

A&W Revenue Royalties Income Fund

Q3

Third Quarter Report to Unitholders
for the period ended
September 11, 2022

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Chairman's Report to Unitholders

On behalf of the Trustees of the A&W Revenue Royalties Income Fund (the "Fund"), I am pleased to report the results for the third quarter ended September 11, 2022.

The Fund's royalty income increased by 7.3% in the third quarter of 2022 as compared to the third quarter of 2021. The increase in royalty income was driven by the Royalty Pool Same Store Sales Growth⁽¹⁾ for the quarter of 4.0% and the additional gross sales from the 21 net new restaurants that were added to the Royalty Pool on January 5, 2022.

Year to date the Fund has achieved Royalty Pool Same Store Sales Growth⁽¹⁾ of 8.9% which has been fueled primarily by an increase in guest visits. During the first three quarters of 2021 there were a number of A&W restaurants that were temporarily closed and many of the restaurants that were open were not able to offer dine-in services due to restrictions. There have been no temporary closures of A&W restaurants due to COVID-19 restrictions in 2022 and by the end of Q2 2022 most restrictions, such as capacity limits on dine-in guests, reduced hours of operation and requirements for dine-in guests to show proof of vaccination, had been lifted.

Year to date Distributable cash per equivalent unit⁽²⁾ has increased by 6.5¢ to \$1.315 per unit. Royalty Pool Same Store Sales Growth is the primary driver of the increase in distributable cash per unit, and as a result of the strong performance of the restaurants in the royalty pool, we are pleased to be able to increase monthly distributions, from 15.5¢ per unit to 16.0¢ per unit. This brings the annualized rate of distribution to \$1.92 per unit, a new high water mark for the Fund.

A&W's partnerships with its franchisees and suppliers, along with its strategic initiatives and unwavering commitment to its mission "To become #1 with millennial burger lovers, chosen and trusted for truly good food and the convenience they crave", have allowed A&W to continue to open new restaurants, innovate and increase guest visits.

On behalf of the Trustees, I would like to thank the Fund's unitholders for the continued trust and confidence that they place in the Fund and recognize all of A&W's guests, franchisees and employees for their loyalty.



John R. McLernon

Chairman

A&W Revenue Royalties Income Fund

(1) "Royalty Pool Same Store Sales Growth" is a non-IFRS supplementary financial measures. See the "Non-IFRS Measures" section of the Fund's MD&A for the third quarter ended September 11, 2022, for further details on how this measure is calculated and used to assess the Fund's performance.

(2) "Distributable cash per equivalent unit" is a non-IFRS ratio. See the "Non-IFRS Measures" section of the Fund's MD&A for the third quarter ended September 11, 2022, for further details on how this ratio is calculated and used to assess the Fund's performance.



A&W Revenue Royalties Income Fund Management Discussion and Analysis

This Management Discussion and Analysis (“MD&A”) covers the third quarter period from June 20, 2022 to September 11, 2022 and the year to date period from January 1, 2022 to September 11, 2022. This MD&A is dated October 18, 2022. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the A&W Revenue Royalties Income Fund (the “Fund”) for the quarter and year to date period ended September 11, 2022 and the audited annual consolidated financial statements of the Fund for the year ended December 31, 2021. Readers are also referred to the unaudited interim condensed consolidated financial statements of A&W Food Services of Canada Inc. (“Food Services”) for the quarter and year to date period ended September 11, 2022 and the audited annual consolidated financial statements of Food Services for the 52 week year ended January 2, 2022. Such financial statements and additional information about the Fund and Food Services are available at www.sedar.com or www.awincomefund.ca.

The financial results reported in this MD&A are derived from the unaudited interim condensed consolidated financial statements of the Fund, which are prepared in accordance with International Financial Reporting Standards (“IFRS”) as applicable to interim financial reports, including International Accounting Standards 34, Interim Financial Reporting. The accounting policies applied in the unaudited interim condensed consolidated financial statements and this MD&A are consistent with those followed in the preparation of the Fund’s annual consolidated financial statements for the year ended December 31, 2021.

