

FORM 51-102F3

MATERIAL CHANGE REPORT

ITEM 1. Name and Address of Company

Boston Pizza International Inc. (“**BPI**”)
100-10760 Shellbridge Way
Richmond, British Columbia
V6X 3H1

Boston Pizza Royalties Income Fund (the “**Fund**”)
100-10760 Shellbridge Way
Richmond, British Columbia
V6X 3H1

ITEM 2. Date of Material Change

September 24, 2017

ITEM 3. News Release

A news release was issued and disseminated by Boston Pizza via CNW on September 19, 2017.

ITEM 4. Summary of Material Change

On September 19, 2017, the Fund and BPI announced plans for the orderly succession of ownership at BPI, Canada’s largest franchisor of casual dining restaurants. Walter James Treliving and George C. Melville, business partners for over 46 years and BPI’s chairmen and owners, undertook an internal reorganization of their jointly-owned assets (the “**Reorganization**”) such that Mr. Treliving acquired 100% economic interest in BPI, while Mr. Melville became the single largest individual owner of trust units of the Fund (“**Units**”).

ITEM 5. Full Description of Material Change

On September 19, 2017, the Fund and BPI announced plans for the orderly succession of ownership at BPI, Canada’s largest franchisor of casual dining restaurants. Walter James Treliving and George C. Melville, business partners for over 46 years and BPI’s chairmen and owners, undertook the Reorganization, such that Mr. Treliving acquired 100% economic interest in BPI, while Mr. Melville will become the single largest individual owner of Units.

Pursuant to the Reorganization, BPI obtained new senior credit facilities in the amount of \$50 million (the “**New Credit Facilities**”) from the Bank of Montreal, Corporate Finance Division (the “**Bank**”) and increased its leverage by drawing down \$40 million on these facilities. This increased level of indebtedness of BPI required certain consents from the Fund, including the relaxation of certain debt restrictions contained in the general security agreements (or “**GSAs**”) that secure the Fund’s interest in future royalty payments from BPI. The covenants negotiated in the amended GSAs are more stringent than those in the New Credit Facilities obtained to fund the Reorganization, and result in the return to pre-existing levels by 2021. At the same time, the Fund and BPI agreed to a number of changes that favour the Fund immediately and on a permanent basis, including improved security arrangements, undertakings that allow the Trustees of the Fund enhanced

flexibility in their decision making with respect to distribution policy, and indemnification related to the Reorganization.

The Reorganization involved a series of transactions and steps and was completed on September 30, 2017.

Highlights of the Reorganization:

- BPI exchanged 1,910,597 of its exchangeable Class B general partner units (“**Class B Units**”) of Boston Pizza Royalties Limited Partnership (“**BPRLP**”) and 40,815,839 of its exchangeable Class 2 general partnership units (“**Class 2 Units**”) of Boston Pizza Canada Limited Partnership (“**BPCLP**”) for 1,600,000 Units, which Mr. Melville indirectly acquired.
- BPI exchanged all of its 2,400,000 Class C general partner units of BPRLP for the assumption by Boston Pizza Holdings Limited Partnership of the \$24 million loan owing by BPI to the Fund (collectively, the “**Exchange**”). Subsequently, the Fund and its subsidiaries effectively capitalized and eliminated this loan.
- Following the Exchange, BPI transferred its remaining Class B Units and Class 2 Units to a new general partnership (the “**BP Partnership**”) wholly owned (directly and indirectly) by BPI. Following the Reorganization, the BP Partnership has the right to acquire 2,487,719 Units, representing 10.2% of the outstanding Units on a fully diluted basis.
- The New Credit Facilities are comprised of a \$40 million term loan (the “**Term Loan**”) and a \$10 million revolving operating facility, which replaces BPI’s existing \$7.5 million revolving operating facility from the same Bank. The New Credit Facilities have a term of 5 years and bear interest at fixed or variable rates, as selected by BPI, comprised of either or a combination of bankers’ acceptance rates plus between 1.0% and 2.5%, depending upon debt to EBITDA ratios. The Term Loan is amortized over 15 years and requires quarterly payments of principal and interest. The New Credit Facilities are guaranteed by some of BPI’s subsidiaries (the “**Guarantors**”) and secured by assets owned by BPI and the Guarantors, and have customary covenants usual for these types of credit facilities. The Term Loan is fully advanced as part of the Reorganization and was paid to an entity owned and controlled by Mr. Melville as partial consideration for him disposing of his interest in BPI.
- BPI underwent 2 amalgamations with affiliated entities and transferred assets held by the pre-amalgamated entities to a company owned by Mr. Melville.
- Following the Reorganization, Mr. Treliving is the sole owner of BPI. Mr. Melville resigned as a director and officer of BPI and is no longer be a joint actor of BPI.

ITEM 5.2. Disclosure of Restructuring Transactions

Not applicable.

ITEM 6. Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable.

ITEM 7. Omitted Information

There are no significant facts required to be disclosed herein which have been omitted.

ITEM 8. Executive Officer

For further information, please contact:

Wes Bews
Chief Financial Officer
604-270-1108
investorrelations@bostonpizza.com

ITEM 9. Date of Report

October 2, 2017