BOSTON PIZZA ROYALTIES INCOME FUND

NOTICE OF ANNUAL GENERAL MEETING OF UNITHOLDERS

AND

INFORMATION CIRCULAR

ANNUAL GENERAL MEETING

TO BE HELD ON

JUNE 15, 2016

BOSTON PIZZA ROYALTIES INCOME FUND
NOTICE OF ANNUAL GENERAL MEETING OF UNITHOLDERS

NOTICE IS HEREBY GIVEN to holders ("**Unitholders**") of trust units and special voting units of **BOSTON PIZZA ROYALTIES INCOME FUND** (the "**Fund**") that the annual general meeting of Unitholders will be held at the Four Seasons Hotel Vancouver, Garibaldi Room, 791 W. Georgia Street, Vancouver, British Columbia on Wednesday, June 15, 2016 at 2:00 p.m. (Vancouver Time) for the following purposes:

1. to receive the audited financial statements of the Fund for the financial year ended December 31, 2015 and the report of the auditor thereon;

2. to appoint the auditor for the Fund for the ensuing year and to authorize the trustees of the Fund to fix the remuneration of the auditor;

3. to elect trustees of the Fund to hold office until the next annual general meeting of the Fund; and

4. to transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Accompanying this Notice of Meeting are: (i) the information circular in respect of the Meeting; (ii) the form of proxy for use by Unitholders in connection with the Meeting; and (iii) the reply card for use by Unitholders who wish to receive the annual and/or interim financial statements of the Fund and of Boston Pizza International Inc.

If you are a registered Unitholder and are unable to attend the Meeting in person, please date and execute the accompanying form of proxy and deposit it with Computershare Investor Services Inc., Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 before 2:00 p.m. (Vancouver time) on June 14, 2016 or not less than 24 hours, excluding Saturdays, Sundays and holidays, prior to any adjournment or postponement thereof.

If you are a non-registered Unitholder and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by such broker or other intermediary.

DATED this 25th day of April, 2016.

BOSTON PIZZA ROYALTIES INCOME FUND,
by its Administrator,
BOSTON PIZZA ROYALTIES LIMITED PARTNERSHIP,
by its general partner,
BOSTON PIZZA GP INC.

(signed) William C. Brown

William C. Brown
Chair of the Board of Trustees

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BOSTON PIZZA ROYALTIES INCOME FUND

INFORMATION CIRCULAR

DATED April 25, 2016

(Containing information as at April 25, 2016 unless otherwise noted)

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by the management of Boston Pizza GP Inc. (the "**General Partner**" or "**GP**"), the managing general partner of Boston Pizza Royalties Limited Partnership ("**Royalties LP**" or the "**Administrator**"), administrator to Boston Pizza Royalties Income Fund (the "**Fund**"), on behalf of the Fund, and is to be used at the annual general meeting or any adjournment or postponement thereof (the "**Meeting**") of holders ("**Unitholders**") of trust units ("**Units**") and special voting units ("**Special Voting Units**") of the Fund (collectively, the "**Voting Units**") at the time and place and for the purposes set forth in the Notice of Annual General Meeting of Unitholders ("**Notice of Meeting**") accompanying this Information Circular.

It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally or by telephone, e-mail, fax or other means of telecommunication by directors, officers or employees of the General Partner at nominal cost. The cost of this solicitation will be borne by the Administrator.

BENEFICIAL UNITHOLDERS

The information set forth in this section is important to all Unitholders of the Fund. Unitholders who do not hold their Units in their own name are referred to in this Information Circular as "Beneficial Unitholders". **Beneficial Unitholders should note that only a Unitholder whose name appears on the records of the Fund as a registered holder of Units or a person they appoint as a proxy can be recognized and vote at the Meeting.** Currently, all issued and outstanding Units are in a book-based system administered by CDS Clearing and Depository Services Inc. ("**CDS**"). Consequently, all Units are currently registered under the name of CDS & Co. (the registration name for CDS). All other holders of Units are Beneficial Unitholders. CDS also acts as nominee for brokerage firms through which Beneficial Holders hold their Units. **Units held by CDS can only be voted (for, withheld or against resolutions) upon the instructions of the Beneficial Unitholder.**

These meeting materials are being sent to both registered Unitholders and Beneficial Unitholders. If you are a Beneficial Unitholder, and the Fund or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the broker or other intermediary (collectively, the "**intermediary**") holding Units on your behalf.

There are two kinds of Beneficial Unitholders: those who have objected to their name being made known to the Fund (called "**OBOs**" for Objecting Beneficial Owners) and those who have not objected (called "**NOBOs**" for Non-Objecting Beneficial Owners).

The Fund can request and obtain a list of their NOBOs from intermediaries via its transfer agent and can use this NOBO list for distribution of proxy-related materials directly to NOBOs. The Fund has decided to directly deliver proxy-related materials to its NOBOs. As a result, NOBOs can expect to receive a voting instruction form from the Fund's transfer agent, Computershare Investor Services Inc. ("**Computershare**"). These voting instruction forms are to be completed and returned to the transfer agent in the return envelope provided or by facsimile. Alternatively, NOBOs can call a toll-free number or access the transfer agent's dedicated voting website (each as noted on the voting instruction form) to deliver their voting instructions and vote the Units held by them. The transfer agent will tabulate the results of the voting instruction forms received from NOBOs and will provide appropriate instructions at the Meeting with respect to the Units represented by voting instruction forms they receive. The Fund is sending these materials to NOBOs

directly under National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**"). By choosing to send these materials to you directly, the Fund (and not the intermediary holding Units on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

With respect to OBOs, applicable regulatory policy requires intermediaries to whom meeting materials have been sent to seek voting instructions from OBOs in advance of Unitholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by OBOs in order to ensure that their Units are voted at the Meeting. Often, the form of proxy supplied to an OBO by its broker is identical to that provided to registered Unitholders. However, its purpose is limited to instructing the registered Unitholder how to vote on behalf of the OBO. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically prepares a special voting instruction form, mails those forms to the OBOs and asks for and provides appropriate instructions respecting the voting of Units to be represented at the Meeting. **Management of the Fund does not intend to pay for intermediaries to forward to OBOs under NI 54-101 the proxy-related materials and Form 54-101F7 *Request for Voting Instruction Made by Intermediary*, and OBOs will not receive the materials unless the OBO's intermediary assumes the cost of delivery. An OBO receiving a voting instruction form cannot use the form to vote Units directly at the Meeting. The voting instruction form must be returned to Broadridge well in advance of the Meeting in order to have the Units voted.**

Beneficial Unitholders cannot be recognized at the Meeting for purposes of voting their Units in person or by way of depositing a form of proxy. If you are a Beneficial Unitholder and wish to vote in person at the Meeting, please see the voting instructions you received or contact Computershare (for NOBOs) or your intermediary (for OBOs) well in advance of the Meeting to determine how you can do so.

Beneficial Unitholders should carefully follow the voting instructions they receive, including those on how and when voting instructions are to be provided, in order to have their Units voted at the Meeting.

APPOINTMENT OF PROXIES

The persons named in the accompanying form of proxy have been designated by the General Partner to act as proxyholder. A registered Unitholder who wishes to appoint some other person or company to represent such Unitholder at the Meeting may do so by inserting such person's name, who need not be a Unitholder, in the blank space provided in the form of proxy or by completing another proper form of proxy.

A form of proxy must be in writing and signed by the registered Unitholder or by the Unitholder's agent duly authorized in writing or, if the registered Unitholder is a body corporate, by a person duly authorized in writing indicating the capacity under which such person is signing. If the form of proxy is executed by an agent, evidence of the agent's authority must accompany the form of proxy. An undated but executed proxy will be deemed to be dated the date of mailing of the proxy. To be valid, a proxy must be deposited with Computershare Investor Services Inc., Attention: Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, by fax at 1-866-249-7775 (toll free in North America – Int'l 416-263-9524) or by telephone or internet as instructed on the form of proxy before 2:00 p.m. (Vancouver time) on June 14, 2016 or not less than 24 hours, excluding Saturdays, Sundays and holidays, before any adjournment or postponement thereof, unless the chair of the Meeting elects to exercise his or her discretion to accept proxies received subsequently.

Beneficial Unitholders who hold their Units through an intermediary are not entitled, as such, to directly vote at the Meeting. Beneficial Unitholders who are interested in voting their Units in person should contact either Computershare (NOBOs) or their intermediary (OBOs) to determine how this can be arranged. Regulatory policy requires voting instructions to be requested from Beneficial Unitholders who have been sent materials for the Meeting. Beneficial Unitholders should carefully

follow those voting instructions in order to have their Units voted at the Meeting. See "Beneficial Unitholders".

REVOCATION OF PROXIES

A Unitholder who has given a form of proxy may revoke it by depositing a written instrument that is signed with Computershare in the manner as described above, at any time prior to the date of the Meeting or by depositing the instrument with the chair of the Meeting prior to the exercise of the proxy on the day of the Meeting. A proxy may also be revoked in any other manner permitted by law.

VOTING OF UNITS

Every matter to be dealt with at the Meeting (other than the vote to appoint the Trustees of the Fund), unless a poll vote is demanded, will be decided by a show of hands and every person present and entitled to vote will be entitled to one vote. Voting for the appointment of the Trustees of the Fund will be conducted by poll. On a poll, each holder of Units will be entitled to one vote for each Unit held and each holder of Special Voting Units will be entitled to one vote for each Unit the holder would be entitled to receive if it exchanged the Class B general partner units of Royalties LP ("**Class B Units**"), the Class 2 general partner units of Boston Pizza Canada Limited Partnership (the "**Class 2 GP Units**"), Class 3 general partner units of Boston Pizza Canada Limited Partnership (the "**Class 3 GP Units**"), Class 4 general partner units of Boston Pizza Canada Limited Partnership (the "**Class 4 GP Units**"), and Class 5 general partner units of Boston Pizza Canada Limited Partnership (the "**Class 5 GP Units**", and together with the Class B Units, Class 2 GP Units, Class 3 GP Units and Class 4 GP Units, the "**Exchangeable Units**") held by such holder into Units on or before the applicable record date.

The persons designated in the enclosed form of proxy will vote or withhold from voting the Voting Units in respect of which they are appointed by proxy on any ballot that may be called for in accordance with the instructions of the registered Unitholder as indicated on the form of proxy and, if the registered Unitholder specifies a choice with respect to any matter to be acted upon, the Voting Units will be voted accordingly. In the absence of such instructions with respect to a particular resolution or where the instructions are uncertain, the Voting Units will be voted in favour of the resolution.

The enclosed form of proxy confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any other business is properly brought before the Meeting, it is the intention of the persons designated in the enclosed form of proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Information Circular, neither the General Partner, the Administrator, nor the trustees of the Fund (the "Trustees") knew of any such amendment, variation or other matter which may be presented to the Meeting.

Beneficial Unitholders who hold their Units of the Fund through an intermediary are not entitled, as such, to vote at the Meeting in person. If you are a Beneficial Unitholder and wish to vote in person at the Meeting, please see the voting instructions you received or contact Computershare (NOBOs) or your intermediary (OBOs) well in advance of the Meeting to determine how you can do so. See "Beneficial Unitholders".

QUORUM

A quorum for the Meeting consists of two or more individuals present in person either holding personally or representing by proxy not less, in aggregate, than 25% of the votes attached to all outstanding Voting Units. In the event that a quorum is not present within 30 minutes after the time fixed for the Meeting, the Meeting will be adjourned to a day not less than 14 days later, at such time and place as determined by the chair of the Meeting. If at such adjourned meeting a quorum as above defined is not present, the Unitholders present either in person or by proxy shall form a quorum and any business may be brought before or dealt

with at such an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Only registered holders of Voting Units as at the close of business on April 25, 2016 (the "**Record Date**"), who either personally attend the Meeting or who have completed and delivered a form of proxy in the manner described herein, shall be entitled to vote or to have their Voting Units voted at the Meeting.

Units

As of the Record Date, 20,286,063 Units are issued and outstanding. On a show of hands, each Unitholder is entitled to one vote. On a poll each Unit carries the right to one vote per Unit held.

Special Voting Units

As of the Record Date, 400,015,243 Special Voting Units are issued and outstanding, all of which are held by Boston Pizza International Inc. ("**BPI**"). On a show of hands, each holder of Special Voting Units is entitled to one vote. On a poll, each holder of Special Voting Units is entitled to one vote for each Unit that such holder would be entitled to receive in exchange for its Exchangeable Units if such Exchangeable Units had been exchanged for Units on or before the applicable record date.

As of the Record Date, BPI owns an aggregate of 4,783,397 Class B Units, 100,000,000 Class 2 GP Units, 100,000,000 Class 3 GP Units, 100,000,000 Class 4 GP Units and 100,000,000 Class 5 GP Units representing 100% of the issued and outstanding Class B Units, Class 2 GP Units, Class 3 GP Units, Class 4 GP Units and Class 5 GP, respectively. As of the Record Date, such Class B Units and Class 2 GP Units are exchangeable for 2,577,530 Units and 847,575 Units, respectively, or 3,425,105 Units in aggregate, and such Class 3 GP Units, Class 4 GP Units and Class 5 GP Units are not exchangeable into Units. Accordingly, at the Meeting the 400,015,243 Special Voting Units owned by BPI will entitle BPI to 3,425,105 votes on a poll.

Voting Units

Except as described in this Information Circular, on each matter to be dealt with at the Meeting, the Units and Special Voting Units will vote together as a group. As of the Record Date, the issued and outstanding Voting Units entitle the holders to an aggregate of 23,711,168 votes on a poll.

To the knowledge of the Trustees and the officers of the General Partner on behalf of the Administrator to the Fund, the only persons or companies who beneficially own or exercise control or direction, directly or indirectly, over Voting Units carrying 10% or more of the voting rights attached to all outstanding Voting Units of the Fund as at the Record Date are as follows:

Name	**Class of Voting Units and No. of Votes**	**% of Class / % of Aggregate Votes of Voting Units**
BPI [(1)]	Special Voting Units representing 3,425,105 votes	100% of Special Voting Units / 14.4% of aggregate votes of Voting Units

(1) Walter James Treliving and George C. Melville each own indirectly a 50% ownership interest in BPI. In addition to the Units held by BPI, George C. Melville directly holds 1,600 Units and indirectly owns or controls an additional 21,800 Units. In addition to the Units held by BPI, Walter James Treliving indirectly owns or controls an additional 7,000 Units.

MATTERS TO BE ACTED UPON AT THE MEETING

Presentation of Financial Statements

The audited consolidated financial statements of the Fund for the period ended December 31, 2015 will be presented at the Meeting.

Appointment and Remuneration of Auditor

Unless otherwise instructed, the proxies given pursuant to this solicitation will be voted for the appointment of KPMG LLP, chartered accountants, of Vancouver, British Columbia, as the auditor of the Fund to hold office until the close of the next annual meeting of Unitholders or until a successor is appointed, and to authorize the Trustees to fix the remuneration of the auditor. For additional information on fees paid to the auditor, see "Management – External Auditor Service Fees" in the Fund's current annual information form. **Unless otherwise instructed, the enclosed form of proxy will be voted in favour of the appointment of KPMG LLP as the Fund's auditor and to authorize the Trustees to fix the remuneration of the auditor**.

Election of Trustees

Each of the persons nominated for election, and subsequently elected, at the Meeting as a Trustee of the Fund will hold office until the next annual general meeting of the Fund or until the Trustee's successor is duly elected or appointed in accordance with the Declaration of Trust, unless such Trustee resigns or is otherwise removed from office earlier. **Unless otherwise instructed, the enclosed form of proxy will be voted in favour of the election of the three individuals who are nominated for election as Trustees of the Fund**.

The Fund has adopted a majority voting policy with respect to the election of the Trustees, and each of the nominees for election as a Trustee has agreed to comply with this policy. Pursuant to this policy, if any nominee to act as a Trustee receives a greater number of votes withheld than votes "for" the nominee, the nominee will submit his or her resignation to the Board of Trustees. The Governance Committee of the GP will review and consider the resignation and make a recommendation to the Board of Trustees. The Board of Trustees will decide whether to accept the resignation and will issue a press release announcing this decision (and, if the resignation is not accepted, providing an explanation of its decision) within 90 days of the Meeting. The Trustee in question will not participate in any meeting of the Board of Trustees or Governance Committee where the resignation is considered. The Fund's majority voting policy will not apply in respect of a contested meeting, being one where proxy material is circulated in support of one or more nominees who are not part of the proposed nominees supported by the existing Board of Trustees.

The following table sets forth certain information with respect to the three persons nominated for election as Trustees, including the number of Units beneficially owned or over which control or direction is exercised, directly or indirectly as at the date of this Information Circular. The information as to Units beneficially owned has been furnished by the respective nominees individually.

Name, Province and Country of Residence	Present Principal Occupation, Business or Employment	Trustee since	Units beneficially owned, controlled or directed
William C. Brown BC, Canada (1)	Trustee of the Fund – June 2002 to present; Corporate Director	June 10, 2002	45,410

Name, Province and Country of Residence	Present Principal Occupation, Business or Employment	Trustee since	Units beneficially owned, controlled or directed
W. Murray Sadler, Q.C. BC, Canada [1]	Trustee of the Fund – June 2008 to present; Corporate Director; Lawyer and associate counsel of the law firm of Heather Sadler Jenkins LLP – until his retirement from active legal practice in 2013	June 10, 2008	5,000
David L. Merrell, FCA BC, Canada [1]	Trustee of the Fund – June 2014 to present; Corporate Director; Self-employed consultant to Grant Thornton LLP, arbitrator, estate trustee – November 2009 to present; Accountant and managing partner of the accounting firm of Grant Thornton LLP – until his retirement from active practice in 2009	June 11, 2014	6,250

[1] Members of the Audit Committee of the Fund and GP and the Governance Committee of the GP.

The following are brief profiles of the three persons nominated for election as Trustees:

William C. Brown: Mr. Brown served as Vice President of BC Sugar Refinery Ltd. from 1976 to 1988, President from 1988 to 1997, and Chief Executive Officer from 1990 to 1997. Mr. Brown was Chairman of BC Sugar Refinery Ltd. from 1997 to 1998. Mr. Brown has also acquired significant experience and exposure to accounting and financial reporting issues through his board appointments and serving on the Audit Committee at Union Gas Ltd. from 2002 to 2007, Harmac Pacific Inc. from 1998 to 1999, Westcoast Energy Inc. from 1995 to 2007, TimberWest Forest Corp. from 1993 to 2009, Duke Seabridge Ltd. from 1992 to 2002, Coast Tractor & Equipment Ltd. from 1992 to 2002 and Pacific Northern Gas Ltd. from 1985 to 1995. Mr. Brown has a Bachelor of Science degree from the University of New Brunswick.

W. Murray Sadler Q.C.: Mr. Sadler, Q.C. was a founding partner of the law firm of Heather Sadler Jenkins LLP. He is a graduate of the University of British Columbia (BA 63, LL.B 66) and practiced law since his call to the Bar in the province of British Columbia in 1967 until his retirement from active practice in 2013. Mr. Sadler's professional practice included financial restructuring, taxation and the organization and reorganization of various business structures. He was Chair of the Board of the University of Northern British Columbia during its formation, facilities construction and initial startup. Mr. Sadler ended his 10 year term as a director of the Provincial Health Services Authority of British Columbia on December 31, 2015 where he served as Chair of its Research Committee and member of its Audit and Finance Committees. These collective experiences have provided Mr. Sadler with exposure to accounting and financial reporting issues. Mr. Sadler has been awarded an honorary Doctor of Laws by the University of Northern British Columbia and was awarded Queen Elizabeth II Gold and Diamond Jubilee Medals.

David L. Merrell: Mr. Merrell articled in Winnipeg and obtained his Chartered Accountant designation in 1971. He joined what is now Grant Thornton LLP in 1978 and specialized in taxation for 16 years with the balance of his career dedicated to general audit, accounting and financial practice. In addition, Mr. Merrell served two three-year terms on Grant Thornton LLP's Policy Board, served as a Director of Grant Thornton Productivity Improvement Inc., was managing partner of both the Winnipeg and Vancouver offices and of the BC region. Mr. Merrell has served on a number of professional committees including the Council of the Manitoba CA Institute, the National Firms Committee, the Professional Conduct and the Discipline Tribunal and Chaired the Taxation Committee of Manitoba. In 2006 Mr. Merrell elected as a Fellow of the Institute

of Chartered Accountants (FCA) in British Columbia. He has also served on the Board of Directors of many organizations including Chair of the Multiple Sclerosis Society BC and Yukon Division, Director of the MS Society of Canada and Chair of the Vancouver Summer Music Festival.

None of the nominees for election as a Trustee of the Fund named above are or have been during the past ten years:

(a) a director or chief executive officer or chief financial officer of any issuer (including the Fund) that:

(i) was subject to a cease trade, similar order or an order that denied that issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days while the Trustee was acting in the capacity of a director, chief executive officer or chief financial officer;

(ii) was subject to a cease trade order, similar order or order that denied the relevant issuer access to any exemption under Canadian securities legislation for a period of more than 30 consecutive days after the Trustee ceased to be a director, chief executive officer or chief financial officer of the issuer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

(b) a director or executive officer of any issuer (including the Fund) while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets; or

(c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets.

In addition, none of the nominees for election as a Trustee of the Fund named above has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable unitholder in deciding whether to vote for a nominee as trustee.

Other Matters

As of the date hereof, neither the Trustees nor the directors and officers of the General Partner, on behalf of the Administrator, know of any matter which will be brought before the Meeting other than those referred to herein.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Trustees of the Fund and the directors and officers of the General Partner of the Administrator are aware of their responsibility for corporate governance and recognize the importance of enhancing corporate governance practices at both the Fund and Royalties LP levels. As part of the Fund's commitment to effective corporate governance, the Trustees with the assistance of the Governance Committee of the General Partner, monitor changes in corporate governance practices and regulatory requirements.

Pursuant to National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") the Fund is required to disclose certain information relating to its corporate governance practices. This information is set out in Schedule A to this Information Circular.

Role of the Trustees

The Fund is a limited purpose, open-ended trust established under the laws of British Columbia. On July 17, 2002, concurrently with its initial public offering, the Fund acquired indirectly through Royalties LP certain trademarks and trade names used by BPI in the operation and franchising of Boston Pizza Restaurants in Canada. Immediately after the acquisition, Royalties LP licensed the trademarks and trade names back to BPI for 99 years under a license and royalty agreement dated July 17, 2002, as amended as of May 9, 2005 (the "**License and Royalty Agreement**") pursuant to which Royalties LP receives royalty payments from BPI. On May 6, 2015, the Fund, indirectly through Boston Pizza Holdings Limited Partnership ("**Holdings LP**"), completed an investment in Boston Pizza Canada Limited Partnership ("**BP Canada LP**") to effectively increase the Fund's interest in franchise sales of Boston Pizza restaurants in the Fund's 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 (the "**Transaction**"). BP Canada LP is a limited partnership controlled and operated by BPI and is the exclusive franchisor of Boston Pizza restaurants in Canada. The Fund does not conduct any active business. The role of the Trustees is primarily to act on behalf of the Fund as sole unitholder and noteholder of Boston Pizza Holdings Trust (the "**Trust**") and sole shareholder of Boston Pizza Holdings GP Inc. ("**Holdings GP**"), and to manage the limited affairs of the Fund. The role of the trustee of the Trust is to act on behalf of the Trust as the sole owner of the limited partner units of Holdings LP and to manage the limited affairs of the Trust. The role of the directors of Holdings GP is to act on behalf of Holdings GP, as the sole general partner of Holdings LP, who is the sole owner of limited partner units of Royalties LP and BP Canada LP, and to manage the limited affairs of Holdings GP and Holdings LP.

The Fund, the Trust, Holdings GP and Holdings LP have delegated to Royalties LP under the amended and restated administration agreement dated September 22, 2008 (the "**Administration Agreement**"), summarized below, certain administrative duties that would otherwise fall upon the Trustees, the trustee of the Trust and the directors of Holdings GP.

Administration Agreement

Under the Administration Agreement, Royalties LP has agreed to provide or arrange for the provision of administrative services to the Fund, the Trust, Holdings GP and Holdings LP. With respect to the Fund the administrative services provided by Royalties LP will include those necessary to: (i) ensure compliance by the Fund with continuous disclosure obligations under applicable securities legislation, including the preparation of financial statements relating thereto; (ii) provide investor relations services; (iii) provide or cause to be provided to Unitholders all information to which Unitholders are entitled under the Declaration of Trust, including relevant information with respect to income taxes; (iv) call and hold all meetings of Unitholders and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings; (v) provide for the calculation of distributions to Unitholders; (vi) attend to all administrative and other matters arising in connection with any redemption of Units; (vii) ensure compliance with the Fund's limitations on non-resident ownership; (vii) administer certain loans; and (viii) meet general accounting, bookkeeping and administrative needs. Royalties LP is obligated to pay all expenses incurred by it and attributable to the exercise of its duties in the administration of the Fund, the Trust, Holdings GP and Holdings LP and no fee is payable to Royalties LP for the services provided by it to the Fund, the Trust, Holdings GP or Holdings LP under the Administration Agreement. Royalties LP is not entitled to the payment of any fee for its services as Administrator to the Fund.

Role of Royalties LP in Corporate Governance

Since the Fund does not carry on an active business and since the responsibility for the administration and management of the day-to-day operations of the Fund has been delegated to Royalties LP, the governance matters addressed in the National Policy 58-201 - *Corporate Governance Guidelines* are matters dealt with by Royalties LP, through the General Partner. The General Partner has the authority to manage the business and affairs of Royalties LP, including the authority to carry out Royalties LP's obligations under

the Administration Agreement. Thus, the Fund is managed and administered by Royalties LP which, in turn, is managed by the General Partner. Certain matters relating to the conduct of the business and affairs of the General Partner are provided for in an amended and restated governance agreement dated May 6, 2015 (the "**Governance Agreement**") among BPI and the Fund, and certain of their associates and affiliates. BPI and the Fund are, respectively, 20% and 80% holders of the common shares of the General Partner. The relevant terms of the Governance Agreement are described below.

Governance Agreement

Under the Governance Agreement, three of the directors of the General Partner are nominated by the Fund (each of whom may be a Trustee and must be "independent" within the meaning of section 1.2 of NI 58-101 in effect on May 6, 2015) and, for so long as BPI holds a 10% interest in the Fund, whether directly or indirectly through its Exchangeable Units, each of which are exchangeable for Units, two of the directors are nominated by BPI. In addition, the Governance Agreement provides for the establishment of an Audit Committee and a Governance Committee of the General Partner, each of which are to be comprised solely of nominees of the Fund.

As the General Partner of Royalties LP, the General Partner has the authority to manage the business and affairs of Royalties LP, including the authority to carry out Royalties LP's obligations under the Administration Agreement. Thus, the Fund is managed and administered by Royalties LP which, in turn, is managed by the General Partner. Certain matters relating to the conduct of the business and affairs of the General Partner are provided for in the Governance Agreement.

The names, province of residence and principal occupation for the five preceding years of the directors and officers of the General Partner are set out in the table below:

Directors and Officers, Province of Residence	**Office Held**	**Principal Occupation for Previous Five Years**
William C. Brown(1)(2) British Columbia, Canada	Director, Chairman and Secretary June, 2002	Trustee of the Fund – June 2002 to present, Corporate Director
W. Murray Sadler, QC(1)(2) British Columbia, Canada	Director, June, 2008	Trustee of the Fund – June 2008 to present; Corporate Director; Lawyer and associate counsel of the law firm of Heather Sadler Jenkins LLP – until his retirement from active legal practice in 2013
David L. Merrell, FCA(1)(2) British Columbia, Canada	Director, June, 2014	Trustee of the Fund – June 2014 to present, Corporate Director; Self-employed consultant to Grant Thornton LLP, arbitrator, estate trustee – November 2009 to present
Mark Pacinda(3) Ontario, Canada	Director, Chief Executive Officer July, 2011	President of BPI – January 2004 to present; Chief Operating Officer of BPI – January 2009 to July 2011; Chief Executive Officer of BPI - July 2011 to present
Wes Bews(3) British Columbia, Canada	Assistant Secretary, November, 2008; Director and Chief Financial Officer, December 2010	Vice President, Finance of T & M Management Services Ltd. – January 2008 to December 2009; Vice President, Finance of BPI – January 2010 to July 2011; Chief Financial Officer of BPI – July 2011 to present

(1) Also a Trustee of the Fund.
(2) Members of the Audit Committee and the Governance Committee.
(3) Nominees of BPI.

The Audit Committee is responsible for monitoring the General Partner and Royalties LP's financial reporting, accounting systems, internal controls and liaising with external auditors. For additional information relating to the Audit Committee of the Fund, see "Management – Audit Committee of the Fund" in the Fund's current Annual Information Form. The Governance Committee is responsible for, among other things, overseeing the operations of Royalties LP, addressing any conflicts of interest between Royalties LP and BPI, annually reviewing the operations and performance of BPI and assisting the board of directors of the General Partner in establishing its approach to corporate governance issues and advising the board of directors of the General Partner in filling vacancies on its board. The corporate governance practices of the General Partner are discussed in detail in Schedule A to this Information Circular.

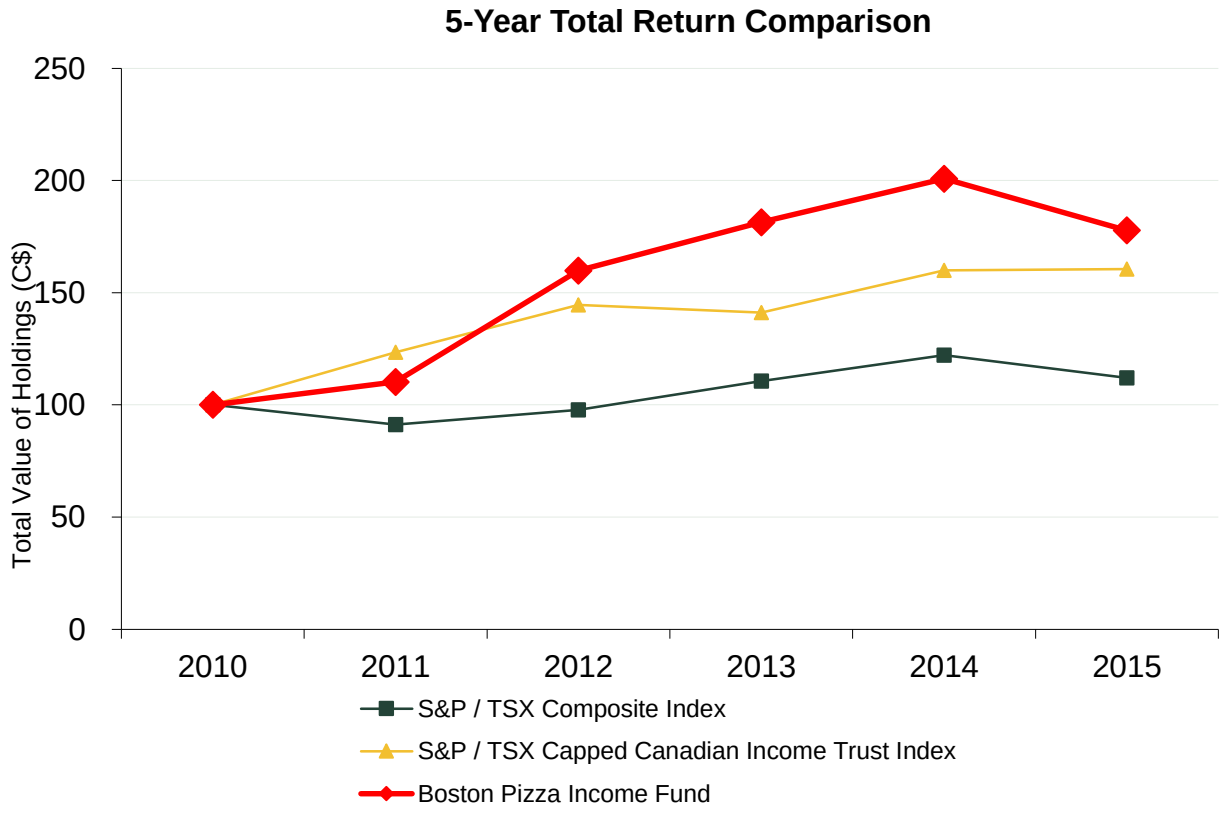
MANAGEMENT CONTRACTS

As indicated above under the heading "Statement of Corporate Governance Practices – Role of the Trustees" and "Administration Agreement", the Fund has entered into the Administration Agreement whereby the Fund delegated to Royalties LP certain management functions of the Fund. Royalties LP is not entitled to the payment of any fee for its services as Administrator to the Fund. Under the amended and restated limited partnership agreement dated January 2, 2011 (the "**Partnership Agreement**"), Royalties LP is entitled to delegate certain of its administrative services to third parties, including BPI as general partner of Royalties LP. Those third parties, including BPI, are entitled to be reimbursed by Royalties LP for their out-of-pocket costs for performing such services. The address of Royalties LP and the General Partner is 100 – 10760 Shellbridge Way, Richmond, BC, V6X 3H1.

STATEMENT OF EXECUTIVE COMPENSATION

Cumulative Total Unitholder Return

The graph below shows the Fund's cumulative total unitholder return over the five most recently completed financial years (assuming reinvestment of distributions of Units).



Compensation of Trustees of the Fund and Directors of the General Partner

Trustee/Director Compensation Table

Name (a)	Fees earned ($) (b)	Share-based awards ($) (c)	Option-based awards ($) (d)	Non-equity incentive plan compensation ($) (e)		Pension value ($) (f)	All other compensation ($) (g)	Total ($) (h)
William Brown, Trustee of the Fund and Director of GP	93,841	0	0	0	0	0	30,000	123,841
W. Murray Sadler, Trustee of the Fund and Director of GP	92,841	0	0	0	0	0	30,000	122,841
David L. Merrell, Trustee of the Fund and Director of GP	93,841	0	0	0	0	0	30,000	123,841
Mark Pacinda, Director of GP	0	0	0	0	0	0	0	0
Wes Bews, Director of GP	0	0	0	0	0	0	0	0

Each of the Trustees is entitled to annual compensation of $26,000 plus an additional $1,000 for each regularly scheduled meeting of Trustees attended and $500 for each extraordinary meeting of the Trustees attended, unless the extraordinary meeting is deemed to be substantive, as determined by the Chairman of such meeting, then each Trustee is entitled to $1,000 for each extraordinary meeting of the Trustees attended. Each of the directors of the General Partner is entitled to annual compensation for their services as a director of $26,000 per year plus an additional $1,000 for attending each regularly scheduled meeting of the board of directors and $500 for attending each extraordinary meeting of the board of directors or a committee of the board of directors, unless the extraordinary meeting is deemed to be substantive, as determined by the Chairman of such meeting, then each director is entitled to $1,000 for each extraordinary meeting of the directors attended (in each case, except where the director attends a meeting of the Trustees on the same day and for which compensation is paid to that director). Each of the directors of the General Partner is reimbursed for general expenses as they arise from time to time. The aggregate amount paid to the Trustees as compensation, for acting as Trustees of the Fund and directors of the General Partner, during the financial year ended December 31, 2015 was $370,523. Neither of the officers of BPI who are directors of the General Partner are entitled to receive compensation for their roles as directors of the General Partner.

The Trustees are reimbursed for expenses such as travel and meals. In 2015, the Trustees were reimbursed an aggregate amount of $15,407 for these expenses.

No Additional Executive Compensation

Neither the Fund nor the Administrator employs any person and no officer of the General Partner receives any compensation for holding any office. The Fund does not prohibit the Trustees from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or

units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by a Trustee.

Attendance Record for Board Meetings

From January 1, 2015 to the date of this Information Circular (the "**Attendance Period**"):

(i) the Board of Trustees of the Fund held eight meetings;

(ii) the Board of GP held six meetings;

(iii) the Audit Committee of the Fund held five meetings;

(iv) the Audit Committee of GP held five meetings;

(v) the Governance Committee of GP held six meetings (not including meetings of the special committee (the "**Special Committee**") formed by the Trustees to consider and negotiate the Transaction); and

(vi) the Special Committee held 31 meetings.

Attendance at meetings of the Trustees of the Fund was as follows:

	NUMBER OF MEETINGS ATTENDED		
NAME OF TRUSTEE	**Board**	**Audit Committee**	**Special Committee**
William C. Brown	8 of 8	5 of 5	31 of 31
W. Murray Sadler	8 of 8	5 of 5	30 of 31
David L. Merrell	8 of 8	5 of 5	31 of 31

Attendance at meetings of the Directors of GP was as follows:

	NUMBER OF MEETINGS ATTENDED			
NAME OF DIRECTOR	**Board**	**Audit Committee**	**Governance Committee[1]**	**Special Committee**
William C. Brown	6 of 6	5 of 5	6 of 6	31 of 31
W. Murray Sadler	6 of 6	5 of 5	6 of 6	30 of 31
David L. Merrell	6 of 6	5 of 5	6 of 6	31 of 31
Mark Pacinda	6 of 6	N/A	N/A	N/A
Wes Bews	6 of 6	N/A	N/A	N/A

[1] Does not include meetings of the special committee formed by the Trustees to consider and negotiate the Transaction.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

None of the Trustees, proposed nominees for election as Trustees, directors or officers of the General Partner, nor any associates of such persons is or has been indebted to the Fund or any of its subsidiaries or Royalties LP at any time since the beginning of the fiscal year ended December 31, 2015, nor have they been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Fund, Royalties LP or the General Partner.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Trustees of the Fund and the directors and officers of the General Partner are covered under the directors' and officers' insurance policy established by the Fund. The aggregate limit of liability applicable to those insured Trustees, directors and officers under the policy is $15 million inclusive of defence costs. The policy will pay on behalf of the General Partner all losses for which the General Partner grants indemnification to such directors in excess of a deductible of $100,000 for each loss. In addition, there is an excess "Side A" directors' and officers' policy in the amount of $10 million. The premiums for the policies are paid by Royalties LP. For the policy year ending July 2016, the premiums for these policies were $78,000.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

None of the Trustees, directors or senior officers of the General Partner or of the Administrator to the Fund, nominees for election as Trustees nor persons who have been Trustees of the Fund or directors or officers of the General Partner since the commencement of the Fund's last financial year and no associate or affiliate of any of the foregoing persons has any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of Trustees or the appointment of auditors or as otherwise disclosed herein.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Information Circular, the consolidated financial statements of each of the Fund and BPI for the fiscal year ended December 31, 2015 and the Fund's annual information form dated February 6, 2016, the Fund is not aware of any direct or indirect material interest of any informed person, Trustee or proposed nominee for election as a Trustee, or any associate or affiliate of any such persons in any transaction since the commencement of the Fund's most recently completed financial year or any proposed transaction, which has materially affected or would materially affect the Fund or its subsidiaries. For the purposes of the foregoing an informed person includes the Trustees, directors and executive officers of the General Partner and any subsidiaries of the Fund, a holder of 10% or more of the outstanding Voting Units and the Fund. Copies of this Information Circular, the consolidated financial statements of each of the Fund and BPI for the fiscal year ended December 31, 2015 and the Fund's annual information form dated February 9, 2016 may be found on SEDAR at www.sedar.com, and, upon request, may be obtained free of charge from the Senior Vice President of Investor Relations for the Fund at 100 – 10760 Shellbridge Way, Richmond, British Columbia, Canada, V6X 3H1.

ADDITIONAL INFORMATION

Additional information relating to the Fund is available on SEDAR at www.sedar.com. Financial information is provided in the Fund and BPI's respective comparative annual financial statements and related management's discussion and analysis for the year ended December 31, 2015. Copies of these documents may be obtained upon request from the Senior Vice President of Investor Relations for the Fund at 100 – 10760 Shellbridge Way, Richmond, British Columbia, Canada, V6X 3H1 or may be found at www.bpincomefund.com or www.sedar.com. A person who is not a Unitholder may be required to pay a reasonable charge for such copies.

TRUSTEES' APPROVAL

The contents and the sending of this Information Circular and related documents have been approved by the Trustees of the Fund and by the General Partner on behalf of Royalties LP, in its capacity as Administrator to the Fund.

DATED at Vancouver, British Columbia, this 25th day of April, 2016.

BOSTON PIZZA ROYALTIES INCOME FUND,
by its Administrator,
BOSTON PIZZA ROYALTIES LIMITED PARTNERSHIP,
by its general partner,
BOSTON PIZZA GP INC.