The Fund uses a fiscal year ending December 31. Food Services uses a fiscal year comprising a 52- or 53-week period ending on the Sunday nearest December 31. Food Services’ fiscal 2021 year was 52 weeks and ended January 2, 2022 (2020 – 53 weeks ended January 3, 2021). The Fund aligns its quarterly financial reporting with that of Food Services and therefore the Fund’s third quarter of 2022 ended September 11, 2022 (2021 – September 12, 2021), 36 weeks after Food Services’ fiscal year end. Readers should be aware that the 2022 first quarter results are not directly comparable to the 2021 first quarter results, as there were 86 days of sales in Q1 2022 compared to 87 days of sales in Q1 2021. The second and third quarters of both years had 84 days. Royalty Pool Same Store Sales Growth is based on an equal number of days in the quarter and year.

HIGHLIGHTS

- Royalty income increased by 7.4% in Q3 2022 and 11.9% year to date, as compared to the comparable periods in 2021.
- Royalty Pool Same Store Sales Growth⁽ⁱ⁾ was +4.0% for Q3 2022 and +8.9% year to date.
- The monthly distribution rate will be increased from 15.5¢ per Unit to 16.0¢ per Unit beginning with the October 2022 distribution that is payable November 30, 2022.

(i) “Royalty Pool Same Store Sales Growth” is a non-IFRS supplementary financial measure. Refer to the “Non-IFRS Measures” section of this MD&A for further details on how this measure is calculated and used to assess the Fund’s performance.

SELECTED INFORMATION

The following selected information, other than “Royalty Pool Same Store Sales Growth”, “Gross sales reported by A&W restaurants in the Royalty Pool”, “Distributable cash generated”, “Distributable cash per equivalent unit”, “Distributions and dividends declared per equivalent unit” and information with respect to numbers of restaurants and equivalent units have been derived from financial statements prepared in accordance with IFRS and all dollar amounts are reported in Canadian currency. See “Non-IFRS Measures”.

(dollars in thousands except per unit amounts)	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jun 21, 2021 to Sep 12, 2021	Period from Jan 1, 2022 to Sep 11, 2022	Period from Jan 1, 2021 to Sep 12, 2021
Royalty Pool Same Store Sales Growth ⁽ⁱ⁾	4.0%	16.8%	8.9%	14.0%
Number of restaurants in the Royalty Pool	1,015	994	1,015	994
Gross sales reported by A&W restaurants in the Royalty Pool ⁽ⁱ⁾	\$439,950	\$409,452	\$1,198,779	\$1,070,819
Royalty income	\$13,198	\$12,284	\$35,963	\$32,125
General and administrative expenses	121	103	507	405
Term loan and other interest (net)	489	580	1,583	1,797
Current income tax provision	2,036	2,087	7,821	6,012
Distributable cash generated ⁽ⁱⁱ⁾	\$10,552	\$9,514	\$26,052	\$23,911
Number of equivalent units ⁽ⁱⁱⁱ⁾	19,813,593	19,132,830	19,813,593	19,132,830
Distributable cash per equivalent unit ^(iv)	\$0.533	\$0.497	\$1.315	\$1.250
Distributions and dividends declared per equivalent unit ^(iv)	\$0.465	\$0.435	\$1.240	\$1.075
Payout ratio ^(iv)	80.3%	77.5%	98.4%	93.6%
Net cash generated from operating activities	\$10,678	\$9,042	\$31,079	\$22,400
Net income ^(v)	\$9,568	\$8,896	\$29,528	\$23,730

(i) “Royalty Pool Same Store Sales Growth” and “Gross sales reported by A&W restaurants in the Royalty Pool” are non-IFRS supplementary financial measures. Refer to the “Non-IFRS Measures” section of this MD&A for further details on how these measures are calculated and used to assess the Fund’s performance.

(ii) “Distributable cash generated” is a non-IFRS financial measure. Refer to the table on the following page for a reconciliation of this measure to the most comparable IFRS measure and the “Non-IFRS Measures” section of this MD&A for further details on how it is used to assess the Fund’s performance.

