



For Immediate Release

Toronto Stock Exchange: BPF.UN

**BOSTON PIZZA INTERNATIONAL ADDS 11 NEW RESTAURANTS OPENED IN 2017
TO THE ROYALTY POOL OF BOSTON PIZZA ROYALTIES INCOME FUND**

VANCOUVER, BC, JANUARY 2, 2018 - Boston Pizza Royalties Income Fund (the “**Fund**”) (TSX: BPF.UN) and Boston Pizza International Inc. (“**BPI**”) announced today that effective January 1, 2018, the Fund’s royalty pool (the “**Royalty Pool**”) has been adjusted to include the 11 new full service restaurants opened across Canada between January 1, 2017 and December 31, 2017 (the “**Period**”), and to remove the three full service restaurants that were permanently closed during the Period. With the adjustment for these openings and closures during 2017, the Royalty Pool now includes 391 Boston Pizza restaurants. This is the sixteenth consecutive year of adding new Boston Pizza restaurants into the Royalty Pool.

“We are very pleased with the 11 new Boston Pizza restaurants opened in 2017, including six in Western Canada, four in Eastern Canada, and one in Québec. These new locations further strengthen our position as Canada’s number one casual dining brand” said Jordan Holm, President of BPI. “Since the inception of the Fund, 237 net new Boston Pizza restaurants have been added to the Royalty Pool, growing from 154 in 2002 to 391 locations across the country today.”

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.¹ 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 generated by the Net New Restaurants, multiplied by one minus the effective tax rate 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.

¹ 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.

In return for adding net additional Royalty and Distribution Income from the eight Net New Restaurants added to the Royalty Pool, BPI received 298,036 Additional Entitlements (representing 80% of the total Additional Entitlements), comprised of 216,754 Class B Additional Entitlements and 81,282 Class 2 Additional Entitlements, and the Holdback is 74,510 Additional Entitlements (representing 20% of the total Additional Entitlements), comprised of 54,189 Class B Holdback and 20,321 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 298,036 Additional Entitlements represent 1.2% of Fund units on a fully diluted basis. Including the 298,036 Additional Entitlements, BPI holds Class B general partner units of Boston Pizza Royalties Limited Partnership that are exchangeable for 2,008,838 Fund units, and Class 2 general partner units of Boston Pizza Canada Limited Partnership that are exchangeable for 673,110 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 2,681,948 Fund units, representing the equivalent of a 10.9% interest in the Fund on a fully-diluted basis. The 372,546 Additional Entitlements (being the 298,036 Additional Entitlements received by BPI plus the 74,510 Holdback) represents 1.5% of Fund units on a fully diluted basis. Including the 372,546 Additional Entitlements described above, BPI has the right to acquire 2,860,265 Fund units, representing an 11.6% interest in the Fund on a fully diluted basis. The issuance of the Additional Entitlements to BPI is subject to approval by the Toronto Stock Exchange.

The estimated annual franchise revenues in 2018 for the 11 new Boston Pizza restaurants that opened in 2017 is \$19.0 million. BPI is required to deduct from this amount the actual franchise revenues received from the three Boston Pizza restaurants that permanently closed in 2017 during the first 12 month period immediately following their addition to the Royalty Pool, which is \$5.5 million. Consequently, the estimated annual net franchise revenues in 2018 for the eight Net New Restaurants added to the Royalty Pool on January 1, 2018 is \$13.5 million. The estimated Royalty and Distribution Income expected to be generated by these eight Net New Restaurants is 5.5% of this amount, or \$0.7 million. The pre-tax amount for the purposes of calculating the Additional Entitlements, therefore, is approximately \$0.7 million or 92.5% of \$0.7 million. The estimated effective tax rate that the Fund will pay in the calendar year 2018 is 25.0%. Accordingly, the after-tax additional Royalty and Distribution Income for the purposes of calculating the Additional Entitlements is approximately \$0.5 million ($\$0.7 \text{ million} \times (1 - 0.25)$). Once the actual performance of the 11 new Boston Pizza restaurants added to the Royalty Pool on January 1, 2018 for 2018 and the actual effective tax rate paid by the Fund for 2018 are known, the number of Additional Entitlements will be adjusted in 2019 to reflect the actual franchise revenues generated by these Boston Pizza restaurants in 2018 and the actual effective tax rate paid by the Fund in 2018.

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, 2017 and January 1, 2018.