(signed) William C. Brown

William C. Brown
Chair of the Board of Trustees

SCHEDULE A

BOSTON PIZZA ROYALTIES INCOME FUND
CORPORATE GOVERNANCE DISCLOSURE

	GOVERNANCE DISCLOSURE GUIDELINE UNDER NI 58-101	COMMENTS
1.	**Board of Trustees** -	
	(a) Disclose the identity of trustees who are independent.	The board of Trustees of the Fund (the "**Board**") has determined that all of the three Trustees are "independent", within the meaning of NI 58-101. The three independent Trustees are: • William C. Brown • W. Murray Sadler • David L. Merrell
	(b) Disclose the identity of trustees who are not independent, and describe the basis for that determination.	The Board has determined that all three Trustees are "independent", within the meaning of NI 58-101.
	(c) Disclose whether or not a majority of trustees are independent. If a majority of trustees are not independent, describe what the board of trustees does to facilitate its exercise of independent judgement in carrying out its responsibilities.	The Board has determined that all three Trustees are "independent", within the meaning of NI 58-101.
	(d) If a trustee is presently a trustee or director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the trustee and the other issuer.	No Trustee currently serves on the board of another reporting issuer (or equivalent).
	(e) Disclose whether or not the independent trustees hold regularly scheduled meetings at which non-independent trustees and members of management are not in attendance. If the independent trustees hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent trustees do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent trustees.	Since all the Trustees are independent, each meeting of the Board is a meeting comprised solely of independent trustees. During the financial year ended December 31, 2015, there were six meetings of the independent Trustees, four meetings of the Audit Committee and four meetings of the Governance Committee (as defined herein). In addition, the members of the Board are authorized to retain independent financial, legal and other experts as required whenever, in their opinion, matters come before the Board which require an independent analysis by the independent members of the Board.
	(f) Disclose whether or not the chair of the board is an independent trustee. If the board has a chair or lead trustee who is an independent trustee, disclose the identity of the independent chair or lead trustee, and describe his or her role and responsibilities. If the board has neither a	William C. Brown, the chair of the Board (the "**Chair**"), is an independent Trustee. The role and responsibilities of the Chair include the following: • manage the affairs of the Board;

	GOVERNANCE DISCLOSURE GUIDELINE UNDER NI 58-101	COMMENTS
	chair that is independent nor a lead trustee that is independent, describe what the board does to provide leadership for its independent trustees.	• act as chair of all Board meetings; • ensure that the Board has taken ultimate responsibility for the Fund's business and affairs and that the Board is alert to its obligations to the Fund, the Unitholders, other stakeholders and under the law; • provide strong leadership of the Board, assist the Board in reviewing and monitoring the aims, strategy, policy and directions of the Fund and the achievement of its objectives; • ensure that the Board considers the composition of the Board on an annual basis and recommends criteria for new Trustees when applicable; • ensure that Board meetings are conducted in an efficient, effective and focused manner and that they report as required; and • ensure that the governance committee of the General Partner (the "**Governance Committee**") meets as required pursuant to the terms of the Governance Agreement.
	(g) Disclose the attendance record of each trustee for all board meetings held since the beginning of the issuer's most recently completed financial year.	The attendance record of each Trustee for all board meetings held since the beginning of the financial year ended December 31, 2015 to the date of this Information Circular is set out in this Information Circular under the heading "Statement of Executive Compensation – Attendance Record for Board Meetings".
2.	**Board Mandate —** Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.	The Trustees have a common law fiduciary duty to act prudently and in the best interests of the Unitholders of the Fund. In addition, the Declaration of Trust governing the Fund provides that the Trustees are obligated to "act honestly and in good faith with a view to the best interests of the Fund and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances". Although many of the administrative and management duties of the Trustees have been delegated to Royalties LP, as Administrator to the Fund, the Trustees remain responsible for supervising the performance of such duties by the GP and BPI (the general partners of Royalties LP) and for questioning and monitoring the management of GP and BPI in order to obtain the information necessary to judge whether Royalties LP is fulfilling its role as

	GOVERNANCE DISCLOSURE GUIDELINE UNDER NI 58-101	COMMENTS
		Administrator of the Fund effectively. In addition, the Trustees must satisfy those duties which have not been or cannot, under law or under the Declaration of Trust, be delegated to Royalties LP, including the Trustee's duty to approve of monthly distributions on Units of the Fund. The text of the Terms of Reference for the Board of GP and the Terms of Reference for a Trustee of the Fund are attached as Schedule B to this Information Circular.
3.	**Position Descriptions —**	
	(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	The Board has developed a written position description for the Chair of the Board. No formal written position description has been developed for the chair of the Audit Committee of the Fund, the chair of the Audit Committee of GP and the chair of the Governance Committee. The role and responsibilities of the chair of the Audit Committee of the Fund, the chair of the Audit Committee of GP and the chair of the Governance Committee are delineated by the Board of Directors of the GP, in conjunction with the Trustees of the Fund.
	(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.	The Fund does not conduct any active business nor does it have any full time employees. The Fund is managed by the GP on behalf of the Administrator. The corporate objectives of the GP are reviewed and approved by the board of directors of GP. All three Trustees of the Fund are elected to the board of directors of GP. No formal written position description has been developed for the Chief Executive Officer of GP. The role and responsibilities of the Chief Executive Officer of GP are delineated by the Board of Directors of GP, in conjunction with the Trustees of the Fund.

	GOVERNANCE DISCLOSURE GUIDELINE UNDER NI 58-101	COMMENTS
4.	**Orientation and Continuing Education —**	
	(a) Briefly describe what measures the board takes to orient new trustees regarding (i) the role of the board, its committees and its trustees, and (ii) the nature and operation of the issuer's business.	The Governance Committee is mandated as may be required from time to time to review, monitor and make recommendations regarding new Trustee orientation and the ongoing development of existing Board members. The objective is to ensure that each Trustee: 1. stays knowledgeable about BPI's products, services and industry; 2. maintains a current understanding of the regulatory and legislative environment and the business, social and political environment within which Boston Pizza and the Fund operate; 3. develops a familiarity and knowledge of the key officers and management group of BPI; and 4. seeks independent advice from outside advisors when necessary. All new Trustees are provided with a baseline of knowledge about the Fund and its operating company which serves as a basis for informed decision-making. This includes a combination of written materials, meetings with senior management of the operating company, site visits and other briefings and training, as appropriate. All new Trustees are provided with a "Guidelines, Structure and Policies" mandate that sets out the responsibilities of the Board.
	(b) Briefly describe what measures, if any, the board takes to provide continuing education for its trustees. If the board does not provide continuing education, describe how the board ensures that its trustees maintain the skill and knowledge necessary to meet their obligations as trustees.	BPI provides Trustees with industry publications which can provide timely and appropriate information on BPI, the Fund and the general financial/economic climate, as well as ensuring that the Trustees' knowledge and understanding of the Fund's affairs remains current

	GOVERNANCE DISCLOSURE GUIDELINE UNDER NI 58-101	COMMENTS
5.	**Ethical Business Conduct —**	
	(a) Disclose whether or not the board has adopted a written code for the trustees, officers and employees. If the board has adopted a written code: (i) disclose how a person or company may obtain a copy of the code; (ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a trustee or executive officer that constitutes a departure from the code.	The Board has adopted a Code of Ethics for Trustees of the Fund (the "**Code**"). A copy of the Code may be obtained, upon request, from the Senior Vice President of Investor Relations for the Fund at 100 – 10760 Shellbridge Way, Richmond, British Columbia, Canada, V6X 3H1. The Code was filed on SEDAR on March 27, 2006 and is available at www.sedar.com. The Board expects the Trustees to act ethically at all times and to acknowledge their adherence to the policies comprising the Code. Any material issues regarding compliance with the Code are brought forward to the Chair of the Board at either the Board or appropriate committee meetings, or are referred to the CEO of BPI, as may be appropriate in the circumstances. The Board and/or appropriate committee or senior executive officers determine what remedial steps, if any, are required.
	(b) Describe any steps the board takes to ensure trustees exercise independent judgement in considering transactions and agreements in respect of which a trustee or executive officer has a material interest.	The Board has adopted a Conflict of Interest Policy for the Fund. It is anticipated that the Trustees of the Fund and the directors of GP may from time to time pursue personal and private business interests and ventures and participate in other forms of decision-making organizations. In doing so, each Trustee of the Fund and directors of GP must adhere to this Conflict of Interest Policy to ensure that such activities do not conflict with the interests of the Fund and the GP. The Governance Agreement obligates the Governance Committee to review all matters that are or may be a conflict between BPI and the Fund. The Conflict of Interest Policy shall not relieve any Trustee of the Fund or director or officer of GP from complying with any applicable laws, statutes, regulations, by-laws and rules. 1. Where, in the opinion of the Governance Committee, a conflict of interest exists or may arise, the Trustee of the Fund or director of GP with whom the conflict exists shall, upon request of the Governance Committee dispose of any ownership, interest or profit participation or become disassociated from the interest, venture or organization as may be directed. 2. Each Trustee of the Fund and director of GP who participates in any transaction either as an individual or as a member of another

	GOVERNANCE DISCLOSURE GUIDELINE UNDER NI 58-101	COMMENTS
		organization which is of the kind of transaction in which the Fund engages, unless otherwise excused by the Governance Committee, shall promptly disclose such participation to the Governance Committee. 3. Each Trustee of the Fund and each director of GP who has any material direct or indirect ownership, interest or profit participation in outside business enterprises who may have dealings with the Fund shall disclose such interest in writing as aforesaid to the Governance Committee. 4. No Trustee of the Fund or director of GP shall accept any gift or hospitality of material value offered or tendered by virtue of their position with the Fund or GP. While expensive gifts and hospitality are never to be accepted, it should be borne in mind that materiality may be determined not only by worth, but by circumstances surrounding the giving and acceptance. 5. Every Trustee of the Fund and director of GP shall, by June 30th of each year, complete the Conflict of Interest Statement and return it to the Governance Committee. 6. No loans shall be made by the Fund or GP to any related party of the Fund or GP without the prior approval the Governance Committee.
	(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	The Board has reviewed and approved Disclosure Policy Controls and Procedures for the Fund, in order to promote consistent disclosure practices aimed at informative, timely and broadly disseminated disclosure of material information to the market, in accordance with applicable securities legislation. The Governance Committee of GP has also reviewed and approved a Whistleblower Policy, to promote, among other things, the disclosure and reporting of any serious weaknesses which may affect the financial stability and assets of the Fund and BPI.
6.	**Nomination of Trustees —**	
	(a) Describe the process by which the board identifies new candidates for board nomination. (b) Disclose whether or not the board has a nominating committee composed entirely of independent trustees. If the board does not have a nominating committee composed entirely of independent trustees, describe what	The directors of GP have established a Governance Committee, which is composed of all the Trustees of the Fund, each of whom is independent. The responsibilities, powers and operation of the Governance Committee are set out in the Terms of Reference for the Governance Committee.

	GOVERNANCE DISCLOSURE GUIDELINE UNDER NI 58-101	COMMENTS
	steps the board takes to encourage an objective nomination process. (c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	As described in the Terms of Reference for the Governance Committee, the Governance Committee is mandated to annually develop and update a long term plan for the composition of the Board that takes into consideration the current strengths, skills and experience on the Board, retirement dates and the strategic direction of GP, the Administrator, the Trust and the Fund. The objective of this review is to maintain the composition of the Board in a way that provides, in the judgement of the Board, the best mix of competencies, skills and experience to provide for the overall stewardship of the Fund.
7.	**Compensation —**	
	(a) Describe the process by which the board determines the compensation for the issuer's trustees and officers. (b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent trustees, describe what steps the board takes to ensure an objective process for determining such compensation. (c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The Board has determined that the Trustees should be compensated in a form and amount which is appropriate and which is customary for comparative organizations, having regard for such matters as time commitment, responsibility and trends in trustee compensation. The Fund has no officers or employees and is managed by the General Partner on behalf of Royalties LP pursuant to the Administration Agreement. The board of directors of GP has a Governance Committee, which is comprised of all the independent Trustees of the Fund. The Governance Committee has the responsibility of annually reviewing and approving the compensation of the Trustees of the Fund and the directors of GP.
8.	**Other Board Committees —** If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	The Board has an Audit Committee. For further information regarding the Fund's Audit Committee, including the relevant education and experience of the committee members, see "Management - Audit Committee of the Fund" in the Fund's Annual Information Form for the financial year ended December 31, 2015. A copy of Annual Information Form may be found at www.sedar.com, and upon request, may be obtained from the Senior Vice President of Investor Relations for the Fund at 100 – 10760 Shellbridge Way, Richmond, British Columbia, Canada, V6X 3H1. The board of directors of GP has no committees other than the Audit Committee and the Governance Committee.

	GOVERNANCE DISCLOSURE GUIDELINE UNDER NI 58-101	COMMENTS
9.	**Assessments —** Disclose whether or not the board, its committees and individual trustees are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual trustees are performing effectively.	The Board conducts self and peer assessments. The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement. Additionally, the Board receives periodic feedback from BPI on its overall performance, effectiveness and contribution of the Board and each committee, the Chair and each Trustee, and reporting on such assessments to the Board.
10.	**Trustee Term Limits and Other Mechanisms of Board Renewal —** Disclose whether or not the issuer has adopted term limits for the trustees on its board or other mechanisms of board renewal and, if so, include a description of those trustee term limits or other mechanisms of board renewal. If the issuer has not adopted trustee term limits or other mechanisms of board renewal, disclose why it has not done so.	The Fund has not adopted term limits or other mechanisms of board renewal. The Fund does not consider term limits or other mechanisms of board renewal to be appropriate because with only a limited number of trustee positions available, the Fund considers it would be more disruptive than beneficial to force a continuous revolution in its trustees. Since inception of the Fund in 2002, two of the original three Trustees have retired, one in 2008 and one in 2014.
11.	**Policies Regarding the Representation of Women on the Board —** (a) Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women trustees. If the issuer has not adopted such a policy, disclose why it has not done so. (b) If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy: (i) a short summary of its objectives and key provisions, (ii) the measures taken to ensure that the policy has been effectively implemented, (iii) annual and cumulative progress by the issuer in achieving the objectives of the policy, and (iv) whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.	The Fund has not adopted a written policy relating to the identification and nomination of women trustees. The Fund has a limited number of positions, as there are only three Trustees and no executive officers. The Fund considers diversity, including gender, when assessing potential candidates to serve as Trustees, however, the Fund focuses its search for new Trustees primarily based upon the qualification, skills and experience of potential candidates.

	GOVERNANCE DISCLOSURE GUIDELINE UNDER NI 58-101	COMMENTS
12.	**Consideration of the Representation of Women in the Trustee Identification and Selection Process —** Disclose whether and, if so, how the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer's reasons for not doing so.	The Trustees consider and evaluate the representation of women on the board when identifying and nominating candidates for election and re-election to the board. However, the Fund focuses its search for new Trustees primarily based upon the qualification, skills and experience of potential candidates.
13.	**Consideration Given to the Representation of Women in Executive Officer Appointments —** Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.	The Fund does not have any executive officer positions, and accordingly this is not applicable.
14.	**Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions —** (a) For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date. (b) Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so. (c) Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so. (d) If the issuer has adopted a target referred to in either (b) or (c), disclose: (i) the target, and (ii) the annual and cumulative progress of the issuer in achieving the target.	The Fund has not established a target for the representation of women on the Fund's board of trustees or in executive officer positions of the Fund by a specific date. The Fund does not think it is appropriate to set targets due to the limited number of Trustee positions available. The Fund considers diversity, including gender, when assessing potential candidates to serve as Trustees, however, the Fund focuses its search for new Trustees primarily based upon the qualification, skills and experience of potential candidates.

	GOVERNANCE DISCLOSURE GUIDELINE UNDER NI 58-101	COMMENTS
15.	**Number of Women on the Board and in Executive Officer Positions —** (a) Disclose the number and proportion (in percentage terms) of trustees on the issuer's board who are women. (b) Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.	As at the date of this circular, none of the Fund's trustees are women. As at the date of this circular, none of executive officers of the Fund's major subsidiaries are women.

SCHEDULE B

TERMS OF REFERENCE FOR THE BOARD OF BOSTON PIZZA GP INC.

and

TERMS OF REFERENCE FOR A TRUSTEE OF BOSTON PIZZA ROYALTIES INCOME FUND

Terms of Reference for the Board of Boston Pizza GP Inc.

I. Introduction

Pursuant to the *Canada Business Corporations Act* ("**CBCA**") the directors are required to manage the business and affairs of Boston Pizza GP Inc. (the "**Corporation**" or "**GP**"). The Board delegates to the management of the Corporation the requisite authority to manage the day-to-day operations of the Corporation, including the authority to incur ordinary-course expenses; however, the Board retains ultimate responsibility for the business and affairs of the Corporation and, as a consequence, assumes responsibility for the stewardship the Corporation. The principal responsibilities of the Board are summarized below.

II. Monitoring and Acting

The Board is responsible for:

A. monitoring the Corporation's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances;

B. approving any payment of dividends, principal and/or interest payments to the Boston Pizza Royalties Income Fund (the "Fund");

C. the identification of the risks associated with the Corporation's business and ensuring the implementation of appropriate systems to manage these risks;

D. ensuring the implementation, continuity and integrity of the Corporation's internal control and management information systems; and

E. establishing structures and procedures to ensure the Board is able to function independently of Boston Pizza International Inc. ("BPI"), where necessary.

III. Mission and Strategy

The Board's overall mission is to maximize the return on the use of the assets of Boston Pizza Royalties Limited Partnership. The Board shall participate with management of BPI, either directly or through its committees, in fulfilling the Board's mission, including developing and approving specific objectives and goals, and the strategy by which it proposes to reach these objectives and goals.

IV. Policies and Procedures

The Board has the responsibility:

A. to approve and monitor compliance with all significant policies and procedures by which the Corporation is operated; and

B. to ensure the Corporation operates at all times within applicable laws and regulations, and to the highest ethical standards.

V. Reporting to the Fund, as sole shareholder of the Corporation

The Board is responsible for:

A. ensuring that the financial and operating performance of the Corporation is adequately reported to the Fund and regulators on a timely and regular basis;

B. ensuring that the financial results are reported fairly and in accordance with generally accepted accounting standards;

C. ensuring the timely reporting of any other developments that have a significant and material impact on the value of the Corporation;

D. reporting annually to the Trustees and Unitholders of the Fund on the Board's stewardship of the Corporation for the preceding year; and

E. ensuring that the Corporation has systems in place which accommodate feedback from Unitholders of the Fund and other stakeholders.

VI. Legal Requirements

A. The Board has the responsibility to ensure that legal requirements have been met, and documents and records have been properly prepared, approved and maintained.

B. Canadian law and/or the articles and by-laws of the Corporation provide that the Board is obligated to do the following:

1. To manage the business and affairs of the Corporation.

2. To act honestly and in good faith with a view to the best interests of the Corporation.

3. To exercise the care, diligence and skill that reasonable prudent people would exercise in comparable circumstances.

4. To act in accordance with its obligations contained in the Amended and Restated Governance Agreement, CBCA, articles and by-laws of the Corporation and any other relevant legislation and regulations.

5. In particular, it should be noted that the CBCA provides that the Board may not delegate to a committee the authority to:

(a) submit to the shareholders any question or matter requiring the approval of the shareholders;

(b) fill a vacancy among the directors or in the office of auditor, or appoint additional directors;

(c) issue securities except as authorized by the directors;

(d) declare dividends;

(e) purchase, redeem or otherwise acquire shares issued by the corporation;

(f) pay any commission permitted under the CBCA, except as authorized by the directors;

(g) approve a management proxy circular;

(h) approve a take-over bid circular or directors' circular;

(i) approve any financial statements; or

(j) adopt, amend or repeal by-laws.

Terms of Reference for a Trustee of the Boston Pizza Royalties Income Fund

I. Goals and Objectives

Each Trustee must enhance and participate in the common goals and objectives of the Boston Pizza Royalties Income Fund (the "**Fund**") and must do so by:

A. ensuring that the best interests of the Fund and its Unitholders are paramount;

B. participating in the monitoring of the activities of the Boston Pizza Royalties Limited Partnership (the "**LP**"), Administrator to the Fund; and

C. fulfilling the legal requirements and obligations of a Trustee which includes a comprehensive understanding of the duties of Trustees provided for in the Declaration of Trust and under the common law.

II. Duties and Responsibilities of each Trustee

A. *Trustee Activity*

Recognizing the actions of each Trustee directly affect Board activity, each Trustee must:

1. exercise judgment and act with integrity;
2. use abilities, experience and influence constructively;
3. be an available resource to the Board of Trustees;
4. respect confidentiality;
5. bring ideas to the Board of Trustees with a willingness for discussion and criticism;
6. openly explore potential conflict areas – real or perceived – and adopt an objective position;
7. develop the ability to evaluate BPI's performance of its obligations under the License and Royalty Agreement;
8. develop the ability to evaluate the Fund's performance;
9. exercise responsibility to shape the Fund's distribution policy and strategy; and
10. assist in the Fund's growth.

B. ***Preparation and Attendance***

To ensure that every Trustee meeting is productive and conducive to informed discussion of the issues before the Board, each Trustee must:

1. thoroughly prepare for each Board of Trustees meeting by making sure that you read and understand reports and background materials and are fully aware of all issues to be discussed at the meeting;

2. maintain an excellent Board of Trustees meeting attendance record; and

3. satisfy yourself that you have the information necessary for decision making.

C. ***Communication***

Effective internal communication is fundamental to the effectiveness of the Board of Trustees. Accordingly, each Trustee must:

1. participate fully and frankly in the deliberations and discussions of the Board of Trustees;

2. encourage free and open discussion of the affairs of the Fund by the Trustees;

3. make suggestions on innovations, strategic directions, and planning;

4. ask probing questions focused on policy and strategy rather than tactics and details;

5. question directors and officers in appropriate manner and at proper times on the manner in which BPI is fulfilling its obligations under the License and Royalty Agreement;

6. speak up on critical matters requiring an objective opinion;

7. advise the Chair of the Board of Trustees when planning to introduce significant and previously unknown information or material at a Board of Trustees' meeting; and

8. communicate constructively and when appropriate, privately, with the Chair of the Board of Trustees.

D. ***Independence In Thinking and Acting***

While recognizing that the cohesiveness of the Board of Trustees is an important element of its effectiveness, a Trustee will endeavour to:

1. be a positive force and independent thinker with a demonstrated interest in the Fund;

2. think, speak and act independently with courage and confidence;

3. take a reasoned, independent position with the Chair of the Board of Trustees and other Trustees; and

4. comply with other sections of this manual with respect to independence.

E. ***Trustee Interaction***

In recognition of the fact that, while independence is essential, ultimately the Board of Trustees operates as a single unit:

1. establish an effective and respected presence, and respect the opinions and ideas of other Trustees;

2. demonstrate personal competence and trustworthiness;

3. make reasonable demands of the other Trustees, and respond with due haste and consideration to any demands made upon you; and

4. ensure that most requests for information from management of BPI is directed through the CFO of BPI.

F. ***Knowledge of the Fund, Boston Pizza and the Industry***

Recognizing that informed decisions can only be made by Trustees who seek and understand current information relating to the Fund, Boston Pizza and the industry in which Boston Pizza operates, each Trustee must:

1. stay knowledgeable about BPI's products, services and industry;

2. maintain a current understanding of the regulatory and legislative environment and the business, social and political environment within which Boston Pizza and the Fund operate;

3. develop a familiarity and knowledge of the key officers and management group of BPI; and

4. seek independent advice from outside advisors when necessary.

III. Legal Requirements of Trustees

A. Canadian law and/or the Declaration of Trust in respect of the Fund provide that Trustees are obligated to, among other things:

1. act prudently and in the best interest of the Unitholders of the Fund;

2. act honestly and in good faith with a view to the best interests of the Fund; and

3. in fulfilling its duties described in paragraphs 1. and 2. above, exercise the degree of care, diligence and skill that a reasonably prudent person would in comparable circumstances.

BOSTON PIZZA ROYALTIES INCOME FUND

Computershare

8th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1
www.computershare.com

BIEQ 000001

SAM SAMPLE
123 SAMPLES STREET
SAMPLETOWN SS X9X X9X
CANADA

Security Class
TRUST UNITS

Holder Account Number
C9999999999 IND

Fold

Form of Proxy - Annual General Meeting to be held on June 15, 2016 (the "Meeting")

This Form of Proxy is solicited by and on behalf of Management.

Notes to proxy

1. **Every registered holder of Trust Units or Special Voting Units of the Fund (a "Unitholder") has the right to appoint some other person of their choice, who need not be a Unitholder, to attend and act on their behalf at the Meeting or any adjournment or postponement thereof. If you wish to appoint a person or company other than the persons whose names are printed herein, please insert the name of your chosen proxyholder in the space provided (see reverse).**
2. If the Trust Units or Special Voting Units (collectively, the "Units") are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc.), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you must sign this proxy with signing capacity stated, and you may be required to provide documentation evidencing your power to sign this proxy.
3. This proxy should be signed in the exact manner as the name(s) appear(s) on the proxy.
4. If this proxy is not dated, it will be deemed to bear the date on which it is mailed by Management or its agent to the Unitholder.
5. **The Units represented by this proxy will be voted as directed by the registered Unitholder, however, if such a direction is not made or instructions are uncertain in respect of any matter, this proxy will be voted FOR the resolutions.**
6. The Units represented by this proxy will be voted in favour of or withheld from voting on each of the matters described herein, in accordance with the instructions of the registered Unitholder, on any ballot that may be called for and, if the holder has specified a choice with respect to any matter to be acted on, the Units will be voted accordingly.
7. This proxy confers discretionary authority in respect of amendments or variations to matters identified in the Notice of Annual General Meeting or other matters that may properly come before the Meeting or any adjournment or postponement thereof.
8. This proxy should be read in conjunction with the accompanying documentation provided by Management of Boston Pizza GP Inc., the Managing General Partner of Boston Pizza Royalties Limited Partnership, Administrator to the Fund.

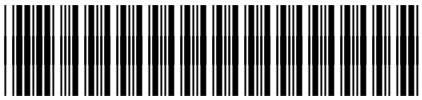
Fold

Proxies submitted must be received by 2:00 PM (Vancouver Time) on June 13, 2016.

SAM SAMPLE

C9999999999

IND U01



Appointment of Proxyholder

The undersigned Unitholder of Boston Pizza Royalties Income Fund (the "Fund") hereby appoints: **William C. Brown**, a Trustee of the Fund, or failing him, **W. Murray Sadler**, a Trustee of the Fund,

OR

Print the name of the person you are appointing if this person is someone other than the Management Nominees.

as proxyholder for and on behalf of the undersigned with the power of substitution to attend, act and vote for and on behalf of the undersigned in accordance with the following direction (or if no directions or uncertain instructions for each matter) in respect of all matters that may properly come before the Meeting and at every adjournment or postponement thereof, to the same extent and with the same powers as if the undersigned Unitholder was present at the said meeting, or any adjournment or postponement thereof. The Unitholder hereby directs the proxyholder to vote the Units of the Fund registered in the name of the undersigned as specified herein.

VOTING RECOMMENDATIONS ARE INDICATED BY HIGHLIGHTED TEXT OVER THE BOXES.

1. **To elect the following persons as Trustees of the Fund until the next annual general meeting:**

	For	Withhold		For	Withhold		For	Withhold
01. William C. Brown	☐	☐	02. W. Murray Sadler	☐	☐	03. David L. Merrell	☐	☐

Fold

	For	Withhold
2. **Appointment of Auditor** To appoint KPMG LLP, Chartered Accountants, as Auditor of the Fund and to authorize the Trustees to fix the remuneration to be paid to the Auditor.	☐	☐

Fold

Authorized Signature(s) - This section must be completed for your instructions to be executed.

I/We authorize you to act in accordance with my/our instructions set out above. I/We hereby revoke any proxy previously given with respect to the Meeting. **If no voting instructions are indicated above, this Proxy will be voted as recommended by Management.**

Signature(s)

Date

DD / MM / YY

BOSTON PIZZA ROYALTIES INCOME FUND

Computershare

8th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1
www.computershare.com

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CANADA

Security Class
TRUST UNITS

Holder Account Number
B9999999999 IND

Intermediary
ABCD

Fold

Voting Instruction Form ("VIF") - Annual General Meeting to be held on June 15, 2016 (the "Meeting")

NON-REGISTERED (BENEFICIAL) SECURITYHOLDERS

1. We are sending to you the enclosed proxy-related materials that relate to a meeting of the holders of Trust Units or Special Voting Units (the "Unitholders") of Boston Pizza Royalties Income Fund (the "Fund") that are held on your behalf by the intermediary identified above. Unless you attend the meeting and vote in person, your Trust Units or Special Voting Units of the Fund (collectively, the "Units") can be voted only by Management, as proxyholder of the registered Unitholder, in accordance with your instructions.
2. **We are prohibited from voting these securities on any of the matters to be acted upon at the meeting without your specific voting instructions.** In order for these securities to be voted at the meeting, **it will be necessary for us to have your specific voting instructions.** Please complete and return the information requested in this VIF to provide your voting instructions to us promptly.
3. **If you want to attend the meeting and vote in person, write your name in the place provided (see reverse) or, alternatively, provide the Fund with another document that sets out that you would like to be appointed as a proxyholder. You can also write in the name of someone else whom you wish to attend the meeting and vote on your behalf, unless prohibited by law, the person whose name is written in the space provided will have full authority to present matters to the meeting and vote on all matters that are presented at the meeting, even if those matters are not set out in this VIF or the Infomation Circular. Consult a legal advisor if you wish to modify the authority of that person in any way. If you need help, contact the Registered Representative who services your account.**
4. **This VIF should be signed by you in the exact manner as your name appears on the VIF. If these voting instructions are given on behalf of a body corporate set out the full legal name of the body corporate, the name and position of the person giving voting instructions on behalf of the body corporate and the address for service of the body corporate.**
5. If this VIF is not dated, it will be deemed to bear the date on which it is mailed by Management or its agent to you.
6. **When properly signed and delivered, the Units represented by this VIF will be voted as directed by you, however, if such a direction is not made in respect of any matter, the VIF will direct the voting of the Units to be made FOR the resolutions.**
7. Your voting instructions will be recorded on receipt of the VIF and a legal form of proxy will be submitted on your behalf.
8. By providing voting instructions as requested, you are acknowledging that you are the beneficial owner of, and are entitled to instruct us with respect to the voting of, these Units.
9. If you have any questions regarding the enclosed documents, please contact the Registered Representative who services your account.
10. This VIF should be read in conjunction with the accompanying documentation provided by Management.

Fold

VIFs submitted must be received by 2:00 PM (Vancouver Time) on June 13, 2016.

VOTE USING THE TELEPHONE OR INTERNET 24 HOURS A DAY 7 DAYS A WEEK!

To Vote Using the Telephone

- Call the number listed BELOW from a touch tone telephone.

1-866-734-VOTE (8683) Toll Free

To Vote Using the Internet

- Go to the following web site: www.investorvote.com
- **Smartphone?** Scan the QR code to vote now.

If you vote by telephone or the Internet, DO NOT mail back this VIF.

Voting by mail may be the only method for securities held in the name of a corporation or securities being voted on behalf of another individual.

Voting by mail or by Internet are the only methods by which a holder may choose an appointee other than the Management appointees named on the reverse of this VIF. Instead of mailing this VIF, you may choose one of the two voting methods outlined above to vote this VIF.

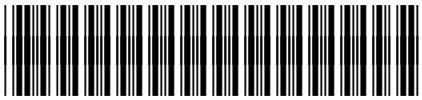
To vote by telephone or the Internet, you will need to provide your CONTROL NUMBER listed below.

CONTROL NUMBER 23456 78901 23456

SAM SAMPLE

B9999999999

IND DT1



Appointee(s)

The undersigned Unitholder of Boston Pizza Royalties Income Fund (the "Fund") hereby appoints: **William C. Brown**, a Trustee of the Fund, or failing him, **W. Murray Sadler**, a Trustee of the Fund,

OR

If you wish to attend in person or appoint someone else to attend on your behalf, print your name or the name of your appointee in this space (see Note #3 on reverse).

as proxyholder for and on behalf of the undersigned with the power of substitution to attend, act and vote for and on behalf of the undersigned in accordance with the following direction (or if no directions or uncertain instructions for each matter) in respect of all matters that may properly come before the Meeting and at every adjournment and postponement thereof, to the same extent and with the same powers as if the undersigned Unitholder was present at the said meeting, or any adjournment or postponement thereof. The Unitholder hereby directs the proxyholder to vote the Units of the Fund registered in the name of the undersigned as specified herein.

VOTING RECOMMENDATIONS ARE INDICATED BY HIGHLIGHTED TEXT OVER THE BOXES.

1. **To elect the following persons as Trustees of the Fund until the next annual general meeting:**

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Fold

	For	Withhold
2. **Appointment of Auditor** To appoint KPMG LLP, Chartered Accountants, as Auditor of the Fund and to authorize the Trustees to fix the remuneration to be paid to the Auditor.	☐	☐

Fold

Authorized Signature(s) - This section must be completed for your instructions to be executed.

If you are voting on behalf of a corporation or another individual you may be required to provide documentation evidencing your power to sign this VIF with signing capacity stated.

Signature(s)

Date

DD / MM / YY

BOSTON PIZZA ROYALTIES INCOME FUND

Computershare

8th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1
www.computershare.com

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2. **We are prohibited from voting these securities on any of the matters to be acted upon at the meeting without your specific voting instructions.** In order for these securities to be voted at the meeting, **it will be necessary for us to have your specific voting instructions.** Please complete and return the information requested in this VIF to provide your voting instructions to us promptly.
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312-588-4291 Direct Dial

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CONTROL NUMBER 23456 78901 23456

SAM SAMPLE

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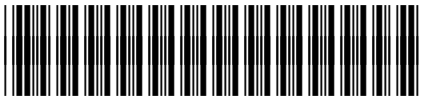

Appointee(s)

The undersigned Unitholder of Boston Pizza Royalties Income Fund (the "Fund") hereby appoints: **William C. Brown**, a Trustee of the Fund, or failing him, **W. Murray Sadler**, a Trustee of the Fund,

OR

If you wish to attend in person or appoint someone else to attend on your behalf, print your name or the name of your appointee in this space (see Note #3 on reverse).

as proxyholder for and on behalf of the undersigned with the power of substitution to attend, act and vote for and on behalf of the undersigned in accordance with the following direction (or if no directions or uncertain instructions for each matter) in respect of all matters that may properly come before the Meeting and at every adjournment and postponement thereof, to the same extent and with the same powers as if the undersigned Unitholder was present at the said meeting, or any adjournment or postponement thereof. The Unitholder hereby directs the proxyholder to vote the Units of the Fund registered in the name of the undersigned as specified herein.

VOTING RECOMMENDATIONS ARE INDICATED BY HIGHLIGHTED TEXT OVER THE BOXES.

1. **To elect the following persons as Trustees of the Fund until the next annual general meeting:**

	For	Withhold		For	Withhold		For	Withhold
01. William C. Brown	☐	☐	02. W. Murray Sadler	☐	☐	03. David L. Merrell	☐	☐

Fold

	For	Withhold
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Fold

Authorized Signature(s) - This section must be completed for your instructions to be executed.

If you are voting on behalf of a corporation or another individual you may be required to provide documentation evidencing your power to sign this VIF with signing capacity stated.

Signature(s)

Date

DD / MM / YY

BOSTON PIZZA ROYALTIES INCOME FUND

REQUEST FOR FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, *Continuous Disclosure Obligations*, a reporting issuer must send annually a request form to the registered holders and beneficial owners of its securities that allows the registered holders and the beneficial owners to request a copy of the reporting issuer's annual financial statements and management's discussion and analysis for the annual financial statements, the interim financial statements and the management's discussion and analysis for the interim financial statements or both. If you wish to receive any or all of these materials, please complete and return this form to:

Computershare Investor Services Inc.
100 University Avenue
8th Floor
Toronto, ON
M5J 2Y1

TO: BOSTON PIZZA ROYALTIES INCOME FUND

The undersigned certifies that the undersigned is the owner of securities of Boston Pizza Royalties Income Fund (the "Fund") and requests that the undersigned be placed on the Fund's Financial Statement Mailing List in order to receive the Fund's and Boston Pizza International Inc.'s (check one or both):

☐ Annual Financial Statements and related Management's Discussion and Analysis
☐ Interim Financial Statements and related Management's Discussion and Analysis

SIGNATURE OF UNITHOLDER: _____DATE:_____

ADDRESS OF UNITHOLDER: _____

CUSIP: 101084 10 1

SCRIP COMPANY CODE: BIEQ

METHOD OF COMMUNICATION:

_____ E-MAIL NOTIFICATION* _____ MAIL (POSTAL)

***IF YOU HAVE SELECTED E-MAIL NOTIFICATION AS YOUR METHOD OF COMMUNICATION, YOU MUST ALSO COMPLETE THE "CONSENT TO ELECTRONIC DELIVERY OF FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS" ATTACHED AS APPENDIX "A".**

Appendix "A"

CONSENT TO ELECTRONIC DELIVERY OF FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

TO: BOSTON PIZZA ROYALTIES INCOME FUND (the "Fund")

1. ***I acknowledge that access to both Internet Email and the World Wide Web is required in order to access any financial statements, management's discussion and analysis and reports of the Fund and Boston Pizza International Inc. ("BPI") electronically. I also acknowledge that I will receive by email notification of the availability of such documents in electronic format. The notification email will not contain the actual document. The notification email will contain a web address (or hyperlink) where the financial statements, management's discussion and analysis or reports can be found. By entering this address into my web browser, I can view, download, and print such documents from my computer.***

2. ***I acknowledge that any financial statements, management's discussion & analysis or reports of the Fund or BPI that are distributed electronically will be distributed in Adobe's Portable Document Format (PDF). The Adobe Acrobat Reader software is required to view documents in PDF format. The Reader software is available free of charge from Adobe's web site at www.adobe.com. I understand that the Reader software must be correctly installed on my system before I will be able to view documents in PDF format.***

3. ***I acknowledge that I may receive at no cost from the Fund a paper copy of any documents delivered electronically if I contact the Fund by telephone ((604) 270-1108), by fax ((604) 270-4168), or regular mail (100 – 10760 Shellbridge Way, Richmond, British Columbia, V6X 3H1).***

4. ***Any financial statements, management's discussion and analysis or reports communicated in accordance with this "Consent to Electronic Delivery of Financial Statements and Management's Discussion and Analysis" will be maintained for a minimum of 6 months and a maximum of 12 months from the date of posting to the web site. Specific cancellation dates will be noted on the documents themselves.***

5. ***I understand that I will be provided with a paper copy of any document intended to be delivered electronically, if electronic delivery fails.***

6. ***I understand that my consent may be removed or changed, including any change in electronic mail address to which documents are delivered, at any time by notifying the Fund's Transfer Agent of such revised or revoked consent by fax ((416) 981-9800) or regular mail (Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1).***

7. ***I understand that I am not required to consent to electronic delivery.***

I have read and understand this "Consent to Electronic Delivery of Documents of Financial Statements and Management's Discussion and Analysis" form and consent to the electronic delivery of the financial statements, management's discussion and analysis and reports, all in accordance with my instructions above.

_____	_____
Signature	Date
_____	_____
Name	E-mail Address

BOSTON PIZZA ROYALTIES INCOME FUND

ANNUAL REPORT **2015**

BOSTON PIZZA ROYALTIES INCOME FUND
ANNUAL REPORT 2015

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.

As at January 1, 2016 there were 372 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, a 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.

TABLE OF CONTENTS

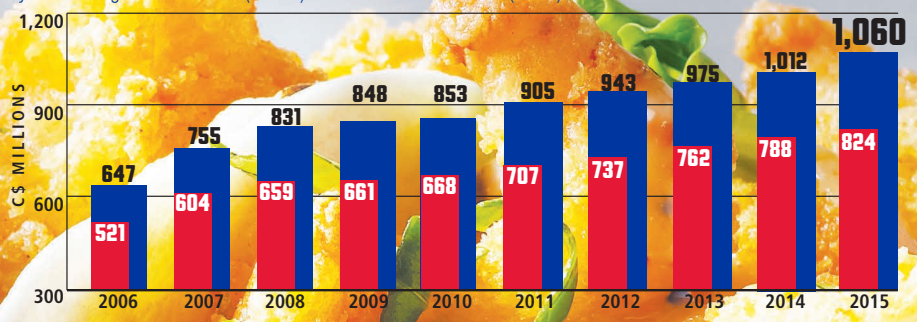
RECORD SYSTEM-WIDE GROSS SALES OF $1.06 BILLION

2015 HIGHLIGHTS

- Record annual system-wide gross sales of $1.06 billion.
- Franchise Sales from Royalty Pool restaurants of $814.0 million for the Year, representing an increase of 4.1% compared to one year ago.
- Distributable Cash per Unit increase of 11.0% for the Year.
- Payout Ratio of 94.0% for the Year.
- Same Store Sales Growth of 1.8% for the Year.
- Boston Pizza opened six net new full service restaurants and completed 54 restaurant renovations in 2015.
- Boston Pizza Royalties Income Fund's cash balance at the end of the Year was $3.2 million.
- On May 6, 2015, the Fund completed an acquisition to increase its interest in Franchise Sales of Boston Pizza restaurants in Canada, from 4.0% to 5.5%, which subsequently resulted in a 6.2% increase to monthly distributions to unitholders to 10.83 cents from 10.20 cents beginning with the April 2015 distribution.
- Subsequent to year-end, the Fund's trustees declared the January 2016 distribution to unitholders of 11.5 cents per Unit, an additional increase of 6.2% compared to the December 2015 distribution of 10.83 cents, marking the 18th time the monthly rate has been increased since the inception of the Fund.
- Boston Pizza Foundation celebrated its 25th anniversary with record fundraising results in 2015 and a cumulative total of $22 million raised and donated since inception.

SYSTEM-WIDE GROSS SALES AND FRANCHISE SALES

System-wide gross sales totals (in blue) and Franchise sales totals (in red)



STABILITY

AN EXPERIENCED FRANCHISOR

The "Four Pillars" strategy is the basis for all decision making that has underpinned the development and success of Boston Pizza.

1. A Commitment to Continually Improving the Guest Experience

Boston Pizza has over 50 years of focus and effort toward improving the experience of our restaurant guests. A vibrant, colourful design in a casual and comfortable dining atmosphere, combined with a menu that features old favourites and new taste sensations, keeps guests coming back for more.

2. A Commitment to Building the Boston Pizza Brand

Having a strong and recognizable brand that consumers trust and want to do business with creates value for all stakeholders.

3. A Commitment to Franchisee Profitability

The best way to ensure the success of the Boston Pizza Royalties Income Fund, Boston Pizza International Inc., and the Boston Pizza brand is to ensure the success of Boston Pizza franchisees.

4. A Commitment to Being Involved in our Communities

Boston Pizza franchisees, staff and management have always made community involvement a key priority through engaging sports teams and civic groups, volunteering time and donating funds to support a variety of local and national causes.

A PROVEN RESTAURANT CONCEPT

Broad Customer Appeal — Full-service restaurant and sports bar under one roof appeals to both families and young adults.

Multiple Day Parts — Boston Pizza restaurants offer lunch, dinner, late nights and take-out & delivery.

Attractive Locations — Real estate selection is critical and restaurant designs are updated regularly.