(iii) Equivalent units include Units and Limited Voting Units of the Fund (“Limited Voting Units” and together with the Units, the “Trust Units”) and common shares of Trade Marks (as defined below) that are exchangeable for Trust Units. The number of equivalent units in 2022 is calculated on a fully-diluted basis and includes the 111,082 LP units (as defined below) that are

exchangeable for 222,164 common shares of Trade Marks representing the remaining 20% of the initial consideration for the January 5, 2022 adjustment to the Royalty Pool, which LP units are held back until the number of LP units is determined in December 2022 based on the actual annual sales reported by the new restaurants. See “Adjustment to the Royalty Pool”. The number of equivalent units in 2021 is calculated on a fully-diluted basis and includes 116,329 LP units, exchangeable for 232,658 common shares of Trade Marks representing the remaining 20% of the initial consideration for the January 5, 2021 adjustment to the Royalty Pool but does not include the adjustment to increase the final consideration by 125,354 LP units, equivalent to 250,708 common shares of Trade Marks, made in December 2021 based on the actual system sales for the A&W Restaurants added to the Royalty Pool as part of the January 5, 2021 adjustment to the Royalty Pool.

(iv) “Distributable cash per equivalent unit”, “Distributions and dividends declared per equivalent unit” and “Payout ratio” are non-IFRS ratios. Refer to the “Non-IFRS Measures” section of this MD&A for further details on how these ratios are calculated and used to assess the Fund’s performance.

(v) Net income includes unrealized gains and losses on interest rate swaps, amortization of financing fees and deferred income taxes. These non-cash items have no impact on the Fund’s ability to pay distributions to unitholders.

The following table provides a reconciliation of “Distributable cash generated” to “Net cash generated from operating activities”, the most comparable IFRS measure, for the periods indicated.

(dollars in thousands)	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jun 21, 2021 to Sep 12, 2021	Period from Jan 1, 2022 to Sep 11, 2022	Period from Jan 1, 2021 to Sep 12, 2021
Net cash generated from operating activities	\$10,678	\$9,042	\$31,079	\$22,400
Term loan and other interest (net)	(489)	(580)	(1,583)	(1,797)
Current income tax provision	(2,036)	(2,087)	(7,821)	(6,012)
Net changes in items of non-cash working capital	137	490	1,283	887
Interest paid	762	636	1,431	1,325
Income tax paid	1,500	2,013	1,663	7,108
Distributable cash generated	\$10,552	\$9,514	\$26,052	\$23,911

NON-IFRS MEASURES

This MD&A makes references to certain non-IFRS measures. The Fund believes that disclosing these non-IFRS measures provides readers of this MD&A with important information regarding the Fund’s financial performance and its ability to pay distributions to unitholders. By considering these measures in combination with IFRS measures, the Fund believes that readers are provided with additional and more useful information about the Fund than readers would have if they simply considered IFRS measures alone. The non-IFRS measures reported by the Fund do not have a standardized meaning prescribed by IFRS and the Fund’s method of calculating these measures may differ from those of other issuers or companies and may not be comparable to similar measures used by other issuers or companies.

Non-IFRS financial measures

The following non-IFRS financial measure is disclosed in this MD&A:

Distributable cash generated. Distributable cash generated is a non-IFRS financial measure and is calculated as royalty income less cash expenses and can be reconciled to net cash flows generated from operating activities by adjusting for interest, current income taxes, financing fees paid and net changes in

items of working capital. Changes in items of working capital are excluded as the Fund's working capital requirements are not permanent and are primarily due to the timing of payments between related parties. Financing fees are deducted as they are capitalized and amortized over the term of the credit facility. No deduction is made for capital expenditures as the Fund has no capital expenditures. As discussed under "Income Taxes", A&W Trade Marks Inc.'s ("Trade Marks") provision for income taxes includes refundable income tax paid or recoverable. This refundable income tax is not deducted in calculating the amount of Distributable cash generated, in order to more accurately reflect the actual amount of cash generated by the business to pay distributions to public unitholders and Food Services and dividends to Food Services. The Fund expects that net cumulative refundable income tax paid will be recovered in future years when sufficient dividends are paid by Trade Marks. The Fund believes that Distributable cash generated is a useful measure for investors as it reflects the amount of actual cash generated to pay distributions to unitholders and dividends to Food Services.

