCAP Loan for one year. The BCAP Loan requires interest only payments for the first year and is repayable in monthly blended payments of principal and interest amortized over four years commencing after the first year of the term, with any remaining balance outstanding being due upon expiry of the term. The BCAP Loan bears interest at the Bank's prime rate plus 2.5% and is subject to an annual fee equal to 1.8% of the total amount of credit available (i.e. $6.25 million). The BCAP Loan is guaranteed by all of BPI's subsidiaries except BP Canada LP, and is secured by the same security that secures the Credit Facilities to the Bank. That security shares priority with the general security agreements granted by BPI and its subsidiaries to the Bank under the Credit Facilities. As of December 31, 2021, $5.5 million was drawn on the BCAP Loan.

BDC Facilities

On July 7, 2020, Business Development Bank of Canada ("**BDC**") loaned BPI $2.0 million under the federal government's COVID-19 relief programs (the "**BDC Facilities**"). The BDC Facilities may be used for working capital purposes, have a term of three years and are repayable in a combination of monthly payments commencing after the first year of the term and a balloon payment upon maturity. The BDC Facilities bear interest at Business Development Bank of Canada's floating base rate (currently 4.55% per annum) less 1.75% (i.e. currently 2.80%). The BDC Facilities are secured by a subordinate charge over all of BPI's assets and are guaranteed by all of BPI's subsidiaries except BP Canada LP. All of BPI's subsidiaries other than BP Canada LP have granted BDC a subordinate charge over all of their assets to support such guarantees. The security held by BDC is subordinate to the security held by the Bank to secure the Credit Facilities with the Bank and the security held by the Fund to secure BPI's obligation to pay Royalty and Distributions. As of December 31, 2021, $1.7 million was drawn on the BDC Facilities.

Acquired Restaurant Credit Facility

In 2016 and 2017, a subsidiary of BPI established a $4.2 million credit facility with the Bank for the purposes of funding a portion of the acquisition cost for a Boston Pizza Restaurant that such subsidiary purchased from a former franchisee of BP Canada LP in June 2016 (the "**Acquired Restaurant**") and making renovations to the Acquired Restaurant. On June 22, 2020, that credit facility was amended, among other things, to reduce the available credit to approximately $3.3 million and change the expiry date to March 31, 2022 (such facility as amended, the "**Acquired Restaurant Credit Facility**"). BPI has guaranteed the Acquired Restaurant Credit Facility to the Bank. As of December 31, 2021, $2.5 million was drawn on the Acquired Restaurant Credit Facility. BPI intends to either refinance or repay this credit facility upon maturity.

Contractual Obligations and Commercial Commitments

A summary of the estimated amount and estimated timing of cash flows related to BPI's contractual obligations and commercial commitments as at December 31, 2021 is as follows:

(in thousands of dollars)	Within 1 year	2 - 3 years	4 - 5 years	Over 5 years	Total	Book Value
Accounts payable, accrued liabilities and income taxes payable	7,821	-	-	-	7,821	7,821
Royalty and distributions payable to the Fund	3,422	-	-	-	3,422	3,422
Debt[1]	30,636	4,921	845	-	36,402	34,689
Other long-term liabilities	-	1,170	-	-	1,170	1,170
Lease commitments[2]	1,175	1,474	1,426	1,748	5,823	4,281
	43,054	7,565	2,271	1,748	54,638	51,383

Note:
1) Includes estimated interest on long-term debt and excludes deferred financing costs of $0.3 million.
2) Represents minimum annual rental payments under lease contracts for office space, restaurants space and equipment.

Cash Flows

Cash Flow from Operating Activities

Period

During the Period, operating activities generated $3.3 million of cash compared to $3.7 million during the fourth quarter of 2020. The decrease in cash generated of $0.3 million during the Period was primarily due to an increase in net income taxes paid and a decrease in net income after adjustments for non-cash items, partially offset by an increase in changes in working capital.

Year

During the Year, operating activities generated $12.3 million of cash compared to $3.9 million in 2020. The increase in cash generated of $8.4 million for the Year was primarily due to an increase in net income after adjustments for non-cash items and an increase in changes in working capital, partially offset by an increase in net income taxes paid.

Cash Flow from Financing Activities

Period

During the Period, financing activities used $2.0 million of cash compared to $1.8 million during the fourth quarter of 2020. The increase in cash used of $0.2 million during the Period was primarily due to an increase in repayment of debt, partially offset by decreased lease obligations paid.

Year

During the Year, financing activities used $8.0 million of cash compared to cash generated of $6.0 million in 2020. The increase in cash used of $14.0 million for the Year was primarily due to proceeds received from capital contribution from BPI's parent company and debt in 2020, higher lease obligations paid for the Year, partially offset by a decrease in repayment of debt and BPI not having to repay the Operating Line and shareholder loan.

Cash Flow from Investing Activities

Period

During the Period, investing activities generated $0.4 million of cash compared to $0.3 million during the fourth quarter of 2020. Cash generated from investing activities typically represents distributions received by BPI on the Class B Units. Cash used from investing activities typically represents purchases of property and equipment as well as intangible assets. The increase in cash generated of $0.1 million during the Period was primarily due to an increase in distributions received on Class B Units, partially offset by an increase in purchases of intangible assets.

Year

During the Year, investing activities generated $1.9 million of cash compared to $0.5 million in 2020. The increase in cash generated of $1.4 million for the Year was primarily due to an increase in distributions received on Class B Units, partially offset by a higher purchase of intangible assets.

Related Party Transactions

BPI's related party balances owing at the end of the period and related party transactions for the Period were as follows:

(in thousands of dollars)	December 31, 2021	December 31, 2020
Accounts receivables due from associated companies	$ 231	$ 2,633
Accounts payable due to associated companies	39	51
Royalty payable to Royalties LP	2,602	4,870
Distributions payable to Holdings LP	820	1,543

(in thousands of dollars)	Q4 2021	Q4 2020	2021	2020
Revenues from a company under common control	$ -	$ 566	$ 503	$ 2,393
Fees charged to the Fund in respect of administrative services (1)	100	100	400	400
Royalty expense to the Fund	7,327	5,862	26,402	24,528
Distribution expense to the Fund	2,423	1,946	8,752	8,114
Management fees paid for services rendered to companies under common control	-	-	-	409
Management fees paid to companies under common control included in compensation expense	-	-	-	216
Additional capital from parent company (2)	-	-	-	10,000

(1) The Fund is considered to be a related party of BPI by virtue of common officers and directors of BPI and Boston Pizza GP Inc., the managing general partner of Royalties LP. The Fund has engaged Royalties LP, its administrator, to provide certain administrative services on behalf of the Fund ("**Administrative Services**"). In turn, certain of the Administrative Services are performed by BPI as a general partner of Royalties LP. Under the terms of the partnership agreement governing Royalties LP, BPI is entitled to be reimbursed for certain out-of-pocket expenses incurred in performing the Administrative Services. The total amount paid to BPI in respect of these services for the Period was $0.1 million (Q4 2020 – $0.1 million). BPI and Royalties LP agreed to limit the annual amount of out-of-pocket expenses for which BPI is entitled to be reimbursed to not more than $0.4 million for each of 2020, 2021 and 2022, with such limit increasing by not more than the percentage change in the Canadian Consumer Price Index (as calculated by Statistics Canada) in the calendar year prior thereafter.

(2) On June 22, 2020, BPI received $5.0 million of capital from its parent company. On September 24, 2020, BPI received $5.0 million of additional capital from its parent company.

Other related party transactions and balances are referred to elsewhere in this MD&A.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the Period, there was no change in BPI's internal control over financial reporting that materially affected, or is reasonably likely to materially affect, BPI's internal controls over financial reporting. BPI complies with the Committee of Sponsoring Organizations of the Treadway Commission Internal Control – Integrated Framework: 2013.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of BPI's consolidated financial statements in accordance with IFRS requires estimates and judgments to be made that affect the reported amounts of assets and liabilities, earnings and expenses, and related disclosures. These estimates are based on historical experience and knowledge of economics, market factors and the restaurant industry along with various other assumptions that are believed to be reasonable under the circumstances.

BPI believes that the following selected accounting policies are critical to understanding the estimates, assumptions and uncertainties that affect the amounts reported and disclosed in BPI's consolidated financial statements and related notes:

Estimate – Investment in Royalties LP

BPI's investment in Royalties LP is principally comprised of the Class B Units. The value of New Restaurants rolled into the Royalty Pool is also recognized within BPI's investment in Royalties LP through BPI's right to receive Class B Additional Entitlements. The value of the Class B Additional Entitlements that BPI will be entitled to as a result of adding New Restaurants to the Royalty Pool is determined on a formula basis that is designed to estimate the present value of the cash flows due to the Fund as a result of the New Restaurants being added to the Royalty Pool. As such, the calculation is dependent on a number of variables including the estimated long-term sales of the New Restaurants and a discount rate. The value of the Class B Additional Entitlements that BPI will be entitled to as a result of adding New Restaurants to the Royalty Pool could differ from actual results and may impact the investment in Royalties LP and deferred gains line items.

Estimate – Accounts Receivable

BPI provides an allowance for uncollectable trade receivables based on a customer-by-customer basis using estimates for past and current performance, aging, arrears status, the level of allowance already in place, and management's interpretation of economic conditions specific to BPI's customer base. If certain judgments or estimates prove to be inaccurate, BPI's results of operations and financial position may be impacted.

Estimate – Class B Units, Class 1 LP Units, and Class 2 LP Units

BPI must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements. BPI's fair value hierarchy comprises the following levels:

- Level 1 – quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – pricing inputs are other than quoted in active markets included in Level 1. Prices in Level 2 are either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable as of the reporting date.
- Level 3 – valuations in this level are those with inputs for the asset or liability that are not based on observable data.

The fair values of the Class B Units, Class 1 LP Units liability and Class 2 LP Units liability are all determined using Level 2 inputs and are measured on a recurring basis.

(i) Class B Units

BPI has elected under IFRS to measure the Class B Units as a financial asset at fair value through profit and loss. This requires that BPI use a valuation technique to determine the value of BPI's investment in BP Royalties LP at each reporting date. The Class B Units are exchangeable for Fund Units, and thus, it is estimated that the value of the Class B Units approximates the number of Fund Units into which they are exchangeable. The Fund estimates the fair value of the Class B Units liability by multiplying the issued and outstanding Class B Additional Entitlements (including Class B Holdback) held by BPI at the end of the period by the closing price of the Fund Units on the last business day of the period.

This valuation technique may not represent the actual value of the financial asset should such units be extinguished and changes in the distribution rate on the Class B Units and the yield of the Fund Units could materially impact BPI's financial position and net and comprehensive income.

(ii) Class 1 LP Units Liability and Class 2 LP Units Liability

The Class 1 LP Units liability and Class 2 LP Units liability are classified as financial liabilities measured at fair value through profit or loss because the entitlements to distributions are considered embedded derivatives to the limited partnership units. BPI measures the Class 1 LP Units liability and Class 2 LP Units liability at fair value using Level 2 inputs, which may result in a fair value adjustment on the BP Canada LP units liability line on the statements of financial position, and the fair value loss (gain) line on the statements of comprehensive income and a corresponding non-cash adjustment line on the statements of cash flows.

The fair value of the Class 1 LP Units liability for BPI mirrors the fair value of the investment in Class 1 LP Units asset recognized by the Fund for any particular period. The Class 1 LP Units are entitled to distributions with respect to the interest payable by the Fund on the credit facility to pay for the Fund's indirect investment in Class 1 LP Units of BP Canada LP. BPI estimates the fair value of Class 1 LP Units liability using a market-corroborated input, being the interest rate on the applicable credit facility. Consequently, BPI estimates the fair value of Class 1 LP Units liability at carrying value adjusted for interest rate risk.

The fair value of the Class 2 LP Units liability for BPI mirrors the fair value of the investment in Class 2 LP Units asset recognized by the Fund for any particular period. The Class 2 LP Units have similar cash distribution entitlements and provisions to the Class 2 GP Units held by BPI, which are exchangeable for Fund Units. The fair value of the Class 2 LP Units is determined using a market approach, which involves using observable market prices for similar instruments. The fair value of the Class 2 LP Units is determined by multiplying the issued and outstanding Class 2 LP Units indirectly held by the Fund at the end of the period by the closing price of a Fund Unit on the last business day of the period.

These valuation techniques may not represent the actual value of the Class 1 LP Units liability and Class 2 LP Units liability should such liabilities be extinguished. Changes in the distribution rates on the Class 1 LP Units and Class 2 LP Units and the yield of Fund Units could materially impact BPI's financial position and net income.

Judgment – Consolidation

Applying the criteria outlined in IFRS 10, judgment is required in determining whether BPI controls Royalties LP and BP Canada LP. Making this judgment involves taking into consideration the concepts of power over Royalties LP and BP Canada LP, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of Royalties LP and BP Canada LP so as to generate economic returns. With respect to Royalties LP, using these criteria, management has determined that BPI does not ultimately control Royalties LP. With respect to BP Canada LP, using these criteria, management has determined that BPI ultimately controls BP Canada LP through its ability to direct relevant activities to generate economic returns from BP Canada LP and its governance as managing general partner of BP Canada LP.

