MANAGEMENT'S DISCUSSION AND ANALYSIS
BOSTON PIZZA ROYALTIES INCOME FUND
For the three month and six month periods ended June 30, 2021

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, 2021 and June 30, 2020, and in conjunction with the Management's Discussion and Analysis ("**MD&A**") of the Fund for the year ended December 31, 2020. 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.

For the periods ended June 30	Q2 2021	Q2 2020	YTD 2021	YTD 2020
(in thousands of dollars – except restaurants, SRS, Payout Ratio and per Unit items)				
System-Wide Gross Sales	162,931	129,845	319,673	354,602
Number of restaurants in Royalty Pool	387	395	387	395
Franchise Sales reported by restaurants in the Royalty Pool	134,839	107,149	263,836	281,218
Royalty income	5,393	4,286	10,553	11,249
Distribution Income	1,797	1,423	3,514	3,716
Interest income	29	24	69	29
Total revenue	7,219	5,733	14,136	14,994
Administrative expenses	(309)	(352)	(655)	(746)
Interest expense on debt and financing fees	(999)	(730)	(1,940)	(1,433)
Interest expense on Class B Unit liability	(605)	-	(1,019)	(648)
Profit before fair value gain (loss) and income taxes	5,306	4,651	10,522	12,167
Fair value gain (loss) on investment in BP Canada LP	6,274	7,202	17,840	(30,389)
Fair value (loss) gain on Class B Unit liability	(2,796)	(3,208)	(7,948)	13,527
Fair value gain (loss) on Swaps	193	(158)	1,311	(1,998)
Current and deferred income tax expense	(1,235)	(908)	(2,403)	(2,646)
Net and comprehensive income (loss)	7,742	7,579	19,322	(9,339)
Basic earnings (loss) per Unit	0.36	0.35	0.90	(0.43)
Diluted earnings (loss) per Unit	0.36	0.35	0.90	(0.93)
Distributable Cash / Distributions / Payout Ratio				
Cash flows generated from (used in) operating activities	6,448	(709)	12,365	8,792
BPI Class B Unit entitlement	(523)	-	(989)	(648)
Interest paid on long-term debt	(929)	(668)	(1,809)	(1,369)
Principal repayments on long-term debt	(1,036)	-	(2,072)	-
SIFT Tax on Units	65	(858)	197	(1,316)
Distributable Cash	4,025	(2,235)	7,692	5,459
Distributions paid	4,197	-	12,698	6,923
Payout Ratio	104.3%	0.0%	165.1%	126.8%
Distributable Cash per Unit	0.187	(0.104)	0.357	0.253
Distributions paid per Unit	0.195	-	0.590	0.319
Other				
Same Restaurant Sales	27.1%	(53.5%)	(8.6%)	(35.0%)
Number of restaurants opened	0	0	0	1
Number of restaurants closed	1	4	2	6
			Jun 30, 2021	Dec 31, 2020
Total assets			401,108	390,804
Total liabilities			131,881	133,904

Notes:

1) Capitalized terms used in the "Financial Highlights" and "Summary of Quarterly Results" tables are defined elsewhere in this MD&A.
2) Distribution Income is income received by the Fund from the Fund's indirect investment in Boston Pizza Canada Limited Partnership completed in May 2015. See the "Overview – Purpose of the Fund / Sources of Revenue" section of this MD&A for more details.

3) Profit before fair value gain (loss) 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 Restaurant Sales (see the "Overview – Top-Line Fund / Increases in Franchise Sales" section of this MD&A for more details), 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 2021	Q1 2021	Q4 2020	Q3 2020
(in thousands of dollars – except restaurants, SRS, Payout Ratio and per Unit items)				
System-Wide Gross Sales	162,931	156,741	181,723	237,208
Number of restaurants in Royalty Pool	387	387	395	395
Franchise Sales reported by restaurants in the Royalty Pool	134,839	128,997	146,561	185,420
Royalty income	5,393	5,160	5,862	7,417
Distribution Income	1,797	1,717	1,946	2,452
Interest income	29	40	54	61
Total revenue	7,219	6,917	7,862	9,930
Administrative expenses	(309)	(346)	(301)	(392)
Interest expense on debt and financing fees	(999)	(941)	(963)	(964)
Interest expense on Class B Unit liability	(605)	(414)	(1,437)	-
Profit before fair value gain (loss) and income taxes	5,306	5,216	5,161	8,574
Fair value gain (loss) on investment in BP Canada LP	6,274	11,566	28,861	(12,821)
Fair value (loss) gain on Class B Unit liability	(2,796)	(5,152)	(12,857)	5,712
Fair value gain (loss) on Swaps	193	1,118	230	(296)
Current and deferred income tax expense	(1,235)	(1,168)	(1,798)	(1,857)
Net and comprehensive income (loss)	7,742	11,580	19,597	(688)
Basic earnings (loss) per Unit	0.36	0.54	0.91	(0.03)
Diluted earnings (loss) per Unit	0.36	0.54	0.91	(0.30)
Distributable Cash / Distributions / Payout Ratio				
Cash flows generated from operating activities	6,448	5,917	7,889	6,185
BPI Class B Unit entitlement	(523)	(466)	(787)	(1,015)
Interest paid on long-term debt	(929)	(880)	(915)	(873)
Principal repayments on long-term debt	(1,036)	(1,036)	(690)	-
SIFT Tax on Units	65	132	(108)	1,154
Distributable Cash	4,025	3,667	5,389	5,451
Distributions paid	4,197	8,501	4,197	-
Payout Ratio	104.3%	231.8%	77.9%	0.0%
Distributable Cash per Unit	0.187	0.170	0.250	0.253
Distributions paid per Unit	0.195	0.395	0.195	-
Other				
Same Restaurant Sales	27.1%	(29.3%)	(32.9%)	(15.2%)
Number of restaurants opened	0	0	0	1
Number of restaurants closed	1	1	1	4

SUMMARY OF QUARTERLY RESULTS (continued)

	Q2 2020	Q1 2020	Q4 2019	Q3 2019
(in thousands of dollars – except restaurants, SRS, Payout Ratio and per Unit items)				
System-Wide Gross Sales	129,845	224,757	276,509	283,570
Number of restaurants in Royalty Pool	395	395	396	396
Franchise Sales reported by restaurants in the Royalty Pool	107,149	174,069	211,173	219,226
Royalty income	4,286	6,963	8,447	8,769
Distribution Income	1,423	2,293	2,785	2,886
Interest income	24	5	9	9
Total revenue	5,733	9,261	11,241	11,664
Administrative expenses	(352)	(394)	(280)	(345)
Interest expense on debt and financing fees	(730)	(703)	(713)	(712)
Interest expense on Class B Unit liability	-	(648)	(1,383)	(1,010)
Profit before fair value gain (loss) and income taxes	4,651	7,516	8,865	9,597
Fair value gain (loss) on investment in BP Canada LP	7,202	(37,591)	(20,677)	(873)
Fair value (loss) gain on Class B Unit liability	(3,208)	16,735	9,107	385
Fair value (loss) gain on Swaps	(158)	(1,840)	324	97
Current and deferred income tax expense	(908)	(1,738)	(2,247)	(2,343)
Net and comprehensive income (loss)	7,579	(16,918)	(4,628)	6,863
Basic earnings (loss) per Unit	0.35	(0.78)	(0.21)	0.31
Diluted earnings (loss) per Unit	0.35	(1.36)	(0.53)	0.27
Distributable Cash / Distributions / Payout Ratio				
Cash flows (used in) generated from operating activities	(709)	9,501	8,721	9,497
BPI Class B Unit entitlement	-	(648)	(1,031)	(1,025)
Interest paid on long-term debt	(668)	(701)	(702)	(710)
SIFT Tax on Units	(858)	(458)	(27)	52
Distributable Cash	(2,235)	7,694	6,961	7,814
Distributions paid	-	6,923	7,517	7,516
Payout Ratio	0.0%	90.0%	108.0%	96.2%
Distributable Cash per Unit	(0.104)	0.355	0.319	0.359
Distributions paid per Unit	-	0.319	0.345	0.345
Other				
Same Restaurant Sales	(53.5%)	(15.8%)	(2.1%)	(4.2%)
Number of restaurants opened	0	1	0	2
Number of restaurants closed	4	2	2	0