Refer to the "Selected Information" section for reconciliations of Distributable cash generated to net cash generated from operating activities, the most comparable IFRS measure, for the current and comparable reporting periods.

Non-IFRS ratios

The following non-IFRS ratios are disclosed in this MD&A:

Distributable cash per equivalent unit. Distributable cash per equivalent unit is a non-IFRS ratio and is calculated as distributable cash generated divided by the number of equivalent units outstanding during the relevant period on a fully diluted basis. The Fund believes that Distributable cash per equivalent unit is a useful measure for investors as it reflects the amount of actual cash generated per equivalent unit to pay distributions to public unitholders and Food Services and dividends to Food Services.

Distributions and dividends declared per equivalent unit. Distributions and dividends declared per equivalent unit is a non-IFRS ratio and is calculated as the sum of the distributions and dividends declared divided by the number of equivalent units outstanding during the relevant period on a fully diluted basis. The Fund believes that Distributions and dividends declared per equivalent unit is a useful measure for investors as it provides them with the amount of total cash distributions declared during the reporting period.

Distributions and dividends declared and accrued per equivalent unit. Distributions and dividends declared and accrued per equivalent unit is a non-IFRS ratio and is calculated as the sum of (i) distributions and dividends declared per equivalent unit in respect of each full calendar month in the applicable period, and (ii) the aggregate run-rate amount of the current monthly distribution for the remainder of the calendar year, with the sum of (i) and (ii) pro-rated based on the number of days in the reporting period. The Fund believes that Distributions and dividends declared and accrued per equivalent unit is a useful measure for investors as it provides them with the amount per equivalent unit of distributions paid to date and payable for the balance of the year, at the distribution rate in effect at the end of the reporting period, prorated based on the number of days in the reporting period.

Payout ratio. Payout ratio is a non-IFRS ratio and is calculated by dividing total distributions declared and accrued per equivalent unit, by the Distributable cash per equivalent unit generated in that period. The Fund believes that the Payout ratio provides investors with useful information on the extent to which the Fund distributes the Distributable cash generated.

Non-IFRS supplementary financial measures:

The following non-IFRS supplementary financial measures are disclosed in this MD&A:

Gross sales reported by A&W restaurants in the Royalty Pool. Gross sales reported by A&W restaurants in the Royalty Pool (the “Royalty Pool”) reflects the sum of (i) the gross sales reported to Food Services by franchisees of A&W restaurants that are in the Royalty Pool without audit, verification or other form of independent assurance and (ii) the gross sales of A&W restaurants owned and operated by Food Services that are in the Royalty Pool. The Gross sales reported by A&W restaurants in the Royalty Pool reflect sales after deducting amounts for discounts for coupons and other promotional offerings and applicable sales taxes. Gross sales reported by A&W restaurants in the Royalty Pool is the basis for which the royalty is payable by Food Services to A&W Trade Marks Limited Partnership (the “Partnership”) and therefore is a key performance indicator for the Fund.

Royalty Pool Same Store Sales Growth. Royalty Pool Same Store Sales Growth in 2022 versus 2021 reflects the change in gross sales of A&W restaurants in the Royalty Pool that operated, or were temporarily closed at any point due to COVID-19, during the entire quarter and year to date periods ending September 11, 2022 and September 12, 2021, and is based on an equal number of days in each quarter. This measure is a key performance indicator for the Fund as it highlights the performance of the existing A&W restaurants in the Royalty Pool. Royalty Pool Same Store Sales Growth in 2022 versus 2019 (the most recent pre-COVID comparable period) reflects the change in gross sales of A&W restaurants in the Royalty Pool that operated during the year to date periods ending September 11, 2022 and September 8, 2019. This measure is important as it highlights the performance of the A&W restaurants in the Royalty Pool in 2022 versus their performance in 2019 which is the most recently completed year that was not impacted by COVID-19.

SALES PERFORMANCE

Royalty Pool Same Store Sales Growth⁽ⁱ⁾ for the third quarter of 2022 was +4.0% as compared to the same quarter of 2021. Royalty Pool Same Store Sales Growth⁽ⁱ⁾ for the year to date period ended September 11, 2022 was +8.9% as compared to the comparable period in 2021. Royalty Pool Same Store Sales Growth is a function of changes in guest counts and check size, both of which are impacted by sales mix and menu price changes.