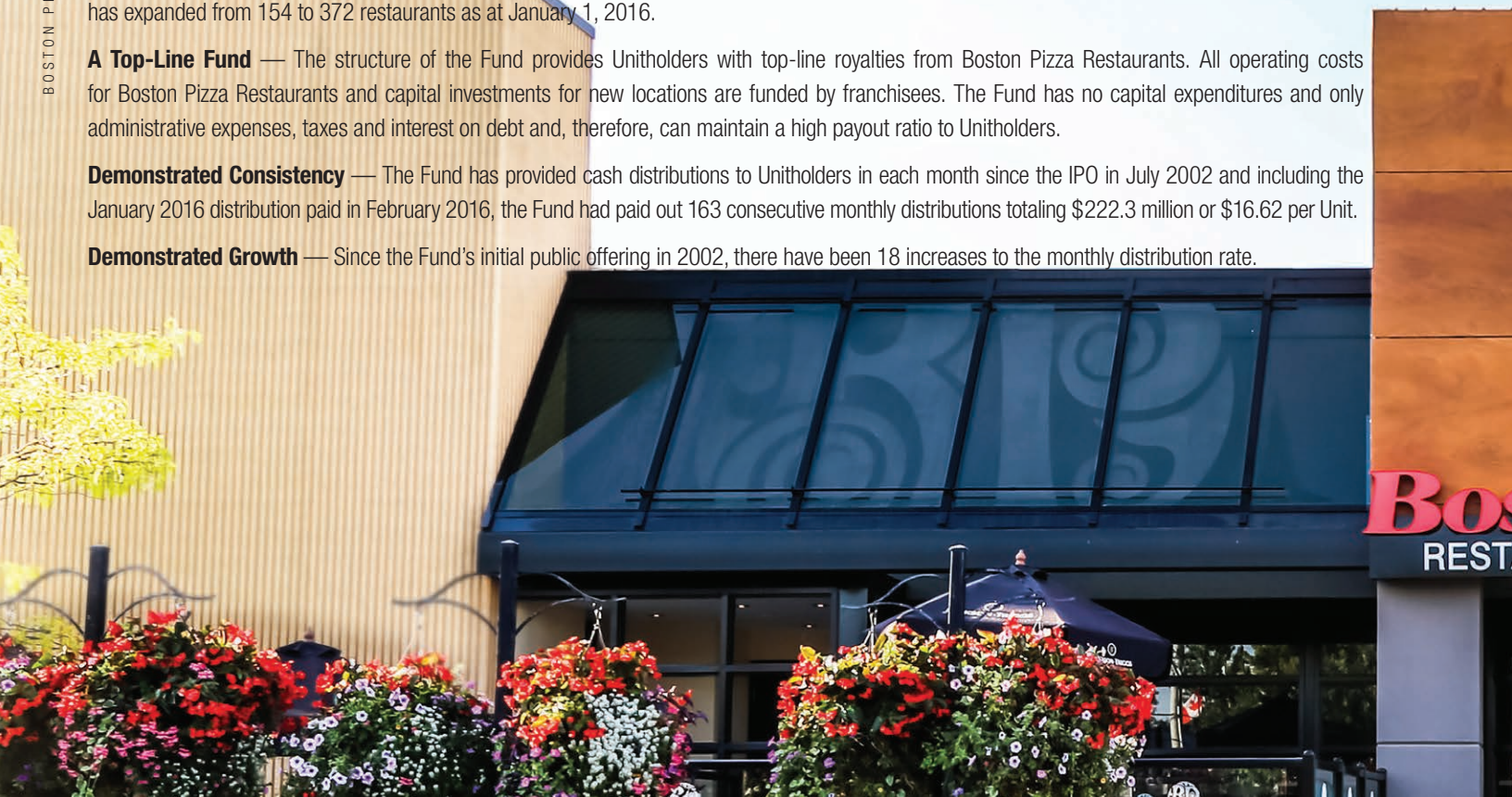
A SUCCESSFUL INCOME FUND

The Fund is a limited purpose open-ended trust established in July 2002, and the units of the Fund 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. used in connection with the operation of Boston Pizza restaurants in Canada and the business of BPI, its affiliated entities and franchisees. On May 6, 2015, the Fund, indirectly through Holdings LP, completed an investment in BP Canada LP to effectively increase the Fund's interest in Franchise Sales of Boston Pizza Restaurants 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. BP Canada LP is a limited partnership controlled and operated by BPI and is now the exclusive franchisor of Boston Pizza Restaurants in Canada. Any new stores opened during a calendar year are added to the Royalty Pool on January 1st of the following year. Since 2002, the Royalty Pool has expanded from 154 to 372 restaurants as at January 1, 2016.

A Top-Line Fund — The structure of the Fund provides Unitholders with top-line royalties from Boston Pizza Restaurants. All operating costs for Boston Pizza Restaurants and capital investments for new locations are funded by franchisees. The Fund has no capital expenditures and only administrative expenses, taxes and interest on debt and, therefore, can maintain a high payout ratio to Unitholders.

Demonstrated Consistency — The Fund has provided cash distributions to Unitholders in each month since the IPO in July 2002 and including the January 2016 distribution paid in February 2016, the Fund had paid out 163 consecutive monthly distributions totaling $222.3 million or $16.62 per Unit.

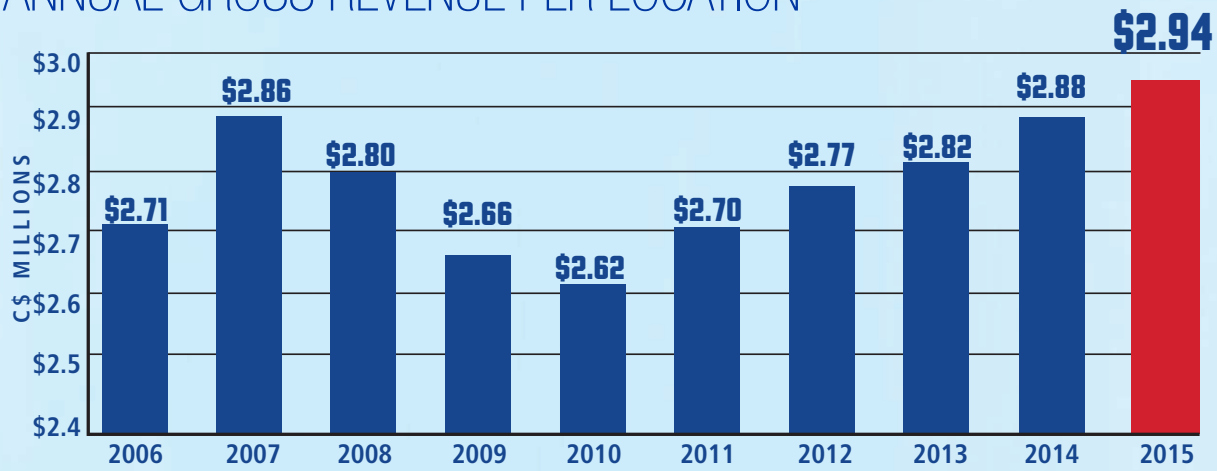
Demonstrated Growth — Since the Fund's initial public offering in 2002, there have been 18 increases to the monthly distribution rate.



$2.94 MILLION

AVERAGE GROSS REVENUE PER LOCATION IN 2015

ANNUAL GROSS REVENUE PER LOCATION



18 INCREASES TO THE MONTHLY DISTRIBUTION RATE

163 CONSECUTIVE MONTHLY DISTRIBUTIONS TO UNITHOLDERS SINCE THE IPO IN JULY 2002

$222.3 MILLION PAID TO UNITHOLDERS IN TOTAL DISTRIBUTIONS AS AT MARCH 1, 2016

GROWTH

1964
FIRST BOSTON PIZZA OPENS IN EDMONTON, AB.

1968


JIM TRELIVING LEAVES HIS JOB AS AN R.C.M.P. OFFICER AND OPENS HIS FIRST BOSTON PIZZA RESTAURANT IN PENTICTON, B.C.

1973
GEORGE MELVILLE, AN ACCOUNTANT WITH PEAT MARWICK MITCHELL & CO. IN PENTICTON, B.C., BECOMES BUSINESS PARTNERS WITH JIM TRELIVING AND THE TWO BEGIN OPENING BOSTON PIZZA FRANCHISES ACROSS B.C.

1983
JIM AND GEORGE, PARTNERS IN 16 BOSTON PIZZA RESTAURANTS, THINK THAT BUYING THE CHAIN OF 44 BOSTON PIZZA LOCATIONS IS A "GREAT IDEA" AND DO IT. THEY SELL ALL THEIR FRANCHISES EXCEPT ONE AND BECOME THE NEW OWNERS OF THE FRANCHISOR, BOSTON PIZZA INTERNATIONAL INC.

1986
BOSTON PIZZA DEBUTS ON THE WORLD STAGE AS THE OFFICIAL PIZZA SUPPLIER FOR EXPO '86 IN VANCOUVER, B.C. GENERATING MORE THAN $8 MILLION IN SALES.

1990
BOSTON PIZZA FOUNDATION

THE BOSTON PIZZA FOUNDATION IS ESTABLISHED TO RAISE FUNDS TO MAKE A DIFFERENCE IN THE LIVES OF THOSE IN NEED ACROSS CANADA AND AROUND THE WORLD.

1993
BOSTON PIZZA RECEIVES 25-YEAR AWARD FROM THE INTERNATIONAL FRANCHISE ASSOCIATION.

IFA®
NTERNATIONAL FRANCHISE ASSOCIATION

1994


NAMED ONE OF CANADA'S 50 BEST MANAGED COMPANIES BY THE FINANCIAL POST, A RECOGNITION FOR WHICH BOSTON PIZZA HAS BEEN AWARDED EVERY SUBSEQUENT YEAR.

1996
BOSTON PIZZA OPENS ITS 100TH STORE IN COLD LAKE, ALBERTA ON SEPTEMBER 24TH, 1996.

100th

1998
Boston's THE GOURMET PIZZA
RESTAURANT & SPORTS BAR

MARK PACINDA JOINS BOSTON PIZZA AND OPENS A REGIONAL OFFICE IN MISSISSAUGA, ONTARIO TO SUPPORT EXPANSION IN EASTERN CANADA. IN ADDITION, TWO LOCATIONS OPEN IN THE U.S. UNDER THE BANNER "BOSTON'S THE GOURMET PIZZA."

1999
JIM TRELIVING AND GEORGE MELVILLE EARN THE ERNST & YOUNG ENTREPRENEUR OF THE YEAR AWARD FOR COMMITMENT TO HOSPITALITY AND TOURISM.

ERNST & YOUNG ENTREPRENEUR OF THE YEAR

2002
BOSTON PIZZA ROYALTIES INCOME FUND IS CREATED AND BEGINS TRADING ON THE TSX UNDER THE SYMBOL BPF. UN FOLLOWING THE INITIAL PUBLIC OFFERING ON JULY 17, 2002.

2004
BOSTON PIZZA CELEBRATES ITS 40TH ANNIVERSARY AND BEGINS EXPANSION INTO QUEBEC WITH THE OPENING OF A CORPORATE OFFICE IN LAVAL.

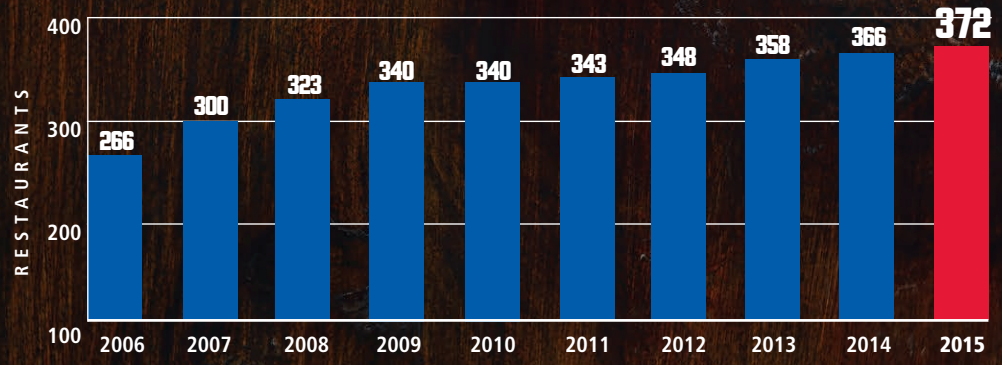
2006
BOSTON PIZZA OPENS ITS FIRST LOCATIONS IN NEWFOUNDLAND AND P.E.I., MAKING BOSTON PIZZA TRULY COAST-TO-COAST.

2012
BOSTON PIZZA ROYALTIES INCOME FUND CELEBRATES ITS 10-YEAR ANNIVERSARY ON THE TORONTO STOCK EXCHANGE.

2014
BOSTON PIZZA INTERNATIONAL INC. ACHIEVES RECORD SALES OF $1.0 BILLION.

2015
BOSTON PIZZA ROYALTIES INCOME FUND INCREASES ITS INTEREST IN THE FRANCHISE SALES OF BOSTON PIZZA RESTAURANTS IN CANADA, FROM 4.0% TO 5.5%.

NUMBER OF LOCATIONS OVER THE PAST TEN YEARS



372 LOCATIONS ACROSS CANADA

54 RENOVATIONS ACROSS CANADA

COMMUNITY

BOSTON PIZZA FOUNDATION
FUTURE PROSPECTS
ROLE MODELS FOR LIFE
1990 CELEBRATING 25 YEARS OF GIVING BACK 2015

Since Boston Pizza first opened its doors in Edmonton, Alberta in 1964, a spirit of giving back to the communities in which we operate has been a philosophy and value we hold dear. To formalize the first 25 years of charitable activity, Boston Pizza in 1990 established the Boston Pizza Foundation, a public foundation focused on raising funds to make a difference in the lives of those in need across Canada.

The Boston Pizza Foundation is dedicated to programs and promotions that range from charity golf tournaments to national marketing programs, such as its Valentine's Day Heart-Shaped Pizza promotion and BP Kids Cards program, that all help raise much needed funds.

Since its inception in 1990, the Boston Pizza Foundation has raised and donated $22 million to directly improve the health and well-being of children and families.

On January 15, 2014, the Boston Pizza Foundation announced the launch of a new signature cause for its national fundraising and charitable efforts called Boston Pizza Foundation (BPF) Future Prospects. BPF Future Prospects works with leading organizations across Canada to raise money and awareness for role modeling and mentoring programs that help Canadian children and youth reach their full potential.

"Boston Pizza believes that strong role models inspire kids to be great," said Cheryl Treliving, Executive Director of Boston Pizza Foundation. "With the launch of BPF Future Prospects we are committed to working with our franchisees from coast-to-coast to address the growing need to provide kids with access to mentors and role models that inspire them to thrive, succeed and realize their individual goals."

In 2014, BPF Future Prospects announced a five-year pledge to donate a minimum of $1.5 million in support of mentoring programs that help increase the number of 'Bigs' participating in Big Brothers Big Sisters. In addition, BPF Future Prospects announced a commitment of $1.0 million over five years to support the Rick Hansen School Program, a national initiative that inspires, empowers and engages children to make a difference in their local communities and build awareness of the importance of accessibility and inclusion.

TO DATE, THE BOSTON PIZZA FOUNDATION HAS RAISED AND DONATED **$22 MILLION** TO CHARITIES IN CANADA

134,388
KIDS CARDS SOLD, PROCEEDS GO TO THE BOSTON PIZZA FOUNDATION FUTURE PROSPECTS

5 NATIONAL PARTNERS
BIG BROTHERS, BIG SISTERS, JDRF, KIDS HELP PHONE, LIVE DIFFERENT, RICK HANSEN FOUNDATION

$2.3 MILLION
RAISED AND DONATED IN 2015

Photo: Jamie Willey / Studio 78

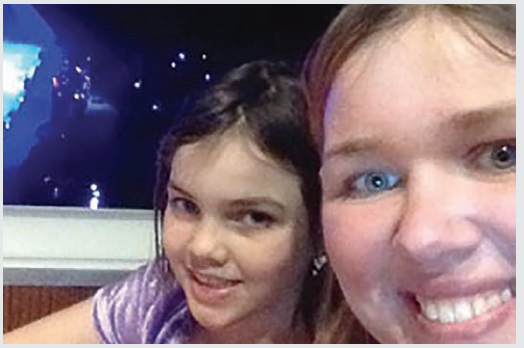
WE SEE THE IMPACT AND BENEFIT OF **STRONG MENTORSHIP** IN OUR RESTAURANTS EVERY DAY AS **MORE THAN 23,000 YOUNG PEOPLE ARE EMPLOYED** AT BOSTON PIZZA RESTAURANTS FROM COAST-TO-COAST.

This new direction for the Boston Pizza Foundation is the result of a deeply held and long-standing commitment to mentorship by Jim Treliving and George Melville, Boston Pizza's Chairmen and owners, who recognize the value of mentorship, from both an individual and a community level.

"For over 50 years, Boston Pizza has been involved with causes that are important to us as an organization as well as to our people," said George Melville, Chairman and Owner of BPI. "We see the impact and benefit of strong mentorship in our restaurants every day as more than 23,000 young people are employed at Boston Pizza Restaurants from coast-to-coast."

"If you ask any successful individual in business, sports, the arts or the public sector, they'll tell you that they couldn't have got to where they are today without the support and guidance of a role model or mentor," said Jim Treliving, Chairman and Owner of BPI. "We are very proud to launch BPF Future Prospects and not only give back to the community, but invest in the future of Canadian kids and inspire a new generation of leaders."

BPF Future Prospects has also committed $1.0 million in support of Live Different, a Canadian not-for-profit organization that delivers motivational school assemblies, workshops and leadership training programs through Canada's middle and secondary schools. BPF Future Prospects will also continue working with long-standing partners Kids Help Phone to ensure young people will have ongoing access to its essential, professional and innovative counselling and support services 24/7 and the JDRF Ambassador and Leadership program which provides youth and teens with type 1 diabetes opportunities for leadership, mentoring, and presentation training.



Big Brothers Big Sisters | Rick Hansen Foundation | LiveDifferent | 1 800 668 6868 Kids Help Phone kidshelpphone.ca CELEBRATING 20 YEARS | JDRF Juvenile Diabetes Research Foundation

LETTER FROM THE **CHAIRMAN** OF BOSTON PIZZA ROYALTIES INCOME FUND

On behalf of the Trustees, I am pleased to present the fourth quarter report for Boston Pizza Royalties Income Fund (the "**Fund**"). This report covers the period from October 1, 2015 to December 31, 2015 (the "**Period**") and the period from January 1, 2015 to December 31, 2015 (the "**Year**").

HIGHLIGHTS

- Record fourth quarter and annual System-Wide Gross Sales[1] of $272.0 million and $1.06 billion, respectively.
- Franchise Sales[2] from royalty pool restaurants of $205.4 million for the Period and $814.0 million for the Year, representing increases of 4.0% and 4.1%, respectively, versus the same periods one year ago.
- Distributable Cash[3] per Unit increased 13.3% for the Period and 11.0% for the Year.
- Payout Ratio[4] of 92.8% for the Period and 94.0% for the Year.
- Same Store Sales Growth of 2.2% for the Period and 1.8% for the Year.
- Boston Pizza opened six net new full service restaurants and completed 54 restaurant renovations in 2015.
- Fund's cash balance at the end of the Period was $3.2 million.
- On May 6, 2015, the Fund completed an acquisition of additional interest in Franchise Sales of Boston Pizza restaurants in Canada, which subsequently resulted in a 6.2% increase to monthly distributions to unitholders to 10.83 cents per Unit from 10.2 cents per Unit.
- The Fund's Trustees declared the January 2016 distribution to unitholders of 11.5 cents per Unit, an additional increase of 6.2% compared to the December 2015 distribution of 10.83 cents, marking the 18th time the monthly rate has been increased since the inception of the Fund.

Readers are cautioned that they should refer to the annual consolidated financial statements and Management's Discussion and Analysis ("**MD&A**") of the Fund and Boston Pizza International Inc. ("**BPI**") for the Period and Year, available on SEDAR at www.sedar.com and on the Fund's website at www.bpincomefund.com, for a full description of the Fund's and BPI's financial results.

FINANCIAL HIGHLIGHTS

On February 9, 2016, the trustees of the Fund approved a cash distribution to unitholders of 11.5 cents per unit of the Fund ("**Unit**") for January 2016. This is an increase of 0.67 cents per Unit or 6.2% from the previous monthly rate of 10.83 cents per Unit and marks the 18th time that distributions have been increased since the inception of the Fund in 2002. On an annualized basis, it is an increase to $1.38 per Unit from $1.30 per Unit. The distribution will be payable to unitholders of record at the close of business on February 21, 2016 and will be paid on February 29, 2016. The Fund periodically reviews distribution levels based on its policy of stable and sustainable distribution flow to unitholders. Including this distribution, the Fund will have paid out 163 consecutive monthly distributions totalling $222.3 million or $16.62 per Unit since the Fund's initial public offering in 2002.

Same store sales growth ("**SSSG**"), a key driver of distribution growth for unitholders of the Fund, was 2.2% for the Period and 1.8% for the Year compared with 5.3% and 1.7%, respectively, for the same periods in 2014. Franchise Sales, the basis upon which royalties and Distribution Income[5] are paid to the Fund, exclude revenue from the sale of liquor, beer, wine and approved national promotions and discounts. On a Franchise Sales basis, SSSG was 1.8% for the Period and 1.7% for the Year compared with 5.3% and 1.4%, respectively, for the same periods in 2014. The positive SSSG for the Period and for the Year was principally due to higher take-out and delivery sales resulting from continued promotion of Boston Pizza's online ordering system, menu re-pricing and higher chicken wing sales from the successful "Wings Two-Four" campaign, partially offset by the impact of weaker general economic conditions in regions directly connected to the Canadian oil and gas industry.

Franchise Sales of restaurants in the Fund's royalty pool were $205.4 million for the Period and $814.0 million for the Year compared with $197.5 million and $781.9 million, respectively, for the same periods in 2014. The increases in Franchise Sales for the Period and for the Year were primarily attributable to additional Franchise Sales from eight net new store openings during 2014 that were added to the Fund's royalty pool on January 1, 2015 and positive SSSG.

The Fund's net and comprehensive income was $8.7 million for the Period compared with net and comprehensive income of $2.6 million for the fourth quarter of 2014. The $6.1 million increase in net and comprehensive income for the Period was primarily due to a net $3.8 million change in fair value adjustments, the addition of $2.7 million in Distribution Income, an increase in royalty income of $0.3 milion, partially offset by an increase in interest on debt and Class B Unit and Class C Unit liabilities of $0.5 million, and an increase in income taxes of $0.3 million. For a detailed discussion on the Fund's net and comprehensive income, please see the "Operating Results – Net and Comprehensive Income / Basic and Diluted Earnings" section in the Fund's MD&A for the Period and Year. The Fund's net income under International Financial Reporting Standards ("**IFRS**") contains non-cash items, such as the fair value adjustments on financial instruments, that do not affect the Fund's business operations or its ability to pay distributions to unitholders. In the Fund's view, net income is not the only or most meaningful measurement of the Fund's ability to pay distributions. Consequently, the Fund reports the non-IFRS metrics of Distributable Cash and Payout Ratio to provide investors with more meaningful information regarding the amount of cash that the Fund has generated to pay distributions. Readers are cautioned that Distributable Cash and Payout Ratio are non-IFRS financial measures that do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. For a reconciliation between cash flow from operating activities (the most directly comparable IFRS measure) and Distributable Cash see the "Financial Highlights" section in the Fund's MD&A for the Period and Year. For a detailed discussion on the Fund's Distributable Cash and Payout Ratio, please see the "Operating Results – Distributable Cash / Payout Ratio" section in the Fund's MD&A for the Period and Year.

The Fund's Distributable Cash was $7.2 million or $0.350 per Unit for the Period compared with $4.8 million or $0.309 per Unit for the same period in 2014. This represents an increase to Distributable Cash and Distributable Cash per Unit of 49.9% and 13.3%, respectively. These increases are primarily attributed to the Fund completing an indirect investment in Boston Pizza Canada Limited Partnership ("**BP Canada LP**") on May 6, 2015 to effectively increase the Fund's interest in Franchise Sales of Boston Pizza restaurants 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 "**Transaction**"), receiving Distribution Income of $2.7

million and positive SSSG of 2.2% during the Period. For more details regarding the Transaction, please refer to the "Operating Results – Transaction" section of the Fund's MD&A for the Period and the Year. The Fund's Distributable Cash was $25.6 million or $1.364 per Unit for the Year compared with $19.1 million or $1.229 per Unit in 2014. The increase in Distributable Cash of $6.5 million or 34.0% is primarily attributable to the Fund completing the Transaction and receiving Distribution Income, partially offset by an initial working capital change[6] of $0.9 million. The percentage increase in Distributable Cash for the Period and for the Year was larger than the percentage increase in Distributable Cash per Unit for the Period and for the Year due to the combined effect of the Fund receiving Distribution Income, the Fund issuing 5,047,613 Units on May 6, 2015, and the initial working capital change resulting from the completion of the Transaction.

The Fund's Payout Ratio was 92.8% for the Period and 94.0% for the Year compared with 99.2% and 99.7% in the same periods, respectively, one year ago. The Fund's Payout Ratio for the Period and for the Year decreased compared with the same periods one year ago due to the increases in Distributable Cash, as discussed above, being greater than the increase in distributions paid. The increases in distributions paid during the Period and Year were due to the Fund increasing the monthly distribution from 10.20 cents to 10.83 cents effective with the April 2015 distribution that was paid on May 29, 2015 and the Fund issuing 5,047,613 Units on May 6, 2015 in connection with the Transaction. The Fund strives to provide unitholders with regular monthly distributions, and as a result, the Fund will generally experience seasonal fluctuations in its Payout Ratio. The Fund's Payout Ratio is likely to be higher in the first and fourth quarters each year compared with the second and third quarters each year since Boston Pizza restaurants generally experience higher Franchise Sales during the summer months when restaurants open their patios and benefit from increased tourist traffic. Higher Franchise Sales generally results in increases in Distributable Cash. A key feature of the Fund is that it is a "top line" structure, in which BPI and BP Canada LP pay the Fund an amount based on Franchise Sales from restaurants in the Fund's royalty pool. Accordingly, Fund unitholders are not directly exposed to changes in the operating costs or profitability of BPI, BP Canada LP or individual Boston Pizza restaurants. Given this structure, and that the Fund has no current mandate to retain capital for other purposes, it is expected that the Fund will maintain a Payout Ratio close to 100% over time as the trustees of the Fund continue to distribute all available cash in order to maximize returns to unitholders.

OUTLOOK

Boston Pizza is well positioned for future growth and should continue to strengthen its position as the number one casual dining brand in Canada by continuing to achieve positive SSSG and opening new Boston Pizza locations across Canada.

The two principal factors that affect SSSG are changes in customer traffic and changes in average guest cheque. BPI's and BP Canada LP's strategies to drive higher guest traffic include attracting a wide variety of guests into the restaurant, sports bar and take-out/delivery parts of each location, offering a compelling value proposition to guests and leveraging a larger marketing budget versus the previous year along with a revised calendar of national and local store promotions. Increased average cheque levels are expected to be achieved through a combination of culinary innovation and annual menu re-pricing. In addition, the franchise agreement governing each Boston Pizza Restaurant requires a complete store renovation every seven years. 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.

Boston Pizza remains well positioned for future expansion as evidenced by the six net new Boston Pizza Restaurants that opened in 2015. There are currently five new locations under construction with more planned for later in 2016. BPI's management believes that Boston Pizza will continue to serve more Guests in more locations than any other casual dining brand in Canada by pursuing further restaurant development opportunities across the country.

On behalf of the Board of Trustees,

William C. Brown

Chairman, Boston Pizza Royalties Income Fund

Notes:

1) "**System-Wide Gross Sales**" means the gross revenue: (i) of the corporate Boston Pizza restaurants in Canada owned by BPI; and (ii) reported to BPI or BP Canada LP, as applicable, 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 BPI or BP Canada LP, as applicable, approved national promotions and discounts and excluding applicable sales and similar taxes.

2) Franchise sales is the basis on which the royalty and Distribution Income are payable; it means the revenues of Boston Pizza restaurants in respect of which the royalty and Distribution Income are payable ("**Franchise Sales**"). The term "revenue" refers to the gross revenue: (i) of the corporate Boston Pizza restaurants in Canada owned by BPI; and (ii) reported to BPI or BP Canada LP, as applicable, 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 BPI or BP Canada LP, as applicable, 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.

3) Distributable Cash is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. This non-IFRS financial measure provides useful information to investors regarding the amount of cash the Fund has generated for distribution on the Units. Investors are cautioned that this should not be construed as an alternative net income measure of profitability. For a reconciliation from this non-IFRS financial measure to cash flows from operating activities, which is the most directly comparable IFRS measure and additional information regarding this financial metric, see the Financial Highlights section in the Fund's MD&A for the Period and Year.

4) Payout Ratio is calculated by dividing the distributions paid by the Fund during a period by the Distributable Cash generated in that period. Payout Ratio is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. This non-IFRS financial measure provides investors with useful information regarding the extent to which the Fund distributes cash on the Units. Investors are cautioned that this should not be construed as an alternative net income measure of profitability. As the Payout Ratio is calculated from a formula which includes Distributable Cash, which is a non-IFRS measure, a reconciliation of Payout Ratio to an IFRS measure is not possible. The Fund has modified how it calculates Payout Ratio commencing with the second quarter of 2015. As a result, Payout Ratios set forth in this letter are not necessarily directly comparable with Payout Ratios set forth in prior letters or MD&A of the Fund. For additional information regarding this financial metric, see the heading "Description of Non-IFRS and Additional IFRS Measures" in the Fund's MD&A for the Period and Year.

5) "**Distribution Income**" is income received by the Fund from the investment in BP Canada LP it completed on May 6, 2015. See the "General – Purpose of Fund / Sources of Revenue" section of the Fund's MD&A for the Period and Year for more details.

6) The initial working capital change resulted from a combination of: (i) the commencement of the Fund being entitled to receive Distribution Income from BP Canada LP as a result of the completion of the Transaction on May 6, 2015; and (ii) the Distribution Income generated in respect of a month only being payable by BP Canada LP to Boston Pizza Holdings Limited Partnership in the immediately subsequent month.

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 the Fund, Boston Pizza Holdings Trust, Boston Pizza Royalties Limited Partnership, Boston Pizza Holdings Limited Partnership, BP Canada LP, Boston Pizza Holdings GP Inc., Boston Pizza GP Inc., BPI, 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 the Fund or management of BPI expects or anticipates will or may occur in the future, including such things as, seasonal fluctuations in the Payout Ratio, the Payout Ratio is likely to be higher in the first and fourth quarters, higher Franchise Sales generally result in increases in Distributable Cash, a Payout Ratio close to 100% will be maintained, trustees of the Fund will continue to distribute all available cash in order to maximize returns to unitholders, Boston Pizza being well positioned for future growth, the strengthening of Boston Pizza's position as the number one casual dining brand in Canada, the achievement of positive SSSG, opening of new restaurants, increases in average guest cheques levels, incremental sales increasing after store renovations, plans to pursue restaurant development opportunities 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: future results being similar to historical results, expectation related to future general economic conditions, business plans, receipt of franchise fees and other amounts, franchisees access to financing, pace of commercial real estate development, protection of intellectual property rights of Boston Pizza Royalties Limited Partnership and absence of changes of laws. 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, Distributable Cash and reliance on operating revenues, accounting policies and practices, the results of operations and financial condition of BPI, BP Canada LP and the Fund, 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, the Fund and BPI assume no obligation to update previously disclosed forward-looking information. For a complete list of the risks associated with forward-looking information and our business, please refer to the "Risks and Uncertainties" and "Note Regarding Forward-Looking Information" sections included in the Fund's MD&A for the Period and Year available at www.sedar.com and www.bpincomefund.com

LETTER FROM THE **CHIEF EXECUTIVE OFFICER** 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 2015 Annual Report. This report covers the fiscal period of October 1, 2015 to December 31, 2015 (the "**Period**") and January 1, 2015 to December 31, 2015 (the "**Year**").

HIGHLIGHTS

- Achieved record annual system-wide gross sales of $1.06 billion in 2015, an increase of 4.7% compared to 2014.
- Opened 12 new Boston Pizza locations during 2015 and added six net new locations to the Fund's royalty pool on January 1, 2016 bringing the total to 372 restaurants nationwide.
- Raised a record $900,000 in donations to Boston Pizza Foundation Future Prospects through the BP Kids Cards program, bringing our total to $22 million raised and donated since the inception of the Boston Pizza Foundation in 1990.

Readers are cautioned that they should refer to the consolidated financial statements and Management's Discussion and Analysis of BPI for the Period and the Year, available on SEDAR at www.sedar.com and on the Fund's website at www.bpincomefund.com, for a full description of BPI's financial results.

OPERATIONAL HIGHLIGHTS

Building on the momentum established in 2014, our first quarter of 2015 got the year off to a good start with value-based campaigns like Pair-It-Up and 10-For-$10 to help drive take-out and delivery and dining room sales, respectively. We also saw tremendous national pride in January during Canada's successful gold-medal run at the IIHF World Junior Tournament which resulted in strong sales in the sports bar side of Boston Pizza restaurants. Boston Pizza Foundation (BPF) Future Prospects also had tremendous results from our annual Valentine's Day event by surpassing our fundraising goal and raising over $500,000 to help support role modeling and mentoring opportunities for Canadian youth.

At the end of February, Boston Pizza introduced our new brand promise, 'We'll Make You A Fan', which highlights our longstanding connection to sports and also reflects our commitment to continually improving the guest experience in our restaurants. The campaign ran with national marketing support including four new television commercials as well as digital and in store components. The sports bar side of Boston Pizza restaurants benefitted greatly from the new campaign, while also riding the momentum of five Canadian hockey teams in the 2015 NHL playoffs and the launch of Boston Pizza's innovative 'Wings 2-4' package promotion to drive positive sales results in the second quarter of 2015.

Our 'MY BP' loyalty app continued to gain new users in 2015 and contributed to steady growth in online orders through bostonpizza.com. We are exploring additional functionality for this platform and expect to extend this form of guest interaction with new engagement opportunities going forward.

The third quarter of 2015 started with a summer taco promotion, continuing Boston Pizza's commitment to food news and menu innovation. The feature menu included three variations of tacos that each turned out to be exceptionally popular with our guests. We even created a BP food truck to bring our tacos to the city streets and get people's reaction to our latest creation.

Later in the third quarter, we launched the 2015 BP Kids Cards program to raise money for BPF Future Prospects. The cards are very popular with families and help drive traffic into our dining rooms during the fall and winter as they are redeemed for free kids meals. During the 2015 campaign, a record total of over $900,000 was raised for BPF Future Prospects to help provide role modeling and mentoring opportunities for Canadian children. We are very proud of Boston Pizza's longstanding commitment to giving back in the communities where we operate.

Other highlights in the third quarter included the launch of our refreshed national menu in September, the kick-off of NFL regular season action and NHL preseason games and of course, the remarkable run to the MLB playoffs for the Toronto Blue Jays. Boston Pizza is an official partner of the Jays and we used our humorous 'Trophy Model' character to drive exceptional fan engagement while giving our guests the real stadium experience in each of our locations during the exciting stretch run and 2015 playoff games.

In Québec, Boston Pizza continued to raise awareness for the brand and promote Boston Pizza as a popular restaurant, sports bar and take out & delivery option. Just in time for the 2015 NHL season, we launched a new French-language TV commercial with popular professional hockey player P.K. Subban and our brand spokesperson for Québec, Louis Morrisette. The commercial focused on our Pair-it-Up offer for take-out and delivery pizzas and received great reviews for its humor and creativity while also driving strong positive sales results in the province.

On the development front, Boston Pizza continued to open traditional locations in new markets across the country while also opening in non-traditional locations as part of a multi-channel development strategy that includes urban locations, recreation sites, conversions of existing restaurants and even airports as evidenced by the new Boston Pizza inside Edmonton International Airport, our very first airport

location. In 2015, we opened a total of 12 new Boston Pizza locations and set a new annual record with 54 restaurant renovations.

Overall, we are pleased by Boston Pizza's performance in 2015 and look forward to carrying our sales growth and new store expansion momentum into 2016.

OUTLOOK

Boston Pizza is well positioned for future growth and should continue to strengthen our position as the number one casual dining brand in Canada by continuing to achieve positive SSSG and opening new Boston Pizza locations across Canada.

The two principal factors that affect SSSG are changes in customer traffic and changes in average guest cheque. Our strategies to drive higher guest traffic include attracting a wide variety of guests into the restaurant, sports bar and take-out/delivery parts of each location, offering a compelling value proposition to guests and leveraging a larger marketing budget versus the previous year along with a revised calendar of national and local store promotions. Increased average cheque levels are expected to be achieved through a combination of culinary innovation and annual menu re-pricing. In addition, the franchise agreement governing each Boston Pizza Restaurant requires a complete store renovation every seven years. 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.

Boston Pizza remains well positioned for future expansion as evidenced by the six net new Boston Pizza Restaurants that opened in 2015. There are currently five new locations under construction with more planned for later in 2016. BPI's management believes that Boston Pizza will continue to serve more guests in more locations than any other casual dining brand in Canada by pursuing further restaurant development opportunities across the country.

On behalf of Boston Pizza International Inc.,

MARK PACINDA,
President & Chief Executive Officer,
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 BPI, the Fund, Boston Pizza Holdings Trust, Boston Pizza Royalties Limited Partnership, Boston Pizza Holdings Limited Partnership, Boston Pizza Canada Limited Partnership, Boston Pizza Holdings GP Inc., Boston Pizza GP Inc., 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 letter, forward-looking information may include words such as "anticipate", "estimate", "may", "will", "should", "expect", "believe", "plan" and other similar terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this letter. The material factors and assumptions used to develop the forward-looking information contained in this letter include the following: future results being similar to historical results, expectation related to future general economic conditions, business plans, receipt of franchise fees and other amounts, franchisees access to financing, pace of commercial real estate development, protection of intellectual property rights of Boston Pizza Royalties Limited Partnership and absence of changes of laws. 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, Distributable Cash and reliance on operating revenues, accounting policies and practices, the results of operations and financial condition of BPI and the Fund, 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, the Fund and BPI assume no obligation to update previously disclosed forward-looking information. For a complete list of the risks associated with forward-looking information and our business, please refer to the "Risks and Uncertainties" and "Note Regarding Forward-Looking Information" sections included in BPI's Management's Discussion and Analysis for the Period and Year available at www.sedar.com and www.bpincomefund.com.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE PERIOD AND THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL HIGHLIGHTS

The tables below set out selected information from the 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 annual consolidated financial statements of the Fund for years ended December 31, 2015 and 2014. The Fund completed an indirect investment in Boston Pizza Canada Limited Partnership ("**BP Canada LP**") on May 6, 2015, and as a result, the information in the tables below are not necessarily directly comparable with prior historical financial statements or Management's Discussion and Analysis ("**MD&A**") of the Fund. Refer to the "Operating Results – Transaction" section of this MD&A for more details. The financial information in the tables included in this MD&A are reported in accordance with International Financial Reporting Standards ("**IFRS**") except as otherwise noted and are stated in Canadian dollars.

For the years ended December 31 (in thousands of dollars – except restaurants, SSSG, Payout Ratio and per Unit items)	**2015**	2014	2013
System-wide Gross Sales	**1,059,549**	1,011,966	974,837
Number of restaurants in Royalty Pool	**366**	358	348
Franchise Sales reported by restaurants in the Royalty Pool	**814,001**	781,915	755,420
Royalty income	**32,560**	31,277	30,217
Distribution Income	**8,173**	—	—
Interest income	**1,844**	1,811	1,811
Total revenue	**42,577**	33,088	32,028
Administrative expenses	**(1,226)**	(1,022)	(1,050)
Interest expense on debt	**(2,084)**	(1,301)	(1,054)
Interest expense on Class B Unit and Class C Unit liabilities	**(5,492)**	(5,023)	(5,525)
Profit before fair value adjustments and income taxes	**33,775**	25,742	24,399
Fair value adjustment on investment in BP Canada LP	**(14,869)**	—	—
Fair value adjustment on Class B Unit liability	**8,546**	(2,115)	(3,424)
Fair value adjustment on interest rate swaps	**(613)**	(401)	227
Current and deferred income tax expense	**(7,685)**	(6,773)	(6,389)
Net and comprehensive income	**19,154**	16,453	14,813
Basic earnings per Unit	**1.02**	1.06	0.97
Diluted earnings per Unit	**0.59**	1.06	0.97
Distributable Cash / Distributions / Payout Ratio			
Cash flows from operating activities	**33,151**	25,557	24,908
Class C Unit distributions to BPI	**(1,800)**	(1,800)	(1,800)
BPI Class B Unit entitlement	**(3,802)**	(3,266)	(3,725)
Interest paid on long-term debt	**(1,961)**	(1,355)	(1,002)
SIFT Tax on Units	**(24)**	(64)	49
Distributable Cash	**25,564**	19,072	18,430
Distributions paid	**24,037**	19,012	18,562
Payout Ratio	**94.0%**	99.7%	100.7%
Distributable Cash per Unit	**1.364**	1.229	1.208
Distributions paid per Unit	**1.274**	1.224	1.216
Other			
Same store sales growth	**1.8%**	1.7%	1.5%
Number of restaurants opened	**12**	14	12
Number of restaurants closed	**6**	6	2
As at December 31	**2015**	2014	2013
Total assets	**413,174**	278,821	268,945
Total liabilities	**157,151**	123,153	119,726

Notes:

1) Capitalized terms used in these tables are defined in this MD&A.
2) Distribution Income is income received by the Fund from the Fund's indirect investment in BP Canada LP completed on May 6, 2015. See the "Overview – Purpose of Fund / Sources of Revenue" section of this MD&A for more details.
3) Profit before fair value adjustments and income taxes is considered an additional IFRS measure. For additional information regarding this financial metric, see the "Description of Non-IFRS and Additional IFRS Measures" section of this MD&A.
4) Distributable Cash and Payout Ratio are non-IFRS measures and as such, do not have standardized meanings under IFRS. The Fund modified how it calculates Payout Ratio commencing with the Fund's MD&A for the three month and six month periods ended June 30, 2015. As a result, Payout Ratios set forth in this MD&A are not directly comparable with Payout Ratios set forth in MD&A of the Fund prior to the second quarter of 2015. Historical Payout Ratios referenced in this MD&A have been restated to conform to this change. For additional information regarding these financial metrics, including full details on how Payout Ratio is calculated, see the "Description of Non-IFRS and Additional IFRS Measures" section of this MD&A.

