BOSTON PIZZA
ROYALTIES INCOME FUND

ANNUAL REPORT **2022**

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PROFILE

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

As at January 1, 2023 there were 377 Boston Pizza locations in Canada, stretching from Victoria to St. John's, with all but three of the restaurants owned and operated by independent franchisees.

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

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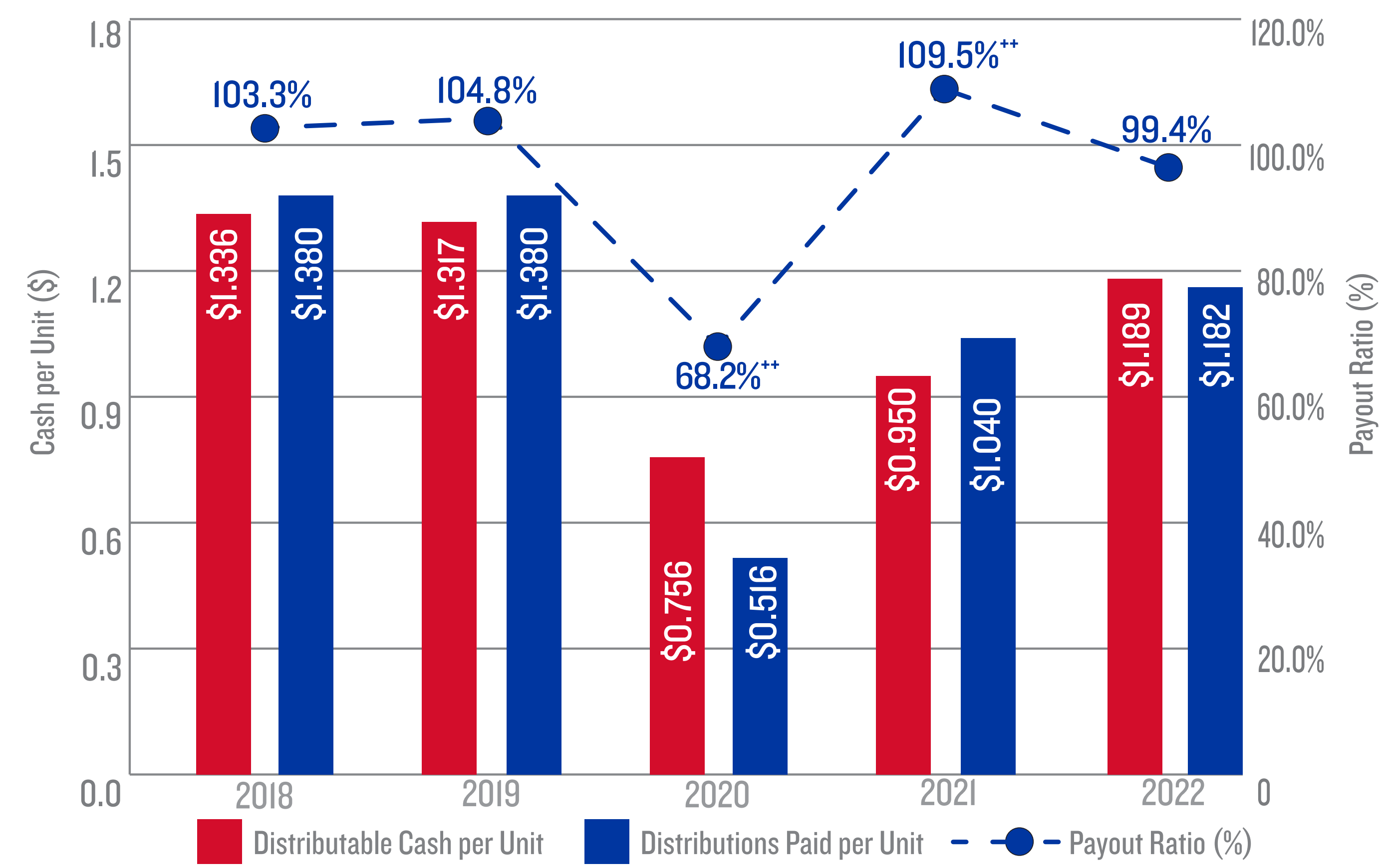
2022 HIGHLIGHTS

- COVID-19 continued to impact the business of Boston Pizza International Inc. ("BPI"). However on an annual basis, 2022 total Franchise Sales* (see page 13) returned to pre-pandemic levels despite the challenges faced in the first half of the Year.
- System-Wide Gross Sales* (see page 80) of $1.1 billion, representing an increase of 32.3% compared to one year ago.
- Franchise Sales of $855.0 million for the Year representing an increase of 29.5% versus the same period one year ago.
- Same Restaurant Sales* (see page 10) of 30.4% for the Year. As COVID-19 began to adversely affect sales in Boston Pizza restaurants in March of 2020, the Fund believes that it is also useful to calculate and report SRS comparing 2022 Franchise Sales to 2019 Franchise Sales. If SRS were calculated comparing Franchise Sales in the Year to Franchise Sales in the same period in 2019, SRS would be 3.2%.
- Cash flows generated from operating activities of $34.4 million for the Year representing an increase of 12.7% versus the same period one year ago.
- Distributable Cash* (see page 9) increased 25.2% for the Year, and Distributable Cash per Unit* (see page 9) increased 25.2% for the Year.
- Payout Ratio* (see page 9) of 99.4% for the Year. Cash balance at the end of the Year was $5.2 million.
- The Fund increased its monthly distribution rate twice during the Year, first with the July 2022 distribution rate from $0.085 to $0.100 per unit of the Fund ("Unit"), and then with the November 2022 distribution rate from $0.100 to $0.102 per Unit.
- The Fund declared and paid a special cash distribution to unitholders of the Fund ("Unitholders") of $0.085 per Unit in December 2022.

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

DISTRIBUTIONS PER UNIT AND PAYOUT RATIO



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

MESSAGE FROM THE CHAIRMAN OF BOSTON PIZZA ROYALTIES INCOME FUND

On behalf of the trustees, I am pleased to present the 2022 annual report for Boston Pizza Royalties Income Fund (the "**Fund**").

Despite the challenges posed by COVID-19 during 2022, we are pleased to report a successful year for the Fund. At the beginning of 2022, all regions in Canada were significantly impacted by the omicron variant of COVID-19 and the subsequent fifth wave of the pandemic, resulting in capacity restrictions and closures of dining rooms. By the end of the first quarter in 2022, case counts improved and government restrictions were relaxed. Since then, government restrictions have largely been eliminated, and sales levels of Boston Pizza restaurants have returned to more normal levels when compared to times prior to the pandemic.

The improvement in Boston Pizza's restaurant operations during the second half of 2022 reflected positively on the royalty and distribution payments to the Fund. This, in turn, enabled the trustees to distribute more funds to unitholders. The following is a summary of some changes regarding distributions declared by the trustees on units of the Fund ("**Units**") during the year:

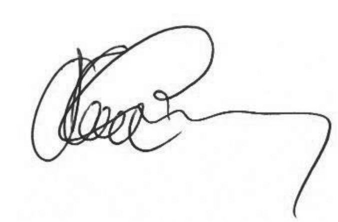
1. On August 4, 2022, the trustees increased the monthly distribution to $0.100 per Unit for July 2022 from the previous monthly rate of $0.085 per Unit, being an increase of $0.015 per Unit or 17.6%;

2. On December 8, 2022, the trustees increased the monthly distribution to $0.102 per Unit for November 2022 from the previous monthly rate of $0.100 per Unit, being an increase of $0.002 per Unit or 2.0%; and

3. On December 8, 2022, the trustees declared the special distribution of $0.085 per Unit which was paid on December 30, 2022 to unitholders of record at the close of business on December 21, 2022.

The solid financial performance of Boston Pizza International Inc. ("**BPI**") and the Fund, along with the Fund's growing cash balance, enabled the trustees of the Fund to increase the monthly distribution rate payable to unitholders twice during 2022 and issue a special cash distribution. The current monthly distribution rate per unit is now equal to the level it was immediately prior to the start of COVID-19. However, the trustees of the Fund remain cautious and will continue to closely monitor the Fund's available cash balances and distribution levels, based on our goal of stable and sustainable distribution flow to unitholders.

On behalf of the trustees, I would like to thank unitholders for their support during these unprecedented times and express appreciation to BPI, Boston Pizza franchisees and their respective employees for their hard work and commitment.



Marc Guay
Chairman, Boston Pizza Royalties Income Fund

MESSAGE FROM THE PRESIDENT OF BOSTON PIZZA INTERNATIONAL INC.

On behalf of Boston Pizza International Inc. ("**BPI**"), its board of directors, management team and employees, I am pleased to present our 2022 Annual Report. This report covers the fiscal year-ended December 31, 2022 (the "**Year**").

HIGHLIGHTS

- Annual System-Wide Gross Sales of $1.1 billion for the Year, representing an increase of 32.3%, versus the same period one year ago.
- Same Restaurant Sales of 30.4% for the Year and 3.2% when compared to 2019.
- COVID-19 continued to impact the business of BPI in the first half of 2022. However, on an annual basis, 2022 total Franchise Sales returned to pre-pandemic levels despite the challenges faced in the first half of the Year.
- Raised just over $1.5 million in 2022 for Boston Pizza Foundation, bringing the aggregate total to over $35.0 million raised and donated since the inception of the Boston Pizza Foundation in 1990.

Readers are cautioned that they should refer to the annual audited consolidated financial statements and Management's Discussion and Analysis of BPI for the fiscal year-ended December 31, 2022, available on SEDAR at www.sedar.com and on the Boston Pizza Royalties Income Fund's website at www.bpincomefund.com, for a full description of BPI's financial results.

OPERATIONAL HIGHLIGHTS

During the first half of 2022, Boston Pizza restaurants across Canada continued to be impacted by government restrictions arising from COVID-19. Since then, COVID-19 case counts have improved, government restrictions related to COVID-19 have largely been eliminated, and sales levels of Boston Pizza restaurants have returned to more normal levels when compared to times prior to COVID-19. Throughout 2022, Boston Pizza remained focused on the safety of guests and staff in our restaurants, and serving our communities as permitted by government health authorities. We continued to enhance our digital ordering systems and work with our delivery service partners to achieve year-over-year increases in the off-premise segment of our business. We also met challenges in 2022 as Boston Pizza successfully managed through supply chain disruptions and labour shortage challenges experienced in Canada and around the world. Our team worked hard to maintain a stable supply chain and mitigate cost increases for our franchisees. We also provided systems and tools to help our franchisees attract and retain staff. On the restaurant development front, COVID-19 was a contributing factor in the six Boston Pizza restaurants that permanently closed in 2022. As the economy continues to recover in 2023, we will continue to work diligently on new and existing restaurant development opportunities that were delayed due to the pandemic.

With the easing of dining restrictions near the end of the first quarter, we saw an increase in guest traffic to restaurants and were excited to welcome our guests while ensuring we continue to safely operate the dining rooms, sports bars and patios of Boston Pizza restaurants across Canada. The first quarter of 2022 began with a NFL Playoff Meal Deal campaign and a new winter feature menu. These promotions paired perfectly with the lineup of sporting events during the first quarter. February saw Boston Pizza's popular Valentine's Day promotion where $1 from each heart-shaped pizza and mint chocolate cake sold went to help local charities. This campaign resulted in the Boston Pizza Foundation raising over $300,000 to help local charities in communities across Canada. The first quarter concluded with a strong Kids Eat Free for the month of March campaign, which saw positive increases to guest traffic and sales.

As we entered the second quarter of 2022, COVID-19 case counts continued to improve and government restrictions were further relaxed. During the second quarter, we launched two successful promotions. The first was our specially priced burger and beer promotion featuring a pint and burger for $17.99, and the second was our summer patio campaign that introduced new food and drink innovations. Both promotions

were exceptionally well-received by our guests. We finished the quarter strongly with total second quarter sales exceeding pre-pandemic sales.

Sales performance continued to improve in the third quarter of 2022 generating the strongest sales results since the start of COVID-19. We were pleased to see guests continuing to return to Boston Pizza restaurants and sales performance exceed pre-pandemic levels. During the third quarter, Boston Pizza continued to drive improved performance and guest traffic. We also extended our summer patio campaign into the period which highlighted new food and drink innovations. We ended the third quarter by introducing a fall feature menu which featured two new pizzas and other food and beverage creations. Boston Pizza's Kids Cards promotion started towards the end of the third quarter where, for a $5 donation, a guest received a card for five free kids' meals. The Kids Cards promotion raised over $850,000 for the Boston Pizza Foundation.

The strong sales momentum from the third quarter of 2022 continued into the fourth quarter. We began the fourth quarter with our Hockey Night in Canada partnership which was supported by significant TV, digital, and social media channels along with in-restaurant promotions at participating Boston Pizza restaurants across Canada. In addition to this, we launched a 2022 holiday menu which featured a selection of innovative food and beverage items along with a promotion card bonus offer. Guests also received a free Ferrero Rocher 3-pack with the purchase of any qualifying holiday menu item. Also, we had the highest gift card sales in 2022 compared to any previous year, helped by a successful year-end Holiday Gift Card promotion.

We continue to be extremely pleased with the efforts of our team and Franchisees during the current recovery phase. The easing and elimination of government-imposed restrictions in Canada related to COVID-19 has enabled Boston Pizza to continue to drive improved performance and guest traffic. However, with supply chain challenges, rising interest rates, increasing input costs and labour shortages impacting most of the restaurant industry, BPI's management remains cautious. BPI's management continues to adapt the business to mitigate these challenges and capitalize on the recent sales momentum resulting from the elimination of COVID restrictions in the restaurant industry.

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

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

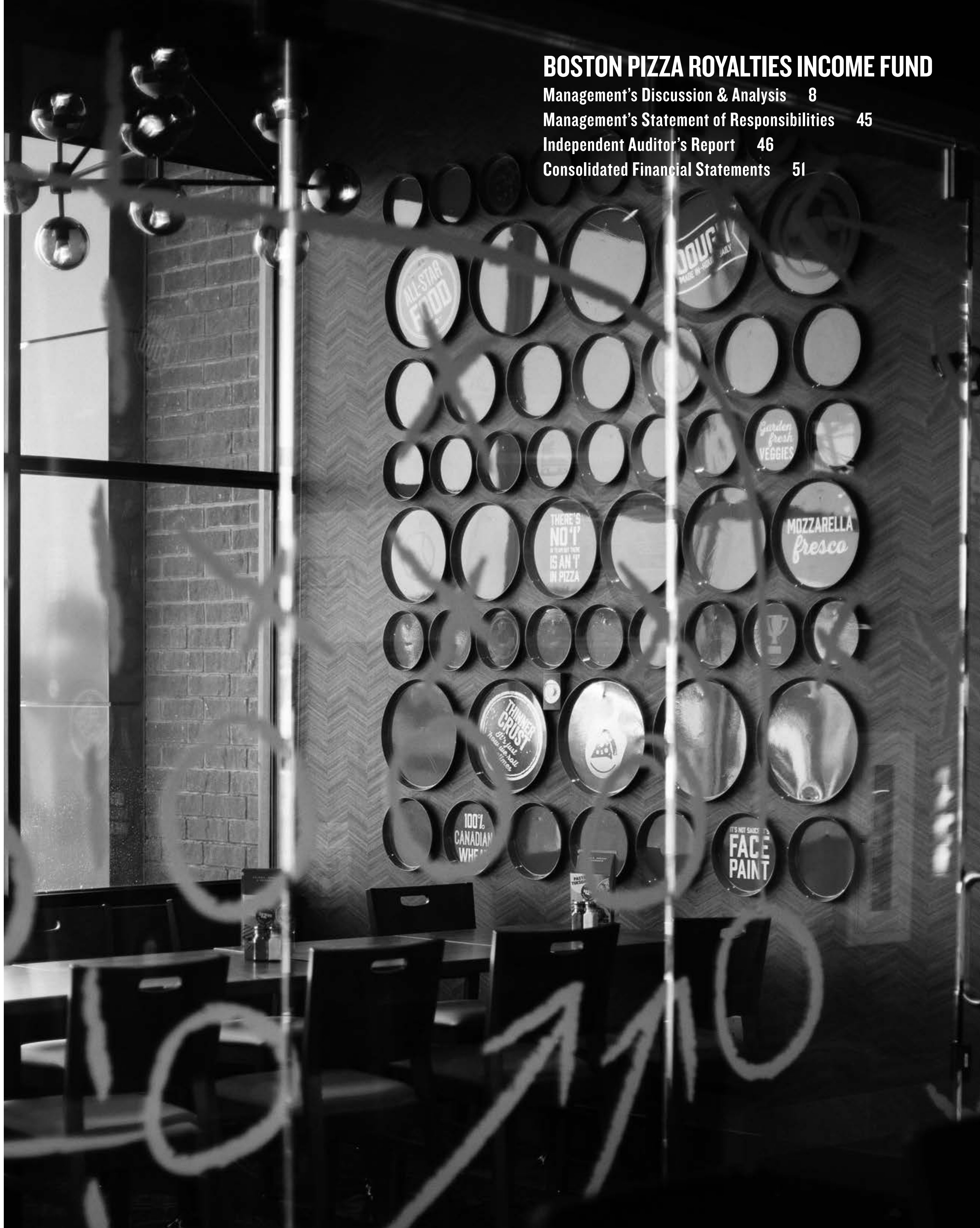
On behalf of Boston Pizza International Inc.,

Jordan Holm

Jordan Holm,
President, Boston Pizza International Inc.

Forward Looking Information

Certain information in this message constitutes "forward-looking information" that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of Boston Pizza Royalties Income Fund (the "**Fund**"), Boston Pizza Holdings Trust, Boston Pizza Royalties Limited Partnership, Boston Pizza Holdings Limited Partnership, Boston Pizza Holdings GP Inc., Boston Pizza GP Inc., BPI, Boston Pizza Canada Limited Partnership ("**BP Canada LP**"), Boston Pizza Canada Holdings Inc., Boston Pizza Canada Holdings Partnership, Boston Pizza restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. All statements, other than statements of historical facts, included in this message that address activities, events or developments that BPI and BP Canada LP expects or anticipates will or may occur in the future, including such things as, continuing to work diligently on new and existing restaurant development opportunities that were delayed due to the pandemic, BPI's management remaining cautious with supply chain challenges, rising interest rates, increasing input costs and labour shortages impacting most of the restaurant industry, BPI's management continuing to adapt the business to mitigate these challenges and capitalize on the recent sales momentum resulting from the elimination of COVID restrictions in the restaurant industry, BPI believing that providing genuine hospitality occasions will be even more essential to the lives of Canadians than it was pre-pandemic, and other such matters are forward-looking information. When used in this message, 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 message include the following: expectations related to future general economic conditions, Boston Pizza restaurants maintaining operational excellence, and supply chain challenges, rising interest rates, and increasing input costs and labour shortages may continue to negatively impact the restaurant industry. Risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by the forward-looking information contained herein, relate to (among others): competition, demographic trends, consumer preferences and discretionary spending patterns, business and economic conditions, legislation and regulation, reliance on operating revenues, accounting policies and practices, the results of operations and financial condition of BPI and BP Canada LP, 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 message. Except as required by law, neither BPI, BP Canada LP nor the Fund assumes any obligation to update previously disclosed forward-looking information. For a complete list of the risks associated with forward-looking information and BPI's and BP Canada LP's business, please refer to the "Risks and Uncertainties" and "Note Regarding Forward-Looking Information" sections included in the most recent Annual Information Form of the Fund and BPI's Management's Discussion and Analysis for the year ended December 31, 2022 available at www.sedar.com and www.bpincomefund.com.



BOSTON PIZZA ROYALTIES INCOME FUND

FINANCIAL HIGHLIGHTS

The tables below set out selected information from the audited annual consolidated financial statements of Boston Pizza Royalties Income Fund (the "**Fund**"), which includes the accounts of the Fund, its wholly-owned subsidiaries Boston Pizza Holdings Trust (the "**Trust**"), Boston Pizza Holdings GP Inc. ("**Holdings GP**") and Boston Pizza Holdings Limited Partnership ("**Holdings LP**"), its 80% owned subsidiary Boston Pizza GP Inc. ("**Royalties GP**"), and Boston Pizza Royalties Limited Partnership ("**Royalties LP**"), together with other information and should be read in conjunction with the audited annual consolidated financial statements of the Fund for the years ended December 31, 2022 and December 31, 2021. The financial information in the tables included in this Management's Discussion and Analysis ("**MD&A**") are reported in accordance with International Financial Reporting Standards ("**IFRS**") except as otherwise noted and are stated in Canadian dollars. Capitalized terms used in the tables and notes below are defined elsewhere in this MD&A.

For the years ended December 31	2022	2021	2020
(in thousands of dollars – except restaurants, SRS, Payout Ratio and per Unit items)			
Number of restaurants in Royalty Pool	383	387	395
Franchise Sales reported by restaurants in the Royalty Pool	854,997	660,051	613,199
Royalty income	34,200	26,402	24,528
Distribution Income	11,273	8,752	8,114
Total revenue	45,473	35,154	32,642
Administrative expenses	(1,390)	(1,299)	(1,439)
Interest expense on debt and financing fees	(3,614)	(3,879)	(3,360)
Interest expense on Class B Unit liability	(3,690)	(2,506)	(2,085)
Interest income	107	94	144
Profit before fair value gain (loss) and income taxes	36,886	27,564	25,902
Fair value (loss) gain on investment in BP Canada LP	(2,019)	25,206	(14,349)
Fair value gain (loss) on Class B Unit liability	899	(11,229)	6,382
Fair value gain (loss) on Swaps	3,891	2,303	(2,064)
Current and deferred income tax expense	(9,074)	(6,437)	(6,301)
Net and comprehensive income	30,583	37,407	9,570
Basic earnings per Unit	1.42	1.74	0.44
Diluted earnings per Unit	1.31	1.74	0.17
Distributable Cash[1] / Distributions / Payout Ratio[2]			
Cash flows generated from operating activities	34,355	30,475	22,866
BPI Class B Unit entitlement[3]	(3,679)	(2,770)	(2,450)
Interest paid on long-term debt	(3,576)	(3,692)	(3,157)
Principal repayments on long-term debt	(1,500)	(3,787)	(690)
Current income tax expense	(8,914)	(6,307)	(6,141)
Current income tax paid	8,904	6,520	5,871
Distributable Cash[1]	25,590	20,439	16,299
Distributions paid	25,438	22,382	11,120
Payout Ratio[2]	99.4%	109.5%	68.2%
Distributable Cash per Unit[4]	1.189	0.950	0.756
Distributions paid per Unit	1.182	1.040	0.516
Other			
Same Restaurant Sales[5]	30.4%	8.5%	(27.6%)
Number of restaurants opened	0	0	2
Number of restaurants closed	6	4	11
As at December 31	2022	2021	2020
Total assets	413,701	411,313	390,804
Total liabilities	133,123	135,514	133,904

Notes – Non-GAAP and Specified Financial Measures

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA ROYALTIES INCOME FUND
For the Period and Year ended December 31, 2022

SUMMARY OF QUARTERLY RESULTS

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
(in thousands of dollars – except restaurants, SRS, Payout Ratio and per Unit items)				
Number of restaurants in Royalty Pool	383	383	383	383
Franchise Sales reported by restaurants in the Royalty Pool	227,163	229,848	219,384	178,602
Royalty income	9,087	9,194	8,775	7,144
Distribution Income	2,988	3,027	2,895	2,363
Total revenue	12,075	12,221	11,670	9,507
Administrative expenses	(369)	(334)	(349)	(338)
Interest expense on debt and financing fees	(812)	(886)	(977)	(939)
Interest expense on Class B Unit liability	(1,557)	(835)	(733)	(565)
Interest income	61	31	10	5
Profit before fair value (loss) gain and income taxes	9,398	10,197	9,621	7,670
Fair value (loss) gain on investment in BP Canada LP	(1,146)	2,183	(14,622)	11,566
Fair value gain (loss) on Class B Unit liability	510	(972)	6,515	(5,154)
Fair value gain on Swaps	106	572	1,337	1,876
Current and deferred income tax expense	(2,462)	(2,478)	(1,075)	(3,059)
Net and comprehensive income	6,406	9,502	1,776	12,899
Basic earnings per Unit	0.30	0.44	0.08	0.60
Diluted earnings (loss) per Unit	0.26	0.41	(0.20)	0.60
Distributable Cash / Distributions / Payout Ratio				
Cash flows generated from operating activities	8,919	9,667	9,118	6,651
BPI Class B Unit entitlement	(1,044)	(1,083)	(888)	(664)
Interest paid on long-term debt	(799)	(939)	(954)	(884)
Principal repayments on long-term debt	-	-	(1,000)	(500)
Current income tax expense	(2,422)	(2,438)	(2,285)	(1,769)
Current income tax paid	2,585	2,270	2,185	1,864
Distributable Cash	7,239	7,477	6,176	4,698
Distributions paid	8,329	6,133	5,488	5,488
Payout Ratio	115.1%	82.0%	88.9%	116.8%
Distributable Cash per Unit	0.336	0.347	0.287	0.218
Distributions paid per Unit	0.387	0.285	0.255	0.255
Other				
Same Restaurant Sales	24.5%	8.4%	64.9%	39.1%
Number of restaurants opened	0	0	0	0
Number of restaurants closed	3	1	0	2

SUMMARY OF QUARTERLY RESULTS (continued)

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

OVERVIEW

This MD&A covers the three-month period from October 1, 2022 to December 31, 2022 (the "**Period**") and the twelve-month period from January 1, 2022 to December 31, 2022 (the "**Year**") and is dated February 8, 2023. It provides additional analysis of the operations, financial position and financial performance of the Fund and should be read in conjunction with the Fund's applicable audited annual consolidated financial statements and accompanying notes. The audited annual consolidated financial statements of the Fund are in Canadian dollars and have been prepared in accordance with IFRS except as otherwise noted.

Purpose of the Fund / Sources of Revenue

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

The Fund has the following principal sources of revenue:

Royalty Income

Royalties LP licenses the BP Rights to BPI in return for BPI paying Royalties LP a royalty equal to 4.0% (the "**Royalty**") of Franchise Sales of those Boston Pizza Restaurants included in the Royalty Pool, as defined in the license and royalty agreement dated July 17, 2002, as amended on May 9, 2005 between Royalties LP and BPI (the "**License and Royalty Agreement**"). As of December 31, 2022, there were 383 Boston Pizza Restaurants in the Royalty Pool.

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

Distribution Income

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

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

amount of interest that Holdings LP pays on amounts drawn on Facility D (as 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.

Top-Line Fund / Increases in Franchise Sales

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

Increases in Franchise Sales are derived from both new Boston Pizza Restaurants added to the Royalty Pool and SRS. The two principal factors that affect SRS are changes in guest traffic and changes in average guest cheque. These factors are dependent upon existing Boston Pizza Restaurants maintaining operational excellence, general market conditions, weather, pricing, and marketing programs undertaken by BPI and BP Canada LP. One of BPI's and BP Canada LP's competitive strengths in increasing Franchise Sales of existing restaurants is that the standard franchise agreement for Boston Pizza Restaurants requires that each Boston Pizza Restaurant undergoes a complete restaurant renovation every seven years and completes equipment upgrades as required by BP Canada LP. Restaurants typically close or partially close for two to three weeks to complete the renovation, which incorporates updated design elements that result in a refreshed and more appealing restaurant.

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

Addition of New Restaurants to Royalty Pool

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

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

Additional Entitlements throughout the year. After the New Restaurants have been part of the Royalty Pool for a full year, an audit of the Franchise Sales of these restaurants is performed, and the actual effective tax rate paid by the Fund is determined. At such time, an adjustment is made to reconcile distributions paid to BPI and the Additional Entitlements received by BPI.

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

Ongoing Effects of COVID-19

COVID-19 continued to impact the business of the Fund, BPI and BP Canada LP, and the operation of Boston Pizza Restaurants during 2021 and the first half of 2022. Since then, COVID-19 case counts have improved, government restrictions related to COVID-19 have largely been eliminated, and sales levels of Boston Pizza Restaurants have returned to more normal levels when compared to times prior to COVID-19.