SHORT-TERM OUTLOOK

The information contained in this "Short-Term Outlook" section is forward-looking information. Please see the "Note Regarding Forward-Looking Information" and "Risks & Uncertainties" sections of this MD&A for a discussion of the risks and uncertainties in connection with forward-looking information.

COVID-19 had sudden, unexpected and unprecedented impacts on the general economy, the restaurant industry and has specifically caused significant disruption to the business of the Fund, BPI and BP Canada LP. The focus of BPI's management is to continue to: (i) monitor carefully the continuously evolving COVID-19 situation; (ii) modify the operating procedures of Boston Pizza Restaurants to ensure the safety of guests and staff of BP Canada LP's franchisees; (iii) responsibly and safely operate the dining rooms, sports bars and patios of Boston Pizza Restaurants across Canada as permitted by applicable provincial health authorities; (iv) maximize the opportunity to grow its take-out and delivery business; and (v) review and adapt current and future plans to responsibly address the challenges and opportunities presented by COVID-19.

RISKS & UNCERTAINTIES

Risks Related to the Business of BPI and BP Canada LP

Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy

The Canada Emergency Wage Subsidy ("**CEWS**") was a program that provided a subsidy of up to 75% of remuneration paid by an employer to each eligible employee up to a maximum of $847 per week. The Canada Emergency Rent Subsidy ("**CERS**") was a program available to Canadian businesses, non-profit organizations, or charities who saw a drop in revenue during the COVID-19 pandemic to cover part of their commercial rent or property expenses. The CEWS and CERS programs expired on October 23, 2021. On October 21, 2021, the federal government introduced The Tourism and Hospitality Recovery Program, which will provide additional support to companies in the tourism and hospitality industry experiencing at least a 40% revenue reduction, with the program expected to extend until May 7, 2022. On December 22, 2021, the federal government announced that the Local Lockdown Program lowered the revenue reduction requirement to 25% from 40% for the period December 19, 2021 to February 12, 2022.

A number of Boston Pizza Restaurants were receiving CEWS and/or CERS. Fewer Boston Pizza Restaurants may be eligible for the Tourism and Hospitality Recovery Program than were eligible for CEWS and/or CERS. It is unknown to what extent the replacement of the CEWS and CERS programs with the Tourism and Hospitality Recovery Program will affect the financial condition of Boston Pizza Restaurants. If fewer Boston Pizza Restaurants are eligible to participate in the Tourism and Hospitality Recovery Program than CEWS and/or CERS, it may decrease their profitability, thereby increasing risks of Boston Pizza Restaurants closing.

Supply Chain Disruption / Labour Availability

As economies reopen, the global recovery from the economic impacts of COVID-19 is disrupting supply chains around the world. In addition, multiple economic sectors reopening simultaneously is creating a temporary but significant labour shortage throughout North America. While Boston Pizza currently has a stable supply chain, it is possible that the global supply chain disruption caused by COVID-19 could result in supply interruptions, commodity unavailability or increased commodity costs for Boston Pizza Restaurants. In addition, the current labour shortage may impede Boston Pizza Restaurants' ability to attract and retain sufficient numbers of qualified staff. If Boston Pizza Restaurants are unable to source sufficient raw materials and labour at reasonable prices, it may: (i) limit their ability to generate Franchise Sales; and/or (ii) decrease their profitability, thereby increasing risks of Boston Pizza Restaurants closing.

COVID-19 Risk

On March 11, 2020, World Health Organization declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic has had sudden, unexpected and unprecedented impacts on the general economy, the restaurant industry and has specifically caused significant disruption to the business and revenues of the Fund and BPI. The COVID-19 pandemic has resulted and will continue to result in material declines to Franchise Sales and SRS when compared to the same period prior to COVID-19. The declines in Franchise Sales and SRS will result in significant declines to Royalty and Distributions payable by BPI and BP Canada LP to the Fund when compared to the same period prior to COVID-19. It is unknown if, when and to what extent the Franchise Sales of Boston Pizza Restaurants will return to the levels they were at prior to the emergence of the COVID-19 pandemic. As well, it is unknown how many and how long additional COVID-19 outbreaks, including outbreaks caused by variants of the COVID-19 virus, will last and the extent to which they necessitate further reduced service levels or temporary closures of Boston Pizza Restaurants. Any reduced service levels or temporary closures of Boston Pizza Restaurants will result in further declines to Franchise Sales, SRS, Royalty and Distributions. In addition, it is unknown if and to what extent the COVID-19 pandemic will alter consumer behaviour and demand for casual dining restaurant services.

COVID-19 and the reactions to it, including the possibility that it may result in a prolonged global recession, may also have the effect of exacerbating the potential impact of the other risks disclosed in this Risk & Uncertainties section.

The Restaurant Industry and its Competitive Nature

The performance of the Fund is directly dependent upon the Royalty received from BPI and Distributions received from BP Canada LP. The amount of the Royalty and Distributions received by Royalties LP and Holdings LP from BPI and BP Canada LP, respectively, is dependent on various factors that may affect the casual dining sector of the restaurant industry. The restaurant industry generally, and in particular the casual dining sector, is intensely competitive with respect to price, service, location and food quality. Competitors include national and regional chains, as well as independently owned restaurants. If BPI, BP Canada LP and the Boston Pizza franchisees are unable to successfully compete in the casual dining sector, Franchise Sales may be adversely affected; the amount of the Royalty and Distributions may be reduced and the ability of BPI to pay the Royalty, and the ability of BP Canada LP to pay Distributions, may be impaired. The restaurant industry is also affected by adverse weather conditions, changes in demographic trends, traffic patterns, general economic conditions and the type, number, and location of competing restaurants. In addition, factors such as government regulations, smoking bylaws, inflation, pandemics and national health crises (including COVID-19), publicity from any food borne illnesses, increased food, labour and benefits costs, continuing operations of key suppliers and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and therefore potentially affect Franchise Sales. BPI's and BP Canada LP's success also depends on numerous factors affecting discretionary consumer 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 revenue and operating income, which could adversely affect Franchise Sales, the Royalty, Distributions and the ability of BPI to pay the Royalty to Royalties LP, and the ability of BP Canada LP to pay Distributions to Holdings LP.

Growth of the Royalty and Distributions

The growth of the Royalty payable by BPI to Royalties LP under the License and Royalty Agreement between Royalties LP and BPI (for the license to use the BP Rights in Canada for 99 years, commencing on July 17, 2002), and the growth of Distributions payable by BP Canada LP to Holdings LP, are dependent upon the ability of BPI and BP Canada LP to (i) maintain and grow their franchised restaurants, (ii) locate new restaurant sites in prime locations, and (iii) obtain qualified operators to become Boston Pizza franchisees. BPI and BP Canada LP face competition for restaurant locations and franchisees from their competitors and from franchisors of other businesses. BPI's and BP Canada LP's inability to successfully obtain qualified franchisees could adversely affect their business development. The opening and success of a Boston Pizza Restaurant is dependent on a number of factors, including: availability of suitable sites; negotiations of acceptable lease or purchase terms for new locations; availability, training and retention of management and other employees necessary to staff New Restaurants; adequately supervising construction; securing suitable financing; and other factors, some of which are beyond the control of BPI and BP Canada LP. Boston Pizza franchisees may not have all the business abilities or access to financial resources necessary to open a Boston Pizza Restaurant or to successfully develop or operate a Boston Pizza Restaurant in their franchise areas in a manner consistent with BPI's and BP Canada LP's standards. BPI and BP Canada LP provide training and support to Boston Pizza franchisees, but the quality of franchised operations may be diminished by any number of factors beyond BPI's and BP Canada LP's control. Consequently, Boston Pizza franchisees may not successfully operate restaurants in a manner consistent with BPI's and BP Canada LP's standards and requirements, or may not hire and train qualified managers and other restaurant personnel. If they do not, the image and reputation of BPI and BP Canada LP may suffer, and gross revenue and results of operations of the Boston Pizza Restaurants could decline.

The Closure of Boston Pizza Restaurants May Affect the Amount of Royalty and Distributions

The amount of the Royalty payable to Royalty LP by BPI, and the amount of Distributions payable by BP Canada LP to Holdings LP, are dependent upon the Franchise Sales, which is dependent on the number of Boston Pizza Restaurants that are included in the Royalty Pool and the Franchise Sales of those Boston Pizza Restaurants. Each year, a number of Boston Pizza Restaurants may close and there is no assurance that BPI and BP Canada LP will be able to open sufficient new Boston Pizza Restaurants to replace the Franchise Sales of the Boston Pizza Restaurants that have closed.

BPI and BP Canada LP Revenue

The ability of BPI to pay the Royalty and the ability of BP Canada LP to pay Distributions are dependent on (i) Boston Pizza franchisees' ability to generate revenue and to pay royalties to BP Canada LP, (ii) BP Canada LP's ability to enter into arrangements with suppliers and distributors to generate competitive pricing for franchisees and revenue for BP Canada LP, and (iii) BP Canada LP's receipt of amounts for other franchise fees (including initial and renewal franchise fees). Failure of BP Canada LP to achieve adequate levels of collection from Boston Pizza franchisees or the loss of revenues from arrangements with suppliers and distributors could have a serious effect on the ability of BP Canada LP to pay Distributions and of BPI to pay the Royalty.

Intellectual Property

The ability of BPI and BP Canada LP to maintain or increase Franchise Sales will depend on their ability to maintain "brand equity" through the use of the BP Rights licensed from Royalties LP. If Royalties LP fails to enforce or maintain any of its intellectual property rights, BPI and BP Canada LP may be unable to capitalize on their efforts to establish brand equity. All registered trademarks in Canada can be challenged pursuant to provisions of the *Trademarks Act* (Canada) and if any BP Rights are ever successfully challenged, this may have an adverse impact on Franchise Sales, and therefore on the Royalty and Distributions. Royalties LP owns the BP Rights in Canada. However, it does not own identical or similar trademarks owned by parties not related to BPI or Royalties LP in other jurisdictions. Third parties may use such trademarks in jurisdictions other than Canada in a manner that diminishes the value of such trademarks. If this occurs, the value of the BP Rights may suffer and gross revenue by Boston Pizza Restaurants could decline. Similarly, negative publicity or events associated with such trademarks in jurisdictions outside of Canada may negatively affect the image and reputation of Boston Pizza Restaurants in Canada, resulting in a decline in gross revenue by Boston Pizza Restaurants.

Government Regulation

BPI and BP Canada LP are subject to various federal, provincial and local laws affecting their business. Each Boston Pizza Restaurant is subject to licensing and regulation by a number of governmental authorities, which may include alcoholic beverage control, smoking laws, health and safety and fire agencies. Difficulties in obtaining or failures to obtain the required licenses or approvals could delay or prevent the development of a new Boston Pizza Restaurant in a particular area or restrict the operations of an existing Boston Pizza Restaurant.

Regulations Governing Food Service and Alcoholic Beverages

Boston Pizza Restaurants are subject to various federal, provincial and local government regulations, including those relating to the sale of food and alcoholic beverages. Such regulations are subject to change from time to time. The failure to obtain and maintain these licenses, permits and approvals could adversely affect the operations of a Boston Pizza Restaurant. Typically, licenses must be renewed annually and may be revoked, suspended or denied renewal for cause at any time if governmental authorities determine that the Boston Pizza Restaurant's conduct violates applicable regulations. Difficulties or failures to maintain or obtain the required licenses and approvals could adversely affect existing Boston Pizza Restaurants and delay or result in a decision to cancel the opening of New Restaurants, which would adversely affect BPI's and BP Canada LP's business.

In addition, the ability of Boston Pizza Restaurants to serve alcoholic beverages is an important factor in attracting customers. Alcoholic beverage control regulations require each Boston Pizza Restaurant to apply to provincial or municipal authorities for a license or permit to sell alcoholic beverages on the premises and, in certain locations, to provide service for extended hours and on Sundays. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of Boston Pizza Restaurants, including minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing, inventory control, and handling, storage and dispensing of alcoholic beverages. The failure of BPI, BP Canada LP or a Boston Pizza franchisee to retain a license to serve liquor for a Boston Pizza Restaurant would adversely affect that restaurant's operations. BPI, BP Canada LP or a Boston Pizza franchisee may be subject to legislation in certain provinces, which may provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated

person. BPI and BP Canada LP carry host liquor liability coverage as part of their existing comprehensive general liability insurance. There is no assurance that such insurance coverage will be adequate.

Laws Concerning Employees

The operations of Boston Pizza Restaurants are also subject to minimum wage laws governing such matters as working conditions, overtime and tip credits, as well as rules and regulations regarding the employment of temporary foreign workers. Significant numbers of Boston Pizza 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 Boston Pizza Restaurants' labour costs. In some regions of Canada, Boston Pizza Restaurants employ temporary foreign workers – the supply of labour in such regions could be reduced by regulations concerning the employment of temporary foreign workers.

Sales Tax Regulations

While there are variations in studies about the extent to which sales taxes impact retail sales, the increase in the after-tax price of goods and services has a negative effect on the customer's perception of spending on restaurant dining. Such negative perception can potentially reduce the frequency of guest visits to restaurants, the total amount which guests spend per restaurant visit, or both. Price elasticity appears to have less impact on densely-populated and market-dominant areas such as urban or downtown restaurants. However, as customer perception of disposable spending is adversely affected by increased after-tax prices, Franchise Sales are at risk of declining if retail sales taxes increase.