OVERVIEW

This MD&A covers the three-month period from April 1, 2021 to June 30, 2021 (the "**Period**") and the six month period from January 1, 2021 to June 30, 2021 ("**YTD**") and is dated August 12, 2021. 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, indirectly through Royalties LP, the Canadian trademarks owned by Boston Pizza International Inc. ("**BPI**", and where applicable also includes its wholly-owned subsidiaries) (collectively the "**BP Rights**"[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**"). In May 2015, the Fund, indirectly through Holdings LP, completed an investment in Boston Pizza Canada Limited Partnership ("**BP Canada LP**") to effectively increase the Fund's interest in Franchise Sales (as defined below) of Boston Pizza Restaurants in the Royalty Pool (as defined below) by 1.5%, from 4.0% to 5.5% less the pro rata portion payable to BPI in respect of its retained interest in the Fund. BP Canada LP is a limited partnership controlled and operated by BPI and is the exclusive franchisor of Boston Pizza Restaurants.

The Fund has the following principal sources of revenue:

Royalty Income

Royalties LP licenses the BP Rights to BPI in return for BPI paying Royalties LP a royalty equal to 4.0% (the "**Royalty**") of Franchise Sales of those Boston Pizza Restaurants included in the Royalty Pool, as defined in the license and royalty agreement dated July 17, 2002, as amended on May 9, 2005 between Royalties LP and BPI (the "**Royalty Pool**"). As of June 30, 2021, there were 387 Boston Pizza Restaurants in the Royalty Pool.

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

Holdings LP holds Class 1 limited partnership units ("**Class 1 LP Units**") and Class 2 limited partnership units ("**Class 2 LP Units**") of BP Canada LP, and BPI holds, indirectly through Boston Pizza Canada Holdings Partnership ("**BPCHP**"), a general partnership owned and controlled by BPI, Class 2 general partnership units ("**Class 2 GP Units**") of BP Canada LP, which are exchangeable into Units. The Class 1 LP Units and Class 2 LP Units entitle Holdings LP to receive distributions from BP Canada LP equal, in aggregate, to 1.5% of Franchise

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

Sales, less the *pro rata* portion payable to BPI in respect of its retained interest in the Fund ("**Distribution Income**"). Specifically, the Class 1 LP Units entitle Holdings LP to receive a priority distribution equal to the amount of interest that Holdings LP pays on amounts drawn on Facility D (as defined below) plus 0.05% of that amount, with the balance of 1.5% of Franchise Sales being distributed pro rata to Holdings LP and BPI on the Class 2 LP Units and Class 2 GP Units, respectively.

Top-Line Fund / Increases in Franchise Sales

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

Increases in Franchise Sales are derived from both new Boston Pizza Restaurants added to the Royalty Pool and same restaurant sales ("**SRS**"). SRS, 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 SRS are changes in guest traffic and changes in average guest cheque. These factors are dependent upon existing Boston Pizza Restaurants maintaining operational excellence, general market conditions, weather, pricing, and marketing programs undertaken by BPI and BP Canada LP. One of BPI's and BP Canada LP's competitive strengths in increasing Franchise Sales of existing restaurants is that the standard franchise agreement for Boston Pizza Restaurants requires that each Boston Pizza Restaurant undergoes a complete restaurant renovation every seven years and completes equipment upgrades as required by BP Canada LP. Restaurants typically close 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 (each, an "**Adjustment Date**"), an adjustment is made to add to the Royalty Pool new Boston Pizza Restaurants that opened ("**New Restaurants**") and to remove any Boston Pizza Restaurants that permanently closed since January 1 of the previous year ("**Closed Restaurants**"). In return for adding new Royalty and Distribution Income from the New Restaurants after subtracting the Royalty and Distribution Income that is lost from the Closed Restaurants[2] (such difference, "**Net Royalty and Distribution Income**"), BPI receives the right to indirectly acquire additional Units (in respect of the Royalty, "**Class B Additional Entitlements**" and in respect of Distribution Income, "**Class 2 Additional Entitlements**", and collectively, "**Additional Entitlements**"). The calculation of Additional Entitlements is designed to be accretive to Unitholders as the expected increase in Franchise Sales from the New Restaurants added to the Royalty Pool less the decrease in Franchise Sales from the Closed Restaurants is valued at a 7.5% discount. The Additional Entitlements are calculated at 92.5% of the estimated Royalty and Distribution Income expected to be generated by the New Restaurants less the actual Royalty and Distribution Income lost from the Closed Restaurants, multiplied by one minus the effective tax rate estimated to be paid by the Fund, divided by the yield of the Fund, divided by the weighted average Unit price over a specified period. BPI receives 80% of the Additional Entitlements initially,

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

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

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

Ongoing Effects of COVID-19

COVID-19 had significant adverse effects on the business of the Fund, BPI and BP Canada LP during the Period and YTD. Various governmental authorities across Canada had imposed assorted restrictions on the operations of restaurants in an attempt to control the spread of COVID-19. The restrictions ranged from reductions in operating hours, reductions in permitted hours to serve alcohol, closures of indoor dining rooms and closures of patio dining depending upon the particular regions and times within the Period and YTD. During April and May 2021, approximately 375 Boston Pizza Restaurants were providing take-out and delivery services, with a low of approximately 90 Boston Pizza Restaurants, and a high of approximately 210 Boston Pizza Restaurants, also having their dining rooms, sports bars and/or patios open with reduced seating capacity. In June 2021, various governmental authorities across Canada began easing restrictions previously imposed on the operations of restaurants as COVID-19 case counts declined. By the end of the Period, approximately 380 Boston Pizza Restaurants were providing on-premises dining services with reduced seating capacity, of which approximately 265 restaurants had their dining rooms and sports bars open (and, where applicable, patios) and approximately 115 restaurants only had their patios open due to governmental restrictions. The restrictions adversely affected SRS and Franchise Sales at Boston Pizza Restaurants and the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders for the Period and YTD. However, the easing of these restrictions at the end of the Period allowed Boston Pizza Restaurants to increase their sales in June 2021. See the "Operating Results" section of this MD&A for details.

