



BOSTON PIZZA

ROYALTIES INCOME FUND

FIRST QUARTER 2017

For the period January 1 to March 31, 2017



LETTER FROM THE CHAIRMAN OF BOSTON PIZZA ROYALTIES INCOME FUND

On behalf of the Trustees, I am pleased to present the first quarter report for Boston Pizza Royalties Income Fund (the “**Fund**”). This report covers the period from January 1, 2017 to March 31, 2017 (the “**Period**”).

HIGHLIGHTS

- System-Wide Gross Sales¹ of \$261.2 million for the Period, an increase of 2.8% versus the same period one year ago.
- Franchise Sales² from royalty pool restaurants of \$202.4 million for the Period, an increase of 2.2% versus the same period one year ago.
- Same Store Sales Growth of 0.0% for the Period.
- Distributable Cash³ per Unit decreased 2.5% for the Period to 31.2 cents versus 32.0 cents for same period one year ago.
- Payout Ratio⁴ of 110.6% for the Period compared to 105.7% for the same period one year ago, and 100.0% on a trailing 12-month basis. Cash balance at the end of the Period was \$2.9 million.
- 11 net new Boston Pizza restaurants opened in 2016, and were added to the Fund’s royalty pool on January 1, 2017.
- Trustees declared April 2017 distribution to unitholders of 11.5 cents per Unit.

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

FINANCIAL HIGHLIGHTS

Same store sales growth (“**SSSG**”), a key driver of distribution growth for unitholders of the Fund, was 0.0% for the Period compared to 0.6% reported in the first quarter of 2016. Franchise Sales, the basis upon which Royalty⁵ and Distribution Income⁵ are paid to the Fund, exclude revenue from the sale of liquor, beer, wine and approved national promotions and discounts. On a Franchise Sales basis, SSSG was negative 0.3% for the Period compared to positive 0.5% for the first quarter of 2016. The SSSG for the Period was principally due to menu re-pricing and higher sales as a result of Boston Pizza’s nachos promotion offset by the negative impacts of continued weak general economic conditions in regions directly connected to the Canadian oil and gas industry and one less day during the Period compared to the same period one year ago due to 2016 being a leap year. Franchise Sales of restaurants in the Fund’s royalty pool were \$202.4 million for the Period compared to \$198.0 million for the first quarter of 2016. The increase in Franchise Sales for the Period is primarily due to the additional Franchise Sales from 11 net new restaurants added to the royalty pool on January 1, 2017.

The Fund’s net and comprehensive income was \$6.6 million for the Period compared to \$8.5 million for first quarter of 2016. The \$1.9 million decrease in the Fund’s net and comprehensive income for Period compared to the first quarter of 2016 was primarily due to a net \$2.0 million change in fair value adjustments. For a detailed discussion on the Fund’s net and comprehensive income, please see the “Operating Results – Net and Comprehensive Income / Basic and Diluted Earnings” section in the Fund’s MD&A for the Period. The Fund’s net income under International Financial Reporting Standards (“**IFRS**”) contains non-cash items, such as the fair value adjustments on financial instruments and deferred income taxes, that do not affect the Fund’s business operations or its ability to pay distributions to unitholders. In the Fund’s view, net income is not the only or most meaningful measurement of the Fund’s ability to pay distributions. Consequently, the Fund reports the non-IFRS metrics of Distributable Cash and Payout Ratio to provide investors with more meaningful information regarding the amount of cash that the Fund has generated to pay distributions and the extent to which the Fund has distributed that cash. Readers are cautioned that Distributable Cash and Payout Ratio are non-IFRS financial measures that do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. For a reconciliation between cash flow from operating activities (the most directly comparable IFRS measure) and Distributable Cash see the “Financial Summary” section of the Fund’s MD&A for the Period. For a detailed discussion on the Fund’s Distributable Cash and Payout Ratio, please see the “Operating Results – Distributable Cash / Payout Ratio” section in the Fund’s MD&A for the Period.

LETTER FROM THE CHAIRMAN OF BOSTON PIZZA ROYALTIES INCOME FUND

The Fund generated Distributable Cash of \$6.3 million for the Period compared to \$6.5 million for the first quarter of 2016. The decrease in Distributable Cash of \$0.2 million, or 2.8% was primarily due to higher interest expense on the Class B Units of Boston Pizza Royalties Limited Partnership and one less day during the Period compared to the same period one year ago due to 2016 being a leap year.

The Fund's Distributable Cash per unit of the Fund ("Unit") was \$0.312 for the Period compared to \$0.320 per Unit for the first quarter of 2016. The decrease in Distributable Cash per Unit of \$0.008, or 2.5% was primarily attributable to the decrease in Distributable Cash noted above.

The Fund's Payout Ratio for the Period was 110.6% compared to 105.7% in the same period in 2016. The increase in the Fund's Payout Ratio was due to the combined effects of Distributable Cash for the Period decreasing by \$0.2 million, or 2.8% and distributions paid during the Period increasing by \$0.1 million, or 1.7%. The increase in distributions paid during the Period compared to the same period one year ago was due to the Fund increasing the monthly distribution from 10.83 cents per Unit to 11.50 cents per Unit beginning with the January 2016 distribution, which was paid on February 29, 2016. The Fund strives to provide unitholders with consistent monthly distributions, and as a result, the Fund will generally experience seasonal fluctuations in its Payout Ratio. The Fund's Payout Ratio is likely to be higher in the first and fourth quarters each year compared to the second and third quarters each year since Boston Pizza restaurants generally experience higher Franchise Sales during the summer months when restaurants open their patios and benefit from increased tourist traffic. Higher Franchise Sales generally result in increases in Distributable Cash. On a trailing 12-month basis, the Fund's Payout Ratio was 100.0% as at March 31, 2017. A key feature of the Fund is that it is a "top line" structure, in which BPI and Boston Pizza Canada Limited Partnership ("BP Canada LP") pay the Fund an amount based on Franchise Sales from restaurants in the Fund's royalty pool. Accordingly, Fund unitholders are not directly exposed to changes in the operating costs or profitability of BPI, BP Canada LP or individual Boston Pizza restaurants. Given this structure, and that the Fund has no current mandate to retain capital for other purposes, it is expected that the Fund will maintain a Payout Ratio close to 100% over time as the trustees of the Fund continue to distribute all available cash in order to maximize returns to unitholders.

On May 10, 2017 the trustees of the Fund approved a cash distribution to unitholders of 11.5 cents per Unit for April 2017. The distribution will be payable to unitholders of record at the close of business on May 21, 2017 and will be paid on May 31, 2017. The Fund periodically reviews distribution levels based on its policy of stable and sustainable distribution flow to unitholders. Including the April 2017 distribution, which will be paid on May 31, 2017, the Fund will have paid out 178 consecutive monthly distributions totalling \$257.2 million or \$18.34 per Unit since the Fund's initial public offering in 2002.

OUTLOOK

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

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

Boston Pizza remains well positioned for future expansion as evidenced by the 11 net new restaurants that opened in 2016 and the one new location that has opened to date in 2017. BPI's management believes that Boston Pizza will continue to serve more guests in more locations than any other casual dining brand in Canada by pursuing further restaurant development opportunities across the country.

LETTER FROM THE CHAIRMAN OF BOSTON PIZZA ROYALTIES INCOME FUND

On behalf of the Board of Trustees,



William C. Brown
Chairman, Boston Pizza Royalties Income Fund

Notes:

- 1) **"System-Wide Gross Sales"** means the gross revenue: (i) of the corporate Boston Pizza restaurants in Canada owned by BPI; and (ii) reported to BP Canada LP by franchised Boston Pizza restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), including revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts and excluding applicable sales and similar taxes.
- 2) **"Franchise Sales"** is the basis upon which Royalty and Distribution Income are payable, and means the gross revenue: (i) of the corporate Boston Pizza restaurants in Canada owned by BPI; and (ii) reported to BP Canada LP by franchised Boston Pizza restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), after deducting revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts and excluding applicable sales and similar taxes. Nevertheless, BP Canada LP periodically conducts audits of the Franchise Sales reported to it by its franchisees, and the Franchise Sales reported herein include results from sales audits of earlier periods.
- 3) Distributable Cash is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. This non-IFRS financial measure provides useful information to investors regarding the amount of cash the Fund has generated for distribution on the Units. Investors are cautioned that this should not be construed as an alternative to cash flows from operating activities. For a reconciliation from this non-IFRS financial measure to cash flows from operating activities, which is the most directly comparable IFRS measure and additional information regarding this financial metric, see the Financial Highlights section in the Fund's MD&A for the Period.
- 4) Payout Ratio is calculated by dividing the distributions paid by the Fund during a period by the Distributable Cash generated in that period. Payout Ratio is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. This non-IFRS financial measure provides investors with useful information regarding the extent to which the Fund distributes cash on the Units. Investors are cautioned that this should not be construed as an alternative to cash flows from operating activities. As the Payout Ratio is calculated from a formula which includes Distributable Cash, which is a non-IFRS measure, a reconciliation of Payout Ratio to an IFRS measure is not possible. For additional information regarding this financial metric, see the heading "Description of Non-IFRS and Additional IFRS Measures" in the Fund's MD&A for the Period.
- 5) The Fund licenses BPI the right to use various Boston Pizza trademarks in return for BPI paying the Fund a royalty equal to 4% of Franchise Sales of Boston Pizza restaurants in the Fund's royalty pool ("**Royalty**"). "**Distribution Income**" is income received by the Fund from the investment in BP Canada LP it completed on May 6, 2015. See the "General – Purpose of Fund / Sources of Revenue" section of the Fund's MD&A for the Period for more details.

Certain information in this letter constitutes "forward-looking information" that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of the Fund, Boston Pizza Holdings Trust, Boston Pizza Royalties Limited Partnership, Boston Pizza Holdings Limited Partnership, BP Canada LP, Boston Pizza Holdings GP Inc., Boston Pizza GP Inc., BPI, Boston Pizza restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. All statements, other than statements of historical facts, included in this letter that address activities, events or developments that the Fund or management of BPI expects or anticipates will or may occur in the future, including such things as, seasonal fluctuations in the Payout Ratio, the Payout Ratio is likely to be higher in the first and fourth quarters, higher Franchise Sales generally result in increases in Distributable Cash, a Payout Ratio close to 100% will be maintained, trustees of the Fund will continue to distribute all available cash in order to maximize returns to unitholders, Boston Pizza being well positioned for future growth, the strengthening of Boston Pizza's position as the number one casual dining brand in Canada, the achievement of positive SSSG, opening of new restaurants, increases in average guest cheques levels, incremental sales increasing after store renovations, plans to pursue restaurant development opportunities and other such matters are forward-looking information. When used in this letter, forward-looking information may include words such as "anticipate", "estimate", "may", "will", "expect", "believe", "plan", "should", "continue" and other similar terminology. The material factors and assumptions used to develop the forward-looking information contained in this letter include the following: future results being similar to historical results, expectation related to future general economic conditions, business plans, receipt of franchise fees and other amounts, franchisees access to financing, pace of commercial real estate development, protection of intellectual property rights of Boston Pizza Royalties Limited Partnership and absence of changes of laws. Risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by the forward-looking information contained herein, relate to (among others) competition, demographic trends, consumer preferences and discretionary spending patterns, business and economic conditions, legislation and regulation, Distributable Cash and reliance on operating revenues, accounting policies and practices, the results of operations and financial condition of BPI, BP Canada LP and the Fund, as well as those factors discussed under the heading "Risks and Uncertainties" in the most recent Annual Information Form of the Fund. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this letter. Except as required by law, the Fund and BPI assume no obligation to update previously disclosed forward-looking information. For a complete list of the risks associated with forward-looking information and the Fund's business, please refer to the "Risks and Uncertainties" and "Note Regarding Forward-Looking Information" sections included in the Fund's MD&A for the Period available at www.sedar.com and www.bpincomefund.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA ROYALTIES INCOME FUND
For the Period ended March 31, 2017

FINANCIAL HIGHLIGHTS

The tables below set out selected information from the condensed consolidated interim 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 condensed consolidated interim financial statements of the Fund for the three month periods ended March 31, 2017 and March 31, 2016, and in conjunction with the Management's Discussion and Analysis ("**MD&A**") of the Fund for the period and year ended December 31, 2016. The Fund completed an indirect investment in Boston Pizza Canada Limited Partnership ("**BP Canada LP**") on May 6, 2015, and as a result, the information in the tables below is not necessarily directly comparable with prior historical financial statements or MD&A of the Fund. Refer to the "General Development of the Business – Significant Acquisition – The Transaction" section of the Fund's Annual Information Form dated February 15, 2017 for more details. The financial information in the tables included in this MD&A are reported in accordance with International Financial Reporting Standards ("**IFRS**") except as otherwise noted and are stated in Canadian dollars.

<i>For the periods ended March 31</i>	Q1 2017	Q1 2016
<i>(in thousands of dollars – except restaurants, SSSG, Payout Ratio and per Unit items)</i>		
System-Wide Gross Sales	261,200	254,182
Number of restaurants in Royalty Pool	383	372
Franchise Sales reported by restaurants in the Royalty Pool	202,406	198,049
Royalty income	8,096	7,922
Distribution Income	2,558	2,565
Interest income	452	452
Total revenue	11,106	10,939
Administrative expenses	(302)	(287)
Interest expense on debt	(601)	(610)
Interest expense on Class B Unit and Class C Unit liabilities	(1,197)	(1,084)
Profit before fair value adjustments and income taxes	9,006	8,958
Fair value adjustment on investment in BP Canada LP	(707)	3,887
Fair value adjustment on Class B Unit liability	147	(2,052)
Fair value adjustment on interest rate swaps	(1)	(443)
Current and deferred income tax expense	(1,873)	(1,841)
Net and comprehensive income	6,572	8,509
Basic earnings per Unit	0.32	0.42
Diluted earnings per Unit	0.26	0.42
<u>Distributable Cash / Distributions / Payout Ratio</u>		
Cash flows from operating activities	8,742	8,689
Class C Unit distributions to BPI	(450)	(450)
BPI Class B Unit entitlement	(1,330)	(1,161)
Interest paid on long-term debt	(601)	(605)
SIFT Tax on Units	(33)	37
Distributable Cash	6,328	6,510
Distributions paid	6,999	6,880
Payout Ratio	110.6%	105.7%
Distributable Cash per Unit	0.312	0.320
Distributions paid per Unit	0.345	0.338
<u>Other</u>		
Same store sales growth	0.0%	0.6%
Number of restaurants opened	1	0
Number of restaurants closed	1	2
	Mar 31, 2017	Dec 31, 2016
Total assets	452,469	444,332
Total liabilities	187,351	181,120

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA ROYALTIES INCOME FUND
For the Period ended March 31, 2017

Notes:

- 1) Capitalized terms used in these tables are defined in this MD&A.
- 2) Distribution Income is income received by the Fund from the Fund's indirect investment in BP Canada LP completed on May 6, 2015. See the "Overview – Purpose of the Fund / Sources of Revenue" section of this MD&A for more details.
- 3) Profit before fair value adjustments and income taxes is considered an additional IFRS measure. For additional information regarding this financial metric, see the "Description of Non-IFRS and Additional IFRS Measures" section of this MD&A.
- 4) Same store sales growth, Distributable Cash and Payout Ratio are non-IFRS measures and as such, do not have standardized meanings under IFRS and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including full details on how these financial metrics are calculated, see the "Description of Non-IFRS and Additional IFRS Measures" section of this MD&A.

SUMMARY OF QUARTERLY RESULTS

	Q1 2017	Q4 2016	Q3 2016	Q2 2016
<small>(in thousands of dollars – except restaurants, SSSG, Payout Ratio and per Unit items)</small>				
System-Wide Gross Sales	261,200	270,800	281,538	274,039
Number of restaurants in Royalty Pool	383	372	372	372
Franchise Sales reported by restaurants in the Royalty Pool	202,406	204,121	215,597	210,852
Royalty income	8,096	8,165	8,624	8,434
Distribution Income	2,558	2,617	2,790	2,728
Interest income	452	452	452	452
Total revenue	11,106	11,234	11,866	11,614
Administrative expenses	(302)	(299)	(292)	(296)
Interest expense on debt	(601)	(620)	(619)	(612)
Interest expense on Class B Unit and Class C Unit liabilities	(1,197)	(2,184)	(1,551)	(1,573)
Profit before fair value adjustments and income taxes	9,006	8,131	9,404	9,133
Fair value adjustment on investment in BP Canada LP	(707)	5,098	9,237	6,511
Fair value adjustment on Class B Unit liability	147	(2,668)	(4,833)	(3,407)
Fair value adjustment on interest rate swaps	(1)	967	171	7
Current and deferred income tax expense	(1,873)	(2,782)	(3,473)	(2,240)
Net and comprehensive income	6,572	8,746	10,506	10,004
Basic earnings per Unit	0.32	0.43	0.52	0.49
Diluted earnings per Unit	0.26	0.43	0.52	0.49
<u>Distributable Cash / Distributions / Payout Ratio</u>				
Cash flows from operating activities	8,742	9,128	9,718	9,323
Class C Unit distributions to BPI	(450)	(450)	(450)	(450)
BPI Class B Unit entitlement	(1,330)	(1,134)	(1,108)	(1,119)
Interest paid on long-term debt	(601)	(612)	(560)	(617)
SIFT Tax on Units	(33)	(7)	27	(20)
Distributable Cash	6,328	6,925	7,627	7,117
Distributions paid	6,999	6,999	6,999	6,998
Payout Ratio	110.6%	101.1%	91.8%	98.3%
Distributable Cash per Unit	0.312	0.341	0.376	0.351
Distributions paid per Unit	0.345	0.345	0.345	0.345
<u>Other</u>				
Same store sales growth	0.00%	(3.1%)	(0.5%)	2.1%
Number of restaurants opened	1	5	4	4
Number of restaurants closed	1	0	0	0

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA ROYALTIES INCOME FUND
For the Period ended March 31, 2017

SUMMARY OF QUARTERLY RESULTS (continued)

	Q1 2016	Q4 2015	Q3 2015	Q2 2015
<small>(in thousands of dollars – except restaurants, SSSG, Payout Ratio and per Unit items)</small>				
System-Wide Gross Sales	254,182	272,017	275,009	263,852
Number of restaurants in Royalty Pool	372	366	366	366
Franchise Sales reported by restaurants in the Royalty Pool	198,049	205,365	212,367	202,860
Royalty income	7,922	8,215	8,494	8,115
Distribution Income	2,565	2,708	2,799	2,666
Interest income	452	452	452	488
Total revenue	10,939	11,375	11,745	11,269
Administrative expenses	(287)	(298)	(395)	(283)
Interest expense on debt	(610)	(596)	(590)	(527)
Interest expense on Class B Unit and Class C Unit liabilities	(1,084)	(1,862)	(1,339)	(1,358)
Profit before fair value adjustments and income taxes	8,958	8,619	9,421	9,101
Fair value adjustment on investment in BP Canada LP	3,887	3,584	(18,453)	-
Fair value adjustment on Class B Unit liability	(2,052)	(1,634)	8,356	2,878
Fair value adjustment on interest rate swaps	(443)	47	(287)	172
Current and deferred income tax expense	(1,841)	(1,954)	(1,908)	(2,307)
Net and comprehensive income (loss)	8,509	8,662	(2,871)	9,844
Basic earnings (loss) per Unit	0.42	0.42	(0.14)	0.53
Diluted earnings (loss) per Unit	0.42	0.42	(0.45)	0.39
<u>Distributable Cash / Distributions / Payout Ratio</u>				
Cash flows from operating activities	8,689	9,259	9,472	8,351
Class C Unit distributions to BPI	(450)	(450)	(450)	(450)
BPI Class B Unit entitlement	(1,161)	(1,011)	(947)	(895)
Interest paid on long-term debt	(605)	(617)	(543)	(474)
SIFT Tax on Units	37	(23)	9	(94)
Distributable Cash	6,510	7,158	7,541	6,438
Distributions paid	6,880	6,642	6,655	6,014
Payout Ratio	105.7%	92.8%	88.3%	93.4%
Distributable Cash per Unit	0.320	0.350	0.368	0.347
Distributions paid per Unit	0.338	0.325	0.325	0.319
<u>Other</u>				
Same store sales growth	0.6%	2.2%	2.7%	0.1%
Number of restaurants opened	0	5	3	2
Number of restaurants closed	2	2	2	0

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA ROYALTIES INCOME FUND
For the Period ended March 31, 2017

OVERVIEW

This MD&A covers the three month period from January 1, 2017 to March 31, 2017 (the “**Period**”) and is dated May 10, 2017. 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 condensed consolidated interim financial statements and accompanying notes. The condensed consolidated interim financial statements of the Fund are in Canadian dollars and have been prepared in accordance with IFRS.