Franchise Regulation Risk

The complete failure to provide a disclosure document as required by the franchise disclosure laws and regulations of the provinces of British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Prince Edward Island (or the provision of a disclosure document that is materially non-compliant) provides a franchisee with a two-year absolute right of rescission. If a disclosure document is not provided within the time required by applicable provincial legislation, a franchisee is provided with sixty days from receipt of the disclosure document in which to rescind the franchise agreement. The statutory right of rescission gives a franchisee the right to receive back all monies paid, and to recover for its losses, if any. Franchise legislation also provides a franchisee with a statutory right of action to sue if a franchisee suffers a loss because of a misrepresentation contained in the disclosure document, or as a result of the franchisor's failure to comply with its disclosure obligations. These rights are in addition to any rights that might exist at common law. Claims arising from any non-compliance with franchise disclosure laws may adversely affect the ability of BP Canada LP to pay Distributions to Holdings LP, and of BPI to pay the Royalty to Royalties LP.

Potential Litigation and Other Complaints

BPI, BP Canada LP and Boston Pizza franchisees may be the subject of complaints or litigation from guests alleging food related illness, injuries suffered on the premises or other food quality, health or operational concerns. Adverse publicity resulting from such allegations may materially affect the sales by Boston Pizza Restaurants, regardless of whether such allegations are true or whether BPI, BP Canada LP or a Boston Pizza franchisee is ultimately held liable.

Insurance

BPI and BP Canada LP maintain insurance coverage to protect them from liabilities they incur in the course of their business. There is no assurance that such insurance coverage will respond to, or be adequate to protect them from, such liabilities. Additionally, in the future, BPI's and BP Canada LP's insurance premiums may increase and they may not be able to obtain similar levels of insurance on reasonable terms or at all. Any substantial inadequacy of, or inability to obtain insurance coverage could materially adversely affect BPI's and BP Canada LP's business, financial condition and results of operations. Furthermore, there are types of losses BPI or BP Canada LP may incur that cannot be insured against or that are not economically reasonable to insure. Such losses could have a material adverse effect on BPI's and BP Canada LP's business and results of operations.

Dependence on Key Personnel

The success of the Fund depends upon the personal efforts of senior management of BPI, including their ability to retain and attract appropriate franchisee candidates. The loss of the services of such key personnel or the failure to attract such franchisees could have a material adverse effect on the performance of the Fund.

Security of Confidential Consumer Information and Personal Information

BPI, BP Canada LP and Boston Pizza franchisees collect and/or use confidential consumer information related to the electronic processing of credit and debit card transactions, personal information of consumers in connection with Boston Pizza's "MyBP" loyalty platform and personal information of their respective employees. If any of BPI, BP Canada LP or Boston Pizza franchisees experiences a security breach in which any of this type of information is stolen or disclosed, BPI, BP Canada LP or Boston Pizza franchisees may incur unanticipated costs, become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and/or become subject to lawsuits or other proceedings relating to these types of incidents. In addition, most provinces have enacted legislation requiring notification of security breaches involving personal information, including credit and debit card information. Any such claims or proceedings could cause BPI or BP Canada LP to incur significant unplanned expenses, which could have an adverse impact on their financial condition and results of operations. Furthermore, adverse publicity resulting from these allegations may have a material adverse effect on Franchise Sales, Royalty, Distributions and the ability of BP Canada LP to pay Distributions to Holdings LP, or BPI to pay the Royalty to Royalties LP.

Reliance on Technology

BPI, BP Canada LP and Boston Pizza franchisees rely heavily upon information systems, including point-of-sale processing in Boston Pizza Restaurants, for management of their supply chain, payment of obligations, collection of cash, credit and debit card transactions and other processes and procedures, including the taking and sending of orders to Boston Pizza Restaurants. BPI's and BP Canada LP's ability to efficiently and effectively manage their business depends significantly on the reliability and capacity of these systems. BPI's and BP Canada LP's operations depend upon their ability to protect their computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive problems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, expanding BPI's and BP Canada LP's systems as they grow or a breach in security of these systems could result in delays in customer service and reduced efficiency in BPI's and BP Canada LP's operations. Remediation of such problems could result in significant, unplanned capital investments.

Leverage Risks

Refinancing Risk – BPI has third-party debt service obligations under the Credit Facilities, BCAP Loan, BDC Facilities and Acquired Restaurant Credit Facility. The degree to which BPI is leveraged could have important consequences to Unitholders, including: (i) a portion of BPI's cash flow from operations could be dedicated to the payment of the principal of and interest on BPI's indebtedness, thereby reducing funds available for payment of the Royalty; and (ii) certain of BPI's borrowings are at variable rates of interest. The Credit Facilities are due on December 31, 2022, at which time BPI will need to refinance such loans. There can be no assurance that refinancing of this indebtedness will be available to BPI, or available to BPI on acceptable terms. If BPI cannot refinance this indebtedness on acceptable terms upon maturity, it will negatively impact the ability of BPI to pay Royalty. Given the Fund's dependence upon BPI, this will negatively impact the Fund's distributable cash and the Fund's ability to make distributions on Fund Units. BPI's ability to make scheduled payments of principal or interest on, or to refinance, its indebtedness depends on future cash flows, which is dependent on the success of Boston Pizza Restaurants, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

Restrictive Covenants – The Credit Facilities contain numerous restrictive covenants that limit the discretion of BPI's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of BPI to incur additional indebtedness, to create liens or other encumbrances, to pay distributions or

make certain other payments, investments, loans and guarantees, to sell or otherwise dispose of assets, to allow a change of control, and to merge or consolidate with another entity. A failure by BPI to comply with the obligations in the Credit Facilities could result in an event of default which, if not cured or waived, could result in the acceleration of the relevant indebtedness. If the indebtedness under the Credit Facilities were to be accelerated, there can be no assurance that BPI's assets would be sufficient to repay that indebtedness. If BPI were unable to repay that indebtedness, it would adversely affect BPI's ability to pay the Royalty, and thereby negatively impacting the Fund's distributable cash and the Fund's ability to make distributions on Fund Units.

Interest Rate Risks – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. BPI is exposed to interest rate risk primarily through its long-term borrowings. Variations in interest rates could result in significant changes in the amount required by BPI to be applied to debt service that could negatively impact BPI's ability to pay Royalty. BPI monitors its exposure to interest rate risk by monitoring the fluctuation in the bankers' acceptance rates, prime interest rate and evaluates interest rate swaps when necessary.

Risks Related to Debt of Franchisees – Numerous franchisees of BP Canada LP have third-party debt service obligations under various credit arrangements with their lenders. The degree to which franchisees of BP Canada LP are leveraged and the extent to which such franchisees are exposed to interest rate risk could impact the amount of cash such franchisees are required to spend on debt service. This in turn could negatively impact the ability of such franchisees to pay BP Canada LP royalty and Advertising Fund contributions and may increase the probability of Boston Pizza Restaurants closing. As well, any failure of franchisees of BP Canada LP to either comply with the agreements governing their third-party debt service obligations or to repay or refinance such debt upon maturity could negatively impact the ability of such franchisees to pay BP Canada LP royalty and Advertising Fund contributions and may increase the probability of Boston Pizza Restaurants closing.

ADDITIONAL INFORMATION

Additional information relating to BPI, the Fund, Royalties LP, Boston Pizza GP Inc., BPCHP, Boston Pizza Holdings Trust, Holdings LP, Boston Pizza Holdings GP Inc. and BP Canada LP, including the Fund's Annual Information Form dated February 8, 2022, is available on SEDAR at www.sedar.com and on the Fund's website at www.bpincomefund.com.

NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain information in this MD&A constitutes "forward-looking information" that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of BPI, the Fund, Boston Pizza Holdings Trust, Royalties LP, Holdings LP, Boston Pizza Holdings GP Inc., Boston Pizza GP Inc., BPCHP, BP Canada LP, Boston Pizza Restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this MD&A, forward-looking information may include words such as "anticipate", "estimate", "may", "will", "should", "expect", "believe", "plan", "forecast" and other similar terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this MD&A.

Forward-looking information in this MD&A includes, but is not limited to, such things as:

All statements, other than statements of historical facts, included herein that address events or developments that management of BPI expects or anticipates will or may occur in the future are forward-looking information. Forward-looking information in this MD&A includes, but is not limited to, such things as:

- future distributions and dates distributions are to be paid or payable;
- how changes in distributions will be implemented;
- how distributions will be funded;
- continued material declines in Franchise Sales and SRS compared to the pre-COVID-19 pandemic time period;

- Boston Pizza Restaurants will close for two to three weeks to complete a renovation and experience an incremental sales increase in the year following the re-opening;
- impact of seasonality on Franchise Sales;
- the "Four Pillars" strategy will continue to focus BPI's and BP Canada LP's efforts to develop new markets and strengthen Boston Pizza's position as Canada's number one casual dining brand;
- estimates relating to the amount and timing of cash flows related to BPI's contractual obligations and commercial commitments;
- adjustments to Additional Entitlements that are to occur in the future and when such adjustments will occur;
- belief that BPI has sufficient cash and capital resources for 2022, and that its current sources of liquidity are sufficient to cover its currently known short and long-term obligations;
- BPI constantly monitoring its operations and cash flows to ensure that current and future obligations will be met;
- BPI's plans to refinance the Credit Facilities before maturity on December 31, 2022;
- that BPI's strategy is to divest itself from the remaining three corporately owned Boston Pizza Restaurants and exclusively focus on strengthening the brand and its franchised business;
- that the global supply chain disruption caused by COVID-19 could result in supply chain interruptions, commodity unavailability or increased commodity costs for Boston Pizza Restaurants;
- that the current labour shortage may impede Boston Pizza Restaurants' ability to attract and retain sufficient numbers of qualified staff;
- that fewer Boston Pizza Restaurants may be eligible for the Tourism and Hospitality Recovery Program than were eligible for CEWS and/or CERS;
- the federal government's reduction of the revenue requirement for the Local Lockdown Program;
- that in the event Boston Pizza Restaurants are unable to source sufficient raw materials and labour at reasonable prices, it may (i) limit their ability to generate Franchise Sales; and/or (ii) decrease their profitability, increasing risks of Boston Pizza Restaurants closing;
- BPI and BP Canada LP aggressively enhancing and promoting the Boston Pizza brand;
- that BPI intends to either refinance or repay the Acquired Restaurant Credit Facility upon its maturity; and
- BPI continuing to: (i) monitor carefully the continuously evolving COVID-19 situation; (ii) modify the operating procedures of Boston Pizza Restaurants to ensure the safety of guests and employees of BP Canada LP's franchisees; (iii) responsibly and safely re-open the dining rooms and sports bars of Boston Pizza Restaurants across Canada as permitted by applicable provincial health authorities; (iv) maximize the opportunity to grow its take-out and delivery business; and (v) review and adapt current and future plans to responsibly address the challenges and opportunities presented by COVID-19.

The forward-looking information disclosed herein is based on a number of assumptions including, among other things:

- absence of amendments to material contracts;
- no strategic changes of direction occurring;
- absence of changes in law;
- protection of BP Rights;
- pace of commercial real estate development;
- franchisees' access to financing;
- franchisees duly paying franchise fees and other amounts;
- there will be no closures of Boston Pizza Restaurants that materially affect the amount of Royalty paid by BPI to Royalties LP or the amount of Distributions paid by BP Canada LP to Holdings LP**;**
- future results being similar to historical results;
- expectations related to future general economic conditions;
- management of BPI and BP Canada LP maintaining current strategies to drive higher guest traffic and higher average guest cheques;
- Boston Pizza Restaurants maintaining operational excellence;
- culinary innovation and menu re-pricing;
- continuing operations of key suppliers;
- availability of experienced management and hourly employees;
- ability to obtain qualified franchisees;

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- ability to locate new restaurant sites in prime locations;
- ability to open sufficient New Restaurants to replace Franchise Sales of Closed Restaurants;
- ability to comply with disclosure obligations under franchise laws and regulations;
- ability to obtain adequate insurance coverage;
- ability to enter into arrangements with suppliers and distributors to generate competitive pricing for franchisees and revenue for BP Canada LP;
- ability to refinance or repay the Acquired Restaurant Credit Facility upon maturity;
- ability to cover forecasted expenditures, capital requirements, commitments and repayments for 2021;
- current sources of liquidity are sufficient to cover currently known short and long term obligations;
- COVID-19 will continue to negatively impact Boston Pizza dining rooms and sports bars across Canada;
- COVID-19 and its related restrictions will continue to dissipate.
- estimates and judgements used in accounting based on historical experiences, knowledge of economics, market factors and restaurant industry; and
- franchisees' ability to operate restaurants in a manner consistent with BP's standards.