Since the end of the Period, various governmental authorities across Canada further eased restrictions previously imposed on the operations of restaurants. However, COVID-19 continues to impact the business of the Fund, BPI and BP Canada LP, and the operation of Boston Pizza Restaurants. Franchise Sales, and the resulting Royalty and Distribution Income, for July 2021 were approximately 122% of the level they were in July 2020 and approximately 99% of the level they were in July 2019. SRS for July 2021 was approximately positive 22% when compared to the same period in 2020 and approximately 0% when compared to the same period in 2019.

Seasonality

Boston Pizza Restaurants typically experience seasonal fluctuations in Franchise Sales, which are inherent in the full-service restaurant industry in Canada. Seasonal factors, such as tourism and better weather generally allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters each year compared to the first and fourth quarters. Seasonality's general effect on Franchise Sales impacts the Fund's Distributable Cash and Payout Ratio (as defined below). It is unknown how and to what extent seasonality will affect Franchise Sales, Distributable Cash or Payout Ratio given the effects of COVID-19 on Boston Pizza Restaurants.

New Restaurant Openings, Permanent Closures and Renovations

During the Period, there were no New Restaurants (YTD – nil) and one Closed Restaurant (YTD – 2). The two Closed Restaurants YTD were corporately owned restaurants operated by subsidiaries of BPI. BPI previously had five corporately owned Boston Pizza Restaurants. BPI's strategy is to divest itself of the remaining three corporately owned Boston Pizza Restaurants and exclusively focus on strengthening the brand and its franchised business. As well, during the Period, two Boston Pizza Restaurants were renovated (YTD – 5). Boston Pizza 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.

OPERATING RESULTS

Same Restaurant Sales and Franchise Sales

SRS, 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. SRS 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 SRS are changes in guest traffic and changes in average guest cheque.

Period

SRS was positive 27.1% for the Period compared to negative 53.5% reported in the second quarter of 2020. As COVID-19 began to adversely affect sales in Boston Pizza Restaurants in March of 2020, the Fund believes that it is also useful to calculate and report SRS comparing 2021 gross sales to 2019 gross sales. If SRS were calculated comparing gross sales in the Period to gross sales in the second quarter of 2019, SRS would be negative 41.0%. Franchise Sales, the basis upon which 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, SRS was positive 27.0% for the Period compared to negative 50.3% for the second quarter of 2020. If SRS on a Franchise Sales basis were calculated comparing Franchise Sales in the Period to Franchise Sales in the second quarter of 2019, SRS would be negative 37.0%. The increase in SRS for the Period was principally due to increases in restaurant guest traffic due to the easing of dining restrictions and increased take-out and delivery sales.

Franchise Sales of Boston Pizza Restaurants in the Royalty Pool were $134.8 million for the Period compared to $107.1 million for the second quarter of 2020. The $27.7 million increase in Franchise Sales for the Period was primarily due to positive SRS on a Franchise Sales basis.

YTD

SRS was negative 8.6% YTD compared to negative 35.0% reported year-to-date in 2020. If SRS were calculated comparing gross sales YTD to gross sales year-to-date in 2019, SRS would be negative 40.7%. On a Franchise Sales basis, SRS was negative 5.1% YTD compared to negative 33.4% year-to-date in 2020. If SRS on a Franchise Sales basis were calculated comparing Franchise Sales YTD to Franchise Sales year-to-date in 2019, SRS would be negative 36.9%. The decline in SRS YTD was principally due to declines in restaurant guest traffic and the temporary closure of dining rooms, sports bars and patios, partially offset by increased take-out and delivery sales as a result of COVID-19.

Franchise Sales of Boston Pizza Restaurants in the Royalty Pool were $263.8 million YTD compared to $281.2 million year-to-date in 2020. The $17.4 million decrease in Franchise Sales YTD was primarily due to negative SRS on a Franchise Sales basis.

Royalty Income and Distribution Income

Period

Royalty income and Distribution Income earned by the Fund was $5.4 million and $1.8 million for the Period, respectively, compared to $4.3 million and $1.4 million, respectively, for the second quarter of 2020. Royalty income and Distribution Income in respect of the Period was based on the Royalty Pool of 387 Boston Pizza Restaurants reporting Franchise Sales of $134.8 million. In the second quarter of 2020, Royalty income and Distribution Income was based on the Royalty Pool of 395 Boston Pizza Restaurants reporting Franchise Sales of $107.1 million. The $1.1 million increase in Royalty income and the $0.4 million increase in Distribution Income for the Period was primarily due to positive SRS on a Franchise Sales basis.

YTD

Royalty income and Distribution Income earned by the Fund was $10.6 million and $3.5 million YTD, respectively, compared to $11.2 million and $3.7 million, respectively, year-to-date in 2020. Royalty income and Distribution Income YTD was based on the Royalty Pool of 387 Boston Pizza Restaurants reporting Franchise Sales of $263.8 million. Year-to-date in 2020, Royalty income and Distribution Income was based on the Royalty Pool of 395 Boston Pizza Restaurants reporting Franchise Sales of $281.2 million. The $0.6 million decrease in Royalty income and the $0.2 million decrease in Distribution Income YTD was primarily due to negative SRS on a Franchise Sales basis.

Administrative Expenses

Period

Administrative expenses incurred by the Fund were $0.3 million for the Period compared to $0.4 million for the second quarter of 2020. Administrative expenses are comprised of professional fees, trustee fees and expenses, the reimbursement charge payable to BPI and other general and administrative expenses. The decrease in administrative expense for the Period was primarily due to a decrease in advisory costs incurred with respect to COVID-19.

YTD

Administrative expenses incurred by the Fund were $0.7 million YTD compared to $0.7 million for the same period in 2020. The nominal decrease in administrative expense YTD was primarily due to a decrease in advisory costs incurred with respect to COVID-19, partially offset by increased insurance expense.

Interest and Financing Expenses

Period

Interest and financing expenses incurred by the Fund totaled $1.6 million for the Period, comprised of interest on long-term debt and financing fees of $1.0 million and interest on Class B Units of $0.6 million. Interest and financing expenses incurred by the Fund totaled $0.7 million for the second quarter of 2020, comprised of interest on long-term debt and financing fees of $0.7 million. The Class B Units are classified as financial liabilities and therefore, amounts paid by Royalties LP to BPI in respect of the Class B Units are classified as interest expense and not distributions. The change in interest and financing expenses for the Period was primarily due to the increase in interest on long-term debt of $0.3 million due to higher interest rates and the increase in interest expense on Class B Units of $0.6 million due to the Fund not declaring distributions on Units during the second quarter of 2020.

YTD

Interest and financing expenses incurred by the Fund totaled $3.0 million YTD, comprised of interest on long-term debt and financing fees of $1.9 million and interest on Class B Units of $1.0 million. Interest and financing expenses incurred by the Fund totaled $2.1 million year-to-date in 2020, comprised of interest on long-term debt and financing fees of $1.4 million and interest on Class B Units of $0.6 million. The change in interest and financing expenses YTD was primarily due to the increase in interest on long-term debt of $0.5 million due to higher interest rates and the increase in interest expense on Class B Units of $0.4 million due to the Fund not declaring distributions on Units in the second quarter of 2020, partially offset by a decrease in the monthly distribution rate that was effective from the September 2020 distribution.