SUMMARY OF QUARTERLY RESULTS

(in thousands of dollars – except restaurants, SSSG, Payout Ratio and per Unit items)	Q4 2015	Q3 2015	Q2 2015	Q1 2015
System-Wide Gross Sales	**272,017**	275,009	263,852	248,671
Number of restaurants in Royalty Pool	**366**	366	366	366
Franchise Sales reported by restaurants in the Royalty Pool	**205,365**	212,367	202,860	193,409
Royalty income	**8,215**	8,494	8,115	7,736
Distribution Income	**2,708**	2,799	2,666	—
Interest income	**452**	452	488	452
Total revenue	**11,375**	11,745	11,269	8,188
Administrative expenses	**(298)**	(395)	(283)	(250)
Interest expense on debt	**(596)**	(590)	(527)	(371)
Interest expense on Class B Unit and Class C Unit liabilities	**(1,862)**	(1,339)	(1,358)	(933)
Profit before fair value adjustments and income taxes	**8,619**	9,421	9,101	6,634
Fair value adjustment on investment in BP Canada LP	**3,584**	(18,453)	—	—
Fair value adjustment on Class B Unit liability	**(1,634)**	8,356	2,878	(1,054)
Fair value adjustment on interest rate swaps	**47**	(287)	172	(545)
Current and deferred income tax expense	**(1,954)**	(1,908)	(2,307)	(1,516)
Net and comprehensive income (loss)	**8,662**	(2,871)	9,844	3,519
Basic earnings (loss) per Unit	**0.42**	(0.14)	0.53	0.23
Diluted earnings (loss) per Unit	**0.42**	(0.45)	0.39	0.23
Distributable Cash / Distributions / Payout Ratio				
Cash flows from operating activities	**9,259**	9,472	8,351	6,069
Class C Unit distributions to BPI	**(450)**	(450)	(450)	(450)
BPI Class B Unit entitlement	**(1,011)**	(947)	(895)	(949)
Interest paid on long-term debt	**(617)**	(543)	(474)	(327)
SIFT Tax on Units	**(23)**	9	(94)	84
Distributable Cash	**7,158**	7,541	6,438	4,427
Distributions paid	**6,642**	6,655	6,014	4,726
Payout Ratio	**92.8%**	88.3%	93.4%	106.8%
Distributable Cash per Unit	**0.350**	0.368	0.347	0.287
Distributions paid per Unit	**0.325**	0.325	0.319	0.306
Other				
Same store sales growth	**2.2%**	2.7%	0.1%	2.1%
Number of restaurants opened	**5**	3	2	2
Number of restaurants closed	**2**	2	0	2

(in thousands of dollars – except restaurants, SSSG, Payout Ratio and per Unit items)	Q4 2014	Q3 2014	Q2 2014	Q1 2014
System-Wide Gross Sales	260,240	258,716	255,002	238,008
Number of restaurants in Royalty Pool	358	358	358	358
Franchise Sales reported by restaurants in the Royalty Pool	197,531	201,369	196,627	186,388
Royalty income	7,902	8,054	7,865	7,456
Interest income	454	452	453	452
Total revenue	8,356	8,506	8,318	7,908
Administrative expenses	(262)	(237)	(263)	(260)
Interest expense on debt	(370)	(331)	(307)	(293)
Interest expense on Class B Unit and Class C Unit liabilities	(1,637)	(1,247)	(1,194)	(945)
Profit before fair value adjustments and income taxes	6,087	6,691	6,554	6,410
Fair value adjustment on Class B Unit liability	(1,672)	19	(2,392)	1,930
Fair value adjustment on interest rate swaps	(101)	7	(37)	(270)
Current and deferred income tax expense	(1,684)	(1,715)	(1,681)	(1,693)
Net and comprehensive income	2,630	5,002	2,444	6,377
Basic earnings per Unit	0.17	0.32	0.16	0.42
Diluted earnings per Unit	0.17	0.28	0.16	0.25
Distributable Cash / Distributions / Payout Ratio				
Cash flows from operating activities	6,369	6,909	6,458	5,821
Class C Unit distributions to BPI	(450)	(450)	(450)	(450)
BPI Class B Unit entitlement	(779)	(833)	(741)	(913)
Interest paid on long-term debt	(374)	(332)	(299)	(350)
SIFT Tax on Units	10	(60)	(41)	27
Distributable Cash	4,776	5,234	4,927	4,135
Distributions paid	4,737	4,781	4,814	4,680
Payout Ratio	99.2%	91.3%	97.7%	113.2%
Distributable Cash per Unit	0.309	0.335	0.313	0.272
Distributions paid per Unit	0.306	0.306	0.306	0.306
Other				
Same store sales growth	5.3%	3.1%	(0.1%)	(1.7%)
Number of restaurants opened	9	3	2	0
Number of restaurants closed	1	2	1	2

MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW

This MD&A covers the three month period from October 1, 2015 to December 31, 2015 (the "**Period**") and the twelve month period from January 1, 2015 to December 31, 2015 (the "**Year**") and is dated February 9, 2016. 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 annual consolidated financial statements and accompanying notes. The annual consolidated financial statements of the Fund are in Canadian dollars and have been prepared in accordance with IFRS.

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 ("**TSX**") 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**") (collectively the "**BP Rights**[1]") 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**"). On May 6, 2015, the Fund, indirectly through Holdings LP, completed an investment in BP Canada LP to effectively increase the Fund's interest in Franchise Sales (defined below) of Boston Pizza Restaurants in the Royalty Pool (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 (the "**Transaction**"). BP Canada LP is a limited partnership controlled and operated by BPI and is now the exclusive franchisor of Boston Pizza Restaurants in Canada. Refer to the "Operating Results – Transaction" section of this MD&A for more details.

The Fund has the following three 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% (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, 2015, there were 366 Boston Pizza Restaurants in the Royalty Pool.

"**Franchise Sales**" means the gross revenue: (i) of the corporate Boston Pizza Restaurants in Canada owned by BPI that are in the Royalty Pool; and (ii) reported to BPI or BP Canada LP, as applicable, by franchised Boston Pizza Restaurants in Canada 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 BPI or BP Canada LP, as applicable, 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. "**System-Wide Gross Sales**" means the gross revenue: (i) of the corporate Boston Pizza Restaurants in Canada owned by BPI; and (ii) reported to BPI or BP Canada LP, as applicable, 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 BPI or BP Canada LP, as applicable, approved national promotions and discounts but excluding applicable sales and similar taxes.

Distribution Income

As part of the Transaction, Holdings LP acquired 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 acquired, among other units, 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 (defined below) 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.

Interest Income

As part of the Fund's initial public offering on July 17, 2002, the Fund acquired from a Canadian chartered bank the $24.0 million loan that BPI borrowed from that bank (the "**BP Loan**"). The BP Loan will become due and payable on July 17, 2042. BPI is required to pay the Fund interest on the BP Loan at the end of each month in arrears at the rate of 7.5% per annum.

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, less the pro rata portion payable to BPI in respect of its retained interest in the Fund (4% 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). 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 only cash expenses are administrative expenses, interest expenses on debt, amounts paid by Royalties LP to BPI on the Class B general partnership units ("**Class B Units**") and Class C general partnership units ("**Class C 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 store sales growth ("**SSSG**"). SSSG, a key driver of distribution growth for unitholders of the Fund ("**Unitholders**"), is 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). The two principal factors that affect SSSG are changes in customer 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

1) BP Rights are the trademarks that as at July 17, 2002 were registered or the subject of pending applications for registration under the Trade-Marks Act (Canada) and other trademarks and the 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 Trade-Marks Act (Canada).

undertaken by BPI and BP Canada LP. One of BPI's and BP Canada LP's competitive strengths in increasing Franchise Sales of existing locations is that BP Canada LP's franchise agreement requires that each Boston Pizza Restaurant undergo a complete store renovation every seven years and complete equipment upgrades as required by BP Canada LP. Locations 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 (the "**Adjustment Date**"), an adjustment is made to add to the Royalty Pool new Boston Pizza Restaurants that opened and to remove from the Royalty Pool any Boston Pizza Restaurants that permanently closed since the last Adjustment Date (the "**Net New Restaurants**"). In return for adding net additional Royalty and Distribution Income from the Net New Restaurants, BPI receives the right to indirectly acquire additional Units ("**Class B Additional Entitlements**" and "**Class 2 Additional Entitlements**", respectively, and collectively, "**Additional Entitlements**"). The calculation of Additional Entitlements is designed to be accretive to Unitholders as the expected increase in net Franchise Sales from the Net New Restaurants added to the Royalty Pool 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 received by the Fund in respect of the Net New 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 Net 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 distributions from the Additional Entitlements throughout the year. Once the Net 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.

New Store Openings, Closures and Renovations

During the Period, five new Boston Pizza Restaurants opened (Year – 12) and two Boston Pizza Restaurants closed (Year – 6). Subsequent to December 31, 2015, one Boston Pizza Restaurants closed. As well during the Period, 12 Boston Pizza Restaurants were renovated (Year – 54). 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. Subsequent to December 31, 2015, five additional restaurants were renovated. The total number of Boston Pizza Restaurants in operation as of February 9, 2016 is 371.

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 better weather 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. Tourism is also a seasonal factor positively impacting the second and third quarters of each year. The effect of seasonality impacts the Fund's Distributable Cash and Payout Ratio.

OPERATING RESULTS

Same Store Sales Growth and Franchise Sales

SSSG, a key driver of distribution growth for Unitholders, is the change in gross sales of Boston Pizza Restaurants as compared to the gross sales for the same period in the previous year, where restaurants were open for a minimum of 24 months. The two principal factors that affect SSSG are changes in customer traffic and changes in average guest cheque.

Period

SSSG was 2.2% for the Period compared to 5.3% SSSG reported in the fourth quarter of 2014. Franchise Sales, the basis upon which the Royalty and Distribution Income is paid by BPI and BP Canada LP, respectively, indirectly to the Fund, excludes revenue from sales of liquor, beer, wine and approved national promotions and discounts. On a Franchise Sales basis, SSSG was 1.8% for the Period compared to 5.3% for the fourth quarter of 2014. The SSSG for the Period was principally due to higher take-out and delivery sales resulting from continued promotion of Boston Pizza's online ordering system, menu re-pricing and higher chicken wing sales from the successful "Wings Two-Four" campaign, partially offset by the impact of weaker general economic conditions in regions directly connected to the Canadian oil and gas industry.

Franchise Sales of Boston Pizza Restaurants in the Royalty Pool were $205.4 million for the Period compared to $197.5 million for the fourth quarter of 2014. The $7.9 million increase in Franchise Sales for the Period was primarily due to the additional Franchise Sales from eight Net New Restaurants added to the Royalty Pool on January 1, 2015 and positive SSSG.

Year

SSSG was 1.8% for the Year compared to 1.7% SSSG in 2014. On a Franchise Sales basis, SSSG was 1.7% for the Year compared to 1.4% SSSG in 2014. SSSG for the Year was principally due to higher take-out and delivery sales resulting from continued promotion of Boston Pizza's online ordering system, menu re-pricing and higher chicken wing sales from the successful "Wings Two-Four" campaign, partially offset by the impact of weaker general economic conditions in regions directly connected to the Canadian oil and gas industry.

Franchise Sales of Boston Pizza Restaurants in the Royalty Pool were $814.0 million for the Year compared to $781.9 million in 2014. The $32.1 million increase in Franchise Sales for the Year was due to the additional Franchise Sales from eight Net New Restaurants added to the Royalty Pool on January 1, 2015 and positive SSSG.

Royalty Income

Period

Royalty income earned by the Fund was $8.2 million for the Period compared to $7.9 million earned in the fourth quarter of 2014. Royalty income in respect of the Period was based on the Royalty Pool of 366 Boston Pizza Restaurants reporting Franchise Sales of $205.4 million for the Period. In the fourth quarter of 2014, Royalty income was based on the Royalty Pool of 358 Boston Pizza Restaurants reporting Franchise Sales of $197.5 million. The $0.3 million increase in Royalty income for the Period was primarily due to the additional Franchise Sales from eight Net New Restaurants added to the Royalty Pool on January 1, 2015 and positive SSSG.

Year

Royalty income earned by the Fund was $32.6 million for the Year compared to $31.3 million in 2014. Royalty income in respect of the Year was based on the Royalty Pool of 366 Boston Pizza Restaurants reporting Franchise Sales of $814.0 million for the Year. In 2014, Royalty income was based on the Royalty Pool of 358

Boston Pizza Restaurants reporting Franchise Sales of $781.9 million. The $1.3 million increase in Royalty income for the Year was due to additional Franchise Sales from eight Net New Restaurants added to the Royalty Pool on January 1, 2015 and positive SSSG.

Distribution Income

Period

Distribution Income earned by the Fund was $2.7 million for the Period. The Fund did not earn any Distribution Income in the fourth quarter of 2014 as the Fund obtained the right to receive Distribution Income through its indirect ownership of Class 1 LP Units and Class 2 LP Units, which it acquired during the second quarter of 2015 as part of the Transaction. Distribution Income in respect of the Period was based on the Royalty Pool of 366 Boston Pizza Restaurants reporting Franchise Sales of $205.4 million for the Period.

Year

Distribution Income earned by the Fund was $8.2 million for the Year. The Fund did not earn any Distribution Income in 2014 as the Fund obtained the right to Distribution Income through its ownership of Class 1 LP Units and Class 2 LP Units, which it acquired during the second quarter of 2015 as part of the Transaction. Distribution Income in respect of the Year was based on the Royalty Pool of 366 Boston Pizza Restaurants reporting Franchise Sales of $814.0 million for the Year.

Interest Income

Period

Interest income earned by the Fund was $0.5 million for the Period relatively unchanged from the fourth quarter of 2014. The Fund's interest income was mainly derived from the BP Loan.

Year

Interest income earned by the Fund was $1.8 million for the Year, relatively unchanged from 2014.

Administrative Expenses

Period

Administrative expenses incurred by the Fund were $0.3 million for the Period relatively unchanged from the fourth quarter of 2014. Administrative expenses are comprised of professional fees, trustee fees and expenses, the administration charge payable to BPI and other general and administrative expenses.

Year

Administrative expenses incurred by the Fund were $1.2 million for the Year compared to $1.0 million in 2014. The $0.2 million increase in administrative expenses is primarily due to the Fund having undertaken additional ongoing administrative activities as a result of completing the Transaction.

Interest and Financing Expenses

Period

Interest and financing expenses incurred by the Fund totaled $2.5 million for the Period, comprised of interest on long-term debt of $0.6 million and interest on Class B Unit and Class C Unit liabilities of $1.9 million. Interest and financing expenses incurred by the Fund were $2.0 million for the fourth quarter of 2014, comprised of interest on long-term debt of $0.4 million, and interest on Class B Unit and Class C Unit liabilities of $1.6 million. The Class B Units and Class C Units are classified under IFRS as financial liabilities and therefore, amounts paid by Royalties LP to BPI in respect of the Class B Units and Class C Units are classified as interest expense and not distributions. The increase in interest and financing expenses in the Period was primarily due to an increase in interest on long-term debt resulting from a higher outstanding debt balance during the Period in comparison to the outstanding debt balance during the same period in 2014 as a result of the Fund having drawn down Facility D by $33.3 million in connection with the Transaction, and an increase in interest on Class B Units resulting from an increase in the number of Units into which the Class B Units held by BPI during the Period were exchangeable compared to the same period in 2014.

Year

Interest and financing expenses incurred by the Fund totaled $7.6 million for the Year, comprised of interest on long-term debt of $2.1 million and interest on Class B Unit and Class C Unit liabilities of $5.5 million. Interest and financing expenses incurred by the Fund were $6.3 million in 2014, comprised of interest on long-term debt of $1.3 million, and interest on Class B Unit and Class C Unit liabilities of $5.0 million. The increase in interest and financing expenses for the Year was due to an increase in interest on long-term debt resulting from a higher outstanding debt balance during the Year in comparison to the outstanding debt balance during 2014 as a result of the Fund having drawn down Facility D by $33.3 million in connection with the Transaction, and an increase in interest on Class B Units resulting from an increase in the number of Units into which the Class B Units held by BPI during the Year were exchangeable compared to 2014.

Profit before Fair Value Adjustments and Income Taxes

Period

The Fund's profit before fair value adjustments and income taxes was $8.6 million for the Period compared to $6.1 million for the fourth quarter of 2014. The $2.5 million increase in profit before fair value adjustments and income taxes during the Period was principally due to the addition of $2.7 million of Distribution Income resulting from the Transaction and higher Royalty income of $0.3 million, partially offset by higher interest and financing expense of $0.5 million.

Year

The Fund's profit before fair value adjustments and income taxes was $33.8 million for the Year compared to $25.7 million in 2014. The $8.1 million increase in profit before fair value adjustments and income taxes for the Year was principally due to the addition of $8.2 million of Distribution Income resulting from the Transaction and higher Royalty income of $1.3 million, partially offset by higher interest and financing expense of $1.3 million.

Fair Value Adjustments

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, and interest rate swaps as derivative instruments. As such, fair value adjustments are recorded in the Fund's statements of comprehensive income in accordance with IFRS. For additional information regarding interest rate 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 in this MD&A.

Period

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 incurred 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 as at December 31, 2015 to be $33.3 million (September 30, 2015 – $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 issued and outstanding number of Class 2 LP Units indirectly held by the Fund at the end of the Period by the closing price of the Units at the end of the Period (or previous business day, if such day is not a business day). As at December 31, 2015, the Fund indirectly held 5,047,613 Class 2 LP Units (September 30, 2015 – 5,047,613) and the Fund's closing price was $17.93 per Unit (September 30, 2015 – $17.22 per Unit). Consequently, the Fund estimated the fair value of the Class 2 LP Units as at December 31, 2015 to be $90.5 million (September 30, 2015 – $86.9 million), resulting in a fair value gain of $3.6 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 issued and outstanding 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 at the end of the Period (or previous business day, if such day is not a business day). As at December 31, 2015, the Fund's closing price was $17.93 per Unit (September 30, 2015 – $17.22 per Unit) while the number of Units BPI would be entitled to receive if it exchanged all of its Class B Units (including the Class B Holdback) was 2,302,075 (September 30, 2015 – 2,302,075). Consequently, the Class B Unit liability (on a fully-diluted basis) was valued at $41.3 million (September 30, 2015 – $39.6 million), resulting in a fair value loss of $1.6 million for the Period. 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 recorded a nominal fair value gain in the Period as a result of the increase in the fair value of the Swaps (as defined below) from September 30, 2015 to December 31, 2015 due to changes in interest rates during the Period. For the same period in 2014, the Fund recorded a fair value loss of $0.1 million as a result of the decrease in the fair value of the Swaps from September 30, 2014 to December 31, 2014 due to changes in interest rates.

Year

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 for the Year to be $33.3 million as at December 31, 2015, resulting in no fair value adjustment for the Year.

The Fund acquired the Class 2 LP Units on May 6, 2015 for $105.3 million, or approximately $20.88 per Class 2 LP Unit. As discussed above, the Fund estimated the fair value of the Class 2 LP Units as at December 31, 2015 to be $90.5 million, resulting in a fair value loss of $14.9 million for the Year.

As at December 31, 2014, the Fund's closing price was $21.61 per Unit while the number of issued and outstanding Class B Additional Entitlements (including the Class B Holdback) held by BPI was 1,944,863. The Class B Unit liability (on a fully-diluted basis) as at December 31, 2014 was valued at $42.0 million. As discussed above, the Class B Unit liability as at the end of the Year was valued at $41.3 million. The difference between the Class B Unit liability at the end of the Year and December 31, 2014 is a decrease of $0.7 million, comprised of $7.8 million of Class B Additional Entitlements received by BPI on January 1, 2015, and a fair value gain of $8.5 million.

The Fund recorded a fair value loss of $0.6 million for the Year as a result of the decrease in the fair value of the Swaps (as defined below) from December 31, 2014 to December 31, 2015 due to changes in interest rates. For 2014, the Fund recorded a loss of $0.4 million as a result of the change in the fair value of the Swaps from December 31, 2013 to December 31, 2014.

Income Taxes

Period

The Fund's income tax expense for the Period was $2.0 million, comprised of $1.8 million in current income tax expense and a recovery of $0.2 million of non-cash deferred income taxes. The Fund's income tax expense for the fourth quarter of 2014 was $1.7 million comprised of $1.6 million in current income tax expense and $0.1 million of non-cash deferred income taxes. The increase in current income tax expense of $0.2 million was a result of the increase in the Fund's profit before fair value adjustments and income taxes for the Period, largely driven by the Fund obtaining the right to Distribution Income upon completion of the Transaction. The increase in non-cash deferred income tax expense of $0.1 million for the Period compared to the fourth quarter of 2014 was due to changes in the temporary differences between the accounting and tax base of (i) the BP Rights owned by Royalties LP generated since the inception of the Fund, (ii) the Fund's indirect investment in BP Canada LP, and (iii) the deferred tax benefit associated with the Fund's issuance costs related to the Transaction.

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

Year

The Fund's income tax expense for the Year was $7.7 million, comprised of $7.3 million in current income tax expense and $0.4 million of non-cash deferred income taxes. The Fund's income tax expense in 2014 was $6.8 million comprised of $6.4 million of current income tax expense and $0.4 million of non-cash deferred income taxes. The increase in current income tax expense of $0.9 million was a result of the increase in the Fund's profit before fair value adjustments and income taxes for the Year, largely driven by the Fund obtaining the right to Distribution Income upon completion of the Transaction. The change in non-cash deferred income tax expense for the Year compared to 2014 was nominal and was due to changes in the temporary differences between the accounting and tax base of (i) the BP Rights owned by Royalties LP generated since the inception of the Fund, (ii) the Fund's indirect investment in BP Canada LP, and (iii) the deferred tax benefit associated with the Fund's issuance costs related to the Transaction.

Net and Comprehensive Income / Basic and Diluted Earnings

Period

The Fund's net and comprehensive income was $8.7 million for the Period compared to net and comprehensive income of $2.6 million for the fourth quarter of 2014. The Fund's basic earnings per Unit was $0.42 for the Period compared to basic earnings per Unit of $0.17 for the fourth quarter of 2014. The Fund's diluted earnings per Unit was $0.42 for the Period compared to diluted earnings per Unit of $0.17 for the fourth quarter of 2014. The $6.1 million increase in the Fund's net and comprehensive income compared to the fourth quarter of 2014 was primarily due to a net $3.8 million change in fair value adjustments, the addition of $2.7 million in Distribution Income, an increase in Royalty income of $0.3 million, partially offset by an increase in interest on debt and Class B Unit and Class C Unit liabilities of $0.5 million, and an increase in income taxes of $0.3 million.

Year

The Fund's net and comprehensive income was $19.2 million for the Year compared to $16.5 million in 2014. The Fund's basic earnings per Unit was $1.02 for the Year compared to basic earnings per Unit of $1.06 in 2014. The Fund's diluted earnings per Unit was $0.59 for the Year compared to diluted earnings per Unit of $1.06 in 2014. The $2.7 million increase in the Fund's net and comprehensive income compared to 2014 was primarily due to the addition of $8.2 million in Distribution Income, an increase in Royalty income of $1.3 million, partially offset by a net $4.4 million change in fair value adjustments, an increase in interest on debt and Class B Unit and Class C Unit liabilities of $1.3 million, and an increase in income taxes of $0.9 million.

Distributions

Period

During the Period, the Fund declared distributions on the Units in the aggregate amount of $8.9 million or $0.433 per Unit, compared to $6.3 million or $0.408 per Unit during the same period in 2014. The increase in the aggregate amount of distributions declared on the Units during the Period compared to the same period in 2014 was due to a combination of the Fund issuing 5,047,613 Units on May 6, 2015 in connection with the Transaction, and the Fund increasing the monthly distribution from 10.2 cents per Unit to 10.83 cents per Unit beginning with the April 2015 distribution that was paid on May 29, 2015 as a result of the accretive effect of the Transaction (the "**Distribution Increase**"). The increase in the amount of distributions per Unit declared during the Period compared to the same period in 2014 was due to the Distribution Increase.

Year

The Fund declared distributions on the Units in the aggregate amount of $24.7 million or $1.281 per Unit for the Year, compared to $19.1 million or $1.224 per Unit in 2014. The increase in the aggregate amount of distributions declared on the Units for the Year compared to 2014 was due to a combination of the Fund issuing 5,047,613 Units on May 6, 2015 in connection with the Transaction, and the Distribution Increase. The increase in the amount of distributions per Unit declared for the Year compared to 2014 was due to the Distribution Increase.

On February 9, 2016, the trustees of the Fund approved a cash distribution to Unitholders of 11.50 cents per Unit in respect of the period from January 1, 2016 to January 31, 2016. This is an increase of 0.67 cents per Unit or 6.2% from the previous monthly rate of 10.83 cents per Unit. On an annualized basis, it is an increase from $1.30 per Unit to $1.38 per Unit or 6.2%. This distribution will be payable to Unitholders of record at the close of business on February 21, 2016, and will be paid on February 29, 2016.

Under the amended and restated declaration of trust dated December 7, 2010 governing the Fund (the "**Declaration of Trust**"), the Fund pays distributions on the Units in respect of any particular calendar month not later than the last business day of the immediately subsequent month. Consequently, distributions payable by the Fund on the Units in respect of the Period were the October 2015 distribution (which was paid on November 30, 2015), the November 2015 distribution (which was paid on December 31, 2015), and the December 2015 distribution (which was paid on January 29, 2016). Similarly, the distributions payable by the Fund on the Units in respect of any other period are the distributions paid in the immediately subsequent month of each month comprising such other period.

As at February 9, 2016, the Fund had paid out 162 consecutive monthly distributions totaling $219.9 million or $16.50 per Unit. Unitholders have received 18 distribution increases since the Fund's initial public offering of Units in 2002. Distributions related to the Year were as follows:

PERIOD	PAYMENT DATE	AMOUNT/UNIT
December 1 – 31, 2014	January 30, 2015	10.20¢
January 1 – 31, 2015	February 27, 2015	10.20¢
February 1 – 28, 2015	March 31, 2015	10.20¢
March 1 – 31, 2015	April 30, 2015	10.20¢
April 1 – 30, 2015	May 29, 2015	10.83¢
May 1 – 31, 2015	June 30, 2015	10.83¢
June 1 – 30, 2015	July 31, 2015	10.83¢
July 1 – 31, 2015	August 31, 2015	10.83¢
August 1 – 31, 2015	September 30, 2015	10.83¢
September 1 – 30, 2015	October 30, 2015	10.83¢
October 1 – 31, 2015	November 30, 2015	10.83¢
November 1 – 30, 2015	December 31, 2015	10.83¢
December 1 – 31, 2015	January 29, 2016*	10.83¢

* Paid subsequent to the Period and the Year.

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

Distributable Cash / Payout Ratio

Distributable Cash

Period

The Fund generated Distributable Cash of $7.2 million for the Period compared to $4.8 million for the fourth quarter of 2014. The increase in Distributable Cash of $2.4 million, or 49.9%, is primarily attributable to the Fund completing the Transaction and receiving Distribution Income of $2.7 million during the Period. The Fund generated Distributable Cash per Unit of $0.350 for the Period compared to $0.309 per Unit for the fourth quarter of 2014. The increase in Distributable Cash per Unit of $0.041 or 13.3% is primarily attributable to the accretive effects of the Transaction. The percentage increase in Distributable Cash for the Period was larger than the percentage increase in Distributable Cash per Unit for the Period due to the combined effect of the Fund receiving Distribution Income and the Fund issuing 5,047,613 Units on May 6, 2015.

Year

The Fund generated Distributable Cash of $25.6 million or $1.364 per Unit for the Year compared to $19.1 million or $1.229 per Unit in 2014. The increase in Distributable Cash of $6.5 million or 34.0% is primarily attributable to the Fund completing the Transaction and receiving Distribution Income, partially offset by an initial change in working capital of $0.9 million (the "**Initial Working Capital Change**"). The Initial Working Capital Change resulted from a combination of: (i) the commencement of the Fund being entitled to receive Distribution Income from BP Canada LP as a result of the completion of the Transaction on May 6, 2015; and (ii) the Distribution Income generated in respect of a month being payable by BP Canada LP to Holdings LP in the immediately subsequent month. For the Period, Holdings LP was entitled to receive Distribution Income from BP Canada LP in respect of October 2015, November 2015 and December 2015, which was paid in November 2015, December 2015 and January 2016, respectively. Accordingly, as at December 31, 2015 the Fund had a Distribution Income receivable of $0.9 million that related to December 2015 but that was paid by BP Canada LP in January 2016, without having a corresponding Distribution Income

receivable for the same period in 2014. The increase in Distributable Cash per Unit of $0.135 or 11.0% is primarily attributable to the accretive effects of the Transaction, partially offset by the Initial Working Capital Change. The percentage increase in Distributable Cash for the Year was larger than the percentage increase in Distributable Cash per Unit for the Year due to the combined effect of the Fund receiving Distribution Income, the Fund issuing 5,047,613 Units on May 6, 2015 and the Initial Working Capital Change resulting from the completion of the Transaction.

The Fund's Distributable Cash and Distributable Cash per Unit since January 1, 2013, generated in each financial quarter, are as follows:

Distributable Cash (in millions of dollars)

	Q1	Q2	Q3	Q4	Annual
2015	**$ 4.4**	**$ 6.4**	**$ 7.5**	**$ 7.2**	**$ 25.6**
2014	$ 4.1	$ 4.9	$ 5.2	$ 4.8	$ 19.1
2013	$ 4.3	$ 4.8	$ 4.9	$ 4.4	$ 18.4

Distributable Cash per Unit

	Q1	Q2	Q3	Q4	Annual
2015	**$ 0.287**	**$ 0.347**	**$ 0.368**	**$ 0.350**	**$ 1.364**
2014	$ 0.272	$ 0.313	$ 0.335	$ 0.309	$ 1.229
2013	$ 0.277	$ 0.315	$ 0.324	$ 0.292	$ 1.208

Payout Ratio

The Fund modified how it calculates Payout Ratio commencing with the second quarter in 2015. As a result, Payout Ratios set forth in this MD&A are not necessarily directly comparable with Payout Ratios set forth in other MD&A's of the Fund prior to the second quarter of 2015. See the "Description of Non-IFRS and Additional IFRS Measures" section of this MD&A for full details of this change. Historical Payout Ratios referenced in this MD&A have been restated to conform to this change.

Period

The Fund's Payout Ratio for the Period was 92.8% compared to 99.2% in the same period in 2014. The decrease in the Fund's Payout Ratio for the Period compared to the same period in 2014 was due to the increase in Distributable Cash, as discussed above, being greater than the increase in distributions paid during the Period. The increase in distributions paid during the Period was due to the Distribution Increase and the Fund issuing 5,047,613 units on May 6, 2015 in connection with the Transaction.

Year

The Fund's Payout Ratio for the Year was 94.0% compared to 99.7% in the same period in 2014. The decrease in the Fund's Payout Ratio for the Year compared to the same period in 2014 was due to the increase in Distributable Cash for the Year, as discussed above, being greater than the increase in distributions paid during the Year. The increase in distributions paid during the Year was due to the Distribution Increase and the Fund issuing 5,047,613 Units on May 6, 2015 in connection with the Transaction.

A key feature of the Fund is that it is a "top line" structure, in which BPI and BP Canada LP pay the Fund an amount based on Franchise Sales from Boston Pizza Restaurants in the Royalty Pool. Accordingly, Unitholders are not directly exposed to changes in the operating costs or profitability of BPI, BP Canada LP or of individual Boston Pizza Restaurants. Given this structure, and that the Fund has no current mandate to retain capital for other purposes, it is expected that the Fund will maintain a Payout Ratio close to 100% over time as the trustees of the Fund continue to distribute all available cash in order to maximize returns to Unitholders.

The Fund's quarterly and annual Payout Ratios with respect to each financial quarter since January 1, 2013 are as follows:

	Q1	Q2	Q3	Q4	Annual
2015	**106.8%**	**93.4%**	**88.3%**	**92.8%**	**94.0%**
2014	113.2%	97.7%	91.3%	99.2%	99.7%
2013	107.5%	97.3%	94.4%	104.9%	100.7%

Because the Fund strives to provide Unitholders with regular monthly distributions, the Fund will generally experience seasonal fluctuations in its Payout Ratio. The Fund's Payout Ratio is likely to be 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. Higher Franchise Sales generally result in increases in Distributable Cash. Distributable Cash and Payout Ratio are non-IFRS financial measures. For additional information regarding these financial metrics, refer to the section "Description of Non-IFRS and Additional IFRS Measures" in this MD&A.

New Restaurants Added to the Royalty Pool

Boston Pizza Restaurants Added to Royalty Pool on January 1, 2015

On January 1, 2015, 14 new Boston Pizza Restaurants that opened across Canada between January 1, 2014 and December 31, 2014 were added to the Royalty Pool and the six restaurants that permanently closed during 2014 were removed from the Royalty Pool. The estimated annual Franchise Sales for the 14 new Boston Pizza Restaurants that opened less the Franchise Sales from the six permanent closures was $16.7 million. The estimated Royalty expected to be received by the Fund in 2015 from these eight Net New Restaurants was 4.0% of that amount, or $0.7 million. The pre-tax Royalty for the purposes of calculating the Class B Additional Entitlements, therefore, was $0.6 million or 92.5% of $0.7 million. The estimated effective tax rate that the Fund paid in the calendar year 2015 was 26.0%. Accordingly, the after-tax Royalty for the purposes of calculating the Class B Additional Entitlements was $0.5 million ($0.6 million x (1 – 0.26)). In return for adding the Royalty from these eight Net New Restaurants to the Royalty Pool, BPI received the right to acquire an additional 298,818 Units, representing 80% of the Class B Additional Entitlements with the balance to be received when the actual full year performance of the 14 new Boston Pizza Restaurants and the actual effective tax rate paid by the Fund for 2015 are known with certainty. The 298,818 Class B Additional Entitlements represented 1.7% of the total outstanding Units on a fully diluted basis on January 1, 2015. 74,705 Units, representing the Class B Holdback, were "held back" until such time as the actual performance of these 14 new Boston Pizza Restaurants and the actual effective tax rate paid by the Fund for 2015 were known. BPI also received an increase in monthly distributions based on 100% of the Class B Additional Entitlements, subject to a reconciliation of the distributions paid to BPI in respect of these Additional Entitlements that occurred once the actual performance of these 14 new Boston Pizza Restaurants and the actual effective tax rate paid by the Fund for 2015 were known. See "Subsequent Events" below.

Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2014

In January 2015, an audit of the Franchise Sales of the 12 new Boston Pizza Restaurants that were added to the Royalty Pool on January 1, 2014 was performed and the Fund's actual effective tax rate for 2014 was determined. The purpose of this was to compare the actual Franchise Sales from these 12 new Boston Pizza Restaurants to the estimated amount of Franchise Sales expected

to be generated by these 12 new Boston Pizza Restaurants in 2014 and to compare the actual effective tax rate paid by the Fund for 2014 to the estimated effective tax rate the Fund expected to pay for 2014. The original Franchise Sales expected to be generated from these 12 new Boston Pizza Restaurants less the Franchise Sales from the two permanent closures that occurred in 2013 was $19.8 million, and the actual Franchise Sales generated from these 10 Net New Restaurants was $0.9 million less. The original effective tax rate for the Fund was expected to be 26.0% and the actual effective tax rate for the Fund for 2014 was 25.5%. As a result, Royalties LP reduced distributions paid to BPI in January 2015 to reconcile the difference paid on the full number of Class B Additional Entitlements and the effective tax rate. BPI received only 80% of the Class B Additional Entitlements at the Adjustment Date in 2014. Following the audit, BPI received 72,627 Class B Additional Entitlements. No adjustment was made in respect of Class 2 Additional Entitlements as the Transaction had not occurred as at January 1, 2014 and BPI did not receive any Class 2 Additional Entitlements in respect of the 10 Net New Restaurants added to the Royalty Pool on January 1, 2014.

Transaction

On May 6, 2015, the Fund and BPI completed the Transaction, the effect of which was to effectively increase the Fund's interest in Franchise Sales of Boston Pizza Restaurants in the Royalty Pool (the "**Franchise Sales Participation**") 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. 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. The Transaction involved the following series of steps:

1. On April 2, 2015, BPI (as general partner) and Holdings LP (as limited partner) formed BP Canada LP, with BPI subscribing for one Class 6 general partnership unit ("**Class 6 GP Unit**") of BP Canada LP and Holdings LP subscribing for one Class 1 LP Unit of BP Canada LP;

2. On April 6, 2015, BPI transferred: (i) all of the franchise agreements and other related and ancillary agreements between BPI and the owners of franchised Boston Pizza Restaurants; (ii) the various food, beverage and supply contracts entered into by BPI in connection with the Boston Pizza business; and (iii) the right to be the franchisor of the Boston Pizza brand in Canada, to BP Canada LP in exchange for 100,000,000 Class 2 GP Units, 100,000,000 Class 3 general partnership units (the "**Class 3 GP Units**"), 100,000,000 Class 4 general partnership units (the "**Class 4 GP Units**"), 100,000,000 Class 5 general partnership units (the "**Class 5 GP Units**"), and 999 Class 6 GP Units, of BP Canada LP (collectively, the "**GP Units**"). In connection therewith, BP Canada LP became the exclusive franchisor of Boston Pizza Restaurants in Canada;

3. On April 16, 2015, the Fund issued 5,047,613 subscription receipts (the "**Subscription Receipts**") at a price of $22.10 each, for net proceeds (after offering and transaction costs) of $105.3 million;

4. On May 5, 2015, an annual and special meeting of Unitholders was held and eligible Unitholders voted to approve the Transaction;

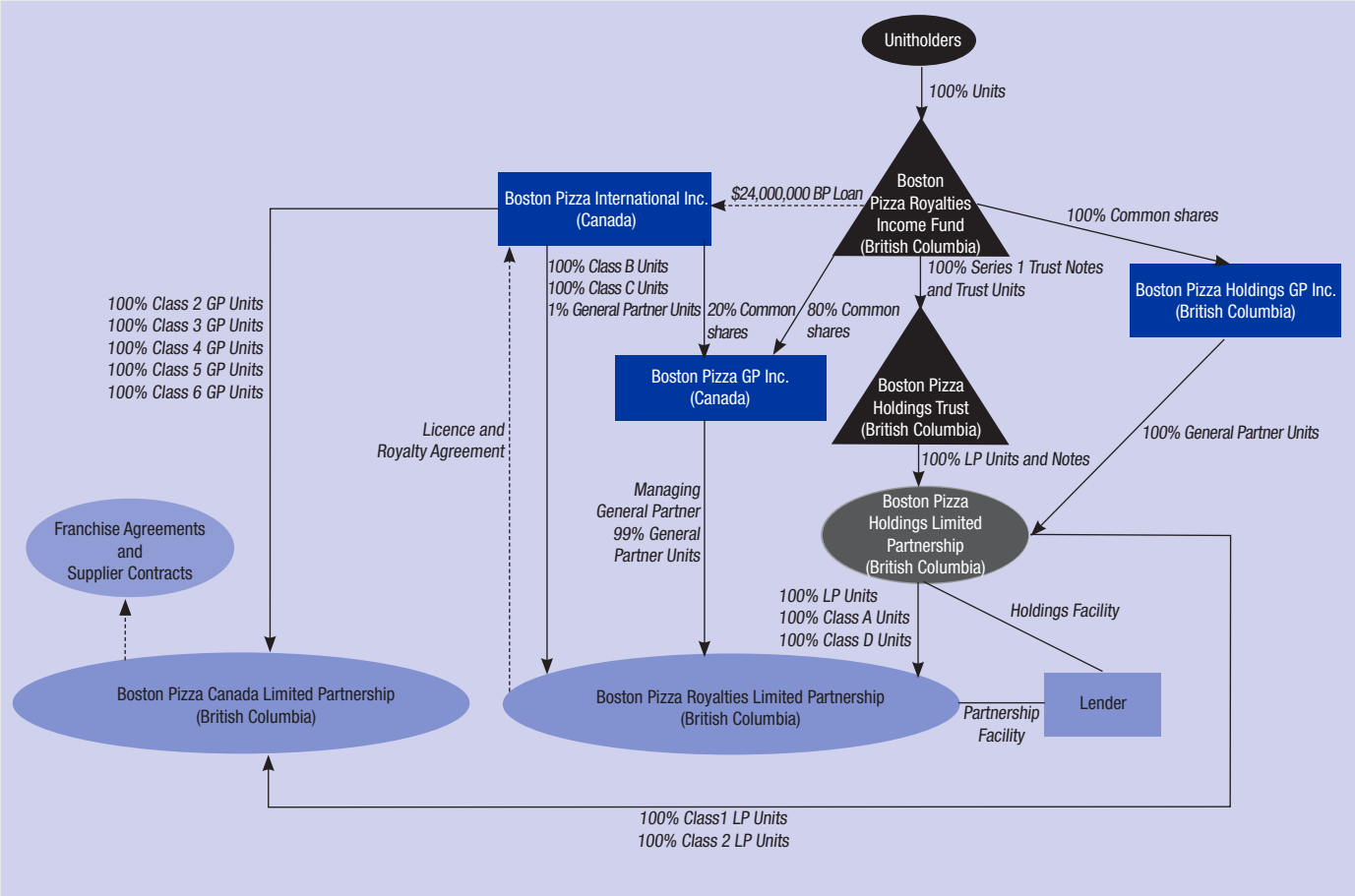
5. On May 5, 2015, the Fund and its subsidiaries entered into the Credit Facilities (defined below), and on May 6, 2015, Holdings LP drew down $33.3 million from Facility D (defined below);

6. On May 6, 2015, Holdings LP subscribed for 999 Class 1 LP Units and 5,047,613 Class 2 LP Units of BP Canada LP for an aggregate subscription price of $138.7 million, comprised of: (i) an aggregate subscription price for the 999 Class 1 LP Units of $33.3 million funded by Holdings LP drawing down Facility D, and (ii) an aggregate subscription price for the 5,047,613 Class 2 LP Units of $105.3 million funded by the net proceeds from the Subscription Receipt offering;

7. On May 6, 2015, each Subscription Receipt was converted into one Unit and 10.2 cents was paid to the holder of the Subscription Receipt (the "**Distribution Entitlement Payment**"), being the amount that the Subscription Receipt holder would have received as distributions on a Unit since April 16, 2015, had the holder held the Unit instead of a Subscription Receipt; and

8. On May 6, 2015, the Fund, certain of its subsidiaries, BPI and BP Canada LP entered into an exchange agreement pursuant to which the Fund agreed to issue Units or pay a combination of cash and Units to BPI in exchange for Class 2 GP Units, Class 3 GP Units, Class 4 GP Units, and Class 5 GP Units of BP Canada LP held by BPI. As at May 6, 2015, the 100,000,000 Class 2 GP Units were exchangeable for 752,387 Units. Currently, the 100,000,000 Class 2 GP Units are exchangeable for 847,575 Units. The 100,000,000 Class 3 GP Units, the 100,000,000 Class 4 GP Units, and the 100,000,000 Class 5 GP Units, of BP Canada LP held by BPI are currently not exchangeable into Units.

The Fund's current structure is as follows:



Please refer to the Fund's Information Circular dated March 27, 2015 and the Final Short Form Prospectus dated April 7, 2015, copies of which are available on SEDAR at www.sedar.com, for a more detailed description of the Transaction.