This forward-looking information involves a number of risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by the forward looking information contained herein including, but not limited to:

- competition;
- consumer spending habits;
- consumer confidence in the retail sector;
- household debt;
- weather;
- pricing;
- changes in demographic trends;
- changes in consumer preferences and discretionary spending patterns;
- changes in national and local business and economic conditions;
- legislation and government regulation;
- cash distributions are not guaranteed;
- accounting policies and practices;
- the results of operations and financial conditions of franchisees, BPI and the Fund;
- inflation and interest rates;
- publicity from any food borne illness;
- increase in food, labour or benefits costs;
- Boston Pizza Restaurant closures;
- successful challenge of the BP Rights;
- inadequacy of insurance coverage, increases to insurance premiums, and restrictive conditions of insurance policies;
- increases in sales tax;
- litigation against franchisees;
- inability to attract and retain key personnel;
- data security breaches and technological failures;
- pandemics and national health crises, in particular COVID-19;
- government restrictions with respect to the operation of Boston Pizza dining rooms and sports bars across Canada, including the implementation of vaccine card and vaccine passport systems, and their impact on Franchise Sales and SRS; and
- the replacement of the CEWS and CERS programs with the Tourism and Hospitality Recovery Program, and the effect it will have on the financial condition of Boston Pizza Restaurants.

The foregoing list of factors is not exhaustive and should be considered in conjunction with the risks and uncertainties set out in this MD&A and the MD&A of the Fund for the period and year ended December 31, 2021.

This MD&A discusses some of the factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking information. Forward-looking information is provided as of the date hereof and, except as required by law, BPI assumes no obligation to update or revise forward-looking information to reflect new events or circumstances.

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Boston Pizza International Inc.,

Opinion

We have audited the consolidated financial statements of Boston Pizza International Inc. ("BPI"), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020
- the consolidated statements of comprehensive (loss) income for the years then ended
- the consolidated statements of changes in shareholder deficiency for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of BPI as at end of December 31, 2021 and December 31, 2020, and its consolidated financial performance, and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of BPI in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report.

If, based on the work we have performed on this other information we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing BPI's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate BPI or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing BPI's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.
We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BPI's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BPI's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause BPI to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is Michael J. Kennedy.

Chartered Professional Accountants

KPMG LLP

February 8, 2022

Vancouver, Canada

BOSTON PIZZA INTERNATIONAL INC.
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	December 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 18,827	$ 12,727
Accounts receivable *(note 4)*	4,739	10,338
Prepaid expenses and other current assets	821	1,068
Advertising fund restricted assets	12,428	11,009
Interest receivable from Boston Pizza Royalties Limited Partnership	265	911
	37,080	36,053
Long-term receivables *(note 4)*	89	220
Investment in Boston Pizza Royalties Limited Partnership *(note 5)*	37,556	26,321
Property and equipment *(note 6)*	8,784	12,798
Intangible assets *(note 7)*	5,321	5,733
Deferred income taxes *(note 14)*	65,969	66,704
Total assets	$ 154,799	$ 147,829
Liabilities and Shareholder Deficiency		
Current liabilities		
Accounts payable and accrued liabilities	7,417	7,200
Income tax payable	243	172
Royalty and distributions payable to the Fund	3,422	6,413
Deferred revenue	2,123	2,199
Debt *(note 8)*	29,137	3,803
Lease obligation *(note 9)*	879	1,607
Advertising fund restricted liabilities	11,276	12,369
	54,497	33,763
Deferred revenue	3,716	4,402
Debt *(note 8)*	5,214	34,387
Lease obligation *(note 9)*	3,402	5,257
Advertising fund restricted liabilities	4,848	4,221
Other long-term liabilities	1,170	947
Boston Pizza Canada Limited Partnership units liability *(note 10)*	117,606	92,400
Deferred gain *(note 11)*	224,847	227,668
Total liabilities	415,300	403,045
Shareholder deficiency		
Share capital	38,248	38,248
Accumulated deficit	(298,749)	(293,464)
	(260,501)	(255,216)
Total liabilities and shareholder deficiency	$ 154,799	$ 147,829

Subsequent events *(note 20)*

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board:

James Treliving, Director

BOSTON PIZZA INTERNATIONAL INC.
Consolidated Statements of Comprehensive (Loss) Income
For the years ended December 31, 2021 and 2020
(Expressed in thousands of Canadian dollars, except per share data)

		2021		2020
Revenue				
Franchise, restaurant and other	$	70,346	$	67,520
Advertising fund revenue		19,974		18,555
		90,320		86,075
Royalty expense *(note 17)*		26,402		24,528
Distribution expense *(note 10 and 17)*		8,752		8,114
Restaurant operating costs		4,625		7,559
Compensation expense *(note 4 and 17)*		14,672		14,907
Advertising fund expense		18,091		16,819
Other expenses *(note 16)*		3,965		8,221
Depreciation and amortization *(note 6 and 7)*		5,008		5,799
Management fee *(note 17)*		-		409
Amortization of deferred gain *(note 11)*		(2,827)		(2,826)
Operating expenses		78,688		83,530
Earnings before interest, fair value loss (gain) and taxes		11,632		2,545
Interest income from Boston Pizza Royalties Limited Partnership		(2,506)		(2,085)
Interest on payables owed to the Fund		89		138
Interest on debt and financing fees		1,996		1,906
Interest on lease obligations *(note 9)*		306		427
Net interest (income) expense		(115)		386
Fair value (gain) loss on investment in Boston Pizza Royalties Limited Partnership *(note 5)*		(11,229)		6,382
Fair value loss (gain) on Boston Pizza Canada Limited Partnership units liability *(note 10)*		25,206		(14,349)
Total fair value loss (gain)		13,977		(7,967)
(Loss) earnings before income taxes		(2,230)		10,126
Current income tax expense *(note 14)*		2,320		574
Deferred income tax expense *(note 14)*		735		1,740
Total tax expense		3,055		2,314
Net and comprehensive (loss) income	$	(5,285)	$	7,812
Basic and diluted (loss) earnings per share	$	(53.88)	$	79.64

The accompanying notes are an integral part of these consolidated financial statements.

BOSTON PIZZA INTERNATIONAL INC.
Consolidated Statements of Changes in Shareholder Deficiency
(Expressed in thousands of Canadian dollars)

		Share Capital		Accumulated Deficit		Total Deficiency
Balance – December 31, 2020	$	38,248	$	(293,464)	$	(255,216)
Net and comprehensive loss for the period		-		(5,285)		(5,285)
Balance – December 31, 2021	$	38,248	$	(298,749)	$	(260,501)
Balance – December 31, 2019	$	28,248	$	(301,276)	$	(273,028)
Contribution of share capital *(note 11)*		10,000		-		10,000
Net and comprehensive income for the period		-		7,812		7,812
Balance – December 31, 2020	$	38,248	$	(293,464)	$	(255,216)

(Expressed in thousands of Canadian dollars)
(in thousands of Canadian dollars, except where noted)

	2021	2020
Cash flows generated from (used in)		
Operating activities		
Net and comprehensive (loss) income	$ (5,285)	$ 7,812
Adjustments for:		
Depreciation and amortization *(notes 6 and 7)*	5,008	5,799
Current income tax expense *(note 14)*	2,320	574
Deferred income tax expense *(note 14)*	735	1,740
Amortization of deferred gain *(note 12)*	(2,827)	(2,826)
Bad debt expense (note 16)	450	2,820
Impairment of property and equipment and intangible assets	718	156
Fair value (gain) loss on investment in Boston Pizza Royalties Limited Partnership *(note 5)*	(11,229)	6,382
Fair value loss (gain) on Boston Pizza Canada Limited Partnership units liability *(note 10)*	25,206	(14,349)
Interest income from Boston Pizza Royalties Limited Partnership	(2,506)	(2,085)
Interest on payables owed to the Fund	89	138
Interest on debt and financing fees	1,996	1,906
Interest on lease obligations	306	427
Change in non-cash operating items *(note 18(a))*	(473)	(4,641)
Income tax paid	(2,363)	(573)
Income tax received	114	631
Net cash generated from operating activities	12,259	3,911
Financing activities		
Proceeds from capital contribution *(note 17)*	-	10,000
Proceeds from long-term debt	-	8,250
Repayment of debt	(4,160)	(7,382)
Repayment of shareholder loan payable	-	(303)
Repayment of revolving facility	-	(801)
Payment of debt financing fees	-	(286)
Payment of lease obligations *(note 9)*	(1,756)	(1,406)
Interest paid on debt, revolving facility, and leases	(2,105)	(2,110)
Net cash (used in) generated from financing activities	(8,021)	5,962
Investing activities		
Interest received from investment in Boston Pizza Royalties Limited Partnership	3,152	1,510
Purchase of property and equipment, net *(note 18(b))*	(72)	(141)
Purchase of intangible assets, net *(note 18(b))*	(1,218)	(841)
Net cash generated from investing activities	1,862	528
Increase in cash and cash equivalents	6,100	10,401
Cash and cash equivalents – beginning of year	12,727	2,326
Cash and cash equivalents – end of year	$ 18,827	$ 12,727

Supplemental cash flow information *(note 18)*
The accompanying notes are an integral part of these consolidated financial statements.

1. General information:

(a) Organization:

Boston Pizza International Inc. was incorporated on May 26, 1982 under the laws of British Columbia and continued under the *Canada Business Corporations Act* on August 26, 2002. The principal business office is located at 10760 Shellbridge Way, Richmond, BC.

These consolidated financial statements include the accounts of Boston Pizza International Inc., its wholly-owned subsidiaries Lansdowne Holdings Ltd. ("**LHL**"), Winston Churchill Pizza Ltd. ("**WCPL**"), Laval Corporate Training Centre Inc., Front & John Pizza Ltd., Stadium District Pizza Ltd., Theatre District Pizza Ltd. ("**TDPL**"), Boston Pizza Canada Holdings Partnership ("**BPCHP**") and Boston Pizza Canada Holdings Inc. ("**BPCHI**"), and the accounts of Boston Pizza Canada Limited Partnership ("**BP Canada LP**"), collectively the "**Company**" or "**BPI**". James Treliving Holdings Ltd. ("**JTHL**") is the sole shareholder of the Company, owning 100% of BPI. BPI closed two corporately owned Boston Pizza Restaurants in 2021 and previously sold one Boston Pizza Restaurant in 2018. These restaurants had been operated by wholly owned subsidiaries LHL, TDPL and WCPL. During the year, BPI voluntarily dissolved each of LJL, TDPL and WCPL into BPI.

BPI pays Boston Pizza Royalties Income Fund (the "**Fund**") a royalty of 4.0% of Franchise Sales (defined below) of Boston Pizza Restaurants in the Royalty Pool (the "**Royalty**"). The Fund, through its indirect investment in BP Canada LP is entitled to receive a distribution (the "**Distribution**") equal to 1.5% of Franchise Sales of Boston Pizza Restaurants in the Royalty Pool (the "**Franchise Sales Participation**") less the pro rata portion payable to BPI in respect of its retained interest in the Fund. BP Canada LP, a British Columbia limited partnership controlled and operated by BPI, is the exclusive franchisor of the Boston Pizza concept in Canada.

(b) Nature of operations:

The Company's principal business activity is the operation and franchising of Boston Pizza restaurants in Canada. As at December 31, 2021, 383 Boston Pizza restaurants were in operation (December 31, 2020 – 387).

On March 11, 2020, the World Health Organization declared the new coronavirus disease ("COVID-19") outbreak a pandemic. COVID-19 had significant adverse effects on the business of the Fund, BPI and BP Canada LP during the year. Throughout 2021, the business of Boston Pizza Restaurants in the Royalty Pool varied inversely with the severity of COVID-19 across Canada. In early 2021, various governmental authorities across Canada had imposed assorted restrictions on the operations of restaurants in an attempt to control the spread of COVID-19. The restrictions ranged from limiting operating hours, reductions in permitted hours to serve alcohol, closures of indoor dining rooms and closures of patio dining depending upon the particular regions and times. As COVID-19 case counts declined in February and March of 2021, the business of Boston Pizza Restaurants in the Royalty Pool again improved as the assorted governmental restrictions were eased. However, that improvement was temporary as the third wave of COVID-19 developed shortly thereafter and again various governmental authorities across Canada imposed assorted restrictions on the operations of restaurants in an attempt to control the spread of COVID-19. As the third wave of COVID-19 subsided in May and June of 2021, the business of Boston Pizza Restaurants in the Royalty Pool again improved as the assorted

1. General information (continued):

governmental restrictions were once again eased. As the fourth wave of COVID-19 developed in Canada, the business of Boston Pizza Restaurants again declined as various governmental authorities across Canada again implemented assorted restrictions, including vaccine card or vaccine passport systems that require guests to show proof of vaccination when dining in restaurants.

As at December 31, 2021, the Company has cash and cash equivalents of $18.8 million, positive working capital, not including a $25.0 million term loan which the Company plans to refinance before maturity (refer to *Note 8* for further information), of $7.4 million and $10.0 million of operating line of credit. The Company expects that it will be able to refinance its credit facilities in 2022. This is based on BPI's ability to generate positive cash flow from operations, its history of being able to successfully refinance its debt, and its pro forma Debt to EBITDA Ratio being at a foreseeably manageable level by industry standards. The Company anticipates it will have sufficient liquidity to fund its operations and debt services payments for the foreseeable future.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). These consolidated financial statements were approved by the Director for issue on February 8, 2022.