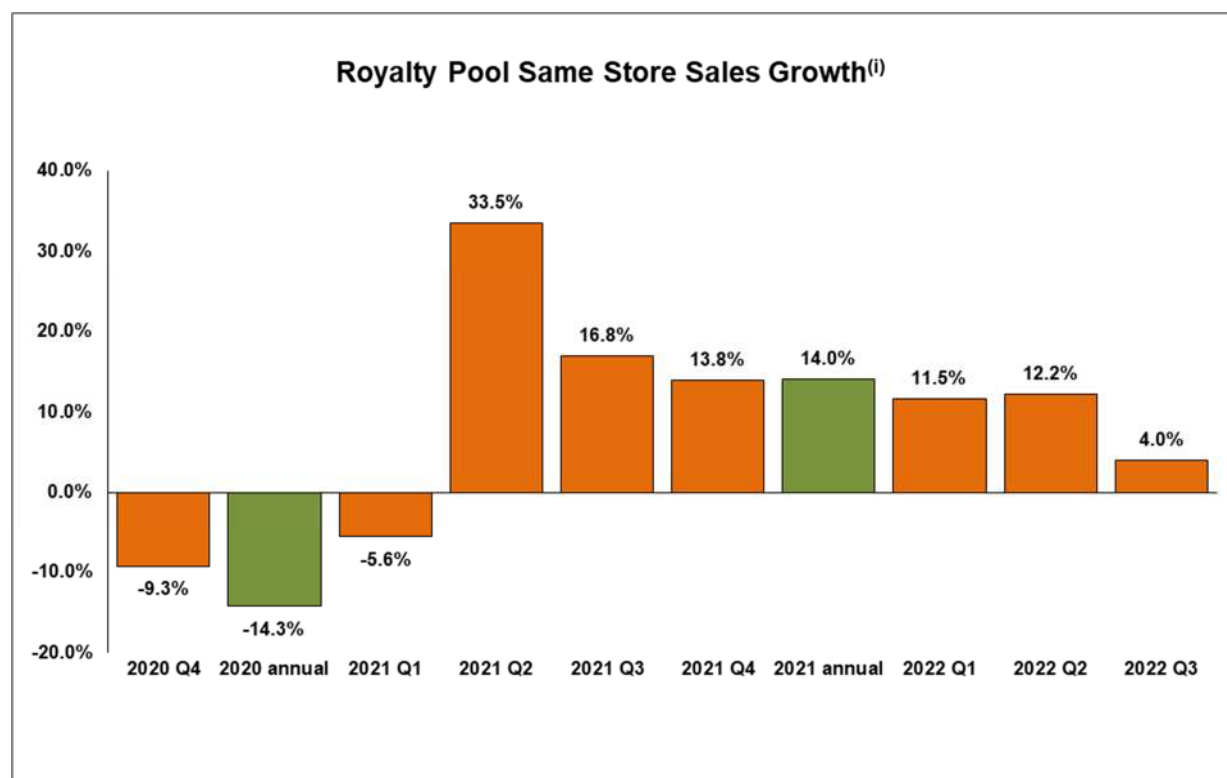
The Q3 2022 Royalty Pool Same Store Sales Growth⁽ⁱ⁾ of +4.0% was a product of an increase in both guest counts and average check size. The growth in average check size was partly attributable to menu prices which have modestly increased in response to industry-wide inflation on goods, services, and labour. The year to date Royalty Pool Same Store Sales Growth⁽ⁱ⁾ of +8.9% was primarily driven by an increase in guest counts, due to there being fewer public health restrictions related to COVID-19 in place across Canada in 2022 as compared to the comparable period in 2021. During the first three quarters of 2021 there were a number of A&W restaurants that were temporarily closed and many of the restaurants that were open were negatively impacted by COVID-19 restrictions. There were no temporary closures of A&W restaurants due to COVID-19 restrictions in 2022 and by end of Q2 2022 most restrictions, such as capacity limits on dine-in guests, reduced hours of operation and requirements for dine-in guests to show proof of vaccination, had been lifted. See “Impact of COVID-19”.