Purpose of the Fund / Sources of Revenue

The Fund is a limited purpose open-ended trust established in July 2002, and the units of the Fund (the “**Units**”) trade on the Toronto Stock Exchange (“**TSX**”) under the symbol BPF.UN. The Fund was originally created to acquire the BP Loan (as defined below) and, indirectly through Royalties LP, the Canadian trademarks owned by Boston Pizza International Inc. (“**BPI**”) (collectively the “**BP Rights**”¹⁾ used in connection with the operation of Boston Pizza restaurants in Canada (“**Boston Pizza Restaurants**”) and the business of BPI, its affiliated entities and franchisees (herein referred to as “**Boston Pizza**”). On May 6, 2015, the Fund, indirectly through Holdings LP, completed an investment in BP Canada LP to effectively increase the Fund’s interest in Franchise Sales (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 (the “**Transaction**”). BP Canada LP is a limited partnership controlled and operated by BPI and is the exclusive franchisor of Boston Pizza Restaurants in Canada. Refer to the “General Development of the Business – Significant Acquisition – The Transaction” section of the Fund’s Annual Information Form dated February 15, 2017 for more details.

The Fund has the following three principal sources of revenue:

Royalty Income

Royalties LP licenses the BP Rights to BPI in return for BPI paying Royalties LP a royalty equal to 4% (the “**Royalty**”) of Franchise Sales of those Boston Pizza Restaurants included in the Royalty Pool, as defined in the license and royalty agreement dated July 17, 2002, as amended on May 9, 2005 between Royalties LP and BPI (the “**Royalty Pool**”). As of March 31, 2017, there were 383 Boston Pizza Restaurants in the Royalty Pool.

“**Franchise Sales**” means the gross revenue: (i) of the corporate Boston Pizza Restaurants in Canada owned by BPI that are in the Royalty Pool; and (ii) reported to BP Canada LP by franchised Boston Pizza Restaurants in Canada that are in the Royalty Pool, without audit or other form of independent assurance, and in the case of both (i) and (ii), after deducting revenue from the sale of liquor, beer, wine and revenue from 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. “**System-Wide Gross Sales**” means the gross revenue: (i) of the corporate Boston Pizza Restaurants in Canada owned by BPI; and (ii) reported to BP Canada LP by franchised Boston Pizza Restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), including revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts but excluding applicable sales and similar taxes.

Distribution Income

As part of the Transaction, Holdings LP acquired Class 1 limited partnership units (“**Class 1 LP Units**”) and Class 2 limited partnership units (“**Class 2 LP Units**”) of BP Canada LP, and BPI acquired, among other units, Class 2 general partnership units (“**Class 2 GP Units**”) of BP Canada LP, which are exchangeable into Units. The Class 1 LP Units and Class 2 LP Units entitle Holdings LP to receive distributions from BP Canada LP equal, in aggregate, to 1.5% of Franchise Sales, less the pro rata portion payable to BPI in respect of its retained interest in the Fund (“**Distribution Income**”). Specifically, the Class 1 LP Units entitle Holdings LP to receive a priority

¹⁾ BP Rights are the trademarks that as at July 17, 2002 were registered or the subject of pending applications for registration under the *Trade-marks Act* (Canada) and other trademarks and trade names which are confusingly similar to any of the registered or pending trademarks. The BP Rights purchased do not include the rights outside of Canada to any trademarks or trade names used by BPI or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the *Trade-marks Act* (Canada).

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distribution equal to the 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.

Interest Income

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

Top-Line Fund / Increases in Franchise Sales

The Fund effectively has the right to receive from BPI and BP Canada LP an amount equal to 5.5% of Franchise Sales (4% of which is payable via the Royalty and 1.5% of which is payable as Distribution Income on the Class 1 LP Units and Class 2 LP Units), 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 only cash expenses are administrative expenses, interest expenses on debt, amounts paid by Royalties LP to BPI on the Class B general partnership units ("**Class B Units**") and Class C general partnership units ("**Class C Units**") of Royalties LP, and current income tax. Therefore, the Fund is not subject to the variability of earnings or expenses associated with an operating business. Given this structure, the success of the Fund depends primarily on the ability of BPI and BP Canada LP to maintain and increase Franchise Sales of Boston Pizza Restaurants in the Royalty Pool.

Increases in Franchise Sales are derived from both new Boston Pizza Restaurants added to the Royalty Pool and same store sales growth ("**SSSG**"). SSSG, a key driver of distribution growth for unitholders of the Fund ("**Unitholders**"), is the change in gross revenues of Boston Pizza Restaurants as compared to the gross revenues for the same period in the previous year (where restaurants were open for a minimum of 24 months). The two principal factors that affect SSSG are changes in customer traffic and changes in average guest cheque. These factors are dependent upon existing Boston Pizza Restaurants maintaining operational excellence, general market conditions, weather, pricing, and marketing programs undertaken by BPI and BP Canada LP. One of BPI's and BP Canada LP's competitive strengths in increasing Franchise Sales of existing locations is that BP Canada LP's franchise agreement requires that each Boston Pizza Restaurant undergoes a complete store renovation every seven years and completes equipment upgrades as required by BP Canada LP. Locations typically close for two to three weeks to complete the renovation and experience an incremental sales increase in the year following the re-opening.

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

Addition of New Restaurants to Royalty Pool

On January 1 of each year (the "**Adjustment Date**"), an adjustment is made to add to the Royalty Pool new Boston Pizza Restaurants that opened and to remove from the Royalty Pool any Boston Pizza Restaurants that permanently closed since the last Adjustment Date (the "**Net New Restaurants**"). In return for adding net additional Royalty and Distribution Income from the Net New Restaurants, BPI receives the right to indirectly acquire additional Units (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 as the expected increase in net Franchise Sales from the Net New Restaurants added to the Royalty Pool is valued at a 7.5% discount. The Additional Entitlements are calculated at 92.5% of the estimated Royalty and Distribution Income expected to be received by the Fund in respect of the Net New Restaurants, multiplied by one minus the effective tax rate estimated to be paid by the Fund, divided by the yield of the Fund, divided by the weighted average Unit price over a specified period. BPI receives 80% of the

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Additional Entitlements initially, with the balance received when the actual full year performance of the Net New Restaurants and the actual effective tax rate paid by the Fund are known with certainty (such balance of Units in respect of the increased Royalty, the "**Class B Holdback**", and in respect of the increased Distribution Income, the "**Class 2 Holdback**", and collectively, the "**Holdback**"). BPI receives 100% of the distributions on the Additional Entitlements throughout the year. Once the Net New Restaurants have been part of the Royalty Pool for a full year, an audit of the Franchise Sales of these restaurants is performed, and the actual effective tax rate paid by the Fund is determined. At such time an adjustment is made to reconcile distributions paid to BPI and the Additional Entitlements received by BPI.

New Store Openings, Closures and Renovations

During the Period, one new Boston Pizza Restaurant opened and one Boston Pizza Restaurant closed. Subsequent to March 31, 2017, no Boston Pizza Restaurants opened and no Boston Pizza Restaurants closed. As well during the Period, four Boston Pizza Restaurants were renovated. Restaurants typically close for two to three weeks to complete the renovation and experience an incremental sales increase in the year following the re-opening. Subsequent to March 31, 2017, two additional restaurants were renovated. The total number of Boston Pizza Restaurants in operation as of May 10, 2017 is 383.

Seasonality

Boston Pizza Restaurants experience seasonal fluctuations in Franchise Sales, which are inherent in the full service restaurant industry in Canada. Seasonal factors such as better weather allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters each year compared to the first and fourth quarters. Tourism is also a seasonal factor positively impacting the second and third quarters of each year. The effect of seasonality impacts the Fund's Distributable Cash and Payout Ratio.

OPERATING RESULTS

Same Store Sales Growth and Franchise Sales

SSSG, a key driver of distribution growth for Unitholders, is the change in gross sales of Boston Pizza Restaurants as compared to the gross sales for the same period in the previous year, where restaurants were open for a minimum of 24 months. SSSG is a non-IFRS financial measure. For additional information, refer to the section "Description of Non-IFRS and Additional IFRS Measures" in this MD&A. The two principal factors that affect SSSG are changes in customer traffic and changes in average guest cheque.

SSSG was 0.0% for the Period compared to 0.6% SSSG reported in the first quarter of 2016. Franchise Sales, the basis upon which the Royalty and Distribution Income are paid by BPI and BP Canada LP, respectively, indirectly to the Fund, excludes revenue from sales of liquor, beer, wine and approved national promotions and discounts. On a Franchise Sales basis, SSSG was negative 0.3% for the Period compared to positive 0.5% for the first quarter of 2016. The SSSG for the Period was principally due to menu re-pricing and higher sales as a result of Boston Pizza's nachos promotion offset by the negative impacts of continued weak general economic conditions in regions directly connected to the Canadian oil and gas industry and one less day during the Period compared to the same period one year ago due to 2016 being a leap year.

Franchise Sales of Boston Pizza Restaurants in the Royalty Pool were \$202.4 million for the Period compared to \$198.0 million for the first quarter of 2016. The \$4.4 million increase in Franchise Sales for the Period was primarily due to the additional Franchise Sales from 11 Net New Restaurants added to the Royalty Pool on January 1, 2017.

Royalty Income

Royalty income earned by the Fund was \$8.1 million for the Period compared to \$7.9 million for the first quarter of 2016. Royalty income in respect of the Period was based on the Royalty Pool of 383 Boston Pizza Restaurants reporting Franchise Sales of \$202.4 million for the Period. In the first quarter of 2016, Royalty income was based on the Royalty Pool of 372 Boston Pizza Restaurants reporting Franchise Sales of \$198.0 million. The \$0.2 million

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increase in Royalty income for the Period was primarily due to the additional Franchise Sales from 11 Net New Restaurants added to the Royalty Pool on January 1, 2017.

Distribution Income

Distribution Income earned by the Fund was \$2.6 million for the Period, relatively unchanged from the first quarter of 2016. Distribution Income in respect of the Period was based on the Royalty Pool of 383 Boston Pizza Restaurants reporting Franchise Sales of \$202.4 million for the Period. In the first quarter of 2016, Distribution Income was based on the Royalty Pool of 372 Boston Pizza Restaurants reporting Franchise Sales of \$198.0 million.

Interest Income

Interest income earned by the Fund was \$0.5 million for the Period, relatively unchanged from the first quarter of 2016. The Fund's interest income was mainly derived from the BP Loan.

Administrative Expenses

Administrative expenses incurred by the Fund were \$0.3 million for the Period, relatively unchanged from the first quarter of 2016. Administrative expenses are comprised of professional fees, trustee fees and expenses, the administration charge payable to BPI and other general and administrative expenses.

Interest and Financing Expenses

Interest and financing expenses incurred by the Fund totaled \$1.8 million for the Period, comprised of interest on long-term debt of \$0.6 million and interest on Class B Unit and Class C Unit liabilities of \$1.2 million. Interest and financing expenses incurred by the Fund were \$1.7 million for the first quarter of 2016, comprised of interest on long-term debt of \$0.6 million, and interest on Class B Unit and Class C Unit liabilities of \$1.1 million. The Class B Units and Class C Units are classified under IFRS as financial liabilities and therefore, amounts paid by Royalties LP to BPI in respect of the Class B Units and Class C Units are classified as interest expense and not distributions. The increase in interest and financing expenses in the Period was primarily due to an increase in interest on Class B Units resulting from an increase in the number of Units into which the Class B Units held by BPI during the Period were exchangeable compared to the same period in 2016. The number of Units into which the Class B Units were exchangeable increased as a result of the 11 Net New Restaurants added to the Royalty Pool on January 1, 2017 and the adjustment of the Holdback that occurred in the first quarter of 2017 in respect of the six Net New Restaurants added to the Royalty Pool on January 1, 2016.

Profit before Fair Value Adjustments and Income Taxes

The Fund's profit before fair value adjustments and income taxes was \$9.0 million for the Period, relatively unchanged from the first quarter of 2016.

Fair Value Adjustments

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

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 March 31, 2017 to be \$33.3 million (December 31, 2016 – \$33.3 million), resulting in no fair value adjustment for the Period.

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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 at the end of the Period (or previous business day, if such day is not a business day). As at March 31, 2017, the Fund indirectly held 5,047,613 Class 2 LP Units (December 31, 2016 – 5,047,613) and the Fund's closing price was \$22.69 per Unit (December 31, 2016 – \$22.83 per Unit). Consequently, the Fund estimated the fair value of the Class 2 LP Units as at March 31, 2017 to be \$114.5 million (December 31, 2016 – \$115.2 million), resulting in a fair value loss of \$0.7 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 at the end of the Period (or previous business day, if such day is not a business day). As at March 31, 2017, the Fund's closing price was \$22.69 per Unit (December 31, 2016 – \$22.83 per Unit) while the number of Units BPI would be entitled to receive if it exchanged all of its Class B Units (including the Class B Holdback) was 3,059,431 (December 31, 2016 – 2,640,989). Consequently, the Class B Unit liability (on a fully-diluted basis) was valued at \$69.4 million (December 31, 2016 – \$60.3 million). The difference between the Class B Unit liability at the end of the Period and December 31, 2016 is an increase of \$9.1 million, comprised of \$9.3 million of Class B Additional Entitlements received by BPI on January 1, 2017, partially offset by a fair value gain of \$0.1 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 recorded a nominal fair value loss in the Period as a result of the decrease in the fair value of the Swaps (as defined below) from December 31, 2016 to March 31, 2017 due to changes in interest rates during the Period. For the same period in 2016, the Fund recorded a \$0.4 million fair value loss as a result of the decrease in the fair value of the Swaps from December 31, 2015 to March 31, 2016 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.

The Fund's income tax expense for the Period was \$1.9 million, comprised of \$1.8 million in current income tax expense and \$0.1 million of non-cash deferred income taxes. The Fund's income tax expense for the first quarter of 2016 was \$1.8 million comprised of \$1.8 million in current income tax expense and nominal non-cash deferred income taxes. The nominal increase in non-cash deferred income tax expense compared to the same period in 2016 was due to changes in the temporary differences between the accounting and tax base of: (i) the BP Rights owned by Royalties LP generated since the inception of the Fund; (ii) the Fund's indirect investment in BP Canada LP; and (iii) the deferred tax benefit associated with Fund's costs of issuing securities as part of the Transaction.

Net and Comprehensive Income / Basic and Diluted Earnings

The Fund's net and comprehensive income was \$6.6 million for the Period compared to \$8.5 million for first quarter of 2016. The Fund's basic earnings per Unit was \$0.32 for the Period compared to basic earnings per Unit of \$0.42 for the first quarter of 2016. The Fund's diluted earnings per Unit was \$0.26 for the Period compared to diluted earnings per Unit of \$0.42 for the first quarter of 2016.

The \$1.9 million decrease in the Fund's net and comprehensive income for Period compared to the first quarter of 2016 was primarily due to a net \$2.0 million change in fair value adjustments.

Distributions

During the Period, the Fund declared distributions on the Units in the aggregate amount of \$4.7 million or \$0.230 per Unit, unchanged from the same period in 2016, and paid distributions on the Units in the aggregate amount of \$7.0 million or \$0.345 per Unit, compared to \$6.9 million or \$0.338 per Unit for the first quarter of 2016.

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The increase in both the aggregate amount of distributions paid on the Units and the amount of distributions per Unit paid during the Period compared to the same period in 2016 was due to the Fund increasing the monthly distribution from 10.83 cents per Unit to 11.50 cents per Unit beginning with the January 2016 distribution (which was paid on February 29, 2016) (the “**2016 Distribution Increase**”). The Fund was able to make the 2016 Distribution Increase because of the accretive effect of the Transaction.

On May 10, 2017, the trustees of the Fund approved a cash distribution to Unitholders of 11.50 cents per Unit in respect of the period from April 1, 2017 to April 30, 2017. This distribution will be payable to Unitholders of record at the close of business on May 21, 2017, and will be paid on May 31, 2017.

The Fund pays distributions on the Units in respect of any particular calendar month not later than the last business day of the immediately subsequent month. Consequently, distributions payable by the Fund on the Units in respect of the Period were the January 2017 distribution (which was paid on February 28, 2017), the February 2017 distribution (which was paid on March 31, 2017), and the March 2017 distribution (which was paid on April 28, 2017). 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.

