



For Immediate Release

Toronto Stock Exchange: BPF.UN

**BOSTON PIZZA INTERNATIONAL ADDS 13 NEW RESTAURANTS OPENED IN 2016
TO THE ROYALTY POOL OF BOSTON PIZZA ROYALTIES INCOME FUND**

VANCOUVER, BC, JANUARY 3, 2017 - Boston Pizza Royalties Income Fund (the “Fund”) (TSX: BPF.UN) and Boston Pizza International Inc. (“BPI”) announced today that effective January 1, 2017, the Fund’s royalty pool (the “Royalty Pool”) has been adjusted to include the 13 new full service restaurants opened across Canada between January 1, 2016 and December 31, 2016 (the “Period”), and to remove the two full service restaurants that were permanently closed during the Period. With the adjustment for these openings and closures during 2016, the Royalty Pool now includes 383 Boston Pizza restaurants. This is the fifteenth consecutive year of adding new Boston Pizza restaurants into the Royalty Pool.

“We are very pleased with the 13 new Boston Pizza restaurants opened in 2016, including five in Western Canada, six in Eastern Canada, and two in Québec. These new locations further strengthen our position as Canada’s number one casual dining brand.” said Mark Pacinda, President and Chief Executive Officer of BPI. “Since the inception of the Fund, 229 net new Boston Pizza restaurants have been added to the Royalty Pool, growing from 154 in 2002 to 383 locations across the country today.”

The Fund indirectly owns the Boston Pizza trademarks and trade names used by Boston Pizza restaurants in Canada. In 2002, the Fund licensed these trademarks to BPI for 99 years and in return BPI pays the Fund a top line royalty of 4% of franchise revenues of Boston Pizza restaurants in the Royalty Pool (“Royalty”). On May 6, 2015, the Fund completed an indirect investment in Boston Pizza Canada Limited Partnership (a limited partnership controlled and operated by BPI) that entitles the Fund to receive distribution income from Boston Pizza Canada Limited Partnership (“Distribution Income”) equal to 1.5% of franchise revenues of Boston Pizza restaurants in the Royalty Pool less the pro rata portion payable to BPI in respect of its retained interest in the Fund. The combined effect of the above is that the Fund effectively receives 5.5% of franchise revenues 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. Annually, the Royalty Pool of Boston Pizza restaurants is adjusted to include the new Boston Pizza restaurants that opened, and to remove Boston Pizza restaurants that permanently closed, in the prior year.

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 Distribution Income from Net New Restaurants, BPI receives the right to indirectly acquire additional units of the Fund (in respect of additional Royalty, the “Class B Additional Entitlements” and in respect of additional Distribution Income, the “Class 2 Additional Entitlements”, and collectively, “Additional Entitlements”). The calculation of Additional Entitlements is designed to be accretive to unitholders of the Fund as the expected increase in net franchise revenues 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 (expressed as a decimal) estimated to be paid by the Fund during that year, divided by the yield of the Fund, divided by the weighted average unit price over a specified time. 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 additional Royalty, the “Class B Holdback”, and in respect of the additional Distribution Income, the “Class 2 Holdback”, and collectively, the “Holdback”). BPI receives 100% of distributions from the Additional Entitlements (including the Holdback) throughout the year. Once the Net New Restaurants have been part of the Royalty Pool for a full year, an audit of the franchise revenues 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.

In return for adding net additional Royalty and Distribution Income from the 11 Net New Restaurants added to the Royalty Pool, BPI received 415,229 Additional Entitlements (representing 80% of the total Additional Entitlements), comprised of 301,985 Class B Additional Entitlements and 113,244 Class 2 Additional Entitlements, and the Holdback is 103,807 Additional Entitlements (representing 20% of the total Additional Entitlements), comprised of 75,496 Class B Holdback and 28,311 Class 2 Holdback. The Holdback (as adjusted) will be received by BPI when both the actual full year performance of the Net New Restaurants and the effective tax rate paid by the Fund are known with certainty. The 415,229 Additional Entitlements represent 1.7% of Fund units on a fully diluted basis. Including the 415,229 Additional Entitlements, BPI holds Class B general partner units of Boston Pizza Royalties Limited Partnership that are exchangeable for 2,879,515 Fund units, and Class 2 general partner units of Boston Pizza Canada Limited Partnership that are exchangeable for 960,819 Fund units. Together, the Class B general partner units of Boston Pizza Royalties Limited Partnership and Class 2 general partner units of Boston Pizza Canada Limited Partnership held by BPI are currently exchangeable for 3,840,334 Fund units, representing the equivalent of a 15.9% interest in the Fund on a fully-diluted basis. The full 519,036 Additional Entitlements (being the 415,229 Additional Entitlements received by BPI plus the 103,807 Holdback) represents 2.1% of the Fund on a fully diluted basis. Including the full 519,036 Additional Entitlements described above, BPI has the right to acquire 4,031,397 Fund units, representing 16.6% of Fund units on a fully diluted basis. The issuance of the Additional Entitlements to BPI is subject to approval by the Toronto Stock Exchange.

In connection with the Additional Entitlements, BPI has filed an early warning report. Since its last early warning report, BPI's percentage of indirect ownership in the Fund has increased by 3.3% (from 12.6% in February 2015 to 15.9% now) on a fully diluted basis. The Class B general partner units of Boston Pizza Royalties Limited Partnership and Class 2 general partner units of Boston Pizza Canada Limited Partnership held by BPI, together with all units of the Fund controlled by BPI's co-chairmen and co-owners, George C. Melville and Walter James Treiving, represent the equivalent of 3,870,734 Fund units, or a 16.0% interest in the Fund on a fully-diluted basis.