(b) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(c) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. Significant areas requiring the use of management estimates and judgment are as follows:

Estimates:

- **Investment in Boston Pizza Royalties Limited Partnership ("Royalties LP")**

The investment in Royalties LP is principally comprised of Class B general partner units ("**Class B Units**") and, prior to an internal reorganization of corporate structure in 2017 (the "**Reorganization**"), Class C general partner units ("**Class C Units**"). The value of additional Boston Pizza restaurants rolled into the Royalty Pool (defined below) is also recognized within the Company's investment in Royalties LP through the additional entitlement of Class B Units. Annually, on January 1 (each, an "**Adjustment Date**"), the number of Boston Pizza restaurants in the Royalty Pool on which the

2. Basis of preparation (continued):

(c) Use of estimates and judgments (continued):

Estimates (continued):

Company pays a royalty to the Fund are adjusted to include the sales subject to royalty fees ("**Franchise Sales**") from new Boston Pizza restaurants opened on or before December 31 of the prior year, less Franchise Sales from any Boston Pizza restaurants that have permanently closed during the year. In return for adding this net Franchise Sales to the Royalty Pool, Boston Pizza receives the right to indirectly acquire additional units of the Fund ("**Fund Units**") in respect of its Class B Units (the "**Class B Additional Entitlements**"). BPI receives 80% of the estimated Class B Additional Entitlements on the Adjustment Date with the balance (the "**Class B Holdback**") received once the performance of the new Boston Pizza restaurants and actual effective tax rate of the Fund are known with certainty. As such, the calculation is dependent on a number of variables including the estimated sales of the new Boston Pizza restaurants and a tax rate. The value of the Class B Additional Entitlements as a result of adding new Boston Pizza restaurants to the Royalty Pool could differ from actual results.

- **Class B Unit Fair Value Adjustment**

The Company has elected under IFRS to measure the Class B Units as a financial asset at fair value through profit and loss. This requires that the Company use a valuation technique to determine the value of the Investment in BP Royalties LP at each reporting date (refer to *note 12*).

This valuation technique may not represent the actual value of the financial asset should such units be extinguished and changes in the distribution rate on the Class B Units and the yield of the Fund Units could materially impact the Company's financial position and net and comprehensive income.

- **BP Canada LP Units Liability and Fair Value Adjustment**

The Company has elected under IFRS to measure the Class 1 limited partnership units ("**Class 1 LP Units**") and Class 2 limited partnership units ("**Class 2 LP Units**") of BP Canada LP as financial liabilities at fair value through profit and loss because the entitlements to distributions are considered embedded derivatives to the Class 1 LP Units and Class 2 LP Units. This requires that the Company use a valuation technique to determine the value of the BP Canada LP Units Liability at each reporting date (refer to *note 12*).

This valuation technique may not represent the actual value of the financial liability and could materially impact the Company's financial position and net and comprehensive income.

- **Accounts Receivable**

The Company provides an allowance for uncollectable trade receivables based on a customer-by-customer basis using estimates for past and current performance, aging, arrears status, the level of allowance already in place, and management's interpretation of economic conditions specific to the Company's customer base. If certain estimates prove to be inaccurate, BPI's results of operations and financial position may be impacted.

(in thousands of Canadian dollars, except where noted)

2. Basis of preparation (continued):

(c) Use of estimates and judgments (continued):

Judgment:

- **Consolidation**

Applying the criteria outlined in IFRS 10, judgment is required in determining whether BPI controls Royalties LP. Making this judgment involves taking into consideration the concepts of power over Royalties LP, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of Royalties LP so as to generate economic returns. Using these criteria, management has determined that BPI does not ultimately control Royalties LP.

Applying the criteria outlined in IFRS 10, judgment is required in determining whether BPI controls BP Canada LP. Making this judgment involves taking into consideration the concepts of power over BP Canada LP, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of BP Canada LP so as to generate economic returns. Using these criteria, management has determined that BPI ultimately controls BP Canada LP through its ability to direct relevant activities to generate economic returns from BP Canada LP and its governance as general partner of BP Canada LP.

3. Significant accounting policies:

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

(a) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and financial instruments which are measured at fair value through profit or loss. The Company has the following items measured at fair value:

- Investment in Boston Pizza Royalties Limited Partnership relating to the Class B Units *(note 5)*
- BP Canada LP units liability *(note 10)*

(b) Consolidation:

These consolidated financial statements include the accounts of the following operating entities:

Boston Pizza International Inc. and subsidiaries:	
Lansdowne Holdings Ltd.	100%
Winston Churchill Pizza Ltd.	100%
Laval Corporate Training Centre Inc.	100%
Front & John Pizza Ltd.	100%
Stadium District Pizza Ltd.	100%
Theatre District Pizza Ltd.	100%
Boston Pizza Canada Holdings Partnership	100%
Boston Pizza Canada Holdings Inc.	100%
Boston Pizza Canada Limited Partnership	100%

3. Significant accounting policies (continued):

(b) Consolidation (continued):

The parent company of BPI is JTHL.

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities (including special purpose entities) which the Company controls by having the power to govern the financial and operating policies of such entities so as to obtain economic benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and balances with banks and short-term money investments that are readily convertible to cash with original terms of three months or less.

(d) Advertising Fund:

The Company operates an Advertising Fund (the “**Advertising Fund**”) established to collect and administer funds contributed for use in advertising and promotional programs designed to increase sales and enhance the reputation of the Company and its franchisees. The Company collects 3% of Franchise Sales from franchisees and Company-operated restaurants for contribution to the Advertising Fund. These contributions are used for local, regional and national advertising and research, menu development, promotional and loyalty programs, brand protection, administration of the Gift Card Program, and other administration costs.

The Company reports contributions and expenditures on a gross basis on the Company’s statement of comprehensive income. Advertising Fund contributions received may not equal advertising expenditures for the period due to timing of promotions and this difference is recognized to earnings. To the extent that cumulative advertising contributions temporarily exceed Advertising Fund expenditures, the difference is recognized as an accrual owed by the Advertising Fund. The assets and liabilities held by the Advertising Fund are considered restricted and are recognized as such on the Company’s statement of financial position.

(e) Gift cards:

The Company operates a gift card program (the “**Gift Card Program**”) which allows customers to prepay for future purchases at participating Boston Pizza restaurants by loading a dollar value onto their gift card through cash or credit card, when and as needed.

The purpose of the Gift Card Program is to expand the Boston Pizza brand through increased exposure, as well as to increase Franchise Sales. The restricted cash related to the gift cards recognized in Advertising Fund (defined above) restricted assets represents the prepaid amounts not yet redeemed by customers. These cash balances as well as the outstanding customer obligations for these gift cards are recognized as Advertising Fund restricted assets and liabilities on the consolidated statement of financial position.

3. Significant accounting policies (continued):

(e) Gift cards (continued):

When a customer uses a gift card to purchase product at a corporately owned and operated Boston Pizza restaurant, the restaurant recognizes the revenue from the sale of the product.

When a customer uses a gift card at a franchised restaurant, the Company recognizes revenues, in the form of franchise fees, arising from the sale of the product.

The Advertising Fund recognizes income on unredeemed gift cards ("**Gift Card Breakage**") when it can determine that the likelihood of the gift card being redeemed is remote and that there is no legal obligation to remit the unredeemed gift card value to relevant jurisdictions. The Company determines Gift Card Breakage based on historical redemption patterns. Based on historical information, the likelihood of a gift card remaining unredeemed can be determined 24 months after the gift card is issued. At that time, breakage income is recognized by the Advertising Fund.

(f) Property and equipment:

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate,only when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred.

The Company allocates the amount initially recognized in respect of property and equipment to its significant parts and depreciates each such part. Residual values, methods of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as other expense in the statement of comprehensive income.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

The Company provides for depreciation of property and equipment over their estimated useful lives as follows:

Assets	Basis	Rate
Office furniture and equipment	Declining balance	20 – 30%
Right-of-use assets	Straight-line	term of lease
Leasehold improvements	Straight-line	shorter of term of the lease or useful life

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3. Significant accounting policies (continued):

(g) Intangible assets:

Intangible assets include computer software costs which are amortized on a declining balance basis at a rate of 30% per year and reacquired franchise rights which are amortized over the term of the franchise agreement. Amortization of intangible assets is charged to depreciation and amortization on the statement of comprehensive income.

(h) Income taxes:

Income tax comprises current and deferred taxes. Current tax is the expected tax payable on taxable income for the period, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustments in respect of previous periods.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is primarily provided on temporary differences arising on the investment in Royalties LP, the deferred gain, subsequent additional entitlements, unit sales and non-capital losses.

Deferred income tax assets and liabilities are netted and presented as non-current.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate based on many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expenses in the period that such a determination is made.

(i) Revenue recognition and deferred revenue:

(i) Franchise revenues:

Monthly franchise fee:

Monthly franchise fees are recognized as they are earned.

Franchise fee deposits:

Franchise fee deposits are deferred and recognized net of expenses incurred relating to the sale of the franchise. When the franchise commences operations, the franchise deposits are recognized as franchise revenue and the related costs are included as an expense.

3. Significant accounting policies (continued):

(i) Revenue recognition and deferred revenue (continued):

(i) Franchise revenues (continued):

Franchisee renewal fees:

Franchisee renewal fees related to the franchise agreement are deferred and recognized as revenue over the period of the renewal term.

(ii) Advertising fund revenue:

Monthly advertising fees:

Monthly advertising fund contributions are recognized as they are earned.

Gift card breakage income:

Gift card breakage income is recognized when the likelihood of the gift card being redeemed is remote.

(iii) Corporately owned restaurant revenues:

Corporately owned restaurant revenues are recognized at the time of sale.

(iv) Supplier contributions:

The Company receives supplier contributions from franchisee suppliers to be used for various franchise activities. Supplier contributions are recognized as other revenue as they are earned.

(j) Deferred gain:

The gain realized on the sale of the BP Rights is being deferred and amortized over the 99 year term of the license and royalty agreement. Amortization of the gain on BP Rights is recorded as amortization of deferred gain on the statement of comprehensive income. Annually, on January 1, the number of Boston Pizza restaurants in the Royalty Pool on which the Company pays a Royalty to the Fund are adjusted to include Franchise Sales from new Boston Pizza restaurants opened on or before December 31 of the prior year, less Franchise Sales from any Boston Pizza restaurants that have permanently closed during the year. In return for adding this net Franchise Sales to the Royalty Pool, Boston Pizza receives Class B Additional Entitlements and Class 2 Additional Entitlements (defined in *note 10*). The Class B Additional Entitlements are included in the deferred gain.

(k) Financial instruments:

(i) Recognition, classification and measurement:

Financial assets are initially recognized at fair value and subsequently classified as measured at amortized cost, fair value through other comprehensive income ("**FVOCI**"), or fair value through profit and loss ("**FVTPL**").

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(i) Recognition, classification and measurement (continued):

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold the asset to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

Financial liabilities are initially recognized at fair value and subsequently classified as measured at amortized cost or FVTPL. On initial recognition, the Company may irrevocably designate a financial liability at FVTPL when doing so results in more relevant information, because either:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed with its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

For financial assets classified as measured at FVTPL or designated at FVTPL, changes in fair value are recognized in the consolidated statement of comprehensive income. For financial assets classified as measured at FVOCI or an irrevocable election has been made, changes in fair value are recognized in the consolidated statement of comprehensive income. For financial assets and other financial liabilities measured at amortized cost, interest income and interest expense is calculated using the effective interest method and is recognized in the consolidated statement of income.

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(ii) Business model assessment:

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the asset is managed and information is provided to management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated;
- whether the assets are held for trading purposes;
- the risks that affect the performance of the financial assets held within the business model and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sale activity.

(iii) Contractual cash flow characteristics assessment:

In assessing whether the contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition and 'interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

The Company considers the contractual terms of the financial asset and whether the asset contains contractual terms that could change the timing or amount of cash flows such that it would not meet the condition of principal and interest. Contractual terms considered in this assessment include contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms, terms that limit the claim to cash flows from specified assets, and features that modify the consideration from time value of money.

The carrying value of current financial assets and liabilities approximate their fair value due to their short-term nature. The carrying value of long-term receivables approximates fair value as there are no significant changes in credit risk associated with the receivables since recognition. The long-term debt approximates fair value based on prevailing market interest rates in effect.

(l) Impairment of financial assets:

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3. Significant accounting policies (continued):

(l) Impairment of financial assets (continued):

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets.

Financial instruments and contract assets

The Company recognizes loss allowances for expected credit losses ("**ECL**") on:

- financial assets measured at amortized cost;
- debt investments measured at fair value through other comprehensive income; and
- contracted assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which the credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables are measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. ECLs are probability-weighted estimate of credit losses, and credit losses are measured as the present value of cash shortfalls from a financial asset.

The Company determines whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating lifetime ECLs, by considering reasonably available quantitative and qualitative information based on the Company's credit risk experience, forward looking information, and other reasonable estimates.

(m) Impairment of non-financial assets:

Property and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

3. Significant accounting policies (continued):

(n) Earnings per share:

The Company presents basic and diluted earnings per share ("**EPS**") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to the common shareholder of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to the common shareholder and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. There are no dilutive factors affecting EPS for the Company.