Including the April 2017 distribution, which will be paid on May 31, 2017, the Fund will have paid out 178 consecutive monthly distributions totaling \$257.2 million or \$18.34 per Unit. Unitholders have received 18 distribution increases since the Fund’s initial public offering of Units in 2002. Distributions related to the Period were as follows:

PERIOD	PAYMENT DATE	AMOUNT/UNIT
December 1 – 31, 2016	January 31, 2017	11.50¢
January 1 – 31, 2017	February 28, 2017	11.50¢
February 1 – 28, 2017	March 31, 2017	11.50¢
March 1 – 31, 2017	April 28, 2017*	11.50¢

* Paid subsequent to the Period.

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

Distributable Cash / Payout Ratio

Distributable Cash

The Fund generated Distributable Cash of \$6.3 million for the Period compared to \$6.5 million for the first quarter of 2016. The decrease in Distributable Cash of \$0.2 million, or 2.8% was primarily due to higher interest expense on the Class B Units and one less day during the Period compared to the same period one year ago due to 2016 being a leap year. See the “Operating Results – Interest and Financing Expenses” section above for more details on Class B Unit and Class C Unit liabilities.

The Fund generated Distributable Cash per Unit of \$0.312 for the Period compared to \$0.320 per Unit for the first quarter of 2016. The decrease in Distributable Cash per Unit of \$0.008 or 2.5% was primarily attributable to the decrease in Distributable Cash noted above.

The Fund’s Distributable Cash and Distributable Cash per Unit since January 1, 2015, generated in each financial quarter, are as follows:

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Distributable Cash

<i>(in millions of dollars)</i>	Q1	Q2	Q3	Q4	Annual
2017	\$ 6.3				
2016	\$ 6.5	\$ 7.1	\$ 7.6	\$ 6.9	\$ 28.2
2015	\$ 4.4	\$ 6.4	\$ 7.5	\$ 7.2	\$ 25.6

Distributable Cash per Unit

	Q1	Q2	Q3	Q4	Annual
2017	\$ 0.312				
2016	\$ 0.320	\$ 0.351	\$ 0.376	\$ 0.341	\$ 1.388
2015	\$ 0.287	\$ 0.347	\$ 0.368	\$ 0.350	\$ 1.364

Payout Ratio

The Fund's Payout Ratio for the Period was 110.6% compared to 105.7% in the same period in 2016. The increase in the Fund's Payout Ratio for the Period compared to the same period in 2016 was due to the combined effects of Distributable Cash for the Period decreasing by \$0.2 million, or 2.8% and distributions paid during the Period increasing by \$0.1 million, or 1.7% as discussed above.

The Fund's quarterly and annual Payout Ratios with respect to each financial quarter since January 1, 2015 are as follows:

	Q1	Q2	Q3	Q4	Annual
2017	110.6%				
2016	105.7%	98.3%	91.8%	101.1%	98.9%
2015	106.8%	93.4%	88.3%	92.8%	94.0%

Because the Fund strives to provide Unitholders with consistent monthly distributions, the Fund will generally experience seasonal fluctuations in its Payout Ratio. The Fund's Payout Ratio is likely to be higher in the first and fourth quarters compared to the second and third quarters since Boston Pizza Restaurants generally experience higher Franchise Sales levels during the summer months when restaurants open their patios and benefit from increased tourist traffic. On a trailing 12-month basis, the Fund's Payout Ratio was 100.0% as at March 31, 2017. Higher Franchise Sales generally result in increases in Distributable Cash. Distributable Cash and Payout Ratio are non-IFRS financial measures. For additional information regarding these financial metrics, refer to the section "Description of Non-IFRS and Additional IFRS Measures" in this MD&A.

New Restaurants Added to the Royalty Pool

Boston Pizza Restaurants Added to Royalty Pool on January 1, 2017

On January 1, 2017, 13 new Boston Pizza Restaurants that opened across Canada between January 1, 2016 and December 31, 2016 were added to the Royalty Pool and the two restaurants that permanently closed during 2016 were removed from the Royalty Pool. The estimated 2017 annual Franchise Sales for the 13 new Boston Pizza Restaurants that opened less the Franchise Sales from the two permanent closures is \$18.4 million. The estimated Royalty and Distribution Income expected to be received by the Fund in 2017 from these 11 Net New Restaurants is 5.5% of that amount, or approximately \$1.0 million. The pre-tax amount for the purposes of calculating the Additional Entitlements, therefore, is approximately \$0.9 million, or 92.5% of \$1.0 million. The estimated effective tax rate that the Fund will pay in the calendar year 2017 is 24.0%. Accordingly, the after-tax additional Royalty and Distribution Income for the purposes of calculating the Additional Entitlements is approximately \$0.7 million

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(\$0.9 million x (1 – 0.24)). In return for adding net additional Royalty and Distribution Income from the 11 Net New Restaurants added to the Royalty Pool, BPI received 415,229 Additional Entitlements (representing 80% of the estimated total Additional Entitlements), comprised of 301,985 Class B Additional Entitlements and 113,244 Class 2 Additional Entitlements, and the Holdback was 103,807 Additional Entitlements (representing 20% of the estimated total Additional Entitlements), comprised of 75,496 Class B Holdback and 28,311 Class 2 Holdback. The 415,229 Additional Entitlements represented 1.7% of Fund Units on a fully diluted basis on January 1, 2017. The full 519,036 Additional Entitlements (being 415,229 Additional Entitlements received by BPI plus the 103,807 Holdback) represented 2.1% of the Fund Units on a fully diluted basis on January 1, 2017. BPI receives an increase in monthly distributions based on 100% of the Additional Entitlements, subject to a reconciliation of the distributions paid to BPI in respect of these Additional Entitlements that will occur once the actual performance of these 11 Net New Restaurants and the actual effective tax rate paid by the Fund for 2017 are known. Once both the actual performance of these 11 Net New Restaurants for 2017 and the actual effective tax rate paid by the Fund for 2017 are known, the number of Additional Entitlements will be adjusted in 2018 to reflect the actual Royalty and Distribution Income received by the Fund in 2017 and actual effective tax rate paid by the Fund in 2017.

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

In January 2017, an audit of the Franchise Sales of the 12 new Boston Pizza Restaurants that were added to the Royalty Pool on January 1, 2016 was performed and the Fund's actual effective tax rate for 2016 was determined. The purpose of this was to compare the actual Franchise Sales from these 12 new Boston Pizza Restaurants to the estimated amount of Franchise Sales expected to be generated by these 12 new Boston Pizza Restaurants in 2016 and to compare the actual effective tax rate paid by the Fund for 2016 to the estimated effective tax rate the Fund expected to pay for 2016. The original Franchise Sales expected to be generated from these 12 new Boston Pizza Restaurants less the Franchise Sales from the six permanent closures that occurred in 2015 was \$14.5 million, and the actual Franchise Sales generated from these six Net New Restaurants was \$1.3 million greater. The original effective tax rate for the Fund was expected to be 24.0% and the actual effective tax rate for the Fund for 2016 was 21.1%. As a result, Royalties LP increased interest paid to BPI by a nominal amount in early 2017 to reconcile the difference paid on the full number of Class B Additional Entitlements and the effective tax rate. In addition, BP Canada LP reduced the distributions payable to Holdings LP on its Class 2 LP Units by a nominal amount, and correspondingly increased distributions payable to BPI on its Class 2 GP Units by the same amount, to reconcile the difference paid on the full number of Class 2 Additional Entitlements and the effective tax rate. BPI received only 80% of the estimated Additional Entitlements at the Adjustment Date in 2016. Following the audit, BPI received 143,578 Additional Entitlements, comprised of 104,420 Class B Additional Entitlements and 39,158 Class 2 Additional Entitlements.

Units Outstanding

The following table sets forth a summary of the outstanding Units. BPI owns 100% of the Class B Units, 100% of the Class C Units and 1% of the ordinary general partner units of Royalties LP. BPI also owns 100% of the Class 2 GP Units, 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.

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	Issued and Outstanding Units and Additional Entitlements	Issued and Outstanding Units, Additional Entitlements and Holdback
<u>Units Outstanding</u>		
Issued and Outstanding Units as of May 10, 2017	20,286,063	20,286,063
<u>Class B Additional Entitlements Outstanding</u>		
Class B Additional Entitlements – Outstanding as of December 31, 2016	2,577,530	2,577,530
Class B Additional Entitlements – Issued as of January 1, 2017 (11 Net New Restaurants)	301,985	301,985 (1)
Class B Holdback Created January 1, 2017 (11 Net New Restaurants)	N/A	75,496 (1)
Class B Additional Entitlements – Issued in respect of 2016 after the audit	104,420	104,420 (2)
Total Class B Additional Entitlements as of May 10, 2017	2,983,935	3,059,431
<u>Class 2 Additional Entitlements Outstanding</u>		
Class 2 Additional Entitlements – Outstanding as of December 31, 2016	847,575	847,575
Class 2 Additional Entitlements – Issued as of January 1, 2017 (11 Net New Restaurants)	113,244	113,244 (1)
Class 2 Holdback Created January 1, 2017 (11 Net New Restaurants)	N/A	28,311 (1)
Class 2 Holdback – Issued in respect of 2016 after the audit	39,158	39,158 (2)
Total Class 2 Additional Entitlements as of May 10, 2017	999,977	1,028,288
<u>Summary as of May 10, 2017</u>		
Total Issued and Outstanding Units	20,286,063	20,286,063
Total Additional Entitlements	3,983,912	4,087,719
Fully Diluted Units	24,269,975	24,373,782
BPI's Percentage Ownership	16.4%	16.8%

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

BPI also 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 of the Fund 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 May 10, 2017, BPI was entitled to 3,983,912 votes, representing 16.4% of the aggregate votes held by holders of Units and Special Voting Units. The number of Units that BPI is entitled to receive upon the exchange of its Class B Units and Class 2 GP Units and the number of votes that BPI is entitled to in respect of its Special Voting Units is adjusted annually to reflect any additional Boston Pizza Restaurants that were added to the Royalty Pool.

LIQUIDITY & CAPITAL RESOURCES

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

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Indebtedness

Holdings LP and Royalties LP have credit facilities with a Canadian chartered bank (the "**Bank**") in the amount of up to \$90.3 million expiring on May 5, 2020 (the "**Credit Facilities**"). The Credit Facilities are comprised of: (i) a \$2.0 million committed operating facility issued to Royalties LP ("**Facility A**"); (ii) a \$55.0 million committed revolving credit facility issued to Royalties LP for the purpose of refinancing previous credit facilities (refer to the Fund's Annual Information Form dated February 15, 2017 for more details) and to facilitate the Fund repurchasing and canceling Units under normal course issuer bids, substantial issuer bids or to finance the cash component of any exchange of general partnership units of BP Canada LP ("**Facility B**"); and (iii) a \$33.3 million committed revolving credit facility issued to Holdings LP for the purpose of subscribing for Class 1 LP Units of BP Canada LP ("**Facility D**").

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

The credit agreement that governs the Credit Facilities among Holdings LP, Royalties LP, the Fund, the Trust, Holdings GP and Royalties GP and the Bank dated May 5, 2015 contains a number of covenants and restrictions, including the requirement to meet certain financial ratios and financial condition tests. 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 of the end of the Period. Full particulars of the Credit Facilities, including applicable interest rates, security, guarantees and other terms and conditions are contained within the amended and restated credit agreement governing the Credit Facilities, a copy of which is available on SEDAR at www.sedar.com.

As of March 31, 2017, working capital of the Fund totaled \$6.6 million (March 31 2016 - \$6.5 million). The Fund has no requirement to maintain a certain amount of working capital. As of March 31, 2017, no amount was drawn on Facility A, \$53.5 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 March 31, 2017:

<i>(in thousands of dollars)</i>	< 1 year	1 - 5 years	> 5 year	Total	Book Value
Accounts payable and accrued liabilities	489	-	-	489	489
Credit Facilities and interest rate swaps ¹	2,341	91,389	-	93,730	86,706
	2,830	91,389	-	94,219	87,195

Note:

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

Interest Rate Swaps

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

- (a) Royalties LP entered into a swap to fix the interest rate at 1.44% plus between 1.00% and 1.50% per annum (depending upon debt to EBITDA ratios) for a term ending August 1, 2017 for \$30.0 million drawn on Facility B;
- (b) Royalties LP entered into a swap to fix the interest rate at 1.92% plus between 1.00% and 1.50% per annum (depending upon debt to EBITDA ratios) for a term ending June 1, 2018 for \$6.0 million drawn on Facility B;

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- (c) Royalties LP entered into a swap to fix the interest rate at 1.51% plus between 1.00% and 1.50% per annum (depending upon debt to EBITDA ratios) for a term ending on February 1, 2022 for \$13.9 million drawn on Facility B;
- (d) Holdings LP entered into a swap to fix the interest rate at 1.25% plus between 1.00% and 1.50% per annum (depending upon debt to EBITDA ratios) for a term ending on August 1, 2020 for \$17.0 million of the \$33.3 million drawn on Facility D; and
- (e) Holdings LP entered into a swap to fix the interest rate at 0.87% plus between 1.00% and 1.50% per annum (depending upon debt to EBITDA ratios) for a term ending on March 1, 2021 for \$16.3 million drawn on Facility D.

The Fund uses the Swaps to mitigate its exposure to interest rate risk related to the Credit Facilities. The Fund accounts for the Swaps as derivative instruments in accordance with IFRS. The fair market value of the Swaps are determined using valuation techniques at each reporting date and any change in the fair value of the Swaps is included in the Fund's comprehensive income or loss. The Fund recorded a nominal fair value loss adjustment on the Swaps for the Period in the consolidated statements of comprehensive income compared to a \$0.4 million fair value loss adjustment on the Swaps for the same period in 2016.

Cash Flows

Cash Flow from Operating Activities

During the Period, the Fund generated \$8.7 million in cash from operating activities principally comprised of Royalty income of \$8.1 million, Distribution Income of \$2.6 million, and interest income earned from the BP Loan of \$0.5 million, partially offset by income taxes paid of \$1.8 million and administrative expenses of \$0.3 million. During the first quarter of 2016, the Fund generated \$8.7 million in cash from operating activities principally comprised of Royalty income of \$7.9 million, Distribution Income of \$2.6 million, and interest income earned from the BP Loan of \$0.5 million, partially offset by income taxes paid of \$1.8 million and administrative expenses of \$0.3 million. See the "Operating Results" section of this MD&A for a detailed discussion of each of Royalty income, Distribution Income, interest income, administrative expenses and income taxes.

Cash Flow used in Financing Activities

During the Period, the Fund used \$9.4 million in cash for financing activities, including \$7.0 million of which was used to pay distributions to Unitholders, \$1.8 million of which was used to pay interest to BPI on the Class B Units and Class C Units, and \$0.6 million of which was used to pay interest on the Credit Facilities.

In the first quarter of 2016, the Fund used \$9.1 million in cash for financing activities, including \$6.9 million of which was used to pay distributions to Unitholders, \$1.6 million of which was used to pay interest to BPI on the Class B Units and Class C Units, \$0.6 million of which was used to pay interest on the Credit Facilities, and \$2.6 million of which was used to purchase Units under the Fund's then current normal course issuer bid offset by \$2.6 million of cash generated by drawing on the Fund's Credit Facilities.

Cash Flow used in Investing Activities

The Fund did not use any cash for investing activities during the Period or during the first quarter of 2016.

Related Party Transactions

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

- The Fund has engaged Royalties LP, its administrator, to provide certain administrative services on behalf of the Fund. In turn, certain of the administrative services are performed by BPI as a general partner of Royalties LP. Under the terms of the partnership agreement governing Royalties LP, BPI is entitled to be

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reimbursed for certain out-of-pocket expenses incurred in performing these services. The total amount paid to BPI in respect of these services for the Period was \$0.1 million (Q1 2016 – \$0.1 million).

- As at March 31, 2017, interest payable by the Fund to BPI in respect of the Class B Units and Class C Units was nil (Q1 2016 – Nil).
- As at March 31, 2017, the Royalty receivable from BPI was \$3.0 million (Q1 2016 – \$2.9 million), and the Distribution Income receivable from BP Canada LP was \$0.9 million (Q1 2016 – \$0.9 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 Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Royalties GP, managing general partner of Royalties LP, administrator of the Fund, have designed or caused to be designed under their supervision disclosure controls and procedures to provide reasonable assurance that all material information is gathered and reported to senior management, including the CEO and CFO, on a timely basis, particularly during the period in which the annual filings are being prepared, so that appropriate decisions can be made regarding public disclosure.

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

During the Period, there was no change in the Fund's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting. 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 condensed consolidated interim 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.

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Estimate – Intangible Assets – BP Rights

The Fund carries the BP Rights at historical cost comprising the amount of consideration paid for the BP Rights in 2002, as well as the value of additional Boston Pizza Restaurants rolled into the Royalty Pool to date. The value of additional Boston Pizza Restaurants added to the Royalty Pool is determined on a formula basis that is designed to estimate the present value of the cash flows that would ultimately be payable to the Fund as a result of the new Boston Pizza Restaurants being added to the Royalty Pool. The addition of these restaurants results in changes to the Intangible assets – BP Rights line item as well as the Units line item on the statements of financial position. As such, the calculation is dependent on a number of different variables including the estimated long-term sales of the new restaurants, the discount rate and the tax rate. The value assigned to the new restaurants, and as a result, the value assigned to the BP Rights, could differ from actual results.

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

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

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

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

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

(i) Class B Units

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

(ii) Class 1 Units and Class 2 LP Units

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

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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

IFRS 15, Revenue from Contracts with Customers

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

IFRS 9 (2014), Financial Instruments

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

IFRS 16, Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. The new standard will apply for annual periods beginning on or after January 1, 2019. Earlier application is permitted only if the entity also adopts IFRS 15, Revenue from Contracts with Customers. The Fund has not yet assessed the impact of this standard or determined whether it will be adopted early.

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DESCRIPTION OF NON-IFRS AND ADDITIONAL IFRS MEASURES

Non-IFRS Measures

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

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

SSSG

As noted above, SSSG is the change in gross revenues of Boston Pizza Restaurants as compared to the gross revenues for the same period in the previous year for Boston Pizza Restaurants that have been open for a minimum of 24 months. A reconciliation of SSSG to an IFRS measure is not possible. The Fund believes that SSSG provides investors useful information regarding the change in gross sales of Boston Pizza Restaurants.

