MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA ROYALTIES INCOME FUND
For the three month and six month periods ended June 30, 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 and six month periods ended June 30, 2017 and June 30, 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.

	Q2 2017	Q2 2016	YTD 2017	YTD 2016
(in thousands of dollars – except restaurants, SSSG, Payout Ratio and per Unit items)				
System-Wide Gross Sales	275,637	274,039	536,837	528,221
Number of restaurants in Royalty Pool	383	372	383	372
Franchise Sales reported by restaurants in the Royalty Pool	212,691	210,852	415,097	408,901
Royalty income	8,508	8,434	16,604	16,356
Distribution Income	2,686	2,728	5,244	5,293
Interest income	452	452	904	904
Total revenue	11,646	11,614	22,752	22,553
Administrative expenses	(335)	(296)	(637)	(583)
Interest expense on debt	(612)	(612)	(1,213)	(1,222)
Interest expense on Class B Unit and Class C Unit liabilities	(1,756)	(1,573)	(2,953)	(2,657)
Profit before fair value adjustments and income taxes	8,943	9,133	17,949	18,091
Fair value adjustment on investment in BP Canada LP	2,575	6,511	1,868	10,398
Fair value adjustment on Class B Unit liability	(1,561)	(3,407)	(1,414)	(5,459)
Fair value adjustment on interest rate swaps	493	7	492	(436)
Current and deferred income tax expense	(2,527)	(2,240)	(4,400)	(4,081)
Net and comprehensive income	7,923	10,004	14,495	18,513
Basic earnings per Unit	0.39	0.49	0.71	0.91
Diluted earnings per Unit	0.39	0.49	0.71	0.91
Distributable Cash / Distributions / Payout Ratio				
Cash flows from operating activities	9,379	9,323	18,121	18,012
Class C Unit distributions to BPI	(450)	(450)	(900)	(900)
BPI Class B Unit entitlement	(1,304)	(1,119)	(2,634)	(2,280)
Interest paid on long-term debt	(619)	(617)	(1,220)	(1,222)
SIFT Tax on Units	53	(20)	20	17
Distributable Cash	7,059	7,117	13,387	13,627
Distributions paid	6,998	6,998	13,997	13,878
Payout Ratio	99.1%	98.3%	104.6%	101.8%
Distributable Cash per Unit	0.348	0.351	0.660	0.671
Distributions paid per Unit	0.345	0.345	0.690	0.683
Other				
Same store sales growth	(1.6%)	2.1%	(0.9%)	1.4%
Number of restaurants opened	1	4	2	4
Number of restaurants closed	1	0	2	2
			Jun 30, 2017	Dec 31, 2016
Total assets			455,536	444,332
Total liabilities			189,493	181,120

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

	Q2 2017	Q1 2017	Q4 2016	Q3 2016
(in thousands of dollars – except restaurants, SSSG, Payout Ratio and per Unit items)				
System-Wide Gross Sales	275,637	261,200	270,800	281,538
Number of restaurants in Royalty Pool	383	383	372	372
Franchise Sales reported by restaurants in the Royalty Pool	212,691	202,406	204,121	215,597
Royalty income	8,508	8,096	8,165	8,624
Distribution Income	2,686	2,558	2,617	2,790
Interest income	452	452	452	452
Total revenue	11,646	11,106	11,234	11,866
Administrative expenses	(335)	(302)	(299)	(292)
Interest expense on debt	(612)	(601)	(620)	(619)
Interest expense on Class B Unit and Class C Unit liabilities	(1,756)	(1,197)	(2,184)	(1,551)
Profit before fair value adjustments and income taxes	8,943	9,006	8,131	9,404
Fair value adjustment on investment in BP Canada LP	2,575	(707)	5,098	9,237
Fair value adjustment on Class B Unit liability	(1,561)	147	(2,668)	(4,833)
Fair value adjustment on interest rate swaps	493	(1)	967	171
Current and deferred income tax expense	(2,527)	(1,873)	(2,782)	(3,473)
Net and comprehensive income	7,923	6,572	8,746	10,506
Basic earnings per Unit	0.39	0.32	0.43	0.52
Diluted earnings per Unit	0.39	0.26	0.43	0.52
Distributable Cash / Distributions / Payout Ratio				
Cash flows from operating activities	9,379	8,742	9,128	9,718
Class C Unit distributions to BPI	(450)	(450)	(450)	(450)
BPI Class B Unit entitlement	(1,304)	(1,330)	(1,134)	(1,108)
Interest paid on long-term debt	(619)	(601)	(612)	(560)
SIFT Tax on Units	53	(33)	(7)	27
Distributable Cash	7,059	6,328	6,925	7,627
Distributions paid	6,998	6,999	6,999	6,999
Payout Ratio	99.1%	110.6%	101.1%	91.8%
Distributable Cash per Unit	0.348	0.312	0.341	0.376
Distributions paid per Unit	0.345	0.345	0.345	0.345
Other				
Same store sales growth	(1.6%)	0.0%	(3.1%)	(0.5%)
Number of restaurants opened	1	1	5	4
Number of restaurants closed	1	1	0	0