Normal Course Issuer Bids

On September 22, 2014, 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 September 25, 2014 to no later than September 24, 2015 (the "**2014 NCIB**"). The 2014 NCIB permitted the Fund to repurchase for cancellation up to 1,385,023 Units, being approximately 8.9% of the Fund's issued and outstanding Units (as at September 19, 2014) and approximately 10.0% of its public float, then comprised of 13,850,231 Units. The 2014 NCIB expired on September 24, 2015. The Fund acquired 188,300 Units under the 2014 NCIB at an average price of $19.86 per unit. All Units acquired under the 2014 NCIB were cancelled.

On December 22, 2015, 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 December 29, 2015 to no later than December 28, 2016 (the "**2015/2016 NCIB**"). The 2015/2016 NCIB permits the Fund to repurchase for cancellation up to 500,000 Units, being approximately 2.4% of the Fund's issued and outstanding Units (as at December 21, 2015). As at December 31, 2015 the Fund had not acquired any Units under the 2015/2016 NCIB. As at February 9, 2016, the Fund acquired 148,500 Units under the 2015/2016 NCIB at an average price of $16.56 per Unit. Unitholders may obtain, without charge, a copy of the Notice of Intention to Make a Normal Course Issuer Bid that the Fund filed with the TSX by contacting the Senior Vice President of Investor Relations for the Fund.

The Fund established an automatic securities purchase plan (the "**ASPP**") with its broker to allow for the repurchase of Units under the 2015/2016 NCIB at any time, including when it ordinarily would not be active in the market due to its own internal trading blackout periods, insider trading rules or otherwise. The ASPP will terminate on the earliest of: (a) the date on which the purchase limits specified in the ASPP have been attained, (b) the date on which the 2015/2016 NCIB terminates, (c) the date on which the Fund terminates the ASPP in accordance with the terms of the ASPP, in which case the Fund will issue a press release announcing such termination, and (d) December 28, 2016. All purchases under the ASPP will be made on the open market through the facilities of the TSX in accordance with the requirements of the TSX or other Canadian marketplaces by registered investment dealers.

The Fund financed Units purchased under the 2014 NCIB by drawing on Facility B (defined below) and the Fund's previous credit facilities, and will finance any purchases under the 2015/2016 NCIB by drawing on Facility B. See the "Liquidity & Capital Resources – Indebtedness" section of this MD&A for more details.

Subsequent Events

Boston Pizza Restaurants Added to Royalty Pool on January 1, 2016

On January 1, 2016, 12 new Boston Pizza Restaurants that opened across Canada between January 1, 2015 and December 31, 2015 were added to the Royalty Pool and the six restaurants that permanently closed during 2015 were removed from the Royalty Pool. The estimated annual Franchise Sales for the 12 new Boston Pizza Restaurants that opened less the revenue from the six permanent closures is $14.5 million. The estimated Royalty and Distribution Income expected to be received by the Fund in 2016 from these six Net New Restaurants is 5.5% of that amount, or $0.8 million. The pre-tax amount for the purposes of calculating the Additional Entitlements, therefore, is approximately $0.7 million, or 92.5% of $0.8 million. The estimated effective tax rate that the Fund will pay in the calendar year 2016 is 24.0%. Accordingly, the after-tax additional Royalty and Distribution Income for the purposes of calculating the Additional Entitlements is approximately $0.6 million ($0.7 million x (1 – 0.24)). In return for adding net additional Royalty and Distribution Income from the six Net New Restaurants added to the Royalty Pool, BPI received 349,023 Additional Entitlements (representing 80% of the total Additional Entitlements), comprised of 253,835 Class B Additional Entitlements and 95,188 Class 2 Additional Entitlements, and the Holdback was 87,256 Additional Entitlements (representing 20% of the total Additional Entitlements), comprised of 63,459 Class B Holdback and 23,797 Class 2 Holdback. The 349,023 Additional Entitlements represented 1.5% of Fund units on a fully diluted basis on January 1, 2016. BPI receives an increase in monthly distributions based on 100% of the Additional Entitlements, subject to a reconciliation of the distributions paid to BPI in respect of these Additional Entitlements that will occur once the actual performance of these six Net New Restaurants and the actual effective tax rate paid by the Fund for 2016 are known. Once both the actual performance of these six Net New Restaurants for 2016 and the actual effective tax rate paid by the Fund for 2016 are known, the number of Additional Entitlements will be adjusted in 2017 to reflect the actual Royalty and Distribution Income received by the Fund in 2016 and actual effective tax rate paid by the Fund in 2016.

Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2015

In January 2016, an audit of the Franchise Sales of the 14 new Boston Pizza Restaurants that were added to the Royalty Pool on January 1, 2015 was performed and the Fund's actual effective tax rate for 2015 was determined. The purpose of this was to compare the actual Franchise Sales from these 14 new Boston Pizza Restaurants to the estimated amount of Franchise Sales expected to be generated by these 14 new Boston Pizza Restaurants in 2015 and to compare the actual effective tax rate paid by the Fund for 2015 to the estimated effective tax rate the Fund expected to pay for 2015. The original Franchise Sales expected to be generated from these 14 new Boston Pizza Restaurants less the Franchise Sales from the six permanent closures that occurred in 2014 was $16.7 million, and the actual Franchise Sales generated from these eight Net New Restaurants was $0.2 million greater. The original effective tax rate for the Fund was expected to be 26.0% and the actual effective tax rate for the Fund for 2015 was 22.6%. As a result, Royalties LP increased interest paid to BPI by a nominal amount in January 2016 to reconcile the difference paid on the full number of Class B Additional Entitlements and the effective tax rate. BPI received only 80% of the Class B Additional Entitlements at the Adjustment Date in 2015. Following the audit, BPI received 96,325 Class B Additional Entitlements. No adjustment was made in respect of Class 2 Additional Entitlements as the Transaction had not occurred as at January 1, 2015 and BPI did not receive any Class 2 Additional Entitlements in respect of the eight Net New Restaurants added to the Royalty Pool on January 1, 2015.

Units Outstanding

The following table sets forth a summary of the outstanding Units. BPI owns 100% of the Class B Units, 100% of the Class C Units and 1% of the ordinary general partner units of Royalties LP. BPI also owns 100% of the Class 2 GP Units, Class 3 GP Units, Class 4 GP Units, Class 5 GP Units and Class 6 GP 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 are the number of Units into which the Class B Units and Class 2 GP Units, respectively, held by BPI are exchangeable as of the dates indicated.

	Dec. 31, 2015 Excluding Holdback	Dec. 31, 2015 Including Holdback	Feb 9, 2016 Excluding Holdback	Feb. 9, 2016 Including Holdback
Units Outstanding				
Total Issued and Outstanding Fund Units	20,441,763	20,441,763	**20,293,263**	**20,293,263** (1)
Class B Additional Entitlements Outstanding				
Class B Additional Entitlements (Excluding Jan. 1, 2016 Adjustment Date)	2,227,370	2,227,370	**2,227,370**	**2,227,370**
Class B Holdback (Excluding Jan. 1, 2016 Adjustment Date)	N/A	74,705	**N/A**	**N/A** (2)
Class B Additional Entitlements – Issued January 1, 2016 (6 Net New Restaurants)	N/A	N/A	**253,835**	**253,835**
Class B Holdback – Created January 1, 2016 (6 Net New Restaurants)	N/A	N/A	**N/A**	**63,459** (3)
Class B Holdback – Issued in respect of 2015 after audit	N/A	N/A	**96,325**	**96,325** (4)
Total Class B Additional Entitlements	2,227,370	2,302,075	**2,577,530**	**2,640,989**
Class 2 Additional Entitlements Outstanding				
Class 2 Additional Entitlements (Excluding Jan. 1, 2016 Adjustment Date)	752,387	752,387	**752,387**	**752,387**
Class 2 Additional Entitlements – Issued January 1, 2016 (6 Net New Restaurants)	N/A	N/A	**95,188**	**95,188**
Class 2 Holdback – Created January 1, 2016 (6 Net New Restaurants)	N/A	N/A	**N/A**	**23,797** (5)
Total Class 2 Additional Entitlements	752,387	752,387	**847,575**	**871,372**
Summary				
Total Issued and Outstanding Fund Units	20,441,763	20,441,763	**20,293,263**	**20,293,263** (1)
Total Additional Entitlements	2,979,757	3,054,462	**3,425,105**	**3,512,361**
Total Diluted Units	23,421,520	23,496,225	**23,718,368**	**23,805,624**
BPI's Total Percentage Ownership	12.7%	13.0%	**14.4%**	**14.8%**

(1) The figures as at February 9, 2016 are after the purchase and cancellation of 148,500 Units under the 2015/2016 NCIB.
(2) Additional Entitlements from the eight Net New Restaurants added to the Royalty Pool on January 1, 2015 prior to the audit of the eight Net New Restaurants and determination of the actual effective tax rate paid by the Fund.
(3) Class B Holdback from six Net New Restaurants added to the Royalty Pool on January 1, 2016. The actual number of Class B Additional Entitlements will be determined in early 2017, effective January 1, 2016, once audited results of the six Net New Restaurants and actual effective tax rate paid by the Fund are known.
(4) Class B Additional Entitlements from the eight Net New Restaurants added to the Royalty Pool on January 1, 2015 determined in 2016 once audited results of the eight Net New Restaurants and actual effective tax rate paid by the Fund were known.
(5) Class 2 Holdback from six Net New Restaurants added to the Royalty Pool on January 1, 2016. The actual number of Class 2 Additional Entitlements will be determined in early 2017, effective January 1, 2016, once audited results of the six Net New Restaurants and actual effective tax rate paid by the Fund are known.

BPI also holds 100% of the special voting units (the "**Special Voting Units**") of the Fund which entitle BPI to one vote 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 9, 2016, BPI was entitled to 3,425,105 votes, representing 14.4% 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 annually to reflect any additional Boston Pizza Restaurants that were added to the Royalty Pool.

TAX TREATMENT OF DISTRIBUTIONS

Of the $1.281 in distributions declared per Unit during the Year, 83.7% or $1.072 per Unit is taxable eligible dividends and 16.3% or $0.209 per Unit represents a tax-deferred return of capital.

LIQUIDITY & CAPITAL RESOURCES

The Fund's distribution policy is to distribute the total amount of cash received by the Fund from the Trust on the trust units of the Trust and notes of the Trust and interest payments from BPI on the BP Loan, 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; and (d) 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 has reviewed its cash flow requirements for general and administrative expenses and anticipates that it will have sufficient cash flows to cover these expenses and commitments for 2016.

Indebtedness

Holdings LP and Royalties LP have credit facilities with a Canadian chartered bank (the "**Bank**") in the amount of up to $90.3 million expiring on May 5, 2020 (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 $55.0 million committed revolving credit facility issued to Royalties LP for the purpose of refinancing previous credit facilities (refer to the "Liquidity & Capital Resources – Indebtedness" section of the Fund's MD&A for the three month and six month periods ended June 30, 2015 for more details) and to facilitate the Fund repurchasing and canceling Units under normal course issuer bids, substantial issuer bids or to finance the cash component of any exchange of general partnership units of BP Canada LP ("**Facility B**"); and (iii) a $33.3 million committed revolving credit facility issued to Holdings LP for the purpose of subscribing for Class 1 LP Units of BP Canada LP ("**Facility D**").

The Credit Facilities bear interest at fixed or variable interest rates, as selected by Royalties LP or Holdings LP, as applicable, comprised of either the Bank's current rate for fixed rate operating loans or a combination of the Bank's bankers' acceptance rates plus between 1.00% and 1.50%, or the Bank's prime rate plus between 0.00% and 0.50%, depending upon debt to EBITDA ratios.

The amended and restated credit agreement that governs the Credit Facilities among Holdings LP, Royalties LP, the Fund, the Trust, Holdings GP and Royalties GP and the Bank dated May 5, 2015 contains a number of covenants and restrictions, including the requirement to meet certain financial ratios and financial condition tests. 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 amended and restated credit agreement governing the Credit Facilities, a copy of which is available on SEDAR at www.sedar.com.

As of December 31, 2015, working capital of the Fund totaled $4.0 million (Q4 2014 – $2.2 million). The Fund has no requirement to maintain a certain amount of working capital. As of December 31, 2015, no amount was drawn on Facility A, $50.9 million was drawn on Facility B and $33.3 million was drawn on Facility D.

The following table provides a summary of the Fund's contractual obligations and commitments (including expected interest payments) as at December 31, 2015:

(in thousands of dollars)	< 1 year	1–5 years	Total	Book value
Accounts payable and accrued liabilities	461	—	461	461
Distributions payable to Fund unitholders	2,214	—	2,214	2,214
Credit facilities and interest rate swaps[1]	2,377	90,061	92,438	84,826
	5,052	90,061	95,113	87,501

Note:
1) Credit Facilities and interest rate swaps includes expected interest payments based on the Fund's blended rate of 2.82% to the schedule maturity date of the Credit Facilities of May 5, 2020.

Interest Rate Swaps

Royalties LP and Holdings LP, as applicable, previously entered into the following interest rate swaps (collectively, the "**Swaps**") under its respective International Swap Dealers Association Master Agreement with the Bank (a copy of which is available on SEDAR at www.sedar.com):

(a) Royalties LP entered into a swap to fix the interest rate at 1.44% plus between 1.00% and 1.50% per annum (depending upon debt to EBITDA ratios) for a term ending August 1, 2017 for $30.0 million drawn on Facility B;

(b) Royalties LP entered into a swap to fix the interest rate at 1.92% plus between 1.00% and 1.50% per annum (depending upon debt to EBITDA ratios) for a term ending June 1, 2018 for $6.0 million drawn on Facility B;

(c) Royalties LP entered into a swap to fix the interest rate at 1.51% plus between 1.00% and 1.50% per annum (depending upon debt to EBITDA ratios) for a term ending on February 1, 2022 for $13.9 million drawn on Facility B; and

(d) Holdings LP entered into a swap to fix the interest rate at 1.25% plus between 1.00% and 1.50% per annum (depending upon debt to EBITDA ratios) for a term ending on August 1, 2020 for $17.0 million of the $33.3 million drawn on Facility D.

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 are 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 recorded a nominal fair value gain adjustment on the Swaps for the Period in the consolidated statements of comprehensive income compared to a $0.1 million fair value loss adjustment on the Swaps for the same period in 2014. For the Year the Fund recorded a $0.6 million fair value loss adjustment on the Swaps (2014 – fair value loss of $0.4 million) in the consolidated statements of comprehensive income.

Cash Flows

Cash Flow from Operating Activities

Period

During the Period, the Fund generated $9.3 million in cash from operating activities compared to $6.4 million generated during the fourth quarter of 2014. The increase in cash flow from operating activities during the Period was primarily due to the addition of Distribution Income following the completion of the Transaction, and an increase in Royalty income, partially offset by an increase in SIFT Tax paid.

Year

The Fund generated $33.2 million in cash from operating activities for the Year compared to $25.6 million generated in 2014. The increase in cash flow from operating activities for the Year was primarily due to the addition of Distribution Income following the completion of the Transaction and an increase in Royalty income, partially offset by an increase in SIFT Tax paid and the Initial Working Capital Change resulting from the completion of the Transaction.

Cash Flow used in Financing Activities

Period

During the Period, the Fund used $8.6 million in cash for financing activities, including $6.6 million of which was used to pay distributions to Unitholders, $1.4 million of which was used to pay interest to BPI on the Class B Units and Class C Units and $0.6 million of which was used to pay interest on the Credit Facilities. In the fourth quarter of 2014, the Fund used $6.4 million in cash for financing activities, $4.7 million of which was used to pay distributions to Unitholders, $1.2 million of which was used to pay interest to BPI on the Class B Units and Class C Units, $0.4 million of which was used to pay interest on the Fund's previous credit facilities, and $2.7 million of which was used to purchase Units under the Fund's then current normal course issuer bid, which was offset by $2.7 million of cash generated by drawing on the Fund's previous credit facilities.

Year

The Fund generated $138.7 million in cash from financing activities for the Year due to the Fund completing the Transaction. The Fund drew down $33.3 million on Facility D to pay for the subscription of Class 1 LP Units, and received gross proceeds of $111.6 million in consideration for the issuance of 5,047,613 Units. After deducting Transaction costs totaling $5.7 million and the Distribution Entitlement Payment of $0.5 million, the net proceeds for issuing such 5,047,613 Units were $105.3 million.

The Fund used $31.4 million in cash for other financing activities for the Year, including $24.0 million of which was used to pay distributions to Unitholders, $5.4 million of which was used to pay interest to BPI on the Class B Units and Class C Units, $2.0 million of which was used to pay interest on the Fund's previous credit facilities and the Credit Facilities, $0.9 million of which was used to purchase Units under the 2014 NCIB, which was offset by $0.9 million of cash generated by drawing on the Fund's previous credit facilities. For the same period in 2014, the Fund used $25.5 million in cash for financing activities, $19.0 million of which was used to pay distributions to Unitholders, $5.2 million of which was used to pay interest to BPI on the Class B Units and Class C Units, $1.4 million of which was used to pay interest on the previous credit facilities, and $7.6 million of which was used to purchase Units under the Fund's then current normal course issuer bid, which was offset by $7.6 million of cash generated by drawing on the Fund's previous credit facilities.

Cash Flow used in Investing Activities

Period

During the Period the Fund used no cash for investing activities.

Year

The Fund used $138.7 million in cash for investing activities for the Year due to the Fund completing the Transaction. The Fund used cash consisting of net proceeds of $105.3 million from the issuance of Units, and $33.3 million from drawing down on Facility D, to fund its investment in Class 2 LP Units and Class 1 LP Units of BP Canada LP, respectively.

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. 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 these services. The total amount paid to BPI in respect of these services for the Period was $0.1 million (Q4 2014 – $0.1 million) and $0.4 million for the Year (2014 – $0.3 million).
- In connection with the Transaction, the Fund entered into an investment agreement with BPI and Holdings LP, effective March 23, 2015, that set out the framework for effecting the Transaction. Refer to the "Operating Results – Transaction" section of this MD&A for more details.
- As at December 31, 2015, interest payable by the Fund to BPI in respect of the Class B Units and Class C Units was $0.5 million (December 31, 2014 - $0.4 million).
- As at December 31, 2015, the Royalty receivable from BPI was $2.9 million (Q4 2014 – $2.8 million), and the Distribution Income receivable from BP Canada LP was $0.9 million (Q4 2014 – nil). 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 Chief Executive Officer ("**CEO**") 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 is gathered and reported to senior management, including the CEO and CFO, on a timely basis, particularly during the period in which the annual 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 CEO and CFO. Based on that evaluation, the CEO 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 CEO and CFO in a timely manner, particularly during the period in which the 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. In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission released "Internal Control – Integrated Framework: 2013". The Fund transitioned to the updated framework in 2014. Management has assessed the impact of this transition and there were no significant changes to the Fund's internal controls over financial reporting.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Fund's 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.

Estimate – Intangible Assets – 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 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 addition of these restaurants results in changes to the Intangible assets – BP Rights line item as well as the Units line item on the statements of financial position. As such, the calculation is dependent on a number of different variables including the estimated long-term sales of the new restaurants, the discount rate and the tax rate. The value assigned to the new restaurants, and as a result, the value assigned to the BP Rights, could differ from actual results.

The Fund tests the BP Rights for impairment annually. This requires that the Fund use a valuation technique to determine if impairment exists. This valuation technique may not represent the actual fair value less selling costs that the Fund would expect a sale of the BP Rights to generate.

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 issued and outstanding 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 at the end of the Period (or previous business day, if such day is not a business day). 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 incurred 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.

CHANGES IN ACCOUNTING POLICIES

IFRS 15, Revenue from Contracts with Customers

On May 28, 2014, the International Accounting Standards Board ("**IASB**") issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based, five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Fund has not yet assessed the impact of this standard or determined whether it will be adopted early.

IFRS 9 (2014), Financial Instruments

On July 24, 2014, the IASB issued the complete IFRS 9 (2014), Financial Instruments. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities, and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Earlier application is permitted. The Fund has not yet assessed the impact of this standard or determined whether it will be adopted early.

Narrow-Scope Amendments

On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. Amendments were made to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits, and IAS 34 Interim Financial Reporting. The amendments will apply for annual periods beginning on or after January 1, 2016. Earlier application was permitted, in which case, the related consequential amendments to other IFRSs would also apply. Each of the amendments has its own specific transition requirements. The Fund intends to adopt these amendments for its fiscal year beginning on January 1, 2016 and has not yet assessed the impact of these amendments.

IAS 1, Presentation of Financial Statements

On December 18, 2014 the IASB issued amendments to IAS 1, Presentation of Financial Statements, as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1 2016. Earlier application was permitted. The Fund intends to adopt these amendments for its fiscal year beginning on January 1, 2016 and has not yet assessed the impact of these amendments.

DESCRIPTION OF NON-IFRS AND ADDITIONAL IFRS MEASURES

Non-IFRS Measures

Management believes that disclosing certain non-IFRS financial measures provides readers of this MD&A with important information regarding the Fund's financial performance and its ability to pay distributions. By considering these measures in combination with the most closely comparable IFRS measure, management believes that investors are provided with additional and more useful information about the Fund than investors would have if they simply considered IFRS measures alone.

The non-IFRS financial measures, such as Distributable Cash and Payout Ratio, do not have standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS measures should not be construed as a substitute or an alternative to cash flows from operating activities as determined in accordance with IFRS.

Distributable Cash

"**Distributable Cash**" is defined to be, in respect of any particular period, the Fund's cash flow from operations for that period minus (a) BPI's Class C Unit distribution in respect of the period, minus (b) BPI's entitlement in respect of its Class B Units in respect of the period, minus (c) interest paid on long-term debt during the period, minus (d) the SIFT Tax expense in respect of the period, plus (e) SIFT 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 during the Period. The preceding tables under the heading "Financial Highlights" provide a reconciliation from this non-IFRS financial measure to cash flows from operating activities, which is the most directly comparable IFRS measure. In reconciling Distributable Cash to cash flow from operating activities, the Fund uses actual financial results for the components of (i) BPI's Class C Unit distribution in respect of the period, and (ii) interest paid on long-term debt. The remaining components in the reconciliation, being BPI's entitlement in respect of its Class B Units in respect of the period and SIFT Tax on Units, have been prepared using reasonable and supportable assumptions, all of which reflect the Fund's planned courses of action given management's judgment about the most probable set of economic conditions. Investors are cautioned that actual results for these components may vary, perhaps materially, from the amounts used in the reconciliation.

Payout Ratio

"**Payout Ratio**" is calculated by dividing the aggregate distributions paid by the Fund during the applicable period by the Distributable Cash generated in that period. For the purpose of calculating the Payout Ratio for the Period, the distributions paid by the Fund on the Units during the Period were the September 2015 distribution (which was paid on October 30, 2015), the October 2015 distribution (which was paid on November 30, 2015) and the November 2015 distribution (which was paid on December 31, 2015). Similarly, for the purpose of calculating the Payout Ratio for any other period, the distributions paid during

that period would be used. Management believes that the Payout Ratio provides investors with useful information on the extent to which the Fund distributes cash on Units. As the Payout Ratio is calculated from a formula which includes Distributable Cash, which is a non-IFRS financial measure, a reconciliation of Payout Ratio to an IFRS measure is not possible.

Prior to the second quarter in 2015, the Fund calculated Payout Ratio by dividing the aggregate distributions payable by the Fund in respect of the applicable period by the Distributable Cash generated in that period. Commencing with the second quarter in 2015, Payout Ratio is calculated by dividing the aggregate distributions paid by the Fund during a period by the Distribution Cash generated in that same period. The Fund changed the manner in which Payout Ratio is calculated in order to better align the Payout Ratio as a financial measure of cash efficiency of the Fund by using actual cash distributions paid on Units during a period, rather than distributions payable in respect of a period, as a percentage of Distributable Cash generated during the same period.

Additional IFRS Measures

IFRS mandates certain minimum line items for financial statements and requires presentation of additional line items, headings and subtotals when such presentation is relevant to an understanding of the issuer's financial position or performance. IFRS also requires that notes to the financial statements provide information that is not presented elsewhere in the financial statements, but is relevant to understanding them. Such financial measures outside the minimum mandated line items are considered additional IFRS measures. The annual consolidated financial statements of the Fund and the notes thereto include certain additional IFRS measures where management considers such information to be useful to understanding the Fund's financial results.

Profit Before Fair Value Adjustments and Income Taxes

Management believes that it is useful to provide investors with the sub-total of profit before fair value adjustments and income taxes to assist investors with understanding the "top-line" structure of the Fund and its financial impact especially since the fair value adjustments are non-cash items. Management uses this additional IFRS measure to monitor changes in the Fund's operating income.

OUTLOOK

The information contained in this "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.

Boston Pizza is well positioned for future growth and should continue to strengthen its position as the number one casual dining brand in Canada by continuing to achieve positive SSSG and opening new Boston Pizza locations across Canada.

The two principal factors that affect SSSG are changes in customer traffic and changes in average guest cheque. BPI's and BP Canada LP's strategies to drive higher guest traffic include attracting a wide variety of guests into the restaurant, sports bar and take-out/delivery parts of each location, offering a compelling value proposition to guests and leveraging a larger marketing budget versus the previous year along with a revised calendar of national and local store promotions. Increased average cheque levels are expected to be achieved through a combination of culinary innovation and annual menu re-pricing. In addition, the franchise agreement governing each Boston Pizza Restaurant requires a complete store renovation every seven years. 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.

Boston Pizza remains well positioned for future expansion as evidenced by the six Net New Restaurants that opened in 2015. There are currently five new locations under construction with more planned for later in 2016. BPI's management believes that Boston Pizza will continue to serve more guests in more locations than any other casual dining brand in Canada by pursuing further restaurant development opportunities across the country.

RISKS & UNCERTAINTIES

Risks Related to the Business of BPI and BP Canada LP

The Restaurant Industry and its Competitive Nature

The performance of the Fund is directly dependent upon the Royalty and interest payments on the BP Loan 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 or interest on the BP Loan, 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, and the type, number, and location of competing restaurants. In addition, factors such as government regulations, smoking bylaws, inflation, 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 or interest on the BP Loan to the Fund, 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 interest on the BP Loan, 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 or interest on the BP Loan.

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 *Trade-marks 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.

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 limit 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 either 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 is 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 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 or interest on the BP Loan to the Fund. British Columbia has passed similar franchise legislation, which may come into force during 2016, and when in force, will provide franchisees in British Columbia similar rights as the franchise disclosure laws and regulations of the provinces of Alberta, Manitoba, Ontario, New Brunswick and Prince Edward Island.

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 could have a material adverse effect on the performance of the Fund.

Security of Confidential Consumer Information

BPI, BP Canada LP or Boston Pizza franchisees may incur unanticipated costs resulting from breaches of security of confidential consumer information related to their electronic processing of credit and debit card transactions. The majority of sales occurring in Boston Pizza Restaurants are paid for by credit or debit cards. Other restaurants and retailers have experienced security breaches in which credit and debit card information, or personal information of customers, has been stolen. BPI, BP Canada LP or Boston Pizza franchisees may in the future become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and BPI, BP Canada LP or Boston Pizza franchisees may also be 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 or interest on the BP Loan to the Fund.

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 retirement savings plan, registered retirement income fund

or tax-free savings account where, in general terms, the holder 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**") and upon the ability of BPI to pay the interest on the BP Loan and the ability of Holdings LP to meet its obligations to assume payment of the BP Loan as consideration for the purchase of Class C general partner units of Royalties LP held by BPI or any related party or Class C limited partner units of Royalties LP acquired by Holdings LP or a permitted transferee pursuant to the exchange agreement, as the case may be. 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; (ii) Distribution Income payable by BP Canada LP to Holdings LP; and (iii) interest on the BP Loan payable by BPI to the Fund. 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 and interest on the BP Loan to the Fund.

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, Distribution Income to Holdings LP and interest on the BP Loan to the Fund, 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: Restrictive Covenants

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 May 5, 2020, 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.

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.

Current and future borrowings by BPI could adversely affect BPI's ability to pay the Royalty and interest on the BP Loan.

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 and from BPI on the BP Loan, 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; and (d) 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 and interest on the BP Loan 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, under certain existing legislation such as the *Bankruptcy and Insolvency Act* and the *Companies' Creditor Arrangement Act*, the Fund is not a legally recognized entity within the definitions of these statutes. In the event of an insolvency or restructuring of the Fund, the rights of Unitholders will 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, the BP Loan, 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 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 and interest on the BP Loan 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 or interest payments on the BP Loan 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. The SIFT Tax may also adversely affect the marketability of the Units and the ability of the Fund to undertake financings and acquisitions.

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 1.5% of Franchise Sales

The effective acquisition of the additional 1.5% of Franchise Sales is in the form of an equity investment in limited partnership units of BP Canada LP. The Fund's right to be paid 1.5% of Franchise Sales (less BPI's pro rata interest) on distributions on limited partnership units ranks behind debts and other obligations of BP Canada LP, including unsecured debts. This is different from the Fund's right to receive the Royalty, which is a secured debt from BPI to Royalties LP. If BP Canada LP becomes insolvent, there is a risk that the Fund will not receive distributions on its investment in BP Canada LP.

ADDITIONAL INFORMATION

Additional information relating to the Fund, Royalties LP, Royalties GP, the Trust, Holdings LP, Holdings GP, BPI and BP Canada LP, including the Fund's Annual Information Form dated February 9, 2016, Information Circular dated March 27, 2015 and Final Short Form Prospectus dated April 7, 2015, is available on SEDAR at www.sedar.com or 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, 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", "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 the Fund will finance any purchases of Units under the 2015/2016 NCIB;
- how distributions will be funded;
- expectations that cash flow will be sufficient to pay distributions;
- the future expansion of Boston Pizza Restaurants;
- Boston Pizza is well positioned for future growth and should continue to strengthen its position as the number one casual dining brand in Canada by achieving positive SSSG and continuing to open new Boston Pizza locations across Canada;
- that Boston Pizza will continue to serve more customers annually than any other casual dining restaurant chain in Canada;
- BPI's and BP Canada LP's strategies to drive higher guest traffic and higher average guest cheques; and
- the Fund maintaining a Payout Ratio close to 100% over time.

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; and
- management of BPI and BP Canada LP maintaining current strategies to drive higher guest traffic and higher average guest cheques.

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

- competition;
- weather;
- 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; and
- the results of operations and financial conditions of BPI and the Fund.

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, we assume 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 Board of Directors of Boston Pizza GP Inc. and 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 Board of Directors of Boston Pizza GP Inc. and 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.

Mark Pacinda
Chief Executive Officer, Boston Pizza GP Inc.
on behalf of the Board of Directors

William C. Brown
Chairman, Boston Pizza Royalties Income Fund
on behalf of the Trustees

February 9, 2016

INDEPENDENT **AUDITORS' REPORT**

To the Unitholders of Boston Pizza Royalties Income Fund

We have audited the accompanying consolidated financial statements of Boston Pizza Royalties Income Fund, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of comprehensive income, changes in unitholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Boston Pizza Royalties Income Fund as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

February 9, 2016
Vancouver, Canada

CONSOLIDATED STATEMENTS OF **FINANCIAL POSITION**

(Expressed in thousands of Canadian dollars)	December 31, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	**$ 3,241**	$ 1,513
Interest receivable on Note Receivable from Boston Pizza International Inc. (note 4)	**150**	150
Royalty receivable from Boston Pizza International Inc.	**2,888**	2,772
Distributions receivable from Boston Pizza Canada Limited Partnership	**903**	—
Prepaid expenses	**39**	43
Current income tax receivable	**—**	2
	7,221	4,480
Note Receivable from Boston Pizza International Inc. (note 4)	**24,000**	24,000
Investment in Units of Boston Pizza Canada Limited Partnership (note 7)	**123,818**	—
Intangible assets – BP Rights (note 8)	**258,135**	250,341
Total assets	**$ 413,174**	$ 278,821
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 461**	$ 294
Distributions payable to Fund unitholders	**2,214**	1,576
Interest payable on Class B Units and Class C Units (note 9)	**492**	390
Current income tax payable	**22**	—
	3,189	2,260
Interest rate swaps (note 6)	**651**	38
Credit Facilities (note 6)	**84,175**	49,917
Deferred income taxes (note 5)	**3,860**	4,910
Class B Unit Liability (note 9)	**41,276**	42,028
Class C Unit liability (note 9)	**24,000**	24,000
Unitholders' equity		
Fund units (note 10)	**298,381**	193,987
Accumulated deficit	**(42,358)**	(38,319)
	256,023	155,668
Organization and nature of operations (note 1)		
Subsequent events (note 15)		
Total liabilities and unitholders' equity	**$ 413,174**	$ 278,821

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

Approved by the Trustees:

William Brown **W. Murray Sadler** **David Merrell**

CONSOLIDATED STATEMENTS OF **COMPREHENSIVE INCOME**

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

(Expressed in thousands of Canadian dollars, except per Fund unit data)	2015	2014
Revenue		
Royalty income (note 11)	**$ 32,560**	$ 31,277
Distribution income (note 7 and 11)	**8,173**	—
Total revenue	**40,733**	31,277
Administration charge from Boston Pizza International Inc.	**375**	300
Professional fees	**199**	212
Other administrative expenses	**361**	308
Trustee fees and expenses	**291**	202
Total administrative expenses	**1,226**	1,022
Profit before net interest expense, fair value adjustments and income taxes	**39,507**	30,255
Interest income	**(1,844)**	(1,811)
Interest expense on debt	**2,084**	1,301
Interest expense on Class B and Class C unit liabilities (note 9)	**5,492**	5,023
Net interest expense	**5,732**	4,513
Profit before fair value adjustments and income taxes	**33,775**	25,742
Fair value adjustment on investment in Boston Pizza Canada Limited Partnership (note 7)	**14,869**	—
Fair value adjustment on Class B Unit Liability (note 9)	**(8,546)**	2,115
Fair value adjustment on interest rate swaps (note 6)	**613**	401
Total fair value adjustments	**6,936**	2,516
Profit before income taxes	**26,839**	23,226
Current income taxes (note 5)	**7,253**	6,413
Deferred income taxes (note 5)	**432**	360
Total tax expense	**7,685**	6,773
Net income and comprehensive income for the period	**$ 19,154**	$ 16,453
Weighted average Fund units outstanding	**18,747,488**	15,514,844
Weighted average fully diluted Fund units outstanding	**21,049,563**	17,606,886
Basic earnings per Fund unit (note 3(f))	**$ 1.02**	$ 1.06
Diluted earnings per Fund unit (note 3(f))	**$ 0.59**	$ 1.06

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

CONSOLIDATED STATEMENTS OF **CHANGES IN UNITHOLDERS' EQUITY**

(Expressed in thousands of Canadian dollars)	Fund units	Accumulated deficit	Total unitholders' equity
Balance – January 1, 2015	$ 193,987	$ (38,319)	$ 155,668
Issuance of Fund units, net of costs (note 7)	105,337	—	105,337
Deferred tax benefit (note 7)	—	1,482	1,482
Acquisition of Fund units (note 6)	(943)	—	(943)
Net income and comprehensive income for the period	—	19,154	19,154
Distributions declared (note 10)	—	(24,675)	(24,675)
Balance – December 31, 2015	$ 298,381	$ (42,358)	$ 256,023
Balance – January 1, 2014	$ 184,936	$ (35,717)	$ 149,219
Exchange of Class B Units for Fund units	16,669	—	16,669
Acquisition of Fund units	(7,618)	—	(7,618)
Net income and comprehensive income for the period	—	16,453	16,453
Distributions declared (note 10)	—	(19,055)	(19,055)
Balance – December 31, 2014	$ 193,987	$ (38,319)	$ 155,668

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

CONSOLIDATED STATEMENTS OF **CASH FLOWS**

(Expressed in thousands of Canadian dollars)	2015	2014
Cash flows provided by (used in)		
Operating activities		
Net income for the period	**$ 19,154**	$ 16,453
Adjustments for:		
Deferred income taxes	**432**	360
Fair value adjustment on investment in Boston Pizza Canada Limited Partnership	**14,869**	—
Fair value adjustment on Class B Unit Liability	**(8,546)**	2,115
Fair value adjustment on interest rate swaps	**613**	401
Interest expense on Class B and Class C unit liabilities	**5,492**	5,023
Changes in non-cash working capital	**(971)**	(160)
Current income tax expense	**7,253**	6,413
Current income tax paid	**(7,229)**	(6,349)
Interest income	**(1,844)**	(1,811)
Interest expense	**2,084**	1,301
Interest received	**1,844**	1,811
Net cash generated from operating activities	**33,151**	25,557
Financing activities		
Proceeds from the issuance of Fund units	**111,552**	—
Transaction costs related to the issuance of Fund units	**(5,700)**	—
Entitlement costs related to the issuance of Fund units	**(515)**	—
Distributions paid to Fund unitholders	**(24,037)**	(19,012)
Interest paid on Class B and Class C unit liabilities	**(5,390)**	(5,165)
Interest paid on long-term debt	**(1,961)**	(1,355)
Acquisition of Fund units	**(943)**	(7,618)
Proceeds from long-term debt	**34,258**	7,613
Net cash generated (used) in financing activities	**107,264**	(25,537)
Investing activities		
Investment in Boston Pizza Canada Limited Partnership	**(138,687)**	—
Net cash used in investing activities	**(138,687)**	—
Increase in cash and cash equivalents	**1,728**	20
Cash and cash equivalents – beginning of period	**1,513**	1,493
Cash and cash equivalents – end of period	**$ 3,241**	$ 1,513

Supplemental cash flow information (note 14)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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 the Boston Pizza Royalties Limited Partnership ("**Royalties LP**"), acquire the trademarks and trade names owned by Boston Pizza International Inc. ("**BPI**") 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 *Trade-Marks Act (Canada)*.

The Fund was also established to acquire, directly from a Canadian chartered bank the $24.0 million loan that BPI borrowed from that bank (the "**BP Loan**" or the "**Note Receivable**").

On May 6, 2015, the Fund indirectly completed an investment in Boston Pizza Canada Limited Partnership ("**BP Canada LP**") to effectively increase the Fund's interest in franchise sales ("**Franchise Sales**") of Boston Pizza Restaurants in the Royalty Pool, as defined in the License and Royalty Agreement (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 "**Transaction**"). BP Canada LP is a limited partnership controlled and operated by BPI and is now the exclusive franchisor of Boston Pizza Restaurants in Canada.

(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% of Franchise Sales 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 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. There are 366 Boston Pizza Restaurants in the Royalty Pool as at December 31, 2015 (December 31, 2014 – 358). BP Canada LP carries on business as a franchisor of casual dining pizza and pasta restaurants and operates only in Canada. The rights to operations outside of Canada are owned by an affiliated company.

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 is dependent on the ongoing ability of BPI and BP Canada LP to generate and pay Royalty and distributions to the Fund.

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 on February 9, 2016.

(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.

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. ("**Royalties GP**").

Estimates

- Intangible Assets – the BP Rights (note 8)

  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. As such, the calculation is dependent on a number of different variables including the estimated long-term sales of the new Boston Pizza Restaurants, discount rate, 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 Fund tests the BP Rights for impairment annually, which requires that the Fund use a valuation technique to determine if impairment exists. This valuation technique may not represent the actual fair value less costs to sell that the Fund expects the BP Rights to generate.

- Investment in Boston Pizza Canada Limited Partnership Fair Value Adjustment (note 7)

  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 3 (g)).

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

- Class B Unit Fair Value Adjustment (note 9)
  The Fund records 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 3 (g)).

  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 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 statement of comprehensive income.

(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 Royalties GP and its interest in Royalties LP. Royalties GP is the managing general partner of Royalties LP. The 20% residual ownership of Royalties GP 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 income, distribution income, and interest income are recognized on an accrual basis as earned.

(e) Distributions on Fund units:
Declarations of distributions from the Fund are at the discretion of the Trustees of the Fund. For the year ended, December 31, 2015, $24.0 million (2014 – $19.0 million) in discretionary cash distributions were paid to Fund unitholders.

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 Class C general partner units of Royalties LP ("**Class C Units**"), BPI's entitlement in respect of its Class B Units, 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 9) and Class 2 general partnership units of BP Canada LP ("**Class 2 GP Units**") (note 7) outstanding during the period.

Diluted earnings per Fund unit includes the Class B Units (note 9) and Class 2 GP Units (note 7) 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.

For the year ended December 31, 2015, the diluted earnings per Fund unit is $0.59 (2014 – $1.06). The Class 2 GP Units were antidilutive as of December 31, 2015. The following reconciles the basic earnings to the diluted earnings:

(in thousands, except per Fund unit data)	**2015**	2014
Net income for the period	**$ 19,154**	$ 16,453
Adjusted for:		
Decrease in interest expense on Class B Unit Liability	**3,692**	3,223
Fair value adjustment on Class B Unit Liability	**(8,546)**	2,115
Increase in Fund's current and deferred income taxes	**(1,865)**	(1,491)
Fund's diluted earnings	**12,435**	20,300
Weighted average fully diluted Fund units outstanding	**21,049,563**	17,606,886
Diluted earnings per Fund unit	**$ 0.59**	$ 1.06

(g) Financial instruments:

Financial assets and liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

At initial recognition, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of comprehensive income. Those categories are: fair value through profit or loss; loans and receivables; available for sale assets; and, other liabilities.

- Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is generally classified in this category if acquired principally for the purposes of selling or repurchasing in the short-term. Derivative financial instruments are also included in this category unless they are designated as hedges.

  Financial instruments in this category are recognized initially and subsequently at fair value and transaction costs are expensed in the statement of comprehensive income in the period incurred. Gains and losses arising from changes in fair value are presented in the statement of comprehensive income in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

  The investment in BP Canada LP is classified as an financial asset measured at fair value through profit or loss as the Class 1 LP Units and Class 2 LP Units contain an embedded derivative where the Fund is entitled to receive distributions that are not closely related to the host contract, and the Class 2 LP Units have similar provisions to the Class 2 GP Units held by BPI which are exchangeable into Fund units.

  The Class B Unit Liability is classified as a financial liability at fair value through profit or loss due to the terms of the instrument permitting the exchange of Class B Units into Fund units at the holders' option.

- Derivative financial instruments: The requirement of the Fund to settle the Note Receivable from BPI in exchange for Class C Units (note 9(b)) is classified as a derivative instrument. The Fund has reviewed the net impact of this potential exchange requirement on its cash flows and has determined there is no significant value applicable to this feature. Additionally, the Fund has classified its interest rate swaps (the "Swaps") as derivative instruments which are accounted for at fair value through profit and loss.

- Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Cash and cash equivalents, interest receivable on the Note Receivable from BPI, Royalty receivable from BPI, distributions receivable from BP Canada LP and the Note Receivable from BPI are included in this category.

  Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value.

  Subsequently, loans and receivables are measured at amortized cost using the effective interest method.

- Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, distributions payable to Fund unitholders, interest payable on Class B Units and Class C Units, Class C Unit liability, and the amount drawn on the Fund's Credit Facilities (defined below). These items are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value or transaction costs incurred. Subsequently, these items are measured at amortized cost using the effective interest rate method.

  Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

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 1 LP Units and the Class 2 LP Units, the Swaps and the Class B Unit Liability are determined using Level 2 inputs and are measured on a recurring basis.

The following table presents the carrying amounts of each category of financial assets and liabilities:

(in thousands)	December 31, 2015	December 31, 2014
Assets carried at fair value		
Class 1 Limited Partnership Units of Boston Pizza Canada Limited Partnership	**$ 33,314**	$ —
Class 2 Limited Partnership Units of Boston Pizza Canada Limited Partnership	**90,504**	—
Assets carried at amortized cost		
Cash and cash equivalents	**$ 3,241**	$ 1,513
Interest receivable on Note Receivable from Boston Pizza International Inc.	**150**	150
Royalty receivable from Boston Pizza International Inc.	**2,888**	2,772
Distributions receivable from Boston Pizza Canada Limited Partnership	**903**	—
Note Receivable from Boston Pizza International Inc.	**24,000**	24,000
	$ 155,000	$ 28,435

(in thousands)	December 31, 2015	December 31, 2014
Liabilities carried at fair value		
Fair value of interest rate swaps	**$ 651**	$ 38
Class B Unit Liability	**41,276**	42,028
	$ 41,927	$ 42,066
Liabilities carried at amortized cost		
Accounts payable and accrued liabilities	**$ 461**	$ 294
Distributions payable to Fund unitholders	**2,214**	1,576
Interest payable on Class B Units and Class C Units	**492**	390
Credit Facilities	**84,175**	49,917
Class C Unit liability	**24,000**	24,000
	$ 111,342	$ 76,177

Unless otherwise noted, the fair values on instruments noted approximate their carrying amount largely due to the short-term maturities of these instruments.

The Class 1 LP Units are entitled to distributions determined with respect to the interest cost incurred on Facility D (note 6). Thus, the fair value of the Class 1 LP Units is estimated using a market-corroborated input (interest rate on the credit facility). The Fund estimates 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 and provisions to the Class 2 GP Units held by BPI, which are exchangeable into Fund units. The fair value of the Class 2 LP Units is determined by multiplying the issued and outstanding Class 2 LP Units held by the Fund at the end of the period by the closing price of Fund units at the end of the period (or previous business day).

The fair value of the Class B Unit Liability is also determined via a market approach as the Class B Units held by BPI are exchangeable into Fund units. The fair value of the Class B Unit Liability is calculated by multiplying the total number of Fund units into which the Class B Units are exchangeable, including the Class B Holdback (defined below) at the end of the period by the closing price of Fund units at the end of the period (or previous business day).

The Fund has recorded the Credit Facilities at amortized cost. Royalties LP and Holdings LP use the Swaps to manage risks from fluctuations in interest rates on $66.9 million of this balance, and any changes in the fair value of the Swaps are recorded in the consolidated statement of comprehensive income in the period in which they arise. Without factoring in the Swaps, the fair value of the $66.9 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 balance, which equals the carrying amount, is $17.3 million (December 31, 2014 – $13.9 million) since the debt has variable interest rates at terms that the Fund believes are reflective of currently available terms.

(h) Impairment of financial assets:

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset is impaired.

The criteria used to determine if objective evidence of an impairment loss exists include:

- Significant financial difficulty of the Fund's counterparty;
- Delinquencies in interest or principal payments; and
- It becomes probable that the borrower will enter into bankruptcy or other financial reorganization.

If such evidence exists, the Fund recognizes an impairment loss as follows:

- Financial assets carried at amortized cost: the loss is the difference between the amortized costs of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate.
- Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. The reversal is limited to an amount that does not state the asset at more than what its amortized cost would have been in the absence of impairment.
- The Fund has reviewed its interest receivable on the Note Receivable from BPI, the Royalty receivable from BPI, and the Note Receivable from BPI, distributions receivable from BP Canada LP and has determined that no indicators of impairment exist.

(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 subject to an annual impairment test (note 8). 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, 2015 and determined no impairment exists (note 8).

(j) Financial risk management:
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, interest receivable and Note 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. Since its inception, the Fund has never failed to collect its interest, Royalty receivable, or distribution receivable on a timely basis.

The performance of the Fund is directly dependent upon the Royalty, interest, 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 distributions 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, distributions, or interest due to the Fund.

As at December 31, 2015, the Fund had no provision for credit risk recorded in its financial statements.

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. At December 31, 2015, all current liabilities had a maturity of less than three months.

The Fund's capital resources are comprised of its cash and cash equivalents, the interest receivable on the Note Receivable from BPI, the Royalty receivable from BPI, distributions receivable from BP Canada LP and its undrawn Facility A (note 6).

(in thousands)		
Cash and cash equivalents	$	3,241
Interest receivable on Note Receivable from Boston Pizza International Inc.		150
Royalty receivable from Boston Pizza International Inc.		2,888
Distributions receivable from Boston Pizza Canada Limited Partnership		903
Undrawn Facility A		2,000
	$	9,182

The Fund's obligations under the Credit Facilities, as detailed in note 6, are secured by a first charge over the assets of the Fund, mature at dates specified in note 6 and have no scheduled repayment terms before maturity.

The Fund is subject to certain guarantor covenants and reporting requirements arising from the Credit Facilities that are further described in note 3(l).

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	461	< 1 year
Distributions payable to Fund unitholders	2,214	< 1 year
Interest payable on Class B Units and Class C Units	492	< 1 year
Class C Unit liability	24,000	2042
Credit Facilities	84,175	2020

Interest rate risk
The Fund's exposure to interest rate risk is mainly through the Credit Facilities. The Fund has entered into its Swaps under the International Swap Dealers Association Master Agreements (the "**ISDA Agreements**") to manage interest rate risk on $66.9 million of its long-term debt and these Swaps are detailed in note 6. Therefore, the Fund's interest rate risk is mainly related to its $17.3 million floating rate debt. A 1% change in short-term interest rates would change interest expense by $0.2 million based on the Fund's floating rate debt at December 31, 2015. Other amounts impacted by interest rate risk include the interest-bearing Note Receivable from BPI. The Note Receivable has a fixed interest rate of 7.5%, is from a related party, and is due in July 2042.

(k) Identifiable long-lived assets:
Long-lived assets consist of the BP Rights (note 8). The long-lived assets are indefinite life assets and are not amortized but tested for impairment on an annual basis.

(l) 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 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 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 maintains formal financial policies to manage its capital structure that are adjusted 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 adjust the amount of distributions paid to unitholders, 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 eliminated the impact of seasonal fluctuations by equalizing monthly distributions.

The Fund had debt of $84.2 million at December 31, 2015 (December 31, 2014 – $49.9 million). In addition, the Fund's banking covenants currently require it to limit its funded debt to rolling 12 month EBITDA to 3.00:1 and have rolling 12 month distributions to Unitholders not exceed rolling 12 month distributable cash plus cash on hand. The Fund's funded debt to EBITDA ratio at December 31, 2015 was 2.13:1 (December 31, 2014 – 1.65:1) and its 12 month rolling distributions to Fund unitholders did not exceed 12 month rolling distributable cash and cash on hand as at December 31, 2015. The Fund is in compliance with its covenants as at December 31, 2015.

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 9 and 10.

(m) Accounting standards and amendments adopted by the Fund:
No new standards and amendments were adopted by the Fund during the year.

(n) Accounting standards and amendments issued but not yet adopted:
Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2016 with earlier adoption permitted. The Fund intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

(i) On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. Amendments were made to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits, and IAS 34 Interim Financial Reporting. The amendments will apply for annual periods beginning on or after January 1, 2016. Earlier application was permitted, in which case, the related consequential amendments to other IFRSs would also apply. Each of the amendments has its own specific transition requirements.

(ii) On December 18, 2014 the IASB issued amendments to IAS 1, Presentation of Financial Statements, as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1 2016. Earlier application was permitted.

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Fund intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

(i) On May 28, 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based, five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

(ii) On July 24, 2014, the IASB issued the complete IFRS 9 (2014), Financial Instruments. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities, and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Earlier application is permitted.

4. Note receivable from Boston Pizza International Inc.:

(in thousands)	**December 31, 2015**	December 31, 2014
Note Receivable with interest payable monthly at 7.5% per annum, due July 17, 2042	**$ 24,000**	$ 24,000

The Note Receivable originated at the time of the Fund's indirect acquisition of the BP Rights from BPI in July 2002 and is secured by a general security agreement and guaranteed by BP Canada LP. The Note Receivable may not be assigned without the prior consent of BPI.

BPI, as the holder of 2,400,000 Class C Units, has the right to transfer the Class C Units to the Fund in consideration for the assumption by the Fund of, and the concurrent release of BPI of its obligations with respect to, an amount of the indebtedness under the BP Loan equal to $10.00 for each Class C Unit transferred.

Interest receivable on the Note Receivable was $0.2 million at December 31, 2015 (December 31, 2014 – $0.2 million).

5. Income taxes:

The Fund has recorded current income tax expense of $7.3 million for the year ended December 31, 2015 (2014 – $6.4 million). The current income tax payable is the cumulative result of the Fund's SIFT tax installments below the Fund's SIFT tax expense.

The Fund has recorded a deferred income tax expense of $0.4 million for the year ended December 31, 2015 (2014 – $0.4 million). The deferred income tax liability arises mainly as a result of the Fund recording, in the current period, its cumulative share of the temporary differences between the accounting and tax bases of (i) the BP Rights owned by the Royalties LP generated since the inception of the Fund, (ii) the Fund's indirect investment in BP Canada LP, and (iii) the deferred

tax benefit associated with the Fund's issuance costs related to the Transaction. This expense had no impact on the Fund's cash flow for the period.

The reconciliation to statutory tax rate is as follows:

(in thousands, except tax rate)	**2015**	2014
Profit before income taxes	**$ 26,839**	$ 23,226
Combined Canadian federal and provincial rate	**26.0%**	26.0%
Computed expected tax expense	**6,978**	6,039
Decreased by:		
Current year's earnings not taxable	**(2,431)**	(1,278)
Increased by:		
Current year's earnings that are taxable	**3,231**	1,960
Change in the tax base of investments and other differences	**(93)**	52
Total tax expense per statement of income	**$ 7,685**	$ 6,773

The tax effect of the temporary differences that gives rise to the deferred income tax liability is as follows:

(in thousands)	**December 31, 2015**	December 31, 2014
Deferred income tax liabilities:		
Difference related to the BP Rights	**$ 5,050**	$ 4,910
Difference related issuance costs	**(1,190)**	—
Net deferred tax liability	**$ 3,860**	$ 4,910

As at December 31, 2015, there is an unrecognized deductible temporary difference associated with the Fund's investments of $11.3 million (2014 – nil) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilized.

6. Credit facilities:

Prior to May 5, 2015, Royalties LP had credit facilities with a Canadian chartered bank (the "**Lender**") in the amount of up to $56.0 million (the "**Previous Credit Facilities**") that were scheduled to expire on July 19, 2017. The Previous Credit Facilities were comprised of: (a) a $1.0 million operating facility; (b) a $30.0 million revolving credit facility ("**Previous Facility B**"); and (c) a $25.0 million revolving credit facility to facilitate the Fund repurchasing and canceling Fund units under normal course issuer bids ("**Previous Facility C**"). The Previous Credit Facilities bore interest at fixed or variable interest rates, as selected by Royalties LP, comprised of either a combination of the Lender's bankers' acceptance rates plus between 1.00% and 1.50%, or the Lender's prime rate plus between 0.00% and 0.50%, depending upon debt to EBITDA ratios.

On May 5, 2015, Holdings LP, Royalties LP, the Fund, the Trust, Boston Pizza Holdings GP and Royalties GP entered into a credit agreement with the Lender pursuant to which the Lender provided Holdings LP and Royalties LP with the following credit facilities (the "**Credit Facilities**"):

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

(ii) a $55.0 million committed revolving credit facility issued to Royalties LP for the purpose of refinancing the Previous Credit Facilities and to facilitate the Fund repurchasing and canceling Fund units under normal course issuer bids, substantial issuer bids or to finance the cash component of any exchange of general partner units of BP Canada LP ("**Facility B**"); and

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

On May 6, 2015, Holdings LP drew down $33.3 million on Facility D and used the proceeds therefrom to subscribe for Class 1 LP Units, and Royalties LP drew down $50 million on Facility B and used the proceeds therefrom to repay the Previous Facility B and Previous Facility C. As well, the Swaps that existed at that time were rolled over under the Credit Facilities. The credit agreement expires on May 5, 2020.

The Fund is subject to certain guarantor covenants and reporting requirements arising from the Credit Facilities which are described in note 3(l). The Fund is additionally subject to commitment fees at rates of 0.2% to 0.3% on any unused portions of the Credit Facilities, payable on a quarterly basis.

During the year, Holdings LP entered into an interest rate swap under the ISDA Agreements with the Lender to fix the interest rate at 2.75% per annum (assuming existing debt to EBITDA levels are maintained) for a term of five years for $17.0 million of the $33.3 million drawn on Facility D.

The Fund recorded a financial derivative liability based on the fair value of the Swaps at December 31, 2015 of $0.7 million (December 31, 2014 – $nil) in accordance with accounting for derivatives under IFRS. The Fund intends to hold the Swaps to maturity.

From January 1, 2015 to December 31, 2015, the Fund acquired 54,000 Fund units at an average price of $17.48 per Unit (total of $0.9 million) under its normal course issuer bids financed by the Previous Credit Facility C and Previous Credit Facility B (the "**2014 NCIB**"). The 2014 NCIB expired on September 24, 2015. As at December 31, 2015, all of the repurchased Fund units were cancelled.

On December 22, 2015, the Fund announced that it had received Toronto Stock Exchange ("**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 December 29, 2015 to no later than December 28, 2016 (the "**2015/2016 NCIB**"). The 2015/2016 NCIB permits the Fund to repurchase for cancellation up to 500,000 Fund units, being approximately 2.4% of issued and outstanding Fund units (as at December 21, 2015). As at December 31, 2015 the Fund had not acquired any Fund units under the 2015/2016 NCIB.

The Fund established an automatic securities purchase plan ("**ASPP**") with its broker to allow for the repurchase of Fund units under the 2015/2016 NCIB at any time, including when it ordinarily would not be active in the market due to its own internal trading blackout periods, insider trading rules or otherwise. The ASPP will terminate on the earliest of: (a) the date on which the purchase limits specified in the ASPP have been attained, (b) the date on which the 2015/2016 NCIB terminates, (c) the date on which the Fund terminates the ASPP in accordance with the terms of the ASPP, in which case the Fund will issue a press release announcing such termination, and (d) December 28, 2016. All purchases under the ASPP will be made on the open market through the facilities of the TSX in accordance with the requirements of the TSX or other Canadian marketplaces by registered investment dealers.

The Credit Facilities bear interest at fixed or variable interest rates, as selected by Royalties LP or Holdings LP, as applicable comprised of either the Lender's current rate for fixed rate operating loans or a combination of the Lender's bankers' acceptance rates plus between 1.00% and 1.50%, or the Lender's prime rate plus between 0.00% and 0.50%, depending upon debt to EBITDA ratios.

The Credit Facilities are guaranteed by the Fund, the Trust, Boston Pizza Holdings GP, Holdings LP, Royalties LP and Royalties GP, all of whom have granted security for their obligations under those guarantees, again in a manner similar to the guarantees and security previously granted by the Fund and those entities to support the Previous Credit Facilities. No security has been given by BPI or BP Canada LP with respect to the Credit Facilities.

As of December 31, 2015, no amount was drawn on Facility A, $50.9 million was drawn on Facility B and $33.3 million was drawn on Facility D. The below chart summarizes fixed rate Swap terms under Facility B and Facility D of the credit agreement that expires on May 5, 2020.

(in thousands)	**December 31, 2015**	December 31, 2014
Bank of Montreal Credit Facility B bearing interest at 1.44% plus between 1.00% and 1.50% per annum, with a maturity date of August 1, 2017	**$ 30,000**	$ 30,000
Bank of Montreal Credit Facility B bearing interest at 1.92% plus between 1.00% and 1.50% per annum, with a maturity date of June 1, 2018	**6,000**	6,000
Bank of Montreal Credit Facility B bearing interest at 1.51% plus between 1.00% and 1.50% per annum, with a maturity date of February 1, 2022	**13,900**	—
Bank of Montreal Previous Credit Facility C bearing interest at bankers' acceptance rate (1.28% at December 31, 2014) plus between 1.00% and 1.50% per annum, with a maturity date of July 19, 2017	**—**	13,917
Bank of Montreal Credit Facility B bearing interest at short-term fixed rate operating loan rates (0.84% at December 31, 2015) plus 1.5% per annum, with a maturity date of May 5, 2020	**961**	—
Bank of Montreal Credit Facility D bearing interest at 1.25% plus between 1.00% and 1.50% per annum, with a maturity date of August 1, 2020	**17,000**	—
Bank of Montreal Credit Facility D bearing interest at short-term fixed rate operating loan rates (0.84% at December 31, 2015) plus 1.50% per annum, with a maturity date of May 5, 2020	**16,314**	—
	$ 84,175	$ 49,917

The fair value of the Fund's debt is $84.2 million since the debt has variable interest rates at terms that the Fund believes are reflective of those currently available. Accordingly, the impact of a 1% change in the prime rate would not result in any change in the fair value of the debt.

Principal repayments on debt for the years ending December 31 are as follows:

(in thousands)	
2016	—
2017	—
2018	—
2019	—
2020	84,175
	$ 84,175

The Fund plans to refinance its long-term debt before maturity and does not expect to be required to repay any portion of the principal amount outstanding prior to maturity.

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

On March 23, 2015, the Fund and BPI announced that they had entered into an agreement pursuant to which the Fund's interest in Franchise Sales of Boston Pizza Restaurants in the Royalty Pool (the "**Franchise Sales Participation**") would be increased 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 Transaction was approved by Fund unitholders on May 5, 2015 and was completed on May 6, 2015.

The Fund increased its Franchise Sales Participation through making an indirect investment in BP Canada LP, which is controlled and operated by BPI, that acts as the exclusive franchisor of Boston Pizza Restaurants in Canada. The Fund's indirect investment in BP Canada LP entitles it to receive distributions equal in aggregate to 1.5% of Franchise Sales, less BPI's proportionate share. The transaction was financed by a $111.6 million bought deal offering of 5,047,613 Fund units, and increased borrowing of $33.3 million by the Fund. The Fund used a portion of proceeds to pay for $5.7 million in issuance costs (which resulted in a $1.5 million deferred tax benefit) and $0.5 million in an entitlement payment equal to a distribution on the 5,047,613 Fund units. The net proceeds of $138.7 million were used to purchase 1,000 Class 1 LP Units and 5,047,613 Class 2 LP Units. The Fund has classified this investment as a financial asset measured at fair value through profit or loss using level 2 inputs.

The investment in BP Canada LP is comprised of:

(in thousands, except per unit data)	**Issued and outstanding LP Units**	**Investment in BP Canada LP**
Issued and outstanding Class 1 LP Units upon closing of the Transaction on May 6, 2015	1,000	$ 33,314
Issued and outstanding Class 2 LP Units upon closing of the Transaction on May 6, 2015	5,047,613	105,373
Fair value adjustment on investment in Units of Boston Pizza Canada Limited Partnership		(14,869)
Balance at December 31, 2015		$ 123,818

The carrying value of the Class 1 LP Units approximates the fair value as the Fund's interest cost is reflective of available market interest rates. The fair value of the Class 2 LP Units are determined at each period end by multiplying the issued and outstanding Class 2 LP Units held by the Fund at the end of the period by the closing price of Fund units at the end of the period (or previous business day). As at December 31, 2015, the closing price of a Fund unit was $17.93 while the number of issued and outstanding Class 2 LP Units held by the Fund was 5,047,613. At the completion of the Transaction, the initial cost of the Class 2 LP Units acquired by the Fund was $20.88. The fair value adjustment of the investment in BP Canada LP at December 31, 2015 was a $14.9 million loss.

BPI receives its proportionate share of the incremental 1.5% of Franchise Sales through distributions on Class 2 GP Units that were exchangeable for 752,387 Units (as at December 31, 2015), enabling BPI to maintain its 13.0% retained interest in the Fund. BPI will continue to pay the Fund the balance of the 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 will be 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. 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. The Fund has an obligation to issue Fund units when BPI exercises its rights to exchange its 752,387 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.

8. 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 9), 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 internally generated intangible asset and are added to the carrying value of the BP Rights.

(in thousands)		
Balance – January 1, 2014	$	240,206
Class B Additional Entitlements for net 10 new restaurants opened in 2013 and added to the Royalty Pool in 2014 – granted January 1, 2014		9,227
Adjustment to prior year Class B Additional Entitlements for actual performance of new restaurants opened in 2012 and added to the Royalty Pool in 2013 and actual effective tax rate		908
Balance – December 31, 2014	$	250,341
Class B Additional Entitlements for net 8 new restaurants opened in 2014 and added to the Royalty Pool in 2015 – granted January 1, 2015		8,132
Adjustment to prior year Class B Additional Entitlements for actual performance of new restaurants opened in 2013 and added to the Royalty Pool in 2014 and actual effective tax rate		(338)
Balance – December 31, 2015	$	258,135

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 fair value less costs to sell (the "recoverable amount").

The Fund determines the recoverable amount of the BP Rights based on its fair value less costs to sell. Management first determines the fair value of the Fund, and then deducts from this value the fair value of all of the Fund's other assets and liabilities. The fair value of the Fund is determined based on the current market price of the outstanding Fund units. Based on the nature of the other assets and liabilities, management has determined that there are no material differences between the book value and fair value of these other assets and liabilities. Management estimates the costs to sell based on past experience with the previous sale and exchange of Fund units.

As at December 31, 2015, 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. The Fund has determined that no impairment exists.

9. Royalties LP unit liabilities:

(a) Class B Units:

The Class B Units are presented in the Fund's 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 reported at fair value. The determination of the fair value of the Class B Unit Liability is described later in this note.

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. Class B Units held by BPI carry voting rights equivalent to the number of Fund units into which the Class B Units are exchangeable at any time.

On January 1, 2015, 14 new Boston Pizza Restaurants that opened during the period from January 1, 2014 to December 31, 2014 were added to the Royalty Pool while six Boston Pizza Restaurants that closed during 2014 were removed. The Franchise Sales of these eight net new Boston Pizza Restaurants has been estimated at $16.7 million. The total number of Boston Pizza Restaurants in the Royalty Pool was increased to 366. As a result of the contribution of the additional net Franchise Sales to the Royalty Pool, BPI received Class B Additional Entitlements (including the Class B Holdback) equivalent to 373,523 (2014 – 444,688) Fund units.

BPI will also received a proportionate increase in monthly distributions from Royalties LP. Of the 373,523 Class B Additional Entitlements, 20% (2015 – 74,705 Class B Holdback; 2014 – 88,938 Class B Holdback), remained unissued and were not eligible for conversion to Fund units until January 1, 2016 (2014 units – January 1, 2015) based on the actual performance of the new Boston Pizza Restaurants and the actual effective tax rate paid by the Fund.

In early 2015, adjustments to distribution payments and Class B Additional Entitlements were made based on the actual performance of ten net new additional Boston Pizza Restaurants added to the Royalty Pool on January 1, 2014 and the actual effective tax rate paid by the Fund in 2014. Based on these adjustments, BPI received Class B Additional Entitlements equivalent to 72,627 Fund units.

(in thousands, except unit data)	Issued and outstanding Additional Entitlements	Issued and outstanding Additional Entitlements including Holdback	Class B unit liability
Balance at December 31, 2013	2,203,845	2,242,735	$ 46,447
Class B Additional Entitlements for addition of 10 net new restaurants to the Royalty Pool in 2013 – granted January 1, 2014	355,750	444,688	9,227
Adjustment to prior year Class B Additional Entitlements for actual performance of new restaurants added to Royalty Pool in 2012 and actual effective tax rate	86,336	47,446	908
Exchange of Class B Units for Fund units	(790,006)	(790,006)	(16,669)
Fair value adjustment	—	—	2,115
Balance at December 31, 2014	1,855,925	1,944,863	$ 42,028
Class B Additional Entitlements for addition of 8 net new restaurants opened in 2014 and added to the Royalty Pool in 2015 – granted January 1, 2015	298,818	373,523	8,132
Adjustment to prior year Class B Additional Entitlements for actual performance of new restaurants opened in 2013 and added to Royalty Pool in 2014 and actual effective tax rate	72,627	(16,311)	(338)
Exchange of Class B Units for Fund units	—	—	—
Fair value adjustment	—	—	(8,546)
Balance at December 31, 2015	2,227,370	2,302,075	$ 41,276

The fair value of the Class B Unit Liability is calculated by multiplying the total number of Fund units into which the Class B Units are exchangeable, including the Class B Holdback (defined below) at the end of the period by the closing price of Fund units at the end of the period (or previous business day). As at December 31, 2015, the closing price of a Fund unit was $17.93 (December 31, 2014 – $21.61) 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 2,302,075 (December 31, 2014 – 1,944,863). Consequently, the Class B Unit Liability was valued at $41.3 million (December 31, 2014 – $42.0 million). 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, 2015, the Fund would issue the equivalent number of Fund units and the Class B Unit Liability would be extinguished.

(b) Class C units:

BPI holds 2,400,000 Class C Units. Royalties LP has an obligation to pay $0.0625 per Class C Unit on a monthly basis as long as the Note Receivable from BPI (note 4) is outstanding. Accordingly, this item is classified as a financial liability and is measured at amortized cost.

The requirement of the Fund to settle its note receivable from BPI in exchange for Class C Units represents an embedded derivative. The Fund has reviewed the net impact of this potential exchange requirement on its cash flows and has determined there is no significant value applicable to this feature.

10. 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.

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:

As at December 31, 2015, BPI held Class B Units equivalent to 2,227,370 Fund units and Class 2 GP Units equivalent to 752,387 Fund units for a total of 12.7% of the issued and outstanding Fund units on a fully diluted basis.

(in thousands, except unit data)	Number of Fund units	Fund units as equity
Opening balance at January 1, 2015	15,448,150	$ 193,987
Acquisition of Fund units	(54,000)	(943)
Issuance of Fund units, net of issuance costs	5,047,613	105,337
Balance at December 31, 2015	20,441,763	$ 298,381

(c) Distributions declared to Fund unitholders during the year ended December 31, 2015 totaled $24.7 million (2014 – $19.1 million) or $1.32 per Fund unit (2014 – $1.22).

11. Operations:

(in thousands, except number of restaurants in the Royalty Pool)	2015	2014
Restaurants in the Royalty Pool	**366**	358
Franchise Sales reported by restaurants in the Royalty Pool	**$ 814,001**	$ 781,915
Royalty income – 4% of Franchise Sales	**32,560**	31,277
Distribution income – 1.5% of Franchise sales (from the Effective date of the Transaction, less BPI retained interest)	**8,173**	—

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.

12. 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 Royalties LP, BPI, and BP Canada LP. The Fund has engaged BPI to provide certain administrative services on behalf of the Fund. The total amount paid to BPI in respect of these services for the year ended December 31, 2015 was $0.4 million (2014 – $0.3 million). As at December 31, 2015, interest payable to BPI on Class B Units and Class C Units was $0.5 million (December 31, 2014 – $0.4 million), interest receivable from BPI was $0.2 million (December 31, 2014 – $0.2 million), Royalty receivable from BPI was $2.9 million (December 31, 2014 – $2.8 million), and distribution receivable from BP Canada LP was $0.9 million (December 31, 2014 – nil).

13. 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)	For the year ended December 31, 2015	For the year ended December 31, 2014
Remuneration paid to Trustees	**$ 276**	$ 183

14. Supplemental cash flow information:

(a) Non-cash transactions:

(in thousands)	For the year ended December 31, 2015	For the year ended December 31, 2014
Roll-in of new stores – January 1, net	**$ 7,794**	$ 10,135
Exchange of Class B Units for Fund units (note 9(a))	**—**	16,669

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

(in thousands)	2015	2014
Change in:		
Royalty receivable from Boston Pizza International Inc.	**$ (116)**	$ (153)
Distribution receivable from Boston Pizza Canada Limited Partnership	**(903)**	—
Prepaid expenses	**4**	5
Accounts payable and accrued liabilities	**167**	(66)
Adjusted for:		
Interest expense	**(2,084)**	(1,301)
Interest paid on long-term debt	**1,961**	1,355
Changes in non-cash working capital	**$ (971)**	$ (160)

15. Subsequent events:

(a) On January 1, 2016, 12 new Boston Pizza Restaurants that opened across Canada between January 1, 2015 and December 31, 2015 were added to the Royalty Pool and the six restaurants that permanently closed during 2015 were removed from the Royalty Pool. The total number of restaurants in the Royalty Pool increased to 372 from 366. In return for adding net additional Royalty and distribution income from the six net new Boston Pizza Restaurants added to the Royalty Pool, BPI received 349,023 Additional Entitlements (representing 80% of the total Additional Entitlements), comprised of 253,835 Class B Additional Entitlements and 95,188 Class 2 Additional Entitlements, and the Holdback was 87,256 Additional Entitlements (representing 20% of the total Additional Entitlements), comprised of 63,459 Class B Holdback and 23,797 Class 2 Holdback. The Holdback remains unissued and is not eligible for conversion to Fund units until the first quarter of 2017. BPI receives an increase in monthly distributions based on 100% of the Additional Entitlements, subject to a reconciliation of the distributions paid to BPI in respect of these Additional Entitlements that will occur once the actual performance of these six Net New Restaurants and the actual effective tax rate paid by the Fund for 2016 are known.

(b) In the first quarter of 2016, adjustments to Royalty payments and Class B Additional Entitlements were made based on the actual performance of eight net new additional Boston Pizza Restaurants added to the Royalty Pool on January 1, 2015 and the effective average tax rate paid by the Fund in 2015. Based on these adjustments, BPI received 96,325 Additional Entitlements.

(c) Subsequent to December 31, 2015 the Fund acquired 148,500 Fund units at an average price of $16.56 per Fund unit for total consideration of $2.5 million. The Fund financed the repurchase of these Fund units by drawing on the $55.0 million Facility B that is included as part of the Credit Facilities.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE PERIOD AND THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL HIGHLIGHTS

The tables below set out selected information from the annual consolidated financial statements of Boston Pizza International Inc. ("**BPI**"), which includes the accounts of Boston Pizza Canada Limited Partnership ("**BP Canada LP**") and BPI's subsidiaries, together with other data, and should be read in conjunction with the annual consolidated financial statements of BPI for the years ended December 31, 2015 and December 31, 2014. BPI and Boston Pizza Royalties Income Fund (the "**Fund**") completed a transaction on May 6, 2015 pursuant to which, among other things, BP Canada LP became the exclusive franchisor of Boston Pizza Restaurants (defined below) in Canada and the Fund made an indirect investment in BP Canada LP. As a result, the information in the tables below are not necessarily directly comparable with prior historical financial statements or Management's Discussion and Analysis ("**MD&A**") of BPI. Refer to the "Operating Results – Transaction" section of this MD&A for more details. The financial information reported in the tables are reported in accordance with International Financial Reporting Standards ("**IFRS**") except as otherwise noted and are stated in Canadian dollars.

For the years ended December 31

(in thousands of dollars – except restaurants per share items)	**2015**	2014	2013
System-wide Gross Sales[1]	**1,059,549**	1,011,966	974,837
Number of Boston Pizza Restaurants[2]	**372**	366	358
Franchise Sales reported by Boston Pizza Restaurants[3]	**823,892**	787,922	761,780
Income Statement Data			
Total revenues	**87,526**	82,525	77,920
Royalty expense	**32,560**	31,277	30,217
Distribution expense	**8,173**	—	—
Operating expenses excluding Royalty expense and Distribution expense	**48,480**	43,276	40,664
Earnings (loss) before interest and fair value gain (loss) on financial instruments	**(1,687)**	7,972	7,039
Net interest income	**3,625**	3,155	3,692
Fair value gain on financial instruments	**6,323**	1,409	6,137
Earnings before income taxes	**8,261**	12,536	16,868
Current and deferred income tax expense	**18,665**	987	2,618
Net and comprehensive income (loss)	**(10,404)**	11,549	14,250
Basic and diluted earnings (loss) per share	**(0.10)**	0.11	0.14
Dividends declared per share	**1.13**	0.31	0.03

Balance Sheet Data	**Dec 31, 2015**	Dec 31, 2014	Dec 31, 2013
Total assets	**151,465**	156,059	155,360
Total liabilities	**403,239**	279,330	257,251

Notes:

1) "**System-wide Gross Sales**" means the gross revenue: (i) of the corporate Boston Pizza Restaurants in Canada owned by BPI; and (ii) reported to BPI or BP Canada LP, as applicable, 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 BPI or BP Canada LP, as applicable, approved national promotions and discounts and excluding applicable sales and similar taxes.

2) As at the end of the applicable period or year.

3) Franchise sales is the basis on which Royalty and Distributions are payable; it means the revenues of Boston Pizza Restaurants in respect of which the royalty is payable ("**Franchise Sales**"). The term "revenue" refers to the gross revenue: (i) of the corporate Boston Pizza Restaurants in Canada owned by BPI; and (ii) reported to BPI or BP Canada LP, as applicable, 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 BPI or BP Canada LP, as applicable, 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.

SUMMARY OF QUARTERLY RESULTS

(in thousands of dollars – except number of restaurants and per share items)	Q4 2015	Q3 2015	Q2 2015	Q1 2015
System-Wide Gross Sales[1]	**272,017**	**275,009**	**263,852**	**248,671**
Number of Boston Pizza Restaurants[2]	**372**	**369**	**368**	**366**
Franchise Sales reported by Boston Pizza Restaurants[3]	**209,675**	**215,562**	**204,725**	**193,930**
Income Statement Data				
Total revenues	**22,466**	**22,736**	**21,949**	**20,375**
Royalty expense	**8,215**	**8,494**	**8,115**	**7,736**
Distribution expense	**2,708**	**2,799**	**2,666**	**—**
Operating expenses excluding Royalty expense and Distribution expense	**12,116**	**11,244**	**11,968**	**13,152**
Earnings (loss) before interest and fair value gain (loss) on financial instruments	**(573)**	**199**	**(800)**	**(513)**
Net interest income	**1,397**	**872**	**890**	**466**
Fair value gain (loss) on financial instruments	**(1,950)**	**10,097**	**(2,878)**	**1,054**
Earnings (loss) before income taxes	**(1,126)**	**11,168**	**(2,788)**	**1,007**
Current and deferred income tax expense (recovery)	**1,834**	**(1,456)**	**17,885**	**402**
Net and comprehensive income (loss)	**(2,960)**	**12,624**	**(20,673)**	**605**
Basic and diluted earnings (loss) per share	**(0.03)**	**0.12**	**(0.20)**	**0.01**

(in thousands of dollars – except number of restaurants and per share items)	Q4 2014	Q3 2014	Q2 2014	Q1 2014
System-Wide Gross Sales[1]	260,240	258,716	255,002	238,008
Number of Boston Pizza Restaurants[2]	366	358	357	356
Franchise Sales reported by Boston Pizza Restaurants[3]	201,337	202,923	197,274	186,388
Income Statement Data				
Total revenues	21,656	21,137	20,630	19,102
Royalty expense	7,902	8,054	7,865	7,456
Operating expenses excluding Royalty expense	10,695	10,284	12,141	10,156
Earnings before interest and fair value gain on financial instruments	3,059	2,799	624	1,490
Net interest income	1,172	774	728	481
Fair value gain (loss) on financial instruments	1,673	(19)	2,392	(2,637)
Earnings (loss) before income taxes	5,904	3,554	3,744	(666)
Current and deferred income tax expense (recovery)	1,245	1,008	424	(1,690)
Net and comprehensive income	4,659	2,546	3,320	1,024
Basic and diluted earnings per share	0.04	0.02	0.03	0.01

OVERVIEW

General

This MD&A covers the three month period from October 1, 2015 to December 31, 2015 (the "**Period**") and the twelve month period from January 1, 2015 to December 31, 2015 (the "**Year**") and is dated February 9, 2016. It provides additional analysis of the operations, financial position and financial performance of BPI and should be read in conjunction with BPI's applicable annual consolidated financial statements and accompanying notes. The annual consolidated financial statements of BPI are in Canadian dollars and have been prepared in accordance with IFRS.

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, 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 in the Royalty Pool (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 (the "**Transaction**"). Refer to the "Operating Results – Transaction" section of this MD&A for more details.

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 371 restaurants stretching from Victoria to St. John's, Boston Pizza has more locations and serves more customers annually than any other casual dining restaurant chain in Canada.

Royalty

Prior to April 6, 2015, BPI charged, and from and after April 6, 2015, BP Canada LP charges, a 7% royalty fee on Franchise Sales for full-service and fast casual Boston Pizza restaurants open in Canada and a 5% royalty fee on Franchise Sales for Boston Pizza quick express restaurants that are open in Canada (collectively, the "**Boston Pizza Restaurants**"). BPI pays Boston Pizza

Royalties Limited Partnership ("**Royalties LP**"), an entity controlled by the Fund, a 4% 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**[4]"). As at December 31, 2015, there were 366 Boston Pizza Restaurants in the Royalty Pool and 372 Boston Pizza Restaurants in operation.

Distributions from BP Canada LP

As part of the Transaction, Boston Pizza Holdings Limited Partnership ("**Holdings LP**"), an entity controlled by the Fund, acquired 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 acquired, among other units, Class 2 general partnership units of BP Canada LP ("**Class 2 GP Units**"), which are exchangeable into 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 3 GP Units**"), Class 4 general partnership units ("**Class 4 GP Units**"), Class 5 general partnership units ("**Class 5 GP Units**") and Class 6 partnership partner units ("**Class 6 GP Units**") of BP Canada LP that BPI holds.

Addition of New Restaurants to Royalty Pool

On January 1 of each year (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 last Adjustment Date (the "**Net New Restaurants**"). In return for adding net additional Royalty and Distributions from Net New Restaurants, BPI receives the right to indirectly acquire additional Fund Units ("**Class B Additional Entitlements**" and "**Class 2 Additional Entitlements**", respectively, and collectively, "**Additional Entitlements**"). The calculation of Additional Entitlements is designed to be accretive to unitholders of the Fund ("**Unitholders**") as the expected increase in net Franchise Sales from the Net New Restaurants added to the Royalty Pool is valued at a 7.5% discount. The Additional Entitlements are calculated at 92.5% of the estimated Royalty and Distributions expected to be received indirectly by the Fund in respect of the Net New 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 Net 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 distributions from the Additional Entitlements throughout the year. Once the Net New Restaurants have been part of the Royalty Pool for a full year, an audit of the Franchise Sales of these restaurants received from BPI 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.

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.

- **The commitment to franchisee profitability**
- **The commitment to continually enhance the Boston Pizza brand**
- **The commitment to continually improve the guest experience**
- **The commitment to engage with 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 national television and radio advertising, and national and local promotions. The costs associated with national marketing of Boston Pizza are paid for by Boston Pizza Co-op Advertising (the "Co-op"). Franchisees pay 3% of Franchise Sales into the Co-op; 76% of these funds are used to purchase television, on-line and radio media advertising, and the remaining 24% 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 they 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 continue to strengthen Boston Pizza's position as Canada's number one casual dining brand.

The following information provides additional analysis of the operations and financial position of BPI and should be read in conjunction with the annual consolidated financial statements and accompanying notes. The annual consolidated financial statements are in Canadian dollars and have been prepared in accordance with IFRS.

OPERATING RESULTS

Same Store Sales Growth ("SSSG")

SSSG, a key driver of distribution growth for Unitholders, is 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. The two principal factors that affect SSSG are changes in customer traffic and changes in average guest cheque.

Period

SSSG was 2.2% for the Period compared to 5.3% SSSG reported in the fourth quarter of 2014. Franchise Sales, the basis upon which the Royalty and Distributions are paid by BPI and BP Canada LP, respectively, indirectly to the Fund, excludes revenue from sales of liquor, beer, wine and approved national promotions and discounts. On a Franchise Sales basis, SSSG was 1.8% for the Period compared to 5.3% for the fourth quarter of 2014. The SSSG for the Period was principally due to higher take-out and delivery sales resulting from continued promotion of Boston Pizza's online ordering system, menu re-pricing and higher chicken wing sales from the successful "Wings Two-Four" campaign, partially offset by the impact of weaker general economic conditions in regions directly connected to the Canadian oil and gas industry.

4) BP Rights are the trademarks that as at July 17, 2002 were registered or the subject of pending applications for registration under the Trade-Marks Act (Canada), and other trademarks and the 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 Trade-Marks Act (Canada).

Year

SSSG was 1.8% for the Year compared to 1.7% SSSG in 2014. On a Franchise Sales basis, SSSG was 1.7% for the Year compared to 1.4% SSSG in 2014. SSSG for the Year was principally due to higher take-out and delivery sales resulting from continued promotion of Boston Pizza's online ordering system, menu re-pricing and higher chicken wing sales from the successful "Wings Two-Four" campaign, partially offset by the impact of weaker general economic conditions in regions directly connected to the Canadian oil and gas industry.

New Store Openings, Closures and Renovations

During the Period, five new Boston Pizza Restaurants opened (Year – 12) and two Boston Pizza Restaurants closed (Year – 6). Subsequent to December 31, 2015, one Boston Pizza Restaurant closed. As well during the Period, 12 Boston Pizza Restaurants were renovated (Year – 54). 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. Subsequent to December 31, 2015, five additional restaurants were renovated. The total number of Boston Pizza Restaurants in operation as of February 9, 2016 is 371.

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 better weather 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. Tourism is also a seasonal factor positively impacting the second and third quarters of each year.