Distributable Cash

"Distributable Cash" is defined to be, in respect of any particular period, the Fund's cash flow from operations for that period minus (a) BPI's Class C Unit distribution in respect of the period, minus (b) BPI's entitlement in respect of its Class B Units in respect of the period, minus (c) interest paid on long-term debt during the period, minus (d) the SIFT Tax expense in respect of the period, plus (e) SIFT Tax paid during the period (the sum of (d) and (e) being **"SIFT Tax on Units"**). Management believes that Distributable Cash provides investors with useful information about the amount of cash the Fund has generated and has available for distribution on the Units during the Period. The preceding tables under the heading "Financial Highlights" provide a reconciliation from this non-IFRS financial measure to cash flows from operating activities, which is the most directly comparable IFRS measure. In reconciling Distributable Cash to cash flow from operating activities, the Fund uses actual financial results for the components of (i) BPI's Class C Unit distribution in respect of the period, and (ii) interest paid on long-term debt. The remaining components in the reconciliation, being BPI's entitlement in respect of its Class B Units in respect of the period and SIFT Tax on Units, have been prepared using reasonable and supportable assumptions (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 SIFT 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 these components of Distributable Cash may vary, perhaps materially, from the amounts used in the reconciliation.

Payout Ratio

"Payout Ratio" is calculated by dividing the aggregate distributions paid by the Fund during the applicable period by the Distributable Cash generated in that period. For the purpose of calculating the Payout Ratio for the Period, the distributions paid by the Fund on the Units during the Period were the December 2016 distribution (which was paid on January 31, 2017), the January 2017 distribution (which was paid on February 28, 2017) and the February 2017 distribution (which was paid on March 31, 2017). Similarly, for the purpose of calculating the Payout Ratio for any other period, the distributions paid during that period would be used. Management believes that the Payout Ratio provides investors with useful information on the extent to which the Fund distributes cash on Units. As the Payout Ratio is calculated from a formula which includes Distributable Cash, which is a non-IFRS financial measure, a reconciliation of Payout Ratio to an IFRS measure is not possible.

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Additional IFRS Measures

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

Profit Before Fair Value Adjustments and Income Taxes

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

OUTLOOK

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

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

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

Boston Pizza remains well positioned for future expansion as evidenced by the 11 Net New Restaurants that opened in 2016 and the one new location that has opened to date in 2017. BPI's management believes that Boston Pizza will continue to serve more guests in more locations than any other casual dining brand in Canada by pursuing further restaurant development opportunities across the country.

RISKS & UNCERTAINTIES

For information on risks and uncertainties related to BPI and the Fund, please refer to BPI's and the Fund's MD&A for the year ended December 31, 2016 available on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Additional information relating to the Fund, Royalties LP, Royalties GP, the Trust, Holdings LP, Holdings GP, BPI and BP Canada LP, including the Fund's Annual Information Form dated February 15, 2017, is available on SEDAR at www.sedar.com and on the Fund's website at www.bpincomefund.com.

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For the Period ended March 31, 2017

NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain information in this MD&A constitutes "forward-looking information" that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of BPI, the Fund, the Trust, Royalties LP, Holdings LP, Holdings GP, Royalties GP, BP Canada LP, Boston Pizza Restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this MD&A, forward-looking information may include words such as "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;
- expectations that cash flow will be sufficient to pay distributions;
- the future expansion of Boston Pizza Restaurants;
- the Fund's current sources of liquidity being sufficient to cover its currently known short and long-term obligations;
- Boston Pizza being well positioned for future growth and continuing to strengthen its position as the number one casual dining brand in Canada by achieving positive SSSG and continuing to open new Boston Pizza locations across Canada;
- that Boston Pizza will continue to serve more guests in more locations than any other casual dining restaurant chain in Canada by pursuing further restaurant development opportunities across the country;
- the future expansion of Boston Pizza Restaurants;
- BPI's and BP Canada LP's strategies to drive higher guest traffic and higher average guest cheques; and
- the Fund maintaining a Payout Ratio close to 100% over time.

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

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

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

- competition;
- weather;
- changes in demographic trends;
- changes in consumer preferences and discretionary spending patterns;

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- changes in national and local business and economic conditions;
- legislation and government regulation;
- cash distributions are not guaranteed;
- accounting policies and practices; and
- the results of operations and financial conditions of BPI and the Fund.

The foregoing list of factors is not exhaustive and should be considered in conjunction with the risks and uncertainties set out in the MD&A of the Fund and of BPI for the period and year ended December 31, 2016.

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

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

	March 31, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	\$ 2,890	\$ 3,541
Interest receivable on Note Receivable from Boston Pizza International Inc.	150	150
Royalty receivable from Boston Pizza International Inc.	3,015	2,921
Distributions receivable from Boston Pizza Canada Limited Partnership	907	871
Prepaid expenses	149	39
Current income tax receivable	-	15
	7,111	7,537
Note Receivable from Boston Pizza International Inc.	24,000	24,000
Investment in Units of Boston Pizza Canada Limited Partnership (note 5)	147,844	148,551
Intangible assets – BP Rights (note 6)	273,464	264,193
Interest rate swaps	50	51
Total assets	\$ 452,469	\$ 444,332
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 489	\$ 521
Distributions payable to Fund unitholders	-	2,333
Interest payable on Class B Units and Class C Units	-	596
Current income tax payable	18	-
	507	3,450
Credit Facilities (note 4)	86,756	86,756
Deferred income taxes	6,670	6,620
Class B Unit Liability (note 7)	69,418	60,294
Class C Unit liability	24,000	24,000
Unitholders' equity		
Fund units (note 8)	295,800	295,800
Accumulated deficit	(30,682)	(32,588)
	265,118	263,212
Total liabilities and unitholders' equity	\$ 452,469	\$ 444,332

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

BOSTON PIZZA ROYALTIES INCOME FUND
Condensed Consolidated Interim Statements of Comprehensive Income
For the three months ended March 31, 2017 and 2016
(Expressed in thousands of Canadian dollars, except per Fund unit data)
(Unaudited)

	2017	2016
Revenue		
Royalty income (note 9)	\$ 8,096	\$ 7,922
Distribution income (notes 5 and 9)	2,558	2,565
Total revenue	10,654	10,487
Administration charge from Boston Pizza International Inc.	100	100
Professional fees	53	68
Other administrative expenses	92	63
Trustee fees and expenses	57	56
Total administrative expenses	302	287
Profit before net interest expense, fair value adjustments and income taxes	10,352	10,200
Interest income	(452)	(452)
Interest expense on debt	601	610
Interest expense on Class B and Class C unit liabilities	1,197	1,084
Net interest expense	1,346	1,242
Profit before fair value adjustments and income taxes	9,006	8,958
Fair value adjustment on investment in Boston Pizza Canada Limited Partnership (notes 3 and 5)	707	(3,887)
Fair value adjustment on Class B Unit Liability (notes 3 and 7)	(147)	2,052
Fair value adjustment on interest rate swaps	1	443
Total fair value adjustments	561	(1,392)
Profit before income taxes	8,445	10,350
Current income taxes	1,823	1,801
Deferred income taxes	50	40
Total tax expense	1,873	1,841
Net income and comprehensive income for the period	\$ 6,572	\$ 8,509
Weighted average Fund units outstanding	20,286,063	20,327,694
Weighted average fully diluted Fund units outstanding	24,373,782	23,840,055
Basic earnings per Fund unit	\$ 0.32	\$ 0.42
Diluted earnings per Fund unit	\$ 0.26	\$ 0.42

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

BOSTON PIZZA ROYALTIES INCOME FUND
Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
For the three months ended March 31, 2017 and 2016
(Expressed in thousands of Canadian dollars)
(Unaudited)

	Fund units	Accumulated deficit	Total unitholders' equity
Balance – December 31, 2016	\$ 295,800	\$ (32,588)	\$ 263,212
Net income and comprehensive income for the period	-	6,572	6,572
Distributions declared (note 8)	-	(4,666)	(4,666)
Balance – March 31, 2017	\$ 295,800	\$ (30,682)	\$ 265,118
Balance – December 31, 2015	\$ 298,381	\$ (42,358)	\$ 256,023
Acquisition of Fund units (note 4)	(2,581)	-	(2,581)
Net income and comprehensive income for the period	-	8,509	8,509
Distributions declared (note 8)	-	(4,666)	(4,666)
Balance – March 31, 2016	\$ 295,800	\$ (38,515)	\$ 257,285

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

BOSTON PIZZA ROYALTIES INCOME FUND
Condensed Consolidated Interim Statements of Cash Flows
For the three months ended March 31, 2017 and 2016
(Expressed in thousands of Canadian dollars)
(Unaudited)

	2017	2016
Cash flows provided by (used in)		
Operating activities		
Net income for the period	\$ 6,572	\$ 8,509
Adjustments for:		
Deferred income taxes	50	40
Fair value adjustment on investment in Boston Pizza Canada Limited Partnership	707	(3,887)
Fair value adjustment on Class B Unit Liability	(147)	2,052
Fair value adjustment on interest rate swaps	1	443
Interest expense on Class B and Class C unit liabilities	1,197	1,084
Changes in non-cash working capital	(272)	(125)
Current income tax expense	1,823	1,801
Current income tax paid	(1,790)	(1,838)
Interest income	(452)	(452)
Interest expense	601	610
Interest received	452	452
Net cash generated from operating activities	8,742	8,689
Financing activities		
Distributions paid to Fund unitholders	(6,999)	(6,880)
Interest paid on Class B and Class C unit liabilities	(1,793)	(1,576)
Interest paid on long-term debt	(601)	(605)
Acquisition of Fund units	-	(2,581)
Proceeds from long-term debt	-	2,581
Net cash used in financing activities	(9,393)	(9,061)
Decrease in cash and cash equivalents	(651)	(372)
Cash and cash equivalents – beginning of period	3,541	3,241
Cash and cash equivalents – end of period	\$ 2,890	\$ 2,869

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

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2017 and 2016
(Tabular amounts in thousands of Canadian dollars, except unit data)
(Unaudited)

1. Organization:

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

The Fund was established to indirectly, through Royalties LP, acquire the trademarks and trade names owned by BPI including “Boston Pizza” and other similar related items, logos and designs (collectively, the “**BP Rights**”) used in connection with the operation of Boston Pizza restaurants in Canada (“**Boston Pizza Restaurants**”). The BP Rights do not include the rights outside of Canada to any trademarks or trade names used by BPI or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the *Trade-Marks Act* (Canada).

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

On May 6, 2015, the Fund indirectly completed an investment in Boston Pizza Canada Limited Partnership (“**BP Canada LP**”) to effectively increase the Fund’s interest (“**Franchise Sales Participation**”) in franchise sales (“**Franchise Sales**”) of Boston Pizza Restaurants in the Royalty Pool as defined in the License and Royalty Agreement between Royalties LP and BPI (the “**Royalty Pool**”) by 1.5%, from 4.0% to 5.5% less the pro rata portion payable to BPI in respect of its retained interest in the Fund (the “**Transaction**”). BP Canada LP is a limited partnership controlled and operated by BPI and is the exclusive franchisor of Boston Pizza Restaurants in Canada.

2. Significant accounting policies:

- (a) These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“**IASB**”). These statements represent a “condensed set of financial statements” and accordingly do not include all of the information required for annual financial statements. These statements should be read in conjunction with the Fund’s most recent annual financial statements as at and for the year ended December 31, 2016. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements, except for the policies adopted on January 1, 2017 or after as disclosed in note 2 (b).

These condensed consolidated interim financial statements were approved by the Trustees of the Fund for issue on May 10, 2017.

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

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Fund intends to adopt these amendments in its consolidated financial statements for the annual period

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2017 and 2016
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(Unaudited)

2. Significant accounting policies (continued):

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

beginning on January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

- (i) On May 28, 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based, five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.
- (ii) On July 24, 2014, the IASB issued the complete IFRS 9 (2014), Financial Instruments. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities, and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions.
- (c) On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. The new standard will apply for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted only if the entity also adopts IFRS 15, Revenue from Contracts with Customers.

3. Financial instruments:

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

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2017 and 2016
(Tabular amounts in thousands of Canadian dollars, except unit data)
(Unaudited)

3. Financial instruments (continued):

The Fund must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements.

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

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

The fair values of the Class 1 Limited Partnership Units of BP Canada LP ("**Class 1 LP Units**") and of the Class 2 Limited Partnership Units of BP Canada LP ("**Class 2 LP Units**"), the interest rate swaps and the liability in respect of Class B General Partner Units ("**Class B Units**") of Royalties LP (the "**Class B Unit Liability**") are determined using Level 2 inputs and are all measured on a recurring basis.

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

(in thousands)	March 31, 2017	December 31, 2016
Assets carried at fair value		
Class 1 Limited Partnership Units of Boston Pizza Canada Limited Partnership	\$ 33,314	\$ 33,314
Class 2 Limited Partnership Units of Boston Pizza Canada Limited Partnership	114,530	115,237
Fair value of interest rate swaps	50	51
	\$ 147,894	\$ 148,602
Assets carried at amortized cost		
Cash and cash equivalents	\$ 2,890	\$ 3,541
Interest receivable on Note Receivable from Boston Pizza International Inc.	150	150
Royalty receivable from Boston Pizza International Inc.	3,015	2,921
Distributions receivable from Boston Pizza Canada Limited Partnership	907	871
Note Receivable from Boston Pizza International Inc.	24,000	24,000
	\$ 30,962	\$ 31,483

BOSTON PIZZA ROYALTIES INCOME FUND
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(Unaudited)

3. Financial instruments (continued):

(in thousands)	March 31, 2017	December 31, 2016
Liabilities carried at fair value		
Class B Unit Liability	\$ 69,418	\$ 60,294
	\$ 69,418	\$ 60,294
Liabilities carried at amortized cost		
Accounts payable and accrued liabilities	\$ 489	\$ 521
Distributions payable to Fund unitholders	-	2,333
Interest payable on Class B Units and Class C Units	-	596
Credit Facilities	86,756	86,756
Class C Unit liability	24,000	24,000
	\$ 111,245	\$ 114,206

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

The Class 1 LP Units are entitled to distributions determined with respect to the interest cost incurred on Credit Facility D (note 4). Thus, the fair value of the Class 1 LP Units is estimated using a market-corroborated input (interest rate on the credit facility). The Fund estimates the fair value of Class 1 LP Units at carrying value adjusted for interest rate risk.

The fair value of the Class 2 LP Units is determined using a market approach, which involves using observable market prices for similar instruments. The Class 2 LP Units have similar cash distribution entitlements and provisions to the Class 2 General Partnership Units of BP Canada LP (the "**Class 2 GP Units**") held by BPI, which are exchangeable into units of the Fund ("**Fund units**"). The fair value of the Class 2 LP Units is determined by multiplying the issued and outstanding Class 2 LP Units held by the Fund at the end of the period by the closing price of Fund units at the end of the period (or previous business day if not a business day).

The fair value of the Class B Unit Liability is also determined via a market approach as the Class B Units held by BPI are exchangeable into Fund units. The fair value of the Class B Unit Liability is calculated by multiplying the total number of Fund units into which the Class B Units are exchangeable, including the Class B Holdback, at the end of the period by the closing price of a Fund unit at the end of the period (or previous business day if not a business day).

The Fund has recorded the Credit Facilities at amortized cost. Royalties LP and Holdings LP use interest rate swaps to manage risks from fluctuations in interest rates on \$83.2 million of this balance, and any changes in the fair value of the interest rate swaps are recorded in the condensed consolidated interim statement of comprehensive income in the period in which they arise. Without factoring in the interest rate swaps, the fair value of the \$83.2 million of the Credit Facilities approximates its carrying amount since the debt has variable interest rates at terms that the Fund believes are reflective of currently available terms. The fair value of the remaining Credit Facilities balance, which equals the carrying amount, is \$3.5 million (December 31, 2016 – \$3.5 million) since

BOSTON PIZZA ROYALTIES INCOME FUND
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3. Financial instruments (continued):

the debt has variable interest rates at terms that the Fund believes are reflective of currently available terms.

4. Credit facilities:

The Fund's credit agreement with a Canadian chartered bank (the "**Lender**") provides Holdings LP and Royalties LP with the following credit facilities (the "**Credit Facilities**"):

- (i) a \$2.0 million committed operating facility issued to Royalties LP ("**Facility A**");
- (ii) a \$55.0 million committed revolving credit facility issued to Royalties LP for the purpose of refinancing any previous credit facilities prior to May 5, 2015 and to facilitate the Fund repurchasing and canceling Fund units under normal course issuer bids, substantial issuer bids or to finance the cash component of any exchange of general partner units of BP Canada LP ("**Facility B**"); and
- (iii) a \$33.3 million committed revolving credit facility issued to Holdings LP for the purpose of subscribing for Class 1 LP Units ("**Facility D**").

The Credit Facilities bear interest at fixed or variable interest rates, as selected by Royalties LP or Holdings LP, as applicable, comprised of either the Lender's current rate for fixed rate operating loans or a combination of the Lender's bankers' acceptance rates plus between 1.00% and 1.50%, or the Lender's prime rate plus between 0.0% and 0.5%, depending upon debt to EBITDA ratios. The credit agreement expires on May 5, 2020.

The Credit Facilities are guaranteed by the Fund, the Trust, Boston Pizza Holdings GP Inc., Holdings LP, Royalties LP and BPGP, all of whom have granted security for their obligations under those guarantees. No guarantee or security has been given by BPI or BP Canada LP with respect to the Credit Facilities.

The Fund did not acquire any Fund units from January 1, 2017 to March 31, 2017. From January 1, 2016 to March 31, 2016, the Fund acquired 155,700 Fund units under its then active normal course issuer bid at an average price of \$16.58 per Unit (total of \$2.6 million) and financed such purchases by drawing on Facility B.

As of March 31, 2017, no amount was drawn on Facility A, \$53.5 million was drawn on Facility B and \$33.3 million was drawn on Facility D.

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited)

4. Credit facilities (continued):

The below chart summarizes fixed rate swap terms under Facility B and Facility D of the credit agreement that expires on May 5, 2020.