The estimated annual franchise revenues in 2017 for the 13 new Boston Pizza restaurants that opened in 2016 is \$19.8 million. BPI is required to deduct from this amount the actual franchise revenues received from the two Boston Pizza restaurants that permanently closed in 2016 during the first 12 month period immediately following their addition to the Royalty Pool, which is \$1.4 million. Consequently, the estimated annual net franchise revenues in 2017 for the 11 Net New Restaurants added to the Royalty Pool on January 1, 2017 is \$18.4 million. The estimated Royalty and Distribution Income expected to be received by the Fund in 2017 in respect of these 11 Net New Restaurants is 5.5% of this amount, or \$1.0 million. The pre-tax amount for the purposes of calculating the Additional Entitlements, therefore, is approximately \$0.9 million or 92.5% of \$1.0 million. The estimated effective tax rate that the Fund will pay in the calendar year 2017 is 24.0%. Accordingly, the after-tax additional Royalty and Distribution Income for the purposes of calculating the Additional Entitlements is approximately \$0.7 million ($\$0.9 \text{ million} \times (1 - 0.24)$). Once the actual performance of the 13 new Boston Pizza restaurants added to the Royalty Pool on January 1, 2017 for 2017 and the actual effective tax rate paid by the Fund for 2017 are known, the number of Additional Entitlements will be adjusted in 2018 to reflect the actual franchise revenues generated by these Boston Pizza restaurants in 2017 and the actual effective tax rate paid by the Fund in 2017.

The following table sets forth a summary of the issued and outstanding units of the Fund, together with Additional Entitlements, as at both December 31, 2016 and January 1, 2017.

Summary of Boston Pizza Royalties Income Fund Units

	Dec. 31, 2016 Excluding Holdback	Dec. 31, 2016 Including Holdback	Jan. 1, 2017 Excluding Holdback	Jan. 1, 2017 Including Holdback
<i><u>Units Outstanding</u></i>				
Total Issued and Outstanding Fund Units	20,286,063	20,286,063	20,286,063	20,286,063
<i><u>Class B Additional Entitlements Outstanding</u></i>				
Class B Additional Entitlements (Excluding Jan. 1, 2017 Adjustment Date)	2,577,530	2,577,530	2,577,530	2,577,530
Class B Holdback (Excluding Jan. 1, 2017 Adjustment Date)	N/A	63,459	N/A	63,459 ⁽¹⁾
Class B Additional Entitlements – Issued January 1, 2017 (11 Net New Restaurants)	N/A	N/A	301,985	301,985
Class B Holdback – Created January 1, 2017 (11 Net New Restaurants)	N/A	N/A	N/A	75,496 ⁽²⁾
Total Class B Additional Entitlements	2,577,530	2,640,989	2,879,515	3,018,470
<i><u>Class 2 Additional Entitlements Outstanding</u></i>				
Class 2 Additional Entitlements (Excluding Jan. 1, 2017 Adjustment Date)	847,575	847,575	847,575	847,575
Class 2 Holdback (Excluding Jan. 1, 2017 Adjustment Date)	N/A	23,797	N/A	23,797 ⁽¹⁾
Class 2 Additional Entitlements – Issued January 1, 2017 (11 Net New Restaurants)	N/A	N/A	113,244	113,244
Class 2 Holdback – Created January 1, 2017 (11 Net New Restaurants)	N/A	N/A	N/A	28,311 ⁽³⁾
Total Class 2 Additional Entitlements	847,575	871,372	960,819	1,012,927
<i><u>Summary</u></i>				
Total Issued and Outstanding Fund Units	20,286,063	20,286,063	20,286,063	20,286,063
Total Additional Entitlements	3,425,105	3,512,361	3,840,334	4,031,397
Total Diluted Units	23,711,168	23,798,424	24,126,397	24,317,460
BPI's Total Percentage Ownership	14.4%	14.8%	15.9%	16.6%
BPI's Percentage Ownership based only on the 11 Net New Restaurants added to the Royalty Pool on January 1, 2017	N/A	N/A	1.7%	2.1%

- (1) Additional Entitlements from the 6 Net New Restaurants added to Royalty Pool on January 1, 2016 determined in early 2017, effective January 1, 2016, once audited results of the 6 Net New Restaurants and actual effective tax rate paid by the Fund in 2016 are known.
- (2) Class B Holdback from 11 Net New Restaurants added to the Royalty Pool on January 1, 2017. The actual number of Class B Additional Entitlements will be determined in early 2018, effective January 1, 2017, once audited results of the 11 Net New Restaurants and actual effective tax rate paid by the Fund are known.
- (3) Class 2 Holdback from 11 Net New Restaurants added to the Royalty Pool on January 1, 2017. The actual number of Class 2 Additional Entitlements will be determined in early 2018, effective January 1, 2017, once audited results of the 11 Net New Restaurants and actual effective tax rate paid by the Fund are known.

Certain information in this press release 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 Holdings Limited Partnership, Boston Pizza Holdings GP Inc., Boston Pizza Royalties Limited Partnership, Boston Pizza GP Inc., BPI, Boston Pizza Canada Limited Partnership, Boston Pizza restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the Fund or management of BPI expects or anticipates will or may occur in the future, including the estimated

annual gross franchise revenue received from the 13 new Boston Pizza restaurants that opened in 2016 and the estimated effective tax rate that will be paid by the Fund for 2017 and other such matters are forward-looking information. When used in this press release, 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 press release include the following: future results being similar to historical results, expectations 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 Fund’s Management Discussions and Analysis for the third quarter of 2016. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this press release. 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 Management’s Discussion and Analysis for the third quarter of 2016 available at www.sedar.com and www.bpincomefund.com.

The Trustees of the Fund have approved the contents of this news release. To obtain a copy of the early warning report filed in respect of the Additional Entitlements, and for further information, please contact:

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