Economic Uncertainties

The success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders, are dependent upon many economic factors, including impacts of inflation, increases in interest rates, unemployment rates, consumer confidence, recession, supply chain disruption, labour availability and other globally disruptive events. However, despite the current state of economic uncertainty, Boston Pizza Restaurants have been able to generate solid Franchise Sales and offer affordable dining options, both on and off-premise, for guests in economically uncertain times. As demonstrated during COVID-19, BPI, BP Canada LP and Boston Pizza Restaurants have the ability to adapt to changes in operating environments and economic conditions. For additional information regarding economic uncertainties, refer to the "Risks & Uncertainties – Risks Related to the Business of BPI and BP Canada LP" section of this MD&A.

Seasonality

Boston Pizza Restaurants typically experience seasonal fluctuations in Franchise Sales, which are inherent in the full-service restaurant industry in Canada. Seasonal factors, such as tourism and better weather generally allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters each year compared to the first and fourth quarters. Seasonality's general effect on Franchise Sales impacts the Fund's Distributable Cash and Payout Ratio.

New Restaurant Openings, Closures and Renovations

During the Period, there were no New Restaurants and three Closed Restaurants. During the Year, there were no New Restaurants and six Closed Restaurants. As well, eight Boston Pizza Restaurants were renovated during the Period and 18 Boston Pizza Restaurants were renovated during the Year. Boston Pizza Restaurants typically close or partially close for two to three weeks to complete the renovation, which incorporates updated design elements that result in a refreshed and more appealing restaurant.

OPERATING RESULTS

Same Restaurant Sales and Franchise Sales

Period

SRS was 24.5% for the Period compared to 25.5% reported in the fourth quarter of 2021. As COVID-19 began to adversely affect sales in Boston Pizza Restaurants in March of 2020, the Fund believes that it is also useful to calculate and report SRS comparing 2022 Franchise Sales to 2019 Franchise Sales. If SRS were calculated comparing Franchise Sales in the Period to Franchise Sales in the fourth quarter of 2019, SRS would be 10.8%. The increase in SRS for the Period compared to the fourth quarter of 2021 was principally due to increases in restaurant guest traffic mainly as a result of the elimination of dining restrictions and increased average guest cheque.

Franchise Sales of Boston Pizza Restaurants in the Royalty Pool were $227.2 million for the Period compared to $183.2 million for the fourth quarter of 2021. The $44.0 million increase in Franchise Sales for the Period was primarily due to positive SRS.

Year

SRS was 30.4% for the Year compared to 8.5% reported in 2021. If SRS were calculated comparing Franchise Sales for the Year to Franchise Sales in 2019, SRS would be 3.2%. The increase in SRS for the Year compared to 2021 was principally due to increases in restaurant guest traffic as a result of the easing and elimination of dining restrictions and increased average guest cheque.

Franchise Sales of Boston Pizza Restaurants in the Royalty Pool were $855.0 million for the Year compared to $660.1 million in 2021. The $194.9 million increase in Franchise Sales for the Year was primarily due to positive SRS.

Royalty Income and Distribution Income

Period

Royalty income and Distribution Income earned by the Fund was $9.1 million and $3.0 million for the Period, respectively, compared to $7.3 million and $2.4 million, respectively, for the fourth quarter of 2021. Royalty income and Distribution Income in respect of the Period was based on the Royalty Pool of 383 Boston Pizza Restaurants reporting Franchise Sales of $227.2 million. In the fourth quarter of 2021, Royalty income and Distribution Income was based on the Royalty Pool of 387 Boston Pizza Restaurants reporting Franchise Sales of $183.2 million. The $1.8 million increase in Royalty income and the $0.6 million increase in Distribution Income for the Period were primarily due to positive SRS.

Year

Royalty income and Distribution Income earned by the Fund was $34.2 million and $11.3 million for the Year, respectively, compared to $26.4 million and $8.8 million, respectively, in 2021. Royalty income and Distribution Income for the Year was based on the Royalty Pool of 383 Boston Pizza Restaurants reporting Franchise Sales of $855.0 million. In 2021, Royalty income and Distribution Income were based on the Royalty Pool of 387 Boston Pizza Restaurants reporting Franchise Sales of $660.1 million. The $7.8 million increase in Royalty income and the $2.5 million increase in Distribution Income for the Year were primarily due to positive SRS.

Administrative Expenses

Period

Administrative expenses incurred by the Fund were $0.4 million for the Period, a nominal increase compared to $0.3 million for the fourth quarter of 2021. Administrative expenses are comprised of professional fees, trustee fees and expenses, the reimbursement charge payable to BPI and other general and administrative expenses.

Year

Administrative expenses incurred by the Fund were $1.4 million for the Year compared to $1.3 million in 2021.

Interest and Financing Expenses

Period

Interest and financing expenses incurred by the Fund totaled $2.4 million for the Period, comprised of interest on long-term debt and financing fees of $0.8 million and interest on Class B Units of $1.6 million. Interest and financing expenses incurred by the Fund totaled $2.0 million for the fourth quarter of 2021, comprised of interest on long-term debt and financing fees of $1.0 million and interest on Class B Units of $1.0 million. The Class B Units are classified as financial liabilities and therefore, amounts paid by Royalties LP to BPI in respect of the Class B Units are classified as interest expense and not distributions. The increase in interest and financing expenses for the Period was primarily due to the increase in interest expense on Class B Units of $0.6 million due to higher monthly distribution rates compared to the same period in 2021 and the 2022 Special Distribution (as defined below), partially offset by lower interest expense on long-term debt of $0.2 million due to lower interest rates as part of the Second Supplemental Credit Agreement (as defined below).

Year

Interest and financing expenses incurred by the Fund totaled $7.3 million for the Year, comprised of interest on long-term debt and financing fees of $3.6 million and interest on Class B Units of $3.7 million. Interest and financing expenses incurred by the Fund totaled $6.4 million in 2021, comprised of interest on long-term debt and financing fees of $3.9 million and interest on Class B Units of $2.5 million. The increase in interest and financing expenses for the Year was primarily due to the increase in interest expense on Class B Units of $1.2 million due to higher monthly distribution rates compared to the same period in 2021 and the 2022 Special Distribution, partially offset by lower interest expense on long-term debt of $0.3 million due to lower interest rates as part of the Second Supplemental Credit Agreement.

Profit before Fair Value Gain (Loss) and Income Taxes

Period

The Fund's profit before fair value gain (loss) and income taxes was $9.4 million for the Period compared to $7.5 million for the fourth quarter of 2021. The $1.9 million increase in profit before fair value gain (loss) and income taxes for the Period was primarily due to higher Royalty and Distribution Income of $2.3 million and lower interest expense on long-term debt of $0.2 million, partially offset by an increase in interest on Class B Units of $0.6 million.

Year

The Fund's profit before fair value gain (loss) and income taxes was $36.9 million for the Year compared to $27.6 million for 2021. The $9.3 million increase in profit before fair value gain (loss) and income taxes for the Year was primarily due to higher Royalty and Distribution Income of $10.3 million and lower interest expense on long-term debt of $0.3 million, partially offset by an increase in interest on Class B Units of $1.2 million.

Fair Value Gain (Loss)

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

Period

During the Period, the Fund recognized a fair value loss of $0.5 million compared to a fair value gain of $7.0 million for the same period in 2021. The change in fair value was principally due to the change in the price of Units, which is used to estimate the value of the Class 2 LP Units and upon which the Class B Unit liability is measured. Changes in interest rates, upon which the Swaps are measured, also impact the change in fair value.

The Fund indirectly acquired the Class 1 LP Units on May 6, 2015 for $33.3 million. The Class 1 LP Units are entitled to distributions determined with respect to the interest cost payable on Facility D. 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, 2022 to be $33.3 million (September 30, 2022 – $33.3 million), resulting in no fair value adjustment for the Period.

The Fund estimates the fair value of the Class 2 LP Units by multiplying the number of Class 2 LP Units indirectly held by the Fund at the end of the Period by the closing price of the Units on the last business day of the Period. Based on the Fund's closing price of $15.08 per Unit at December 31, 2022 (September 30, 2022 – $15.29 per Unit) and the 5,455,762 Class 2 LP Units held by the Fund (September 30, 2022 – 5,455,762), the fair value of the Class 2 LP Units was estimated to be $82.3 million (September 30, 2022 – $83.4 million), resulting in a fair value loss of $1.1 million for the Period. In general, the fair value of the Class 2 LP Units will increase as the market price of Units increases and vice versa.

The Fund estimates the fair value of the Class B Unit liability by multiplying the number of Units that BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI at the end of the Period by the closing price of the Units on the last business day of the Period. Based on the Fund's closing price of $15.08 per Unit at December 31, 2022 (September 30, 2022 – $15.29 per Unit) and the 2,430,823 Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI (September 30, 2022 – 2,430,823), the Class B Unit liability (on a fully-diluted basis) was valued at $36.7 million (September 30, 2022 – $37.2 million), resulting in a fair value gain of $0.5 million. In general, the Fund's Class B Unit liability will increase as the market price of Units increases and vice versa. In addition, the Fund's Class B Unit liability increases as the number of Units BPI would be entitled to receive if it exchanged all of its Class B Units (including the Class B Holdback) increases and vice versa.

The Fund recognized a fair value gain of $0.1 million in the Period as a result of the increase in the fair value of the Swaps from September 30, 2022 to December 31, 2022 due to changes in interest rates during the Period. For the same period in 2021, the Fund recognized a fair value gain of $0.7 million as a result of the increase in the fair value of the Swaps from September 30, 2021 to December 31, 2021 due to changes in interest rates.

Year

During the Year, the Fund recognized a fair value gain of $2.8 million compared to $16.3 million for 2021. The change in fair value was principally due to the change in the price of Units, which is used to estimate the value of the Class 2 LP Units and upon which the Class B Unit liability is measured. Changes in interest rates, upon which the Swaps are measured, also impact the change in fair value.

The Fund indirectly acquired the Class 1 LP Units on May 6, 2015 for $33.3 million. As discussed above, the Fund estimated the fair value of Class 1 LP Units as at December 31, 2022 to be $33.3 million (December 31, 2021 – $33.3 million), resulting in no fair value adjustment for the Year.

As at December 31, 2021, the Fund indirectly held 5,455,762 Class 2 LP Units and the Fund's closing price was $15.45. Consequently, the Fund estimated the fair value of the Class 2 LP Units as at December 31, 2021 to be $84.3 million. As discussed above, the Fund estimated the fair value of the Class 2 LP Units as at December 31, 2022 to be $82.3 million, resulting in a fair value loss of $2.0 million for the Year. In general, the fair value of the Class 2 LP Units will increase as the market price of Units increases and vice versa.

As at December 31, 2021, the number of Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI was 2,430,823 and the Fund's closing price was $15.45 per Unit. The Class B Unit liability (on a fully-diluted basis) as at December 31, 2021 was valued at $37.6 million. As discussed above, the Class B Unit liability at the end of the Period was valued at $36.7 million, resulting in a fair value gain of $0.9 million.

The Fund recorded a $3.9 million fair value gain for the Year as a result of the increase in the fair value of the Swaps from December 31, 2021 to December 31, 2022 due to changes in interest rates for the Year. In 2021, the Fund recorded a $2.3 million fair value gain as a result of the increase in the fair value of the Swaps from December 31, 2020 to December 31, 2021 due to changes in interest rates.

Income Taxes

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

Period

The Fund's income tax expense for the Period was $2.5 million, comprised of $2.4 million in current income tax expense and nominal non-cash deferred income tax expense. The Fund's income tax expense for the fourth quarter of 2021 was $1.8 million, comprised primarily of current income tax expense and nominal non-cash deferred income tax recovery. The $0.6 million increase in current income tax expense is attributable to higher profit before fair value gain (loss) and income taxes.

Year

The Fund's income tax expense for the Year was $9.1 million, comprised of $8.9 million in current income tax expense and $0.2 million in non-cash deferred income tax expense. The Fund's income tax expense in 2021 was $6.4 million, comprised of $6.3 million in current income tax expense and $0.1 million in non-cash deferred income tax expense. The $2.6 million increase in current income tax expense is attributable to higher profit before fair value gain (loss) and income taxes. The $0.1 million increase in non-cash deferred income tax expense is 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; and (ii) the Fund's indirect investment in BP Canada LP.

Net and Comprehensive Income / Basic and Diluted Earnings

Period

The Fund's net and comprehensive income was $6.4 million for the Period compared to $12.6 million for the fourth quarter of 2021. The Fund's basic earnings per Unit was $0.30 for the Period compared to $0.59 for the fourth quarter of 2021. The Fund's diluted earnings per Unit was $0.26 for the Period compared to $0.59 for the fourth quarter of 2021. The $6.2 million decrease in the Fund's net and comprehensive income for the Period compared to the fourth quarter of 2021 was primarily due to a $7.5 million increase in fair value loss and an increase in income tax expense of $0.7 million, partially offset by a $1.9 million increase in profit before fair value gain (loss) and income taxes.

Year

The Fund's net and comprehensive income was $30.6 million for the Year compared to $37.4 million in 2021. The Fund's basic earnings per Unit was $1.42 for the Year compared to $1.74 in 2021. The Fund's diluted earnings per Unit was $1.31 for the Year compared to $1.74 in 2021. The $6.8 million decrease in the Fund's net and comprehensive income for the Year compared to 2021 was primarily due to a $13.5 million decrease in fair value gain and an increase in income tax expense of $2.6 million, partially offset by a $9.3 million increase in profit before fair value gain (loss) and income taxes.

Distributions

Period

During the Period, the Fund declared distributions on the Units in the aggregate amount of $10.5 million or $0.489 per Unit. During the fourth quarter of 2021, the Fund declared distributions on the Units in the aggregate amount of $7.3 million or $0.340 per Unit. During the Period, the Fund paid distributions on the Units in the aggregate amount of $8.3 million or $0.387 per Unit. During the fourth quarter of 2021, the Fund paid distributions on the Units in the aggregate amount of $5.5 million or $0.255 per Unit. The amount of distributions declared during the Period increased by $3.2 million or $0.149 per Unit due to the monthly distribution rate increasing from $0.085 per Unit to $0.100 per Unit commencing with the July 2022 distribution, and increasing again from $0.100 per Unit to $0.102 per Unit commencing with the November 2022 distribution (collectively, the "**2022 Distribution Increases**") and the special cash distribution to Unitholders of $0.085 per Unit, which was declared on December 8, 2022 and was paid on December 30, 2022 to Unitholders of record at the close of business on December 21, 2022 (the "**2022 Special Distribution**"). Distributions paid during the Period increased by $2.8 million or $0.132 per Unit due to the 2022 Distribution Increases and the 2022 Special Distribution.

Year

During the Year, the Fund declared distributions on the Units in the aggregate amount of $25.8 million or $1.199 per Unit. During 2021, the Fund declared distributions on the Units in the aggregate amount of $18.5 million or $0.860 per Unit. During the Year, the Fund paid distributions on the Units in the aggregate amount of $25.4 million or $1.182 per Unit. During 2021, the Fund paid distributions on the Units in the aggregate amount of $22.4 million or $1.040 per Unit. The amount of distributions declared during the Year increased by $7.3 million or $0.339 per Unit due to the monthly distribution rate increasing from $0.065 per Unit to $0.085 per Unit commencing with the September 2021 distribution, the 2022 Distribution Increases and the 2022 Special Distribution. The amount of distributions paid during the Year increased by $3.0 million or $0.142 per Unit due to the monthly distribution rate increasing from $0.065 per Unit to $0.085 per Unit commencing with the September 2021 distribution, the 2022 Distribution Increases and the 2022 Special Distribution, which was partially offset by the special distribution of $0.200 per Unit that was declared on December 16, 2020 and paid on January 29, 2021 to Unitholders of record at the close of business on December 31, 2020 (the "**2020 Special Distribution**").

The Fund pays distributions on the Units in respect of any calendar month not later than the last business day of the immediately subsequent month. Consequently, monthly distributions payable by the Fund on the Units in respect of the Period were the October 2022 distribution (which was paid on November 30, 2022), the November 2022 distribution (which was paid on December 30, 2022) and the December 2022 distribution (which was paid on January 31, 2023). Similarly, the distributions payable by the Fund on the Units in respect of any other period are paid in the immediately subsequent month of such period.

On February 8, 2023, the trustees of the Fund declared a distribution for the period of January 1, 2023 to January 31, 2023 of $0.102 per Unit, which will be payable on February 28, 2023 to Unitholders of record on February 21, 2023. Including the January 2023 distribution, which will be paid on February 28, 2023, the Fund will have paid out total distributions of $397.7 million or $24.85 per Unit which includes 241 monthly distributions, the 2022 Special Distribution and the 2020 Special Distribution.

Distributions related to the Year were as follows:

PERIOD	PAYMENT DATE	AMOUNT/UNIT
December 1 – 31, 2021	January 31, 2022	8.5¢
January 1 – 31, 2022	February 28, 2022	8.5¢
February 1 – 28, 2022	March 31, 2022	8.5¢
March 1 – 31, 2022	April 29, 2022	8.5¢
April 1 – 30, 2022	May 31, 2022	8.5¢
May 1 – 31, 2022	June 30, 2022	8.5¢
June 1 – 30, 2022	July 29, 2022	8.5¢
July 1 – 31, 2022	August 31, 2022	10.0¢
August 1 – 30, 2022	September 30, 2022	10.0¢
September 1 – 30, 2022	October 31, 2022	10.0¢
October 1 – 31, 2022	November 30, 2022	10.0¢
November 1 – 30, 2022	December 30, 2022	10.2¢
2022 Special Distribution	December 30, 2022	8.5¢
December 1 – 31, 2022*	January 31, 2023*	10.2¢

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

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

Cash Flows from Operating Activities

Period

Cash generated from operating activities for the Period was $8.9 million compared to $8.5 million in the fourth quarter of 2021. The increase of $0.4 million was due to an increase of Royalty and Distribution Income of $2.3 million, partially offset by a decrease in changes in working capital of $1.1 million and an increase in income taxes paid of $0.8 million.

Year

Cash generated from operating activities for the Year was $34.4 million compared to $30.5 million for 2021. The increase of $3.9 million was due to an increase of Royalty and Distribution Income of $10.3 million, partially offset by a decrease in changes in working capital of $4.0 million and an increase in income taxes paid of $2.4 million.

Cash Flow used in Financing Activities

Period

During the Period, the Fund used $10.4 million in cash for financing activities compared to $7.8 million in the fourth quarter of 2021. The increase of $2.6 million was due to higher distributions paid to Unitholders of $2.8 million and higher interest paid on Class B Units of $0.5 million partially offset by a decrease in repayments of long-term debt of $0.7 million.

Year

During the Year, the Fund used $34.3 million in cash for financing activities compared to $33.0 million in 2021. The increase of $1.3 million was due to higher distributions paid to Unitholders of $3.0 million, higher interest paid on Class B Units of $0.5 million and higher deferred financing fees paid of $0.1 million, partially offset by a decrease in repayments of long-term debt of $2.3 million.

Distributable Cash / Distributable Cash per Unit

Period

The Fund generated Distributable Cash of $7.2 million for the Period compared to $6.1 million for the fourth quarter of 2021. The increase in Distributable Cash of $1.2 million or 19.2% was primarily due to lower repayments of long-term debt of $0.7 million, an increase of cash flows generated from operating activities of $0.4 million and SIFT Tax on Units adjustment of $0.2 million, partially offset by increased BPI Class B Unit entitlement of $0.2 million.

The Fund generated Distributable Cash per Unit of $0.336 for the Period compared to $0.282 per Unit for the fourth quarter of 2021. The increase in Distributable Cash per Unit of $0.054 or 19.1% was primarily attributable to the increase in Distributable Cash outlined above.

Year

The Fund generated Distributable Cash of $25.6 million for the Year compared to $20.4 million in 2021. The increase in Distributable Cash of $5.2 million or 25.2% was primarily due to an increase in cash flow generated from operating activities of $3.9 million and a decrease in repayments of long-term debt of $2.3 million, partially offset by increased BPI Class B Unit entitlement of $0.9 million and SIFT Tax on Units adjustment of $0.2 million.

The Fund generated Distributable Cash per Unit of $1.189 for the Year compared to $0.950 per Unit in 2021. The increase in Distributable Cash per Unit of $0.239 or 25.2% was primarily attributable to the increase in Distributable Cash outlined above.

The Fund's Distributable Cash and Distributable Cash per Unit since January 1, 2020, generated in each financial quarter, are as follows:

Distributable Cash

(in millions of dollars)	Q1	Q2	Q3	Q4	Annual
2022	$ 4.7	$ 6.2	$ 7.5	**$ 7.2**	**$ 25.6**
2021	$ 3.7	$ 4.0	$ 6.7	$ 6.1	$ 20.4
2020	$ 7.7	$ (2.2)	$ 5.5	$ 5.4	$ 16.3

Distributable Cash per Unit

	Q1	Q2	Q3	Q4	Annual
2022	$ 0.218	$ 0.287	$ 0.347	**$ 0.336**	**$ 1.189**
2021	$ 0.170	$ 0.187	$ 0.310	$ 0.282	$ 0.950
2020	$ 0.355	$ (0.104)	$ 0.253	$ 0.250	$ 0.756

Payout Ratio

Period

The Fund's Payout Ratio for the Period was 115.1% compared to 90.4% in the fourth quarter of 2021. The increase in the Fund's Payout Ratio for the Period was due to distributions paid increasing by $2.8 million or 51.8%, partially offset by Distributable Cash increasing by $1.2 million or 19.2%.

Year

The Fund's Payout Ratio for the Year was 99.4% compared to 109.5% in 2021. The decrease in the Fund's Payout Ratio for the Year was due to Distributable Cash increasing by $5.2 million or 25.2%, partially offset by distributions paid increasing by $3.0 million or 13.7%. As discussed above, Payout Ratio is calculated by dividing the amount of distributions paid during the applicable period by the Distributable Cash for that period. Accordingly, the Payout Ratio for 2021 factors in the 2020 Special Distribution that was paid on January 29, 2021, even though the cash generated to fund the 2020 Special Distribution was generated during 2020. If the 2020 Special Distribution was excluded in the calculation of Payout Ratio for 2021, the Payout Ratio would be 88.4%.

The Fund's quarterly and annual Payout Ratios with respect to each financial quarter since January 1, 2020 are as follows:

	Q1	Q2	Q3	Q4	Annual
2022	116.8%	88.9%	82.0%	**115.1%**	**99.4%**
2021	231.8%	104.3%	62.9%	90.4%	109.5%
2020	90.0%	0.0%	0.0%	77.9%	68.2%

The Fund's Payout Ratio is typically higher in the first and fourth quarters compared to the second and third quarters since Boston Pizza Restaurants generally experience higher Franchise Sales levels during the summer months when restaurants open their patios and benefit from increased tourist traffic.

New Restaurants Added to the Royalty Pool

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

On January 1, 2022, the Royalty Pool was adjusted to remove four Closed Restaurants that closed between January 1, 2021 and December 31, 2021 resulting in the number of Boston Pizza Restaurants in the Royalty Pool decreasing from 387 to 383. The actual Franchise Sales received from the four Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool was $6.2 million. Since no New Restaurants opened during the Year, the resulting estimated annual net Franchise Sales for the four Closed Restaurants that closed in 2021 was negative $6.2 million. Consequently, this resulted in the Net Royalty and Distribution Income having a Deficiency for 2021 of $0.3 million (being 5.5% of negative $6.2 million Franchise Sales). Since there was a Deficiency for 2021 of $0.3 million, BPI did not receive any Additional Entitlements on January 1, 2022. However, BPI did not lose any of the Additional Entitlements it received in respect of previous years. Instead, BPI will be required to make-up the cumulative Deficiency for both 2020 and 2021 on future Adjustment Dates by first adding Net Royalty and Distribution Income in an amount equal to the cumulative Deficiency before receiving any further Additional Entitlements.

<u>*Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2021*</u>

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

Subsequent Events

<u>*Boston Pizza Restaurants Added to Royalty Pool on January 1, 2023*</u>

On January 1, 2023, the Royalty Pool was adjusted to remove six Closed Restaurants for the Year resulting in the number of Boston Pizza Restaurants in the Royalty Pool decreasing from 383 to 377. The actual Franchise Sales received from the six Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool was $6.8 million. Since no New Restaurants opened during the Year, the resulting annual net Franchise Sales for the six Closed Restaurants that closed in 2022 was negative $6.8 million. Consequently, this resulted in the Net Royalty and Distribution Income having a Deficiency for 2022 of $0.4 million (being 5.5% of negative $6.8 million Franchise Sales). Since there was a Deficiency for 2022 of $0.4 million, BPI did not receive any Additional Entitlements on January 1, 2023. However, BPI did not lose any of the Additional Entitlements it received in respect of previous years. Instead, BPI will be required to make-up the cumulative Deficiency for 2020, 2021 and 2022 on future Adjustment Dates by first adding Net Royalty and Distribution Income in an amount equal to the cumulative Deficiency before receiving any further Additional Entitlements. The following is a summary of the cumulative Deficiency that exists:

Adjustment Date	Actual Franchise Sales of New Restaurants for Adjustment Date (in millions)*	Actual Franchise Sales of Closed Restaurants for Adjustment Date (in millions)*	Net Franchise Sales for Adjustment Date (in millions)*	Deficiency, being 5.5% of Net Franchise Sales (in millions)*
January 1, 2021	$3.1†	$18.5	($15.4)	($0.8)
January 1, 2022	--	$6.2	($6.2)	($0.3)
January 1, 2023	--	$6.8	($6.8)	($0.4)
Cumulative	**$3.1**	**$31.5**	**($28.4)**	**($1.6)**

*Figures are rounded to one decimal place. † Determined in February 2022 after an audit of Franchise Sales for 2021 was performed on the New Restaurants.

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA ROYALTIES INCOME FUND
For the Period and Year ended December 31, 2022

<u>*Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2022*</u>

Since no New Restaurants were opened during 2021 nor were added to the Royalty Pool on January 1, 2022, there was no need to conduct an audit to compare the actual Franchise Sales from New Restaurants that were opened in 2021 to the estimated amount of Franchise Sales expected to be generated by these New Restaurants during 2022 nor to compare the actual effective tax rate paid by the Fund for 2022 to the estimated effective tax rate the Fund expected to pay for 2022.

Units Outstanding

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

<u>Summary of Boston Pizza Royalties Income Fund Units</u>

	Dec. 31, 2022 Excluding Holdback	Dec. 31, 2022 Including Holdback	Feb. 8, 2023 Excluding Holdback	Feb. 8, 2023 Including Holdback	
<u>Units Outstanding</u>					
Total Issued and Outstanding Fund Units	21,521,463	21,521,463	21,521,463	21,521,463	
<u>Class B Additional Entitlements Outstanding</u>					
Class B Additional Entitlements (Excluding Jan. 1, 2023 Adjustment Date)	2,430,823	2,430,823	2,430,823	2,430,823	
Class B Holdback (Excluding Jan. 1, 2023 Adjustment Date)	N/A	--	N/A	N/A	(1)
Class B Additional Entitlements – Issued Jan. 1, 2023	N/A	N/A	--	--	
Class B Holdback – Created Jan. 1, 2023	N/A	N/A	N/A	--	(2)
Total Class B Additional Entitlements	2,430,823	2,430,823	2,430,823	2,430,823	
<u>Class 2 Additional Entitlements Outstanding</u>					
Class 2 Additional Entitlements (Excluding Jan. 1, 2023 Adjustment Date)	831,354	831,354	831,354	831,354	
Class 2 Holdback (Excluding Jan. 1, 2023 Adjustment Date)	N/A	--	N/A	N/A	(1)
Class 2 Additional Entitlements – Issued Jan. 1, 2023	N/A	N/A	--	--	
Class 2 Holdback – Created Jan. 1, 2023	N/A	N/A	N/A	--	(2)
Total Class 2 Additional Entitlements	831,354	831,354	831,354	831,354	
<u>Summary</u>					
Total Issued and Outstanding Fund Units	21,521,463	21,521,463	21,521,463	21,521,463	
Total Additional Entitlements	3,262,177	3,262,177	3,262,177	3,262,177	
Total Diluted Units	24,783,640	24,783,640	24,783,640	24,783,640	
BPI's Total Percentage Ownership	13.2%	13.2%	13.2%	13.2%	

1) There is no Holdback for the adjustment to the Royalty Pool that occurred on January 1, 2022 since BPI did not receive any Additional Entitlements in respect thereof due to a Deficiency existing.
2) There is no Holdback for the adjustment to the Royalty Pool that occurred on January 1, 2023 since BPI did not receive any Additional Entitlements in respect thereof due to a Deficiency existing.