(in thousands)	March 31, 2017	December 31, 2016
Credit Facility managed by interest rate swaps:		
Bank of Montreal Credit Facility B bearing interest at 1.44% plus between 1.00% and 1.50% per annum, with a maturity date of August 1, 2017	\$ 30,000	\$ 30,000
Bank of Montreal Credit Facility B bearing interest at 1.92% plus between 1.00% and 1.50% per annum, with a maturity date of June 1, 2018	6,000	6,000
Bank of Montreal Credit Facility B bearing interest at 1.51% plus between 1.00% and 1.50% per annum, with a maturity date of February 1, 2022	13,900	13,900
Bank of Montreal Credit Facility D bearing interest at 1.25% plus between 1.00% and 1.50% per annum, with a maturity date of August 1, 2020	17,000	17,000
Bank of Montreal Credit Facility D bearing interest at 0.87% plus between 1.00% and 1.50% per annum, with a maturity date of March 1, 2021	16,314	16,314
Credit Facility at variable interest rates:		
Bank of Montreal Credit Facility B bearing interest at short-term fixed rate operating loan rates (0.91% at March 31, 2017 and 0.88% at December 31, 2016) plus 1.50% per annum, with a maturity date of May 5, 2020	3,542	3,542
	\$ 86,756	\$ 86,756

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2017 and 2016
(Tabular amounts in thousands of Canadian dollars, except unit data)
(Unaudited)

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

The investment in BP Canada LP is comprised of:

(in thousands, except per unit data)	Issued and outstanding LP Units		Investment in BP Canada LP
Issued and outstanding Class 1 LP Units upon closing of the Transaction on May 6, 2015	1,000	\$	33,314
Issued and outstanding Class 2 LP Units upon closing of the Transaction on May 6, 2015	5,047,613		105,373
Fair value adjustment on investment in Units of Boston Pizza Canada Limited Partnership			9,864
Balance at December 31, 2016		\$	148,551
Fair value adjustment on investment in Units of Boston Pizza Canada Limited Partnership			(707)
Balance at March 31, 2017		\$	147,844

The carrying value of the Class 1 LP Units approximates the fair value as the Fund's interest cost is reflective of available market interest rates. The fair value of the Class 2 LP Units are determined at each period end by multiplying the issued and outstanding Class 2 LP Units held by the Fund at the end of the period by the closing price of Fund units at the end of the period (or previous business day if not a business day). At the completion of the Transaction, the initial cost of each Class 2 LP Units acquired by the Fund was \$20.88. As at March 31, 2017, the closing price of a Fund unit was \$22.69 (December 31, 2016 – \$22.83) while the number of issued and outstanding Class 2 LP Units held by the Fund was 5,047,613 (December 31, 2016 – 5,047,613). The fair value adjustment of the investment in BP Canada LP at March 31, 2017 was a \$0.7 million loss.

The Class 1 LP Units and Class 2 LP Units entitle the Fund to receive distributions from BP Canada LP equal to 1.5% of Franchise Sales of Boston Pizza Restaurants in the Royalty Pool less the pro rata portion payable to BPI in respect of its retained interest in the Fund. BPI receives such pro rata portion of Franchise Sales through distributions on Class 2 GP Units. BPI continues to pay the Fund the balance of the Fund's Franchise Sales Participation in the form of Royalty fees.

The number of Fund units that BPI is entitled to receive in exchange for its Class 2 GP Units is adjusted on January 1 of each year (each, an "**Adjustment Date**") to reflect the addition of new Boston Pizza Restaurants to the Royalty Pool (the number of Fund units BPI is indirectly entitled to receive in connection therewith is the "**Class 2 Additional Entitlements**", with 80% of the Class 2 Additional Entitlements being received on the Adjustment Date with the balance (the "**Class 2 Holdback**") being received once the performance of the new stores and the actual effective tax rate paid by the Fund are known for certain), all in a manner similar to adjustments to the Class B Units that BPI holds. BPI also has the right to further increase the Fund's Franchise Sales Participation by up to an additional 1.5% of Franchise Sales (in 0.5% increments) upon meeting certain financial thresholds designed to ensure that the additional Franchise Sales Participation is accretive to the Fund and that BPI retains

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2017 and 2016
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5. Investment in Units of Boston Pizza Canada Limited Partnership (continued):

the financial capacity to satisfy its obligations to the Fund. The Fund has an obligation to issue Fund units when BPI exercises its rights to exchange Class 2 GP Units for Fund units. As at March 31, 2017, BPI's Class 2 GP Units were exchangeable for 999,977 Fund units (December 31, 2016 – 847,575).

	Issued and outstanding Class 2 Additional Entitlements	Issued and outstanding Class 2 Additional Entitlements including Class 2 Holdback
Balance at December 31, 2016	847,575	871,372
Class 2 Additional Entitlements for addition of 11 net new restaurants opened in 2016 and added to the Royalty Pool in 2017 – granted January 1, 2017	113,244	141,555
Adjustment to prior year Class 2 Additional Entitlements for actual performance of new restaurants opened in 2015 and added to Royalty Pool in 2016 and actual effective tax rate	39,158	15,361
Balance at March 31, 2017	999,977	1,028,288

Should an exchange occur, BP Canada LP would issue additional Class 2 LP Units to the Fund, the Fund would issue additional Fund units to BPI, resulting in an increase in the Fund's investment in BP Canada LP recognizing its entitlement to a larger portion of distributions.

6. Intangible assets – BP Rights:

(in thousands)		
Balance – December 31, 2015	\$	258,135
Class B Additional Entitlements for net 6 new restaurants opened in 2015 and added to the Royalty Pool in 2016 – granted January 1, 2016		5,587
Adjustment to prior year Class B Additional Entitlements for actual performance of new restaurants opened in 2014 and added to the Royalty Pool in 2015 and actual effective tax rate		471
Balance – December 31, 2016	\$	264,193
Class B Additional Entitlements for net 11 new restaurants opened in 2016 and added to the Royalty Pool in 2017 – granted January 1, 2017		8,550
Adjustment to prior year Class B Additional Entitlements for actual performance of new restaurants opened in 2015 and added to the Royalty Pool in 2016 and actual effective tax rate		721
Balance – March 31, 2017	\$	273,464

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2017 and 2016
(Tabular amounts in thousands of Canadian dollars, except unit data)
(Unaudited)

7. Royalties LP unit liabilities:

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

	Issued and outstanding Class B Additional Entitlements	Issued and outstanding Class B Additional Entitlements including Class B Holdback	Class B Unit Liability
Balance at December 31, 2015	2,227,370	2,302,075	\$ 41,276
Class B Additional Entitlements for addition of 6 net new restaurants opened in 2015 and added to the Royalty Pool in 2016 – granted January 1, 2016	253,835	317,294	5,587
Adjustment to prior year Class B Additional Entitlements for actual performance of new restaurants opened in 2014 and added to Royalty Pool in 2015 and actual effective tax rate	96,325	21,620	471
Fair value adjustment	-	-	12,960
Balance at December 31, 2016	2,577,530	2,640,989	\$ 60,294
Class B Additional Entitlements for addition of 11 net new restaurants opened in 2016 and added to the Royalty Pool in 2017 – granted January 1, 2017	301,985	377,481	8,550
Adjustment to prior year Class B Additional Entitlements for actual performance of new restaurants opened in 2015 and added to Royalty Pool in 2016 and actual effective tax rate	104,420	40,961	721
Fair value adjustment	-	-	(147)
Balance at March 31, 2017	2,983,935	3,059,431	\$ 69,418

On each Adjustment Date, an adjustment is made to add to the Royalty Pool new Boston Pizza Restaurants that opened and to remove any Boston Pizza Restaurants that permanently closed since the previous Adjustment Date. In return for adding net additional Royalty revenue, BPI receives the right to indirectly acquire additional Fund units (the “**Class B Additional Entitlements**”, and together with Class 2 Additional Entitlements, the “**Additional Entitlements**”). BPI receives 80% of the Class B Additional Entitlements on the Adjustment Date with the balance (the “**Class B Holdback**”, and together with Class 2 Holdback, the “**Holdback**”) received once the performance of the new Boston Pizza Restaurants and the actual effective tax rate paid by the Fund are known for certain.

On January 1, 2017, 13 new Boston Pizza Restaurants that opened during the period from January 1, 2016 to December 31, 2016 were added to the Royalty Pool while two Boston Pizza Restaurants that closed during 2016 were removed. The Franchise Sales of these eleven net new Boston Pizza Restaurants has been estimated at \$18.4 million. The total number of Boston Pizza Restaurants in the Royalty Pool was increased to 383. As a result of the contribution of the additional net Franchise

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to the Condensed Consolidated Interim Financial Statements
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7. Royalties LP unit liabilities (continued):

Sales to the Royalty Pool, BPI received Class B Additional Entitlements (including the Class B Holdback) equivalent to 377,481 (2016 – 317,294) Fund units.

BPI also received a proportionate increase in monthly distributions from Royalties LP. Of the 377,481 Class B Additional Entitlements, 20% (2017 – 75,496 Class B Holdback; 2016 – 63,459 Class B Holdback), remain unissued and are not eligible for conversion to Fund units until January 1, 2018 (2016 units – January 1, 2017) based on the actual performance of the new Boston Pizza Restaurants and the actual effective tax rate paid by the Fund.

In early 2017, adjustments to Royalty payments and Class B Additional Entitlements were made based on the actual performance of six net new additional Boston Pizza Restaurants added to the Royalty Pool on January 1, 2016 and the actual effective tax rate paid by the Fund in 2016. Based on these adjustments, BPI received Class B Additional Entitlements equivalent to 104,420 Fund units.

The fair value of the Class B Unit Liability is determined at the end of each period by multiplying the issued and outstanding Class B Additional Entitlements (including Class B Holdback) held by BPI at the end of the period by the closing price of Fund units at the end of the period (or previous business day if not a business day). As at March 31, 2017, the closing price of a Fund unit was \$22.69 (December 31, 2016 – \$22.83) while the number of Fund units BPI would be entitled to receive if it exchanged all of its Class B Units (including Class B Holdback) was 3,059,431 (December 31, 2016 – 2,640,989).

Consequently, the Class B Unit Liability was valued at \$69.4 million (December 31, 2016 – \$60.3 million). The Fund has no obligation to settle this financial liability in cash. If BPI were to exchange all of its Class B Units for Fund units on March 31, 2017, the Fund would issue the equivalent number of Fund units and the Class B Unit Liability would be extinguished.

8. Fund units:

(a) Fund units outstanding:

As at March 31, 2017, the Class B Units held by BPI were exchangeable into 2,983,935 Fund units and the Class 2 GP Units held by BPI were exchangeable into 999,977 Fund units, for a total of 16.4% of the issued and outstanding Fund units on a fully diluted basis.

(in thousands, except unit data)	Number of Units	Fund units as equity	
Opening balance at January 1, 2017	20,286,063	\$	295,800
Acquisition of Fund units	-		-
Balance at March 31, 2017	20,286,063	\$	295,800

(b) Distributions declared to unitholders of the Fund during the three month period ended March 31, 2017 totaled \$4.7 million (2016 – \$4.7 million) or \$0.23 per Fund unit (2016 – \$0.23).

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to the Condensed Consolidated Interim Financial Statements
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9. Operations:

(in thousands, except number of Restaurants in the Royalty Pool)	2017	2016
Restaurants in the Royalty Pool	383	372
Franchise Sales reported by Restaurants in the Royalty Pool	\$ 202,406	\$ 198,049
Royalty income – 4% of Franchise Sales	8,096	7,922
Distribution income – 1.5% of Franchise Sales (less BPI retained interest)	2,558	2,565

10. Seasonality

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA INTERNATIONAL INC.
For the Period ended March 31, 2017

FINANCIAL HIGHLIGHTS

The tables below set out selected information from the condensed consolidated interim financial statements of Boston Pizza International Inc. ("BPI"), which includes the accounts of Boston Pizza Canada Limited Partnership ("BP Canada LP") and BPI's subsidiaries, together with other data, and should be read in conjunction with the condensed consolidated interim financial statements of BPI for the three month periods ended March 31, 2017 and March 31, 2016, and in conjunction with the Management's Discussion and Analysis ("MD&A") of BPI for the period and year ended December 31, 2016. BPI and Boston Pizza Royalties Income Fund (the "Fund") completed a transaction on May 6, 2015 pursuant to which, among other things, BP Canada LP became the exclusive franchisor of Boston Pizza Restaurants (defined below) in Canada and the Fund made an indirect investment in BP Canada LP. As a result, the information in the tables below is not necessarily directly comparable with prior historical financial statements or MD&A of BPI. Refer to the "General Development of the Business – Significant Acquisition – The Transaction" section of the Fund's Annual Information Form dated February 15, 2017 for more details. The financial information reported in the tables are reported in accordance with International Financial Reporting Standards ("IFRS") except as otherwise noted and are stated in Canadian dollars.

<i>For the periods ended March 31</i>	Q1 2017	Q1 2016
<i>(in thousands of dollars - except number of restaurants and per share items)</i>		
System-Wide Gross Sales ¹	261,200	254,182
Number of Boston Pizza Restaurants ²	383	370
Franchise Sales reported by Boston Pizza Restaurants ³	202,804	198,049
Income Statement Data		
Total revenues	21,984	21,090
Royalty expense	8,096	7,922
Distribution expense	2,558	2,565
Operating expenses excluding Royalty expense and Distribution expense	11,324	10,336
Earnings before interest and fair value gain (loss) on financial instruments	6	267
Net interest income	712	615
Fair value gain (loss) on financial instruments	560	(1,835)
Earnings (loss) before income taxes	1,278	(953)
Current and deferred income tax expense	289	932
Net and comprehensive income (loss)	989	(1,885)
Basic and diluted income (loss) per share	0.01	(0.02)

Balance Sheet Data	Mar 31, 2017	Dec 31, 2016
Total assets	174,948	168,277
Total liabilities	441,861	430,179

- 1) "System-Wide Gross Sales" means the gross revenue: (i) of the corporate Boston Pizza Restaurants in Canada owned by BPI; and (ii) reported to BP Canada LP by franchised Boston Pizza Restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), including revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts and excluding applicable sales and similar taxes.
- 2) As at the end of the applicable period.
- 3) Franchise sales is the basis on which Royalty and Distributions are payable; it means the revenues of Boston Pizza Restaurants in respect of which the royalty is payable ("Franchise Sales"). The term "revenue" refers to the gross revenue: (i) of the corporate Boston Pizza Restaurants in Canada owned by BPI; and (ii) reported to BP Canada LP by franchised Boston Pizza Restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), after deducting revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts and excluding applicable sales and similar taxes. Nevertheless, BP Canada LP periodically conducts audits of the Franchise Sales reported to it by its franchisees, and the Franchise Sales reported herein include results from sales audits of earlier periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS
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SUMMARY OF QUARTERLY RESULTS

	Q1 2017	Q4 2016	Q3 2016	Q2 2016
(in thousands of dollars - except number of restaurants and per share items)				
System-Wide Gross Sales ¹	261,200	270,800	281,538	274,039
Number of Boston Pizza Restaurants ²	383	383	378	374
Franchise Sales reported by Boston Pizza Restaurants ³	202,804	208,617	219,121	212,023
<u>Income Statement Data</u>				
Total revenues	21,984	23,455	25,634	22,961
Royalty expense	8,096	8,165	8,624	8,434
Distribution expense	2,558	2,617	2,790	2,728
Operating expenses excluding Royalty expense and Distribution expense	11,324	11,123	12,701	12,152
Earnings (loss) before interest and fair value gain (loss) on financial instruments	6	1,550	1,519	(353)
Net interest income	712	1,665	1,058	1,110
Fair value gain (loss) on financial instruments	560	(2,430)	(4,404)	(3,104)
Earnings (loss) before income taxes	1,278	785	(1,827)	(2,347)
Current and deferred income tax expense	289	1,790	1,943	1,121
Net and comprehensive income (loss)	989	(1,005)	(3,770)	(3,468)
Basic and diluted income (loss) per share	0.01	(0.01)	(0.04)	(0.03)

	Q1 2016	Q4 2015	Q3 2015	Q2 2015
(in thousands of dollars - except number of restaurants and per share items)				
System-Wide Gross Sales ¹	254,182	272,017	275,009	263,852
Number of Boston Pizza Restaurants ²	370	372	369	368
Franchise Sales reported by Boston Pizza Restaurants ³	198,049	209,675	215,562	204,725
<u>Income Statement Data</u>				
Total revenues	21,090	22,466	22,736	21,949
Royalty expense	7,922	8,215	8,494	8,115
Distribution expense	2,565	2,708	2,799	2,666
Operating expenses excluding Royalty expense and Distribution expense	10,336	12,116	11,244	11,968
Earnings (loss) before interest and fair value gain (loss) on financial instruments	267	(573)	199	(800)
Net interest income	615	1,397	872	890
Fair value gain (loss) on financial instruments	(1,835)	(1,950)	10,097	(2,878)
Earnings (loss) before income taxes	(953)	(1,126)	11,168	(2,788)
Current and deferred income tax expense (recovery)	932	1,834	(1,456)	17,885
Net and comprehensive income (loss)	(1,885)	(2,960)	12,624	(20,673)
Basic and diluted income (loss) per share	(0.02)	(0.03)	0.12	(0.20)

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OVERVIEW

General

This MD&A covers the three month period from January 1, 2017 to March 31, 2017 (the "**Period**") and is dated May 10, 2017. It provides additional analysis of the operations, financial position and financial performance of BPI and should be read in conjunction with BPI's applicable condensed consolidated interim financial statements and accompanying notes. The condensed consolidated interim financial statements of BPI are in Canadian dollars and have been prepared in accordance with IFRS.

BPI is a privately controlled company and prior to April 6, 2015, was the exclusive franchisor of the Boston Pizza (defined below) concept in Canada. On April 6, 2015, BP Canada LP, a British Columbia limited partnership controlled and operated by BPI, became the exclusive franchisor of the Boston Pizza concept in Canada. On May 6, 2015, the Fund completed an indirect investment in BP Canada LP to effectively increase the Fund's indirect interest in Franchise Sales of Boston Pizza Restaurants in the Royalty Pool (defined below) by 1.5%, from 4.0% to 5.5% less the pro rata portion payable to BPI in respect of its retained interest in the Fund (the "**Transaction**"). Refer to the "General Development of the Business – Significant Acquisition – The Transaction" section of the Fund's Annual Information Form dated February 15, 2017 for more details.

On June 20, 2016, BPI indirectly, through a newly incorporated subsidiary, acquired an existing Boston Pizza Restaurant from a franchisee of BP Canada LP (the "**Acquired Restaurant**"). This is the fourth Boston Pizza Restaurant corporately owned by BPI. The other three corporately owned Boston Pizza Restaurants are used by BPI as testing facilities and training centres for franchisees.

BPI and BP Canada LP compete in the casual dining sector of the restaurant industry and Boston Pizza is the number one casual dining brand in Canada. With 383 restaurants stretching from Victoria to St. John's, Boston Pizza has more locations and serves more customers annually than any other casual dining restaurant chain in Canada.

Royalty

Prior to April 6, 2015, BPI charged, and from and after April 6, 2015, BP Canada LP charges, a 7% royalty fee on Franchise Sales for full-service and fast casual Boston Pizza restaurants open in Canada and a 5% royalty fee on Franchise Sales for Boston Pizza quick express restaurants that are open in Canada (collectively, the "**Boston Pizza Restaurants**"). BPI pays Boston Pizza Royalties Limited Partnership ("**Royalties LP**"), an entity controlled by the Fund, a 4% royalty fee (the "**Royalty**") on Franchise Sales from the Boston Pizza Restaurants in the royalty pool (the "**Royalty Pool**") for the use of the Boston Pizza trademarks in Canada (the "**BP Rights**"⁴). As at March 31, 2017, there were 383 Boston Pizza Restaurants in the Royalty Pool and 383 restaurants in operation.