SUMMARY OF QUARTERLY RESULTS (continued)

	Q2 2016	Q1 2016	Q4 2015	Q3 2015
(in thousands of dollars – except restaurants, SSSG, Payout Ratio and per Unit items)				
System-Wide Gross Sales	274,039	254,182	272,017	275,009
Number of restaurants in Royalty Pool	372	372	366	366
Franchise Sales reported by restaurants in the Royalty Pool	210,852	198,049	205,365	212,367
Royalty income	8,434	7,922	8,215	8,494
Distribution Income	2,728	2,565	2,708	2,799
Interest income	452	452	452	452
Total revenue	11,614	10,939	11,375	11,745
Administrative expenses	(296)	(287)	(298)	(395)
Interest expense on debt	(612)	(610)	(596)	(590)
Interest expense on Class B Unit and Class C Unit liabilities	(1,573)	(1,084)	(1,862)	(1,339)
Profit before fair value adjustments and income taxes	9,133	8,958	8,619	9,421
Fair value adjustment on investment in BP Canada LP	6,511	3,887	3,584	(18,453)
Fair value adjustment on Class B Unit liability	(3,407)	(2,052)	(1,634)	8,356
Fair value adjustment on interest rate swaps	7	(443)	47	(287)
Current and deferred income tax expense	(2,240)	(1,841)	(1,954)	(1,908)
Net and comprehensive income (loss)	10,004	8,509	8,662	(2,871)
Basic earnings (loss) per Unit	0.49	0.42	0.42	(0.14)
Diluted earnings (loss) per Unit	0.49	0.42	0.42	(0.45)
Distributable Cash / Distributions / Payout Ratio				
Cash flows from operating activities	9,323	8,689	9,259	9,472
Class C Unit distributions to BPI	(450)	(450)	(450)	(450)
BPI Class B Unit entitlement	(1,119)	(1,161)	(1,011)	(947)
Interest paid on long-term debt	(617)	(605)	(617)	(543)
SIFT Tax on Units	(20)	37	(23)	9
Distributable Cash	7,117	6,510	7,158	7,541
Distributions paid	6,998	6,880	6,642	6,655
Payout Ratio	98.3%	105.7%	92.8%	88.3%
Distributable Cash per Unit	0.351	0.320	0.350	0.368
Distributions paid per Unit	0.345	0.338	0.325	0.325
Other				
Same store sales growth	2.1%	0.6%	2.2%	2.7%
Number of restaurants opened	4	0	5	3
Number of restaurants closed	0	2	2	2

OVERVIEW

This MD&A covers the three month period from April 1, 2017 to June 30, 2017 (the "**Period**") and the six month period from January 1, 2017 to June 30, 2017 ("**YTD**") and is dated August 9, 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 except as otherwise noted.