BPI directly and indirectly holds 100% of the special voting units (the "**Special Voting Units**") of the Fund, which entitle BPI to one vote in respect of matters to be voted upon by Unitholders for each Unit that BPI would be entitled to receive if it exchanged all of its Class B Units and Class 2 GP Units for Units. As of February 8, 2023, BPI was entitled to 3,262,177 votes, representing 13.2% of the aggregate votes held by holders of Units and Special Voting Units. The number of Units that BPI is entitled to receive upon the exchange of its Class B Units and Class 2 GP Units and the number of votes that BPI is entitled to in respect of its Special Voting Units is adjusted periodically to reflect any additional Boston Pizza Restaurants that were added to the Royalty Pool.

TAX TREATMENT OF DISTRIBUTIONS

Of the $1.199 in distributions declared per Unit during the Year, 93.4% or $1.120 per Unit are taxable eligible dividends and 6.6% or $0.079 per Unit represents a tax-deferred return of capital.

LIQUIDITY & CAPITAL RESOURCES

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

Indebtedness

Original Credit Facilities

Prior to June 28, 2022, Holdings LP and Royalties LP had credit facilities with a Canadian chartered bank (the "**Bank**") in the amount of up to $91.0 million (originally $97.0 million) that were scheduled to expire on December 31, 2022 (the "**Original Credit Facilities**"). The Original Credit Facilities were comprised of a: (a) $2.0 million committed operating facility issued to Royalties LP ("**Facility A**"); (b) $55.7 million (originally $61.7 million) committed non-revolving credit facility issued to Royalties LP for the purpose of refinancing Royalties LP's previous credit facilities, to facilitate the Fund repurchasing and cancelling Units under normal course issuer bids or substantial issuer bids, to finance the cash component of any exchange of exchangeable units of BP Canada LP and to repay reimbursement charges owing by Royalties LP to BPI for performing administrative services to the Fund ("**Facility B**"); and (c) $33.3 million committed non-revolving credit facility issued to Holdings LP for the purpose of subscribing for Class 1 LP Units of BP Canada LP ("**Facility D**"). The amount available under Facility B permanently reduces whenever Royalties LP repays principal on Facility B.

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

The principal amounts drawn on Facility A, Facility B and Facility D are due and payable upon maturity. In addition, Royalties LP made principal payments of $0.7 million on December 31, 2020, $1.0 million on each of March 31, 2021, June 30, 2021 and September 30, 2021, $0.7 million on December 31, 2021, $0.5 million on March 31, 2022 and $1.0 million on June 27, 2022.

Amendments and Extension to the Original Credit Facilities

On June 28, 2022, Holdings LP and Royalties LP entered into a second supplemental credit agreement (the "**Second Supplemental Credit Agreement**") with the Bank to amend and extend the Original Credit Facilities (the Original Credit Facilities, as amended and extended by the Second Supplemental Credit Agreement, being the "**Credit Facilities**")[8]. The material modifications to the Original Credit Facilities are as follows:

1. The maturity date was extended from December 31, 2022 to July 1, 2026;

2. The total amount of credit available was decreased by approximately $8.4 million, from the original $97.0 million to $88.6 million by decreasing the size of Facility B from the original $61.7 million to approximately $53.3 million to reflect approximately $6.0 million of repayments of principal previously made by the Fund and a reduction of available credit of approximately $2.4 million;

3. The interest rates (or margins, as applicable) applicable to the Original Credit Facilities decreased substantially depending upon the Fund's total funded net debt to EBITDA ratio and the availment option selected. In the case of Canadian prime rate loans, the interest rate is now equal to the Bank's prime rate plus between 0.00% and 0.65% (depending on the total funded net debt to EBITDA ratio) and, in the case of bankers' acceptances and Canadian dollar offered rate loans, the interest rate is equal to a variable interest rate based on the Bank's bankers' acceptance rates or Canadian dollar offered rates plus between 1.25% and 1.85% (depending on the total funded net debt to EBITDA ratio);

4. The requirement of the Fund to make subsequent quarterly repayments of principal on Facility B was eliminated;

5. The financial covenant that the Fund's total funded net debt to EBITDA must not exceed 3.00:1 from and after September 30, 2021 was modified to require it to not exceed 2.50:1 on closing until December 30, 2024 and to not exceed 2.25:1 thereafter;

6. Certain other covenants and provisions were modified; and

7. The guarantees and security supporting the Credit Facilities remain unchanged from those existing immediately prior to the Second Supplemental Credit Agreement.

The Credit Facilities now have a maturity date of July 1, 2026 and are comprised of: (i) Facility A, being a $2.0 million committed revolving operating facility issued to Royalties LP; (ii) Facility B, being an approximately $53.3 million committed non-revolving credit facility issued to Royalties LP for the purpose of refinancing previous credit facilities, facilitating the Fund's repurchasing and canceling of units of the Fund under normal course issuer bids or substantial issuer bid arrangements, and financing the cash component of any exchange of general partnership units of BP Canada LP; and (iii) Facility D, being an approximately $33.3 million committed revolving credit facility issued to Holding LP for the purpose of subscribing for Class 1 LP Units and Class 2 LP Units of BP Canada LP.

The Credit Facilities continue to be secured by a first charge on the assets of Holdings LP and Royalties LP. The Credit Facilities continue to be guaranteed by the Fund and all of its subsidiaries, each of whom granted security over all its assets in favour of the Bank in support of such guarantees. Neither BPI nor any of its subsidiaries has guaranteed or provided any security in respect of the Fund's Credit Facilities.

The principal financial covenants of the Credit Facilities are that: (a) the Fund and its subsidiaries (including Holdings LP and Royalties LP), taken as a whole, shall maintain a total funded net debt to EBITDA ratio of not greater than 2.50:1 upon closing and until December 30, 2024 and not greater than 2.25:1 thereafter (tested quarterly); and (b) the total amount of certain permitted distributions of the Fund (including distributions to

8 On June 28, 2022, BPI also entered into a Second Supplemental Credit Agreement with the Bank to amend and extend BPI's credit facilities. See BPI's MD&A for the three and six month period ended June 30, 2022, a copy of which is available on www.sedar.com, for details.

Unitholders) must not exceed the sum of the Fund's Distributable Cash (as Distributable Cash is defined in the First Amended and Restated Credit Agreement dated January 24, 2020) and cash on hand by greater than $2.0 million (tested quarterly on a trailing 12-month basis). In addition, the agreements governing the Credit Facilities contain certain covenants and restrictions, including the requirement to meet the financial ratios described above. A failure of the Fund or its subsidiaries to comply with these covenants and restrictions could entitle the Bank to demand repayment of the outstanding balance drawn on the Credit Facilities prior to maturity. Royalties LP and Holdings LP were in compliance with all of their financial covenants and financial condition tests as at 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 following agreements between the Fund and the Bank, a copy of each of which is available on www.sedar.com: (i) the First Amended and Restated Credit Agreement dated January 24, 2020; (ii) the First Supplemental Credit Agreement dated June 22, 2020; and (iii) the Second Supplemental Credit Agreement.

No changes to the Swaps were made as part of the Second Supplemental Credit Agreement.

As of December 31, 2022, working capital of the Fund totaled positive $8.2 million compared to negative $82.1 million on December 31, 2021. The Fund has no requirement to maintain a certain amount of working capital. As of December 31, 2022, no amounts were drawn on Facility A, $53.3 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, 2022:

(in thousands of dollars)	< 1 year	1 - 5 years	Total	Book Value
Accounts payable and accrued liabilities	544	–	544	544
Current income tax payable	34	–	34	34
Credit Facilities and Swaps[1]	3,357	96,473	99,830	82,417
	3,935	96,473	100,408	82,995

Note:

1) The Credit Facilities and Swaps include expected interest payments based on the Fund's blended rate of 3.88% to the scheduled maturity date of the Credit Facilities of July 1, 2026 and exclude deferred financing costs of $0.2 million.

Interest Rate Swaps

Royalties LP and Holdings LP, as applicable, previously entered into the following interest rate swaps under their respective International Swap Dealers Association Master Agreements with the Bank[9]:

(a) Royalties LP entered into a swap to fix the interest rate at 2.40% plus between 1.25% and 1.85% per annum (depending upon funded debt to EBITDA ratios) for a term that ended on January 1, 2023 for $15.0 million of the $53.3 million drawn on Facility B;

(b) Royalties LP entered into a swap to fix the interest rate at 2.27% plus between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) for a term ending on April 1, 2024 for $15.0 million of the $53.3 million drawn on Facility B;

(c) Royalties LP entered into a swap to fix the interest rate at 2.28% plus between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) for a term ending on February 1, 2027 for $15.0 million of the $53.3 million drawn on Facility B;

9 The rate premium of between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) was between 2.00% and 3.00% prior to the start of the Period as these were the rate premiums applicable prior to the amendment and extension of the Original Credit Facilities.

(d) Holdings LP entered into a swap to fix the interest rate at 1.02% plus between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) for a term ending on August 14, 2025 for $17.0 million of the $33.3 million drawn on Facility D; and

(e) Holdings LP entered into a swap to fix the interest rate at 1.09% plus between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) for a term ending on March 1, 2026 for $15.0 million of the $33.3 million drawn on Facility D.

As of December 31, 2022, $8.3 million drawn on Facility B and $1.3 million drawn on Facility D bore interest at variable interest rates applicable to the Credit Facilities discussed above. The effective interest rate for all amounts borrowed by the Fund was 3.88% at December 31, 2022 (December 31, 2021 – 3.98%).

In addition, on December 19, 2022, Royalties LP entered into a swap that commenced on January 3, 2023 to fix the interest rate at 3.48% plus between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) for a term ending on January 4, 2028 for $15.0 million of the $53.3 million drawn on Facility B to replace the swap described in item (a) above that ended on January 1, 2023 (this swap, together with the previously describe swaps, the "**Swaps**").

The Fund uses the Swaps to mitigate its exposure to interest rate risk related to the Credit Facilities (and the Original Credit Facilities, as applicable). The Fund accounts for the Swaps as derivative instruments in accordance with IFRS. The fair market value of the Swaps is determined using valuation techniques at each reporting date and any change in the fair value of the Swaps is included in the Fund's comprehensive income or loss. The Fund recognized a $0.1 million fair value gain on the Swaps for the Period in its consolidated statements of comprehensive income (loss) compared to $0.7 million for the fourth quarter of 2021. During the Year, the Fund recorded a $3.9 million fair value gain on the Swaps in the consolidated statements of comprehensive income (loss) compared to $2.3 million in 2021.

Amendments to General Security Agreements granted by BPI and its subsidiaries in favour of the Fund

Concurrently with the Fund and BPI amending and extending their respective credit facilities with the Bank on June 28, 2022, the Fund, its subsidiaries, BPI and its subsidiaries entered into an amending agreement, a copy of which is available on www.sedar.com, to modify certain covenants in the general security agreements granted by BPI and its subsidiaries to secure payments of Royalty and Distribution Income to the Fund. These modifications included the following:

1. Removing the requirement that BPI dispose of certain assets and use the net proceeds therefrom to reduce BPI's indebtedness owing to the Bank;

2. Removing the requirement that BPI's trailing 12-month EBITDA must not be less than certain specified values;

3. Removing the requirement that BPI and BP Canada LP pay the Fund each fiscal quarter a minimum amount of Royalty and Distribution Income, commencing the fiscal year for 2023;

4. Requiring that BPI's permitted debt ratio, being the ratio of the aggregate debt of BPI and its subsidiaries to EBITDA (tested quarterly on a trailing 12-month basis) shall not exceed 3.00:1; and

5. Incorporating the financial covenants and other monitoring and testing covenants granted by BPI and its subsidiaries to the Bank in connection with BPI's credit facilities and deeming them to be covenants of BPI and its subsidiaries to Royalties LP.

The Fund and the Bank share priority over security granted to them by BPI and its subsidiaries pursuant to the Second Amended and Restated Priority Agreement dated April 11, 2018 among the Bank and Royalties LP, a copy of which is available on www.sedar.com. No modification to that priority agreement was made as part of amending and extending the Credit Facilities or BPI's credit facilities with the Bank.

Related Party Transactions

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

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

- The total amount charged by BPI in respect of the Administrative Services for the Period and the Year was $0.1 million and $0.4 million, respectively (Q4 2021 – $0.1 million, 2021 - $0.4 million). The total amount paid to BPI in respect of these services for the Period and the Year was $0.1 million and $0.4 million, respectively (Q4 2021 – $0.1 million, 2021 - $0.4 million).

- As at December 31, 2022, interest payable by the Fund to BPI in respect of the Class B Units was $0.3 million (December 31, 2021 – $0.3 million).

- As at December 31, 2022, the Royalty receivable from BPI was $3.3 million (December 31, 2021 – $2.6 million), and the Distribution Income receivable from BP Canada LP was $1.0 million (December 31, 2021 – $0.8 million). See the "Distributions" section of this MD&A for more details.

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

Judgment – Consolidation

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

Estimates - Intangible Assets – the BP Rights

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

The impairment test requires that the Fund use a valuation technique to determine if impairment exists. The valuation of the intangibles is based on a value in use approach and depends on certain estimates, including projected Franchise Sales for Boston Pizza Restaurants that are in the Royalty Pool and the discount rate. This valuation technique may not represent the actual recoverable amount that the Fund expects the BP Rights to generate. The Fund concluded that the recoverable amount exceeds the carrying amount of the BP Rights, therefore no impairment was recorded for the Year.

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

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

- Level 1 – quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 – pricing inputs are other than quoted in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date.

- Level 3 – valuations in this level are those with inputs for the asset or liability that are not based on observable data.

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

(i) Class B Units

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

(ii) Class 1 Units and Class 2 LP Units

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

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

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

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

CHANGES IN ACCOUNTING POLICIES

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the International Accounting Standards Board (the "**IASB**") issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted. The amendments require the disclosure of material accounting policies rather than significant accounting policies. The Fund has done an initial assessment of these amendments and does not anticipate an impact to the Fund's business, financial statements or disclosure. The Fund intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2023.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued Presentation of Financial Statements (Amendments to IAS 1) and on October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments are effective for annual periods beginning on or after January 1, 2024. These amendments clarify the classification of liabilities as current or non-current and improve the information a company provides about long-term debt with covenants. For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional.

Instead, such a right must exist at the end of the reporting period and have substance. In addition, covenants with which a company must comply after the reporting date do not affect the liability's classification at the reporting date. The Fund has done an initial assessment of these amendments and does not anticipate an impact on the Fund's business, financial statements or disclosure. The Fund intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2024.

SHORT-TERM OUTLOOK

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

The two principal factors that affect SRS are changes in guest 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 and 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.

The actions taken by BPI and BP Canada LP to strengthen its business during COVID-19 have allowed BPI and BP Canada LP to be in a good position to address any on-going COVID-19 related challenges or other future challenges in the restaurant industry. The easing and elimination of government-imposed restrictions in Canada related to COVID-19 has enabled Boston Pizza to continue to drive improved performance and guest traffic. However, with supply chain challenges, rising interest rates, increasing input costs and labour shortages impacting most of the restaurant industry, BPI's management remains cautious. The focus of BPI's management is to adapt the business to mitigate these challenges and capitalize on the recent sales momentum resulting from the elimination of COVID restrictions in the restaurant industry.

The trustees of the Fund will continue to closely monitor the Fund's available cash balances given the volatile economic outlook.

RISKS & UNCERTAINTIES

Risks Related to the Business of BPI and BP Canada LP

Economic Uncertainties

The success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders, are dependent upon many economic factors, including impacts of inflation, increases in interest rates, unemployment rates, consumer confidence, recession, supply chain disruption, labour availability and other globally disruptive events. Inflation and increases in interest rates increase the difficulty for Boston Pizza Restaurants to operate profitability due to increased input and debt service costs while balancing the need to maintain competitive menu pricing. Increases in interest rates also make it more difficult for Boston Pizza Restaurants to invest in new equipment and technology due to increased debt service costs. Rising unemployment rates, decreasing consumer confidence and recession may lead to decreased demand for dining out, resulting in reduced guest traffic and Franchise Sales. While global supply chains have somewhat normalized since COVID-19 and Boston Pizza's supply chain is stable, it remains possible that economic uncertainty may result in commodity unavailability or increased commodity costs for Boston Pizza Restaurants. The continued labour shortage in the restaurant industry may impede Boston Pizza Restaurants' ability to attract and retain sufficient numbers of qualified staff. In addition, global disruptions, such as geopolitical events, public health or pandemic outbreaks (including COVID-19), war or hostilities in countries in which Boston Pizza suppliers are located, terrorist or military activities, or natural disasters such as hurricanes, tornadoes, floods, earthquakes and others, could lead to disruptions in the supply chain and increased economic uncertainty. All of these factors can contribute to a challenging environment for Boston Pizza Restaurants, which may: (i) limit their ability to generate Franchise Sales, thereby decreasing the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders; and/or

(ii) decrease their profitability, thereby increasing the risks of Boston Pizza Restaurants closing.

COVID-19 Risk

Beginning in March of 2020, the COVID-19 pandemic had sudden, unexpected and unprecedented impacts on the general economy and the restaurant industry, and caused significant disruption to the business and revenues of the Fund and BPI. The COVID-19 pandemic resulted in material declines to Franchise Sales and SRS when compared to periods prior to COVID-19. The declines in Franchise Sales and SRS resulted in significant declines to Royalty and Distribution Income payable by BPI and BP Canada LP to the Fund when compared to periods prior to COVID-19, and significant declines in the amount of Distributable Cash available for distribution to Unitholders when compared to periods prior to COVID-19. While COVID-19 case counts have improved, government restrictions related to COVID-19 have largely been eliminated, and sales levels of Boston Pizza Restaurants have returned to more normal levels when compared to periods prior to COVID-19, it is unknown whether there may be additional COVID-19 outbreaks, including outbreaks caused by variants of the COVID-19 virus, that may result in reduced service levels or temporary closures at Boston Pizza Restaurants. Any reduced service levels or temporary closures of Boston Pizza Restaurants will result in declines to Franchise Sales, SRS, Royalty, Distribution Income and the amount of Distributable Cash available for distribution to Unitholders.

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

The Restaurant Industry and its Competitive Nature

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

Growth of the Royalty and Distribution Income

The growth of the Royalty payable by BPI to Royalties LP under the License and Royalty Agreement, 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

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Boston Pizza Restaurants; adequately supervising construction; securing suitable financing; and other factors, some of which are beyond the control of BPI and BP Canada LP. Boston Pizza franchisees may not have all the business abilities or access to financial resources necessary to open a Boston Pizza Restaurant or to successfully develop or operate a Boston Pizza Restaurant in their franchise areas in a manner consistent with BPI's and BP Canada LP's standards. BPI and BP Canada LP provide training and support to Boston Pizza franchisees, but the quality of franchised operations may be diminished by any number of factors beyond BPI's and BP Canada LP's control. Consequently, Boston Pizza franchisees may not successfully operate restaurants in a manner consistent with BPI's and BP Canada LP's standards and requirements, or may not hire and train qualified managers and other restaurant personnel. If they do not, the image and reputation of BPI and BP Canada LP may suffer, and gross revenue and results of operations of the Boston Pizza Restaurants could decline.

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

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

BPI and BP Canada LP Revenue

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

Intellectual Property

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

Government Regulation

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

Regulations Governing Food Service and Alcoholic Beverages

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

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

Laws Concerning Employees

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

Sales Tax Regulations

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

Franchise Regulation Risk

The complete failure to provide a disclosure document as required by the franchise disclosure laws and regulations of the provinces of British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Prince Edward Island (or the provision of a disclosure document that is materially non-compliant) provides a franchisee with a two-year absolute right of rescission. If a disclosure document is not provided within the time required by applicable provincial legislation, a franchisee is provided with sixty days from receipt of the disclosure document in which to rescind the franchise agreement. The statutory right of rescission gives a franchisee the right to receive back all monies paid, and to recover for its losses, if any. Franchise legislation also provides a franchisee

with a statutory right of action to sue if a franchisee suffers a loss because of a misrepresentation contained in the disclosure document, or as a result of the franchisor's failure to comply with its disclosure obligations. These rights are in addition to any rights that might exist at common law. Claims arising from any non-compliance with franchise disclosure laws may adversely affect the ability of BP Canada LP to pay Distribution Income to Holdings LP, and of BPI to pay the Royalty to Royalties LP.

Potential Litigation and Other Complaints

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

Insurance

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

Dependence on Key Personnel

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

Security of Confidential Guest Information and Personal Information

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

Reliance on Technology

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

Risks Related to the Structure of the Fund

Investment Eligibility

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

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

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

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

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

Leverage Risks

Refinancing Risk – Royalties LP and Holdings LP have third-party debt service obligations under the Credit Facilities. The degree to which Royalties LP and Holdings LP are leveraged could have important consequences to Unitholders, including: (i) a portion of Royalties LP's and Holdings LP's cash flow from operations could be dedicated to the payment of the principal of and interest on their indebtedness, thereby reducing funds available for distribution to the Fund; and (ii) certain of Royalties LP's and Holdings LP's borrowings are at variable rates of interest, which exposes them to the risk of increased interest rates. The Credit Facilities are due on July 1, 2026, at which time Royalties LP and Holdings LP will need to refinance such loans. There can be no assurance that refinancing of this indebtedness will be available to Royalties LP or Holdings LP, or available to Royalties LP or Holdings LP on acceptable terms. If Royalties LP and Holdings LP cannot refinance this indebtedness on

acceptable terms upon maturity, it will negatively impact the ability of Royalties LP and Holdings LP to make distributions on their partnership securities, which in turn will negatively impact Distributable Cash and the Fund's ability to make distributions on the Units. Royalties LP's and Holdings LP's ability to make scheduled payments of principal or interest on, or to refinance, their indebtedness depends on future cash flows, which is dependent on Distribution Income Holdings LP receives from BP Canada LP, Royalty payments Royalties LP receives from BPI, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

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

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

Risks Related to Debt of BPI

- BPI has third-party debt service obligations under its credit facilities with the Bank (the "**BPI Credit Facilities**") and with the Business Development Bank of Canada. The degree to which BPI is leveraged could have important consequences to Unitholders, including: (i) a portion of BPI's cash flow from operations could be dedicated to the payment of the principal of and interest on BPI's indebtedness, thereby reducing funds available for payment of the Royalty; and (ii) certain of BPI's borrowings are at variable rates of interest. The BPI Credit Facilities are due on July 1, 2026, at which time BPI will need to refinance such loans. There can be no assurance that refinancing of this indebtedness will be available to BPI, or available to BPI on acceptable terms. If BPI cannot refinance this indebtedness on acceptable terms upon maturity, it may negatively impact the ability of BPI to pay the Royalty. Given the Fund's dependence upon BPI, this may negatively impact Distributable Cash and the Fund's ability to make distributions on the Units. BPI's ability to make scheduled payments of principal or interest on, or to refinance, its indebtedness depends on future cash flows, which is dependent on the success of Boston Pizza Restaurants, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

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

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

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

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

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

Restrictions on Certain Unitholders and Liquidity of Units

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

Fund not a Corporation

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

Nature of Units

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

only assets are Series 1 Trust Notes, Trust Units, common shares of Royalties GP and common shares of Holdings GP. The price per Unit is typically a function of the anticipated amount of distributions.

Possible Unitholder Liability

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

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

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

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

The Fund May Issue Additional Units Diluting Existing Unitholders' Interests

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

Income Tax Matters

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

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

The Fund is liable to pay the SIFT Tax. The payment of the SIFT Tax reduces the amount of cash available for distributions to Unitholders.

Internal Control Over Financial Reporting

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

ADDITIONAL INFORMATION

Additional information relating to the Fund, Royalties LP, Royalties GP, BPCHP, the Trust, Holdings LP, Holdings GP, BPI and BP Canada LP, including the Fund's Annual Information Form dated February 8, 2023, is available on SEDAR at www.sedar.com and on the Fund's website at www.bpincomefund.com.

NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

- future distributions and dates distributions are to be paid or payable;
- adjustments to Additional Entitlements that are to occur in the future and when such adjustments will occur;
- how changes in distributions will be implemented;
- how distributions will be funded;
- BPI management modifying operations and procedures of Boston Pizza Restaurants to ensure the safety of guests and employees of BP Canada LP's franchisees and to mitigate challenges related to supply chain, rising interest rates, increasing input costs and labour shortages;
- debt of franchisees of BP Canada LP, including degree of debt leverage and interest rate risk;
- the trustees of the Fund will continue to closely monitor the Fund's available cash balances given the volatile economic outlook;
- continued improved performance and guest traffic due to the easing and elimination of government-imposed COVID-19 restrictions in the Canadian restaurant industry;
- BPI and BP Canada LP's ability to implement strategies driving higher guest traffic and increased average cheque levels;
- the Fund's expectation that future distributions will continue to be funded entirely by cash flows from operations;
- the Fund's current sources of liquidity being sufficient to cover its currently known short and long-term obligations;
- impact of seasonality on Franchise Sales and Payout Ratio; and
- estimated effective tax rate.

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;
- no closures of Boston Pizza Restaurants that materially affect the amount of Royalty or Distribution Income paid by BPI and BP Canada LP, respectively, to the Fund;
- future results being similar to historical results;
- expectations related to future general economic conditions;
- management of BPI and BP Canada LP maintaining current strategies to drive higher guest traffic and higher average guest cheques;
- Boston Pizza Restaurants maintaining operational excellence;
- culinary innovation and menu re-pricing;
- continuing operations of key suppliers;
- availability of experienced management and hourly employees;
- the absence of significant supply chain interruptions;
- ability to mitigate rising interest rates and input costs;
- ability to obtain qualified franchisees;
- ability to open sufficient New Restaurants to replace Franchise Sales of Closed Restaurants;
- ability to comply with disclosure obligations under franchise laws and regulations;
- ability to obtain adequate insurance coverage;
- ability to invest in new equipment and technology;
- ability to enter into arrangements with suppliers and distributors to generate competitive pricing for franchisees and revenue for BP Canada LP;
- ability to adapt to changes in operating environments and economic condition;
- no additional increases in SIFT Tax and sales tax rates;
- COVID-19 may continue to negatively impact Boston Pizza dining rooms and sports bars across Canada; and
- COVID-19 and its related restrictions will continue to dissipate.

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

- competition;
- consumer spending habits;
- consumer confidence in the retail sector;
- household debt;
- weather;
- pricing;
- changes in demographic trends;
- changes in consumer preferences and discretionary spending patterns;
- changes in national and local business and economic conditions;
- legislation and government regulation;
- cash distributions are not guaranteed;
- accounting policies and practices;
- the results of operations and financial conditions of BPI and the Fund;
- inflation;
- rising interest rates;
- publicity from any food borne illness;
- increase in food, labour or benefits costs;
- Boston Pizza Restaurant closures;

- successful challenge of the BP Rights;
- inadequacy of insurance coverage;
- increases in the rate of SIFT Tax and sales tax;
- litigation against franchisees;
- inability to attract and retain key personnel;
- data security breaches and technological failures;
- global disruptions including geopolitical events, war or hostilities, terrorist or military activities, or natural disasters; and
- pandemics and national health crises, in particular COVID-19.

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

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

MANAGEMENT'S STATEMENT OF RESPONSIBILITIES

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

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

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

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

Marc Guay

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

February 8, 2023

KPMG

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
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INDEPENDENT AUDITOR'S REPORT

To Unitholders of Boston Pizza Royalties Income Fund

Opinion

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

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in Unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Fund as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Assessment of the recoverable amount of Intangible assets – BP Rights

Description of the matter

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

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

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

We involved valuation professionals with specialized skills and knowledge, who assisted in the evaluation of the pre-tax discount rate used in the determination of the recoverable amount. The valuation professionals evaluated the pre-tax discount rate by comparing it against a pre-tax discount rate range that was independently developed using publicly available market data for comparable entities. The valuation professionals considered features and risks specific to the Intangible assets – BP Rights.