(o) Accounting standards and amendments adopted as of January 1, 2021:

(i) The IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – The Interest Rate Benchmark Reform – Phase 2

The amendments introduce a practical expedient to account for a change in the basis for determining contractual cash flows of a financial asset or financial liability that is required by IBOR reform. Under the practical expedient, if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis, then the effective interest rate will be updated to reflect the change. A similar practical expedient applies to lease modifications that are required by IBOR reform. These amendments do not have an impact on the Company's consolidated financial statements.

(o) Accounting standards and amendments adopted as of January 1, 2021 (continued):

(ii) The IASB issued amendments to *IFRS 16 – Leases*, *COVID-19 related rent concessions*

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19, only if certain conditions are met. These conditions state that the rent concession must reduce or defer lease payments originally due on or before June 30, 2021, and that no other substantive changes can be made to other terms and conditions of the lease. These amendments do not have an impact on the Company's consolidated financial statements.

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4. Accounts and other receivables:

		December 31, 2021		December 31, 2020
Trade receivables and other (net of allowance)	$	4,508	$	7,352
Receivables due from associated companies		231		2,633
Government grant receivable		-		353
Total current receivables	$	4,739	$	10,338
Long-term trade receivables and other (net of allowance)		89		220
Total long-term receivables	$	89	$	220

Trade receivables from franchisees are classified as long-term when payment is expected to take longer than twelve months. The Company continues to make every effort to collect all long-term receivable balances, including establishing payment plans with existing franchisees.

The Company is receiving government financial assistance under the Canada Emergency Wage Subsidy ("**CEWS**") and Canada Emergency Rent Subsidy ("**CERS**") programs. During the year ended December 31, 2021, the Company recognized $3.7 million (2020 - $4.8 million) of government financial assistance under the CEWS and CERS programs, all of which was received by December 31, 2021. The government financial assistance received under the CEWS and CERS programs were recognized as a reduction of compensation expense and rent expense in the consolidated statement of net and comprehensive income, respectively. There are no unfulfilled conditions or other contingencies attaching to the amounts received under the program.

The aging of trade receivables and other at the reporting dates is as follows:

		December 31, 2021		December 31, 2020
Current	$	4,153	$	5,906
Past due 1-30 days		193		184
Past due 31-60 days		290		345
Past due 61-90 days		151		272
Past due over 90 days		41		3,851
	$	4,828	$	10,558

The allowance for doubtful accounts was $4.2 million as at December 31, 2021 (December 31, 2020 – $4.6 million) with $2.5 million (December 31, 2020 – $2.1 million) applied against short-term trade receivables and other and $1.7 million against long-term trade receivables and other (December 31, 2020 – $2.5 million). The Company's collections policy is to first apply cash receipts against the oldest outstanding invoices.

(in thousands of Canadian dollars, except where noted)

5. Investment in Boston Pizza Royalties Limited Partnership:

Royalties LP was established to hold the trademarks and trade names used in connection with the operation of Boston Pizza restaurants in Canada (collectively, the "**BP Rights**"). Royalties LP and the Company also entered into a license and royalty agreement to allow the Company the use of the BP Rights for a term of 99 years commencing in 2002, for which the Company pays Royalties LP a Royalty expense, being 4% of the franchise sales of certain restaurants located in Canada (the "**Royalty Pool**").

The investment in Royalties LP is principally comprised of Class B Units. The value of additional Boston Pizza restaurants rolled into the Royalty Pool (as defined in the License and Royalty Agreement between Royalties LP and BPI (the "**License and Royalty Agreement**")) is also recognized within the Company's investment in Royalties LP through the additional entitlement of Class B Units. Annually, on the Adjustment Date, an adjustment is made to add to the Royalty Pool new Boston Pizza restaurants that opened and to remove any Boston Pizza restaurants that permanently closed since the previous Adjustment Date. In return for adding net additional Royalty (as defined in the License and Royalty Agreement) revenue to the Fund, BPI receives Class B Additional Entitlements to indirectly acquire additional units of Fund Units. BPI receives the Class B Holdback once the performance of the new Boston Pizza restaurants and the actual effective tax rate paid by the Fund are known for certain.

It is possible that on an Adjustment Date, the net additional Royalty and Distribution is negative as a result of the estimated Royalty and Distribution expected to be generated by new Boston Pizza restaurants being less than the Royalty and Distribution that is lost from permanently closed Boston Pizza restaurants (the amount by which it is less is the "**Deficiency**"). In such case, the Company would not receive any additional Class B Additional Entitlements, however, nor would the Company lose any of the Class B Additional Entitlements previously received. Rather, on future Adjustment Dates, the Company would be required to make-up the Deficiency by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any further Class B Additional Entitlements.

The investment in Royalties LP is considered an equity interest. The Fund controls the relevant activities of Royalties LP and thus consolidates its financial results. The Class B Units are accounted for as a financial asset which is measured each reporting date at fair value. The value of the investment has exposure to variability as it relates to the Company's ownership of the Class B Units measured at fair value using the closing price of a Fund Unit. The determination of the fair value of the Investment in Royalties LP is described in *note 12*. The statement of comprehensive income includes interest revenue as earned, and the impact of the fair value adjustments on the Class B Units.

5. Investment in Boston Pizza Royalties Limited Partnership (continued):

The investment in Royalties LP is comprised of:

	Issued and outstanding Additional Entitlements	Issued and outstanding Additional Entitlements including Holdback		Class B Unit Entitlement
Balance as at December 31, 2019	2,356,599	2,402,966	$	32,344
Class B Additional Entitlements granted January 1, 2020 [1]	25,978	32,473		440
Adjustment to prior year Class B Additional Entitlements [2]	41,309	(5,058)		(81)
Fair value loss	-	-		(6,382)
Balance as at December 31, 2020	2,423,886	2,430,381	$	26,321
Class B Additional Entitlements granted January 1, 2021 [3]	-	-		-
Adjustment to prior year Class B Additional Entitlements [4]	6,937	442		6
Fair value gain	-	-		11,229
Balance as at December 31, 2021	2,430,823	2,430,823	$	37,556

(1) On January 1, 2020, five new Boston Pizza Restaurants opened during the period from January 1, 2019 to December 31, 2019 were added to the Royalty Pool while six restaurants that closed during 2019 were removed. The Franchise Sales from restaurants added to the Royalty pool on January 1, 2020, net of closures, has been estimated at $1.6 million.

(2) Adjusted for actual performance of five net new Boston Pizza Restaurants added to the Royalty Pool on January 1, 2019 and the actual effective tax rate paid by the Fund in 2019.

(3) On January 1, 2021, two new Boston Pizza Restaurants that opened across Canada between January 1, 2020 and December 31, 2020 were added to the Royalty Pool and the eleven restaurants that permanently closed during 2020 were removed. The estimated net franchise sales from the two new Boston Pizza Restaurants less the eleven Boston Pizza Restaurants that permanently closed is negative $15.2 million. As a result of the Deficiency, the Company did not receive any Class B Additional Entitlements on January 1, 2021.

(4) Adjusted for actual performance of five new Boston Pizza Restaurants added to the Royalty Pool on January 1, 2020 and the six Boston Pizza Restaurants that permanently closed and were removed from the Royalty Pool on January 1, 2020, the actual effective tax rate paid by the Fund in 2020 and the adjustment for the seasonal Boston Pizza Restaurant that re-opened in 2020.

6. Property and equipment:

Cost	Office furniture and equipment	Right-of-use assets	Leasehold improvements	Total
At January 1, 2020	$ 12,590	$ 11,927	$ 13,685	$ 38,202
Adjustments	-	(285)	-	(285)
Additions	205	-	37	242
At December 31, 2020	12,795	11,642	13,722	38,159
Adjustments	-	(827)	-	(827)
Additions	47	-	46	93
Impairment expense	(1,187)	-	(2,338)	(3,525)
At December 31, 2021	$ 11,655	$ 10,815	$ 11,430	$ 33,900

Accumulated Depreciation	Office furniture and equipment	Right-of-use assets	Leasehold improvements	Total
At January 1, 2020	$ 10,186	$ 4,477	$ 7,313	$ 21,976
Depreciation	600	1,537	1,248	3,385
At December 31, 2020	10,786	6,014	8,561	25,361
Depreciation	473	1,304	1,113	2,890
Impairment expense	(1,056)	-	(2,079)	(3,135)
At December 31, 2021	$ 10,203	$ 7,318	$ 7,595	$ 25,116

Net book Value	Office furniture and equipment	Right-of-use assets	Leasehold improvements	Total
At December 31, 2020	$ 2,009	$ 5,628	$ 5,161	$ 12,798
At December 31, 2021	1,452	3,497	3,835	8,784

As at December 31, 2021, the right-of-use assets include a balance of $0.2 million (December 31, 2020 - $0.5 million) in lease incentives which is being amortized over the terms of the leases. Lansdowne Holdings Ltd. closed operations in February 2021 and Theatre District Pizza Ltd. closed operations in June 2021. Related to the closures, property and equipment of $0.4 million were written off as these assets no longer provide any economic benefit to BPI.

7. Intangible assets:

Cost	Computer Software and other	Reacquired Franchise Rights	Total
At January 1, 2020	$ 20,936	$ 2,647	$ 23,583
Additions	1,523	-	1,523
Impairment expense	(240)	-	(240)
At December 31, 2020	22,219	2,647	24,866
Additions	2,033	-	2,033
Impairment expense	-	(633)	(633)
At December 31, 2021	$ 24,252	$ 2,014	$ 26,266

Accumulated Amortization	Computer software and other	Reacquired Franchise Rights	Total
Opening - January 1, 2020	$ 15,516	$ 1,287	$ 16,803
Amortization	1,928	486	2,414
Impairment expense	(84)	-	(84)
Ending - December 31, 2020	17,360	1,773	19,133
Amortization	1,855	263	2,118
Impairment expense	-	(306)	(306)
Ending - December 31, 2021	$ 19,215	$ 1,730	$ 20,945

Net book value (in thousands)	Computer software and other	Reacquired Franchise Rights	Total
At December 31, 2020	$ 4,859	$ 874	$ 5,733
At December 31, 2021	5,037	284	5,321

During the year ended December 31, 2021, the Company recognized impairment expense related to intangible assets with carrying net book value of $0.3 million (December 31 2020 - $0.2 million). The 2021 impairment expense was related to intangible assets held by Theatre Pizza District Ltd. whose operations were closed in June 2021.

(in thousands of Canadian dollars, except where noted)

8. Debt:

The Company's debt consists of the following:

		December 31, 2021		December 31, 2020
Term Loan bearing variable interest at CDOR plus between 2.75% and 3.75% per annum and due in 2022 [(a)]	$	24,999	$	27,666
Acquired Restaurant Credit Facility bearing variable interest at prime plus 1.00% per annum and due in 2022 [(b)]		2,488		2,932
BCAP non-revolving facility bearing variable interest at prime plus 2.50% per annum and due in 2025 [(c)]		5,469		6,250
BDC non-revolving facility bearing variable interest rates less 1.75% per annum (4.55% less 1.75% per annum as at December 31, 2021), and due in 2023 [(d)]		1,733		2,000
Deferred financing fees		(338)		(658)
		34,351		38,190
Current portion of debt		29,449		4,123
Current portion of deferred financing fees		(312)		(320)
	$	5,214	$	34,387

(a) BPI has credit facilities with a Canadian chartered bank (the "**Bank**") in the amount of up to $35.0 million (originally $43.3 million) expiring on December 31, 2022 (the "**Credit Facilities**"). The Credit Facilities are comprised of:

(i) a $10.0 million committed revolving facility to cover BPI's day-to-day operating requirements if needed (the "**Operating Line**"); and

(ii) a $25.0 million (originally $33.3 million) committed non-revolving term facility that was used to finance the reorganization of BPI and its shareholders that completed on September 30, 2017 (the "**Term Loan**").

The amount available under the Term Loan permanently reduces whenever the Company repays principal on that facility.

The Credit Facilities bear interest at variable rates, as selected by BPI, comprised of either or a combination of the Bank's bankers' acceptance rates or Canadian dollar offered rates plus between 2.75% and 3.75%, or the Bank's prime rate plus between 1.50% and 2.50%, depending upon the BPI's total funded net debt to EBITDA ratio. The Term Loan and the principal amount drawn on the Operating Line are due and payable upon maturity. The principal amount drawn on the Term Loan must be reduced by quarterly payments, which permanently reduce the amount available under the Term Loan. BPI plans to refinance its debt before maturity.

8. Debt (continued):

BPI is subject to certain financial covenants and reporting requirements arising from the Credit Facilities. The principal financial covenant under the Credit Facilities is that BPI's trailing 12-month EBITDA must not be less than certain specified values and will be tested on a quarterly basis.

The Credit Facilities under this agreement are guaranteed by BPI's wholly-owned subsidiaries, all of whom have granted security for their obligations under those guarantees. No security has been given by BP Canada LP in respect of the Credit Facilities.

As of December 31, 2021 and December 31, 2020, no amount was drawn on the Operating Line

(b) In addition to the BPI Credit Facilities, one of BPI's wholly-owned subsidiaries has a $3.3 million committed non-revolving term loan that was established to fund a 2016 restaurant purchase and renovations (the "**Acquired Restaurant Credit Facility**"). The maturity date of the Acquired Restaurant Credit Facility is March 31, 2022. Principal payments are required to be made monthly on the facility until the maturity date. The Acquired Restaurant Credit Facility is secured by certain assets of BPI.