Purpose of the Fund / Sources of Revenue

The Fund is a limited purpose open-ended trust established in July 2002, and the units of the Fund (the "**Units**") trade on the Toronto Stock Exchange under the symbol BPF.UN. The Fund was originally created to acquire 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 June 30, 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

[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).

the Fund ("**Distribution Income**"). 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 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, 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 January 1 of the previous year (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 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 (YTD – 2) and one Boston Pizza Restaurant closed (YTD – 2). Subsequent to June 30, 2017, no Boston Pizza Restaurants opened and no Boston Pizza Restaurants closed. As well during the Period, four Boston Pizza Restaurants were renovated (YTD – 8). 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 June 30, 2017, two additional restaurants were renovated. The total number of Boston Pizza Restaurants in operation as of August 9, 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.

Period

SSSG was negative 1.6% for the Period compared to positive 2.1% SSSG reported in the second 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 1.6% for the Period compared to positive 1.8% for the second quarter of 2016. The negative SSSG for the Period was principally due to weak general economic conditions in regions directly connected to the Canadian oil and gas industry and the adverse impact of the Saskatchewan 6% provincial sales tax ("**PST**") on restaurant purchased food, partially offset by menu re-pricing.

Franchise Sales of Boston Pizza Restaurants in the Royalty Pool were $212.7 million for the Period compared to $210.9 million for the second quarter of 2016. The $1.8 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, partially offset by negative SSSG.

YTD

SSSG was negative 0.9% YTD compared to positive 1.4% SSSG reported year-to-date in 2016. On a Franchise Sales basis, SSSG was negative 1.0% YTD compared to positive 1.2% year-to-date in 2016. The negative SSSG YTD was principally due to weak general economic conditions in regions directly connected to the Canadian oil and gas industry, the adverse impact of the Saskatchewan 6% PST on restaurant purchased food and having one less day compared to the same period one year ago due to 2016 being a leap year, partially offset by menu re-pricing.

Franchise Sales of Boston Pizza Restaurants in the Royalty Pool were $415.1 million YTD compared to $408.9 year-to-date in 2016. The $6.2 million increase in Franchise Sales YTD was primarily due to the additional Franchise Sales from 11 Net New Restaurants added to the Royalty Pool on January 1, 2017, partially offset by negative SSSG.

Royalty Income

Period

Royalty income earned by the Fund was $8.5 million for the Period compared to $8.4 million for the second 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 $212.7 million for the Period. In the second quarter of 2016, Royalty income was based on the Royalty Pool of 372 Boston Pizza Restaurants reporting Franchise Sales of $210.9 million. The $0.1 million 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, partially offset by negative SSSG.

YTD

Royalty income earned by the Fund was $16.6 million YTD compared to $16.4 million year-to-date in 2016. Royalty income YTD was based on the Royalty Pool of 383 Boston Pizza Restaurants reporting Franchise Sales of $415.1 million YTD. Year-to-date in 2016, Royalty income was based on the Royalty Pool of 372 Boston Pizza Restaurants reporting Franchise Sales of $408.9 million. The $0.2 million increase in Royalty income YTD was primarily due to the additional Franchise Sales from 11 Net New Restaurants added to the Royalty Pool on January 1, 2017, partially offset by negative SSSG.

Distribution Income

Period

Distribution Income earned by the Fund was $2.7 million for the Period, a nominal decrease from the second 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 $212.7 million for the Period. In the second quarter of 2016, Distribution Income was based on the Royalty Pool of 372 Boston Pizza Restaurants reporting Franchise Sales of $210.9 million. The nominal decrease in Distribution Income for the Period was primarily due to BPI's retained interest in the Fund related to Class 2 GP Units being higher during the Period than in the second quarter of 2016 due to BPI obtaining Class 2 Additional Entitlements on January 1, 2017 and negative SSSG, partially offset by the additional Franchise Sales from 11 Net New Restaurants added to the Royalty Pool on January 1, 2017.

YTD

Distribution Income earned by the Fund was $5.2 million YTD compared to $5.3 million year-to-date in 2016. Distribution Income YTD was based on the Royalty Pool of 383 Boston Pizza Restaurants reporting Franchise Sales of $415.1 million YTD. Year-to-date in 2016, Distribution Income was based on the Royalty Pool of 372 Boston Pizza Restaurants reporting Franchise Sales of $408.9 million. The $0.1 million decrease in Distribution Income YTD was primarily due to BPI's retained interest in the Fund related to Class 2 GP Units being higher YTD than in year-to-date 2016 due to BPI obtaining Class 2 Additional Entitlements on January 1, 2017 and negative SSSG, partially offset by the additional Franchise Sales from 11 Net New Restaurants added to the Royalty Pool on January 1, 2017.