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

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

Vancouver, Canada
February 8, 2023

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

		December 31, 2022		December 31, 2021
Assets				
Current assets				
Cash and cash equivalents	$	5,213	$	5,162
Royalty receivable from Boston Pizza International Inc. *(note 14)*		3,330		2,602
Distributions receivable from Boston Pizza Canada Limited Partnership *(note 14)*		1,042		820
Prepaid expenses		121		105
Interest rate swaps *(note 7)*		1,592		215
		11,298		8,904
Interest rate swaps *(note 7)*		2,628		615
Investment in Units of Boston Pizza Canada Limited Partnership *(note 5)*		115,587		117,606
Intangible assets – BP Rights *(note 6)*		284,188		284,188
Total assets	$	413,701	$	411,313
Liabilities and Unitholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	$	544	$	586
Distributions payable to Fund unitholders (*note 11(c)*)		2,195		1,829
Interest payable on Class B Units (*note 14*)		303		265
Current income tax payable (*note 4*)		34		24
Interest rate swaps (note 7)		-		360
Credit Facilities *(note 7)*		-		87,963
		3,076		91,027
Interest rate swaps *(note 7)*		-		141
Credit Facilities *(note 7)*		86,440		-
Deferred income taxes (*note 4*)		6,950		6,790
Class B Unit Liability *(note 8)*		36,657		37,556
Total liabilities		133,123		135,514
Unitholders' equity				
Fund Units *(note 11)*		325,048		325,048
Accumulated deficit *(note 12)*		(44,470)		(49,249)
		280,578		275,799
Total liabilities and unitholders' equity	$	413,701	$	411,313

Subsequent events *(note 17)*

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

Marc Guay

David Merrell

BOSTON PIZZA ROYALTIES INCOME FUND
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, except per Fund Unit data)

	2022	2021
Revenue		
Royalty income *(note 13)*	$ 34,200	$ 26,402
Distribution income *(note 13)*	11,273	8,752
Total revenue	45,473	35,154
Administration charge from Boston Pizza International Inc.	400	400
Professional fees	231	247
Other administrative expenses	493	458
Trustee fees and expenses	266	194
Total administrative expenses	1,390	1,299
Earnings before interest, fair value (gain) loss on financial instruments and income taxes	44,083	33,855
Interest expense on debt and financing fees	3,614	3,879
Interest expense on Class B Unit Liability *(note 8)*	3,690	2,506
Interest income	(107)	(94)
Net interest expense	7,197	6,291
Profit before fair value (gain) loss and income taxes	36,886	27,564
Fair value loss (gain) on investment in Boston Pizza Canada Limited Partnership *(note 5)*	2,019	(25,206)
Fair value (gain) loss on Class B Unit Liability (*note 8*)	(899)	11,229
Fair value gain on interest rate swaps (*note 7)*	(3,891)	(2,303)
Total fair value gain	(2,771)	(16,280)
Earnings before income taxes	39,657	43,844
Current income tax expense *(note 4)*	8,914	6,307
Deferred income tax expense *(note 4)*	160	130
Total tax expense	9,074	6,437
Net and comprehensive income for the period	$ 30,583	$ 37,407
Net earnings per Fund Unit		
Basic *(note 3(f))*	$ 1.42	$ 1.74
Diluted *(note 3(f))*	$ 1.31	$ 1.74
Weighted average Fund Units outstanding	21,521,463	21,521,463
Weighted average fully diluted Fund Units outstanding	24,783,640	24,783,640

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

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

	Fund Units	Accumulated deficit	Total unitholders' equity
Balance – January 1, 2022	$ 325,048	$ (49,249)	$ 275,799
Net and comprehensive income for the period	-	30,583	30,583
Distributions declared *(note 11(c))*	-	(25,804)	(25,804)
Balance – December 31, 2022	$ 325,048	$ (44,470)	$ 280,578
Balance – January 1, 2021	$ 325,048	$ (68,148)	$ 256,900
Net and comprehensive income for the period	-	37,407	37,407
Distributions declared *(note 11(c))*	-	(18,508)	(18,508)
Balance – December 31, 2021	$ 325,048	$ (49,249)	$ 275,799

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

(Expressed in thousands of Canadian dollars)

	2022	2021
Operating activities		
Net and comprehensive income for the period	$ 30,583	$ 37,407
Adjustments for:		
Fair value loss (gain) on investment in Boston Pizza Canada Limited Partnership	2,019	(25,206)
Fair value (gain) loss on Class B Unit Liability	(899)	11,229
Fair value gain on interest rate swaps	(3,891)	(2,303)
Interest expense on Class B Unit Liability	3,690	2,506
Deferred income tax expense	160	130
Current income tax expense	8,914	6,307
Interest expense on debt and financing fees	3,614	3,879
Interest income	(107)	(94)
Changes in non-cash working capital	(931)	3,046
Current income tax paid	(8,904)	(6,520)
Interest received	107	94
Net cash generated from operating activities	34,355	30,475
Financing activities		
Distributions paid to Fund unitholders	(25,438)	(22,382)
Interest paid on Class B Unit Liability	(3,652)	(3,152)
Interest paid on long-term debt	(3,576)	(3,692)
Repayment of long-term debt	(1,500)	(3,787)
Payment of deferred financing fees	(138)	-
Net cash used in financing activities	(34,304)	(33,013)
Increase (decrease) in cash and cash equivalents	51	(2,538)
Cash and cash equivalents – beginning of year	5,162	7,700
Cash and cash equivalents – end of year	$ 5,213	$ 5,162

Supplemental cash flow information *(note 16)*

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

1. General Information:

(a) Organization:

Boston Pizza Royalties Income Fund together with its subsidiaries (*note 3(b)*) (the "**Fund**") is an unincorporated open-ended limited purpose trust established under the laws of the Province of British Columbia, Canada, and is governed by the Declaration of Trust signed June 10, 2002, and as amended and restated on July 17, 2002, September 22, 2008, and December 7, 2010. The Fund's principal business office is located at 13571 Commerce Parkway, Richmond, BC.

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

(b) Nature of operations:

The Fund, as indirect owner of the BP Rights, has granted BPI exclusive license to the use of the BP Rights for a term of 99 years beginning in July 2002 (the "**License and Royalty Agreement**"). In return, BPI pays the Fund a royalty of 4.0% (the "**Royalty**") of franchise sales ("**Franchise Sales**") of Boston Pizza Restaurants in the Royalty Pool (the "**Royalty Pool**") as defined in the License and Royalty Agreement. The Fund, through its indirect investment in BP Canada LP is entitled to receive a distribution equal to 1.5% of Franchise Sales of Boston Pizza Restaurants in the Royalty Pool less the pro rata portion payable to BPI in respect of its retained interest in the Fund (the "**Distribution**"). There are 383 Boston Pizza Restaurants in the Royalty Pool as at December 31, 2022 (December 31, 2021 – 387).

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

COVID-19 continued to impact the business of the Fund, BPI and BP Canada LP, and the operation of Boston Pizza Restaurants during 2021 and the first half of 2022. Since then, COVID-19 case counts have improved, government restrictions related to COVID-19 have largely been eliminated, and sales levels of Boston Pizza Restaurants have returned to more normal levels when compared to times prior to COVID-19.

2. Basis of preparation:

(a) Statement of compliance:

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

These consolidated financial statements were authorized for issue by the Trustees of the Fund on February 8, 2023.

(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.

Judgment

- Consolidation

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

Estimates

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

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

2. Basis of preparation (continued):

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

The impairment test requires that the Fund use a valuation technique to determine if impairment exists (refer to *note 3(i)*). The valuation of the intangibles is based on a value in use approach, and depends on certain significant assumptions including projected Franchise Sales by restaurants that are in the Royalty Pool and the pre-tax discount rate. This valuation technique may not represent the actual recoverable amount that the Fund expects the BP Rights to generate. The Fund concluded that the recoverable amount exceeds the carrying amount of the BP Rights therefore, no impairment was recorded for the year ended December 31, 2022.

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

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

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

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

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

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

3. Significant accounting policies:

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

(a) Basis of measurement:

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

- The investment in BP Canada LP (Class 1 LP Units and Class 2 LP Units) is measured at fair value through the statement of comprehensive income.
- Class B Unit Liability is measured at fair value through the statement of comprehensive income.

3. Significant accounting policies (continued):

(a) Basis of measurement (continued):

- The Fund holds derivative financial instruments to manage its interest rate exposure. Financial derivatives not using hedge accounting are recognized initially at fair value; attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, financial derivatives are recognized at fair value and changes therein are accounted for through the consolidated statement of comprehensive income.

(b) Consolidation:

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

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

(c) Cash and cash equivalents:

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

(d) Revenue:

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

(e) Distributions on Fund Units:

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

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

3. Significant accounting policies (continued):

(f) Basic and diluted earnings per Fund Unit:

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

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

For the year ended December 31, 2022, the basic and diluted earnings per Fund Unit are $1.42 and $1.31 respectively. For December 31, 2021, the basic and diluted earnings per Fund Unit was $1.74. When diluted earnings are anti-dilutive, diluted earnings per Fund Unit is considered equal to basic earnings per Fund Unit.

The following reconciles the basic earnings to the diluted earnings:

(in thousands, except per Fund Unit data)		2022		2021
Net income for the period	$	30,583	$	37,407
Increase in Distribution income to the Fund		1,552		1,149
Decrease in interest expense on Class B Unit Liability		3,690		2,506
Fair value (gain) loss on Class B Unit Liability		(899)		11,229
Increase in Fund's current and deferred income taxes		(2,523)		(2,127)
Fund's diluted earnings		32,403		50,164
Weighted average fully diluted Fund Units outstanding		24,783,640		24,783,640
Diluted earnings per Fund Unit	$	1.31 (Dilutive)	$	2.02 (Anti-Dilutive)

(g) Financial instruments:

(i) Recognition, classification and measurement:

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

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

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

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

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

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

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

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

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

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

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

(ii) Business model assessment:

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

- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated;
- whether the assets are held for trading purposes;

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

- the risks that affect the performance of the financial assets held within the business model and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sale activity.

(iii) Contractual cash flow characteristics assessment:

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

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

(h) Impairment of financial assets:

Credit-impaired financial assets

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

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

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

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

Financial instruments and contract assets

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

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

3. Significant accounting policies (continued):

(h) Impairment of financial assets (continued):

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

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

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

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

(i) Impairment of non-financial assets:

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

The Fund tested the BP Rights for impairment at December 31, 2022 and determined no impairment exists (*note 6*).

(j) Identifiable long-lived assets:

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

(k) Accounting standards and amendments issued but not yet adopted:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2*)*. The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted. The amendments require the disclosure of material accounting policies rather than significant accounting policies. The Fund has done an

3. Significant accounting policies (continued):

(k) Accounting standards and amendments issued but not yet adopted (continued):

initial assessment of these amendments and does not anticipate an impact to the Fund's business, financial statements or disclosure. The Fund intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2023.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued Presentation of Financial Statements (Amendments to IAS 1*)* and on October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments are effective for annual periods beginning on or after January 1, 2024. These amendments clarify the classification of liabilities as current or non-current and improve the information a company provides about long-term debt with covenants. For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period and have substance. In addition, covenants with which a company must comply after the reporting date do not affect the liability's classification at the reporting date. The Fund has done an initial assessment of these amendments and does not anticipate an impact on the Fund's business, financial statements or disclosure. The Fund intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2024.

4. Income taxes:

The Fund has recorded current income tax expense of $8.9 million for the year ended December 31, 2022 (December 31, 2021 – $6.3 million). The current income tax position (receivable or payable) is the cumulative result of the Fund's SIFT tax installments above the Fund's SIFT tax expense.

The reconciliation to statutory tax rate is as follows:

(in thousands, except tax rate)		2022		2021
Earnings before income taxes	$	39,657	$	43,844
Combined Canadian federal and provincial rate		27.0%		27.0%
Computed expected tax expense		10,707		11,838
Current year's earnings not taxable		(2,040)		(1,812)
Current year's earnings that are taxable		407		(3,589)
Total tax expense per statement of income	$	9,074	$	6,437

The Fund has recorded a deferred income tax expense of $0.2 million for the year ended December 31, 2022 (December 31, 2021 – $0.1 million). The total balance of $7.0 million in deferred income tax liability (December 31, 2021 – $6.8 million) arises as a result of the Fund recognizing, in the current period, its cumulative share of the temporary differences between the accounting and tax bases of the BP Rights owned by the Royalties LP generated since the inception of the Fund. This expense had no impact on the Fund's cash flow for the period.

As at December 31, 2022, there is an unrecognized deductible temporary difference associated with the Fund's investments in BP Canada LP of $2.1 million (2021 – $3.1 million) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilized.

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

Limited partnership units

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

(in thousands, except per unit data)	Issued and outstanding LP Units		Investment in BP Canada LP
Class 1 LP Units			
Class 1 LP Units at December 31, 2022 and 2021	1,000	$	33,314
Class 2 LP Units			
Class 2 LP Units at December 31, 2021	5,455,762	$	114,113
Fair value loss on Class 2 LP Units - cumulative			(29,821)
Balance at December 31, 2021	5,455,762	$	84,292
Fair value loss on Class 2 LP Units			(2,019)
Class 2 LP Units Balance at December 31, 2022	5,455,762		82,273
Total LP Units Balance at December 31, 2022		$	115,587

General partnership units

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

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

It is possible that on an Adjustment Date, the net additional Royalty and Distribution is negative as a result of the estimated Royalty and Distribution expected to be generated by new Boston Pizza Restaurants being less than the Royalty and Distribution that is lost from permanently closed Boston Pizza Restaurants (the amount by which it is less is the "**Deficiency**"). In such case, BPI would not

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

receive any Class 2 Additional Entitlements, however, nor would BPI lose any of the Class 2 Additional Entitlements previously received by BPI. Rather, on future Adjustment Dates, BPI would be required to make-up the Deficiency by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any further Class 2 Additional Entitlements.

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

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

As at December 31, 2022, BPI's Class 2 GP Units were exchangeable for 831,354 Fund Units (December 31, 2021 – 831,354).

	Issued and outstanding Class 2 GP Additional Entitlements	Issued and outstanding Class 2 GP Additional Entitlements including Class 2 GP Holdback
Balance at December 31, 2020	828,753	831,188
Class 2 Additional Entitlements granted January 1, 2021 [(1)]	-	-
Adjustment to prior year Class 2 Additional Entitlements [(2)]	2,601	166
Balance at December 31, 2021	831,354	831,354
Class 2 Additional Entitlements granted January 1, 2022 [(3)]	-	-
Balance at December 31, 2022	831,354	831,354

(1) On January 1, 2021, two new Boston Pizza Restaurants that opened during the period from January 1, 2020 to December 31, 2020 were added to the Royalty Pool while 11 restaurants that closed during 2020 were removed. The Franchise Sales from restaurants added to the Royalty Pool on January 1, 2021, net of closures was negative $15.4 million. This resulted in a Deficiency of $0.8 million related to lost Royalty income and Distribution income. As a result of the Deficiency, BPI did not receive any Class 2 Additional Entitlements on January 1, 2021. BPI will be required to make-up the Deficiency on future adjustment dates by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any future Class 2 Additional Entitlements.

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

(3) On January 1, 2022, four Boston Pizza Restaurants that closed during the period from January 1, 2021 to December 31, 2021 were removed from the Royalty Pool. The Franchise Sales from restaurants removed from the Royalty Pool on January 1, 2022 was negative $6.2 million. This resulted in a Deficiency of $0.3 million related to lost Royalty income and Distribution income. As a result of the Deficiency, BPI did not receive any Class 2 Additional Entitlements on January 1, 2022. BPI will be required to make-up the Deficiency on future adjustment dates by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any future Class 2 Additional Entitlements.

6. Intangible assets – BP Rights:

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

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

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

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

The Fund determined the recoverable amount of the BP Rights based on a value in use model. Management calculates the value in use by discounting the expected royalty payment to be received by the Fund based on projected Franchise Sales by restaurants that are in the Royalty Pool to their present value using a pre-tax discount rate that reflects current markets assessments of the time value of money and risks specific to the BP Rights. The pre-tax discount rate was determined to be 10.5% (December 31, 2021 – 9.5%).

As at December 31, 2022, the Fund has tested the BP Rights for impairment in the manner described above and has determined that the recoverable amount exceeds the carrying value by approximately $61 million (December 31, 2021 - $118 million). The Fund has determined that no impairment exists.

The Fund performed a sensitivity analysis on the significant assumptions in the value in use calculation, which are the projected Franchise Sales by restaurants in the Royalty Pool and the pre-tax discount rate. If actual Franchise Sales were 17% lower or the pre-tax discount rate was 2% higher, the recoverable amount would approximate carrying value.

6. Intangible assets – BP Rights (continued):

(in thousands)		
Balance – December 31, 2020		284,182
Class B Additional Entitlements granted January 1, 2021 (1)		-
Adjustment to prior year Class B Additional Entitlements (2)		6
Balance – December 31, 2021		284,188
Class B Additional Entitlements granted January 1, 2022 (3)		-
Balance – December 31, 2022	$	284,188

(1) On January 1, 2021 two new Boston Pizza Restaurants opened during the period from January 1, 2020 to December 31, 2020 were added to the Royalty Pool while 11 restaurants that closed during 2020 were removed. As a result of the Deficiency (see *note 8*), BPI did not receive any Class B Additional Entitlements on January 1, 2021.

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

(3) On January 1, 2022 four Boston Pizza Restaurants that closed during the period from January 1, 2021 to December 31, 2021 were removed from the Royalty Pool. As a result of the Deficiency (see *note 8*), BPI did not receive any Class B Additional Entitlements on January 1, 2022.

7. Credit facilities:

The following table summarizes the Fund's long-term debt and its fixed and variable rate swap terms as of December 31, 2022 under Facility B and Facility D (both defined below).

(in thousands)	December 31, 2022	December 31, 2021
Credit facility managed by interest rate swaps:		
Facility B bearing interest at 1.51% plus between 2.00% and 3.00% per annum, with a swap maturity date of February 1, 2022 *(note 7(c)(i))*	$ -	$ 13,900
Facility B bearing interest at 2.40% plus between 1.25% and 1.85% per annum, with a swap maturity date of January 1, 2023 *(note 7(c)(ii))*	15,000	15,000
Facility B bearing interest at 2.27% plus between 1.25% and 1.85% per annum, with a swap maturity date of April 1, 2024	15,000	15,000
Facility D bearing interest at 1.02% plus between 1.25% and 1.85% per annum, with a swap maturity date of August 14, 2025	17,000	17,000
Facility D bearing interest at 1.09% plus between 1.25% and 1.85% per annum, with a swap maturity date of March 1, 2026	15,000	15,000
Facility B bearing interest at 2.28% plus between 1.25% and 1.85% per annum, with a swap maturity date of February 1, 2027 *(note 7(c)(i))*	15,000	-
Credit Facility at variable interest rates:		
Facility B bearing interest at short-term Canadian dollar offered loan rates (4.48% plus 1.60% per annum at December 31, 2022 and 0.44% plus 2.50% per annum at December 31, 2021)	8,323	10,923
Facility D bearing interest at short-term Canadian dollar offered loan rates (4.63% plus 1.60% per annum at December 31, 2022 and 0.44% plus 2.50% per annum at December 31, 2021)	1,314	1,314
Deferred financing fees	(197)	(174)
	$ 86,440	$ 87,963
Current portion of long-term debt	-	88,137
Current portion of deferred financing fees	-	(174)
	$ 86,440	$ -

Prior to June 28, 2022, Holdings LP and Royalties LP had credit facilities with a Canadian chartered bank (the "**Bank**") in the amount of up to $91.0 million (originally $97.0 million) expiring on December 31, 2022 (the "**Original Credit Facilities**"). On June 28, 2022, Holdings LP and Royalties LP entered into a second supplemental credit agreement (the "**Second Supplemental Credit Agreement**") with the Bank to amend and extend the Original Credit Facilities (the Original Credit Facilities, as amended and extended by the Second Supplemental Credit Agreement, the "**Credit Facilities**").

(a) *Original Credit Facilities*

The Original Credit Facilities were comprised of (a) $2.0 million committed operating facility issued to Royalties LP ("**Facility A**"); (b) $55.7 million (originally $61.7 million) committed non-revolving credit facility issued to Royalties LP for the purpose of refinancing Royalties LP's previous credit facilities, to facilitate the Fund repurchasing and cancelling Units under normal course issuer bids or substantial issuer bids, to finance the cash component of any exchange of exchangeable units of BP Canada LP and to repay reimbursement charges owing by Royalties LP to BPI for

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7. Credit facilities (continued):

(a) *Original Credit Facilities (continued):*

performing administrative services to the Fund ("**Facility B**"); and (c) $33.3 million committed non-revolving credit facility issued to Holdings LP for the purpose of subscribing for Class 1 LP Units of BP Canada LP ("**Facility D**"). The amount available under Facility B permanently reduces whenever Royalties LP repays principal on Facility B.

The Original Credit Facilities bore interest at variable interest rates comprised of either or a combination of the Bank's bankers' acceptance rates or Canadian dollar offered rates plus between 2.00% and 3.00%, or the Bank's prime rate plus between 0.75% and 1.75%, depending upon the Fund's total funded net debt to EBITDA ratio. The principal amounts drawn on Facility A, Facility B and Facility D are due and payable upon maturity.

The Original Credit Facilities were secured by a first charge on the assets of Holdings LP and Royalties LP. The Original Credit Facilities were guaranteed by the Fund, the Trust, Boston Pizza Holdings GP Inc., Holdings LP, Royalties LP and BPGP, all of whom have granted security for their obligations under those guarantees. No guarantee or security was given by BPI or BP Canada LP with respect to the Original Credit Facilities.

(b) *Second Supplemental Credit Agreement*

The Second Supplemental Credit Agreement amended and extended the Original Credit Facilities as follows:

(i) The maturity date was extended from December 31, 2022 to July 1, 2026;

(ii) The total amount of credit available was decreased by $8.4 million, from the original $97.0 million to $88.6 million by decreasing the size of Facility B from the original $61.7 million to $53.3 million to reflect $6.0 million of repayments of principal previously made by the Fund and a reduction of available credit of $2.4 million;

(iii) The interest rates decreased to variable interest rates comprised of either or a combination of the Bank's bankers' acceptance rates or Canadian dollar offered rates plus between 1.25% and 1.85%, or the Bank's prime rate plus between 0.00% and 0.65%, depending upon the Fund's total funded net debt to EBITDA ratio;

(iv) The requirement to make subsequent quarterly repayments of principal on Facility B was eliminated;

(v) The financial covenant that the Fund's total funded net debt to EBITDA must not exceed 3.00:1 from September 30, 2021 was modified to require it to not exceed 2.50:1 on closing until December 30, 2024 and not exceed 2.25:1 thereafter;

(vi) A financial covenant was added that requires the total amount of certain permitted distributions of the Fund (including distribution to Unitholders) to not exceed the sum of the Fund's distributable cash and cash on hand by greater than $2.0 million (tested quarterly on a trailing 12-month basis); and

(vii) The guarantees and security supporting the Credit Facilities remain unchanged from those existing immediately prior to the Second Supplemental Credit Agreement.

7. Credit facilities (continued):

(b) *Second Supplemental Credit Agreement (continued):*

During the year ended December 31, 2022, the Fund made principal repayment of $1.5 million (December 31, 2021 – $3.8 million) on Facility B.

As of December 31, 2022, no amount was drawn on Facility A, $53.3 million was drawn on Facility B and $33.3 million was drawn on Facility D.

The Fund is subject to certain financial covenants and reporting requirements arising from the Credit Facilities which are described in *note 10*. Royalties LP and Holdings LP were in compliance with all of their financial covenants and financial condition tests as of December 31, 2022.

(c) *Other*

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

(i) On January 27, 2022, the Fund entered into a swap that commenced on February 1, 2022 to fix the interest rate at 2.28% plus the applicable margin for a term ending on February 1, 2027 for $15.0 million of the $53.3 million drawn on Facility B. This replaced and increased the $13.9 million interest rate swap on Facility B that expired on February 1, 2022.

(ii) On December 19, 2022, the Fund entered into a swap that commences on January 3, 2023 to fix the interest rate at 3.48% plus the applicable margin for a term ending on January 4, 2028 for $15.0 million of the $53.3 million drawn on Facility B. This will replace the $15.0 million interest rate swap on Facility B that expires on January 1, 2023.

The Fund recorded a net financial derivative asset based on the fair value of the interest rate swaps at December 31, 2022 of $4.2 million (December 31, 2021 – net asset of $0.3 million) in accordance with accounting for derivatives under IFRS. The Fund intends to hold the outstanding interest rate swaps to maturity.

8. Royalties LP unit liabilities:

Class B Units:

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

BPI has the right to exchange Class B Units for a number of Fund Units based, at any time, on a defined calculation which is based in part on the net Franchise Sales from Boston Pizza Restaurants added to the Royalty Pool. On each Adjustment Date, an adjustment is made to add to the Royalty Pool new Boston Pizza Restaurants that opened and to remove any Boston Pizza Restaurants that permanently closed since the previous Adjustment Date. In return for adding net additional Royalty revenue, BPI receives the right to indirectly acquire additional Fund Units (the "**Class B Additional Entitlements**" and together with Class 2 Additional Entitlements, the "**Additional Entitlements**"). BPI receives 80% of the Class B Additional Entitlements on the Adjustment Date with the balance

8. Royalties LP unit liabilities (continued):

(the "**Class B Holdback**", and together with Class 2 Holdback, the "**Holdback**") received once the performance of the new Boston Pizza Restaurants and the actual effective tax rate paid by the Fund are known for certain. BPI receives 100% of the distributions from the Class B Additional Entitlements throughout the year. Once the new Boston Pizza Restaurants have been in the Royalty Pool for a full year, an audit of the Franchise Sales of the new Boston Pizza Restaurants is performed and the actual effective tax rate paid by the Fund is determined. At such time, an adjustment is made to reconcile the number of Class B Additional Entitlements and associated distributions to the actual performance of the new Boston Pizza Restaurants and the actual effective tax rate of the Fund.

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

The Fund has no obligation to settle this financial liability in cash. If BPI were to exchange all of its Class B Units for Fund Units on December 31, 2022, the Fund would issue the equivalent number of Fund Units and the Class B Unit Liability would be extinguished.

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

	Issued and outstanding Additional Entitlements	Issued and outstanding Additional Entitlements including Holdback		Class B Unit Liability
Balance at December 31, 2020	2,423,886	2,430,381	$	26,321
Class B Additional Entitlements granted January 1, 2021 (1)	-	-		-
Adjustment to prior year Class B Additional Entitlements (2)	6,937	442		6
Fair value loss	-	-		11,229
Balance at December 31, 2021	2,430,823	2,430,823	$	37,556
Class B Additional Entitlements granted January 1, 2022 (3)	-	-		-
Fair value gain	-	-		(899)
Balance at December 31, 2022	2,430,823	2,430,823	$	36,657

(1) On January 1, 2021, two new Boston Pizza Restaurants that opened across Canada between January 1, 2020 and December 31, 2020 were added to the Royalty Pool and the eleven restaurants that permanently closed during 2020 were removed. The net Franchise Sales from the two new Boston Pizza Restaurants less the eleven Boston Pizza Restaurants that permanently closed was negative $15.4 million. This resulted in a Deficiency of $0.8 million related to lost Royalty and Distribution income. As a result of the Deficiency, BPI did not receive any Class B Additional Entitlements on January 1, 2021.

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

(3) On January 1, 2022, four Boston Pizza Restaurants that closed during the period from January 1, 2021 to December 31, 2021 were removed from the Royalty Pool. The Franchise Sales from restaurants removed from the Royalty Pool on January 1, 2022 was negative $6.2 million. This resulted in a Deficiency of $0.3 million related to lost Royalty and Distribution income. As a result of the Deficiency, BPI did not receive any Class B Additional Entitlements on January 1, 2022.

9. Financial Instruments:

Financial Assets and Liabilities by Categories and Fair Value Information

The following table shows the carrying values of assets and liabilities for each financial instrument category (*note 3(g)*) at December 31, 2022 and December 31, 2021. Unless otherwise noted, the fair values on the instruments approximate their carrying amount. The Fund must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements.