Revenues

Period

BPI's total revenue was $22.5 million for the Period compared to $21.7 million for the fourth quarter of 2014. BPI's revenue was principally derived from royalty revenue from franchised Boston Pizza Restaurants, sales from corporately owned restaurants, initial franchise fees, supplier contributions and franchise renewal fees. The increase in total revenue earned by BPI during the Period was primarily due to increased royalty revenue resulting from the opening of new Boston Pizza Restaurants since the prior year and positive SSSG in the Period.

Year

BPI's total revenue was $87.5 million for the Year compared to $82.5 million in 2014. The increase in total revenue earned by BPI during the Year was primarily due to increased royalty revenue resulting from the opening of new Boston Pizza Restaurants from the prior year and positive SSSG for the Year.

Royalty Expense

Period

BPI's Royalty expense to Royalties LP (being 4% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool) was $8.2 million for the Period compared to $7.9 million for the fourth quarter in 2014. The increase in Royalty expense was primarily due to the additional Franchise Sales from eight Net New Restaurants added to the Royalty Pool on January 1, 2015 and positive SSSG for the Period.

Year

BPI's Royalty expense to Royalties LP (being 4% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool) was $32.6 million for the Year compared to $31.3 million in 2014. The increase in Royalty expense was primarily due to the additional Franchise Sales from eight Net New Restaurants added to the Royalty Pool on January 1, 2015 and positive SSSG for the Year.

Distribution Expense

Period

BPI's Distribution expense (being 1.5% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool, less BPI's retained interest) was $2.7 million for the Period. BPI did not have any Distribution expense during the comparable period in 2014 as BP Canada LP did not exist and did not have the obligation to pay distributions to Holdings LP until completion of the Transaction. Distribution expense in respect of the Period was based on the Royalty Pool of 366 Boston Pizza Restaurants reporting Franchise Sales of $205.4 million for the Period. Refer to the "Operating Results – Transaction" section of this MD&A for more details.

Year

BPI's Distribution expense (being 1.5% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool, less BPI's retained interest) was $8.2 million for the Year. Distribution expense in respect of the Year was based on the Royalty Pool of 366 Boston Pizza Restaurants reporting Franchise Sales of $814.0 million for the Year commencing upon the completion of the Transaction.

Operating Expenses Excluding Royalty Expense and Distribution Expense

Period

BPI's operating expenses excluding Royalty expense and Distribution expense were $12.1 million for the Period compared to $10.7 million for the fourth quarter in 2014. Operating expenses excluding Royalty expense and Distribution expense include compensation of $6.8 million (Q4 2014 – $4.8 million), other costs associated with services provided to franchised Boston Pizza Restaurants of $3.1 million (Q4 2014 – $3.4 million), operational costs of the three corporately owned restaurants of $2.0 million (Q4 2014 – $1.8 million), depreciation and amortization of $0.7 million (Q4 2014 – $0.9 million), and management fees for services rendered by companies under common control of $0.1 million (Q4 2014 – $0.4 million). This was partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of $0.6 million (Q4 2014 – $0.6 million).

The $1.4 million increase in operating expenses excluding Royalty expense and Distribution expense for the Period was primarily due to higher compensation partially offset by lower marketing and advertising costs and research and development costs.

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 between Royalties LP and BPI. The net deferred gain as at December 31, 2015 was $215.3 million (December 31, 2014 – $210.1 million).

Year

BPI's operating expenses excluding Royalty expense and Distribution expense were $48.5 million for the Year compared to $43.3 million in 2014. Operating expenses excluding Royalty expense and Distribution expense include compensation of $25.1 million (2014 – $19.9 million), other costs associated with services provided to franchised Boston Pizza Restaurants of $12.4 million (2014 – $14.1 million), the operational costs of the three corporately owned restaurants of $7.9 million (2014 – $7.4 million), costs relating to the Transaction of $2.3 million (2014 – nil), depreciation and amortization of $2.5 million (2014 – $2.6 million),

and management fees for services rendered by companies under common control of $0.8 million (2014 – $1.7 million). This was partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of $2.5 million (2014 – $2.4 million).

The $5.2 million increase in operating expenses excluding Royalty expense and Distribution expense for the Year was primarily due to costs relating to the Transaction of $2.3 million and higher compensation partially offset by lower marketing and advertising costs associated with BPI's bi-annual franchisee conference that are included in the prior year, research and development costs, and management fees.

Earnings (Loss) before Interest and Fair Value Gain (Loss) on Financial Instruments

Period

BPI's loss before interest and fair value gain (loss) on financial instruments was $0.6 million for the Period compared to earnings of $3.1 million for the fourth quarter of 2014. The $3.7 million decline was primarily due to the Distribution expense of $2.7 million and higher compensation expenses, partially offset by higher revenues resulting from positive SSSG and new store openings.

Year

BPI's loss before interest and fair value gain (loss) on financial instruments was $1.7 million for the Year compared to earnings of $8.0 million in 2014. The $9.7 million decline was primarily due to the Distribution expense of $8.2 million, costs relating to the Transaction of $2.3 million, and higher compensation expense, partially offset by higher revenues resulting from positive SSSG and new store openings, and 2014 including costs associated with BPI's bi-annual franchisee conference.

Net Interest Income

Period

BPI's net interest income during the Period was $1.4 million, comprised mainly of $1.9 million of interest income received by BPI on its Class B general partner units and Class C general partner units of Royalties LP ("**Class B Units**" and "**Class C Units**", respectively), partially offset by $0.5 million of interest paid by BPI to the Fund on the BP Loan (defined below). BPI's net interest income for the fourth quarter of 2014 was $1.2 million, comprised mainly of $1.6 million of interest income received by BPI on the Class B Units and Class C Units, partially offset by $0.5 million of interest paid by BPI to the Fund on the BP Loan (defined below).

Year

BPI's net interest income for the Year was $3.6 million, comprised mainly of $5.5 million of interest income received by BPI on its Class B Units and Class C Units, partially offset by $1.8 million of interest paid by BPI to the Fund on the BP Loan. BPI's net interest income in 2014 was $3.2 million, comprised mainly of $5.0 million of interest income received by BPI on the Class B Units and Class C Units, partially offset by $1.8 million of interest paid by BPI to the Fund on the BP Loan.

Fair Value Gain (Loss) on Financial Instruments

Period

During the Period, BPI recorded a fair value loss on financial instruments of $2.0 million compared to a gain of $1.7 million for the same period in 2014. The change in fair value was principally due to the change in the price of Fund Units into which Class B Units are exchangeable and upon which the Class 1 LP Units liability and Class 2 LP Units liability are measured.

BPI estimates the fair value of the Class B Units by multiplying the issued and outstanding Class B Additional Entitlements (including the Class B Holdback) held by BPI at the end of the Period by the closing price of a Fund Unit at the end of the Period (or previous business day, if such a day is not a business day). As at December 31, 2015, the Fund's closing price was $17.93 per Fund Unit (September 30, 2015 – $17.22 per Fund Unit) while the number of Fund Units BPI would be entitled to receive if it exchanged all of its Class B Units (including the Class B Holdback) was 2,302,075 (September 30, 2015 – 2,302,075). BPI's Class B Units were calculated to be valued at $41.3 million (September 30, 2015 – $39.6 million). In general, the value of the Class B Units will increase as the market price of Fund Units increases and vice versa. The difference between the value of the Class B Units at the end of the Period and September 30, 2015 is a fair value gain of $1.6 million.

The Class 1 LP Units are entitled to distributions determined with respect to the interest cost incurred on a certain credit facility held by the Fund. 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, 2015 to be $33.3 million (September 30, 2015 – $33.3 million), resulting in no fair value adjustment for the Period since the Class 1 LP Units were acquired by Holdings LP on May 6, 2015 for that price.

BPI estimates the fair value of the Class 2 LP Units liability by multiplying the issued and outstanding 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 at the end of the Period (or previous business day, if such day is not a business day). As at December 31, 2015, the Fund indirectly held 5,047,613 Class 2 LP Units (September 30, 2015 – 5,047,613) and the Fund's closing price was $17.93 per Fund Unit (September 30, 2015 – $17.22 per Fund unit). Consequently, BPI estimated the fair value of the Class 2 LP Units liability as at December 31, 2015 to be $90.5 million (September 30, 2015 - $86.9 million), resulting in a fair value loss of $3.6 million for the Period. In general, the Class 2 LP Units liability will increase as the market price of a Fund Unit increases and vice versa.

Year

BPI recorded a fair value gain on financial instruments of $6.3 million for the Year compared to a gain of $1.4 million in 2014. The change in fair value was principally due to (i) the change in the price of Fund Units into which Class B Units are exchangeable, partially offset by the increase in BPI's Class B Additional Entitlements granted January 1 of each year, and (ii) the change in the price of Fund Units upon which the Class 1 LP Units liability and Class 2 LP Units liability are measured. The fair value loss on financial instruments for 2014 also included $0.7 million in transaction costs incurred in connection with BPI having exchanged 2,036,135 Class B Units for 790,006 Fund Units on March 10, 2014 (the "**Exchange**").

As at December 31, 2015, the Fund's closing price was $17.93 per Fund Unit (December 31, 2014 - $21.61 per unit) while the number of issued and outstanding Class B Additional Entitlements (including the Class B Holdback) held by BPI were 2,302,075 (December 31, 2014 -1,944,863). The fair value of the Class B Units as at December 31, 2014 was calculated to be valued at $42.0 million. As discussed above, the fair value of the Class B Units as at the end of the Period was calculated to be valued at $41.3 million. The difference between the fair value of the Class B Units at the end of the Period and December 31, 2014 is a loss of $0.7 million, comprised of $7.8 million of Class B Additional Entitlements received by BPI on January 1, 2015, and a fair value loss of $8.5 million.

As discussed above, BPI estimated the Class 1 LP Units liability to be $33.3 million as at December 31, 2015 resulting in no fair value adjustment for the Year since the Class 1 LP Units were acquired by Holdings LP on May 6, 2015 for that price.

The Fund acquired the Class 2 LP Units on May 6, 2015 for $105.3 million, or approximately $20.88 per Class 2 LP Unit. As discussed above, BPI estimated the Class 2 LP Units liability at the end of the Period to be $90.5 million, resulting in a fair value gain of $14.9 million for the Year.

Earnings (Loss) before Income Taxes

Period

Given the combined effects of the above-noted factors, BPI had a loss before income taxes of $1.1 million for the Period compared to earnings before income taxes of $5.9 million for the fourth quarter of 2014. The loss before income taxes for the Period was primarily due to the fair value loss on financial instruments, the Distribution expense and higher operating expenses excluding Royalty expense and Distribution expense from increased compensation costs, partially offset by higher revenues resulting from positive SSSG and new store openings.

Year

BPI had earnings before income taxes of $8.3 million for the Year compared to earnings before income taxes of $12.5 million in 2014. The lower earnings before income taxes for the Year were primarily due to the fair value gain on financial instruments and higher revenues resulting from positive SSSG and new store openings, partially offset by the Distribution expense, costs relating to the Transaction, and higher operating expenses excluding Royalty expense and Distribution expense from increased compensation costs.

Income Taxes

Period

BPI recorded a $0.1 million current income tax recovery for the Period compared to a $0.9 million current income tax expense for the fourth quarter in 2014. The decrease in current income tax expense to a recovery position for the Period was mainly due to a loss before interest and fair value gain (loss) on financial instruments for the Period compared to earnings in the fourth quarter of 2014.

BPI recorded a deferred income tax expense of $1.9 million for the Period compared to $0.3 million for the fourth quarter of 2014. The increase in deferred income tax expense is primarily associated with the change in fair value on the Class B Units and an increase in future income tax rates.

Year

BPI recorded an $18.7 million current income tax expense for the Year compared to $4.7 million in 2014. The increase in current income tax expense for the Year was mainly due to tax resulting from completion of the Transaction, partially offset by the prior year including tax as a result of the Exchange.

BPI recorded a deferred income tax recovery of $0.1 million for the Year compared to $3.7 million in 2014. The decrease in deferred income tax recovery for the Year was mainly due to the change in fair value on Class B Units, an increase in future income tax rates, combined with the prior year deferred tax associated with the Exchange.

Net and Comprehensive Income (Loss)

Period

BPI's net loss during the Period was $3.0 million compared to net income of $4.7 million during the same period in 2014. The net loss for the Period was primarily due to the fair value loss on financial instruments, the Distribution expense and higher operating expenses excluding Royalty expense and Distribution expense, partially offset by higher revenues resulting from positive SSSG and new store openings.

Year

BPI's net loss for the Year was $10.4 million compared to net income of $11.5 million in 2014. The net loss the Year was primarily due to Distribution expense, costs relating to the Transaction, higher operating expenses excluding Royalty expense and Distribution expense, and the current income tax expense relating to the completion of the Transaction, partially offset by higher revenues resulting from positive SSSG and new store openings and the fair value gain on financial instruments.

New Restaurants Added to the Royalty Pool

Boston Pizza Restaurants Added to Royalty Pool on January 1, 2015

On January 1, 2015, 14 new Boston Pizza Restaurants that opened across Canada between January 1, 2014 and December 31, 2014 were added to the Royalty Pool and the six restaurants that permanently closed during 2014 were removed from the Royalty Pool. The estimated annual Franchise Sales for the 14 new Boston Pizza Restaurants that opened less the Franchise Sales from the six permanent closures was $16.7 million. The estimated Royalty expected to be received by the Fund in 2015 from these eight Net New Restaurants was 4.0% of that amount, or $0.7 million. The pre-tax Royalty for the purposes of calculating the Class B Additional Entitlements, therefore, was $0.6 million or 92.5% of $0.7 million. The estimated effective tax rate that the Fund paid in the calendar year 2015 was 26.0%. Accordingly, the after-tax Royalty for the purposes of calculating the Class B Additional Entitlements was $0.5 million ($0.6 million x (1 – 0.26)). In return for adding the Royalty from these eight Net New Restaurants to the Royalty Pool, BPI received the right to acquire an additional 298,818 Fund Units, representing 80% of the Class B Additional Entitlements with the balance to be received when the actual full year performance of the 14 new Boston Pizza Restaurants and the actual effective tax rate paid by the Fund for 2015 are known with certainty. The 298,818 Class B Additional Entitlements represented 1.7% of the total outstanding Fund Units on a fully diluted basis on January 1, 2015. 74,705 Fund Units, representing the Class B Holdback, were "held back" until such time as the actual performance of these 14 new Boston Pizza Restaurants and the actual effective tax rate paid by the Fund for 2015 were known. BPI also received an increase in monthly distributions based on 100% of the Class B Additional Entitlements, subject to a reconciliation of the distributions paid to BPI in respect of these Additional Entitlements that occurred once the actual performance of these 14 new Boston Pizza Restaurants and the actual effective tax rate paid by the Fund for 2015 were known. See "Subsequent Events" below.

Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2014

In January 2015, an audit of the Franchise Sales of the 12 new Boston Pizza Restaurants that were added to the Royalty Pool on January 1, 2014 was performed and the Fund's actual effective tax rate for 2014 was determined. The purpose of this was to compare the actual Franchise Sales from these 12 new Boston Pizza Restaurants to the estimated amount of Franchise Sales expected to be generated by these 12 new Boston Pizza Restaurants in 2014 and to compare the actual effective tax rate paid by the Fund for 2014 to the estimated effective tax rate the Fund expected to pay for 2014. The original Franchise Sales expected to be generated from these 12 new Boston Pizza Restaurants less the Franchise Sales from the two permanent closures that occurred in 2013 was $19.8 million, and the actual Franchise Sales generated from these 10 Net New Restaurants was $0.9 million less. The original effective tax rate for the Fund was expected to be 26.0% and the actual effective tax rate for the Fund for 2014 was 25.5%. As a result, Royalties LP reduced distributions paid to BPI in January 2015 to reconcile the difference paid on the full number of Class B Additional Entitlements and the effective tax rate. BPI received only 80% of the Class B Additional Entitlements at the Adjustment Date in 2014. Following the audit, BPI received 72,627 Class B Additional Entitlements. No adjustment was made in respect of Class 2 Additional Entitlements as the Transaction had not occurred as at January 1, 2014 and BPI did not receive any Class 2 Additional Entitlements in respect of the 10 Net New Restaurants added to the Royalty Pool on January 1, 2014.

Transaction

On May 6, 2015, the Fund and BPI completed the Transaction, the effect of which was to effectively increase the Fund's interest in Franchise Sales of Boston Pizza Restaurants in the Royalty Pool (the "**Franchise Sales Participation**") 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. 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. The Transaction involved the following series of steps:

1. On April 2, 2015, BPI (as general partner) and Holdings LP (as limited partner) formed BP Canada LP, with BPI subscribing for one Class 6 GP Unit of BP Canada LP and Holdings LP subscribing for one Class 1 LP Unit of BP Canada LP;

2. On April 6, 2015, BPI transferred: (i) all of the franchise agreements and other related and ancillary agreements between BPI and the owners of franchised Boston Pizza Restaurants; (ii) the various food, beverage and supply contracts entered into by BPI in connection with the Boston Pizza business; and (iii) the right to be the franchisor of the Boston Pizza brand in Canada, to BP Canada LP in exchange for 100,000,000 Class 2 GP Units, 100,000,000 Class 3 GP Units, 100,000,000 Class 4 GP Units, 100,000,000 Class 5 GP Units, and 999 Class 6 GP Units, of BP Canada LP (collectively, the "**GP Units**"). In connection therewith, BP Canada LP became the exclusive franchisor of Boston Pizza Restaurants in Canada;

3. On April 16, 2015, the Fund issued 5,047,613 subscription receipts (the "**Subscription Receipts**") at a price of $22.10 each, for net proceeds (after offering and transaction costs) of $105.3 million;

4. On May 5, 2015, an annual and special meeting of Unitholders was held and eligible Unitholders voted to approve the Transaction;

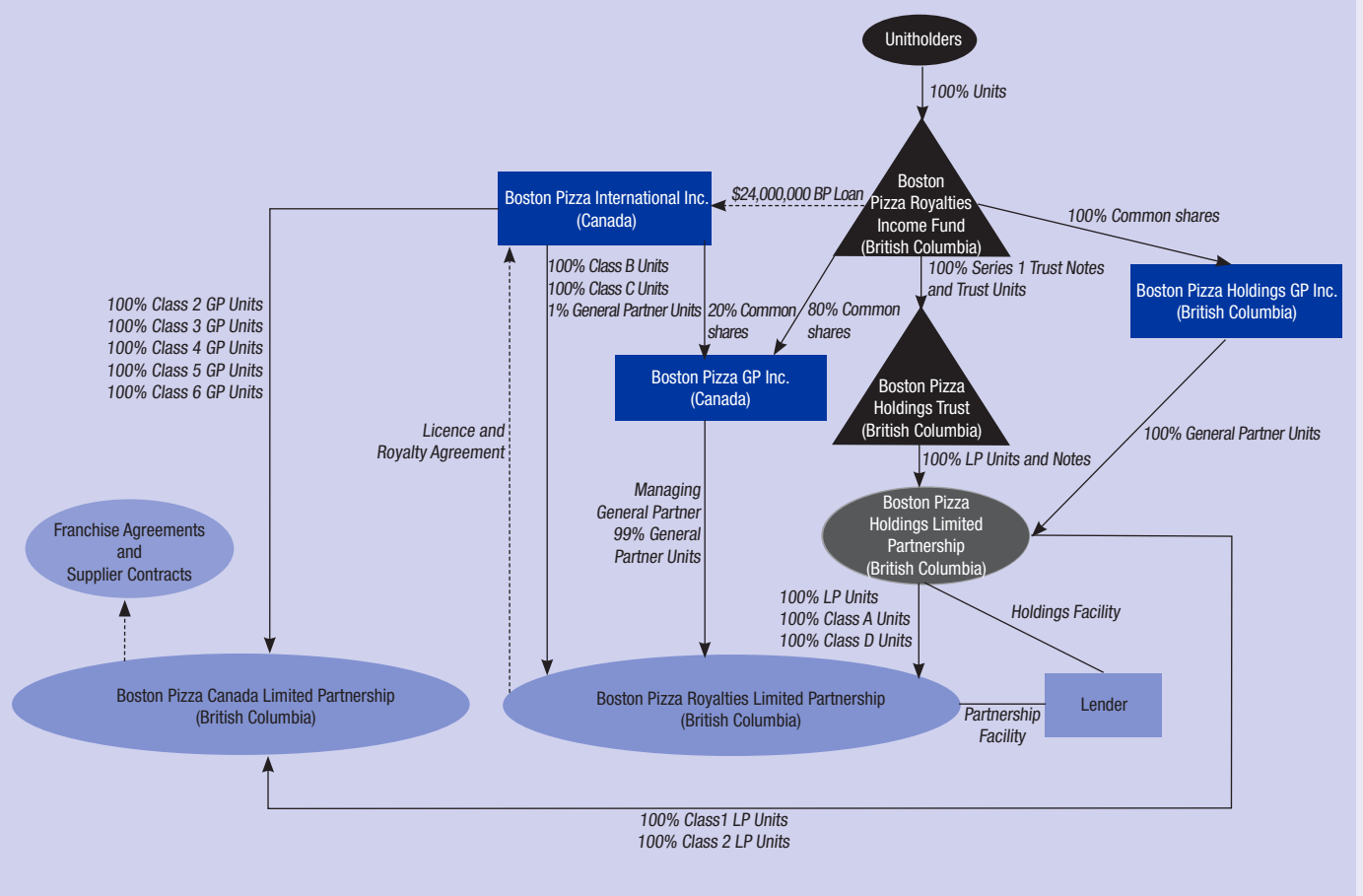
5. On May 5, 2015, the Fund and its subsidiaries entered into a new credit facility, and on May 6, 2015, Holdings LP drew down $33.3 million from Facility D (defined below);

6. On May 6, 2015, Holdings LP subscribed for 999 Class 1 LP Units and 5,047,613 Class 2 LP Units of BP Canada LP for an aggregate subscription price of $138.7 million, comprised of: (i) an aggregate subscription price for the 999 Class 1 LP Units of $33.3 million funded by Holdings LP drawing down Facility D, and (ii) an aggregate subscription price for the 5,047,613 Class 2 LP Units of $105.3 million funded by the net proceeds from the Subscription Receipt offering;

7. On May 6, 2015, each Subscription Receipt was converted into one Fund Unit and 10.2 cents was paid to the holder of the Subscription Receipt (the "**Distribution Entitlement Payment**"), being the amount that the Subscription Receipt holder would have received as distributions on a Fund Unit since April 16, 2015, had the holder held the Fund Unit instead of a Subscription Receipt; and

8. On May 6, 2015, the Fund, certain of its subsidiaries, BPI and BP Canada LP entered into an exchange agreement pursuant to which the Fund agreed to issue Fund Units or pay a combination of cash and Fund Units to BPI in exchange for Class 2 GP Units, Class 3 GP Units, Class 4 GP Units, and Class 5 GP Units of BP Canada LP held by BPI. As at May 6, 2015, the 100,000,000 Class 2 GP Units were exchangeable for 752,387 Fund Units. Currently, the 100,000,000 Class 2 GP Units are exchangeable for 847,575 Fund Units. The 100,000,000 Class 3 GP Units, the 100,000,000 Class 4 GP Units, and the 100,000,000 Class 5 GP Units, of BP Canada LP held by BPI are currently not exchangeable into Fund Units.

The Fund's current structure is as follows:



Please refer to the Fund's Information Circular dated March 27, 2015 and the Final Short Form Prospectus dated April 7, 2015, copies of which are available on SEDAR at www.sedar.com, for a more detailed description of the Transaction.

Dividends

BPI declared dividends of $118.1 million for the Year to its shareholder. The dividends were settled by paying $98.1 million in cash and issuing a $20.0 million non-interest bearing, due upon demand, promissory note to its shareholder.

Subsequent Events

Boston Pizza Restaurants Added to Royalty Pool on January 1, 2016

On January 1, 2016, 12 new Boston Pizza Restaurants that opened across Canada between January 1, 2015 and December 31, 2015 were added to the Royalty Pool and the six restaurants that permanently closed during 2015 were removed from the Royalty Pool. The estimated annual Franchise Sales for the 12 new Boston Pizza Restaurants that opened less the revenue from the six permanent closures is $14.5 million. The estimated Royalty and Distributions expected to be received by the Fund in 2016 from these six Net New Restaurants is 5.5% of that amount, or $0.8 million. The pre-tax amount for the purposes of calculating the Additional Entitlements, therefore, is approximately $0.7 million, or 92.5% of $0.8 million. The estimated effective tax rate that the Fund will pay in the calendar year 2016 is 24.0%. Accordingly, the after-tax additional Royalty and Distributions for the purposes of calculating the Additional Entitlements is approximately $0.6 million ($0.7 million x (1 – 0.24)). In return for adding net additional Royalty and Distributions from the six Net New Restaurants added to the Royalty Pool, BPI received 349,023 Additional Entitlements (representing 80% of the total Additional Entitlements), comprised of 253,835 Class B Additional Entitlements and 95,188 Class 2 Additional Entitlements, and the Holdback was 87,256 Additional Entitlements (representing 20% of the total Additional Entitlements), comprised of 63,459 Class B Holdback and 23,797 Class 2 Holdback. The 349,023 Additional Entitlements represented 1.5% of Fund units on a fully diluted basis on January 1, 2016. BPI receives an increase in monthly distributions based on 100% of the Additional Entitlements, subject to a reconciliation of the distributions paid to BPI in respect of these Additional Entitlements that will occur once the actual performance of these six Net New Restaurants and the actual effective tax rate paid by the Fund for 2016 are known. Once both the actual performance of these six Net New Restaurants for 2016 and the actual effective tax rate paid by the Fund for 2016 are known, the number of Additional Entitlements will be adjusted in 2017 to reflect the actual Royalty and Distributions received by the Fund in 2016 and actual effective tax rate paid by the Fund in 2016.

Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2015

In January 2016, an audit of the Franchise Sales of the 14 new Boston Pizza Restaurants that were added to the Royalty Pool on January 1, 2015 was performed and the Fund's actual effective tax rate for 2015 was determined. The purpose of this was to compare the actual Franchise Sales from these 14 new

Boston Pizza Restaurants to the estimated amount of Franchise Sales expected to be generated by these 14 new Boston Pizza Restaurants in 2015 and to compare the actual effective tax rate paid by the Fund for 2015 to the estimated effective tax rate the Fund expected to pay for 2015. The original Franchise Sales expected to be generated from these 14 new Boston Pizza Restaurants less the Franchise Sales from the six permanent closures that occurred in 2014 was $16.7 million, and the actual Franchise Sales generated from these eight Net New Restaurants was $0.2 million greater. The original effective tax rate for the Fund was expected to be 26.0% and the actual effective tax rate for the Fund for 2015 was 22.6%. As a result, Royalties LP paid BPI a nominal amount in January 2016 to reconcile the difference paid on the full number of Class B Additional Entitlements and the effective tax rate. BPI received only 80% of the Class B Additional Entitlements at the Adjustment Date in 2015. Following the audit, BPI received 96,325 Class B Additional Entitlements. No adjustment was made in respect of Class 2 Additional Entitlements as the Transaction had not occurred as at January 1, 2015 and BPI did not receive any Class 2 Additional Entitlements in respect of the eight Net New Restaurants added to the Royalty Pool on January 1, 2015.

Fund Units Outstanding

The following table sets forth a summary of the outstanding Fund Units. BPI owns 100% of the Class B Units, 100% of the Class C Units and 1% of the ordinary general partner units of Royalties LP. BPI also owns 100% of the Class 2 GP Units, Class 3 GP Units, Class 4 GP Units, Class 5 GP Units and Class 6 GP 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 are the number of Fund Units into which the Class B Units and Class 2 GP Units, respectively, held by BPI are exchangeable as of the dates indicated.

	Dec. 31, 2015 Excluding Holdback	Dec. 31, 2015 Including Holdback	Feb 9, 2016 Excluding Holdback	Feb. 9, 2016 Including Holdback
Units Outstanding				
Total Issued and Outstanding Fund Units	20,441,763	20,441,763	**20,293,263**	**20,293,263** (1)
Class B Additional Entitlements Outstanding				
Class B Additional Entitlements (Excluding Jan. 1, 2016 Adjustment Date)	2,227,370	2,227,370	**2,227,370**	**2,227,370**
Class B Holdback (Excluding Jan. 1, 2016 Adjustment Date)	N/A	74,705	**N/A**	**N/A** (2)
Class B Additional Entitlements – Issued January 1, 2016 (6 Net New Restaurants)	N/A	N/A	**253,835**	**253,835**
Class B Holdback – Created January 1, 2016 (6 Net New Restaurants)	N/A	N/A	**N/A**	**63,459** (3)
Class B Holdback – Issued in respect of 2015 after audit	N/A	N/A	**96,325**	**96,325** (4)
Total Class B Additional Entitlements	2,227,370	2,302,075	**2,577,530**	**2,640,989**
Class 2 Additional Entitlements Outstanding				
Class 2 Additional Entitlements (Excluding Jan. 1, 2016 Adjustment Date)	752,387	752,387	**752,387**	**752,387**
Class 2 Additional Entitlements – Issued January 1, 2016 (6 Net New Restaurants)	N/A	N/A	**95,188**	**95,188**
Class 2 Holdback – Created January 1, 2016 (6 Net New Restaurants)	N/A	N/A	**N/A**	**23,797** (5)
Total Class 2 Additional Entitlements	752,387	752,387	**847,575**	**871,372**
Summary				
Total Issued and Outstanding Fund Units	20,441,763	20,441,763	**20,293,263**	**20,293,263** (1)
Total Additional Entitlements	2,979,757	3,054,462	**3,425,105**	**3,512,361**
Total Diluted Units	23,421,520	23,496,225	**23,718,368**	**23,805,624**
BPI's Total Percentage Ownership	12.7%	13.0%	**14.4%**	**14.8%**

(1) The figures as at February 9, 2016 are after the purchase and cancellation of 148,500 Units under the 2015/2016 NCIB.
(2) Additional Entitlements from the eight Net New Restaurants added to the Royalty Pool on January 1, 2015 prior to the audit of the eight Net New Restaurants and determination of the actual effective tax rate paid by the Fund.
(3) Class B Holdback from six Net New Restaurants added to the Royalty Pool on January 1, 2016. The actual number of Class B Additional Entitlements will be determined in early 2017, effective January 1, 2016, once audited results of the six Net New Restaurants and actual effective tax rate paid by the Fund are known.
(4) Class B Additional Entitlements from the eight Net New Restaurants added to the Royalty Pool on January 1, 2015 determined in 2016 once audited results of the eight Net New Restaurants and actual effective tax rate paid by the Fund were known.
(5) Class 2 Holdback from six Net New Restaurants added to the Royalty Pool on January 1, 2016. The actual number of Class 2 Additional Entitlements will be determined in early 2017, effective January 1, 2016, once audited results of the six Net New Restaurants and actual effective tax rate paid by the Fund are known.

BPI also holds 100% of the special voting units (the "**Special Voting Units**") of the Fund which entitle BPI to one vote for each Fund 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 9, 2016, BPI was entitled to 3,425,105 votes, representing 14.4% 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 annually to reflect any additional Boston Pizza Restaurants that were added to the Royalty Pool.

LIQUIDITY & CAPITAL RESOURCES

BPI is an entirely franchised business except for three corporate restaurants. For 2016, BPI has forecast capital requirements of approximately $2.6 million, which consist mainly of the development of software applications and computer equipment. BPI believes it has sufficient cash and capital resources to cover expenditures, capital requirements, commitments and repayments for 2016. 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.

Cash Flows

Cash Flow from Operating Activities

Period

During the Period, operating activities used $0.6 million of cash, compared to $2.9 million of cash generated during the same period in 2014. The increase in cash used during the Period of $3.5 million was primarily due to lower earnings (loss) before interest and fair value gain (loss) on financial instruments largely due to the Distribution expense of $2.7 million and higher compensation costs.

Year

Operating activities used $22.3 million of cash for the Year, compared to $6.7 million of cash generated in 2014. The increase in cash usage for the Year of $29.0 million was primarily due to the completion of the Transaction resulting in BPI paying $18.0 million of income taxes and Distribution expense of $8.2 million, combined with timing of cash receipts related to working capital.

Cash Flow from Financing Activities

Period

During the Period, financing activities used $0.9 million of cash compared to $0.5 million of cash used during the same period in 2014. The increase in cash used during the Period of $0.4 million was primarily due to increase in repayment of promissory notes payable to BPI's shareholder of $0.3 million when compared to the fourth quarter of 2014.

Year

Financing activities generated $20.3 million of cash for the Year compared to $21.0 million of cash used in 2014. The increase in cash generated for the Year of $41.3 million was primarily due to proceeds from the issuance of BP Canada LP units of $138.7 million relating to the Transaction, partially offset by the payment of dividends of $98.1 million.

Cash Flow from Investing Activities

Period

During the Period, investing activities generated $0.3 million of cash compared to $0.4 million of cash generated during the same period in 2014. Cash generated from investing activities represents distributions received by BPI on the Class B Units and Class C Units, partially offset by capital and intangible asset purchases. The decrease in cash generated during the Period of $0.1 million was due to an increase in purchases of intangible assets partially offset by increased distributions received on Class B Units compared to the same period in 2014.

Year

Investing activities generated $3.3 million of cash for the Year compared to $18.7 million of cash generated in 2014. The decrease in cash generated for the Year of $15.4 million was mainly due to the net proceeds from the Exchange of $16.0 million in the first quarter of 2014.

Operating Credit Facility

BPI has an available line of credit with a Canadian chartered bank in the amount of $7.5 million with a 180 day term to cover BPI's day-to-day operating requirements through normal seasonal variations in the business if needed. The line of credit bears interest at the bank's prime rate and is due upon demand. As at December 31, 2015, the line of credit was not drawn (December 31, 2014 – nil). BPI was in compliance with all of the financial covenants and financial condition tests governing the line of credit as of the end of the Period.

Long-Term Debt Obligations

BP Loan

BPI owes the Fund $24.0 million pursuant to a credit agreement that was acquired by the Fund as part of the Fund's initial public offering of Fund Units that occurred on July 17, 2002 (the "**BP Loan**"). Interest accrues on all amounts outstanding under the BP Loan at the rate of 7.5% per annum and interest is payable in arrears by BPI to the Fund on the first day of each month. The principal amount, together with all accrued and unpaid interest, outstanding under the BP Loan will become due and payable on July 17, 2042. To secure BPI's obligations under the BP Loan, BPI granted the Fund a general security interest over all of BPI's present and after acquired property of BPI except: (i) Fund Units held by BPI; and (ii) equity and debt investments of BPI in affiliates that operate pizza / pasta restaurants in the USA or Mexico and do not operate or franchise Boston Pizza Restaurants in Canada. In addition, BP Canada LP has guaranteed the obligations of BPI under the BP Loan, and BP Canada LP has granted the Fund a general security interest over all present and after acquired property of BP Canada LP to secure BP Canada LP's obligations under that guarantee.

Other Long-Term Debt

BPI's long-term debt obligations also include equipment financing that is secured by specific assets of BPI. These term loans are secured by a general assignment of book debts and certain guarantees from related companies.

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, 2015 is as follows:

(in thousands of dollars)	< 1 year	1 – 2 years	3 – 4 years	> 5 years	Total	Book Value
Accounts payable and accrued liabilities and income taxes payable	10,303	—	—	—	10,303	10,303
Promissory note payable[1]	7,136	—	—	—	7,136	7,136
Long-term debt[2]	276	468	386	28	1,158	1,017
Other long-term liabilities	—	1,291	413	524	2,228	2,228
Operating lease commitments[3]	2,046	3,723	3,365	4,360	13,494	—
	19,761	5,482	4,164	4,912	34,319	20,684

1) Represents the current portion of promissory note payable which is non-interest bearing and is due on demand.
2) Includes estimated interest on long-term debt.
3) Represents minimum annual rental payments under operating lease contracts.

Related Party Transactions

The Fund is considered to be a related party of BPI by virtue of common officers and directors in BPI and the managing general partner of Royalties LP, and was party to the following transactions with BPI as at the end of the Period:

- 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 general partner of Royalties LP. Under the terms of Partnership Agreement governing Royalties LP, BPI is entitled to be reimbursed for certain out–of–pocket expenses incurred in performing these services. The total amount paid to BPI in respect of these services for the Period was $0.1 million (Q4 2014 – $0.1 million) and $0.4 million for the Year (2014 – $0.3 million). BPI paid interest to the Fund of $0.5 million on the BP Loan for the Period (Q4 2014 – $0.5 million) and $1.8 million for the Year (2014 – $1.8 million).
- In connection with the Transaction, the Fund, Holdings LP and BPI entered into an investment agreement, effective March 23, 2015, that set out the framework for effecting the Transaction. Refer to the "Operating Results – Transaction" section of this MD&A for more details.
- As at December 31, 2015, the Royalty payable by BPI to Royalties LP was $2.9 million (Q4 2014 –$2.8 million). BPI incurred royalty expenses of $8.2 million for the Period (Q4 2014 – $7.9 million) and $32.6 million for the Year (2014 – $31.3 million).
- As at December 31, 2015, Distributions payable by BPI to Holdings LP was $0.9 million (Q4 2014 – nil). BPI incurred Distribution expense of $2.7 million for the Period (Q4 2014 – nil), and $8.2 million for the Year (2014 – nil).

BPI earned revenues from a company under common control of $0.8 million for the Period (Q4 2014 – $0.8 million) and $3.1 million for the Year (2014 – $3.1 million). Included in compensation expense costs are management fees of $0.6 million for the Period (Q4 2014 – $0.4 million) and $1.3 million for the Year (2014 - $1.5 million) to companies under common control. Additionally included in management fees for the Period is $0.1 million (Q4 2014 – $0.4 million) and $0.8 million for the Year (2014 – $1.7 million) paid to BPI's parent for services rendered. As at the end of the Period, there was $0.1 million included in accounts payable due to associated companies (December 31, 2014 – $0.1 million). As at the end of the Period, BPI had accounts receivable from associated companies of $0.9 million (December 31, 2014 – $0.6 million). As at the end of the Period, BPI owed its parent company $7.1 million under promissory notes (December 31, 2014 – $14.6 million).

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 ("**COSO**") Internal Control – Integrated Framework: 2013.

CRITICAL ACCOUNTING ESTIMATES

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 and Class C Units. The value of additional Boston Pizza 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 Boston Pizza 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 Boston Pizza 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 Boston Pizza 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 Boston Pizza 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 the Company'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 Fair Value Adjustments

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 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 Class B Units, Class 1 LP Unit liability and Class 2 LP Unit 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. The fair value of the Class B Units asset for BPI mirrors the fair value of the Class B Units liability recorded by the Fund for any particular period. The Class B Units are exchangeable into Fund Units, and thus, it is estimated that their fair values approximate each other. BPI estimates the fair value of the Class B Units by multiplying the number of issued and outstanding Class B Additional Entitlements (including the Class B Holdback) at the end of the period by the closing price of a Fund Unit at the end of that period. This valuation technique may not represent the actual value of the financial asset should such Class B Units be exchanged and may impact the investment in Royalties LP and the fair value gain, gain on disposal, and provision for financial assets line items.

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

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 (loss), 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 recorded by the Fund for any particular period. 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. 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 carrying value of the Class 1 LP Units liability approximates the fair value as the Fund's interest cost is reflective of available market interest rates.

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 recorded by the Fund for any particular period. The fair value of the Class 2 LP Units liability 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 Fund Units. Consequently, BPI estimates the fair value of the Class 2 LP Units liability by multiplying the issued and outstanding 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 at the end of that 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.

CHANGES IN ACCOUNTING POLICIES

IFRS 15, Revenue from Contracts with Customers

On May 28, 2014, the International Accounting Standards Board ("**IASB**") issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based, five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. BPI has not yet assessed the impact of this standard or determined whether it will be adopted early.

IFRS 9 (2014), Financial Instruments

On July 24, 2014, the IASB issued the complete IFRS 9 (2014), Financial Instruments. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities, and amends the impairment

model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Earlier application is permitted. BPI has not yet assessed the impact of this standard or determined whether it will be adopted early.

Narrow-Scope Amendments

On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. Amendments were made to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits, and IAS 34 Interim Financial Reporting. The amendments will apply for annual periods beginning on or after January 1, 2016. Earlier application was permitted, in which case, the related consequential amendments to other IFRSs would also apply. Each of the amendments has its own specific transition requirements. BPI intends to adopt these amendments for its fiscal year beginning on January 1, 2016 and has not yet assessed the impact of these amendments.

IAS 1, Presentation of Financial Statements

On December 18, 2014 the IASB issued amendments to IAS 1, Presentation of Financial Statements, as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1 2016. Earlier application was permitted. BPI intends to adopt these amendments for its fiscal year beginning on January 1, 2016 and has not yet assessed the impact of these amendments.

OUTLOOK

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

Boston Pizza is well positioned for future growth and should continue to strengthen its position as the number one casual dining brand in Canada by continuing to achieve positive SSSG and opening new Boston Pizza locations across Canada.

The two principal factors that affect SSSG are changes in customer traffic and changes in average guest cheque. BPI's and BP Canada LP's strategies to drive higher guest traffic include attracting a wide variety of guests into the restaurant, sports bar and take-out/delivery parts of each location, offering a compelling value proposition to guests and leveraging a larger marketing budget versus the previous year along with a revised calendar of national and local store promotions. Increased average cheque levels are expected to be achieved through a combination of culinary innovation and annual menu re-pricing. In addition, the franchise agreement governing each Boston Pizza Restaurant requires a complete store renovation every seven years. 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.

Boston Pizza remains well positioned for future expansion as evidenced by the six Net New Restaurants that opened in 2015. There are currently five new locations under construction with more planned for later in 2016. BPI's management believes that Boston Pizza will continue to serve more guests in more locations than any other casual dining brand in Canada by pursuing further restaurant development opportunities across the country.

RISKS & UNCERTAINTIES

Risks Related to the Business of BPI and BP Canada LP

The Restaurant Industry and its Competitive Nature

The performance of the Fund is directly dependent upon the Royalty and interest payments on the BP Loan 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 or interest on the BP Loan, 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, and the type, number, and location of competing restaurants. In addition, factors such as government regulations, smoking bylaws, inflation, 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 or interest on the BP Loan to the Fund, 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 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 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 interest on the BP Loan, 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 or interest on the BP Loan.

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 Trade-marks 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 limit 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 either 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 is 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 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 or interest on the BP Loan to the Fund. British Columbia has passed similar franchise legislation, which may come into force during 2016, and when in force, will provide franchisees in British Columbia similar rights as the franchise disclosure laws and regulations of the provinces of Alberta, Manitoba, Ontario, New Brunswick and Prince Edward Island.