Profit before Fair Value Gain (Loss) and Income Taxes

Period

The Fund's profit before fair value gain (loss) and income taxes was $5.3 million for the Period compared to $4.7 million for the second quarter of 2020. The $0.6 million increase in profit before fair value gain (loss) and income taxes for the Period was primarily due to higher Royalty and Distribution Income of $1.5 million, partially offset by higher interest expense on long-term debt of $0.3 million and higher interest expense on Class B Units of $0.6 million.

YTD

The Fund's profit before fair value gain (loss) and income taxes was $10.5 million YTD compared to $12.2 million for the same period in 2020. The $1.7 million decrease in profit before fair value gain (loss) and income taxes YTD was primarily due to lower Royalty and Distribution Income of $0.9 million, higher interest expense on long-term debt of $0.5 million and higher interest expense on Class B Units of $0.4 million.

Fair Value Gain (Loss)

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

Period

During the Period, the Fund recognized a fair value gain of $3.7 million compared to $3.8 million for the same period in 2020. The change in fair value was principally due to the change in the price of Units, which is used to estimate the value of the Class 2 LP Units and upon which the Class B Unit liability is measured. Changes in interest rates, upon which the Swaps are measured, also impact the change in fair value.

The Fund indirectly acquired the Class 1 LP Units on May 6, 2015 for $33.3 million. The Class 1 LP Units are entitled to distributions determined with respect to the interest cost payable on Facility D (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, 2021 to be $33.3 million (March 31, 2021 – $33.3 million), resulting in no fair value adjustment for the Period.

The Fund estimates the fair value of the Class 2 LP Units by multiplying the number of Class 2 LP Units indirectly held by the Fund at the end of the Period by the closing price of the Units on the last business day of the Period. Based on the Fund's closing price of $14.10 per Unit at June 30, 2021 (March 31, 2021 – $12.95 per Unit) and the 5,455,762 Class 2 LP Units held by the Fund (March 31, 2021 – 5,455,762), the fair value of the Class 2 LP Units was estimated to be $76.9 million (March 31, 2021 – $70.7 million), resulting in fair value gain of $6.3 million for the Period. In general, the fair value of the Class 2 LP Units will increase as the market price of Units increases and vice versa.

The Fund estimates the fair value of the Class B Unit liability by multiplying the number of Units that BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI at the end of the Period by the closing price of the Units on the last business day of the Period. Based on the Fund's closing price of $14.10 per Unit at June 30, 2021 (March 31, 2021 – $12.95 per Unit) and the 2,430,823 Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI (March 31, 2021 – 2,430,823), the Class B Unit liability (on a fully-diluted basis) was valued at $34.3 million (March 31, 2021 – $31.5 million), resulting in a fair value loss of $2.8 million. In general, the Fund's Class B Unit liability will increase as the market price of Units increases and vice versa. In addition, the Fund's Class B Unit liability increases as the number of Units BPI would be entitled to receive if it exchanged all of its Class B Units (including the Class B Holdback) increases and vice versa.

The Fund recognized a fair value gain of $0.2 million in the Period as a result of the increase in the fair value of the Swaps from March 31, 2021 to June 30, 2021 due to changes in interest rates during the Period. For the same period in 2020, the Fund recognized fair value loss of $0.2 million as a result of the decrease in the fair value of the Swaps from March 31, 2020 to June 30, 2020 due to changes in interest rates.

YTD

YTD, the Fund recognized a fair value gain of $11.2 million compared to a fair value loss of $18.9 million for the same period in 2020. The change in fair value was principally due to the change in the price of Units, which is used to estimate the value of the Class 2 LP Units and upon which the Class B Unit liability is measured. Changes in interest rates, upon which the Swaps are measured, also impact the change in fair value.

The Fund indirectly acquired the Class 1 LP Units on May 6, 2015 for $33.3 million. As discussed above the Fund estimated the fair value of Class 1 LP Units as at June 30, 2021 to be $33.3 million (December 31, 2020 – $33.3 million), resulting in no fair value adjustment YTD.

As at December 31, 2020, the Fund indirectly held 5,455,762 Class 2 LP Units and the Fund's closing price was $10.83 per Unit. Consequently, the Fund estimated the fair value of the Class 2 LP Units as at December 31, 2020 to be $59.1 million. As discussed above, the Fund estimated the fair value of the Class 2 LP Units as at June 30, 2021 to be $76.9 million, resulting in a fair value gain of $17.8 million YTD. In general, the fair value of the Class 2 LP Units will increase as the market price of Units increases and vice versa.

As at December 31, 2020, the number of Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI was 2,430,381 and the Fund's closing price was $10.83 per Unit. The Class B Unit liability (on a fully-diluted basis) as at December 31, 2020 was valued at $26.3 million. As discussed above, the Class B Unit liability at the end of the Period was valued at $34.3 million. The difference between the Class B Unit liability at the end of the Period and December 31, 2020 was an increase of $8.0 million, comprised of a fair value loss of $7.9 million and a nominal adjustment of Class B Additional Entitlements received by BPI in February 2021 related to the January 1, 2020 Adjustment Date.

The Fund recorded a $1.3 million fair value gain YTD as a result of the increase in the fair value of the Swaps from December 31, 2020 to June 30, 2021 due to changes in interest rates YTD. Year-to-date in 2020, the Fund recorded a $2.0 million fair value loss as a result of the decrease in the fair value of the Swaps from December 31, 2019 to June 30, 2020 due to changes in interest rates.

Income Taxes

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

Period

The Fund's income tax expense for the Period was $1.2 million, comprised of $1.2 million in current income tax expense and nominal non-cash deferred income tax expense. The Fund's income tax expense for the second quarter of 2020 was $0.9 million, comprised primarily of $0.9 million in current income tax expense and nominal non-cash deferred income tax expense. The $0.3 million increase in current income tax expense is attributable to higher profit before fair value gain (loss) and income taxes.

YTD

The Fund's income tax expense YTD was $2.4 million, comprised of $2.3 million in current income tax expense and $0.1 million in non-cash deferred income tax expense. The Fund's income tax expense year-to-date in 2020 was $2.6 million, comprised of $2.5 million in current income tax expense and $0.1 million in non-cash deferred income tax expense. The $0.2 million decrease in current income tax expense is attributable to lower profit before fair value gain (loss) and income taxes. The nominal increase in non-cash deferred income tax expense is due to a change in the temporary difference between the accounting and tax base of the BP Rights owned by Royalties LP generated since the inception of the Fund.

Net and Comprehensive Income (Loss) / Basic and Diluted Earnings (Loss)

Period

The Fund's net and comprehensive income was $7.7 million for the Period compared to net and comprehensive income of $7.6 million for the second quarter of 2020. The Fund's basic earnings per Unit was $0.36 for the Period compared to basic earnings per Unit of $0.35 for the second quarter of 2020. The Fund's diluted earnings per Unit was $0.36 for the Period compared to diluted earnings per Unit of $0.35 for the second quarter of 2020. The $0.1 million increase in the Fund's net and comprehensive income for the Period compared to the second quarter of 2020 was primarily due to a $0.6 million increase in profit before fair value gain (loss), partially offset by a $0.1 million decrease in fair value gain and higher income tax expense of $0.3 million.