Interest Income

Period

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

YTD

Interest income earned by the Fund was $0.9 million YTD, relatively unchanged from the same period in 2016.

Administrative Expenses

Period

Administrative expenses incurred by the Fund were $0.3 million for the Period, relatively unchanged from the second 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.

YTD

Administrative expenses incurred by the Fund were $0.6 million YTD, relatively unchanged from the same period in 2016.

Interest and Financing Expenses

Period

Interest and financing expenses incurred by the Fund totaled $2.4 million for the Period, comprised of interest on long-term debt of $0.6 million and interest on Class B Unit and Class C Unit liabilities of $1.8 million. Interest and financing expenses incurred by the Fund were $2.2 million for the second 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 $1.6 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.

YTD

Interest and financing expenses incurred by the Fund totaled $4.2 million YTD, comprised of interest on long-term debt of $1.2 million and interest on Class B Unit and Class C Unit liabilities of $3.0 million. Interest and financing expenses incurred by the Fund were $3.9 million year-to-date in 2016, comprised of interest on long-term debt of $1.2 million, and interest on Class B Unit and Class C Unit liabilities of $2.7 million. The increase in interest and financing expenses YTD 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 YTD 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

Period

The Fund's profit before fair value adjustments and income taxes was $8.9 million for the Period compared to $9.1 million for the second quarter of 2016. The $0.2 million decrease in profit before fair value adjustments and income taxes in the Period was primarily due to higher interest on Class B Units of $0.2 million.

YTD

The Fund's profit before fair value adjustments and income taxes was $17.9 million YTD compared to $18.1 million year-to-date in 2016. The $0.2 million decrease in profit before fair value adjustments and income taxes YTD was primarily due to higher interest on Class B Units of $0.3 million.

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.

Period

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 (as defined below). 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 June 30, 2017 to be $33.3 million (March 31, 2017 – $33.3 million), resulting in no fair value adjustment for the Period.

The Fund estimates the fair value of the Class 2 LP Units by multiplying the number of Class 2 LP Units indirectly held by the Fund at the end of the Period by the closing price of the Units at the end of the Period (or previous business day, if such day is not a business day). As at June 30, 2017, the Fund indirectly held 5,047,613 Class 2 LP Units (March 31, 2017 – 5,047,613) and the Fund's closing price was $23.20 per Unit (March 31, 2017 – $22.69 per Unit). Consequently, the Fund estimated the fair value of the Class 2 LP Units as at June 30, 2017 to be $117.1 million (March 31, 2017 – $114.5 million), resulting in a fair value gain of $2.6 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 June 30, 2017, the Fund's closing price was $23.20 per Unit (March 31, 2017 – $22.69 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 (March 31, 2017 – 3,059,431). Consequently, the Class B Unit liability (on a fully-diluted basis) was valued at $71.0 million (March 31, 2017 – $69.4 million). The difference between the Class B Unit liability at the end of the Period and March 31, 2017 is a fair value loss of $1.6 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 fair value gain of $0.5 million in the Period as a result of the increase in the fair value of the Swaps (as defined below) from March 31, 2017 to June 30, 2017 due to changes in interest rates during the Period. For the same period in 2016, the Fund recorded a nominal fair value gain as a result of the increase in the fair value of the Swaps from March 31, 2016 to June 20, 2016 due to changes in interest rates.

YTD

The Fund indirectly acquired the Class 1 LP Units on May 6, 2015 for $33.3 million. As discussed above, the Fund estimated the fair value of Class 1 LP Units YTD to be $33.3 million as at June 30, 2017 (December 31, 2016 – $33.3 million), resulting in no fair value adjustment YTD.