Gross sales reported by A&W restaurants in the Royalty Pool⁽ⁱ⁾ for the third quarter of 2022 were \$439,950,000, a 7.4% increase against gross sales of \$409,452,000 for the third quarter of 2021. Year to

date Gross sales reported by A&W restaurants in the Royalty Pool⁽ⁱ⁾ were \$1,198,779,000, an 11.9% increase against gross sales of \$1,070,819,000 for the comparable period in 2021.

The increase in Gross sales reported by A&W restaurants in the Royalty Pool is driven by the Royalty Pool Same Store Sales Growth in addition to the gross sales from the 21 net new restaurants added to the Royalty Pool on January 5, 2022. The increase was partially offset by there being one less day in the year to date period of 2022 as compared to the year to date period of 2021. See “Impact of COVID-19” and “Adjustment to the Royalty Pool”.

The chart below shows the Royalty Pool Same Store Sales Growth by A&W restaurants in the Royalty Pool for the eight most recently completed quarters and two most recently completed years.



As a result of the performance by restaurants in the Royalty Pool, the monthly distribution to unitholders will increase from 15.5¢ per Unit to 16.0¢ per Unit beginning with the October distribution which is payable on November 30, 2022. The new distribution rate translates into a go-forward annualized distribution rate of \$1.92 per Unit, an increase of 3.2% from the prior level of \$1.86 per Unit.

⁽ⁱ⁾ “Royalty Pool Same Store Sales Growth” and “Gross sales reported by A&W restaurants in the Royalty Pool” are non-IFRS supplementary financial measures. Refer to the “Non-IFRS Measures” section of this MD&A for further details on how these measures are calculated and used to assess the Fund’s performance.

OVERVIEW

The Fund is a limited purpose trust established in 2001 under the laws of the Province of British Columbia pursuant to the Amended and Restated Declaration of Trust (the “Declaration of Trust”). The Units trade on the Toronto Stock Exchange under the symbol AW.UN. The Fund’s place of business is located at 300 –

171 West Esplanade, North Vancouver, BC. The Fund was established to invest in Trade Marks, which through its ownership interest in the Partnership, owns the A&W trade-marks used in the A&W quick service restaurant business in Canada. The Partnership has granted Food Services a licence (the “Amended and Restated Licence and Royalty Agreement”) to use the A&W trade-marks in Canada for a term expiring December 30, 2100, for which Food Services is required to pay a royalty of 3% of the gross sales reported to Food Services by A&W restaurants in the Royalty Pool. Food Services is a leading franchisor of hamburger quick service restaurants in Canada.

The Partnership distributes its available cash, after satisfaction of any debt service, provision for operating and other expenses and any amounts retained as reserves, by way of distributions on limited partnership units (“LP units”) held by Trade Marks. Trade Marks subsequently distributes its available cash, after satisfaction of debt service and income tax obligations, provisions for administrative expenses of Trade Marks and the Fund, and retention of reasonable reserves, by way of dividends on its common shares held by the Fund and Food Services and one special share held by Food Services. The Fund in turn makes distributions to unitholders, after allowing for reasonable reserves.

Trade Marks’ general and administrative expenses include the expenses of the Fund as the Fund has entered into an administration agreement with Trade Marks dated February 15, 2022 (the “Administration Agreement”) whereby Trade Marks, at its expense, provides or arranges for the provision of services required in the administration of the Fund. On April 8, 2022, Trade Marks and Food Services entered into an agreement for Food Services to provide administrative services to Trade Marks (the “Services Agreement”). Under the terms of the Services Agreement, Food Services is entitled to be paid an annual fee, on a quarterly basis, for the services provided in each fiscal year in an amount approved by the board of directors of Trade Marks that is based on a prescribed time and effort computation. The Services Agreement will remain in effect for the duration of the Administration Agreement, unless terminated by either party by giving 5 years advance written notice to the other party.