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

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

			December 31, 2022		December 31, 2021
Fair value through profit and loss					
Class 1 Limited Partnership Units of BP Canada LP(i)	Level 2	$	33,314	$	33,314
Class 2 Limited Partnership Units of BP Canada LP(ii)	Level 2		82,273		84,292
Fair value of interest rate swaps (iii)	Level 2		4,220		329
Class B Unit Liability (iv)	Level 2		(36,657)		(37,556)
Amortized cost					
Cash and cash equivalents		$	5,213	$	5,162
Royalty receivable from BPI			3,330		2,602
Distributions receivable from BP Canada LP			1,042		820
Accounts payable and accrued liabilities			(544)		(586)
Distributions payable to Fund unitholders			(2,195)		(1,829)
Interest payable on Class B Units			(303)		(265)
Credit facilities			(86,440)		(87,963)

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

(ii) The Class 2 LP Units have similar cash distribution entitlements and provisions to the Class 2 GP Units held by BPI, which are exchangeable for an equivalent number of Fund Units. The fair value of the Class 2 LP Units is determined by multiplying the issued and outstanding Class 2 LP Units indirectly held by the Fund at the end of the period by the closing price of a Fund Unit on the last business day of the period. As at December 31, 2022, the closing price of a Fund Unit was $15.08 (December 31, 2021 – $15.45) while the number of issued and outstanding

9. Financial Instruments (continued):

Class 2 LP Units held by the Fund was 5,455,762 (December 31, 2021 – 5,455,762) resulting in a Class 2 LP Units fair value of $82.3 million (December 31, 2021 - $84.3 million). The fair value loss of the investment in BP Canada LP for the year ending December 31, 2022 was $2.0 million (December 31, 2021 - gain of $25.2 million).

(iii) The Credit Facilities are carried at amortized cost. Royalties LP and Holdings LP use interest rate swaps to manage risks from fluctuations in interest rates on $77.0 million (December 31, 2021 – $75.9 million) of this balance, and any changes in the fair value of the interest rate swaps are recorded in the consolidated statement of comprehensive income in the period in which they arise. Without factoring in the interest rate swaps, the fair value of the $77.0 million of the Credit Facilities approximates its carrying amount since the debt has variable interest rates at terms that the Fund believes are reflective of currently available terms. The fair value of the remaining Credit Facilities, before deferred financing fees, approximates its carrying value of $9.6 million (December 31, 2021 – $12.2 million) since the debt has variable interest rates at terms that the Fund believes are reflective of currently available terms. The Credit Facilities are presented net of deferred financing fees which were $0.2 million at December 31, 2022 (December 31, 2021 – $0.2 million).

(iv) The Class B Units are exchangeable for an equivalent number of Fund Units, and therefore the fair value of a Class B Unit is estimated to be equivalent to that of a Fund Unit. The Fund estimates the fair value of the Class B Units Liability by multiplying the issued and outstanding Class B Additional Entitlements (including Class B Holdback) held by BPI at the end of the period by the closing price of the Fund Units on the last business day of the period. As at December 31, 2022, the closing price of a Fund Unit was $15.08 (December 31, 2021 – $15.45) while the number of Fund Units BPI would be entitled to receive if it exchanged all of its Class B Units (including Class B Holdback) was 2,430,823 (December 31, 2021 – 2,430,823) resulting in a Class B Unit Liability fair value of $36.7 million (December 31, 2021 – $37.6 million). For the year ended December 31, 2022, the decrease of $0.9 million is due to $0.9 million in fair value gain (December 31, 2021 – fair value loss of $11.2 million and a nominal amount in Class B Additional Entitlements). This valuation technique may not represent the actual value of the financial asset should such Class B Units be exchanged.

Financial Instruments and Related Risks

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

Credit risk

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

The performance of the Fund is directly dependent upon the Royalty and Distribution payments received from BPI and BP Canada LP. The amount of Royalty and Distribution received is dependent

9. Financial Instruments (continued):

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

The Fund has reviewed its Royalty receivable from BPI and Distribution receivable from BP Canada LP. Based on the BPI cash balance and working capital requirements, the Fund has determined that the collection risk on the Royalty receivable and Distribution receivable is minimal and no indicators of impairment exist. As at December 31, 2022, the Fund had no provision for credit risk recorded in its financial statements (December 31, 2021 – nil).

Liquidity risk

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

(in thousands)		December 31, 2022
Cash and cash equivalents	$	5,213
Royalty receivable from Boston Pizza International Inc.		3,330
Distribution receivable from Boston Pizza Canada Limited Partnership		1,042
Undrawn Facility A		2,000
	$	11,585

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

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

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

(in thousands)	Value	Maturity
Accounts payable and accrued liabilities	544	< 1 year
Distributions payable to Fund unitholders	2,195	< 1 year
Interest payable on Class B Units	303	< 1 year
Credit Facilities (*note 7*)	86,440	> 1 year

9. Financial Instruments (continued):

Interest rate risk

The Fund's exposure to interest rate risk is mainly through the Credit Facilities. The Fund has entered into interest rate swaps under the International Swap Dealers Association Master Agreements to manage interest rate risk on $77.0 million of its Credit Facilities and these interest rate swaps are detailed in *note 7*. Therefore, the Fund's interest rate risk is mainly related to its $9.6 million floating rate debt. A 1.0% change in short-term interest rates would result in a minimal change in interest expense based on the Fund's floating rate debt at December 31, 2022.

10. Capital Disclosures:

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

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

The Fund manages its capital structure and adjusts to respond to changes in economic conditions, the underlying risks inherent in its operations, and capital requirements to maintain and grow its operations. In order to maintain or adjust its capital structure, the Fund may adjust the amount of distributions paid to Fund 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 historically eliminated the impact of seasonal fluctuations by equalizing monthly distributions. The Fund had debt, net of deferred financing fees, of $86.4 million at December 31, 2022 (December 31, 2021 – $88.0 million). In addition, the Fund's banking covenants require (a) the Fund's total funded net debt to EBITDA ratio to not exceed 3.00:1 from and after September 30, 2021, was modified to require it to not exceed 2.50:1 as of June 28, 2022 until December 30, 2024 and to not exceed 2.25:1 thereafter and (b) the total amount of certain permitted distributions of the Fund (including distribution to Unitholders) to not exceed the sum of the Fund's distributable cash and cash on hand by greater than $2.0 million (tested quarterly on a trailing 12-month basis). The Fund is in compliance with its covenants as at December 31, 2022.

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

11. Fund Units:

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

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

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

(b) Fund Units outstanding:

(in thousands, except unit data)	Number of Fund Units		Fund Units as equity
Balance at January 1, 2022 and December 31, 2022	21,521,463	$	325,048

As at December 31, 2022, the Class B Units held by BPI were exchangeable into 2,430,823 Fund Units and the Class 2 GP Units held by BPI were exchangeable into 831,354 Fund Units, for a total of 13.2% of the issued and outstanding Fund Units on a fully diluted basis.

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

	Declared		Paid	
(in thousands, except per unit data)	2022	2021	2022	2021
Monthly Distributions	$ 23,975	$ 18,508	$ 23,609	18,078
Special Distribution	1,829	-	1,829	4,304
Total Distributions	$ 25,804	$ 18,508	$ 25,438	22,382
Monthly Distributions per Fund Unit	$ 1.11	$ 0.86	$ 1.09	0.84
Special Distribution per Fund Unit	0.09	-	0.09	0.20
Total Distributions per Fund Unit	$ 1.20	$ 0.86	$ 1.18	1.04

12. Accumulated deficit:

The Fund's accumulated deficit includes fair value adjustments and deferred income tax expense, which are non-cash items. Excluding the cumulative effect of fair value adjustments and deferred income tax expense, the Fund would have an accumulated surplus of $10.7 million at December 31, 2022 ($8.6 million at December 31, 2021).

13. Operations:

(in thousands, except number of Restaurants in the Royalty Pool)	2022	2021
Restaurants in the Royalty Pool	383	387
Franchise Sales reported by Restaurants in the Royalty Pool	$ 854,997	$ 660,051
Royalty income – 4% of Franchise Sales	34,200	26,402
Distribution income – 1.5% of Franchise Sales (less BPI retained interest)	11,273	8,752

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.

14. Related party transactions:

BPI and BP Canada LP are considered to be related parties of the Fund by virtue of common officers and directors in BPGP, BPI, and BP Canada LP. The Fund has engaged Royalties LP, its administrator, to provide certain administrative services on behalf of the Fund. In turn, certain of the administrative services are performed by BPI as a general partner of Royalties LP. The total amount charged from BPI in respect of these out-of-pocket expenses for the year ended December 31, 2022 was $0.4 million (December 31, 2021 – $0.4 million). The total amount payable to BPI in respect of these services for the year ended December 31, 2022 was nominal (December 31, 2021 – nominal).

As at December 31, 2022, interest payable to BPI on Class B Units was $0.3 million (December 31, 2021 – $0.3 million), Royalty receivable from BPI was $3.3 million (December 31, 2021 – $2.6 million), and Distribution receivable from BP Canada LP was $1.0 million (December 31, 2021 – $0.8 million).

15. Compensation of key management:

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

(in thousands)	2022	2021
Remuneration paid to Trustees	$ 240	$ 207

16. Supplemental cash flow information:

(a) Non-cash transactions

(in thousands)	2022	2021
Amortization of deferred financing fees	$ 115	$ 174
Roll-in of new stores – January 1, net	-	6

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

(in thousands)	2022	2021
Change in:		
Royalty receivable from BPI	$ (728)	$ 2,268
Distribution receivable from BP Canada LP	(222)	723
Prepaid expenses	(16)	4
Accounts payable and accrued liabilities	(42)	64
Adjusted for:		
Interest expense	(3,499)	(3,705)
Interest paid on long-term debt	3,576	3,692
Changes in non-cash working capital	$ (931)	$ 3,046

17. Subsequent events:

(a) On January 1, 2023, the six restaurants that permanently closed during 2022 were removed from the Royalty Pool. Accordingly, the total number of restaurants in the Royalty Pool decreased to 377 from 383. The net Franchise Sales from the six Boston Pizza Restaurants that permanently closed is negative $6.8 million. This resulted in negative Royalty and Distribution to the Fund of $0.4 million. As a result of the Deficiency, BPI did not receive any Additional Entitlements on January 1, 2023. However, BPI did not lose any of the Additional Entitlements it received in respect of previous years. Instead, BPI will be required to make-up the cumulative Deficiency for 2020 through 2022 (total of $1.6 million) on future Adjustment Dates by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any further Additional Entitlements.

(b) In the first quarter of 2023, no adjustments were made to the Deficiency related to 2021 since no new restaurants were opened during 2021 nor were added to the Royalty Pool on January 1, 2022.

(c) On February 8, 2023, the Trustees of the Fund declared a distribution for January 2022 of $0.102 per unit, which will be payable on February 28, 2023 to unitholders of record on February 21, 2023.

BOSTON PIZZA INTERNATIONAL INC.

FINANCIAL HIGHLIGHTS

The tables below set out selected information from the audited annual consolidated financial statements of Boston Pizza International Inc. ("**BPI**" and where applicable also includes its wholly-owned subsidiaries), and the accounts of Boston Pizza Canada Limited Partnership ("**BP Canada LP**"), together with other data, and should be read in conjunction with the audited annual consolidated financial statements of BPI for the years ended December 31, 2022 and December 31, 2021. The financial information reported in the tables included in this Management's Discussion and Analysis ("**MD&A**") are reported in accordance with International Financial Reporting Standards ("**IFRS**") except as otherwise noted and are stated in Canadian dollars. Capitalized terms used in the tables and notes below are defined elsewhere in this MD&A.

For the Year ended December 31	2022	2021	2020
(in thousands of dollars - except number of restaurants and per share items)			
System-Wide Gross Sales[1]	1,075,093	812,856	773,533
Number of Boston Pizza Restaurants[2]	377	383	387
Franchise Sales reported by Boston Pizza Restaurants[3]	854,997	660,051	615,094
Same Restaurant Sales[4]	30.4%	8.5%	(27.6%)
Income Statement Data			
Total revenues	116,363	90,320	86,075
Royalty expense	(34,200)	(26,402)	(24,528)
Distribution expense	(11,273)	(8,752)	(8,114)
Operating expenses excluding Royalty expense and Distribution expense	(57,778)	(43,534)	(50,888)
Earnings before interest and fair value gain (loss)	13,112	11,632	2,545
Net interest income (expense)	1,821	115	(386)
Fair value gain (loss)	1,120	(13,977)	7,967
Earnings (loss) before income taxes	16,053	(2,230)	10,126
Current and deferred income tax expense	(4,131)	(3,055)	(2,314)
Net and comprehensive income (loss)	11,922	(5,285)	7,812
Basic and diluted income (loss) per share	121.55	(53.88)	79.64

Balance Sheet Data	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020
Total assets	152,009	154,799	147,829
Total liabilities	400,588	415,300	403,045

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

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

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

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

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

SUMMARY OF QUARTERLY RESULTS

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
(in thousands of dollars - except number of restaurants and per share items)				
System-Wide Gross Sales[1]	285,435	287,813	278,067	223,778
Number of Boston Pizza Restaurants[2]	377	380	381	381
Franchise Sales reported by Boston Pizza Restaurants[3]	227,163	229,848	219,384	178,602
Same Restaurant Sales[4]	24.5%	8.4%	64.9%	39.1%
Income Statement Data				
Total revenues	31,762	31,178	29,504	23,919
Royalty expense	(9,087)	(9,194)	(8,775)	(7,144)
Distribution expense	(2,988)	(3,027)	(2,895)	(2,363)
Operating expenses excluding Royalty expense and Distribution expense	(16,559)	(13,986)	(15,623)	(11,610)
Earnings before interest and fair value gain (loss)	3,128	4,971	2,211	2,802
Net interest income	1,132	426	184	79
Fair value gain (loss)	636	(1,211)	8,107	(6,412)
Earnings (loss) before income taxes	4,896	4,186	10,502	(3,531)
Current and deferred income tax expense	(952)	(1,534)	(14)	(1,631)
Net and comprehensive income (loss)	3,944	2,652	10,488	(5,162)
Basic and diluted income (loss) per share	40.21	27.04	106.93	(52.63)

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

OVERVIEW

This MD&A covers the three-month period from October 1, 2022 to December 31, 2022 (the "**Period**") and the twelve-month period from January 1, 2022 to December 31, 2022 (the "**Year**") and is dated February 8, 2023. It provides additional analysis of the operations, financial position and financial performance of BPI and should be read in conjunction with BPI's applicable audited annual consolidated financial statements and the accompanying notes. The audited annual consolidated financial statements of BPI are in Canadian dollars and have been prepared in accordance with IFRS except as otherwise noted.

General

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

BPI and BP Canada LP compete in the casual dining sector of the restaurant industry and Boston Pizza is the number one casual dining brand in Canada. With 377 restaurants stretching from Victoria to St. John's, Boston Pizza has more restaurants and serves more customers annually than any other casual dining restaurant chain in Canada.

Royalty

BP Canada LP charges a 7.0% royalty fee on Franchise Sales for full-service Boston Pizza restaurants open in Canada (the "**Boston Pizza Restaurants**"). BPI pays Boston Pizza Royalties Limited Partnership ("**Royalties LP**"), an entity controlled by the Fund, a 4.0% royalty fee (the "**Royalty**") on Franchise Sales from the Boston Pizza Restaurants in the royalty pool (the "**Royalty Pool**") for the use of the Boston Pizza trademarks in Canada (the "**BP Rights**"[5]). As at December 31, 2022, there were 383 Boston Pizza Restaurants in the Royalty Pool.

Distributions from BP Canada LP

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

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

Addition of New Restaurants to Royalty Pool

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

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

Business Strategy

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

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

BPI and BP Canada LP realize that franchisees have to be profitable to succeed. To enhance profitability and to facilitate the growth of Boston Pizza, BPI and BP Canada LP aggressively enhance and promote the Boston Pizza brand through television, radio, digital, social media, and national and local promotions. The costs associated with national marketing of Boston Pizza are paid for by the Boston Pizza advertising fund (the "**Advertising Fund**"). Franchisees pay 3.0% of Franchise Sales to the Advertising Fund; 76.0% of these funds are used to purchase

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

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

Ongoing Effects of COVID-19

COVID-19 continue to impact the business of the Fund, BPI and BP Canada LP, and the operation of Boston Pizza Restaurants during 2021 and the first half of 2022. Since then, COVID-19 case counts have improved, government restrictions related to COVID-19 have largely been eliminated, and sales levels of Boston Pizza Restaurants have returned to more normal levels when compared to times prior to COVID-19.

Economic Uncertainties

The success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distributions and the Fund's available cash for distribution to Unitholders, are dependent upon many economic factors, including impacts of inflation, increases in interest rates, unemployment rates, consumer confidence, recession, supply chain disruption, labour availability and other globally disruptive events. However, despite the current state of economic uncertainty, Boston Pizza Restaurants have been able to generate solid Franchise Sales and offer affordable dining options, both on and off-premise, for guests in economically uncertain times. As demonstrated during COVID-19, BPI, BP Canada LP and Boston Pizza Restaurants have the ability to adapt to changes in operating environments and economic conditions. For additional information regarding economic uncertainties, refer to the "Risks & Uncertainties – Risks Related to the Business of BPI and BP Canada LP" section of this MD&A.

Seasonality

Boston Pizza Restaurants typically experience seasonal fluctuations in Franchise Sales, which are inherent in the full-service restaurant industry in Canada. Seasonal factors, such as tourism and better weather, generally allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters each year compared to the first and fourth quarters.

New Restaurant Openings, Closures and Renovations

During the Period, there were no New Restaurants and three Closed Restaurants. During the Year, there were no New Restaurants and six Closed Restaurants. As well, eight Boston Pizza Restaurants were renovated during the Period and 18 Boston Pizza Restaurants were renovated during the Year. Boston Pizza Restaurants typically close or partially close for two to three weeks to complete the renovation, which incorporates updated design elements that result in a refreshed and more appealing restaurant.

OPERATING RESULTS

Same Restaurant Sales

Period

SRS was 24.5% for the Period compared to 25.5% reported in the fourth quarter of 2021. As COVID-19 began to adversely affect sales in Boston Pizza Restaurants in March of 2020, BPI believes that it is also useful to calculate and report SRS comparing 2022 Franchise Sales to 2019 Franchise Sales. If SRS were calculated comparing Franchise Sales in the Period to Franchise Sales in the fourth quarter of 2019, SRS would be 10.8%. The increase in SRS for the Period compared to the fourth quarter of 2021 was principally due to increases in restaurant guest traffic mainly as a result of the elimination of dining restrictions and increased average guest cheque.

Year

SRS was 30.4% for the Year compared to 8.5% reported in 2021. If SRS were calculated comparing Franchise Sales for the Year to Franchise Sales in 2019, SRS would be 3.2%. The increase in SRS for the Year compared to 2021 was principally due to increases in restaurant guest traffic as a result of the easing and elimination of dining restrictions and increased average guest cheque.

Revenues

Period

BPI's total revenue was $31.8 million for the Period compared to $26.3 million for the fourth quarter of 2021. BPI's revenue was principally derived from royalty revenue and Advertising Fund contributions received by BP Canada LP from franchised Boston Pizza Restaurants, supplier contributions, sales from corporately owned restaurants and franchise renewal fees. The $5.5 million increase in revenue for the Period was primarily due to higher royalty revenues, supplier contributions, Advertising Fund revenue and revenues from corporately owned restaurants resulting from positive SRS.

Year

BPI's total revenue was $116.4 million for the Year compared to $90.3 million in 2021. The $26.1 million increase in revenue for the Year was primarily due to higher royalty revenues, supplier contributions, Advertising Fund revenue and revenues from corporately owned restaurants resulting from positive SRS.

Royalty Expense and Distribution Expense

Period

BPI's Royalty expense to Royalties LP (being 4.0% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool) was $9.1 million and Distribution expense (being 1.5% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool, less BPI's retained interest) was $3.0 million for the Period, compared to $7.3 million and $2.4 million, respectively, for the fourth quarter of 2021. The $1.8 million increase in Royalty expense and $0.6 million increase in Distribution expense for the Period were primarily due to positive SRS.

Year

BPI's Royalty expense to Royalties LP was $34.2 million and Distribution expense was $11.3 million for the Year compared to $26.4 million and $8.8 million, respectively, in 2021. The $7.8 million increase in Royalty expense and $2.5 million increase in Distribution expense for the Year were primarily due to positive SRS.

Operating Expenses Excluding Royalty Expense and Distribution Expense

Period

BPI's operating expenses, excluding Royalty expense and Distribution expense, were $16.6 million for the Period, which included Advertising Fund expenses of $7.7 million, compensation expense of $4.1 million, operational costs of corporately owned restaurants of $2.4 million, depreciation and amortization of $1.5 million, other expense associated with services provided to franchised Boston Pizza Restaurants of $1.1 million, and management fees for services rendered by companies under common control of $0.5 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of $0.7 million. In the fourth quarter of 2021, BPI's operating expenses, excluding Royalty expense and Distribution expense, were $14.1 million, which included Advertising Fund expenses of $7.4 million, compensation expense of $3.3 million, operational costs of corporately owned restaurants of $2.1 million, depreciation and amortization of $1.3 million and other expense associated with services provided to franchised Boston Pizza Restaurants of $0.7 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of $0.7 million.

The increase in operating expenses, excluding Royalty expense and Distribution expense, of $2.5 million for the Period was due to an increase in compensation expense, an increase in management fees for services rendered by companies under common control, an increase in other expenses associated with services provided to franchised Boston Pizza Restaurants, an increase in Advertising Fund expenses due to increased advertising activity, an increase in operational costs of corporately owned Boston Pizza Restaurants due to lower government financial assistance (as discussed below) and increased Boston Pizza Restaurant activity, and increased depreciation and amortization.

The deferred gain on the sale of BP Rights to Royalties LP is amortized over 99 years, beginning in 2002 for the term of the License and Royalty Agreement dated July 17, 2002, as amended on May 9, 2005, between Royalties LP and BPI. The net deferred gain at December 31, 2022 was $222.0 million compared to $224.8 million at December 31, 2021.

Year

BPI's operating expenses, excluding Royalty expense and Distribution expense, were $57.8 million for the Year, which included Advertising Fund expenses of $24.1 million, compensation expense of $18.4 million, operational costs of corporately owned restaurants of $8.5 million, depreciation and amortization of $4.6 million, other expense associated with services provided to franchised Boston Pizza Restaurants of $4.5 million, and management fees for services rendered by companies under common control of $0.5 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of $2.8 million. In 2021, BPI's operating expenses, excluding Royalty expense and Distribution expense, were $43.5 million, which included Advertising Fund expenses of $18.1 million, compensation expense of $14.7 million, depreciation and amortization of $5.0 million, operational costs of corporately owned restaurants of $4.6 million and other expenses associated with services provided to franchised Boston Pizza Restaurants of $4.0 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of $2.8 million.

The increase in operating expenses, excluding Royalty expense and Distribution expense, of $14.3 million for the Year was due to an increase in Advertising Fund expenses due to increased advertising activity, an increase in operational costs of corporately owned Boston Pizza Restaurants due to lower government financial assistance (as discussed below) and increased Boston Pizza Restaurant activity, an increase in compensation expense due to lower government financial assistance (as discussed below), an increase in other expenses associated with services provided to franchised Boston Pizza Restaurants, and an increase in management fees for services rendered by companies under common control partially offset by a decrease in depreciation and amortization.

In 2022, BPI received government financial assistance under the Tourism and Hospitality Recovery Program ("**THRP**") and the Canada Recovery Hiring Program ("**CRHP**"), which provided wage and rent financial assistance for qualified businesses. BPI did not recognize any government assistance during the Period, compared to a nominal amount recognized in the fourth quarter of 2021, for assistance provided from the Canada Emergency Wage Subsidy ("**CEWS**") and Canada Emergency Rent Subsidy ("**CERS**") programs. BPI recognized $0.7 million for the Year in assistance provided from the THRP and CRHP, compared to $3.7 million recognized under the CEWS and CERS programs in 2021.

Earnings before Interest and Fair Value Gain (Loss)

Period

BPI's earnings before interest and fair value gain (loss) was $3.1 million for the Period compared to $2.4 million for the fourth quarter of 2021. The $0.7 million increase in earnings before interest and fair value gain (loss) for the Period was principally due to an increase in revenues, partially offset by increases in operating, Royalty and Distribution expenses.

Year

BPI's earnings before interest and fair value gain (loss) was $13.1 million for the Year compared to $11.6 million in 2021. The $1.5 million increase in earnings before interest and fair value gain (loss) for the Year was principally due to an increase in revenues, partially offset by increases in operating, Royalty and Distribution expenses.

Net Interest Income

Period

BPI's net interest income during the Period was $1.1 million, comprised of $1.6 million of interest income received by BPI on its Class B general partner units of Royalties LP ("**Class B Units**"), partially offset by $0.4 million of interest expense on debt and financing costs and $0.1 million of interest expense on lease obligations. BPI's net interest income for the fourth quarter of 2021 was $0.5 million, comprised mainly of $1.0 million of interest income received by BPI on its Class B Units, partially offset by $0.5 million of interest expense on debt and financing costs, $0.1 million of interest expense on lease obligations and nominal interest expense on payables owed to the Fund. The $0.6 million increase in net interest income for the Period was due to an increase in interest income on Class B Units attributable to the Fund's higher monthly distribution rates compared to the same period in 2021 along with a special distribution declared in December 2022, and a decrease in interest expense on debt and financing costs.

Year

BPI's net interest income for the Year was $1.8 million, comprised of $3.7 million of interest income received by BPI on its Class B Units, partially offset by $1.6 million of interest expense on debt and financing costs and $0.3 million of interest expense on lease obligations. BPI's net interest income for 2021 was $0.1 million, comprised mainly of $2.5 million of interest income received by BPI on its Class B Units, partially offset by $2.0 million of interest expense on debt and financing costs, $0.3 million of interest expense on lease obligations and $0.1 million of interest expense on payables owed to the Fund. The $1.7 million increase in net interest income for the Year was primarily due to an increase in interest income on Class B Units attributable to the Fund's higher monthly distribution rates compared to 2021 along with a special distribution declared in December 2022, and a decrease in interest expense on debt and financing costs.

Fair Value Gain (Loss)

Period

During the Period, BPI recognized a fair value gain of $0.6 million compared to a fair value loss of $6.3 million for the fourth quarter of 2021. The change in fair value was principally due to the change in the price of Fund Units into which the Class B Units are exchangeable and upon which the Class 2 LP Units liability is measured.

BPI estimates the fair value of the Class B Units by multiplying the number of Fund Units that BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI at the end of the Period by the closing price of a Fund Unit on the last business day of the Period. As at December 31, 2022, the Fund's closing price was $15.08 per Fund Unit (September 30, 2022 – $15.29 per Fund Unit) and the number of Fund Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI was 2,430,823 (September 30, 2022 – 2,430,823). Consequently, the Class B Units were valued at $36.7 million (September 30, 2022 – $37.2 million), resulting in a fair value loss of $0.5 million. In general, the value of the Class B Units will increase as the market price of Fund Units increases and vice versa. In addition, the value of the Class B Units increases as the number of Fund Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) increases and vice versa.

The Class 1 LP Units are entitled to distributions determined with respect to the interest cost paid by the Fund on the credit facility of the Fund drawn on at the time of the 2015 Transaction to pay for the Fund's indirect investment in Class 1 LP Units of BP Canada LP. BPI estimates the fair value of the Class 1 LP Units liability using a market-corroborated input, being the interest rate on the applicable credit facility. Consequently, BPI estimated the fair

value of Class 1 LP Units liability as at December 31, 2022 to be $33.3 million (September 30, 2022 – $33.3 million), resulting in no fair value adjustment for the Period.

BPI estimates the fair value of the Class 2 LP Units liability by multiplying the number of Class 2 LP Units indirectly held by the Fund at the end of the Period by the closing price of a Fund Unit on the last business day of the Period. As at December 31, 2022, the Fund indirectly held 5,455,762 Class 2 LP Units (September 30, 2022 – 5,455,762) and the Fund's closing price was $15.08 per Fund Unit (September 30, 2022 – $15.29 per Fund Unit). Consequently, BPI estimated the fair value of the Class 2 LP Units liability as at December 31, 2022 to be $82.3 million (September 30, 2022 – $83.4 million), resulting in a fair value gain of $1.1 million for the Period. In general, the fair value of the Class 2 LP Units liability will increase as the market price of Fund Units increases and *vice versa*.