As at December 31, 2016, the Fund indirectly held 5,047,613 Class 2 LP Units and the Fund's closing price was $22.83 per Unit. Consequently, the Fund estimated the fair value of the Class 2 LP Units as at December 31, 2016 to be $115.2 million. As discussed above, the Fund estimated the fair value of the Class 2 LP Units as at June 30, 2017 to be $117.1 million, resulting in a fair value gain of $1.9 million YTD.

As at December 31, 2016, 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 was 2,640,989 and the Fund's closing price was $22.83 per Unit. The Class B Unit liability (on a fully-diluted basis) as at December 31, 2016 was valued at $60.3 million. As discussed above, the Class B Unit liability at the end of the Period was valued at $71.0 million. The difference between the Class B Unit liability at the end of the Period and December 31, 2016 is an increase of $10.7 million, comprised of $9.3 million of Class B Additional Entitlements received by BPI on January 1, 2017 and a fair value loss of $1.4 million.

The Fund recorded a fair value gain of $0.5 million YTD as a result of the increase in the fair value of the Swaps (as defined below) from December 31, 2016 to June 30, 2017 due to changes in interest rates YTD. Year-to-date 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 June 30, 2016.

Income Taxes

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

Period

The Fund's income tax expense for the Period was $2.5 million, comprised of $1.9 million in current income tax expense and $0.6 million of non-cash deferred income taxes. The Fund's income tax expense for the second quarter of 2016 was $2.2 million comprised of $1.9 million in current income tax expense and $0.3 million of non-cash deferred income taxes. The $0.3 million 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.

YTD

The Fund's income tax expense YTD was $4.4 million, comprised of $3.8 million in current income tax expense and $0.7 million of non-cash deferred income taxes. The Fund's income tax expense year-to-date in 2016 was $4.1 million comprised of $3.7 million in current income tax expense and $0.4 million of non-cash deferred income taxes. The $0.3 million 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

Period

The Fund's net and comprehensive income was $7.9 million for the Period compared to net and comprehensive income of $10.0 million for second quarter of 2016. The Fund's basic earnings per Unit was $0.39 for the Period compared to basic earnings per Unit of $0.49 for the second quarter of 2016. The Fund's diluted earnings per Unit was $0.39 for the Period compared to diluted earnings per Unit of $0.49 for the second quarter of 2016.

The $2.1 million decrease in the Fund's net and comprehensive income for the Period compared to the second quarter of 2016 was primarily due to a net $1.6 million change in fair value adjustments, higher non-cash deferred income taxes of $0.3 million, and higher interest on Class B Units of $0.2 million.

YTD

The Fund's net and comprehensive income was $14.5 million YTD compared to $18.5 million year-to-date in 2016. The Fund's basic earnings per Unit was $0.71 YTD compared to basic earnings per Unit of $0.91 for the same period in 2016. The Fund's diluted earnings per Unit was $0.71 YTD compared to diluted earnings per Unit of $0.91 for the same period in 2016.

The $4.0 million decrease in the Fund's net and comprehensive income YTD compared to the same period in 2016 was primarily due to a net $3.6 million change in fair value adjustments, higher non-cash deferred income taxes of $0.3 million, and higher interest on Class B Units of $0.3 million, partially offset by an increase in Royalty income of $0.2 million.

Distributions

Period

During the Period, the Fund declared distributions on the Units in the aggregate amount of $7.0 million or $0.345 per Unit, unchanged from the second quarter of 2016, and paid distributions on the Units in the aggregate amount of $7.0 million or $0.345 per Unit, unchanged from the second quarter of 2016.

YTD

YTD, the Fund declared distributions on the Units in the aggregate amount of $11.7 million or $0.575 per Unit, unchanged from the same period in 2016, and paid distributions on the Units in the aggregate amount of $14.0 million or $0.690 per Unit, compared to $13.9 million or $0.683 per Unit year-to-date in 2016.