YTD

The Fund's net and comprehensive income was $19.3 million YTD compared to net and comprehensive loss of $9.3 million year-to-date in 2020. The Fund's basic earnings per Unit was $0.90 YTD compared to basic loss per Unit of $0.43 year-to-date in 2020. The Fund's diluted earnings per Unit was $0.90 YTD compared to diluted loss per Unit of $0.93 for the same period in 2020. The $28.7 million increase in the Fund's net and comprehensive income YTD compared to the same period in 2020 was primarily due to a $30.1 million increase in fair value gain and lower income tax expense of $0.2 million, partially offset by lower profit before fair value gain (loss) and income taxes of $1.7 million.

Distributions

Period

During the Period, the Fund declared distributions on the Units in the aggregate amount of $4.2 million or $0.195 per Unit. During the second quarter of 2020, the Fund did not declare distributions on the Units. During the Period, the Fund paid distributions on the Units in the aggregate amount of $4.2 million or $0.195 per Unit. During the second quarter of 2020, the Fund did not pay distributions on the Units. The amount of distributions declared and paid during the Period increased by $0.195 per Unit due to the combined effect of the Fund recommencing monthly distributions beginning with the September 2020 distribution and the Fund not declaring distributions on Units during the second quarter of 2020.

YTD

YTD, the Fund declared distributions on the Units in the aggregate amount of $7.0 million or $0.325 per Unit compared to $4.4 million or $0.204 per Unit year-to-date in 2020. YTD, the Fund paid distributions on the Units in the aggregate amount of $12.7 million or $0.590 per Unit, compared to $6.9 million or $0.319 per Unit for the same period in 2020. The amount of distributions declared YTD increased by $0.121 per Unit due to the Fund not declaring distributions in the second quarter of 2020, partially offset by a decrease in the monthly distribution rate from $0.102 per Unit that was in effect for distributions declared in the first quarter of 2020 to $0.065 per Unit for YTD. The amount of distributions paid YTD increased by $0.271 per Unit due to a special one-time cash distribution to Unitholders of $0.20 per Unit, which was paid on January 29, 2021 to Unitholders of record at the close of business on December 31, 2021 (the "**Special Distribution**") and the Fund not having paid distributions in respect of the second quarter of 2020, partially offset by decreases in the monthly distribution rates: (a) from $0.115 per Unit that was in effect for the December 2019 distribution that was paid on January 31, 2020 to $0.065 per Unit for the December 2020 distribution that was paid on January 29, 2021; and (b) from $0.102 per Unit that was in effect for the January and February 2020 distributions that were paid on February 28 and March 31, 2020, respectively, to $0.065 per Unit for the January and February 2021 distributions that were paid on February 26 and March 31, 2021, respectively.

The Fund pays distributions on the Units in respect of any calendar month not later than the last business day of the immediately subsequent month. Consequently, monthly distributions payable by the Fund on the Units in respect of the Period were the April 2021 distribution (which was paid on May 31, 2021), the May 2021 distribution (which was paid on June 30, 2021), and the June 2021 distribution (which was paid on July 30, 2021). Similarly, the distributions payable by the Fund on the Units in respect of any other period are paid in the immediately subsequent month of such period.

On August 12, 2021, the trustees of the Fund declared a distribution for the period of July 1, 2021 to July 31, 2021 of $0.065 per Unit, which will be payable on August 31, 2021 to Unitholders of record on August 21, 2021. Including the July 2021 distribution, which will be paid on August 31, 2021, the Fund will have paid out total distributions of $361.0 million or $23.14 per Unit which includes 223 monthly distributions and the Special Distribution.

Distributions related to the Period were as follows:

PERIOD	PAYMENT DATE	AMOUNT/UNIT
March 1 – 31, 2021	April 30, 2021	6.5¢
April 1 – 30, 2021	May 31, 2021	6.5¢
May 1 – 31, 2021	June 30, 2021	6.5¢
June 1 – 30, 2021	July 30, 2021*	6.5¢

* *Paid subsequent to the Period.*

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

Distributable Cash / Payout Ratio

Distributable Cash

Period

The Fund generated Distributable Cash of $4.0 million for the Period compared to negative $2.2 million for the second quarter of 2020. The increase in Distributable Cash of $6.2 million or 280.1% was primarily due to an increase in cash flow generated from operating activities of $7.2 million and lower SIFT Tax on Units of $0.9 million, partially offset by a contractually required debt repayment of $1.0 million for which there is no comparable repayment in the second quarter of 2020, increased entitlement for BPI's Class B Units of $0.5 million and an increase of interest paid on long-term debt of $0.3 million.

The Fund generated Distributable Cash per Unit of $0.187 for the Period compared to negative $0.104 per Unit for the second quarter of 2020. The increase in Distributable Cash per Unit of $0.291 or 279.8% was primarily attributable to the increase in Distributable Cash outlined above.

YTD

The Fund generated Distributable Cash of $7.7 million YTD compared to $5.5 million year-to-date in 2020. The increase in Distributable Cash of $2.2 million or 40.9% was primarily due to an increase in cash flow generated from operating activities of $3.6 million and lower SIFT Tax on Units of $1.5 million, partially offset by contractually required debt repayments of $2.1 million for which there are no comparable repayments in 2020, an increase of interest paid on long-term debt of $0.4 million and increased entitlement for BPI's Class B Units of $0.3 million.

The Fund generated Distributable Cash per Unit of $0.357 YTD compared to $0.253 per Unit year-to-date in 2020. The increase in Distributable Cash per Unit of $0.104 or 41.1% was primarily attributable to the increase in Distributable Cash outlined above and fewer Units outstanding compared to the same period in 2020 due to the Fund's normal course issuer bid ("**NCIB**").

The Fund's Distributable Cash and Distributable Cash per Unit since January 1, 2019, generated in each financial quarter, are as follows:

Distributable Cash

(in millions of dollars)	Q1	Q2	Q3	Q4	Annual
2021	$ 3.7	**$ 4.0**			
2020	$ 7.7	$ (2.2)	$ 5.5	$ 5.4	$ 16.3
2019	$ 6.6	$ 7.3	$ 7.8	$ 7.0	$ 28.7

Distributable Cash per Unit

	Q1	Q2	Q3	Q4	Annual
2021	$ 0.170	**$ 0.187**			
2020	$ 0.355	$ (0.104)	$ 0.253	$ 0.250	$ 0.756
2019	$ 0.303	$ 0.336	$ 0.359	$ 0.319	$ 1.317

COVID-19 has resulted in material declines to Franchise Sales and SRS when compared to periods prior to COVID-19. The declines in Franchise Sales and SRS will result in significant declines to Royalty and Distribution Income payable by BPI and BP Canada LP to the Fund when compared to periods prior to COVID-19, and significant declines in the amount of Distributable Cash available for distribution to Unitholders when compared to periods prior to COVID-19.

Payout Ratio

Period

The Fund's Payout Ratio for the Period was 104.3% compared to 0.0% in the second quarter of 2020. The increase in the Fund's Payout Ratio for the Period was due to distributions paid of $4.2 million with no distributions paid during the second quarter of 2020 and Distributable Cash increasing by $6.2 million or 280.1%.

YTD

The Fund's Payout Ratio YTD was 165.1% compared to 126.8% year-to-date in 2020. The increase in the Fund's Payout Ratio YTD was due to distributions paid increasing by $5.8 million or 83.4%, partially offset by Distributable Cash increasing by $2.2 million or 40.9%.