Distributions from BP Canada LP

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

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

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Class 3 general partnership units ("**Class 3 GP Units**"), Class 4 general partnership units ("**Class 4 GP Units**"), Class 5 general partnership units ("**Class 5 GP Units**") and Class 6 general partnership units ("**Class 6 GP Units**") of BP Canada LP that BPI holds.

Addition of New Restaurants to Royalty Pool

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

Business Strategy

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

- **The commitment to franchisee profitability**
- **The commitment to continually enhance the Boston Pizza brand**
- **The commitment to continually improve the guest experience**
- **The commitment to engage with communities**

BPI and BP Canada LP realize that franchisees have to be profitable to succeed. To enhance profitability and to facilitate the growth of Boston Pizza, BPI and BP Canada LP aggressively enhance and promote the Boston Pizza brand through national television and radio advertising, and national and local promotions. The costs associated with national marketing of Boston Pizza are paid for by Boston Pizza Co-op Advertising (the "**Co-op**"). Franchisees pay 3% of Franchise Sales into the Co-op; 76% of these funds are used to purchase television, on-line and radio media advertising, and the remaining 24% is used for production of materials and administration. Both Boston Pizza franchisees and the corporate support staff continuously find new ways to improve the guests' experience so that they will return to Boston Pizza again and again. Boston Pizza and its franchisees connect with their communities by hosting events, engaging with local organizations, and supporting philanthropic causes. Management is confident that this "Four Pillars" strategy will continue to focus BPI's and BP Canada LP's efforts, develop new markets and continue to strengthen Boston Pizza's position as Canada's number one casual dining brand.

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OPERATING RESULTS

Same Store Sales Growth ("SSSG")

SSSG⁵, a key driver of distribution growth for Unitholders, is the change in gross revenues of Boston Pizza Restaurants as compared to the gross revenues for the same period in the previous year, where restaurants were open for a minimum of 24 months. The two principal factors that affect SSSG are changes in customer traffic and changes in average guest cheque.

SSSG was 0.0% for the Period compared to 0.6% SSSG reported in the first quarter of 2016. Franchise Sales, the basis upon which the Royalty and Distribution Income are paid by BPI and BP Canada LP, respectively, indirectly to the Fund, excludes revenue from sales of liquor, beer, wine and approved national promotions and discounts. On a Franchise Sales basis, SSSG was negative 0.3% for the Period compared to positive 0.5% for the first quarter of 2016. The SSSG for the Period was principally due to menu re-pricing and higher sales as a result of Boston Pizza's nachos promotion offset by the negative impacts of continued weak general economic conditions in regions directly connected to the Canadian oil and gas industry and one less day during the Period compared to the same period one year ago due to 2016 being a leap year.

New Store Openings, Closures and Renovations

During the Period, one new Boston Pizza Restaurant opened and one Boston Pizza Restaurant closed. Subsequent to March 31, 2017, no Boston Pizza Restaurants opened and no Boston Pizza Restaurants closed. As well during the Period, four Boston Pizza Restaurants were renovated. Restaurants typically close for two to three weeks to complete the renovation and experience an incremental sales increase in the year following the re-opening. Subsequent to March 31, 2017, two additional restaurants were renovated. The total number of Boston Pizza Restaurants in operation as of May 10, 2017 is 383.

Seasonality

Boston Pizza Restaurants experience seasonal fluctuations in Franchise Sales, which are inherent in the full service restaurant industry in Canada. Seasonal factors such as better weather allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters each year compared to the first and fourth quarters. Tourism is also a seasonal factor positively impacting the second and third quarters of each year.

Revenues

BPI's total revenue was \$22.0 million for the Period compared to \$21.1 million for the first quarter of 2016. BPI's revenue was principally derived from royalty revenue received by BP Canada LP from franchised Boston Pizza Restaurants, sales from corporately owned restaurants, initial franchise fees, supplier contributions and franchise renewal fees. The increase in total revenue earned by BPI during the Period was primarily due to increased royalty revenue resulting from the opening of new Boston Pizza Restaurants since the prior year.

Royalty Expense

BPI's Royalty expense to Royalties LP (being 4% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool) was \$8.1 million for the Period compared to \$7.9 million for the first quarter in 2016. The increase in Royalty expense was primarily due to the additional Franchise Sales from 11 Net New Restaurants added to the Royalty Pool on January 1, 2017.

5) SSSG is a non-IFRS financial measure and as such, does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. A reconciliation of SSSG to an IFRS measure is not possible as there is no directly comparable measure under IFRS. BPI believes that SSSG provides investors useful information regarding the change in gross sales of Boston Pizza Restaurants.

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Distribution Expense

BPI's Distribution expense (being 1.5% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool, less BPI's retained interest) was \$2.6 million for the Period compared to \$2.6 million for the first quarter of 2016. Distribution expense in respect of the Period was based on the Royalty Pool of 383 Boston Pizza Restaurants reporting Franchise Sales of \$202.4 million for the Period. In the first quarter of 2016, Distribution expense was based on the Royalty Pool of 372 Boston Pizza Restaurants reporting Franchise Sales of \$198.0 million.

Operating Expenses Excluding Royalty Expense and Distribution Expense

BPI's operating expenses excluding Royalty expense and Distribution expense were \$11.3 million for the Period compared to \$10.3 million for the first quarter in 2016. Operating expenses excluding Royalty expense and Distribution expense include compensation of \$5.6 million, other costs associated with services provided to franchised Boston Pizza Restaurants of \$3.0 million, operational costs of corporately owned restaurants of \$2.6 million, depreciation and amortization of \$0.7 million, and management fees for services rendered by companies under common control of \$0.1 million. This was partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of \$0.7 million. For the same period in 2016, BPI's operating expenses excluding Royalty expense and Distribution expense include compensation of \$5.6 million, other costs associated with services provided to franchised Boston Pizza Restaurants of \$2.7 million, the operational costs of corporately owned restaurants of \$2.0 million, depreciation and amortization of \$0.6 million, and management fees for services rendered by companies under common control of \$0.1 million. This was partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of \$0.6 million.

The \$1.0 million increase in operating expenses excluding Royalty expense and Distribution expense for the Period was primarily due to increased operational costs of corporately owned restaurants due to the Acquired Restaurant coupled with increased in costs associated with services provided to franchisees.

The deferred gain on the sale of BP Rights to Royalties LP is amortized over 99 years beginning in 2002 for the term of the License and Royalty Agreement between Royalties LP and BPI. The net deferred gain as at March 31, 2017 was \$227.4 million compared to \$220.8 million for the first quarter of 2016.

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

BPI's earnings before interest and fair value gain (loss) on financial instruments was nil for the Period compared to an earnings before interest and fair value gain (loss) on financial instruments of \$0.3 million for the first quarter of 2016. The \$0.3 million decrease in earnings before fair value gain (loss) on financial instruments for the Period was principally due to higher operating expenses excluding Royalty and Distribution expense and higher Royalty expense, partially offset by higher total revenues as compared to the same period in 2016.

Net Interest Income

BPI's net interest income during the Period was \$0.7 million, comprised mainly of \$1.2 million of interest income received by BPI on its Class B general partner units and Class C general partner units of Royalties LP ("**Class B Units**" and "**Class C Units**", respectively), partially offset by \$0.5 million of interest paid by BPI to the Fund on the BP Loan (defined below). BPI's net interest income for the first quarter of 2016 was \$0.6 million, comprised mainly of \$1.1 million of interest income received by BPI on the Class B Units and Class C Units, partially offset by \$0.5 million of interest paid by BPI to the Fund on the BP Loan.

Fair Value Gain (Loss) on Financial Instruments

During the Period, BPI recorded a fair value gain on financial instruments of \$0.6 million compared to a loss of \$1.8 million for the same period in 2016. The change in fair value was principally due to the change in the price of Fund Units into which Class B Units are exchangeable and upon which the Class 2 LP Units liability is measured.

BPI estimates the fair value of the Class B Units by multiplying the number of Fund Units that BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI at the end of the

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Period by the closing price of a Fund Unit at the end of the Period (or previous business day, if such a day is not a business day). As at March 31, 2017, the Fund's closing price was \$22.69 per Unit (December 31, 2016 – \$22.83 per Unit) while the number of Fund Units BPI would be entitled to receive if it exchanged all of its Class B Units (including the Class B Holdback) was 3,059,431 (December 31, 2016 – 2,640,989). BPI's Class B Units were calculated to be valued at \$69.4 million (December 31, 2016 – \$60.3 million). The difference between the value of the Class B Units at the end of the Period and December 31, 2016 is an increase of \$9.1 million, comprised of \$9.3 million of Class B Additional Entitlements received by BPI on January 1, 2017, partially offset by a fair value loss of \$0.1 million. In general, the value of the Class B Units will increase as the market price of Fund Units increases and vice versa.

The Class 1 LP Units are entitled to distributions determined with respect to the interest cost paid by the Fund on the credit facility of the Fund drawn on at the time of the Transaction to pay for the Fund's indirect investment in Class 1 LP Units of BP Canada LP. BPI estimates the fair value of the Class 1 LP Units liability using a market-corroborated input, being the interest rate on the applicable credit facility. Consequently, BPI estimated the fair value of Class 1 LP Units liability as at March 31, 2017 to be \$33.3 million (December 31, 2016 – \$33.3 million), resulting in no fair value adjustment for the Period.

BPI estimates the fair value of the Class 2 LP Units liability by multiplying the number of Class 2 LP Units indirectly held by the Fund at the end of the Period by the closing price of a Fund Unit at the end of the Period (or previous business day, if such day is not a business day). As at March 31, 2017, the Fund indirectly held 5,047,613 Class 2 LP Units (December 31, 2016 – 5,047,613) and the Fund's closing price was \$22.69 per Unit (December 31, 2016 – \$22.83 per Unit). Consequently, BPI estimated the fair value of the Class 2 LP Units liability as at March 31, 2017 to be \$114.5 million (December 31, 2016 – \$115.2 million), resulting in a fair value gain of \$0.7 million for the Period. In general, the Class 2 LP Units liability will increase as the market price of a Fund Unit increases and vice versa.

Earnings (Loss) before Income Taxes

Given the combined effects of the above-noted factors, BPI had earnings before income taxes of \$1.3 million for the Period compared to a loss before income taxes of \$1.0 million for the first quarter of 2016. The \$2.3 million increase in earnings before income taxes was primarily due to a \$2.4 million change in fair value on financial instruments.

Income Taxes

BPI recorded a \$0.2 million current income tax expense for the Period compared to a \$0.3 million current income tax expense for the first quarter in 2016. The decrease in current income tax expense for the Period is primarily due to lower earnings before interest and fair value loss (gain) on financial instruments.

BPI recorded a deferred income tax expense of \$0.1 million for the Period compared to a deferred income tax expense of \$0.6 million for the first quarter of 2016. The decrease in deferred income tax expense is primarily associated with the change in fair value on the Class B Units.

Net and Comprehensive Income (Loss)

BPI's net and comprehensive income during the Period was \$1.0 million compared to net and comprehensive loss of \$1.9 million during the same period in 2016. The net and comprehensive income for the Period was primarily due to the fair value gain on financial instruments. The increase of \$2.9 million in net and comprehensive income is primarily due to the change in the fair value gain (loss) on financial instruments for the Period, compared to the same period in 2016, partially offset by lower earnings before interest and fair value gain (loss) on financial instruments.

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New Restaurants Added to the Royalty Pool

Boston Pizza Restaurants Added to Royalty Pool on January 1, 2017

On January 1, 2017, 13 new Boston Pizza Restaurants that opened across Canada between January 1, 2016 and December 31, 2016 were added to the Royalty Pool and the two restaurants that permanently closed during 2016 were removed from the Royalty Pool. The estimated 2017 annual Franchise Sales for the 13 new Boston Pizza Restaurants that opened less the Franchise Sales from the two permanent closures was \$18.4 million. The estimated Royalty and Distributions expected to be received by the Fund in 2017 from these 11 Net New Restaurants was 5.5% of that amount, or approximately \$1.0 million. The pre-tax amount for the purposes of calculating the Additional Entitlements, therefore, was approximately \$0.9 million, or 92.5% of \$1.0 million. The estimated effective tax rate that the Fund will pay in the calendar year 2017 was 24.0%. Accordingly, the after-tax additional Royalty and Distributions for the purposes of calculating the Additional Entitlements was approximately \$0.7 million ($\$0.9 \text{ million} \times (1 - 0.24)$). In return for adding net additional Royalty and Distributions from the 11 Net New Restaurants added to the Royalty Pool, BPI received 415,229 Additional Entitlements (representing 80% of the estimated total Additional Entitlements), comprised of 301,985 Class B Additional Entitlements and 113,244 Class 2 Additional Entitlements, and the Holdback was 103,807 Additional Entitlements (representing 20% of the estimated total Additional Entitlements), comprised of 75,496 Class B Holdback and 28,311 Class 2 Holdback. The 415,229 Additional Entitlements represented 1.7% of Fund Units on a fully diluted basis on January 1, 2017. The full 519,036 Additional Entitlements (being 415,229 Additional Entitlements received by BPI plus the 103,807 Holdback) represented 2.1% of the Fund Units on a fully diluted basis on January 1, 2017. BPI receives an increase in monthly distributions based on 100% of the Additional Entitlements, subject to a reconciliation of the distributions paid to BPI in respect of these Additional Entitlements that will occur once the actual performance of these 11 Net New Restaurants and the actual effective tax rate paid by the Fund for 2017 are known. Once both the actual performance of these 11 Net New Restaurants for 2017 and the actual effective tax rate paid by the Fund for 2017 are known, the number of Additional Entitlements will be adjusted in 2018 to reflect the actual Royalty and Distributions received by the Fund in 2017 and actual effective tax rate paid by the Fund in 2017.

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

In January 2017, an audit of the Franchise Sales of the 12 new Boston Pizza Restaurants that were added to the Royalty Pool on January 1, 2016 was performed and the Fund's actual effective tax rate for 2016 was determined. The purpose of this was to compare the actual Franchise Sales from these 12 new Boston Pizza Restaurants to the estimated amount of Franchise Sales expected to be generated by these 12 new Boston Pizza Restaurants in 2016 and to compare the actual effective tax rate paid by the Fund for 2016 to the estimated effective tax rate the Fund expected to pay for 2016. The original Franchise Sales expected to be generated from these 12 new Boston Pizza Restaurants less the Franchise Sales from the six permanent closures that occurred in 2015 was \$14.5 million, and the actual Franchise Sales generated from these six Net New Restaurants was \$1.3 million greater. The original effective tax rate for the Fund was expected to be 24.0% and the actual effective tax rate for the Fund for 2016 was 21.1%. As a result, Royalties LP increased interest paid to BPI by a nominal amount in early 2017 to reconcile the difference paid on the full number of Class B Additional Entitlements and the effective tax rate. In addition, BP Canada LP reduced distributions payable to Holdings LP on its Class 2 LP Units by a nominal amount, and correspondingly increased distributions payable to BPI on its Class 2 GP Units by the same amount, to reconcile the difference paid on the full number of Class 2 Additional Entitlements and the effective tax rate. BPI received only 80% of the estimated Additional Entitlements at the Adjustment Date in 2016. Following the audit, BPI received 143,578 Additional Entitlements, comprised of 104,420 Class B Additional Entitlements and 39,158 Class 2 Additional Entitlements.

Dividends

During the Period, BPI declared dividends of \$6.0 million to its shareholder. The dividends were settled by BPI issuing a \$6.0 million non-interest bearing, due on demand, promissory note payable to its shareholder.

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Fund Units Outstanding

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

	Issued and Outstanding Units and Additional Entitlements	Issued and Outstanding Units, Additional Entitlements and Holdback
<u>Units Outstanding</u>		
Issued and Outstanding Fund Units as of May 10, 2017	20,286,063	20,286,063
<u>Class B Additional Entitlements Outstanding</u>		
Class B Additional Entitlements – Outstanding as of December 31, 2016	2,577,530	2,577,530
Class B Additional Entitlements – Issued as of January 1, 2017 (11 Net New Restaurants)	301,985	301,985 (1)
Class B Holdback Created January 1, 2017 (11 Net New Restaurants)	N/A	75,496 (1)
Class B Additional Entitlements – Issued in respect of 2016 after the audit	104,420	104,420 (2)
Total Class B Additional Entitlements as of May 10, 2017	2,983,935	3,059,431
<u>Class 2 Additional Entitlements Outstanding</u>		
Class 2 Additional Entitlements – Outstanding as of December 31, 2016	847,575	847,575
Class 2 Additional Entitlements – Issued as of January 1, 2017 (11 Net New Restaurants)	113,244	113,244 (1)
Class 2 Holdback Created January 1, 2017 (11 Net New Restaurants)	N/A	28,311 (1)
Class 2 Holdback – Issued in respect of 2016 after the audit	39,158	39,158 (2)
Total Class 2 Additional Entitlements as of May 10, 2017	999,977	1,028,288
<u>Summary as of May 10, 2017</u>		
Total Issued and Outstanding Fund Units	20,286,063	20,286,063
Total Additional Entitlements	3,983,912	4,087,719
Fully Diluted Units	24,269,975	24,373,782
BPI's Percentage Ownership	16.4%	16.8%

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

BPI also 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 of the Fund for each Fund Unit that BPI would be entitled to receive if it exchanged all of its Class B Units and Class 2 GP Units for Fund Units. As of May 10, 2017, BPI was entitled to 3,983,912 votes, representing 16.4% of the aggregate votes held by holders of Fund Units and Special Voting Units. The number of Fund Units that BPI is entitled to receive upon the exchange of its Class B Units and Class 2 GP Units and the number of votes that BPI is entitled to in respect of its Special Voting Units is adjusted annually to reflect any additional Boston Pizza Restaurants that were added to the Royalty Pool.

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA INTERNATIONAL INC.
For the Period ended March 31, 2017

LIQUIDITY & CAPITAL RESOURCES

BPI is an entirely franchised business except for four corporate restaurants. For 2017, BPI has forecast capital requirements of approximately \$4.7 million, which consist mainly of the development of software applications, computer equipment and corporate restaurant renovations. BPI believes it has sufficient cash and capital resources to cover expenditures, capital requirements, commitments and repayments for 2017. BPI constantly monitors its operations and cash flows to ensure that current and future obligations will be met. BPI believes its current sources of liquidity are sufficient to cover its currently known short and long-term obligations.