(c) BPI has credit facilities with the Bank under the Export Development Canada's business credit availability program (the "**BCAP Loan**") with an original balance of $6.25 million. The BCAP Loan may be used to provide additional liquidity to finance operations and may not be used (i) to pay or refinance existing debt obligations, (ii) to make distributions; or (iii) to pay any bonuses or increase executive compensation, has a term of one year, which may be extended annually at the request of BPI for up to five years subject to compliance with certain requirements. The loan requires interest-only payments for the first year and is repayable in monthly blended payments of principal and interest amortized over four years commencing after the first year of the term (July 2021), with any remaining balance outstanding being due upon expiry of the term. The BCAP Loan bears interest at the Bank's prime rate plus 2.50% and is subject to an annual fee equal 1.80% of the total amount of credit available (i.e. $6.25 million).

The BCAP Loan is guaranteed by all of BPI's subsidiaries except BP Canada LP, and is secured by the same security that secures the BPI Credit Facilities to the Bank. That security shares priority with the general security agreements granted by BPI and its subsidiaries to the Bank under the Credit Facilities.

(d) BPI has credit facilities with the Business Development Bank of Canada ("**BDC**") in the original amount of $2.0 million (the "**BDC Loan**") under the federal government's COVID-19 relief programs. The BDC Loan is being used for working capital purposes, has a term of three years and is repayable in combination of monthly payments commencing May 2021 and a balloon payment upon maturity. The BDC Loan bears interest at BDC's floating base rate (currently 4.55% per annum) less 1.75% (i.e. currently 2.80%).

The BDC Loan is secured by a subordinate charge over all of BPI's assets and are guaranteed by all of BPI's subsidiaries except BP Canada LP. The security held by BDC is subordinate to the security held by the Bank to secure the Credit Facilities with the Bank and the security held by the Fund to secure BPI's obligation to pay Royalty and Distributions.

(in thousands of Canadian dollars, except where noted)

8. Debt (continued):

BPI was in compliance with all of its financial covenants and financial condition tests as of December 31, 2021.

BPI closed two corporately owned Boston Pizza Restaurants in 2021 and previously sold one Boston Pizza Restaurant in 2018. These restaurants had been operated by LHL, TDPL and WCPL, all of whom were wholly owned subsidiaries of BPI. LHL, TDPL and WCPL previously guaranteed the obligations of BPI to BPI's lenders and guaranteed the obligations of BPI and BP Canada LP to Royalties LP. Each of LHL, TDPL and WCPL previously granted security over all of their assets in support of those guarantees. During the Period and with the consent of BPI's lenders and Royalties LP, BPI voluntarily dissolved each of LJL, TDPL and WCPL into BPI. In conjunction with their voluntary dissolution, BPI assumed all liabilities of LJL, TDPL and WCPL.

(e) Principal repayments on long-term debt are as follows:

	December 31, 2021
2022	$ 29,449
2023	2,896
2024 and thereafter	2,344
	$ 34,689

The fair value of the Company's debt was $34.7 million (December 31, 2020 – $38.8 million) based on prevailing market rates that approximate the rate on the Company's debt. The impact of a 1% increase in the variable rate would result in a minimal impact on the fair market value and the statement of comprehensive income.

9. Lease obligations:

The Company's lease obligations are initially measured at the present value of the lease payments that are not paid at the commencement date using the Company's incremental borrowing rate. After initial recognition, the lease liabilities are measured at amortized cost using the effective interest method. The Company's lease obligations consist of:

	December 31, 2021	December 31, 2020
Balance, beginning of year	$ 6,864	$ 8,555
Adjustments	(827)	(285)
Principal payments	(1,756)	(1,406)
Balance, end of year	4,281	6,864
Current portion of lease obligations	879	1,607
Long-term portion of lease obligations	$ 3,402	$ 5,257

Total cash outflow for leases for the year ended December 31, 2021 was $2.1 million which includes $1.8 million of principal payments and $0.3 million in interest for lease obligations. Expenses for leases

9. Lease obligations:

of low-dollar value items are not material. All extension options have been included in the measurement of lease obligations where applicable.

The annual lease obligations for the next five years and thereafter are as follows:

	December 31, 2021	December 31, 2020
Within 1 year	$ 1,175	$ 1,953
2 to 3 years	1,474	2,522
4 to 5 years	1,426	1,547
Over 5 years	1,748	2,219
Total undiscounted lease obligations	$ 5,823	$ 8,241

10. Boston Pizza Canada Limited Partnership units liability:

Limited partnership units

The Class 1 LP Units entitle the Fund to a cash distribution equal to the interest payable on the Fund's Credit Facility D plus 0.05% to a maximum amount of 1.5% of Franchise Sales. The Class 2 LP Units entitle the Fund to a cash distribution equal to 1.5% of Franchise Sales less the Class 1 LP Units distribution amount, less BPI's proportionate share. Refer to *note 12* for the fair value calculation of the BP Canada LP Unit Liability.

The BP Canada LP units liability is comprised of:

	Issued and outstanding LP Units	Investment in BP Canada LP
Class 1 LP Units		
Class 1 LP Units at December 31, 2021 and 2020	1,000	$ 33,314
Class 2 LP Units		
Class 2 LP Units at December 31, 2020	5,455,762	$ 114,113
Fair value gain on Class 2 LP Units since inception		(55,027)
Balance at December 31, 2020	5,455,762	59,086
Fair value loss on Class 2 LP Units		25,206
Class 2 LP Units balance at December 31, 2021	5,455,762	$ 84,292
Total LP Units balance at December 31, 2021		$ 117,606

General partnership units

BPI receives its proportionate share of the 1.5% of franchise sales of Boston Pizza restaurants in the Royalty Pool through distributions on Class 2 general partnership units ("**Class 2 GP Units**") of BP Canada LP that are exchangeable for Fund Units. These units are eliminated upon consolidation with BP Canada LP. The Company continues to pay the Fund the balance of the Fund's interest in franchise sales of Royalty Pool restaurants in the form of Royalty.

(in thousands of Canadian dollars, except where noted)

10. Boston Pizza Canada Limited Partnership units liability (continued):

The number of Fund Units that the Company is entitled to receive in exchange for its Class 2 GP Units is adjusted periodically to reflect the addition of new Boston Pizza Restaurants to the Royalty Pool (the "**Class 2 Additional Entitlements**", and together with the Class B Additional Entitlements, the "**Additional Entitlements**"), with 80% of the estimated Class 2 Additional Entitlements being received on the Adjustment Date with the balance (the "**Class 2 Holdback**", and together with the Class B Holdback, the "**Holdback**") being received once the performance of the new restaurants and the actual effective tax rate of the Fund are known for certain, similar to adjustments to the Class B Units that the Company holds.

It is possible for a Deficiency to exist on an Adjustment Date (refer to *note 5*). In such case, the Company would not receive any Additional Entitlements, however, nor would the Company lose any of the Additional Entitlements previously received. Rather, on future Adjustments Dates, the Company would be required to make-up the Deficiency by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any further Additional Entitlements.

BPI also has the right to further increase the Fund's Franchise Sales Participation by up to an additional 1.5% of franchise sales of Royalty Pool restaurants (in 0.5% increments) upon meeting certain financial thresholds designed to ensure that the additional Franchise Sales Participation is accretive to the Fund and that BPI retains the financial capacity to satisfy its obligations to the Fund.

As at December 31, 2021, the Company had the right to receive 831,354 (December 31, 2020 – 828,753) Fund Units when it exercises its rights to exchange its Class 2 GP Units into Fund Units.

	Issued and outstanding Class 2 GP Additional Entitlements	Issued and outstanding Class 2 GP Additional Entitlements including Class 2 GP Holdback
Balance at December 31, 2019	803,520	820,908
Class 2 Additional Entitlements granted January 1, 2020[(1)]	9,742	12,177
Adjustment to prior year Class 2 Additional Entitlements[(2)]	15,491	(1,897)
Balance at December 31, 2020	828,753	831,188
Class 2 Additional Entitlements granted January 1, 2021[(3)]	-	-
Adjustment to prior year Class 2 Additional Entitlements[(4)]	2,601	166
Balance at December 31, 2021	831,354	831,354

(1) On January 1, 2020, five new Boston Pizza Restaurants opened during the period from January 1, 2019 to December 31, 2019 were added to the Royalty Pool while six restaurants that closed during 2019 were removed. The Franchise Sales from restaurants added to the Royalty Pool on January 1, 2020, net of closures, has been estimated at $1.6 million.

(2) Adjusted for actual performance of five net new Boston Pizza Restaurants added to the Royalty Pool on January 1, 2019 and the actual effective tax rate paid by the Fund in 2019.

(3) On January 1, 2021, two new Boston Pizza Restaurants opened during the period from January 1, 2020 to December 31, 2020 were added to the Royalty Pool while 11 restaurants that closed during 2020 were removed. The Franchise Sales from restaurants added to the Royalty Pool on January 1, 2021, net of closures has been estimated at negative $15.2 million. As a result of the Deficiency, the Company did not receive any Class 2 GP Additional Entitlements on January 1, 2021.

(4) Adjusted for actual performance of five new Boston Pizza Restaurants added to the Royalty Pool on January 1, 2020 and the six Boston Pizza Restaurant that permanently closed and were removed from the Royalty Pool on January 1, 2020, the actual effective tax rate paid by the Fund in 2020 and the adjustment for the seasonal Boston Pizza Restaurant that re-opened in 2020.

11. Deferred gain:

The gain realized on the sale of BP Rights is being deferred and amortized over the 99 years term of the License and Royalty Agreement. In return for adding net franchise sales to the Royalty Pool, Boston Pizza receives Class B Additional entitlements which are included in the deferred gain. The Class B Additional Entitlements are calculated as 92.5% of the net Franchise Sales added to the Royalty Pool from the net new Boston Pizza Restaurants, multiplied by 4% (being the Royalty that is payable on such net Franchise Sales), multiplied by one minus the effective average tax rate to be paid by the Fund, divided by the yield of the Fund, divided by the weighted average price of a Fund Unit over a specified period. The Company receives 80% of the estimated Class B Additional Entitlements initially with the balance received when the actual full year performance of the new restaurants and the actual effective tax rate of the Fund is known with certainty. Monthly distributions from the Fund are based on full Class B Additional Entitlements and are subject to adjustment early in the next fiscal year when full performance of the restaurants and actual effective tax rate of the Fund is known with certainty. It is possible for a Deficiency to exist where the Company would not receive any Additional entitlements (refer to *note 5*) for the year. In the case of a Deficiency, there will be no amounts added to deferred gain with respect to the year the Deficiency was generated.

	December 31, 2021	December 31, 2020
Balance, beginning of year	$ 227,668	$ 230,135
Additional Entitlements	6	359
Amortization of deferred gain	(2,827)	(2,826)
Balance, end of year	$ 224,847	$ 227,668

The following table summarizes the number of Class B Additional Entitlements received by the Company in return for the net franchise sales added to the Royalty Pool from the net new restaurants on January 1:

	January 1, 2021	January 1, 2020
Restaurants in Royalty Pool	387[(1)]	395
Estimated Franchise Sales from additions to Royalty Pool	$ (15,209)	$ 1,594
Class B Units Additional Entitlement (including Holdbacks) [(1)]	0 units	32,473 units
Class B Holdback (20% of total entitlement) [(2)]	0 units	6,495 units
Adjustment to prior year Class B additional entitlement [(3)]	6,937 units	41,309 units

(1) On January 1, 2021, two new Boston Pizza Restaurants that opened across Canada between January 1, 2020 and December 31, 2020 were added to the Royalty Pool and the eleven restaurants that permanently closed during 2020 were removed. In addition, one seasonal Boston Pizza Restaurant that was believed to have permanently closed in 2019, and accordingly was removed from the Royalty Pool on January 1, 2020, re-opened in 2020. The estimated net franchise sales from the two new Boston Pizza Restaurants less the eleven Boston pIzza Restaurants that permanently closed in negative $15.2 million. This resulted in Deficiency to the Fund of $0.8 million. As a result of the Deficiency, BPI did not receive any Additional Entitlements on January 1, 2021.

(2) Unissued and not eligible for exchange into Fund Units until January 1 of next year.

(3) Adjusted for actual performance of new restaurants added to the Royalty Pool and actual effective tax rate of the Fund.

(in thousands of Canadian dollars, except where noted)

12. Financial Instruments

(a) Financial Assets and Liabilities by Categories and Fair Value Information

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2021 and 2020. Unless otherwise noted, the fair values on the instruments approximate their carrying amount. The Company must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements.