The increase in both the aggregate amount of distributions paid on the Units and the amount of distributions per Unit paid YTD 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 August 9, 2017, the trustees of the Fund approved a cash distribution to Unitholders of 11.50 cents per Unit in respect of the period from July 1, 2017 to July 31, 2017. This distribution will be payable to Unitholders of record at the close of business on August 21, 2017, and will be paid on August 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 April 2017 distribution (which was paid on May 31, 2017), the May 2017 distribution (which was paid on June 30, 2017), and the June 2017 distribution (which was paid on July 31, 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 July 2017 distribution, which will be paid on August 31, 2017, the Fund will have paid out 181 consecutive monthly distributions totaling $264.2 million or $18.69 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
March 1 – 31, 2017	April 28, 2017	11.5¢
April 1 – 30, 2017	May 31, 2017	11.5¢
May 1 – 31, 2017	June 30, 2017	11.5¢
June 1 – 30, 2017	July 31, 2017*	11.5¢

* *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

Period

The Fund generated Distributable Cash of $7.1 million for the Period, a nominal decrease from the second quarter of 2016. The nominal decrease in Distributable Cash of less than $0.1 million or 0.8%, was primarily attributable to higher interest expense on the Class B Units. 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 $0.348 for the Period compared to $0.351 per Unit for the second quarter of 2016. The decrease in Distributable Cash per Unit of $0.003 or 0.9% was attributable to the decrease in Distributable Cash noted above.

YTD

The Fund generated Distributable Cash of $13.4 million YTD compared to $13.6 million year-to-date in 2016. The decrease in Distributable Cash of $0.2 million, or 1.8% was primarily due to higher interest expense on the Class B Units.

The Fund generated Distributable Cash per Unit of $0.660 YTD compared to $0.671 per Unit for the second quarter of 2016. The decrease in Distributable Cash per Unit of $0.011 or 1.6% 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:

Distributable Cash

(*in millions of dollars*)	Q1	Q2	Q3	Q4	Annual
2017	$ 6.3	**$ 7.1**			
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	**$ 0.348**			
2016	$ 0.320	$ 0.351	$ 0.376	$ 0.341	$ 1.388
2015	$ 0.287	$ 0.347	$ 0.368	$ 0.350	$ 1.364

Payout Ratio

Period

The Fund's Payout Ratio for the Period was 99.1% compared to 98.3% 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 0.8% and distributions paid during the Period remaining unchanged compared to the same period in 2016.

YTD

The Fund's Payout Ratio YTD was 104.6% compared to 101.8% in the same period in 2016. The increase in the Fund's Payout Ratio YTD compared to the same period in 2016 was due to the combined effects of Distributable Cash YTD decreasing by $0.2 million or 1.8% and distributions paid YTD increasing by $0.1 million or 0.9% 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%	**99.1%**			
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 100.2% as at June 30, 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.

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.

	Issued and Outstanding Units and Additional Entitlements	Issued and Outstanding Units, Additional Entitlements and Holdback	
Units Outstanding			
Issued and Outstanding Units as of August 9, 2017	20,286,063	20,286,063	
Class B Additional Entitlements Outstanding			
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 August 9, 2017	2,983,935	3,059,431	
Class 2 Additional Entitlements Outstanding			
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 August 9, 2017	999,977	1,028,288	
Summary as of August 9, 2017			
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 August 9, 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 periodically 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.

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 (the "**Credit Agreement**") 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 in the Credit Agreement, a copy of which is available on SEDAR at www.sedar.com.

As of June 30, 2017, working capital of the Fund totaled $6.6 million (June 30, 2016 – $6.7 million). The Fund has no requirement to maintain a certain amount of working capital. As of June 30, 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 June 30, 2017:

(*in thousands of dollars*)	< 1 year	1 - 5 years	> 5 year	Total	Book Value
Accounts payable and accrued liabilities	488	–	–	488	488
Credit Facilities and interest rate swaps[1]	2,268	90,833	–	93,101	86,213
	2,756	90,833	–	93,589	86,701

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:

(a) 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;

(b) 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;

(c) 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

(d) 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.

Royalties LP previously 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 that expired on August 1, 2017 for $30.0 million drawn on Facility B. This $30.0 million amount now bears interest at the variable interest rates applicable to the Credit Facilities discussed above.