As discussed below, Payout Ratio is calculated by dividing the amount of distributions paid during the applicable period by the Distributable Cash for that period. Accordingly, Payout Ratio YTD factors in the Special Distribution that was paid on January 29, 2021 even though the cash generated to fund the Special Distribution was generated during 2020. If the Special Distribution was excluded in the calculation of Payout Ratio YTD, Payout Ratio would be 109.1%.

The Fund's quarterly and annual Payout Ratios with respect to each financial quarter since January 1, 2019 are as follows:

	Q1	Q2	Q3	Q4	Annual
2021	231.8%	**104.3%**			
2020	90.0%	0.0%	0.0%	77.9%	68.2%
2019	113.9%	102.6%	96.2%	108.0%	104.8%

The Fund's Payout Ratio is typically higher in the first and fourth quarters compared to the second and third quarters since Boston Pizza Restaurants generally experience higher Franchise Sales levels during the summer months when restaurants open their patios and benefit from increased tourist traffic. On a trailing 12-month basis, the Fund's Payout Ratio was 91.2% as at June 30, 2021. The effects of COVID-19 may materially affect the Fund's Payout Ratio in the future.

Distributable Cash and Payout Ratio are non-IFRS financial measures. For additional information regarding these financial metrics, see the "Description of Non-IFRS and Additional IFRS Measures" section of this MD&A.

Units Outstanding

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

	Issued and Outstanding Units and Additional Entitlements	Issued and Outstanding Units, Additional Entitlements and Holdback	
Units Outstanding			
Issued and Outstanding Units as of June 30, 2021	21,521,463	21,521,463	
Class B Additional Entitlements Outstanding			
Class B Additional Entitlements – Outstanding as of December 31, 2020	2,423,886	2,423,886	
Class B Additional Entitlements – Issued as of January 1, 2021	--	--	(1)
Class B Holdback Created January 1, 2021	N/A	--	(1)
Class B Additional Entitlements – Issued in respect of 2020 after the audit	6,937	6,937	(2)
Total Class B Additional Entitlements as of August 12, 2021	2,430,823	2,430,823	
Class 2 Additional Entitlements Outstanding			
Class 2 Additional Entitlements – Outstanding as of December 31, 2020	828,753	828,753	
Class 2 Additional Entitlements – Issued as of January 1, 2021	--	--	(1)
Class 2 Holdback Created January 1, 2021	N/A	--	(1)
Class 2 Holdback – Issued in respect of 2020 after the audit	2,601	2,601	(2)
Total Class 2 Additional Entitlements as of August 12, 2021	831,354	831,354	
Summary as of August 12, 2021			
Total Issued and Outstanding Units	21,521,463	21,521,463	
Total Additional Entitlements	3,262,177	3,262,177	
Fully Diluted Units	24,783,640	24,783,640	
BPI's Percentage Ownership	13.2%	13.2%	

1) Additional Entitlements to which BPI is entitled for adding to the Royalty Pool on January 1, 2021 additional Royalty and Distribution Income from the two New Restaurants less the Royalty and Distribution Income lost from the 11 Closed Restaurants. Since a Deficiency existed, this amount is nil.

2) Additional Entitlements from the five New Restaurants added to the Royalty Pool on January 1, 2020 less the six Closed Restaurants removed from the Royalty Pool on January 1, 2020 determined in 2021 once audited results of the five New Restaurants and the actual effective tax rate paid by the Fund were known, and the adjustment for the seasonal Boston Pizza Restaurant that re-opened in 2020.

BPI directly and indirectly holds 100% of the special voting units (the "**Special Voting Units**") of the Fund, which entitle BPI to one vote in respect of matters to be voted upon by Unitholders for each Unit that BPI would be entitled to receive if it exchanged all of its Class B Units and Class 2 GP Units for Units. As of August 12, 2021, BPI was entitled to 3,262,177 votes, representing 13.2% of the aggregate votes held by holders of Units and Special Voting Units. The number of Units that BPI is entitled to receive upon the exchange of its Class B Units and Class 2 GP Units and the number of votes that BPI is entitled to in respect of its Special Voting Units is adjusted periodically to reflect any additional Boston Pizza Restaurants that were added to the Royalty Pool.

LIQUIDITY & CAPITAL RESOURCES

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

Indebtedness

Holdings LP and Royalties LP have credit facilities with a Canadian chartered bank (the "**Bank**") in the amount of up to $94.2 million (originally $97.0 million) expiring on December 31, 2022 (the "**Credit Facilities**"). The Credit Facilities are comprised of a: (a) $2.0 million committed operating facility issued to Royalties LP ("**Facility A**"); (b) $58.9 million (originally $61.7 million) committed non-revolving credit facility issued to Royalties LP for the purpose of refinancing Royalties LP's previous credit facilities, to facilitate the Fund repurchasing and cancelling Units under normal course issuer bids or substantial issuer bids, to finance the cash component of any exchange of exchangeable units of BP Canada LP and to repay reimbursement charges owing by Royalties LP to BPI for performing administrative services to the Fund ("**Facility B**"); and (c) $33.3 million committed non-revolving credit facility issued to Holdings LP for the purpose of subscribing for Class 1 LP Units of BP Canada LP ("**Facility D**"). The amount available under Facility B permanently reduces whenever Royalties LP repays principal on that facility.

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

The principal amounts drawn on Facility A, Facility B and Facility D are due and payable upon maturity. In addition, Royalties LP made principal payments of $0.7 million, $1.0 million and $1.0 million on December 31, 2020, March 31, 2021 and June 30, 2021, respectively, and is required make the following further principal payments on Facility B: (a) $1.0 million on September 30, 2021; (b) $0.7 million on December 31, 2021; and (c) $0.5 million on each of March 31, 2022, June 30, 2022 and September 30, 2022.

The Credit Facilities are secured by a first charge on the assets of Holdings LP and Royalties LP. The Credit Facilities are guaranteed by the Fund and all of its subsidiaries, each of whom granted security over all its assets in favour of the Bank in support of such guarantees.

The principal financial covenant under the Credit Facilities is that the Fund's total funded net debt to EBITDA ratio is not to exceed 3.25:1 on June 22, 2020, increasing immediately to not exceed 3.75:1 after June 22, 2020, further increasing to not exceed 4.25:1 on October 1, 2020, reducing to not exceed 3.50:1 on April 1, 2021 and reducing further to not exceed 3.00:1 on and after July 1, 2021. In addition, the amended and restated credit agreement dated January 24, 2020 among Royalties LP, Holdings LP, the Bank and others governing the Credit Facilities, as amended by a first supplemental credit agreement dated June 22, 2020 (collectively, the "**Credit Agreement**") contains certain covenants and restrictions, including the requirement to meet certain financial ratios described above. A failure of the Fund or its subsidiaries to comply with these covenants and restrictions could entitle the Bank to demand repayment of the outstanding balance drawn on the Credit Facilities prior to maturity. Royalties LP and Holdings LP were in compliance with all of their financial covenants and financial condition tests as 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 Credit Agreement, a copy of which is available on www.sedar.com.