Year

During the Year, BPI recognized a fair value gain of $1.1 million compared to a fair value loss of $14.0 million in 2021. The change in fair value was principally due to the change in the price of Fund Units into which the Class B Units are exchangeable and upon which the Class 2 LP Units liability is measured.

As at December 31, 2021, the Fund's closing price was $15.45 per Fund Unit and the number of Fund Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI was 2,430,823. The Class B Units were valued at $37.6 million as at December 31, 2021. As discussed above, the Class B Units at the end of the Period were valued at $36.7 million, resulting in a fair value loss of $0.9 million.

As discussed above, BPI estimated the fair value of Class 1 LP Units liability as at December 31, 2022 to be $33.3 million (December 31, 2021 – $33.3 million), resulting in no fair value adjustment for the Year.

As at December 31, 2021, the Fund indirectly held 5,455,762 Class 2 LP Units and the Fund's closing price was $15.45 per Fund Unit. Consequently, BPI estimated the fair value of the Class 2 LP Units liability as at December 31, 2021 to be $84.3 million. As discussed above, BPI estimated the fair value of the Class 2 LP Units liability as at December 31, 2022 to be $82.3 million, resulting in a fair value gain of $2.0 million for the Year.

Earnings (Loss) before Income Taxes

Period

Given the combined effects of the above-noted factors, BPI had earnings before income taxes of $4.9 million for the Period compared to a loss before income taxes of $3.4 million for the fourth quarter of 2021. The $8.3 million increase in earnings before income taxes was primarily due to an increase in fair value gain, an increase in earnings before interest and fair value gain (loss) and an increase in net interest income.

Year

Given the combined effects of the above-noted factors, BPI had earnings before income taxes of $16.1 million for the Year compared to a loss before income taxes of $2.2 million for in 2021. The $18.3 million increase in earnings before income taxes was primarily due to an increase in fair value gain, an increase in net interest income and an increase in earnings before interest and fair value gain (loss).

Income Tax Expense

Period

BPI recognized a nominal current income tax expense for the Period compared to a current income tax expense of $0.5 million for the fourth quarter of 2021. The $0.5 million decrease in current income tax expense for the Period is mainly due to lower taxable earnings primarily from the usage of non-capital loss carry-forwards.

BPI recognized $0.9 million deferred income tax expense for the Period compared to $0.2 million for the fourth quarter of 2021. The $0.7 million increase in deferred income tax expense is primarily due to the usage of non-capital loss carry-forwards and the timing of other temporary differences.

Year

BPI recognized $1.9 million current income tax expense for the Year compared to $2.3 million in 2021. The $0.4 million decrease in current income tax expense for the Year is mainly due to lower taxable earnings primarily from the usage of non-capital loss carry-forwards.

BPI recognized $2.3 million deferred income tax expense for the Year compared to $0.7 million in 2021. The $1.6 million increase in deferred income tax expense is primarily due to the usage of non-capital loss carry-forwards and the timing of other temporary differences.

Net and Comprehensive Income (Loss)

Period

BPI's net and comprehensive income for the Period was $3.9 million compared to a net and comprehensive loss of $4.1 million for the fourth quarter of 2021. The increase in income of $8.0 million is primarily due to the increase in earnings before income taxes, partially offset by the increase in income tax expense.

Year

BPI's net and comprehensive income for the Year was $11.9 million compared to net and comprehensive loss of $5.3 million in 2021. The increase in income of $17.2 million is primarily due to the increase in earnings before income taxes, partially offset by the increase in income tax expense.

New Restaurants Added to the Royalty Pool

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

On January 1, 2022, the Royalty Pool was adjusted to remove four Closed Restaurants that closed between January 1, 2021 and December 31, 2021 resulting in the number of Boston Pizza Restaurants in the Royalty Pool decreasing from 387 to 383. The actual Franchise Sales received from the four Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool was $6.2 million. Since no New Restaurants opened during the Year, the resulting estimated annual net Franchise Sales for the four Closed Restaurants that closed in 2021 was negative $6.2 million. Consequently, this resulted in the Net Royalty and Distributions having a Deficiency for 2021 of $0.3 million (being 5.5% of negative $6.2 million Franchise Sales). Since there was a Deficiency for 2021 of $0.3 million, BPI did not receive any Additional Entitlements on January 1, 2022. However, BPI did not lose any of the Additional Entitlements it received in respect of previous years. Instead, BPI will be required to make-up the cumulative Deficiency for both 2020 and 2021 on future Adjustment Dates by first adding Net Royalty and Distributions in an amount equal to the cumulative Deficiency before receiving any further Additional Entitlements.

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

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

expected to pay for 2021 was 26.0% and the actual effective tax rate paid by the Fund for 2021 was 26.2%. As a result, the Deficiency in respect of 2020 was adjusted to be $0.8 million. The cumulative Deficiency for 2020 and 2021 is $1.2 million, comprised of the adjusted Deficiency for 2020 of $0.8 million and the Deficiency for 2021 of $0.3 million.

Subsequent Events

Boston Pizza Restaurants Added to Royalty Pool on January 1, 2023

On January 1, 2023, the Royalty Pool was adjusted to remove six Closed Restaurants for the Year resulting in the number of Boston Pizza Restaurants in the Royalty Pool decreasing from 383 to 377. The actual Franchise Sales received from the six Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool was $6.8 million. Since no New Restaurants opened during the Year, the resulting annual net Franchise Sales for the six Closed Restaurants that closed in 2022 was negative $6.8 million. Consequently, this resulted in the Net Royalty and Distributions having a Deficiency for 2022 of $0.4 million (being 5.5% of negative $6.8 million Franchise Sales). Since there was a Deficiency for 2022 of $0.4 million, BPI did not receive any Additional Entitlements on January 1, 2023. However, BPI did not lose any of the Additional Entitlements it received in respect of previous years. Instead, BPI will be required to make-up the cumulative Deficiency for 2020, 2021 and 2022 on future Adjustment Dates by first adding Net Royalty and Distributions in an amount equal to the cumulative Deficiency before receiving any further Additional Entitlements. The following is a summary of the cumulative Deficiency that exists:

Adjustment Date	Actual Franchise Sales of New Restaurants for Adjustment Date (in millions)*	Actual Franchise Sales of Closed Restaurants for Adjustment Date (in millions)*	Net Franchise Sales for Adjustment Date (in millions)*	Deficiency, being 5.5% of Net Franchise Sales (in millions)*
January 1, 2021	$3.1ⁱ	$18.5	($15.4)	($0.8)
January 1, 2022	--	$6.2	($6.2)	($0.3)
January 1, 2023	--	$6.8	($6.8)	($0.4)
Cumulative	**$3.1**	**$31.5**	**($28.4)**	**($1.6)**

*Figures are rounded to one decimal place. ⁱ Determined in February 2022 after an audit of Franchise Sales for 2021 was performed on the New Restaurants.

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

Since no New Restaurants were opened during 2021 nor were added to the Royalty Pool on January 1, 2022, there was no need to conduct an audit to compare the actual Franchise Sales from New Restaurants that were opened in 2021 to the estimated amount of Franchise Sales expected to be generated by these New Restaurants during 2022 nor to compare the actual effective tax rate paid by the Fund for 2022 to the estimated effective tax rate the Fund expected to pay for 2022.

Fund Units Outstanding

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

Summary of Boston Pizza Royalties Income Fund Units

	Dec. 31, 2022 Excluding Holdback	Dec. 31, 2022 Including Holdback	Feb. 8, 2023 Excluding Holdback	Feb. 8, 2023 Including Holdback	
Units Outstanding					
Total Issued and Outstanding Fund Units	21,521,463	21,521,463	21,521,463	21,521,463	
Class B Additional Entitlements Outstanding					
Class B Additional Entitlements (Excluding Jan. 1, 2023 Adjustment Date)	2,430,823	2,430,823	2,430,823	2,430,823	
Class B Holdback (Excluding Jan. 1, 2023 Adjustment Date)	N/A	--	N/A	N/A	(1)
Class B Additional Entitlements – Issued Jan. 1, 2023	N/A	N/A	--	--	
Class B Holdback – Created Jan. 1, 2023	N/A	N/A	N/A	--	(2)
Total Class B Additional Entitlements	2,430,823	2,430,823	2,430,823	2,430,823	
Class 2 Additional Entitlements Outstanding					
Class 2 Additional Entitlements (Excluding Jan. 1, 2023 Adjustment Date)	831,354	831,354	831,354	831,354	
Class 2 Holdback (Excluding Jan. 1, 2023 Adjustment Date)	N/A	--	N/A	N/A	(1)
Class 2 Additional Entitlements – Issued Jan. 1, 2023	N/A	N/A	--	--	
Class 2 Holdback – Created Jan. 1, 2023	N/A	N/A	N/A	--	(2)
Total Class 2 Additional Entitlements	831,354	831,354	831,354	831,354	
Summary					
Total Issued and Outstanding Fund Units	21,521,463	21,521,463	21,521,463	21,521,463	
Total Additional Entitlements	3,262,177	3,262,177	3,262,177	3,262,177	
Total Diluted Fund Units	24,783,640	24,783,640	24,783,640	24,783,640	
BPI's Total Percentage Ownership	13.2%	13.2%	13.2%	13.2%	

(1) There is no Holdback for the adjustment to the Royalty Pool that occurred on January 1, 2022 since BPI did not receive any Additional Entitlements in respect thereof due to a Deficiency existing.
(2) There is no Holdback for the adjustment to the Royalty Pool that occurred on January 1, 2023 since BPI did not receive any Additional Entitlements in respect thereof due to a Deficiency existing.

BPI directly and indirectly holds 100% of the special voting units (the "**Special Voting Units**") of the Fund, which entitle BPI to one vote in respect of matters to be voted upon by Unitholders for each 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 8, 2023, BPI was entitled to 3,262,177 votes, representing 13.2% of the aggregate votes held by holders of Fund Units and Special Voting Units. The number of Fund Units that BPI is entitled to receive upon the exchange of its Class B Units and Class 2 GP Units and the number of votes that BPI is entitled to in respect of its Special Voting Units is adjusted periodically to reflect any additional Boston Pizza Restaurants that were added to the Royalty Pool.

LIQUIDITY & CAPITAL RESOURCES

BPI is an entirely franchised business except for three corporate Boston Pizza Restaurants that it currently owns. For 2023, BPI has forecasted capital requirements of approximately $4.5 million, which consist mainly of the development of software applications and digital platforms, computer equipment, and leasehold improvements. BPI believes it has sufficient cash and capital resources to cover forecasted expenditures, capital requirements, commitments and repayments for 2023. BPI constantly monitors its operations and cash flows to ensure that current and future obligations will be met. BPI believes its current sources of liquidity are sufficient to cover its

currently known short and long-term obligations. BPI manages its working capital with the Operating Line (as defined below) and the BDC Facilities (as defined below).

Indebtedness

Original Credit Facilities

Prior to June 28, 2022, BPI had credit facilities with a Canadian chartered bank (the "**Bank**") in the amount of up to $34.0 million[7] (originally $43.3 million) that were scheduled to expire on December 31, 2022 (the "**Original Credit Facilities**"). The Original Credit Facilities were comprised of: (i) a $10.0 million committed revolving facility to cover BPI's day-to-day operating requirements if needed (the "**Operating Line**"); and (ii) a $24.0 million (originally $33.3 million) committed non-revolving term facility that was used to finance the reorganization of BPI and its shareholders that completed on September 30, 2017 (the "**Term Loan**"). The Original Credit Facilities bore interest at variable rates, as selected by BPI. In the case of Canadian prime rate loans, the interest rate was equal to the Bank's prime rate plus between 1.50% and 2.50% (depending on the Total Funded Net Debt (as defined below) to EBITDA ratio) and, in the case of bankers' acceptances and Canadian dollar offered rate loans, the interest rate was equal to a variable interest rate based on the Bank's bankers' acceptance rates or Canadian dollar offered rates plus between 2.75% and 3.75% (depending on the Total Funded Net Debt to EBITDA ratio). The Term Loan and the principal amount drawn on the Operating Line are due and payable upon maturity. The principal amount drawn on the Term Loan must be reduced by quarterly payments, which permanently reduce the amount available under the Term Loan. BPI repaid $0.3 million of principal outstanding on the Term Loan on June 28, 2022.

Amendments and Extension to the Original Credit Facilities

On June 28, 2022, BPI entered into a second supplemental credit agreement (the "**Second Supplemental Credit Agreement**") with the Bank to amend and extend the Original Credit Facilities (the Original Credit Facilities, as amended by the Second Supplemental Credit Agreement, being the "**Credit Facilities**")[8]. The material modifications to the Original Credit Facilities are as follows:

1. The maturity date was extended from December 31, 2022 to July 1, 2026;

2. The total amount of credit available was decreased by $9.3 million, from the original $43.3 million to $34.0 million[7] by decreasing the size of the Term Loan from the original $33.3 million to $24.0 million to reflect repayments of principal previously made by BPI;

3. The interest rates (or margins, as applicable) applicable to the Original Credit Facilities decreased substantially depending on BPI's Total Funded Net Debt to EBITDA ratio and the availment option selected. In the case of Canadian prime rate loans, the interest rate is now equal to the Bank's prime rate plus between 0.00% and 0.90% (depending on the Total Funded Net Debt to EBITDA ratio) and, in the case of bankers' acceptances and Canadian dollar offered rate loans, the interest rate is equal to a variable interest rate based on the Bank's bankers' acceptance rates or Canadian dollar offered rates plus between 1.25% and 2.10% (depending on the Total Funded Net Debt to EBITDA ratio);

4. The amount of principal on the Term Loan that BPI is required to repay each quarter was reduced from $0.7 million to $0.4 million;

5. Certain financial covenants that were waived by the Bank from June 2020 until December 31, 2022 were reinstated and, in the case of (b) and (c) below, modified, including: (a) the covenant that the market value the Class B Units and Class 2 GP Units[9] exceeds the amount of indebtedness owed by BPI to the Bank;

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7 These amounts exclude the BCAP Loan discussed below.
8 On June 28, 2022, Royalties LP and Holdings LP also entered into a Second Supplemental Credit Agreement with the Bank to amend and extend the Fund's credit facilities. See the Fund's MD&A for the three and six month period ended June 30, 2022, a copy of which is available on www.sedar.com, for details.
9 BPI indirectly holds Class B Units and Class 2 GP Units that are currently exchangeable for approximately 3.3 million Fund Units.

(b) the covenant that BPI's Net Total Funded Debt to EBITDA be less than specified ratios; and (c) the covenant that BPI maintain a minimum ratio of cash flow available for debt service to total debt service;

6. Certain covenants agreed to in June 2020 were eliminated, including: (i) the covenant that required BPI's trailing 12-month EBITDA to not be less than certain specified values; and (ii) the covenant that required BPI to dispose of certain assets and use the net proceeds therefrom to reduce BPI's indebtedness to the Bank;

7. Certain other covenants and provisions were modified; and

8. The guarantees and security supporting the Credit Facilities remain unchanged from those existing immediately prior to the Second Supplemental Credit Agreement.

The Credit Facilities now have a maturity date of July 1, 2026. As at June 28, 2022 the Credit Facilities were comprised of: (i) the Operating Line, being a $10.0 million committed revolving facility; and (ii) the Term Loan, being a $24.0 million (which is permanently reduced by the amounts of repayments) committed non-revolving term facility. The Credit Facilities bear interest at variable interest rates comprised of either, or a combination of, the Bank's bankers' acceptance rates or Canadian dollar offered rates plus between 1.25% and 2.10%, or the Bank's prime rate plus between 0.00% and 0.90%, depending upon the Total Funded Net Debt to EBITDA ratio, and interest is payable monthly in arrears. The Term Loan and the principal amount drawn on the Operating Line are due and payable upon maturity. The principal amount drawn on the Term Loan must be reduced by quarterly payments of $0.4 million each.

The Credit Facilities continue to be guaranteed by all of BPI's subsidiaries except BP Canada LP, and BPI and each of those subsidiaries have granted general security over their assets to secure their obligations under the Credit Facilities and such guarantees. No security has been given by BP Canada LP in respect of the Credit Facilities. Neither the Fund nor any of its subsidiaries has guaranteed or provided any security in respect of the Credit Facilities. BPI and each of BPI's subsidiaries (including BP Canada LP) have also granted Royalties LP security over their assets to secure BPI's and BP Canada LP's obligations to pay Royalty and Distributions. See "Liquidity & Capital Resources – Amendments to General Security Agreements granted by BPI and its subsidiaries in favour of the Fund" below for additional details.

The principal financial covenants of the Credit Facilities are that: (a) BPI and its subsidiaries, taken as a whole, shall maintain a Total Funded Net Debt to EBITDA ratio of not greater than 3.00:1 (tested quarterly on a trailing 12-month basis); (b) BPI and its subsidiaries, taken as a whole, shall not permit its: (i) pre-distribution debt service coverage ratio to be less than 1.10:1 on closing and until December 31, 2023 and less than 1.25:1 thereafter (tested quarterly on a trailing 12-month basis); and (ii) post-distribution debt service coverage ratio to be less than 1.00:1 (tested quarterly on a trailing 12-month basis); and (c) the Class B Units and Class 2 GP Units that a subsidiary of BPI has pledged to the Bank and which are exchangeable for Fund Units must have a value, at any time, equal to at least 100% of the outstanding advances under the credit facilities advanced pursuant to the Credit Facilities. "**Total Funded Net Debt**" is defined as all indebtedness excluding accounts payable, short-term non-interest bearing unsecured debt, deferred income taxes and certain related party debt net of cash on the balance sheet, generated from operations and held in accounts at the Bank. In addition, the first amended and restated credit agreement dated January 24, 2020 between BPI and the Bank, as amended by the first supplemental credit agreement dated June 22, 2020 and the Second Supplemental Credit Agreement, governing the Credit Facilities contain certain covenants and restrictions, including the requirement to meet the financial ratios described above. A failure of BPI to comply with these covenants and restrictions could entitle the Bank to demand repayment of the outstanding balance drawn on the Credit Facilities prior to maturity. BPI was in compliance with all of its financial covenants and financial condition tests as at the end of the Period. On December 28, 2022, BPI made a voluntary repayment of $5.0 million on the Term Loan, in addition to the required quarterly payment of $0.4 million. As of December 31, 2022, no amount was drawn on the Operating Line and $18.2 million was drawn on the Term Loan.

BCAP Loan

On June 22, 2020, the Bank loaned BPI $6.25 million under Export Development Canada's business credit availability program (the "**BCAP Loan**"). The BCAP Loan could be used to provide additional liquidity to finance

operations, and could not be used (i) to repay or refinance existing debt obligations, (ii) to make distributions; or (iii) to pay any bonuses or increases to executive compensation. The BCAP Loan had a term of one year, which could be extended annually at the request of BPI for up to five years subject to compliance with certain requirements. On June 22, 2021, BPI extended the BCAP Loan for one year. The BCAP Loan required interest only payments for the first year and was repayable in monthly blended payments of principal and interest amortized over four years commencing after the first year of the term, with any remaining balance outstanding being due upon expiry of the term. The BCAP Loan bore interest at the Bank's prime rate plus 2.5% and is subject to an annual fee equal to 1.8% of the total amount of credit available (i.e. $6.25 million). The BCAP Loan was guaranteed by all of BPI's subsidiaries except BP Canada LP, and was secured by the same security that secures the Credit Facilities to the Bank. That security shares priority with the general security agreements granted by BPI and its subsidiaries to the Bank under the Credit Facilities. BPI repaid the BCAP Loan in full on June 22, 2022, and as such, the BCAP Loan was extinguished.

BDC Facilities

On July 7, 2020, Business Development Bank of Canada ("**BDC**") loaned BPI $2.0 million under the federal government's COVID-19 relief programs (the "**BDC Facilities**"). The BDC Facilities may be used for working capital purposes, have a term of three years and are repayable in a combination of monthly payments commencing after the first year of the term and a balloon payment upon maturity. The BDC Facilities bear interest at Business Development Bank of Canada's floating base rate (currently 8.55% per annum) less 1.75% (i.e. currently 6.80%). The BDC Facilities are secured by a subordinate charge over all of BPI's assets and are guaranteed by all of BPI's subsidiaries except BP Canada LP. All of BPI's subsidiaries other than BP Canada LP have granted BDC a subordinate charge over all of their assets to support such guarantees. The security held by BDC is subordinate to the security held by the Bank to secure the Credit Facilities with the Bank and the security held by the Fund to secure BPI's obligation to pay Royalty and Distributions. As of December 31, 2022, $1.3 million was drawn on the BDC Facilities.

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, 2022 is as follows:

(in thousands of dollars)	Within 1 year	2 - 3 years	4 - 5 years	Over 5 years	Total	Book Value
Accounts payable and accrued liabilities	9,583	-	-	-	9,583	9,583
Royalty and distributions payable to the Fund	4,372	-	-	-	4,372	4,372
Debt[1]	3,988	4,975	13,784	-	22,747	19,533
Other long-term liabilities	-	1,229	-	-	1,229	1,229
Lease commitments[2]	(127)	2,186	1,767	2,791	6,617	5,187
	17,816	8,390	15,551	2,791	44,548	39,904

Note:
1) Includes estimated interest on long-term debt and excludes deferred financing costs of $0.2 million.
2) Represents minimum annual rental payments under lease contracts for office space, restaurants space and equipment.

Amendments to General Security Agreements granted by BPI and its subsidiaries in favour of the Fund

As noted above, BPI and each of BPI's subsidiaries (including BP Canada LP) have also granted Royalties LP security over their assets to secure BPI's and BP Canada LP's obligations to pay Royalty and Distributions. Concurrently with BPI and the Fund amending and extending their respective credit facilities with the Bank on June 28, 2022, BPI, BPI's subsidiaries, the Fund and the Fund's subsidiaries entered into an amending agreement, a copy of which is available on www.sedar.com, to modify certain covenants in the general security agreements granted by BPI and its subsidiaries to secure payments of Royalty and Distributions to the Fund. These modifications included the following:

1. Removing the requirement that BPI dispose of certain assets and use the net proceeds therefrom to reduce BPI's indebtedness owing to the Bank;

2. Removing the requirement that BPI's trailing 12-month EBITDA must not be less than certain specified values;

3. Removing the requirement that BPI and BP Canada LP pay the Fund each fiscal quarter a minimum amount of Royalty and Distributions, commencing the fiscal year for 2023;

4. Requiring that BPI's permitted debt ratio, being the ratio of the aggregate debt of BPI and its subsidiaries to EBITDA (tested quarterly on a trailing 12-month basis) shall not exceed 3.00:1; and

5. Incorporating the financial covenants and other monitoring and testing covenants granted by BPI and its subsidiaries to the Bank in connection with the Credit Facilities and deeming them to be covenants of BPI and its subsidiaries to Royalties LP.

The Fund and the Bank share priority over security granted to them by BPI and its subsidiaries pursuant to the Second Amended and Restated Priority Agreement dated April 11, 2018 among the Bank and Royalties LP, a copy of which is available on www.sedar.com. No modification to that priority agreement was made as part of amending and extending the Credit Facilities or the Fund's credit facilities with the Bank.

Cash Flows

Cash Flow from Operating Activities

Period

During the Period, operating activities generated $3.1 million of cash compared to $3.3 million during the fourth quarter of 2021. The decrease in cash generated of $0.2 million was primarily due to a decrease in changes in working capital partially offset by a decrease in income taxes paid.

Year

During the Year, operating activities generated $10.0 million of cash compared to $12.3 million in 2021. The decrease in cash generated of $2.3 million was primarily due to a decrease in net income after adjustments for non-cash items, a decrease in changes in working capital, and an increase in income taxes paid.

Cash Flow from Financing Activities

Period

During the Period, financing activities used $6.6 million of cash compared to $2.0 million during the fourth quarter of 2021. The increase in cash used of $4.6 million was primarily due to a voluntary repayment of debt of $5.0 million during the Period, partially offset by a decrease in required repayments on the Credit Facilities.

Year

During the Year, financing activities used $18.0 million of cash compared to $8.0 million in 2021. The increase in cash used of $10.0 million was primarily due to higher repayments of debt including higher debt repayment on the Credit Facilities (as explained above) and payments of the full outstanding debt of the BCAP Loan and other credit facilities, partially offset by lower lease obligations and interest paid.

Cash Flow from Investing Activities

Period

During the Period, investing activities generated $0.7 million of cash compared to $0.4 million during the fourth quarter of 2021. Cash generated from investing activities typically represents distributions received by BPI on the Class B Units. Cash used from investing activities typically represents purchases of property and equipment as well

as intangible assets. The increase in cash generated of $0.3 million during the Period was primarily due to an increase in distributions received on Class B Units, partially offset by an increase in purchases of intangible assets and property and equipment.

Year

During the Year, investing activities generated $1.8 million of cash compared to $1.9 million in 2021. The decrease in cash generated of $0.1 million for the Year was primarily due to an increase in purchases of property and equipment, partially offset by an increase in distributions received on Class B Units.

Related Party Transactions

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

(in thousands of dollars)	December 31, 2022	December 31, 2021
Accounts receivables due from associated companies	$ 19	$ 231
Accounts payable due to associated companies	93	39
Royalty payable to Royalties LP	3,330	2,602
Distributions payable to Holdings LP	1,042	820

(in thousands of dollars)	Q4 2022	Q4 2021	2022	2021
Revenues from a company under common control	$ -	$ -	$ -	$ 503
Fees charged to the Fund in respect of administrative services (1)	100	100	400	400
Royalty expense to the Fund	9,087	7,327	34,200	26,402
Distribution expense to the Fund	2,988	2,423	11,273	8,752
Management fees paid for services rendered to companies under common control	500	-	500	-

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

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

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Estimate – Investment in Royalties LP

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

Estimate – Accounts Receivable

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

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

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

- Level 1 – quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 – pricing inputs are other than quoted in active markets included in Level 1. Prices in Level 2 are either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable as of the reporting date.

- Level 3 – valuations in this level are those with inputs for the asset or liability that are not based on observable data.

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

(i) Class B Units

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

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

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

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

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

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

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

Judgment – Consolidation

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

CHANGES IN ACCOUNTING POLICIES

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the International Accounting Standards Board (the "**IASB**") issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted. The amendments require the disclosure of material accounting policies rather than significant accounting policies. BPI has done an initial assessment of these amendments and does not anticipate an impact to BPI's business, financial statements or disclosure. BPI intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2023.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued Presentation of Financial Statements (Amendments to IAS 1) and on October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments are effective for annual periods beginning on or after January 1, 2024. These amendments clarify the classification of liabilities as current or non-current and improve the information a company provides about long-term debt with covenants. For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period and have substance. In addition, covenants with which a company must comply after the reporting date do not affect the liability's classification at the reporting date. BPI has done an initial assessment of these amendments and does not anticipate an impact on BPI's business, financial statements or disclosure. BPI intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2024.

SHORT-TERM OUTLOOK

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

The two principal factors that affect SRS are changes in guest 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 and 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.

The actions taken by BPI and BP Canada LP to strengthen its business during COVID-19 have allowed BPI and BP Canada LP to be in a good position to address any on-going COVID-19 related challenges or other future challenges in the restaurant industry. The easing and elimination of government-imposed restrictions in Canada related to COVID-19 has enabled Boston Pizza to continue to drive improved performance and guest traffic. However, with supply chain challenges, rising interest rates, increasing input costs and labour shortages impacting most of the restaurant industry, BPI's management remains cautious. The focus of BPI's management is to adapt the business to mitigate these challenges and capitalize on the recent sales momentum resulting from the elimination of COVID restrictions in the restaurant industry.