The fair values of the financial instruments carried at fair value have been measured by one of the following valuation methods:

- Level 1 – quoted prices (unadjusted) are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – pricing inputs are other than quoted in active markets included in Level 1. Prices in Level 2 are either directly (that is, as prices) or indirectly (that is, derived from prices) observable as of the reporting date.
- Level 3 – valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

		December 31, 2021	December 31, 2020
Fair value through profit and loss			
Class B Units Investment in Boston Pizza Royalties Limited Partnership (i)	Level 2	37,556	26,321
Class 1 Boston Pizza Canada Limited Partnership units liability (ii)	Level 2	(33,314)	(33,314)
Class 2 Boston Pizza Canada Limited Partnership units liability (iii)	Level 2	(84,292)	(59,086)
Amortized cost			
Cash		$ 18,827	$ 12,727
Accounts receivable		4,828	10,558
Interest receivable from Boston Pizza Royalties Limited Partnership		265	911
Accounts payable and accrued liabilities		(7,417)	(7,200)
Royalty and distribution payable to the Fund		(3,422)	(6,413)
Debt		(34,351)	(38,190)
Lease obligations		(4,281)	(6,864)
Other long-term liabilities		(1,170)	(947)

(i) The Class B Units are exchangeable for an equivalent number of Fund Units, and thus, it is estimated that the fair value of a Class B Unit approximates the fair value of a Fund Unit. The Fund estimates the fair value of its Class B Units Liability by multiplying the issued and outstanding Class B Additional Entitlements (including Class B Holdback) held by BPI at the end

12. Financial Instruments (continued):

(a) Financial Assets and Liabilities by Categories and Fair Value Information (continued)

of the period by the closing price of the Fund Units on the last business day of the period. As at December 31, 2021, the closing price of a Fund Unit was $15.45 (December 31, 2020 – $10.83) while the number of Fund Units BPI would be entitled to receive if it exchanged all of its Class B Units (including Class B Holdback) was 2,430,823 (December 31, 2020 – 2,430,381) resulting in a valuation of Class B Units at a fair value of $37.6 million (2020 – $26.3 million). For the year ended December 31, 2021, the increase of $11.2 million is comprised of $11.2 million in fair value gain and a nominal amount in Additional Entitlements (2020 - $6.4 million in fair value loss offset by $0.4 million in Additional Entitlements). This valuation technique may not represent the actual value of the financial asset should such Class B Units be exchanged.

(ii) The Class 1 LP Units are entitled to distributions with respect to the interest cost incurred on a certain credit facility held by the Fund. Thus, the fair value of the Class 1 LP Units is estimated using a market-corroborated input (interest rate on the credit facility). The Company estimates the fair value of Class 1 LP Units at carrying value adjusted for interest rate risk.

(iii) The Class 2 LP Units have similar cash distribution entitlements and provisions to the Class 2 GP Units held by BPI, which are exchangeable for an equivalent number of Fund Units. The fair value of the Class 2 LP Units is determined using a market approach, which involves using observable market prices for similar instruments. The fair value of the Class 2 LP Units is determined by multiplying the issued and outstanding Class 2 LP Units indirectly held by the Fund at the end of the period by the closing price of a Fund Unit on the last business day of the period. As at December 31, 2021, the closing price of a Fund Unit was $15.45 (December 31, 2020 – $10.83) while the number of issued and outstanding Class 2 LP Units held by the Fund was 5,455,762 (December 31, 2020 – 5,455,762) resulting in a Class 2 LP Units fair value of $84.3 million (December 31, 2020 – $59.1 million). The fair value loss on the Class 2 LP Units Liability for the year ending December 31, 2021 was $25.2 million (2020 – $14.3 million fair value gain).

(b) Financial Instruments and Related Risks

The Company primarily has exposure to interest rate risk, liquidity risk and credit risk as they relate to the Company's identified financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company's financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate cash flow risk primarily on its bank indebtedness, long-term debt subject to floating rates of interest and lease obligations. The Company is exposed to interest rate fair value risk on its lease obligations subject to fixed rate of interest. The Company monitors its exposure to interest rates by monitoring the fluctuation in the bankers' acceptance rates, prime interest rate and evaluates interest rate swaps when necessary. The Company had $34.7 million (December 31, 2020 – $38.8 million) in floating rate debt and $4.3 million in lease obligations (December 31, 2020 – $6.9 million) as at December 31, 2021. The annual impact for every 1% increase in the variable rate would result in an additional interest expense of $0.4 million.

12. Financial Instruments (continued):

(b) Financial Instruments and Related Risks (continued):

Liquidity risk

Liquidity risk results from the Company's potential liability to meet its financial obligations. The Company constantly monitors its operations and cash flows to ensure that its current and future obligations will be met. BPI plans to refinance its Term Loan due in 2022 before its maturity. The Company believes that its current sources of liquidity are sufficient to cover its currently known short and long-term cash obligations (*note 1*).

The maturities of the Company's financial liabilities are as follows:

		December 31, 2021	Maturity		December 31, 2020	Maturity
Accounts payable and accrued liabilities	$	7,417	< 1 year	$	7,200	< 1 year
Current portion of debt		29,137	< 1 year		3,803	< 1 year
Debt		5,214	2022-2025		34,387	2021-2025
Lease obligations		4,281	2022-2030		6,864	2021-2030
Other long-term liabilities		1,170	2022-2024		947	2021-2024

Credit risk

Credit risk is defined as the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash, trade accounts receivable and long-term receivables from companies under common control. The Company's maximum exposure to credit risk is the value of its current and non-current accounts receivable of $9.0 million (December 31, 2020 – $15.1 million). The allowance for doubtful accounts was $4.2 million at December 31, 2021 (December 31, 2020 – $4.6 million).

13. Capital disclosures:

The Company's objectives in managing its liquidity and capital are:

- To safeguard the Company's ability to continue as a going concern
- Provide financial capacity and flexibility to meet its strategic objectives
- To provide an adequate return to shareholders commensurate with the level of risk
- Return excess cash through dividends

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13. Capital disclosures (continued):

The capital of the company consists of items included in shareholder deficiency, deferred gain, and debt, net of cash and cash equivalents as follows:

		December 31, 2021		December 31, 2020
Liquidity:				
Cash	$	18,827	$	12,727
Undrawn credit facilities *(note 8)*		10,000		10,000
Total liquidity	$	28,827	$	22,727
Capitalization:				
Debt	$	34,351	$	38,190
Total debt	$	34,351	$	38,190
Deferred gain	$	224,847	$	227,668
Shareholder deficiency		(260,753)		(255,216)
	$	(35,906)	$	(27,548)

The Company manages its capital mainly through the periodic sales of Class B Units and Class 2 GP Units, accumulated deficit, as well as through the use of short-term financing. The Company maintains formal policies to manage capital. Liquidity and capital structure are managed by adjusting for changes to economic conditions, understanding the underlying risks inherent in its operations and managing the capital requirements to maintain and grow its operations.

The Company is not subject to any statutory capital requirements and has no commitments to sell or otherwise issue common shares.

The Company's credit facility includes a $10.0 million secured line of credit which is subject to certain financial covenants.

The Company's long-term debt includes credit facility agreements that are subject to certain financial covenants *(note 8)*.

14. Income taxes:

Income tax expense as reported differs from the amount that would be computed by applying the combined Federal and Provincial statutory income tax rates to earnings before income taxes. The reasons for the differences are as follows:

		2021		2020
(Loss) Earnings before income taxes	$	(2,230)	$	10,126
Combined Canadian federal and provincial tax rates		26.8%		26.8%
Computed expected tax expense		(598)		2,714
Increased (reduced) by:				
Permanent differences		5		60
Fair value adjustment on BP Canada LP units liability		6,753		(3,845)
Valuation allowance on investment in BP Royalties LP		(2,744)		3,200
Differences from changes in statutory rates and other		(168)		107
Other		(193)		78
Income tax expense	$	3,055	$	2,314

BPI's deferred income tax recovery is primarily comprised of temporary differences related to the following:

		2021		2020
Temporary differences:				
Fair value adjustment on investment in Boston Pizza Royalties Limited Partnership	$	-	$	1,539
Other		735		201
Deferred income tax expense	$	735	$	1,740

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities are:

		December 31, 2021		December 31, 2020
Deferred income tax assets:				
Deferred gain	$	60,243	$	61,013
Deferred revenue		1,413		1,650
Non-capital loss carryforwards		1,883		1,757
Other		2,430		2,284
Deferred income tax asset	$	65,969	$	66,704

The Company believes that it is probable that the results of future operations will generate sufficient taxable income to realize the above noted deferred income tax assets. Deferred tax assets that have not been recognized as part of the above was $0.5 million relating to the deductible temporary difference relating to the fair value adjustment on BP Royalties LP.

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15. Share capital:

The Company has an unlimited number of Common Shares without par value authorized of which 98,087 were issued and outstanding as at December 31, 2021 and 2020.

16. Other expenses:

The following are the components of other expenses:

		December 31, 2021		December 31, 2020
Bad debt expense	$	450	$	2,820
Office, rent and utilities [1]		680		1,381
Impairment of property and equipment and intangible assets [1]		718		156
Marketing and advertising		198		824
Professional fees		369		765
Travel		479		757
Research and development		318		511
Other		753		1,007
	$	3,965	$	8,221

(1) Lansdowne Holdings Ltd. closed operations in February 2021 and Theatre District Pizza Ltd. closed operations in June 2021. Related to the closures, property and equipment of $0.4 million and intangible assets of $0.3 million were written off as these assets no longer provide any economic benefit to BPI (note 6 and note 7). In addition, $0.5 million in closure costs were recorded in Office, rent & utilities and Other expenses.

17. Related party and subsidiary transactions:

The following are components of related party and subsidiary transactions:

		December 31, 2021		December 31, 2020
Accounts receivables due from associated companies	$	231	$	2,633
Accounts payable due to associated companies		39		51
Royalty payable to Royalties LP[1]		2,602		4,870
Distributions payable to Holdings LP[1]		820		1,543

(1) As part of a COVID-19 pandemic recovery plan agreed between BPI and certain of its and the Fund's subsidiaries, BPI delayed the payment of Royalty and Distribution to the Fund in respect of March 2020 to May 2020. The deferred Royalty and Distribution to the Fund bore interest at an annual rate equal to the prime rate for commercial loans offered by the Fund's bank plus 2% and were due and repayable in equal monthly instalments (of blended principal and interest) over 15 months which commenced in September 2020. At December 31, 2021, the deferred amount was fully repaid (December 31, 2020 – deferred amount of $4.1 million).

(in thousands of Canadian dollars, except where noted)

17. Related party and subsidiary transactions (continued):

		2021		2020
Revenues from a company under common control	$	503	$	2,393
Management fees paid for services rendered to companies under common control		-		409
Management fees paid to companies under common control, included in compensation expense		-		216
Key management personnel compensation		4,215		3,182
Royalty expense to the Fund		26,402		24,528
Distribution expense to the Fund		8,752		8,114

18. Supplemental cash flow information:

(a) Change in non-cash operating items:

		2021		2020
Accounts receivable	$	5,280	$	(2,741)
Prepaid expenses and other current assets		56		(225)
Advertising fund restricted assets		(1,419)		(1,842)
Accounts payable and accrued liabilities		(171)		(1,244)
Royalty and distributions payable to Fund		(2,991)		2,484
Advertising fund restricted liabilities		(466)		82
Deferred revenue		(762)		(1,155)
	$	(473)	$	(4,641)

(b) Supplementary information:

		2021		2020
Non-cash transactions:				
Property & equipment additions included in accounts payable	$	(21)	$	(101)
Intangible asset additions included in accounts payable		(624)		(682)
Prepaids transferred to intangible assets as additions		191		-
Amortization of deferred financing fees, net against debt		(320)		(243)
Class B Additional Entitlements received from Royalties LP		6		359
Lease obligation non-cash adjustments		12		-

19. Seasonality:

Boston Pizza Restaurants experience seasonal fluctuations in Franchise Sales, which are inherent in the full service restaurant industry in Canada. Seasonal factors such as tourism and better weather allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters compared to the first and fourth quarters.

20. Subsequent events:

(a) On January 1, 2022, the four Boston Pizza restaurants that permanently closed during 2021 were removed from the Royalty Pool. Accordingly, the total number of restaurants in the Royalty Pool decreased to 383 from 387. The estimated net Franchise Sales from the four Boston Pizza Restaurants that permanently closed is negative $6.2 million. This resulted in negative estimated Royalty and Distribution to the Fund of $0.3 million. As a result of the Deficiency, BPI did not receive any Additional Entitlements on January 1, 2022. However, BPI did not lose any of the Additional Entitlements it received in respect of previous years. Instead, BPI will be required to make-up the cumulative Deficiency for both 2020 and 2021 on future Adjustment Dates by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any further Additional Entitlements.

(b) In the first quarter of 2022, adjustments were made based on the actual performance of two new Boston Pizza Restaurants that were added to the Royalty Pool on January 1, 2021 and the eleven restaurants that permanently closed and were removed from the Royalty Pool on January 1, 2021 and the actual effective tax rate paid by the Fund in 2021. The original Franchise Sales expected to be generated from these two new restaurants less the Franchise Sales from the 11 Boston Pizza Restaurants that closed in 2021 was negative $15.2 million. The actual Franchise Sales generated from these two new restaurants after subtracting the Franchise Sales from the 11 Boston Pizza Restaurants that closed in 2021 was $0.2 million less. The original effective tax rate the Fund expected to pay for 2021 was 26.0% and the actual effective tax rate paid by the Fund for 2021 was 26.2%. As a result, the Deficiency in respect of 2020 was adjusted to be $0.8 million.

UNITHOLDER INFORMATION

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