As of June 30, 2021, working capital of the Fund totaled \$3.1 million (June 30, 2020 – \$2.9 million). The Fund has no requirement to maintain a certain amount of working capital. As of June 30, 2021, no amount was drawn on Facility A, \$56.5 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, 2021:

(in thousands of dollars)	< 1 year	1 - 5 years	Total	Book Value
Accounts payable and accrued liabilities	552	–	552	552
Current income tax payable	40	–	40	40
Credit Facilities and Swaps[1]	6,223	88,806	95,029	90,515
	6,815	88,806	95,621	91,107

Note:

1) The Credit Facilities and Swaps include expected interest payments based on the Fund's blended rate of 3.95% to the scheduled maturity date of the Credit Facilities of December 31, 2022 and excludes deferred financing costs of \$0.3 million.

Interest Rate Swaps

Royalties LP and Holdings LP, as applicable, previously entered into the following interest rate swaps under their respective International Swap Dealers Association Master Agreements with the Bank (the "**Swaps**"):

(a) Royalties LP entered into a Swap to fix the interest rate at 1.51% plus between 2.00% and 3.00% per annum (depending upon funded debt to EBITDA ratios) for a term ending on February 1, 2022 for \$13.9 million of the \$56.5 million drawn on Facility B;

(b) Royalties LP entered into a Swap to fix the interest rate at 2.40% plus between 2.00% and 3.00% per annum (depending upon funded debt to EBITDA ratios) for a term ending on January 1, 2023 for \$15.0 million of the \$56.5 million drawn on Facility B;

(c) Royalties LP entered into a Swap to fix the interest rate at 2.27% plus between 2.00% and 3.00% per annum (depending upon debt to EBITDA ratios) for a term ending on April 1, 2024 for \$15.0 million of the \$56.5 million drawn on Facility B;

(d) Holdings LP entered into a Swap to fix the interest rate at 1.02% plus between 2.00% and 3.00% per annum (depending upon debt to EBITDA ratios) for a term ending on August 14, 2025 for \$17.0 million of the \$33.3 million drawn on Facility D; and

(e) Holdings LP entered into a Swap to fix the interest rate at 1.09% plus between 2.00% and 3.00% per annum (depending upon debt to EBITDA ratios) for a term ending on March 1, 2026 for \$15.0 million of the \$33.3 million drawn on Facility D.

$12.6 million drawn on Facility B and $1.3 million drawn on Facility D currently bear interest at 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 is determined using valuation techniques at each reporting date and any change in the fair value of the Swaps is included in the Fund's comprehensive income or loss. The Fund recognized a $0.2 million fair value gain on the Swaps for the Period in its consolidated statements of comprehensive income (loss) compared to a $0.2 million fair value loss on the Swaps for the second quarter of 2020. YTD, the Fund recorded a $1.3 million fair value gain on the Swaps (2020 – $2.0 million fair value loss) in the consolidated statements of comprehensive income (loss).

Cash Flows

Cash Flow from Operating Activities

Period

Cash generated from operating activities for the Period was $6.4 million compared to cash used from operating activities of $0.7 million in the second quarter of 2020. The increase of $7.1 million was primarily due to increased changes in working capital of $6.9 million and an increase of Royalty and Distribution Income of $1.5 million, partially offset by an increase in income taxes paid of $1.3 million.

YTD

Cash generated from operating activities YTD was $12.4 million compared to $8.8 million year-to-date in 2020. The increase of $3.6 million was primarily due to increased changes in working capital of $5.6 million, partially offset by a decrease of Royalty and Distribution Income of $0.9 million and an increase in income taxes paid of $1.2 million.

Cash Flow used in Financing Activities

Period

During the Period, the Fund used $6.8 million in cash for financing activities compared to $0.8 million in the second quarter of 2020. The increase of $6.0 million was primarily due to higher distributions paid to Unitholders of $4.2 million, the repayment of long-term debt of $1.0 million, higher interest paid on Class B Units of $0.6 million and higher interest paid on long-term debt of $0.2 million, partially offset by lower deferred financing fees of $0.1 million. Additionally, in the second quarter of 2020 a draw of $0.8 million was made on the Credit Facilities with the proceeds used to repay other liabilities for $0.8 million. There were no comparable draws or repayments of other liabilities in the Period.

YTD

YTD, the Fund used $18.5 million in cash for financing activities compared to $9.6 million year-to-date in 2020. The increase of $8.9 million was primarily due to higher distributions paid to Unitholders of $5.8 million, the repayment of long-term debt of $2.1 million, higher interest paid on Class B Units of $0.9 million and higher interest paid on long-term debt of $0.4 million, partially offset by lower deferred financing fees of $0.4 million. Additionally, in 2020, draws of $4.3 million were made on the Credit Facilities with the proceeds used to purchase Units under the NCIB for $3.5 million and to repay other liabilities for $0.8 million. There were no comparable draws, NCIB transactions or repayments of other liabilities YTD.

Related Party Transactions

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

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

- The total amount charged by BPI in respect of the Administrative Services for the Period was $0.1 million (Q2 2020 – $0.1 million). The total amount paid to BPI in respect of these services for the Period was $0.1 million (Q2 2020 - $0.1 million).

- As at June 30, 2021, interest payable by the Fund to BPI in respect of the Class B Units was nil (June 30, 2020 – nil).

- As at June 30, 2021, the Royalty receivable from BPI was $3.8 million including nominal interest on deferred payments (June 30, 2020 – $6.3 million), and the Distribution Income receivable from BP Canada LP was $1.2 million including nominal interest on deferred payments (June 30, 2020 – $2.0 million). See the "Distributions" section of this MD&A for more details.

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Fund's 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.

Estimates - Intangible Assets – the BP Rights

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

The Fund considers both external and internal sources of information in assessing whether there are any indicators that the BP Rights are impaired. External sources of information the Fund considers include changes in the market, including the Fund's market capitalization relative to its net asset carrying amount, and the economic and legal environment in which the Fund operates that are not within its control and are expected to affect the recoverable amount of the asset. Internal sources of information the Fund considers include the expected annual Franchise Sales of the Boston Pizza Restaurants discounted by the yield of Units. There were no indicators of impairment at June 30, 2021.

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

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

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

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

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

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

(i) Class B Units

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

(ii) Class 1 Units and Class 2 LP Units

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

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

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

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

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 SRS, Distributable Cash and Payout Ratio, do not have standardized meanings prescribed by IFRS and therefore may not 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.

SRS

As noted above, SRS 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 SRS to an IFRS measure is not possible. The Fund believes that SRS provides investors useful information regarding the change in gross sales of Boston Pizza Restaurants.

Distributable Cash

Prior to the fourth quarter of 2020, "**Distributable Cash**" was defined to be, in respect of any particular period, the Fund's cash flow from operations for that period minus (a) BPI's entitlement in respect of its Class B Units in respect of the period, minus (b) interest paid on long-term debt during the period, minus (c) the SIFT Tax expense in respect of the period, plus (d) SIFT Tax paid during the period.

Commencing in the fourth quarter of 2020, "**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 entitlement in respect of its Class B Units in respect of the period, minus (b) interest paid on long-term debt during the period, minus (c) principal repayments on long-term debt that are contractually required to be made during the period, minus (d) the 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**").