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 could have a material adverse effect on the performance of the Fund.

Security of Confidential Consumer Information

BPI, BP Canada LP or Boston Pizza franchisees may incur unanticipated costs resulting from breaches of security of confidential consumer information related to their electronic processing of credit and debit card transactions. The majority of sales occurring in Boston Pizza Restaurants are paid for by credit or debit cards. Other restaurants and retailers have experienced security breaches in which credit and debit card information, or personal information of customers, has been stolen. BPI, BP Canada LP or Boston Pizza franchisees may in the future become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and BPI, BP Canada LP or Boston Pizza franchisees may also be 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 or interest on the BP Loan to the Fund.

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.

ADDITIONAL INFORMATION

Additional Information relating to BPI, BP Canada LP, Royalties LP, Holdings LP and the Fund, including the Annual Information Form of the Fund dated February 9, 2016, is available on SEDAR at www.sedar.com or 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., 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" 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.

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:

- that Boston Pizza will continue to serve more customers annually than any other casual dining restaurant chain in Canada;
- 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 2016;
- the future expansion of Boston Pizza Restaurants;
- expected increases in average guest cheque levels;
- Boston Pizza is well positioned for future growth and expansion, and should continue to strengthen its position as the number one casual dining brand in Canada by achieving annual positive SSSG and continuing to open new Boston Pizza Restaurants across Canada;
- Estimates relating to the amount and timing to cash flows related to BPI's contractual obligations and commercial commitments;
- BPI and BP Canada LP aggressively promoting to enhance the Boston Pizza brand; and
- BP Canada LP's strategies to drive high guest traffic.

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; and
- expectations related to future general economic conditions.

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;
- weather;
- 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; and
- the results of operations and financial conditions of BPI and the Fund.

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 twelve month period ended December 31, 2015.

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, we assume no obligation to update or revise forward-looking information to reflect new events or circumstances.

INDEPENDENT **AUDITORS' REPORT**

To the Shareholders of Boston Pizza International Inc.

We have audited the accompanying consolidated financial statements of Boston Pizza International Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of comprehensive income (loss), changes in shareholders' deficiency and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Boston Pizza International Inc. as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

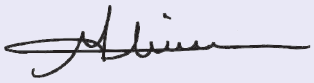
February 9, 2016
Vancouver, Canada

CONSOLIDATED STATEMENTS OF **FINANCIAL POSITION**

(Expressed in thousands of Canadian dollars)	December 31, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	**$ 6,611**	$ 5,329
Accounts receivable (note 4)	**10,022**	10,123
Prepaid expenses and other current assets	**1,995**	770
Income tax receivable	**1,029**	—
Advertising fund restricted assets (note 3(n))	**15,603**	13,382
Interest receivable from Boston Pizza Royalties Limited Partnership	**492**	390
	35,752	29,994
Long-term receivables (note 4)	**795**	10,141
Investment in Boston Pizza Royalties Limited Partnership (note 5)	**65,276**	66,028
Property and equipment (note 6)	**5,054**	5,689
Intangible assets (note 7)	**3,913**	3,587
Deferred income taxes (note 14)	**40,675**	40,620
Total assets	**$ 151,465**	$ 156,059
Liabilities and Shareholder Deficiency		
Current liabilities		
Accounts payable and accrued liabilities	**$ 10,303**	$ 9,512
Income tax payable	**—**	207
Current portion of deferred revenue	**1,426**	1,621
Current portion of long-term debt (note 9)	**225**	267
Promissory notes payable (note 10 and 12)	**7,136**	14,645
Advertising fund restricted liabilities (note 3(n))	**15,603**	13,382
	34,693	39,634
Long-term debt (note 9)	**792**	933
Deferred revenue	**2,368**	2,283
Note payable to Boston Pizza Royalties Income Fund (note 10)	**24,000**	24,000
Other long-term liabilities	**2,228**	2,417
Boston Pizza Canada Limited Partnership units liability (note 11)	**123,818**	—
Deferred gain (note 13)	**215,340**	210,063
Shareholder deficiency		
Accumulated deficit	**(251,774)**	(123,271)
Organization and nature of operations (note 1)		
Subsequent events (note 21)		
Total liabilities and shareholder deficiency	**$ 151,465**	$ 156,059

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

Approved on behalf of the Board:



George Melville, Director

James Treliving, Director

CONSOLIDATED STATEMENTS OF **COMPREHENSIVE INCOME (LOSS)**

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Expressed in thousands of Canadian, except per share data)	2015	2014
Revenue		
Franchise, restaurant and other	**$ 87,526**	$ 82,525
Royalty expense (note 18)	**32,560**	31,277
Distribution expense (note 11 and 18)	**8,173**	—
Restaurant operating costs	**7,896**	7,356
Compensation expense (note 18)	**25,118**	19,898
Transaction expense (note 11)	**2,258**	—
Other expenses (note 16)	**12,418**	14,129
Depreciation and amortization (note 6 and 7)	**2,482**	2,645
Management fee (note 18)	**825**	1,676
Amortization of deferred gain (note 13)	**(2,517)**	(2,428)
Operating expenses	**89,213**	74,553
Earnings (loss) before interest and fair value loss on financial instruments	**(1,687)**	7,972
Interest income from Boston Pizza Royalties Limited Partnership	**(5,492)**	(5,023)
Interest on loan from Boston Pizza Royalties Income Fund (note 18)	**1,800**	1,800
Interest on long-term debt	**67**	68
Net interest income	**(3,625)**	(3,155)
Fair value gain on financial instruments (note 5 and 11)	**(6,323)**	(1,409)
Earnings before income taxes	**8,261**	12,536
Current income tax expense (note 11 and 14)	**18,720**	4,696
Deferred income tax recovery (note 14)	**(55)**	(3,709)
Total tax expense	**18,665**	987
Net and comprehensive income (loss)	**$ (10,404)**	$ 11,549
Basic and diluted earnings (loss) per share	**$ (0.10)**	$ 0.11

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

CONSOLIDATED STATEMENTS OF **CHANGES IN SHAREHOLDER DEFICIENCY**

(Expressed in thousands of Canadian dollars)	Share Capital	Accumulated Deficit	Total Deficiency
Balance – January 1, 2015	$ —	$ (123,271)	$ (123,271)
Net and comprehensive loss for the period	—	(10,404)	(10,404)
Dividends declared (note 12)	—	(118,070)	(118,070)
Amalgamation (note 1)	—	(29)	(29)
Balance – December 31, 2015	$ —	$ (251,774)	$ (251,774)
Balance – January 1, 2014	$ —	$ (101,891)	$ (101,891)
Net and comprehensive income for the period	—	11,549	11,549
Dividends declared (note 10)	—	(32,929)	(32,929)
Balance – December 31, 2014	$ —	$ (123,271)	$ (123,271)

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

CONSOLIDATED STATEMENTS OF **CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Expressed in thousands of Canadian dollars)	2015	2014
Cash flows generated from (used in)		
Operating activities		
Net and comprehensive income (loss)	**$ (10,404)**	$ 11,549
Adjustments for:		
Depreciation and amortization	**2,482**	2,645
Current income tax expense	**18,720**	4,696
Deferred income tax recovery	**(55)**	(3,709)
Amortization of deferred gain	**(2,517)**	(2,428)
Fair value gain on financial instruments	**(6,323)**	(1,409)
Interest income from Boston Pizza Royalties Limited Partnership	**(5,492)**	(5,023)
Interest on loan from Boston Pizza Royalties Income Fund	**1,800**	1,800
Interest on long-term debt	**67**	68
Change in non-cash operating items (note 19(a))	**(624)**	3,822
Income tax paid	**(20,197)**	(5,403)
Income tax received	**242**	133
Net cash generated from (used in) operating activities	**(22,301)**	6,741
Financing activities		
Proceeds from issuance of Boston Pizza Canada Limited Partnership units (note 11)	**138,687**	—
Repayment of long-term debt	**(292)**	(211)
Proceeds from long-term debt	**—**	325
Payment of promissory notes payable (note 10)	**(18,200)**	(19,229)
Payment of dividends (note 12)	**(98,070)**	—
Interest paid	**(1,867)**	(1,868)
Net cash generated from (used in) financing activities	**20,258**	(20,983)
Investing activities		
Exchange and sale of Fund Units, net of transaction costs (note 5)	**—**	15,963
Interest received from Investment in Boston Pizza Royalties Limited Partnership	**5,390**	5,165
Purchase of property and equipment	**(375)**	(797)
Purchase of intangible assets	**(1,690)**	(1,587)
Net cash generated from investing activities	**3,325**	18,744
Increase in cash and cash equivalents	**1,282**	4,502
Cash and cash equivalents – beginning of period	**5,329**	827
Cash and cash equivalents – end of period	**$ 6,611**	$ 5,329

Supplemental cash flow information (note 19)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

1. Organization and nature of operations:

Boston Pizza International Inc. (the "**Company**" or "**BPI**") was incorporated on May 26, 1982 under the laws of British Columbia and continued under the Canada Business Corporations Act on August 26, 2002. These consolidated financial statements include the accounts of Boston Pizza International Inc., its wholly-owned subsidiaries Lansdowne Holdings Ltd., Winston Churchill Pizza Ltd., and Laval Corporate Training Centre Inc., and Boston Pizza Canada Limited Partnership ("**BP Canada LP**"). On April 7, 2015, BPI acquired all of the shares of Richcal Ventures Ltd., one of the then-parent companies of BPI, from the other parent company of BPI, resulting in Richcal Ventures Ltd. becoming a wholly-owned subsidiary of BPI. On April 8, 2015, BPI and Richcal Ventures Ltd. vertically amalgamated pursuant to the provisions of the *Canada Business Corporations Act* under the name Boston Pizza International Inc.

The Company's principal business activity is the operation and franchising of Boston Pizza restaurants in Canada. The principal business office is located at 10760 Shellbridge Way, Richmond, BC. As at December 31, 2015, 372 Boston Pizza restaurants were in operation (December 31, 2014 – 366).

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 Directors for issue on February 9, 2016.

(b) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(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 the Class B Units and 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 Company pays a royalty to the Boston Pizza Royalties Income Fund (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 Fund units (the "**Class B Additional Entitlements**"). BPI receives 80% of the Class B Additional Entitlements on the Adjustment Date with the balance (the "**Class B Holdback**") received one 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 long-term sales of the new Boston Pizza restaurants and a discount 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. The fair value of the Class B Units asset for the Company mirrors the fair value of the Class B Unit liability recorded by the Fund for any particular period. The Class B Units are exchangeable into Fund Units, and thus, it is estimated that their fair values approximate each other. The Company estimates the fair value of the Class B Units by multiplying the total number of Fund units into which the Class B Units are exchangeable (including Class B Holdback) at the end of the period by the closing price of the Fund's units at the end of the period (or previous business day). This valuation technique may not represent the actual value of the financial asset should such Class B Units be exchanged.

- **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. The fair value of the Class 1 LP Units and Class 2 LP Units liability for the Company mirrors the fair value of the investment in units of BP Canada LP asset recorded by the Fund for any particular period. 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 these 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. 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 provisions similar to the Class 2 general partnership units ("**Class 2 GP Units**"), which are exchangeable into Fund Units. The fair value of the Class 2 LP Units is determined by multiplying the issued and outstanding Class 2 LP Units held by the Fund at the end of the period by the closing price of the Fund Units at the end of the period (or previous business day). This valuation technique may not represent the actual value of the financial liability. Refer to note 11 for further information.

- **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.

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)
- Embedded derivative of the Investment in Boston Pizza Royalties Limited Partnership relating to the Class C Units (note 5)
- Embedded derivative of BP Canada LP units liability relating to the Class 1 LP and Class 2 LP Units (note 11)

(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%
Boston Pizza Canada Limited Partnership	100%

The parent company of BPI is T&M Management Services Ltd.

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) Investment in Boston Pizza Royalties Limited Partnership:
The investment in Royalties LP is principally comprised of Class B Units and Class C Units. The Class B Units are accounted for as a financial asset which is measured each reporting date at fair value. The Class C Units are accounted for as a financial asset at amortized cost with its embedded derivative being measured at a fair value of nil. The statement of comprehensive income includes interest revenue as earned, and the impact of the fair value adjustments on the Class B Units. The fair value of the Class B Units is determined by multiplying the total number of Fund units into which the Class B Units are exchangeable (including Class B Holdback) at the end of the period by the closing price of the Fund's units at the end of the period (or previous business day).

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, 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**").

(d) Boston Pizza Canada Limited Partnership units liability:
The BP Canada LP units liability is classified as a financial liability measured at fair value through profit or loss because the entitlements to distributions are considered embedded derivatives to the limited partnership units. The Company measures BP Canada LP units liability at fair value using level 2 inputs which may result in a fair value adjustment on BP Canada LP units liability in the statement of comprehensive income (loss). Refer to note 11 for further information.

(e) Cash and cash equivalents:
Cash and cash equivalents consist of cash on hand, balances with banks, and short-term investments with a term of three months or less.

(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 (loss) 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 (loss).

(g) Depreciation and amortization:
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%
Office furniture and equipment under capital lease	Straight-line at various rates	up to 3 years
Leasehold improvements	Straight-line	shorter of term of the lease or useful life

(h) Intangible assets:
Intangible assets include computer software costs which are amortized on a declining balance basis at a rate of 30% per year. Amortization of intangible assets is charged to depreciation and amortization on the statement of comprehensive income (loss).

(i) Revenue recognition and deferred revenue:

(i) Franchise revenues:

Monthly franchise fee:
Monthly franchise fees are recorded as they are earned.

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

(ii) Corporately owned restaurant revenues:
Corporately owned restaurant revenues are recognized at the time of sale and when services are rendered.

(iii) Supplier contributions:
The Company receives supplier contributions from franchisee suppliers to be used for various franchise activities. Supplier contributions are recorded as other revenue as they are earned.

(j) 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 effecting EPS for the Company.

(k) Income taxes:
Income tax comprises current and deferred tax. 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 and unit sales.

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.

(l) 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 charged to amortization of deferred gain on the statement of comprehensive (loss) 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. The Class B Additional Entitlements are included in the deferred gain.

(m) Gift cards:

The Company has 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 recorded in Advertising Fund 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 recorded as Advertising Fund restricted assets and liabilities on the consolidated statement of financial position.

When a customer uses a gift card to purchase product at a corporately owned and operated Boston Pizza restaurant, the Company 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 royalties, 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 certificate 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.

(n) Advertising fund:

The Company participates in 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 franchise owners. In accordance with IAS 18 – Revenue, the revenue, expenses and cash flows of the Advertising Fund are not included in the Company's statement of comprehensive income (loss) and cash flows because the contributions to the Advertising Fund are segregated and designated for specific purposes, and the Company acts, in substance, as an agent with regard to these contributions.

The assets and liabilities held by the Advertising Fund are considered restricted and are recorded as such on the Company's statement of financial position. 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, promotional programs, brand protection and to administer the gift card program. The deficit balance of the Advertising Fund as at December 31, 2015 was $4.9 million ($5.1 million at December 31, 2014), which was included in Advertising Fund restricted assets.

(o) Financial instruments:

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purposes for which the instruments were acquired:

- Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is generally classified in this category if acquired principally for the purposes of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

  Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of comprehensive income (loss). Gains and losses arising from changes in fair value are presented in the statement of comprehensive income (loss) within other gains and losses in the period in which they arise.

  Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which are classified as non-current.

- Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market.

  Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

  Financial liabilities at amortized cost: Financial liabilities at amortized cost are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value or transaction costs incurred. Subsequently, these items are measured at amortized cost using the effective interest rate method.

  Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

- Derivative financial instruments: The right to transfer Class C general partner units in consideration of its note payable to the Fund is classified as a derivative instrument. The Company has reviewed the net impact of this potential exchange requirement on its cash flows and has determined its fair value to be nil.

Measurement Categories

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2015 and 2014.

(in thousands)	**December 31, 2015**	December 31, 2014
Financial assets		
Loans and receivables:		
Cash and cash equivalents	**$ 6,611**	$ 5,329
Accounts receivable	**10,022**	10,123
Interest receivable from Boston Pizza Royalties Limited Partnership	**492**	390
Long-term receivables	**795**	10,141
Class C Units Investment in Boston Pizza Royalties Limited Partnership	**24,000**	24,000
Fair value through profit and loss:		
Class B Units Investment in Boston Pizza Royalties Limited Partnership	**41,276**	42,028
	$ 83,196	$ 92,011
Financial Liabilities		
Amortized cost:		
Accounts payable and accrued liabilities	**$ 10,303**	$ 9,512
Promissory notes payable	**7,136**	14,645
Long-term debt	**1,017**	1,200
Note Payable to Boston Pizza Royalties Income Fund	**24,000**	24,000
Other long-term liabilities	**2,228**	2,417
Fair value through profit or loss:		
Class 1 Boston Pizza Canada Limited Partnership units liability	**33,314**	—
Class 2 Boston Pizza Canada Limited Partnership units liability	**90,504**	—
	$ 168,502	$ 51,774

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. The Class C Units investment and note payable to the Fund approximate fair value due to the requirement of the Fund to settle the loan in exchange for the Class C Units investment.

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.

The fair value of the Class B Units Investment in Royalties LP and the Class 1 LP and Class 2 LP Units liability of BP Canada LP are determined using Level 2 inputs and are measured on a recurring basis. The methods and assumptions used in estimating the financial asset and the financial liability are described in note 2(c) as well as note 5 and 11, respectively.

(p) Impairment of financial assets:

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- Financial assets carried at amortized cost: the loss is the difference between the amortized costs of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate.
- Financial assets carried at fair value through profit and loss: these financial assets are measured at fair value at each reporting date with changes in fair value recorded on the statement of comprehensive income (loss).

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. The reversal is limited to an amount that does not state the asset at more than what amortized cost would have been in the absence of impairment.

(q) Impairment of non-financial assets:

Property and equipment, intangible assets and advertising fund restricted 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.

(r) Financial risk management:

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 results from the Company's long-term debt. The Company has obligations with fixed interest rates, for example the interest-bearing note payable to the Fund, and therefore the Company does not perform interest rate risk management on these obligations to minimize the overall financial interest rate risk. The Company currently has $0.9 million (2014 – $1.1 million) in floating rate debt. The annual impact for every 1% increase in the variable rate would result in negligible additional interest expense.

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 current and future obligations will be met. The Company believes that its current sources of liquidity are sufficient to cover its currently known short- and long-term cash obligations.

The maturities of the Company's financial liabilities are as follows:

(in thousands)	**December 31 , 2015**	**December 31, 2014**	**Maturity**
Accounts payable and accrued liabilities	**$ 10,303**	$ 9,512	Less than 1 year
Income tax payable	**—**	207	Less than 1 year
Current portion of long-term debt	**225**	267	Less than 1 year
Promissory notes payable	**7,136**	14,645	Less than 1 year
Long-term debt	**792**	933	2016 – 2021
Loan from Boston Pizza Royalties Income Fund	**24,000**	24,000	2042
Other long-term liabilities	**2,228**	2,417	2016 – 2022

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, accounts receivable and long-term receivables from companies under common control. The effective monitoring and controlling of credit risk is a core competency of the Company. Each potential franchisee must complete a thorough interview process and pass mandatory credit evaluations. Cash balances are deposited with a major

Canadian banking institution. The Company's maximum exposure to credit risk is the value of its accounts receivable of $10.0 million (2014 – $10.1 million), long-term trade receivables of $0.8 million (2014 – $1.0 million) as well as the value of long-term receivables from companies under common control of $nil (2014 – $9.1 million).

(s) 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

(in thousands)	**December 31, 2015**	December 31, 2014
Liquidity:		
Cash and cash equivalents	**$ 6,611**	$ 5,329
Undrawn credit facilities	**7,500**	7,500
Total liquidity	**$ 14,111**	$ 12,829
Capitalization:		
Promissory notes payable	**$ 7,136**	$ 14,645
Note payable to Boston Pizza Royalties Income Fund	**24,000**	24,000
Long-term debt	**1,017**	1,200
Total debt	**$ 32,153**	$ 39,845
Deferred gain	**$ 215,340**	$ 210,063
Shareholder deficiency	**(251,774)**	(123,271)
	$ (36,434)	$ 86,792

The Company manages its capital mainly through the periodic sales of Boston Pizza Royalties Limited Partnership 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 $7.5 million secured line of credit which is subject to certain financial covenants (note 8).

The Company's long-term debt includes credit facility agreements that are subject to certain financial covenants.

As at December 31, 2015, the Company is in compliance with all financial covenants.

(t) New Accounting standards and amendments that were adopted:
No new standards and amendments were adopted during the year.

(u) Accounting standards and amendments issued but not yet adopted:
Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2016 with earlier adoption permitted. BPI intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

(i) On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. Amendments were made to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits, and IAS 34 Interim Financial Reporting. The amendments will apply for annual periods beginning on or after January 1, 2016. Earlier application was permitted, in which case, the related consequential amendments to other IFRSs would also apply. Each of the amendments has its own specific transition requirements.

(ii) On December 18, 2014 the IASB issued amendments to IAS 1, Presentation of Financial Statements, as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1 2016. Earlier application was permitted.

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. BPI intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

(i) On May 28, 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based, five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

(ii) On July 24, 2014, the IASB issued the complete IFRS 9 (2014), Financial Instruments. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014),

financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities, and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Earlier application is permitted.

4. Accounts and other receivables:

(in thousands)	**December 31, 2015**	December 31, 2014
Receivables due from related parties	**$ 906**	$ 579
Other trade receivables	**9,116**	9,544
	$ 10,022	$ 10,123
Long-term receivables:		
Advances to affiliated companies, non-interest bearing, unsecured with no specified terms of repayment	**$ —**	$ 614
Long-term trade receivables (net of allowance)	**795**	1,005
Promissory note due from affiliated company	**—**	8,522
	$ 795	$ 10,141

No interest income was recorded on the promissory note due from an affiliated company during the year or prior year as interest was waived. During the year, the directors of BPI passed a resolution approving the repayment of the promissory note due from an affiliated company directly to BPI's parent company. Concurrently, BPI's promissory notes payable to the parent company was reduced by the same amount. This non-cash transaction resulted in BPI realizing the loans from an affiliated company along with a corresponding reduction in promissory notes payable to the parent company.

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 aging of trade receivables at the reporting dates are as follows:

(in thousands)	**December 31, 2015**	December 31, 2014
Current	**$ 7,727**	$ 8,041
Past due 1-30 days	**1,548**	1,316
Past due 31-60 days	**605**	398
Past due 61-90 days	**332**	265
Past due over 91 days	**605**	1,108
	$ 10,817	$ 11,128

The allowance for doubtful accounts was $1.5 million as at December 31, 2015 (December 31, 2014 – $1.3 million all long-term) with $0.1 million (December 31, 2014 – nil) applied to short-term trade receivables and $1.4 million to long-term trade receivables (December 31, 2014 – $1.5 million). The Company's collections policy is to first apply cash receipts against the oldest outstanding invoices.

5. Investment in Boston Pizza Royalties Limited Partnership:

The Company's total investment in Royalties LP is comprised of the Class B Units measured at fair value through profit and loss, Class C Units measured at amortized cost, as well as twenty shares of Boston Pizza GP Inc., and one general partnership unit. The Company's equity investment in Royalties LP is represented by the shares of Boston Pizza GP Inc. and the general partnership unit. The value of the equity investment in Royalties LP is nominal, as substantially all of the cash flows from Royalties LP are attributable to partnership units such as the Class B Units and Class C Units, while the shares of Boston Pizza GP Inc. and the general Partnership unit receive nominal distributions. The value of the Class C Units included in the Investment in Boston Pizza Royalties Limited Partnership measured at amortized cost was $24.0 million as at December 31, 2015 and 2014.

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 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 unit price of the Fund.

As at December 31, 2015, the Fund Units closing price was $17.93 per Unit (December 31, 2014 – $21.61 per Unit) 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 2,302,075 (2014 – 1,944,863) resulting in a Class B Unit valuation of $41.3 million (2014 – $42.0 million).

The investment in Royalties LP is comprised of:

(in thousands)	**December 31, 2015**	December 31, 2014
Class B Units, at fair value	**$ 41,276**	$ 42,028
Class C Units, at amortized cost	**24,000**	24,000
	$ 65,276	$ 66,028

The Class B Units are comprised of the following:

(in thousands, except unit data)	Issued and outstanding Additional Entitlements	Issued and outstanding Additional Entitlements including Holdback		Class B Unit Entitlement
Opening – January 1, 2014	2,203,845	2,242,735	$	46,447
Class B Additional Entitlements for addition of 10 net new restaurants opened in 2013 and added to the Royalty Pool in 2014 – granted January 1, 2014 (note 13)	355,750	444,688		9,227
Adjustment to prior year Class B Additional Entitlements for actual performance of new restaurants opened in 2012 and added to Royalty Pool in 2013 (note 13)	86,336	47,446		908
Exchange of Class B Units for Fund Units	(790,006)	(790,006)		(16,669)
Fair value gain on Class B units	—	—		2,115
Ending – December 31, 2014	1,855,925	1,944,863	$	42,028
Class B Additional Entitlements for addition of 8 net new restaurants opened in 2014 and added to the Royalty Pool in 2015 – granted January 1, 2015 (note 13)	298,818	373,523		8,132
Adjustment to prior year Class B Additional Entitlements for actual performance of new restaurants opened in 2013 and added to Royalty Pool in 2014 (note 13)	72,627	(16,311)		(338)
Fair value loss on Class B units	—	—		(8,546)
Ending – December 31, 2015	2,227,370	2,302,075	$	41,276

On March 10, 2014, the Company exchanged Class B Units for 790,006 Fund Units. Following the exchange, the Company sold these Fund Units to a syndicate of investment dealers for gross proceeds of $16.7 million. BPI received cash of $16.0 million, net of transaction costs. The transaction costs of $0.7 million are included in the fair value gain on financial instruments in the consolidated financial statements of comprehensive income (loss).

6. Property and equipment:

Cost (in thousands)	Office furniture and equipment	Office furniture and equipment under capital lease	Leasehold improvements	Total
Opening – January 1, 2014	$ 8,440	$ 2,740	$ 9,222	$ 20,402
Net additions for the year	422	71	388	881
Ending – December 31, 2014	8,862	2,811	9,610	21,283
Net additions for the year	338	77	68	483
Ending – December 31, 2015	$ 9,200	$ 2,888	$ 9,678	$ 21,766

Accumulated Depreciation (in thousands)	Office furniture and equipment	Office furniture and equipment under capital lease	Leasehold improvements	Total
Opening – January 1, 2014	$ 6,120	$ 2,605	$ 5,554	$ 14,279
Depreciation for the year	607	89	619	1,315
Ending – December 31, 2014	6,727	2,694	6,173	15,594
Depreciation for the year	558	80	480	1,118
Ending – December 31, 2015	$ 7,285	$ 2,774	$ 6,653	$ 16,712
Net book value				
At December 31, 2014	$ 2,135	$ 117	$ 3,437	$ 5,689
At December 31, 2015	1,915	114	3,025	5,054

7. Intangible assets:

Cost (in thousands)		Computer software and other
Opening – January 1, 2014	$	9,085
Net additions for the year		1,907
Ending – December 31, 2014		10,992
Net additions for the year		1,690
Ending – December 31, 2015	$	12,682

Amortization (in thousands)		Computer software and other
Opening – January 1, 2014	$	6,075
Amortization for the year		1,330
Ending – December 31, 2014		7,405
Amortization for the year		1,364
Ending – December 31, 2015	$	8,769
Net book value		
At December 31, 2014	$	3,587
At December 31, 2015		3,913

8. Line of credit:

The Company has an available line of credit in the amount of $7.5 million with a 364 day term to cover the Company's day-to-day operating requirements through normal seasonal variations in the business if needed. The line of credit bears interest at prime and is due upon demand. The line of credit is secured by a first charge over the Class B Units held by the Company and a charge over all other assets of the Company, subordinate to the Fund and its subsidiaries general security agreement for BPI's obligations under the license and royalty agreement and note payable to the Fund together with certain charges of another lender over specific restaurant equipment owned by BPI's subsidiaries.

The Company has, as part of the security granted to the lender, agreed to pledge a minimum number of Class B Units held by the Company which are convertible into units of the Fund which would have value, at any time equal to at least 200% of the amount outstanding on the Line of Credit.

On December 31, 2015 and 2014, there were no amounts outstanding under the line of credit.

9. Long-term debt:

Long-term debt consists of:

(in thousands)		**December 31, 2015**		December 31, 2014
GE Canada Equipment Financing G.P. term loans bearing variable interest at bankers' acceptance plus 4.55% per annum and due in 2020-2021 secured by restaurant equipment and cross guarantees by subsidiaries.	**$**	**908**	$	1,029
GE Canada Equipment Financing G.P. term loans bearing variable interest at bankers' acceptance plus 2.75% per annum secured by restaurant equipment. This loan was paid out in 2015.		**—**		56
Capital leases		**109**		115
		1,017		1,200
Current portion		**225**		267
	$	**792**	$	933

The fair value of the Company's long-term debt is $1.0 million (December 31, 2014 – $1.2 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 (loss).

Principal repayments on long-term debt and capital lease obligations are as follows:

(in thousands)		**December 31, 2015**
Long-term debt:		
2016	**$**	**163**
2017		**172**
2018		**182**
2019		**201**
2020 and thereafter		**190**
		908
Capital lease obligations:		
2016		**62**
2017		**38**
2018		**9**
		109
	$	**1,017**

10. Promissory notes payable:

(in thousands)	December 31, 2015	December 31, 2014
Promissory note payable to Boston Pizza Royalties Income Fund with interest payable monthly at 7.5% per annum, due July 17, 2042	**$ 24,000**	$ 24,000
Promissory note payable to the parent company, non-interest bearing and due on demand	**7,136**	14,645
	31,136	38,645
Current portion	**7,136**	14,645
	$ 24,000	$ 24,000

The loan from the Fund arose at the time of the sale of the trademarks and trade names from the Company in July 2002 and is secured by a general security agreement. The loan may not be assigned without the prior consent of the Company.

The Company, as the holder of 2,400,000 Class C Units, has the right to transfer such Class C Units to the Boston Pizza Holdings Limited Partnership in consideration for the assumption of the Boston Pizza Holdings Limited Partnership of, and the concurrent release of the Company of its obligations with respect to, an amount of the indebtedness under the BP loan equal to $10.00 for each Class C Units transferred.

During the year, the Company made cash payments of $18.2 million (2014 – $19.2 million) against the non-interest bearing, due upon demand, promissory notes payable and settled $20.0 million (2014 – $32.9 million) of dividends declared through issuance of additional promissory notes payable with the same terms. The Company also reduced the promissory notes payable by $9.1 million as directors of BPI passed a resolution approving the repayment of the promissory note due from an affiliated company directly to BPI's parent company which was offset against BPI's promissory note payable to BPI's parent company. Refer to note 4 for further information.

11. Boston Pizza Canada Limited Partnership units liability:

On March 23, 2015, the Fund and BPI announced that they had entered into an agreement pursuant to which the Fund's interest in Franchise Sales of Boston Pizza Restaurants in the Royalty Pool (the "**Franchise Sales Participation**") would be increased 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 "**Transaction**"). On April 6, 2015, BPI sold its rights to be the exclusive franchisor of Boston Pizza Restaurants in Canada to a new subsidiary, BP Canada LP. In the formation of the new subsidiary and transfer of franchisor rights, BPI paid corporate income taxes of $18.0 million and refundable commodity taxes of $12.2 million. The Transaction was approved by Unitholders on May 5, 2015 and was completed on May 6, 2015.

The Fund increased its Franchise Sales Participation through making an indirect investment in BP Canada LP, which is controlled and operated by BPI, and acts as the exclusive franchisor of Boston Pizza Restaurants in Canada. The Fund raised net proceeds of $138.7 million and used the net proceeds to purchase limited partnership units in BP Canada LP which entitles it to receive distributions equal in aggregate to 1.5% of Franchise Sales, less BPI's proportionate share.

BP Canada LP issued limited partnership units to the Fund for $138.7 million. The limited partnership units consist of 1,000 Class 1 LP Units and 5,047,613 Class 2 LP 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. BPI classifies the Class 1 LP Units and Class 2 LP Units as financial liabilities through profit or loss because the entitlements to distributions are considered embedded derivatives to the Class 1 LP and Class 2 LP Unit liabilities. BPI measures the Class 1 LP Units and Class 2 LP Units at fair value using level 2 inputs. BPI estimated the Class 1 LP Units liability to be $33.3 million as at December 31, 2015, which is the same value as at acquisition on May 6, 2015, resulting in no fair value adjustment for the year. The Fund acquired the Class 2 LP Units for approximately $20.88 per Class 2 LP Unit. As at December 31, 2015, the Fund's closing price was $17.93 per Fund Unit, resulting in a fair value adjustment in BP Canada LP Units liability for the year ended December 31, 2015 of $14.9 million (2014 – nil). Refer to note 2(c) for further details on the fair value methodology.

In addition, BPI incurred $2.3 million in expenses related to the Transaction which is included as an operating expense in the statement of comprehensive income (loss).

The BP Canada LP units liability is comprised of:

	Issued and outstanding LP Units	BP Canada LP units liability
Issued and outstanding Class 1 LP Units upon closing of the Transaction on May 6, 2015	1,000	$ 33,314
Issued and outstanding Class 2 LP Units upon closing of the Transaction on May 6, 2015	5,047,613	$ 105,373
Fair value adjustment		$ (14,869)
Balance at December 31, 2015		$ 123,818

BPI receives its proportionate share of the incremental 1.5% of Franchise Sales through distributions on Class 2 GP Units of BP Canada LP that were exchangeable for 752,387 Fund Units as at December 31, 2015 (enabling the Company to maintain its 13.0% retained interest in the Fund). The Company will continue to pay the Fund the balance of the Franchise Sales Participation in the form of Royalty fees. The number of Fund Units that the Company is entitled to receive in exchange for its Class 2 GP Units will be 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 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 stores 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. 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. The Company has the right to receive 752,387 Fund Units when it exercises its rights to exchange their Class 2 GP Units into Fund Units. Should an exchange occur, the Company would record an investment in the Fund and record a gain in the statement of comprehensive income (loss).

12. Dividends declared:

On June 1, 2015, the Company declared a $53.7 million eligible dividend on Class A Common shares of which $33.7 million was settled through cash and $20.0 million was settled through non-interest bearing, due upon demand, promissory notes payable (note 10). The Company also declared a $64.3 million capital dividend on Class A Common shares which was settled through cash.

13. Deferred gain:

(in thousands)	**December 31, 2015**	December 31, 2014
Balance, beginning of year	**$ 210,063**	$ 202,356
Class B Additional Entitlements	**7,794**	10,135
Amortization of deferred gain	**(2,517)**	(2,428)
Balance, end of year	**$ 215,340**	$ 210,063

The Class B Additional Entitlements are calculated as 92.5% of the Franchise Sales added to the Royalty Pool, multiplied by one minus the effective average tax rate estimated to be paid by the Fund, divided by the yield of the Fund, divided by the weighted average Unit price.

The Company receives 80% of the 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 on January 1 of the next fiscal year when full performance of the restaurants and actual effective tax rate of the Fund is known with certainty.

On January 1, 2015, 14 new Boston Pizza restaurants that opened during the period from January 1, 2014 to December 31, 2014 were added to the Royalty Pool while six restaurants that closed during 2014 were removed. The Franchise Sales of these 8 net new restaurants has been estimated at $16.7 million. The total number of restaurants in the Royalty Pool was increased to 366. As a result of the contribution of the additional net sales to the Royalty Pool, and assuming 100% of the Class B Additional Entitlements, the Company's Class B Additional Entitlements are equivalent to 373,523 (2014 – 444,688) Fund units.

The Company will also receive a proportionate increase in monthly distributions from Royalties LP. Of the Class B Additional Entitlement, 20% (2015 – 74,705 units; 2014 – 88,938 units), remain unissued and are not eligible for exchange into Fund units until January 1, 2016 (2014 units – January 1, 2015) based on the actual performance of the new stores and the actual effective tax rate of the Fund.

In early 2015, adjustments to distributions and Class B Additional Entitlements were made based on the actual performance of ten net new additional restaurants added to the Royalty Pool on January 1, 2014 and actual effective tax rate of the Fund. Based on these adjustments, the Company received 72,627 Class B Additional Entitlements.

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:

(in thousands)	2015	2014
Earnings before income taxes	**$ 8,261**	$ 12,536
Combined Canadian federal and provincial tax rates	**26.2%**	26.2%
Computed expected tax expense	**2,164**	3,284
Increased (reduced) by:		
Permanent differences and other	**548**	280
Tax impact related to gain on the Transaction	**18,478**	—
Fair value adjustment on BP Canada LP units liability	**(3,901)**	—
Difference from rates other than statutory rate	**16**	(2,569)
Change in statutory tax rates	**1,360**	(8)
Income tax expense	**$ 18,665**	$ 987

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities are:

(in thousands)	December 31, 2015	December 31, 2014
Future income tax assets (liabilities):		
Investment in Boston Pizza Royalties Limited Partnership	**$ (16,880)**	$ (15,746)
Deferred gain	**56,491**	55,093
Deferred revenue	**665**	730
Other	**399**	543
	$ 40,675	$ 40,620

15. Share capital:

The Company has an unlimited number of Class A Common Shares without par value authorized of which 104,600,000 are issued and outstanding.

16. Other expenses:

The following are the components of other expenses:

(in thousands)	December 31, 2015	December 31, 2014
Marketing and advertising	**$ 2,657**	$ 3,636
Travel	**2,624**	2,766
Office, rent & utilities	**2,351**	2,325
Research & development	**1,917**	2,017
Professional fees	**574**	427
Other	**2,295**	2,958
	$ 12,418	$ 14,129

17. Commitments:

The Company is committed under operating lease contracts for office space, restaurant space and advertising contracts. The minimum annual rental payments under these leases for the next five years ending December 31 and thereafter are as follows:

(in thousands)	December 31, 2015
2016	**2,046**
2017	**1,857**
2018	**1,866**
2019	**1,676**
2020	**1,689**
2021 and thereafter	**4,360**

18. Related party and subsidiary transactions:

The Company earned revenues of $3.1 million (2014 – $3.1 million) from a company under common control.

Included in compensation expense costs are management fees of $1.3 million (2014 – $1.5 million) to companies under common control. Additionally included in management fees is $0.8 million (2014 – $1.7 million) paid to the Company's parent for services rendered.

Key management personnel include the senior management team that oversees the strategic direction and operations of the Company. Key management personnel compensation was $8.6 million for the year ended December 31, 2015 (2014 – $5.5 million).

Included in accounts payable is $0.1 million (2014 – $0.1 million) due to associated companies. Included in accounts receivable is $0.9 million (2014 – $0.6 million) due from associated companies.

The Company paid interest on a note payable to the Fund of $1.8 million (2014 – $1.8 million) and incurred royalty expenses of $32.6 million (2014 – $31.3 million). The Company incurred distribution expense of $8.2 million (2014 – nil) to the Fund equal in aggregate to 1.5% of Franchise Sales, less the pro rata portion payable to the Company in respect of its Class 2 GP Units. Refer to note 11 for further information.

As at December 31, 2015, the Company owes $7.1 million (2014 – $14.6 million) in a promissory note payable to the parent company.

19. Supplemental cash flow information:

(a) Change in non-cash operating items:

(in thousands)	2015	2014
Accounts receivable	**$ (104)**	$ 195
Prepaid expenses and other current assets	**(1,225)**	833
Accounts payable and accrued liabilities	**791**	601
Deferred revenue	**(110)**	2,239
Long-term receivables	**213**	375
Other long-term liabilities	**(189)**	(421)
	$ (624)	$ 3,822

(b) Supplementary information:

(in thousands)	2015	2014
Non-cash transactions:		
Property & equipment acquired through lease transactions	**$ 109**	$ 71
Property & equipment and intangible asset additions included in accounts payable	**—**	333
Accounts receivable settled through amalgamation	**11**	—
Long-term receivables settled through amalgamation	**18**	—
Settlement of dividends payable through issuance of promissory notes payable	**20,000**	32,929
Promissory notes payable settled through forgiveness of long-term receivables from affiliated companies	**9,115**	—
Promissory notes payable settled through forgiveness of intercompany receivable	**600**	—
Promissory notes payable related to management fees	**406**	—
Class B Additional Entitlements received from Royalties LP	**7,794**	10,135

20. 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.

21. Subsequent events:

(a) On January 1, 2016, 12 new Boston Pizza Restaurants that opened across Canada between January 1, 2015 and December 31, 2015 were added to the Royalty Pool and the six restaurants that permanently closed during 2015 were removed from the Royalty Pool. The total number of restaurants in the Royalty Pool increased to 372 from 366. In return for adding net additional Royalty and distribution income from the six net new Boston Pizza Restaurants added to the Royalty Pool, BPI received 349,023 Additional Entitlements (representing 80% of the total Additional Entitlements), comprised of 253,835 Class B Additional Entitlements and 95,188 Class 2 Additional Entitlements, and the Holdback was 87,256 Additional Entitlements (representing 20% of the total Additional Entitlements), comprised of 63,459 Class B Holdback and 23,797 Class 2 Holdback. The Holdback remains unissued and is not eligible for conversion to Fund units until the first quarter of 2017. BPI receives an increase in monthly distributions based on 100% of the Additional Entitlements, subject to a reconciliation of the distributions paid to BPI in respect of these Additional Entitlements that will occur once the actual performance of these six net new restaurants and the actual effective tax rate paid by the Fund for 2016 are known.

(b) In the first quarter of 2016, adjustments to distribution payments and Class B Additional Entitlements were made based on the actual performance of eight net new additional restaurants added to the Royalty Pool on January 1, 2015 and the actual effective tax rate of the Fund. Based on these adjustments, BPI received its remaining 96,325 Class B Additonal Entitlements.

BOSTON PIZZA ROYALTIES INCOME FUND

UNITHOLDER INFORMATION

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Left to right: **David L. Merrell, William C. Brown, W. Murray Sadler**

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Wes Bews
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BOSTON PIZZA INTERNATIONAL INC.

SHAREHOLDER INFORMATION

BOSTON PIZZA INTERNATIONAL INC. SENIOR EXECUTIVE TEAM

Left to right: **Wes Bews, George Melville, Jim Treliving, Mark Pacinda**

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George Melville
Chairman and Owner

Mark Pacinda
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Wes Bews
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