RISKS & UNCERTAINTIES

Risks Related to the Business of BPI and BP Canada LP

Economic Uncertainties

The success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distributions and the Fund's cash available for distribution to Unitholders, are dependent upon many economic factors, including impacts of inflation, increases in interest rates, unemployment rates, consumer confidence, recession, supply chain disruption, labour availability and other globally disruptive events. Inflation and increases in interest rates increase the difficulty for Boston Pizza Restaurants to operate profitability due to increased input and debt service costs while balancing the need to maintain competitive menu pricing. Increases in interest rates also make it more difficult for Boston Pizza Restaurants to invest in new equipment and technology due to increased debt service costs. Rising unemployment rates, decreasing consumer confidence and recession may lead to decreased demand for dining out, resulting in reduced guest traffic and Franchise Sales. While global supply chains have somewhat normalized since COVID-19 and Boston Pizza's supply chain is stable, it remains possible that economic uncertainty may result in commodity unavailability or increased commodity costs for Boston Pizza Restaurants. The continued labour shortage in the restaurant industry may impede Boston Pizza Restaurants' ability to attract and retain sufficient numbers of qualified staff. In addition, global disruptions, such as geopolitical events, public health or pandemic outbreaks (including COVID-19), war or hostilities in countries in which Boston

Pizza suppliers are located, terrorist or military activities, or natural disasters such as hurricanes, tornadoes, floods, earthquakes and others, could lead to disruptions in the supply chain and increased economic uncertainty. All of these factors can contribute to a challenging environment for Boston Pizza Restaurants, which may: (i) limit their ability to generate Franchise Sales, thereby decreasing the resulting Royalty, Distributions and the Fund's cash available for distribution to Unitholders; and/or (ii) decrease their profitability, thereby increasing the risks of Boston Pizza Restaurants closing.

COVID-19 Risk

Beginning in March of 2020, the COVID-19 pandemic had sudden, unexpected and unprecedented impacts on the general economy and the restaurant industry, and caused significant disruption to the business and revenues of the Fund and BPI. The COVID-19 pandemic resulted in material declines to Franchise Sales and SRS when compared to periods prior to COVID-19. The declines in Franchise Sales and SRS resulted in significant declines to Royalty and Distributions payable by BPI and BP Canada LP to the Fund when compared to periods prior to COVID-19, and significant declines in the amount of the Fund's cash available for distribution to Unitholders when compared to periods prior to COVID-19. While COVID-19 case counts have improved, government restrictions related to COVID-19 have largely been eliminated and sales levels of Boston Pizza Restaurants have returned to more normal levels, when compared to periods prior to COVID-19, it is unknown whether there may be additional COVID-19 outbreaks, including outbreaks caused by variants of the COVID-19 virus, that may result in reduced service levels or temporary closures at Boston Pizza Restaurants. Any reduced service levels or temporary closures of Boston Pizza Restaurants will result in declines to Franchise Sales, SRS, Royalty, Distributions and the amount of the Fund's cash available for distribution to Unitholders.

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

The Restaurant Industry and its Competitive Nature

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

Growth of the Royalty and Distributions

The growth of the Royalty payable by BPI to Royalties LP under the License and Royalty Agreement between Royalties LP and BPI (for the license to use the BP Rights in Canada for 99 years, commencing on July 17, 2002), and the growth of Distributions payable by BP Canada LP to Holdings LP, are dependent upon the ability of BPI and BP Canada LP to (i) maintain and grow their franchised restaurants, (ii) locate new restaurant sites in prime locations, and (iii) obtain qualified operators to become Boston Pizza franchisees. BPI and BP Canada LP face competition for restaurant locations and franchisees from their competitors and from franchisors of other businesses. BPI's and BP Canada LP's inability to successfully obtain qualified franchisees could adversely affect their business development. The opening and success of a Boston Pizza Restaurant is dependent on a number of factors, including: availability of suitable sites; negotiations of acceptable lease or purchase terms for new locations; availability, training and retention of management and other employees necessary to staff new 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 ability of BP Canada LP to pay Distributions are dependent on (i) Boston Pizza franchisees' ability to generate revenue and to pay royalties to BP Canada LP, (ii) BP Canada LP's ability to enter into arrangements with suppliers and distributors to generate competitive pricing for franchisees and revenue for BP Canada LP, and (iii) BP Canada LP's receipt of amounts for other franchise fees (including initial and renewal franchise fees). Failure of BP Canada LP to achieve adequate levels of collection from Boston Pizza franchisees or the loss of revenues from arrangements with suppliers and distributors could have a serious effect on the ability of BP Canada LP to pay Distributions and of BPI to pay the Royalty.

Intellectual Property

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

Government Regulation

BPI and BP Canada LP are subject to various federal, provincial and local laws affecting their business. Each Boston Pizza Restaurant is subject to licensing and regulation by a number of governmental authorities, which may include alcoholic beverage control, smoking laws, health and safety and fire agencies. Difficulties in obtaining or

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failures to obtain the required licenses or approvals could delay or prevent the development of a new Boston Pizza Restaurant in a particular area or restrict the operations of an existing Boston Pizza Restaurant.

Regulations Governing Food Service and Alcoholic Beverages

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

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

Laws Concerning Employees

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

Sales Tax Regulations

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

Franchise Regulation Risk

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

Potential Litigation and Other Complaints

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

Insurance

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

Dependence on Key Personnel

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

Security of Confidential Guest Information and Personal Information

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

Reliance on Technology

BPI, BP Canada LP and Boston Pizza franchisees rely heavily upon information systems, including point-of-sale processing in Boston Pizza Restaurants, for management of their supply chain, payment of obligations, collection of cash, credit and debit card transactions and other processes and procedures, including the taking and sending of orders to Boston Pizza Restaurants. BPI's and BP Canada LP's ability to efficiently and effectively manage their business depends significantly on the reliability and capacity of these systems. BPI's and BP Canada LP's operations depend upon their ability to protect their computer equipment and systems against damage from physical

theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive problems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, expanding BPI's and BP Canada LP's systems as they grow or a breach in security of these systems could result in delays in customer service and reduced efficiency in BPI's and BP Canada LP's operations. Remediation of such problems could result in significant, unplanned capital investments.

Leverage Risks

Refinancing Risk – BPI has third-party debt service obligations under the Credit Facilities and BDC Facilities. The degree to which BPI is leveraged could have important consequences to Unitholders, including: (i) a portion of BPI's cash flow from operations could be dedicated to the payment of the principal of and interest on BPI's indebtedness, thereby reducing funds available for payment of the Royalty; and (ii) certain of BPI's borrowings are at variable rates of interest. The Credit Facilities are due on July 1, 2026, at which time BPI will need to refinance such loans. There can be no assurance that refinancing of this indebtedness will be available to BPI, or available to BPI on acceptable terms. If BPI cannot refinance this indebtedness on acceptable terms upon maturity, it may negatively impact the ability of BPI to pay the Royalty. Given the Fund's dependence upon BPI, this may negatively impact the Fund's distributable cash and the Fund's ability to make distributions on Fund Units. BPI's ability to make scheduled payments of principal or interest on, or to refinance, its indebtedness depends on future cash flows, which is dependent on the success of Boston Pizza Restaurants, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

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

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

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

ADDITIONAL INFORMATION

Additional information relating to BPI, the Fund, Royalties LP, Boston Pizza GP Inc., BPCHP, Boston Pizza Holdings Trust, Holdings LP, Boston Pizza Holdings GP Inc. and BP Canada LP, including the Fund's Annual Information Form dated February 8, 2023, is available on SEDAR at www.sedar.com and on the Fund's website at www.bpincomefund.com.

NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

- future distributions and dates distributions are to be paid or payable;
- how changes in distributions will be implemented;
- how distributions will be funded;
- impact of seasonality on Franchise Sales;
- the "Four Pillars" strategy will continue to focus BPI's and BP Canada LP's efforts to develop new markets and strengthen Boston Pizza's position as Canada's number one casual dining brand;
- continued improved performance and guest traffic due to the easing and elimination of government-imposed COVID-19 restrictions in the Canadian restaurant industry;
- estimates relating to the amount and timing of cash flows related to BPI's contractual obligations and commercial commitments;
- adjustments to Additional Entitlements that are to occur in the future and when such adjustments will occur;
- that BPI has sufficient cash and capital resources for 2022, and that its current sources of liquidity are sufficient to cover its currently known short and long-term obligations;
- debt of franchisees of BP Canada LP, including degree of debt leverage and interest rate risk;
- BPI constantly monitoring its operations and cash flows to ensure that current and future obligations will be met;
- that BPI's and BP Canada LP's aggressive enhancement and promotion of the Boston Pizza brand enhances profitability and facilitates growth of Boston Pizza;
- BPI and BP Canada LP's ability to implement strategies driving higher guest traffic and increased average cheque levels; and
- BPI management's ability to adapt the business to mitigate challenges related to supply chain, rising interest rates, increasing input costs and labour shortages.

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

- absence of amendments to material contracts;
- no strategic changes of direction occurring;
- absence of changes in law;
- protection of BP Rights;
- pace of commercial real estate development;
- franchisees' access to financing;
- franchisees duly paying franchise fees and other amounts;
- there will be no closures of Boston Pizza Restaurants that materially affect the amount of Royalty paid by BPI to Royalties LP or the amount of Distributions paid by BP Canada LP to Holdings LP;
- future results being similar to historical results;
- expectations related to future general economic conditions;
- management of BPI and BP Canada LP maintaining current strategies to drive higher guest traffic and

higher average guest cheques;
- Boston Pizza Restaurants maintaining operational excellence;
- culinary innovation and menu re-pricing;
- continuing operations of key suppliers;
- availability of experienced management and hourly employees;
- the absence of significant supply chain interruptions;
- ability to mitigate rising interest rates and input costs;
- ability to obtain qualified franchisees;
- ability to open sufficient New Restaurants to replace Franchise Sales of Closed Restaurants;
- ability to comply with disclosure obligations under franchise laws and regulations;
- ability to obtain adequate insurance coverage;
- ability to invest in new equipment and technology;
- ability to enter into arrangements with suppliers and distributors to generate competitive pricing for franchisees and revenue for BP Canada LP;
- ability to adapt to changes in operating environments and economic conditions;
- ability to cover forecasted expenditures, capital requirements, commitments and repayments for 2022;
- current sources of liquidity are sufficient to cover currently known short and long term obligations;
- COVID-19 may continue to negatively impact Boston Pizza dining rooms and sports bars across Canada;
- COVID-19 and its related restrictions will continue to dissipate;
- estimates and judgements used in accounting based on historical experiences, knowledge of economics, market factors and restaurant industry; and
- franchisees' ability to operate restaurants in a manner consistent with BPI's standards.

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

- competition;
- consumer spending habits;
- consumer confidence in the retail sector;
- household debt;
- weather;
- pricing;
- changes in demographic trends;
- changes in consumer preferences and discretionary spending patterns;
- changes in national and local business and economic conditions;
- legislation and government regulation;
- cash distributions are not guaranteed;
- accounting policies and practices;
- the results of operations and financial conditions of franchisees, BPI and the Fund;
- inflation and interest rates;
- publicity from any food borne illness;
- increase in food, labour or benefits costs;
- Boston Pizza Restaurant closures;
- successful challenge of the BP Rights;
- inadequacy of insurance coverage, increases to insurance premiums, and restrictive conditions of insurance policies;
- increases in sales tax;
- litigation against franchisees;
- inability to attract and retain key personnel;
- data security breaches and technological failures;
- global disruptions, including geopolitical events, war or hostilities, terrorist or military activities, or natural disasters; and
- pandemics and national health crises, in particular COVID-19.

The foregoing list of factors is not exhaustive and should be considered in conjunction with the risks and uncertainties set out in this MD&A and the MD&A of the Fund for the period and year ended December 31, 2022.

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

KPMG

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Boston Pizza International Inc.

Opinion

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

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in shareholder deficiency for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of BPI as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BPI's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BPI's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause BPI to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

KPMG LLP

Chartered Professional Accountants

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

Vancouver, Canada
February 8, 2023

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

		December 31, 2022		December 31, 2021
Assets				
Current assets				
Cash and cash equivalents	$	12,679	$	18,827
Accounts receivable *(note 4)*		9,329		4,739
Prepaid expenses and other current assets		839		821
Income tax receivable *(note 14)*		284		-
Advertising fund restricted assets		14,459		12,428
Interest receivable from Boston Pizza Royalties Limited Partnership		303		265
		37,893		37,080
Long-term receivables *(note 4)*		-		89
Investment in Boston Pizza Royalties Limited Partnership *(note 5)*		36,657		37,556
Property and equipment *(note 6)*		9,011		8,784
Intangible assets *(note 7)*		4,732		5,321
Deferred income taxes *(note 14)*		63,716		65,969
Total assets	$	152,009	$	154,799
Liabilities and Shareholder Deficiency				
Current liabilities				
Accounts payable and accrued liabilities	$	9,583	$	7,417
Income tax payable *(note 14)*		-		243
Royalty and distributions payable to the Fund		4,372		3,422
Deferred revenue		1,530		2,123
Debt *(note 8)*		2,877		29,137
Lease obligation *(note 9)*		474		879
Advertising fund restricted liabilities		13,577		11,276
		32,413		54,497
Deferred revenue		2,737		3,716
Debt *(note 8)*		16,458		5,214
Lease obligation *(note 9)*		5,598		3,402
Advertising fund restricted liabilities		4,546		4,848
Other long-term liabilities		1,229		1,170
Boston Pizza Canada Limited Partnership units liability *(note 10)*		115,587		117,606
Deferred gain *(note 11)*		222,020		224,847
Total liabilities		400,588		415,300
Shareholder deficiency				
Share capital		38,248		38,248
Accumulated deficit		(286,827)		(298,749)
		(248,579)		(260,501)
Total liabilities and shareholder deficiency	$	152,009	$	154,799

Subsequent events *(note 20)*

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

Approved on behalf of the Board:

James Treliving, Director

BOSTON PIZZA INTERNATIONAL INC.
Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, except per share data)

		2022		2021
Revenue				
Franchise, restaurant and other	$	92,250	$	70,346
Advertising fund revenue		24,113		19,974
		116,363		90,320
Royalty expense *(note 17)*		34,200		26,402
Distribution expense *(note 10 and 17)*		11,273		8,752
Restaurant operating costs		8,540		4,625
Compensation expense *(note 17)*		18,423		14,672
Advertising fund expense		24,080		18,091
Other expenses *(note 16)*		4,512		3,965
Depreciation and amortization *(note 6 and 7)*		4,550		5,008
Management fee *(note 17)*		500		-
Amortization of deferred gain *(note 11)*		(2,827)		(2,827)
Operating expenses		103,251		78,688
Earnings before interest, fair value (gain) loss and taxes		13,112		11,632
Interest income from Boston Pizza Royalties Limited Partnership		(3,690)		(2,506)
Interest on debt and financing costs		1,613		1,996
Interest on lease obligations *(note 9)*		256		306
Interest on payables owed to the Fund		-		89
Net interest income		(1,821)		(115)
Fair value loss (gain) on investment in Boston Pizza Royalties Limited Partnership *(note 5)*		899		(11,229)
Fair value (gain) loss on Boston Pizza Canada Limited Partnership units liability *(note 10)*		(2,019)		25,206
Total fair value (gain) loss		(1,120)		13,977
Earnings (loss) before income taxes		16,053		(2,230)
Current income tax expense *(note 14)*		1,878		2,320
Deferred income tax expense *(note 14)*		2,253		735
Total tax expense		4,131		3,055
Net and comprehensive income (loss)	$	11,922	$	(5,285)
Basic and diluted earnings (loss) per share	$	121.55	$	(53.88)

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

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

		Share Capital		Accumulated Deficit		Total Deficiency
Balance – December 31, 2021	$	38,248	$	(298,749)	$	(260,501)
Net and comprehensive income for the period		-		11,922		11,922
Balance – December 31, 2022	$	38,248	$	(286,827)	$	(248,579)
Balance – December 31, 2020	$	38,248	$	(293,464)	$	(255,216)
Net and comprehensive loss for the period		-		(5,285)		(5,285)
Balance – December 31, 2021	$	38,248	$	(298,749)	$	(260,501)

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

	2022	2021
Cash flows generated from (used in)		
Operating activities		
Net and comprehensive income (loss)	$ 11,922	$ (5,285)
Adjustments for:		
Depreciation and amortization *(notes 6 and 7)*	4,550	5,008
Current income tax expense *(note 14)*	1,878	2,320
Deferred income tax expense *(note 14)*	2,253	735
Amortization of deferred gain *(note 11)*	(2,827)	(2,827)
Bad debt expense *(note 16)*	(1,110)	450
Impairment of property and equipment and intangible assets *(note 16)*	-	718
Fair value loss (gain) on investment in Boston Pizza Royalties Limited Partnership *(note 5)*	899	(11,229)
Fair value (gain) loss on Boston Pizza Canada Limited Partnership units liability *(note 10)*	(2,019)	25,206
Interest income from Boston Pizza Royalties Limited Partnership	(3,690)	(2,506)
Interest on debt and financing costs	1,613	1,996
Interest on lease obligations	256	306
Interest on payables owed to the Fund	-	89
Change in non-cash operating items *(note 18(a))*	(1,283)	(473)
Income tax paid	(2,522)	(2,363)
Income tax received	117	114
Net cash generated from operating activities	10,037	12,259
Financing activities		
Repayment of debt *(note 8)*	(15,155)	(4,160)
Interest paid on debt, revolving facility and leases	(1,636)	(2,105)
Payment of lease obligations *(note 9)*	(1,112)	(1,756)
Payment of debt financing costs	(79)	-
Net cash used in financing activities	(17,982)	(8,021)
Investing activities		
Interest received from investment in Boston Pizza Royalties Limited Partnership	3,652	3,152
Purchase of property and equipment, net *(note 18(b))*	(719)	(72)
Purchase of intangible assets, net *(note 18(b))*	(1,136)	(1,218)
Net cash generated from investing activities	1,797	1,862
(Decrease) Increase in cash and cash equivalents	(6,148)	6,100
Cash and cash equivalents – beginning of year	18,827	12,727
Cash and cash equivalents – end of year	$ 12,679	$ 18,827

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

1. **General information:**

(a) Organization:

Boston Pizza International Inc. was incorporated on May 26, 1982 under the laws of British Columbia and continued under the *Canada Business Corporations Act* on August 26, 2002. The principal business office is located at 13571 Commerce Parkway, Richmond, BC.

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

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

(b) Nature of operations:

The Company's principal business activity is the operation and franchising of Boston Pizza restaurants in Canada. As at December 31, 2022, 377 Boston Pizza restaurants were in operation (December 31, 2021 – 383).

COVID-19 continued to impact the business of the Fund, BPI and BP Canada LP, and the operation of Boston Pizza Restaurants during 2021 and the first half of 2022. Since then, COVID-19 case counts have improved, government restrictions related to COVID-19 have largely been eliminated, and sales levels of Boston Pizza Restaurants have returned to more normal levels when compared to times prior to COVID-19.

2. **Basis of preparation:**

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). These consolidated financial statements were approved by the Director for issue on February 8, 2023.

2. Basis of preparation (continued):

(b) Functional and presentation currency:

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

(c) Use of estimates and judgments:

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

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

Estimates:

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

The investment in Royalties LP is principally comprised of Class B general partner units ("**Class B Units**") and, prior to an internal reorganization of corporate structure in 2017 (the "**Reorganization**"), Class C general partner units ("**Class C Units**"). The value of additional Boston Pizza restaurants rolled into the Royalty Pool (defined below) is also recognized within the Company's investment in Royalties LP through the additional entitlement of Class B Units. Annually, on January 1 (each, an "**Adjustment Date**"), the number of Boston Pizza restaurants in the Royalty Pool on which the Company pays a royalty to the Fund are adjusted to include the sales subject to royalty fees ("**Franchise Sales**") from new Boston Pizza restaurants opened on or before December 31 of the prior year, less Franchise Sales from any Boston Pizza restaurants that have permanently closed during the year. In return for adding this net Franchise Sales to the Royalty Pool, Boston Pizza receives the right to indirectly acquire additional units of the Fund ("**Fund Units**") in respect of its Class B Units (the "**Class B Additional Entitlements**"). BPI receives 80% of the estimated Class B Additional Entitlements on the Adjustment Date with the balance (the "**Class B Holdback**") received once the performance of the new Boston Pizza restaurants and actual effective tax rate of the Fund are known with certainty. As such, the calculation is dependent on a number of variables including the estimated sales of the new Boston Pizza restaurants and a tax rate. The value of the Class B Additional Entitlements as a result of adding new Boston Pizza restaurants to the Royalty Pool could differ from actual results.

- **Class B Unit Fair Value Adjustment**

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

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

2. Basis of preparation (continued):

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

Estimates (continued):

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

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

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

- **Accounts Receivable**

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

Judgment:

- **Consolidation**

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

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

3. Significant accounting policies:

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

(a) Basis of measurement:

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

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

(b) Consolidation:

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

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

The parent company of BPI is JTHL.

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

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

(c) Cash and cash equivalents:

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

(d) Advertising Fund:

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

3. Significant accounting policies (continued):

(d) Advertising Fund (continued):

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

(e) Gift cards:

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

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

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

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

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

(f) Property and equipment:

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

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

3. Significant accounting policies (continued):

(f) Property and equipment (continued):

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

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

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

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

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

(g) Intangible assets:

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

(h) Income taxes:

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

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

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

3. Significant accounting policies (continued):

(h) Income taxes (continued):

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

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

(i) Revenue recognition and deferred revenue:

(i) Franchise revenues:

<u>Monthly franchise fee:</u>

Monthly franchise fees are recognized as they are earned.

<u>Franchise fee deposits:</u>

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

<u>Franchisee renewal fees:</u>

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

(ii) Advertising fund revenue:

<u>Monthly advertising fees:</u>

Monthly advertising fund contributions are recognized as they are earned.

<u>Gift card breakage income:</u>

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

(iii) Corporately owned restaurant revenues:

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

(iv) Supplier contributions:

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

3. Significant accounting policies (continued):

(j) Deferred gain:

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

(k) Financial instruments:

(i) Recognition, classification and measurement:

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

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

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

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

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

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

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

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

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

- a group of financial liabilities or financial assets and financial liabilities is managed with its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

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

(ii) Business model assessment:

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

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

(iii) Contractual cash flow characteristics assessment:

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

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

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(iii) Contractual cash flow characteristics assessment (continued):

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

(l) Impairment of financial assets:

Credit-impaired financial assets

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

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

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

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

Financial instruments and contract assets

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

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

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

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

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

The Company determines whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating lifetime ECLs, by considering reasonably available

3. Significant accounting policies (continued):

(l) Impairment of financial assets (continued):

quantitative and qualitative information based on the Company's credit risk experience, forward looking information, and other reasonable estimates.

(m) Impairment of non-financial assets:

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

(n) Earnings per share:

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

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

(in thousands of Canadian dollars, except where noted)

3. Significant accounting policies (continued):

(o) Accounting standards and amendments issued but not yet adopted:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2*)*. The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted. The amendments require the disclosure of material accounting policies rather than significant accounting policies. The Company has done an initial assessment of these amendments and does not anticipate an impact to the Company's business, financial statements or disclosure. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2023.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued Presentation of Financial Statements (Amendments to IAS 1) and on October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments are effective for annual periods beginning on or after January 1, 2024. These amendments clarify the classification of liabilities as current or non-current and improve the information a company provides about long-term debt with covenants. For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period and have substance. In addition, covenants with which a company must comply after the reporting date do not affect the liability's classification at the reporting date. The Company has done an initial assessment of these amendments and does not anticipate an impact on the Company's business, financial statements or disclosure. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2024.

4. Accounts receivables:

	December 31, 2022	December 31, 2021
Trade receivables and other (net of allowance)	$ 8,425	$ 4,508
Tenant inducements receivable, net of lease obligations[(i)]	885	-
Receivables due from associated companies	19	231
Total current receivables	$ 9,329	$ 4,739
Long-term trade receivables and other (net of allowance)	-	89
Total long-term receivables	$ -	$ 89

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

(i) The balance represents the net current portion of lease obligations for two new leases that the Company entered into for two of its corporate offices during the year ended December 31, 2022. The balance is in a net asset position because the current lease obligations include $1.1 million of tenant inducements in relation to these leases that are expected to be received in the next 12 months. The balance also includes $0.2 million in current lease obligations (netted against the asset balance) relating to these leases due within the next 12 months. Refer to *note 9 Lease Obligations* for further details.

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

	December 31, 2022	December 31, 2021
Current	$ 8,413	$ 4,153
Past due 1-30 days	294	193
Past due 31-60 days	368	290
Past due 61-90 days	208	151
Past due over 90 days	46	41
	$ 9,329	$ 4,828

The allowance for doubtful accounts was $2.5 million as at December 31, 2022 (December 31, 2021 – $4.2 million) with $1.6 million (December 31, 2021 – $2.5 million) applied against short-term trade receivables and other and $0.9 million against long-term trade receivables and other (December 31, 2021 – $1.7 million). The Company's collections policy is to first apply cash receipts against the oldest outstanding invoices.

(in thousands of Canadian dollars, except where noted)

5. Investment in Boston Pizza Royalties Limited Partnership:

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

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

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

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

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

The investment in Royalties LP is comprised of:

	Issued and outstanding Additional Entitlements	Issued and outstanding Additional Entitlements including Holdback		Class B Unit Entitlement
Balance as at December 31, 2020	2,423,886	2,430,381	$	26,321
Class B Additional Entitlements granted January 1, 2021 [(1)]	-	-		-
Adjustment to prior year Class B Additional Entitlements [(2)]	6,937	442		6
Fair value gain	-	-		11,229
Balance as at December 31, 2021	2,430,823	2,430,823	$	37,556
Class B Additional Entitlements granted January 1, 2022 [(3)]	-	-		-
Fair value loss	-	-		(899)
Balance as at December 31, 2022	2,430,823	2,430,823	$	36,657

(1) On January 1, 2021, two new Boston Pizza Restaurants that opened across Canada between January 1, 2020 and December 31, 2020 were added to the Royalty Pool and the eleven restaurants that permanently closed during 2020 were removed. The net Franchise Sales from the two new Boston Pizza Restaurants less the eleven Boston Pizza Restaurants that permanently closed was negative $15.4 million. This resulted in a Deficiency of $0.8 million related to lost Royalty income and Distribution income. As a result of the Deficiency, the Company did not receive any Class B Additional Entitlements on January 1, 2021.

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

(3) On January 1, 2022, four Boston Pizza restaurants that closed during the period from January 1, 2021 to December 31, 2021 were removed from the Royalty Pool. The Franchise Sales from the four Boston Pizza Restaurants that permanently closed is negative $6.2 million. This resulted in a Deficiency of $0.3 million related to lost Royalty income and Distribution income. As a result of the Deficiency, the Company did not receive any Class B Additional Entitlements on January 1, 2022.

6. Property and equipment:

Cost	Office furniture and equipment	Right-of-use assets	Leasehold improvements	Total
At January 1, 2021	$ 12,795	$ 11,642	$ 13,722	$ 38,159
Adjustments	-	(827)	-	(827)
Additions	47	-	46	93
Impairment expense	(1,187)	-	(2,338)	(3,525)
At December 31, 2021	11,655	10,815	11,430	33,900
Adjustments	-	2,018	-	2,018
Additions	246	-	537	783
At December 31, 2022	$ 11,901	$ 12,833	$ 11,967	$ 36,701

Accumulated Depreciation	Office furniture and equipment	Right-of-use assets	Leasehold improvements	Total
At January 1, 2021	$ 10,786	$ 6,014	$ 8,561	$ 25,361
Depreciation	473	1,304	1,113	2,890
Impairment expense	(1,056)	-	(2,079)	(3,135)
At December 31, 2021	10,203	7,318	7,595	25,116
Depreciation	513	963	1,098	2,574
At December 31, 2022	$ 10,716	$ 8,281	$ 8,693	$ 27,690

Net book Value	Office furniture and equipment	Right-of-use assets	Leasehold improvements	Total
At December 31, 2021	$ 1,452	$ 3,497	$ 3,835	$ 8,784
At December 31, 2022	1,185	4,552	3,274	9,011

As at December 31, 2022, the right-of-use assets include a balance of nil (December 31, 2021 - $0.2 million) in lease incentives which is being amortized over the terms of the leases. In 2021, Lansdowne Holdings Ltd. and Theatre District Pizza Ltd. closed its operations. Related to the closures, property and equipment of $0.4 million were written off as these assets no longer provide any economic benefit to BPI. No such expense was recorded in the year ended December 31, 2022.