The Fund made this change to ensure that the calculation of Distributable Cash reflects as accurately as possible the actual amount of cash generated by the Fund during a period that is available for distribution to Unitholders. Since principal repayments on long-term debt that are contractually required to be made by the Fund consume cash flow from operations, management believes it is appropriate to subtract these principal repayments from cash flow from operations when calculating Distributable Cash. The Fund did not have a requirement to repay any principal amounts under the Credit Facilities prior to the fourth quarter of 2020. As previously noted, the Fund is contractually required to make quarterly principal repayments on Facility B from and after the fourth quarter of 2020. Accordingly, the change to how Distributable Cash is calculated as described above does not impact the calculation of Distributable Cash for periods prior to the fourth quarter of 2020.

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 component of 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 Payout Ratio for the Period, the distributions paid by the Fund on the Units during the Period were the March 2021 distribution (which was paid on April 30, 2021), the April 2021 distribution (which was paid on May 31, 2021) and the May 2021 distribution (which was paid on June 30, 2021). Similarly, for the purpose of calculating Payout Ratio for any other period, the distributions paid during that period would be used.

Management believes that Payout Ratio provides investors with useful information on the extent to which the Fund distributes cash on Units. As 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. The effects of COVID-19 may affect the Fund's Payout Ratio in the future.

Since Payout Ratio is calculated using Distributable Cash, the change to how Distributable Cash is calculated described above impacts Payout Ratio. Specifically, the change to how Distributable Cash is calculated results in Distributable Cash being less than it would be without that change, and therefore Payout Ratio is higher than it would be without that change, since Distributable Cash is the denominator in the calculation of Payout Ratio. Management believes that the effect this has on Payout Ratio provides investors with more accurate information regarding the extent to which the Fund distributes cash on Units since principal repayments on long-term debt that the Fund is contractually required to make reduces the amount of cash that is available for distribution on Units.

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 Gain (Loss) and Income Taxes

Management believes that it is useful to provide investors with the sub-total of profit before fair value gain (loss) 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.

SHORT-TERM OUTLOOK

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

COVID-19 had sudden, unexpected and unprecedented impacts on the general economy, the restaurant industry and has specifically caused significant disruption to the business of the Fund and BPI. The focus of BPI's management is to continue to: (i) monitor carefully the continuously evolving COVID-19 situation; (ii) modify the operating procedures of Boston Pizza Restaurants to ensure the safety of guests and staff of BP Canada LP's franchisees; (iii) responsibly and safely operate the dining rooms, sports bars and patios of Boston Pizza Restaurants across Canada when permitted by applicable provincial health authorities; (iv) maximize the opportunity to grow its take-out and delivery business; and (v) review and adapt current and future plans to responsibly address the challenges and opportunities presented by COVID-19. Management of BPI anticipates that sales levels for the second half of 2021 may be favourable compared to the first half of 2021 due to the easing of governmental restrictions in June 2021, however, COVID-19 will continue to have a negative and volatile impact on the business of Boston Pizza Restaurants during the remainder of 2021.

The trustees of the Fund will continue to closely monitor BPI's and BP Canada LP's business as the COVID-19 situation continues to develop and consider the best interests of the Fund and its stakeholders. While COVID-19 persists, the trustees of the Fund expect that Franchise Sales and SRS at Boston Pizza Restaurants, and resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders will continue to be adversely affected.

RISKS & UNCERTAINTIES

For information on risks and uncertainties related to BPI and the Fund, please refer to the Fund's and BPI"s MD&As for the year-ended December 31, 2020 available on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Additional information relating to the Fund, Royalties LP, Royalties GP, BPCHP, the Trust, Holdings LP, Holdings GP, BPI and BP Canada LP, including the Fund's Annual Information Form dated February 9, 2021, is available on SEDAR at www.sedar.com and on the Fund's website at www.bpincomefund.com.

NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

- future distributions and dates distributions are to be paid or payable;
- adjustments to Additional Entitlements that are to occur in the future and when such adjustments will occur;
- how changes in distributions will be implemented;
- how distributions will be funded;
- management anticipates that sales levels for the second half of 2021 may be favourable compared to the first half of 2021 due to the easing of governmental restrictions in June 2021, however, COVID-19 will continue to have a negative and volatile impact on the business of Boston Pizza Restaurants during the remainder of 2021;
- declines in Franchise Sales and SRS will result in significant declines to Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders when compared to periods prior to COVID-19;
- the effects of COVID-19 may materially affect the Fund's Payout Ratio in the future;
- BPI management modifying operations and procedures of Boston Pizza Restaurants to ensure the safety of guests and employees of BP Canada LP's franchisees;
- the trustees of the Fund continuing to closely monitor BPI's and BP Canada LP's business as the COVID-19 situation continues to develop and considering the best interests of the Fund and its stakeholders;
- the Fund's expectation that future distributions will continue to be funded entirely by cash flows from operations;
- the Fund's current sources of liquidity being sufficient to cover its currently known short and long-term obligations;
- impact of seasonality on Franchise Sales and Payout Ratio;
- estimated effective tax rate;
- estimated 2021 annual Franchise Sales, Royalty and Distribution Income to be generated by New Restaurants; and
- that Boston Pizza Restaurants will close for two to three weeks to complete a renovation and experience an incremental sales increase in the year following the re-opening.

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;
- Boston Pizza Restaurants maintaining operational excellence;
- culinary innovation and menu re-pricing;

- continuing operations of key suppliers;
- availability of experienced management and hourly employees;
- ability to obtain qualified franchisees;
- ability to open sufficient New Restaurants to replace Franchise Sales of Closed Restaurants;
- ability to comply with disclosure obligations under franchise laws and regulations;
- ability to obtain adequate insurance coverage;
- ability to enter into arrangements with suppliers and distributors to generate competitive pricing for franchisees and revenue for BP Canada LP;
- no additional increases in SIFT Tax and sales tax rates;
- COVID-19 will continue to negatively impact Boston Pizza dining rooms and sports bars across Canada;
- the closure of and/or reduction of seating capacity of certain Boston Pizza dining rooms and sports bars across Canada as a result of COVID-19 will result in significant declines in Franchise Sales and SRS; and
- COVID-19 and its related restrictions will continue to dissipate.

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

- competition;
- consumer spending habits;
- consumer confidence in the retail sector;
- household debt;
- weather;
- pricing;
- changes in demographic trends;
- changes in consumer preferences and discretionary spending patterns;
- changes in national and local business and economic conditions;
- legislation and government regulation;
- cash distributions are not guaranteed;
- accounting policies and practices;
- the results of operations and financial conditions of BPI and the Fund;
- inflation;
- publicity from any food borne illness;
- increase in food, labour or benefits costs;
- Boston Pizza Restaurant closures;
- successful challenge of the BP Rights;
- inadequacy of insurance coverage;
- increases in the rate of SIFT Tax and sales tax;
- litigation against franchisees;
- inability to attract and retain key personnel;
- data security breaches and technological failures;
- pandemics and national health crises, in particular COVID-19;
- government restrictions with respect to the re-opening of Boston Pizza dining rooms and sports bars across Canada and their impact on Franchise Sales and SRS; and
- the trustees of the Fund continuing to monitor the effects of COVID-19 on the Fund and adjusting distribution policy in a prudent manner as circumstances warrant with a view to preserving Unitholder value.

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

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