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 $0.5 million fair value gain adjustment on the Swaps for the Period in the condensed consolidated statements of comprehensive income compared to a nominal fair value gain adjustment on the Swaps for the second quarter of 2016. YTD the Fund recorded a $0.5 million fair value gain adjustment on the Swaps (2016 – fair value loss of $0.4 million) in the condensed consolidated statements of comprehensive income.

Cash Flows

Cash Flow from Operating Activities

Period

During the Period, the Fund generated $9.4 million in cash from operating activities principally comprised of Royalty income of $8.5 million, Distribution Income of $2.7 million, and interest income earned from the BP Loan of $0.5 million, partially offset by income taxes paid of $2.0 million and administrative expenses of $0.3 million. During the second quarter of 2016, the Fund generated $9.3 million in cash from operating activities principally comprised of Royalty income of $8.4 million, Distribution Income of $2.7 million, and interest income earned from the BP Loan of $0.5 million, partially offset by income taxes paid of $1.9 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.

YTD

YTD the Fund generated $18.1 million in cash from operating activities principally comprised of Royalty income of $16.6 million, Distribution Income of $5.2 million, and interest income earned from the BP Loan of $0.9 million, partially offset by income taxes paid of $3.8 million and administrative expenses of $0.6 million. Year-to-date in 2016, the Fund generated $18.0 million in cash from operating activities principally comprised of Royalty income of $16.4 million, Distribution Income of $5.3 million, and interest income earned from the BP Loan of $0.9 million, partially offset by income taxes paid of $3.8 million and administrative expenses of $0.6 million.

Cash Flow used in Financing Activities

Period

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 second quarter of 2016, the Fund used $9.2 million in cash for financing activities, including $7.0 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 and $0.6 million of which was used to pay interest on the Credit Facilities.

YTD

YTD the Fund used $18.8 million in cash for financing activities, including $14.0 million of which was used to pay distributions to Unitholders, $3.5 million of which was used to pay interest to BPI on the Class B Units and Class C Units, and $1.2 million of which was used to pay interest on the Credit Facilities.

Year-to-date in 2016, the Fund used $18.2 million in cash for financing activities, including $13.9 million of which was used to pay distributions to Unitholders, $3.1 million of which was used to pay interest to BPI on the Class B Units and Class C Units and $1.2 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

Period and YTD

The Fund did not use any cash for investing activities during the Period and YTD, or during the second quarter of 2016 and year-to-date in 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 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 (Q2 2016 – $0.1 million) and YTD was $0.2 million (2016 – $0.2 million).

- As at June 30, 2017, interest payable by the Fund to BPI in respect of the Class B Units and Class C Units was nil (Q2 2016 – Nil).

- As at June 30, 2017, the Royalty receivable from BPI was $3.0 million (Q2 2016 – $3.0 million), and the Distribution Income receivable from BP Canada LP was $0.9 million (Q2 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 and YTD, 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.

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.

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.

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 March 2017 distribution (which was paid on April 28, 2017), the April 2017 distribution (which was paid on May 31, 2017) and the May 2017 distribution (which was paid on June 30, 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.

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 two new locations that have opened to date in 2017. There are currently nine new locations under construction. 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

Risks Related to the Casual Dining Restaurant Industry

Meal Tax for Saskatchewan

Effective April 1, 2017, the Saskatchewan Government began charging 6% PST on food purchased from restaurants. Prior to April 1, 2017, food purchased from restaurants in Saskatchewan were exempt from PST and was only subject to the 5% Goods and Services Tax. PST may adversely affect guest traffic and sales in Boston Pizza Restaurants located in Saskatchewan and may result in a decrease of royalties received by BP Canada LP from Boston Pizza franchisees.

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.

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;
- management of BPI and BP Canada LP maintaining current strategies to drive higher guest traffic and higher average guest cheques; and
- Boston Pizza Restaurants maintaining operational excellence.

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

- competition;
- weather;
- pricing;
- changes in demographic trends;
- changes in consumer preferences and discretionary spending patterns;
- changes in national and local business and economic conditions;
- legislation and government regulation;
- cash distributions are not guaranteed;
- accounting policies and practices; 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.