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

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.

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

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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.

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 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	$3.1ⁱ	$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.

Units Outstanding

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

Summary of Boston Pizza Royalties Income Fund Units

	Dec. 31, 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 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

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.