Summary of Boston Pizza Royalties Income Fund Units

	Dec. 31, 2017 Excluding Holdback	Dec. 31, 2017 Including Holdback	Jan. 1, 2018 Excluding Holdback	Jan. 1, 2018 Including Holdback
<u>Units Outstanding</u>				
Total Issued and Outstanding Fund Units	21,886,063	21,886,063	21,886,063	21,886,063
<u>Class B Additional Entitlements Outstanding</u>				
Class B Additional Entitlements (Excluding Jan. 1, 2018 Adjustment Date)	1,792,084	1,792,084	1,792,084	1,792,084
Class B Holdback (Excluding Jan. 1, 2018 Adjustment Date)	N/A	75,496	N/A	75,496 ⁽¹⁾
Class B Additional Entitlements – Issued January 1, 2018 (Eight Net New Restaurants)	N/A	N/A	216,754	216,754
Class B Holdback – Created January 1, 2018 (Eight Net New Restaurants)	N/A	N/A	N/A	54,189 ⁽²⁾
Total Class B Additional Entitlements	1,792,084	1,867,580	2,008,838	2,138,523
<u>Class 2 Additional Entitlements Outstanding</u>				
Class 2 Additional Entitlements (Excluding Jan. 1, 2018 Adjustment Date)	591,828	591,828	591,828	591,828
Class 2 Holdback (Excluding Jan. 1, 2018 Adjustment Date)	N/A	28,311	N/A	28,311 ⁽¹⁾
Class 2 Additional Entitlements – Issued January 1, 2018 (Eight Net New Restaurants)	N/A	N/A	81,282	81,282
Class 2 Holdback – Created January 1, 2017 (11 Net New Restaurants)	N/A	N/A	N/A	20,321 ⁽³⁾
Total Class 2 Additional Entitlements	591,828	620,139	673,110	721,742
<u>Summary</u>				
Total Issued and Outstanding Fund Units	21,886,063	21,886,063	21,886,063	21,886,063
Total Additional Entitlements	2,383,912	2,487,719	2,681,948	2,860,265
Total Diluted Units	24,269,975	24,373,782	24,568,011	24,746,328
BPI's Total Percentage Ownership	9.8%	10.2%	10.9%	11.6%
BPI's Percentage Ownership based only on the Eight Net New Restaurants added to the Royalty Pool on January 1, 2018	N/A	N/A	1.2%	1.5%

- (1) Additional Entitlements from the 11 Net New Restaurants added to Royalty Pool on January 1, 2017 prior to the audit of the 11 Net New Restaurants and determination of the actual effective tax rate paid by the Fund.
- (2) Class B Holdback from eight Net New Restaurants added to the Royalty Pool on January 1, 2018. The actual number of Class B Additional Entitlements will be determined in early 2019, effective January 1, 2018, once audited results of the eight Net New Restaurants and actual effective tax rate paid by the Fund are known.
- (3) Class 2 Holdback from eight Net New Restaurants added to the Royalty Pool on January 1, 2018. The actual number of Class 2 Additional Entitlements will be determined in early 2019, effective January 1, 2018, once audited results of the eight Net New Restaurants and actual effective tax rate paid by the Fund are known.

ABOUT US

The Fund is a limited purpose open ended trust with an excellent track record for investors since its IPO in 2002. Including the December 2017 distribution which will be payable on January 31, 2018, the Fund will have delivered 18 distribution increases and 186 consecutive monthly distributions to unitholders totalling \$276.6 million or \$19.26 per unit since 2002. The Fund earns revenue based on the franchise system sales of the 391 Boston Pizza restaurants included in the Fund's royalty pool.

BPI is Canada's number one casual dining brand with annual gross sales in excess of \$1.0 billion serving more than 45 million guests through over 390 mainly franchisee operated restaurants. The Boston Pizza brand has successfully existed for over 50 years since opening its first restaurant in Edmonton, Alberta in 1964. BPI has been recognized as a Platinum Member of Canada's 50 Best Managed Companies and has been a Franchisees' Choice Designation winner for six consecutive years.

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 Royalties Limited Partnership, Boston Pizza Holdings Limited Partnership, Boston Pizza Holdings GP Inc., Boston Pizza GP Inc., BPI, BP Canada LP, Boston Pizza Canada Holdings Inc., Boston Pizza Canada Holdings Partnership, Boston Pizza restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. All statements, other than statements of historical facts, included in this 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 11 new Boston Pizza restaurants that opened in 2017 and the estimated effective tax rate that will be paid by the Fund for 2018 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 2017. 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 2017 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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