Cash Flows

Cash Flow from Operating Activities

During the Period, operating activities used \$5.1 million of cash, compared to \$3.4 million of cash used during the same period in 2016. The increase in cash used during the Period of \$1.7 million was primarily due to timing of working capital items of \$0.9 million and higher income taxes paid of \$0.5 million.

Cash Flow from Financing Activities

During the Period, financing activities generated \$1.7 million of cash compared to \$2.1 million of cash used during the same period in 2016. The increase in cash generated during the Period of \$3.8 million was due to proceeds from an operating line of credit of \$1.6 million and proceeds from long-term debt of \$2.3 million associated with renovations of the Acquired Restaurant.

Cash Flow from Investing Activities

During the Period, investing activities used \$0.3 million of cash compared to \$1.4 million of cash generated during the same period in 2016. Cash generated from investing activities represents distributions received by BPI on the Class B Units and Class C Units. Cash used from investing activities represents purchases of property and equipment as well as intangible assets. The increase in cash used during the Period of \$1.7 million was due to increased purchases of property and equipment related to the renovation of the Acquired Restaurant.

Operating Credit Facility

BPI has an available line of credit with a Canadian chartered bank in the amount of \$7.5 million with a 365 day term to cover BPI's day-to-day operating requirements through normal seasonal variations in the business if needed. The line of credit bears interest at the bank's prime rate and is due upon demand. As at March 31, 2017, \$1.6 million was drawn from the line of credit (December 31, 2016 – nil). BPI was in compliance with all of the financial covenants and financial condition tests governing the line of credit as of the end of the Period.

Long-Term Debt Obligations

BP Loan

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA INTERNATIONAL INC.
For the Period ended March 31, 2017

Acquired Restaurant Credit Facility

During the second quarter of 2016, one of BPI's subsidiaries established a \$2.6 million credit facility with a Canadian chartered bank for the purposes of funding a portion of the acquisition cost for the Acquired Restaurant and making future renovations to the Acquired Restaurant. In early 2017, BPI's subsidiary increased this credit facility by an additional \$1.6 million (total \$4.2 million) to further renovate the Acquired Restaurant. This credit facility bears interest at the bank's prime rate plus 1.0%, is repayable in monthly payments of blended interest and principal over 10 years and is guaranteed by BPI. As at March 31, 2017, this credit facility was drawn down \$4.1 million. BPI and BPI's subsidiary were in compliance with all of the financial covenants and financial condition tests governing this credit facility as of the end of the Period.

Other Long-Term Debt

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

Contractual Obligations and Commercial Commitments

A summary of the estimated amount and estimated timing of cash flows related to BPI's contractual obligations and commercial commitments as at March 31, 2017 is as follows:

(in thousands of dollars)	< 1 year	1 – 2 years	3 – 4 years	> 5 years	Total	Book Value
Accounts payable and accrued liabilities and income taxes payable	9,569	-	-	-	9,569	9,569
Promissory note payable ¹	5,900	-	-	-	5,900	5,900
Long-term debt ²	736	1,414	1,128	2,456	5,734	4,845
Other long-term liabilities	-	843	491	165	1,499	1,499
Operating lease commitments ³	3,224	6,284	6,755	8,330	24,593	-
	19,429	8,541	8,374	10,951	47,295	21,813

Note:

- (1) Represents the current position of promissory note payable which is non-interest bearing and is due on demand.
- (2) Includes estimated interest on long-term debt.
- (3) Represents minimum annual rental payments under operating lease contracts for office space, restaurants space and lease company.

Related Party Transactions

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

- The Fund has engaged Royalties LP, its administrator, to provide certain administrative services on behalf of the Fund. In turn, certain of the administrative services are performed by BPI, as general partner of Royalties LP. Under the terms of the limited partnership agreement governing Royalties LP, BPI is entitled to be reimbursed for certain out-of-pocket expenses incurred in performing these services. The total amount paid to BPI in respect of these services for the Period was \$0.1 million (Q1 2016 – \$0.1 million). BPI paid interest to the Fund of \$0.5 million on the BP Loan for the Period (Q1 2016 – \$0.5 million).
- As at March 31, 2017, the Royalty payable by BPI to Royalties LP was \$3.0 million (Q1 2016 – \$2.9 million). BPI incurred royalty expenses of \$8.1 million for the Period (Q1 2016 – \$7.9 million).
- As at March 31, 2017, Distributions payable by BPI to Holdings LP was \$0.9 million (Q1 2016 – \$0.9 million). BPI incurred Distribution expense of \$2.6 million for the Period (Q1 2016 – \$2.6 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA INTERNATIONAL INC.
For the Period ended March 31, 2017

BPI earned revenues from a company under common control of \$0.8 million for the Period (Q1 2016 – \$0.8 million). Included in compensation expense costs are management fees of \$0.3 million for the Period (Q1 2016 – \$0.4 million) to companies under common control. Additionally included in management fees for the Period is \$0.1 million (Q1 2016 – \$0.1 million) paid to BPI's parent company for services rendered. As at the end of the Period, there was no amount included in accounts payable due to associated companies (Q1 2016 – Nil). As at the end of the Period, BPI had accounts receivable from associated companies of \$1.8 million (Q1 2016 – \$1.7 million). As at the end of the Period, BPI owed its parent company \$5.9 million under promissory notes (Q1 2016 – \$5.6 million).

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

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

CRITICAL ACCOUNTING ESTIMATES

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

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

Estimate – Investment in Royalties LP

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

Estimate – Accounts Receivable

BPI provides an allowance for uncollectable trade receivables based on a customer-by-customer basis using estimates for past and current performance, aging, arrears status, the level of allowance already in place, and management's interpretation of economic conditions specific to BPI's customer base. If certain judgments or estimates prove to be inaccurate, then the accounts receivable line item on the statements of financial position and the operating expenses line item on the statements of comprehensive income (loss) may be impacted.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA INTERNATIONAL INC.
For the Period ended March 31, 2017

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

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

(i) Class B Units Liability

BPI has elected under IFRS to measure the Class B Units as a financial asset at fair value through profit and loss. The fair value of the Class B Units asset for BPI mirrors the fair value of the Class B Units liability recorded by the Fund for any particular period. The Class B Units are exchangeable into Fund Units, and thus, it is estimated that their fair values approximate each other. BPI estimates the fair value of the Class B Units by multiplying the number of Fund Units that BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) at the end of the period by the closing price of a Fund Unit at the end of that period. This valuation technique may not represent the actual value of the financial asset should such Class B Units be exchanged and may impact the investment in Royalties LP and the fair value gain, gain on disposal, and provision for financial assets line items.

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

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

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

The fair value of the Class 2 LP Units liability for BPI mirrors the fair value of the investment in Class 2 LP Units asset recorded by the Fund for any particular period. The fair value of the Class 2 LP Units liability is determined using a market approach, which involves using observable market prices for similar instruments. The Class 2 LP Units have similar cash distribution entitlements to the Class 2 GP Units, which are exchangeable into Fund Units. Consequently, BPI estimates the fair value of the Class 2 LP Units liability by multiplying the number of Class 2 LP Units indirectly held by the Fund at the end of the period by the closing price of a Fund Unit at the end of that period.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA INTERNATIONAL INC.
For the Period ended March 31, 2017

Judgment – Consolidation

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

CHANGES IN ACCOUNTING POLICIES

IFRS 15, Revenue from Contracts with Customers

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

IFRS 9 (2014), Financial Instruments

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

IFRS 16, Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. The new standard will apply for annual periods beginning on or after January 1, 2019. Earlier application is permitted only if the entity also adopts IFRS 15, Revenue from Contracts with Customers. BPI has not yet assessed the impact of this standard or determined whether it will be adopted early.

OUTLOOK

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

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For the Period ended March 31, 2017

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

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

Boston Pizza remains well positioned for future expansion as evidenced by the 11 Net New Restaurants that opened in 2016 and the one new location that has opened to date in 2017. BPI's management believes that Boston Pizza will continue to serve more guests in more locations than any other casual dining brand in Canada by pursuing further restaurant development opportunities across the country.

RISKS & UNCERTAINTIES

BP Canada LP Litigation

On January 27, 2017, BP Canada LP commenced legal action against a former franchisee and related parties for unpaid royalties, advertising fees and other amounts owing under a franchise agreement for a Boston Pizza Restaurant in Ontario as well as damages for numerous breaches of the franchise agreement. On April 6, 2017, the defendants filed a Statement of Defence and Counterclaim alleging, among other things, that BP Canada LP made certain misrepresentations to the defendants regarding this Boston Pizza Restaurant, failed to comply with its obligations under the *Arthur Wishart Act* (Ontario) and breached its duty of good faith and fair dealing. In their Counterclaim, the defendants are seeking damages plus the return of all royalties, advertising fees and other amounts it paid to BP Canada LP. BP Canada LP denies the defendants' allegations contained in the Counterclaim.

No trial date has yet been set in this matter. BP Canada LP believes that it will succeed in the litigation; however there are no assurances or certainty as to the eventual outcome of these legal proceedings.

General

For further information on risks and uncertainties related to BPI and the Fund, please refer to BPI's and the Fund's MD&A for the year ended December 31, 2016 available on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Additional information relating to BPI, the Fund, Royalties LP, Boston Pizza GP Inc., Boston Pizza Holdings Trust, Holdings LP, Boston Pizza Holdings GP Inc. and BP Canada LP, including the Fund's Annual Information Form dated February 15, 2017, is available on SEDAR at www.sedar.com and on the Fund's website at www.bpincomefund.com.

NOTE REGARDING FORWARD-LOOKING INFORMATION

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA INTERNATIONAL INC.
For the Period ended March 31, 2017

information reflects current expectations regarding future events and operating performance and speaks only as of the date of this MD&A.

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

- that Boston Pizza will continue to serve more guests in more locations than any other casual dining restaurant chain in Canada by pursuing further restaurant development opportunities across the country;
- the future expansion of Boston Pizza Restaurants;
- expected increases in average guest cheque levels and how these expected increases will be achieved;
- Boston Pizza being well positioned for future growth and continuing to strengthen its position as the number one casual dining brand in Canada by achieving positive SSSG and continuing to open new Boston Pizza locations across Canada;
- estimates relating to the amount and timing to cash flows related to BPI's contractual obligations and commercial commitments;
- adjustments to Additional Entitlements that are to occur in the future and when such adjustments will occur;
- belief that BPI has sufficient cash and capital resources for 2017, and that its current sources of liquidity are sufficient to cover known short and long-term obligations;
- BPI constantly monitoring its operations and cash flows to ensure that current and future obligations will be met;
- BPI and BP Canada LP aggressively promoting to enhance the Boston Pizza brand;
- BP Canada LP's strategies to drive higher guest traffic; and
- that BP Canada LP will be successful in the litigation described above.

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

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

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

- competition;
- weather;
- changes in demographic trends;
- changes in consumer preferences and discretionary spending patterns;
- changes in national and local business and economic conditions;
- legislation and government regulation;
- cash distributions are not guaranteed;
- accounting policies and practices;
- the results of operations and financial conditions of BPI and the Fund; and
- the eventual outcome of the litigation described above.

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA INTERNATIONAL INC.
For the Period ended March 31, 2017

The foregoing list of factors is not exhaustive and should be considered in conjunction with the risks and uncertainties set out in the MD&A of BPI and the Fund for the period and year ended December 31, 2016.

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

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

	March 31, 2017	December 31, 2016
Assets		
Current assets		
Cash	\$ 2,207	\$ 5,868
Accounts receivable (note 3)	12,349	10,059
Prepaid expenses and other current assets	891	962
Income tax receivable	173	-
Advertising fund restricted assets	15,087	17,175
Interest receivable from Boston Pizza Royalties Limited Partnership	-	596
	<u>30,707</u>	<u>34,660</u>
Long-term receivables (note 3)	618	608
Investment in Boston Pizza Royalties Limited Partnership (note 4)	93,418	84,294
Property and equipment (note 15)	7,946	6,338
Intangible assets	5,580	5,635
Deferred income taxes	36,679	36,742
	<u>\$ 174,948</u>	<u>\$ 168,277</u>
Liabilities and Shareholder Deficiency		
Current liabilities		
Bank indebtedness (note 5)	1,611	-
Accounts payable and accrued liabilities	9,569	11,310
Income tax payable	-	457
Current portion of deferred revenue	2,614	1,526
Current portion of long-term debt (note 15)	553	330
Promissory notes payable (notes 6 and 9)	5,900	1,602
Advertising fund restricted liabilities	15,087	17,175
	<u>35,334</u>	<u>32,400</u>
Long-term debt (note 15)	4,292	2,271
Deferred revenue	1,485	1,778
Note payable to Boston Pizza Royalties Income Fund	24,000	24,000
Other long-term liabilities	1,499	2,369
Boston Pizza Canada Limited Partnership units liability (note 7)	147,844	148,551
Deferred gain (note 10)	227,407	218,810
	<u>35,334</u>	<u>32,400</u>
Shareholder deficiency		
Accumulated deficit	(266,913)	(261,902)
	<u>\$ 174,948</u>	<u>\$ 168,277</u>

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

BOSTON PIZZA INTERNATIONAL INC.
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
For the three months ended March 31, 2017 and 2016
(Expressed in thousands of Canadian dollars, except per share data)
(Unaudited)

	2017	2016
Revenue		
Franchise, restaurant and other	\$ 21,984	\$ 21,090
Royalty expense (note 13)	8,096	7,922
Distribution expense (note 7 and 13)	2,558	2,565
Restaurant operating costs	2,596	1,982
Compensation expense	5,591	5,580
Other expenses (note 12)	3,015	2,710
Depreciation and amortization	685	580
Management fee (note 13)	111	131
Amortization of deferred gain (note 10)	(674)	(647)
Operating expenses	21,978	20,823
Earnings before interest and fair value loss (gain) on financial instruments	6	267
Interest income from Boston Pizza Royalties Limited Partnership	(1,197)	(1,084)
Interest on loan from Boston Pizza Royalties Income Fund (note 13)	450	450
Interest on long-term debt	35	19
Net interest income	(712)	(615)
Fair value loss (gain) on financial instruments (note 4 and 7)	(560)	1,835
Earnings (loss) before income taxes	1,278	(953)
Current income tax expense (note 11)	226	293
Deferred income tax expense (note 11)	63	639
Total tax expense	289	932
Net and comprehensive income (loss) for the period	\$ 989	\$ (1,885)
Basic and diluted income (loss) per share	\$ 0.01	\$ (0.02)

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

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

	Share capital	Accumulated deficit	Total deficiency
Balance – December 31, 2016	\$ -	\$ (261,902)	\$ (261,902)
Net and comprehensive income for the period	-	989	989
Dividends declared (note 6 and 9)	-	(6,000)	(6,000)
Balance – March 31, 2017	\$ -	\$ (266,913)	\$ (266,913)
Balance – December 31, 2015	\$ -	\$ (251,774)	\$ (251,774)
Net and comprehensive loss for the period	-	(1,885)	(1,885)
Balance – March 31, 2016	\$ -	\$ (253,659)	\$ (253,659)

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

BOSTON PIZZA INTERNATIONAL INC.
Condensed Consolidated Interim Statements of Cash Flows
For the three months ended March 31, 2017 and 2016
(Expressed in thousands of Canadian dollars)
(Unaudited)

	2017	2016
Cash flows provided by (used in)		
Operating activities		
Net and comprehensive income (loss)	\$ 989	\$ (1,885)
Adjustments for:		
Depreciation and amortization	685	580
Current income tax expense (note 11)	226	293
Deferred income tax expense (note 11)	63	639
Amortization of deferred gain (note 10)	(674)	(647)
Fair value loss (gain) on financial instruments (note 4 and 7)	(560)	1,835
Interest income from Boston Pizza Royalties Limited Partnership	(1,197)	(1,084)
Interest on loan from Boston Pizza Royalties Income Fund	450	450
(note 13)	35	19
Interest on long-term debt		
Change in non-cash operating items (note 14(a))	(4,215)	(3,284)
Income tax paid	(856)	(330)
Income tax received	-	22
Net cash used in operating activities	(5,054)	(3,392)
Financing activities		
Repayment of long-term debt	(56)	(55)
Proceeds from line of credit (note 5)	1,611	-
Proceeds from long-term debt (note 15)	2,300	-
Payment of promissory notes (note 6)	(1,702)	(1,570)
Interest paid	(485)	(469)
Net cash generated from (used in) financing activities	1,668	(2,094)
Investing activities		
Interest received from Investment in Boston Pizza Royalties Limited Partnership	1,793	1,576
Purchase of property and equipment, net (note 15)	(1,891)	(46)
Purchase of intangible assets, net	(177)	(127)
Net cash generated from (used in) investing activities	(275)	1,403
Decrease in cash and cash equivalents	(3,661)	(4,083)
Cash and cash equivalents – beginning of period	5,868	6,611
Cash and cash equivalents – end of period	\$ 2,207	\$ 2,528

Supplemental cash flow information (note 14)

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

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1. Organization and nature of operations:

These condensed consolidated interim financial statements include the accounts of Boston Pizza International Inc., its wholly-owned subsidiaries Lansdowne Holdings Ltd., Winston Churchill Pizza Ltd., Laval Corporate Training Centre Inc. and Front & John Pizza Ltd., and Boston Pizza Canada Limited Partnership (“**BP Canada LP**”), collectively the “**Company**” or “**BPI**”. On June 20, 2016, a subsidiary of BPI acquired a franchised restaurant to operate as a corporately owned entity. Refer to note 15 for further details. The principal business activity of the Company is the operation and franchising of Boston Pizza restaurants in Canada.

2. Significant accounting policies:

(a) These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“**IASB**”). These statements represent a “condensed set of financial statements” and accordingly do not include all of the information required for annual financial statements. These statements should be read in conjunction with the Company’s most recent annual financial statements as at and for the year ended December 31, 2016. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements.

These condensed consolidated interim financial statements were approved by the Directors for issue on May 10, 2017.

(b) Estimates and judgements:

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

(ii) The Company uses estimates and judgement to classify and determine fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements. Refer to note 8 for further information.

(iii) The liabilities in respect of the 1,000 Class 1 limited partnership units (“**Class 1 LP Units**”) and 5,047,613 Class 2 limited partnership units (“**Class 2 LP Units**”) of BP Canada LP (the “**Class 1 Unit Liability**” and “**Class 2 Unit Liability**”, and collectively, the “**BP Canada LP Units Liability**”) indirectly held by Boston Pizza Royalties Income Fund (the “**Fund**”) are classified as financial liabilities measured at fair value through profit or loss because the entitlements to distributions are considered embedded derivatives to the Class 1 LP Units and Class 2 LP Units. The Company measures the BP Canada LP Units Liability at fair value using level 2 inputs which may result in a fair value adjustment on the BP Canada LP Units Liability

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2. Significant accounting policies (continued):

(b) Estimates and judgements (continued):

(iii) line on the statements of financial position, and the fair value loss (gain) on financial instruments line on the statements of comprehensive income (loss), and a corresponding non-cash adjustment line on the statements of cash flows. Refer to note 8 for further information.