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7. Intangible assets:

Cost	Computer Software and other	Reacquired Franchise Rights	Total
At January 1, 2021	$ 22,219	$ 2,647	$ 24,866
Additions	2,033	-	2,033
Impairment expense	-	(633)	(633)
At December 31, 2021	24,252	2,014	26,266
Additions	1,387	-	1,387
At December 31, 2022	$ 25,639	$ 2,014	$ 27,653

Accumulated Amortization	Computer Software and other	Reacquired Franchise Rights	Total
At January 1, 2021	$ 17,360	$ 1,773	$ 19,133
Amortization	1,855	263	2,118
Impairment expense	-	(306)	(306)
At December 31, 2021	19,215	1,730	20,945
Amortization	1,874	102	1,976
At December 31, 2022	$ 21,089	$ 1,832	$ 22,921

Net book value (in thousands)	Computer Software and other	Reacquired Franchise Rights	Total
At December 31, 2021	$ 5,037	$ 284	$ 5,321
At December 31, 2022	4,550	182	4,732

During the year ended December 31, 2021, the Company recognized impairment expense related to intangible assets with carrying net book value of $0.3 million. The impairment was related to intangible assets held by Theatre Pizza District Ltd. whose operations were closed in 2021. No such expense was recorded in the year ended December 31, 2022.

(in thousands of Canadian dollars, except where noted)

8. Debt:

The Company's debt consists of the following:

	December 31, 2022	December 31, 2021
Term Loan bearing variable interest at CDOR plus between 1.25% and 2.10% per annum and due in 2026 [(a)(b)]	$ 18,200	$ 24,999
Acquired Restaurant Credit Facility bearing variable interest at prime plus 1.00% per annum and due in 2022 [(c)]	-	2,488
BCAP non-revolving facility bearing variable interest at prime plus 2.50% per annum and due in 2025 [(d)]	-	5,469
BDC non-revolving facility bearing variable interest rates less 1.75% per annum (8.55% less 1.75% per annum as at December 31, 2022), and due in 2023 [(e)]	1,333	1,733
Deferred financing fees	(198)	(338)
	19,335	34,351
Current portion of debt	2,934	29,449
Current portion of deferred financing fees	(57)	(312)
	$ 16,458	$ 5,214

Prior to June 28, 2022, BPI had credit facilities with a Canadian chartered bank (the "**Bank**") in the amount of up to $34.0 million (originally $43.3 million) expiring on December 31, 2022 (the "**Original Credit Facilities**"). On June 28, 2022, BPI entered into a second supplemental credit agreement (the "**Second Supplemental Credit Agreement**") with the Bank to amend and extend the Original Credit Facilities (the Original Credit Facilities, as amended and extended by the Second Supplemental Credit Agreement, the "**Credit Facilities**").

(a) The Original Credit Facilities were comprised of: (i) a $10 million committed revolving facility to cover BPI's day-to-day operating requirements if needed (the "**Operating Line**"); and (ii) a $24.0 million (originally $33.3 million) committed non-revolving term facility that was used to finance the reorganization of BPI and its shareholders that completed on September 30, 2017 (the "**Term Loan**"). The Original Credit Facilities bore interest at variable rates, as selected by BPI, comprised of either or a combination of the Bank's bankers' acceptance rates or Canadian dollar offered rates plus between 2.75% and 3.75%, or the Bank's prime rate plus between 1.50% and 2.50%, depending upon BPI's total funded net debt to EBITDA ratio. The Term Loan and the principal amount drawn on the Operating Line were due and payable upon maturity. The principal amount drawn on the Term Loan must be reduced by quarterly payments, which permanently reduced the amount available under the Term Loan. BPI repaid $0.3 million of principal outstanding on the Term Loan on June 28, 2022. The Credit Facilities are guaranteed by BPI's wholly-owned subsidiaries, all of whom have granted security for their obligations under those guarantees. No security has been given by BP Canada LP in respect of the Credit Facilities.

8. Debt (continued):

(b) The Second Supplemental Credit Agreement amended and extended the Original Credit Facilities as follows:

(i) The maturity date was extended from December 31, 2022 to July 1, 2026;

(ii) The total amount of credit available was decreased by $9.3 million, from the original $43.3 million to $34.0 million by decreasing the size of the Term Loan from the original $33.3 million to $24.0 million to reflect repayments of principal previously made by BPI;

(iii) The interest rates (or margins, as applicable) decreased to variable interest rates comprised of either or a combination of the Bank's bankers' acceptance rates or Canadian dollar offered rates plus between 1.25% and 2.10%, or the Bank's prime rate plus between 0.00% and 0.90%, depending upon BPI's total funded net debt to EBITDA ratio;

(iv) The amount of principal on the Term Loan that BPI is required to repay each quarter was reduced from $0.7 million to $0.4 million;

(v) Certain financial covenants that were waived by the Bank from June 2020 until December 31, 2022 were reinstated and, in the case of (b) and (c) following, modified, including: (a) the covenant that the market value of the Class B Units and Class 2 GP Units exceeds the amount of indebtedness owed by BPI to the Bank; (b) the covenant that BPI's net total funded debt to EBITDA be less than specified ratios; and (c) the covenant that BPI maintain a minimum ratio of cash flow available for debt service to total debt service;

(vi) Certain covenants agreed to in June 2020 were eliminated, including: (i) the covenant that required BPI's trailing 12-month EBITDA to not be less than certain specified values; and (ii) the covenant that required BPI to dispose of certain assets and use the net proceeds therefrom to reduce BPI's indebtedness to the Bank; and

(vii) The guarantees and security supporting the Credit Facilities remain unchanged from those existing immediately prior to the Second Supplemental Credit Agreement.

On December 28, 2022, the Company made a voluntary payment of $5.0 million to the Term Loan, in addition to the required quarterly payment of $0.4 million. As of December 31, 2022 and December 31, 2021, no amount was drawn on the Operating Line.

(c) In addition to the Credit Facilities, one of BPI's wholly-owned subsidiaries has a $3.3 million committed non-revolving term loan that was established to fund a 2016 restaurant purchase and renovations (the "**Acquired Restaurant Credit Facility**"). Principal payments were required to be made monthly on the facility until the maturity date. On February 14, 2022, the remaining balance of $2.5 million on the Acquired Restaurant Credit Facility was paid in full.

(d) BPI had credit facilities with the Bank under the Export Development Canada's business credit availability program (the "**BCAP Loan**") in the amount of $6.25 million. The BCAP Loan had a term of one year, which could be extended annually at the request of BPI for up to five years subject to compliance with certain requirements. The BCAP Loan bore interest at the Bank's prime rate plus 2.50% and was subject to an annual fee equal 1.80% of the total amount of credit available (i.e. $6.25 million).

8. Debt (continued):

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

On June 22, 2022, the remaining balance of $4.7 million on the BCAP Loan was paid in full.

(e) BPI has credit facilities with the Business Development Bank of Canada ("**BDC**") in the amount of $2.0 million (the "**BDC Loan**") under the federal government's COVID-19 relief programs. The BDC Loan has a term of three years and bears interest at BDC's floating base rate (currently 8.55% per annum) less 1.75% (i.e. currently 6.80%). The security held by BDC is subordinate to the security held by the Bank to secure the Credit Facilities with the Bank and the security held by the Fund to secure BPI's obligation to pay the Fund Royalty and Distributions.

(f) Principal repayments on long-term debt are as follows:

		December 31, 2022
2023	$	2,933
2024		1,600
2025 and thereafter		15,000
	$	19,533

The fair value of the Company's debt was $19.5 million (December 31, 2021 – $34.7 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.

BPI was in compliance with all of its financial covenants and financial condition tests as of December 31, 2022.

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9. Lease obligations:

The Company's lease obligations are initially measured at the present value of the lease payments that are not paid at the commencement date using the Company's incremental borrowing rate. After initial recognition, the lease liabilities are measured at amortized cost using the effective interest method. The Company's lease obligations consist of:

		December 31, 2022		December 31, 2021
Balance, beginning of year	$	4,281	$	6,864
Adjustments		2,903		(827)
Principal payments		(1,112)		(1,756)
Balance, end of year		6,072		4,281
Current portion of lease obligations		474		879
Long-term portion of lease obligations	$	5,598	$	3,402

Total cash outflow for leases for the year ended December 31, 2022 was $1.4 million (2021 – $2.1 million) which includes $1.1 million of principal payments (2021 – $1.8 million) and $0.3 million in interest for lease obligations (2021 – $0.3 million). Expenses for lease of low-dollar value items are not material. All extension options have been included in the measurement of lease obligations where applicable.

The annual lease obligations for the next five years and thereafter are as follows:

		December 31, 2022		December 31, 2021
Within 1 year(1)	$	(127)	$	1,175
2 to 3 years		2,186		1,474
4 to 5 years		1,767		1,426
Over 5 years		2,791		1,748
Total undiscounted lease obligations	$	6,617	$	5,823

(1) Included as an offset in the obligation balance is $ 1.1 million relating to tenant inducements expected to be received *(note 4)*.

10. Boston Pizza Canada Limited Partnership units liability:

Limited partnership units

The Class 1 LP Units entitle the Fund to a cash distribution equal to the interest payable on the Fund's Credit Facility D plus 0.05% to a maximum amount of 1.5% of Franchise Sales. The Class 2 LP Units entitle the Fund to a cash distribution equal to 1.5% of Franchise Sales less the Class 1 LP Units distribution amount, less BPI's proportionate share. Refer to *note 12* for the fair value calculation of the BP Canada LP Unit Liability.

The BP Canada LP units liability is comprised of:

	Issued and outstanding LP Units		Investment in BP Canada LP
Class 1 LP Units			
Class 1 LP Units at December 31, 2022 and 2021	1,000	$	33,314
Class 2 LP Units			
Class 2 LP Units at December 31, 2021	5,455,762	$	114,113
Fair value gain on Class 2 LP Units since inception			(29,821)
Balance at December 31, 2021	5,455,762		84,292
Fair value gain on Class 2 LP Units			(2,019)
Class 2 LP Units balance at December 31, 2022	5,455,762	$	82,273
Total LP Units balance at December 31, 2022		$	115,587

General partnership units

BPI receives its proportionate share of the 1.5% of Franchise Sales of Boston Pizza restaurants in the Royalty Pool through distributions on Class 2 general partnership units ("**Class 2 GP Units**") of BP Canada LP that are exchangeable for Fund Units. These units are eliminated upon consolidation with BP Canada LP. The Company continues to pay the Fund the balance of the Fund's interest in Franchise Sales of Royalty Pool restaurants in the form of Royalty.

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10. Boston Pizza Canada Limited Partnership units liability (continued):

The number of Fund Units that the Company is entitled to receive in exchange for its Class 2 GP Units is adjusted periodically to reflect the addition of new Boston Pizza Restaurants to the Royalty Pool (the "**Class 2 Additional Entitlements**", and together with the Class B Additional Entitlements, the "**Additional Entitlements**"), with 80% of the estimated Class 2 Additional Entitlements being received on the Adjustment Date with the balance (the "**Class 2 Holdback**", and together with the Class B Holdback, the "**Holdback**") being received once the performance of the new restaurants and the actual effective tax rate of the Fund are known for certain, similar to adjustments to the Class B Units that the Company holds.

It is possible for a Deficiency to exist on an Adjustment Date (refer to *note 5*). In such case, the Company would not receive any Additional Entitlements, however, nor would the Company lose any of the Additional Entitlements previously received. Rather, on future Adjustments Dates, the Company would be required to make-up the Deficiency by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any further Additional Entitlements.

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

As at December 31, 2022, the Company had the right to receive 831,354 (December 31, 2021 – 831,354) Fund Units when it exercises its rights to exchange its Class 2 GP Units into Fund Units.

	Issued and outstanding Class 2 GP Additional Entitlements	Issued and outstanding Class 2 GP Additional Entitlements including Class 2 GP Holdback
Balance at December 31, 2020	828,753	831,188
Class 2 Additional Entitlements granted January 1, 2021[(1)]	-	-
Adjustment to prior year Class 2 Additional Entitlements[(2)]	2,601	166
Balance at December 31, 2021	831,354	831,354
Class 2 Additional Entitlements granted January 1, 2022[(3)]	-	-
Balance at December 31, 2022	831,354	831,354

(1) On January 1, 2021, two new Boston Pizza Restaurants opened during the period from January 1, 2020 to December 31, 2020 were added to the Royalty Pool while 11 restaurants that closed during 2020 were removed. The Franchise Sales from restaurants added to the Royalty Pool on January 1, 2021, net of closures was negative $15.4 million. This resulted in a Deficiency of $0.8 million related to lost Royalty income and Distribution income. As a result of the Deficiency, the Company did not receive any Class 2 GP Additional Entitlements on January 1, 2021.

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

(3) On January 1, 2022, four Boston Pizza Restaurants that closed during the period from January 1, 2021 to December 31, 2021 were removed from the Royalty Pool. The Franchise Sales from restaurants removed from the Royalty Pool on January 1, 2022 was negative $6.2 million. This resulted in a Deficiency of $0.3 million related to lost Royalty income and Distribution income. As a result of the Deficiency, the Company did not receive any Class 2 Additional Entitlements on January 1, 2022.

(in thousands of Canadian dollars, except where noted)

11. Deferred gain:

The gain realized on the sale of BP Rights is being deferred and amortized over the 99 years term of the License and Royalty Agreement. In return for adding net Franchise Sales to the Royalty Pool, Boston Pizza receives Class B Additional entitlements which are included in the deferred gain. The Class B Additional Entitlements are calculated as 92.5% of the net Franchise Sales added to the Royalty Pool from the net new Boston Pizza Restaurants, multiplied by 4% (being the Royalty that is payable on such net Franchise Sales), multiplied by one minus the effective average tax rate to be paid by the Fund, divided by the yield of the Fund, divided by the weighted average price of a Fund Unit over a specified period. The Company receives 80% of the estimated Class B Additional Entitlements initially with the balance received when the actual full year performance of the new restaurants and the actual effective tax rate of the Fund is known with certainty. Monthly distributions from the Fund are based on full Class B Additional Entitlements and are subject to adjustment early in the next fiscal year when full performance of the restaurants and actual effective tax rate of the Fund is known with certainty. It is possible for a Deficiency to exist where the Company would not receive any Additional entitlements (refer to *note 5*) for the year. In the case of a Deficiency, there will be no amounts added to deferred gain with respect to the year the Deficiency was generated.

	December 31, 2022	December 31, 2021
Balance, beginning of year	$ 224,847	$ 227,668
Class B Additional Entitlements[(1)]	-	6
Amortization of deferred gain	(2,827)	(2,827)
Balance, end of year	$ 222,020	$ 224,847

(1) No Class B Additional Entitlements were issued to BPI in 2022 since a Deficiency existed in respect of the January 1, 2022 adjustment date (see *note 5*).

The following table summarizes the number of Class B Additional Entitlements received by the Company in return for the net Franchise Sales added to the Royalty Pool from the net new restaurants on January 1:

	January 1, 2022	January 1, 2021
Restaurants in Royalty Pool	383[(1)]	387
Estimated Franchise Sales from adjustments to Royalty Pool	$ (6,195)	$ (15,209)
Class B Units Additional Entitlement (including Holdbacks) [(1)]	0 units	0 units
Class B Holdback (20% of total entitlement) [(2)]	0 units	0 units
Adjustment to prior year Class B additional entitlement [(3)]	0 units	6,937 units

(1) On January 1, 2022, four Boston Pizza Restaurants that closed during the period from January 1, 2021 to December 31, 2021 were removed from the Royalty Pool. The Franchise Sales from restaurants removed from the Royalty Pool on January 1, 2022 was negative $6.2 million. This resulted in a Deficiency of $0.3 million of lost Royalty income and Distribution income. As a result of the Deficiency, BPI did not receive any Class B Additional Entitlements on January 1, 2022.

(2) Unissued and not eligible for exchange into Fund Units until January 1 of next year.

(3) Adjusted for actual performance of new restaurants added to the Royalty Pool and actual effective tax rate of the Fund.

12. Financial Instruments

(a) Financial Assets and Liabilities by Categories and Fair Value Information

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2022 and 2021. Unless otherwise noted, the fair values on the instruments approximate their carrying amount. The Company must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements.

The fair values of the financial instruments carried at fair value have been measured by one of the following valuation methods:

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

		December 31, 2022	December 31, 2021
Fair value through profit and loss			
Class B Units Investment in Boston Pizza Royalties Limited Partnership [(i)]	Level 2	36,657	37,556
Class 1 Boston Pizza Canada Limited Partnership units liability [(ii)]	Level 2	(33,314)	(33,314)
Class 2 Boston Pizza Canada Limited Partnership units liability [(iii)]	Level 2	(82,273)	(84,292)
Amortized cost			
Cash		$ 12,679	$ 18,827
Accounts receivable		9,329	4,828
Interest receivable from Boston Pizza Royalties Limited Partnership		303	265
Accounts payable and accrued liabilities		(9,583)	(7,417)
Royalty and distribution payable to the Fund		(4,372)	(3,422)
Debt		(19,335)	(34,351)
Lease obligations		(6,072)	(4,281)
Other long-term liabilities		(1,229)	(1,170)

(i) The Class B Units are exchangeable for an equivalent number of Fund Units, and thus, it is estimated that the fair value of a Class B Unit approximates the fair value of a Fund Unit. The Fund estimates the fair value of its Class B Units Liability by multiplying the issued and outstanding Class B Additional Entitlements (including Class B Holdback) held by BPI at the end of the period by the closing price of the Fund Units on the last business day of the period. As at

(in thousands of Canadian dollars, except where noted)

12. Financial Instruments (continued):

(a) Financial Assets and Liabilities by Categories and Fair Value Information (continued):

December 31, 2022, the closing price of a Fund Unit was $15.08 (December 31, 2021 – $15.45) while the number of Fund Units BPI would be entitled to receive if it exchanged all of its Class B Units (including Class B Holdback) was 2,430,823 (December 31, 2021 – 2,430,3823) resulting in a valuation of Class B Units at a fair value of $36.7 million (2021 – $37.6 million). For the year ended December 31, 2022, the decrease of $0.9 million is comprised of $0.9 million in fair value loss (2021 - $11.2 million in fair value gain and a nominal amount in Additional Entitlements). This valuation technique may not represent the actual value of the financial asset should such Class B Units be exchanged.

(ii) The Class 1 LP Units are entitled to distributions with respect to the interest cost incurred on a certain credit facility held by the Fund. Thus, the fair value of the Class 1 LP Units is estimated using a market-corroborated input (interest rate on the credit facility). The Company estimates the fair value of Class 1 LP Units at carrying value adjusted for interest rate risk.

(iii) The Class 2 LP Units have similar cash distribution entitlements and provisions to the Class 2 GP Units held by BPI, which are exchangeable for an equivalent number of Fund Units. The fair value of the Class 2 LP Units is determined using a market approach, which involves using observable market prices for similar instruments. The fair value of the Class 2 LP Units is determined by multiplying the issued and outstanding Class 2 LP Units indirectly held by the Fund at the end of the period by the closing price of a Fund Unit on the last business day of the period. As at December 31, 2022, the closing price of a Fund Unit was $15.08 (December 31, 2021 – $15.45) while the number of issued and outstanding Class 2 LP Units held by the Fund was 5,455,762 (December 31, 2021 – 5,455,762) resulting in a Class 2 LP Units fair value of $82.3 million (December 31, 2021 – $84.3 million). The fair value gain on the Class 2 LP Units Liability for the year ending December 31, 2022 was $2.0 million (2021 – $25.2 million fair value loss).

(b) Financial Instruments and Related Risks

The Company primarily has exposure to interest rate risk, liquidity risk and credit risk as they relate to the Company's identified financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company's financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate cash flow risk primarily on its bank indebtedness, long-term debt subject to floating rates of interest and lease obligations. The Company is exposed to interest rate fair value risk on its lease obligations subject to fixed rate of interest. The Company monitors its exposure to interest rates by monitoring the fluctuation in the bankers' acceptance rates, prime interest rate and evaluates interest rate swaps when necessary. The Company had $19.5 million (December 31, 2021 – $34.7 million) in floating rate debt and $6.1 million in lease obligations (December 31, 2021 – $4.3 million) as at December 31, 2022. The annual impact for every 1% increase in the variable rate would result in an additional interest expense of $0.3 million.

12. Financial Instruments (continued):

(b) Financial Instruments and Related Risks (continued):

Liquidity risk

Liquidity risk results from the Company's potential liability to meet its financial obligations. The Company constantly monitors its operations and cash flows to ensure that its current and future obligations will be met. 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:

		December 31, 2022	Maturity		December 31, 2021	Maturity
Accounts payable and accrued liabilities	$	9,583	< 1 year	$	7,417	< 1 year
Current portion of debt		2,877	< 1 year		29,137	< 1 year
Debt		16,458	2023-2026		5,214	2022-2025
Lease obligations		5,187	2023-2033		4,281	2022-2030
Other long-term liabilities		1,229	2023-2024		1,170	2022-2024

Credit risk

Credit risk is defined as the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash, trade accounts receivable and long-term receivables from companies under common control. The Company's maximum exposure to credit risk is the value of its current and non-current accounts receivable of $10.9 million (December 31, 2021 – $9.0 million). The allowance for doubtful accounts was $2.5 million at December 31, 2022 (December 31, 2021 – $4.2 million).

(in thousands of Canadian dollars, except where noted)

13. Capital disclosures:

The Company's objectives in managing its liquidity and capital are:

- To safeguard the Company's ability to continue as a going concern
- Provide financial capacity and flexibility to meet its strategic objectives
- To provide an adequate return to shareholders commensurate with the level of risk
- Return excess cash through dividends

The capital of the Company consists of items included in shareholder deficiency, deferred gain, and debt, net of cash and cash equivalents as follows:

		December 31, 2022		December 31, 2021
Liquidity:				
Cash	$	12,679	$	18,827
Undrawn credit facilities *(note 8)*		10,000		10,000
Total liquidity	$	22,679	$	28,827
Capitalization:				
Debt	$	19,335	$	34,351
Total debt	$	19,335	$	34,351
Deferred gain	$	222,020	$	224,847
Shareholder deficiency		(248,579)		(260,501)
	$	(26,559)	$	(35,654)

The Company manages its capital mainly through the periodic sales of Class B Units and Class 2 GP Units, accumulated deficit, as well as through the use of short-term financing. The Company maintains formal policies to manage capital. Liquidity and capital structure are managed by adjusting for changes to economic conditions, understanding the underlying risks inherent in its operations and managing the capital requirements to maintain and grow its operations.

The Company is not subject to any statutory capital requirements and has no commitments to sell or otherwise issue common shares.

The Company's credit facility includes a $10.0 million secured line of credit which is subject to certain financial covenants.

The Company's long-term debt includes credit facility agreements that are subject to certain financial covenants *(note 8)*.

14. Income taxes:

Income tax expense as reported differs from the amount that would be computed by applying the combined Federal and Provincial statutory income tax rates to earnings before income taxes. The reasons for the differences are as follows:

		2022		2021
Earnings (loss) before income taxes	$	16,053	$	(2,230)
Combined Canadian federal and provincial tax rates		26.8%		26.8%
Computed expected tax expense		4,302		(598)
Increased (reduced) by:				
Permanent differences		81		5
Fair value adjustment on BP Canada LP units liability		(541)		6,753
Valuation allowance on investment in BP Royalties LP		281		(2,744)
Differences from changes in statutory rates and other		17		(168)
Other		(9)		(193)
Income tax expense	$	4,131	$	3,055

BPI's deferred income tax expense is primarily comprised of temporary differences related to the following:

		2022		2021
Temporary differences:				
Deferred gain	$	751	$	763
Deferred revenue		372		237
Non-capital loss carryforwards		489		(126)
Other		641		(139)
Deferred income tax expense	$	2,253	$	735

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities are:

		December 31, 2022		December 31, 2021
Deferred income tax assets:				
Deferred gain	$	59,492	$	60,243
Deferred revenue		1,041		1,413
Non-capital loss carryforwards		1,394		1,883
Other		1,789		2,430
Deferred income tax asset	$	63,716	$	65,969

The Company believes that it is probable that the results of future operations will generate sufficient taxable income to realize the above noted deferred income tax assets. Deferred tax assets that have not been recognized as part of the above was $0.7 million relating to the deductible temporary difference relating to the fair value adjustment on BP Royalties LP.

(in thousands of Canadian dollars, except where noted)

15. Share capital:

The Company has an unlimited number of Common Shares without par value authorized of which 98,087 were issued and outstanding as at December 31, 2022 and 2021.

16. Other expenses:

The following are the components of other expenses:

		December 31, 2022		December 31, 2021
Bad debt (recovery) expense [1]	$	(1,110)	$	450
Office, rent and utilities [2]		895		680
Impairment of property and equipment and intangible assets [2]		-		718
Marketing and advertising		1,565		198
Professional fees		418		369
Travel		1,102		479
Research and development		654		318
Other		988		753
	$	4,512	$	3,965

(1) In 2022, bad debt expense recovery of $1.1 million was recorded in relation to trade accounts receivables that were no longer deemed unrecoverable.

(2) Lansdowne Holdings Ltd. and Theatre District Pizza Ltd. closed its operations in 2021. Related to the closures, property and equipment of $0.4 million and intangible assets of $0.3 million were written off in 2021 as these assets no longer provide any economic benefit to BPI (*note 6 and note 7*). In addition, $0.5 million in closure costs were recorded in Office, rent & utilities and Other expenses in 2021.

17. Related party and subsidiary transactions:

The following are components of related party and subsidiary transactions:

		December 31, 2022		December 31, 2021
Accounts receivables due from associated companies	$	19	$	231
Accounts payable due to associated companies		93		39
Royalty payable to Royalties LP		3,330		2,602
Distributions payable to Holdings LP		1,042		820

17. Related party and subsidiary transactions (continued):

		2022		2021
Revenues from a company under common control	$	-	$	503
Management fees paid for services rendered by companies under common control		500		-
Key management personnel compensation		4,485		4,215
Royalty expense to the Fund		34,200		26,402
Distribution expense to the Fund		11,273		8,752

18. Supplemental cash flow information:

(a) Change in non-cash operating items:

		2022		2021
Accounts receivable	$	(2,505)	$	5,280
Prepaid expenses and other current assets		(18)		56
Advertising fund restricted assets		(2,031)		(1,419)
Accounts payable and accrued liabilities		1,894		(171)
Royalty and distributions payable to Fund		950		(2,991)
Advertising fund restricted liabilities		1,999		(466)
Deferred revenue		(1,572)		(762)
	$	(1,283)	$	(473)

(b) Supplementary information:

		2022		2021
Non-cash transactions:				
Property & equipment additions included in accounts payable	$	(64)	$	(21)
Intangible asset additions included in accounts payable		(251)		(624)
Prepaids transferred to intangible assets as additions		-		191
Amortization of deferred financing fees, net against debt		(219)		(320)
Class B Additional Entitlements received from Royalties LP		-		6
Lease obligation non-cash adjustments		2,018		(827)

19. Seasonality:

Boston Pizza Restaurants experience seasonal fluctuations in Franchise Sales, which are inherent in the full service restaurant industry in Canada. Seasonal factors such as tourism and better weather allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters compared to the first and fourth quarters.

20. Subsequent events:

(a) On January 1, 2023, the six Boston Pizza restaurants that permanently closed during 2022 were removed from the Royalty Pool. Accordingly, the total number of restaurants in the Royalty Pool decreased to 377 from 383. The net Franchise Sales from the six Boston Pizza Restaurants that permanently closed is negative $6.8 million. This resulted in negative Royalty and Distribution to the Fund of $0.4 million. As a result of the Deficiency, BPI did not receive any Additional Entitlements on January 1, 2023. However, BPI did not lose any of the Additional Entitlements it received in respect of previous years. Instead, BPI will be required to make-up the cumulative Deficiency for 2020 through 2022 (total of $1.6 million) on future Adjustment Dates by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any further Additional Entitlements.

(b) In the first quarter of 2023, no adjustments were made to the Deficiency related to 2021 since no new restaurants were opened during 2021 nor were added to the Royalty Pool on January 1, 2022.

BOSTON PIZZA ROYALTIES INCOME FUND

UNITHOLDER INFORMATION

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BOSTON PIZZA