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

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

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

(iii) On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. The new standard will apply for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted only if the entity also adopts IFRS 15, Revenue from Contracts with Customers. The extent of the impact of adoption of the new standard on BPI has not yet been determined.

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3. Accounts and other receivables:

	March 31, 2017	December 31, 2016
Receivables due from related parties	\$ 1,795	\$ 1,042
Other trade receivables (net of allowance)	10,554	9,017
	\$ 12,349	\$ 10,059
Long-term trade receivables (net of allowance)	618	608
	\$ 618	\$ 608

The aging of trade receivables at the reporting dates are as follows:

	March 31, 2017	December 31, 2016
Current	\$ 10,949	\$ 8,284
Past due 1-30 days	840	1,181
Past due 31-60 days	371	479
Past due 61-90 days	218	296
Past due over 90 days	589	427
	\$ 12,967	\$ 10,667

The allowance for doubtful accounts was \$1.5 million as at March 31, 2017 (December 31, 2016 – \$1.5 million), of which \$0.3 million (December 31, 2016 - \$0.2 million) has been applied against short-term trade receivables and \$1.2 million (December 31, 2016 – \$1.3 million) has been applied against long-term trade receivables. The Company’s collections policy is to first apply cash receipts against the oldest outstanding invoices.

4. Investment in Boston Pizza Royalties Limited Partnership:

The investment in Boston Pizza Royalties Limited Partnership (the “**Royalties LP**”) is principally comprised of Class B general partnership units (“**Class B Units**”) and Class C general partnership units (“**Class C Units**”) of Royalties LP. The value of additional Boston Pizza restaurants rolled into the Royalty Pool (as defined in the License and Royalty Agreement between Royalties LP and BPI (the “**License and Royalty Agreement**”)) is also recognized within the Company’s investment in Royalties LP through the additional entitlement of Class B Units. Annually, on January 1 (each, an “**Adjustment Date**”), an adjustment is made to add to the Royalty Pool new Boston Pizza restaurants that opened and to remove any Boston Pizza restaurants that permanently closed since the previous Adjustment Date. In return for adding net additional Royalty (as defined in the License and Royalty Agreement) revenue to the Fund, BPI receives the right (the “**Class B Additional Entitlements**”) to

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

indirectly acquire additional units of the Fund (“**Fund Units**”). BPI receives 80% of the Class B Additional Entitlements on the Adjustment Date with the balance (the “**Class B Holdback**”) received once the performance of the new Boston Pizza restaurants and the actual effective tax rate paid by the Fund are known for certain.

The investment in Royalties LP is comprised of:

		March 31, 2017	December 31, 2016
Class B Units, at fair value	\$	69,418	\$ 60,294
Class C Units, at amortized cost		24,000	24,000
	\$	93,418	\$ 84,294

	Issued and outstanding Class B Additional Entitlements	Issued and outstanding Class B Additional Entitlements including Class B Holdback	Class B Unit Entitlement
Balance at December 31, 2016	2,577,530	2,640,989	\$ 60,294
Class B Additional Entitlements for addition of 11 net new restaurants opened in 2016 and added to the Royalty Pool in 2017 – granted January 1, 2017	301,985	377,481	8,550
Adjustment to prior year Class B Additional Entitlements for actual performance of new restaurants opened in 2015 and actual effective tax rate paid by the Fund and added to Royalty Pool in 2016 and actual effective tax rate paid by the Fund	104,420	40,961	721
Fair value loss on Class B Units	-	-	(147)
Balance at March 31, 2017	2,983,935	3,059,431	\$ 69,418

Refer to note 8 for further details on the fair value methodology. Refer to note 10 for details on the Class B Additional Entitlements.

5. Line of credit:

The Company has an available line of credit in the amount of \$7.5 million with a 365 day term to cover the Company’s day-to-day operating requirements through normal seasonal variations in the business if needed. As at March 31, 2017, there was \$1.6 million (December 31, 2016 – nil) drawn under the line of credit.

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6. Promissory notes payable:

During the three months ended March 31, 2017, the Company made cash payments of \$1.7 million (2016 - \$1.6 million) against non-interest bearing, due upon demand, promissory notes payable and settled \$6.0 million (2016 – nil) of dividends declared through issuance of additional promissory notes payable with the same terms.

7. Boston Pizza Canada Limited Partnership units liability:

The Class 1 LP Units held indirectly by the Fund entitle the Fund to a cash distribution equal to the interest payable on the certain of the Fund’s credit facilities plus 0.05% to a maximum amount of 1.5% of sales by Boston Pizza restaurants that are subject to royalty fees payable to BPI (“**Franchise Sales**”) of Boston Pizza restaurants in the Royalty Pool (“**Royalty Pool Restaurants**”). The Class 2 LP Units entitle the Fund to a cash distribution equal to 1.5% of Franchise Sales of Royalty Pool Restaurants less the amount distributed on the Class 1 LP Units, less the pro rata portion payable to BPI in respect of its retained interest in the Fund.

The BP Canada LP Units Liability is comprised of:

	Issued and outstanding LP Units		BP Canada LP units liability
Issued and outstanding Class 1 LP Units upon closing of the Transaction on May 6, 2015	1,000	\$	33,314
Issued and outstanding Class 2 LP Units upon closing of the Transaction on May 6, 2015	5,047,613		105,373
Fair value loss since inception			9,864
Balance at December 31, 2016		\$	148,551
Fair value gain			(707)
Balance at March 31, 2017		\$	147,844

Refer to note 8 for further details on the fair value methodology.

BPI receives its proportionate share of the 1.5% of Franchise Sales of Royalty Pool Restaurants through distributions on Class 2 general partnership units (the “**Class 2 GP Units**”) of BP Canada LP that are exchangeable for Fund Units. These units are eliminated upon consolidation with BP Canada LP. The Company continues to pay the Fund the balance of the Fund’s interest in Franchise Sales of Royalty Pool Restaurants (“**Franchise Sales Participation**”) in the form of Royalty. The number of Fund Units that the Company is entitled to receive in exchange for its Class 2 GP Units is adjusted on each Adjustment Date to reflect the addition of new Boston Pizza restaurants that opened and the

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7. Boston Pizza Canada Limited Partnership units liability (continued):

removal any Boston Pizza restaurants that permanently closed since the previous Adjustment Date (the number of Fund Units BPI is indirectly entitled to receive in connection therewith is the “**Class 2 Additional Entitlements**”, with 80% of the Class 2 Additional Entitlements being received on the Adjustment Date with the balance (the “**Class 2 Holdback**”) being received once the performance of the new stores and the actual effective tax rate paid by the Fund are known for certain), similar to adjustments to the Class B Units that the Company holds. As of December 31, 2016, the Class 2 GP Units held by BPI were exchangeable into 847,575 Fund Units and as of March 31, 2017, the Class 2 GP Units held by BPI were exchangeable into 999,977 Fund Units. BPI also has the right to further increase the Fund’s Franchise Sales Participation by up to an additional 1.5% of Franchise Sales of Royalty Pool Restaurants (in 0.5% increments) upon meeting certain financial thresholds designed to ensure that the additional Franchise Sales Participation is accretive to the Fund and that BPI retains the financial capacity to satisfy its obligations to the Fund. The Company has the right to receive Fund Units when it exercises its rights to exchange its Class 2 GP Units into Fund Units. Should an exchange occur, the Company would record an investment in the Fund and record a gain or loss in the statements of comprehensive income (loss).

	Issued and outstanding Class 2 Additional Entitlements	Issued and outstanding Class 2 Additional Entitlements including Class 2 Holdback
Balance at December 31, 2016	847,575	871,372
Class 2 Additional Entitlements for addition of 11 net new restaurants opened in 2016 and added to the Royalty Pool in 2017 – granted January 1, 2017	113,244	141,555
Adjustment to prior year Class 2 Additional Entitlements for actual performance of new restaurants opened in 2015 and added to Royalty Pool in 2016 and actual effective tax rate paid by the Fund	39,158	15,361
Balance at March 31, 2017	999,977	1,028,288

8. Financial instruments:

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statements of income comprehensive income (loss). Those categories are: fair value through profit or loss; loans and receivables; available for sale assets; and, for liabilities, fair value through profit or loss; and amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories at March 31, 2017 and December 31, 2016. Unless otherwise noted, the fair values on the instruments approximate their carrying amount.

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8. Financial instruments (continued):

	March 31, 2017	December 31, 2016
Financial assets		
Loans and receivables:		
Cash	\$ 2,207	\$ 5,868
Accounts receivable	12,349	10,059
Interest receivable from Boston Pizza Royalties Limited Partnership	-	596
Long-term receivables	618	608
Class C Units Investment in Boston Pizza Royalties Limited Partnership	24,000	24,000
Fair value through profit or loss:		
Class B Units Investment in Boston Pizza Royalties Limited Partnership	69,418	60,294
	\$ 108,592	\$ 101,425
Financial liabilities		
Amortized cost:		
Bank indebtedness	\$ 1,611	\$ -
Accounts payable and accrued liabilities	9,569	11,310
Promissory notes payable	5,900	1,602
Long-term debt	4,845	2,601
Note payable to Boston Pizza Royalties Income Fund	24,000	24,000
Other long-term liabilities	1,499	2,369
Fair value through profit or loss:		
Class 1 Boston Pizza Canada Limited Partnership units liability	33,314	33,314
Class 2 Boston Pizza Canada Limited Partnership units liability	114,530	115,237
	\$ 195,268	\$ 190,433

The fair values of the financial instruments carried at fair value have been measured by one of the following valuation methods:

- Level 1 – quoted prices 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.

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8. Financial instruments (continued):

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

The fair value of the Class B Units and the BP Canada Units Liability are determined using Level 2 inputs and are measured on a recurring basis.

The fair value of the Class B Units asset for the Company mirrors the fair value of the Class B Units liability recorded by the Fund for any particular period. The Class B Units are exchangeable into Fund Units, and thus, it is estimated that their fair value approximates each other. The Company estimates the fair value of the Class B Units by multiplying the issued and outstanding Class B Additional Entitlements (including Class B Holdback) held by BPI at the end of the period by the closing price of the Fund Units at the end of the period (or previous business day if not a business day). As at March 31, 2017, the closing price of a Fund Unit was \$22.69 (December 31, 2016 - \$22.83) and issued and outstanding Class B Additional Entitlements (including Class B Holdback) totaled 3,059,431 (December 31, 2016 – 2,640,989) resulting in a valuation of the Class B Units of \$69.4 million (December 31, 2016 - \$60.3 million). The increase of \$9.1 million is comprised of \$9.3 million in Additional Entitlements and \$0.1 million in fair value loss. This valuation technique may not represent the actual value of the financial asset should such Class B Units be exchanged.

The fair value of the BP Canada LP Units Liability for the Company mirrors the fair value of the investment in units of BP Canada LP asset recorded by the Fund for any particular period. The Class 1 LP Units are entitled to distributions with respect to the interest cost incurred on a certain credit facility held by the Fund. Thus, the fair value of these units is estimated using a market-corroborated input (interest rate on the credit facility). The Company estimates the fair value of Class 1 LP Units at carrying value adjusted for interest rate risk. The carrying value of the Class 1 LP Units approximates the fair value as the Fund's interest cost is reflective of available market interest rates. The fair value of the Class 2 LP Units is determined using a market approach, which involves using observable market prices for similar instruments. The Class 2 LP Units have similar cash distribution entitlements and provisions to the Class 2 GP Units, which are exchangeable into Fund Units. The fair value of the Class 2 LP Units is determined by multiplying the issued and outstanding Class 2 LP Units indirectly held by the Fund at the end of the period by the closing price of a Fund Unit at the end of the period (or previous business day if such day is not a business day). As at March 31, 2017, the closing price of a Fund Unit was \$22.69 (December 31, 2016 - \$22.83) while the number of issued and outstanding Class 2 LP Units indirectly held by the Fund was 5,047,613 (December 31, 2016 – 5,047,613) resulting in a Class 2 LP Units fair value of \$114.5 million (December 31, 2016 - \$115.2 million). The fair value adjustment of the BP Canada LP Units Liability for the three months ended March 31, 2017 is a \$0.7 million gain (2016 – \$3.9 million loss).

9. Dividends declared:

On February 28th, 2017, the Company declared a \$6.0 million eligible dividend on Class A Common shares which was settled through a non-interest bearing, due upon demand, promissory notes payable (note 6).

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10. Deferred gain:

Balance – January 1, 2017	\$	218,810
Class B Additional Entitlements		9,271
Amortization of deferred gain		(674)
Balance – March 31, 2017	\$	227,407

On January 1, 2017, 13 new Boston Pizza restaurants that opened during the period from January 1, 2016 to December 31, 2016 were added to the Royalty Pool while two restaurants that closed during 2016 were removed. The Franchise Sales of these eleven net new restaurants has been estimated at \$18.4 million. The total number of restaurants in the Royalty Pool was increased to 383. As a result of the contribution of the additional Royalty revenue to the Fund, and the Company received 377,481 Class B Additional Entitlements (including the Class B Holdback) (2016 – 317,294).

The Company also receives a proportionate increase in monthly distributions from Royalties LP. Of the Class B Additional Entitlements, 20% (2017 – 75,496 units; 2016 – 63,459 units), remain unissued and are not eligible for exchange into Fund Units until January 1, 2018 (2016 units – January 1, 2017) based on the actual performance of the new stores and actual effective tax rate paid by the Fund in 2017.

In early 2017, adjustments to Royalty payments and Class B Additional Entitlements were made based on the actual performance of six net new additional restaurants added to the Royalty Pool on January 1, 2016 and the actual effective tax rate paid by the Fund in 2016. Based on these adjustments, the Company received 104,420 Class B Additional Entitlements.

11. Income taxes:

Income tax expense as reported differs from the amount that would be computed by applying the combined Federal and Provincial statutory income tax rates to earnings before income taxes. The reasons for the differences are as follows:

	2017	2016
Income (loss) before income taxes	\$ 1,278	\$ (953)
Combined Canadian federal and provincial tax rates	26.2%	26.2%
Computed expected tax expense (recovery)	335	(250)
Increased (reduced) by:		
Permanent differences	132	184
Fair value adjustment on BP Canada LP Units Liability	(185)	1,020
Difference from rates other than statutory rate and other	7	(22)
Income Tax Expense	\$ 289	\$ 932

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12. Other expenses:

The following are the components of other expenses:

	2017	2016
Marketing and advertising	\$ 563	\$ 542
Travel	670	585
Office, rent & utilities	681	589
Research & development	440	373
Professional fees	105	111
Other	556	510
	\$ 3,015	\$ 2,710

13. Related party and subsidiary transactions:

For the three months ended March 31, 2017, the Company earned revenues of \$0.8 million (2016 – \$0.8 million) from a company under common control. In addition, the Company earned \$0.1 million in management fees from a related company.

Included in compensation expense costs are management fees of \$0.3 million (2016 – \$0.4 million) to companies under common control. Additionally included in management fees is \$0.1 million (2016 – \$0.1 million) paid to the Company's parent for services rendered.

As at March 31, 2017, there was no amount included in accounts payable (December 31, 2016 – nil) due to associated companies. Included in accounts receivable is \$1.8 million (December 31, 2016 – \$1.0 million) due from associated companies.

For the three months ended March 31, 2017, the Company incurred royalty expenses of \$8.1 million (2016 - \$7.9 million), paid interest on a note payable of \$0.5 million (2016 - \$0.5 million), and incurred distribution expense of \$2.6 million (2016 – \$2.6 million) to the Fund equal in aggregate to 1.5% of Franchise Sales, less the pro rata portion payable to the Company in respect of its Class 2 GP Units. Refer to note 7 for further information.

As at March 31, 2017, the Company owes \$5.9 million (December 31, 2016 – \$1.6 million) in promissory notes payable to the parent company.

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14. Supplemental cash flow information:

(a) Change in non-cash operating items:

	March 31, 2017	March 31, 2016
Accounts receivable	\$ (2,290)	\$ (880)
Prepaid expenses and other current assets	446	(385)
Accounts payable and accrued liabilities	(2,286)	(2,070)
Deferred revenue	795	833
Long-term receivables	(10)	(10)
Other long-term liabilities	(870)	(772)
	\$ (4,215)	\$ (3,284)

(b) Supplementary information:

	March 31, 2017	March 31, 2016
Non-cash transactions:		
Property & equipment acquired through lease transactions	\$ -	\$ 5
Property & equipment additions included in accounts payable	(12)	60
Intangible asset additions included in accounts payable	(158)	53
Prepaid expenses included in accounts payable	(375)	-
Settlement of dividends payable through issuance of promissory notes payable (note 6)	6,000	-
Class B Additional Entitlements received from Royalties LP (note 4)	9,271	6,058

15. Acquisition of franchised restaurant:

On June 20, 2016, a subsidiary of BPI acquired a franchised restaurant for a total purchase price of \$2.8 million. This asset purchase was considered to be a business combination and was accounted for under IFRS 3. As required by IFRS, this acquisition resulted in a new intangible asset "reacquired franchise rights" being recorded on BPI's condensed consolidated interim statements of financial position with a total value of \$1.35 million. This intangible asset is being amortized on a straight-line basis to the end of the franchise agreement which is May 31, 2021. In addition, \$1.35 million of property and equipment and \$0.1 million of inventory were also acquired as part of this transaction. There was no goodwill recorded as part of this transaction.

To complete the transaction, a subsidiary of BPI obtained a \$2.6 million credit facility with a Canadian chartered bank for the purposes of funding a portion of the acquisition cost and for making future

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15. Acquisition of franchised restaurant (continued):

renovations to the acquired franchised restaurant. This credit facility bears interest at the bank's prime rate plus 1.0%, is repayable in monthly payments of blended interest and principal over 10 years and is guaranteed by BPI. In early 2017, the subsidiary of BPI obtained an additional \$1.6 million in credit facility (total \$4.2 million facility) with the same bank and same terms for the purpose of funding renovations to the acquired franchise restaurant. As at March 31, 2017, this credit facility was drawn down \$4.1 million and BPI was in compliance with all of the financial covenants and financial condition tests governing this credit facility.

16. Seasonality:

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

UNITHOLDER INFORMATION

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Chairman & Owner
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President and Chief Executive Officer
Wes Bews
Chief Financial Officer



BOSTON PIZZA

ROYALTIES INCOME FUND

FIRST QUARTER 2017

For the period January 1 to March 31, 2017

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