A key attribute of the Fund is that the distributable cash available to make distributions to unitholders is based on the Gross sales of the A&W restaurants in the Royalty Pool, less operating expenses associated with operating the Fund, interest and taxes and an allowance for reasonable reserves. The Fund is a top-line fund, meaning it is not subject to variability of earnings or expenses associated with an operating business, but is subject to variability in revenues of the A&W restaurants in the Royalty Pool.

Another important aspect of the Fund is that, as at September 11, 2022, Food Services owned the equivalent of 26.0% (December 31, 2021 – 24.3%) of the Units on a fully-diluted basis through its ownership of Limited Voting Units and common shares of Trade Marks, both of which are exchangeable, at the option of Food Services, for Units. As a result, the interests of Food Services are closely aligned with the interests of unitholders.

Growth in the Fund is achieved in two ways: first, and most importantly, by growing same store sales of the A&W restaurants in the Royalty Pool, and second by increasing the number of A&W restaurants in the Royalty Pool each year.

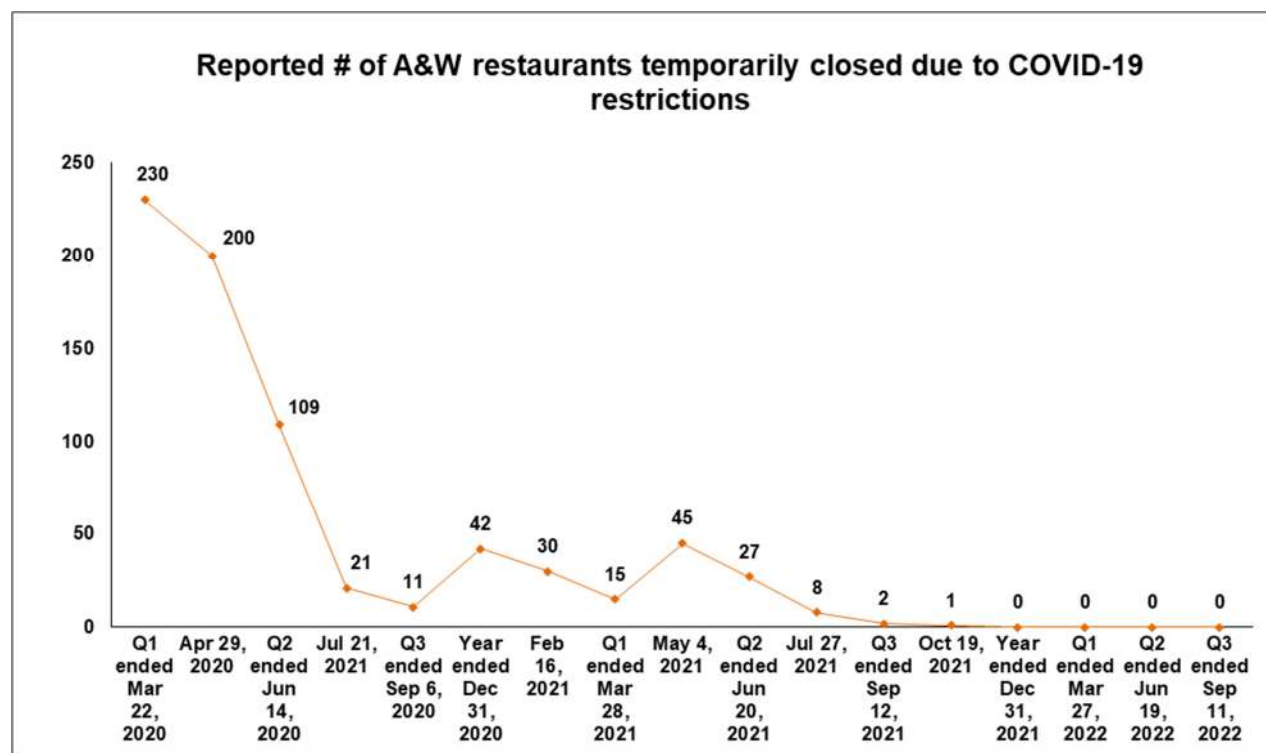
The Royalty Pool is adjusted annually to reflect Gross sales from new A&W restaurants added to the Royalty Pool, net of the gross sales of any A&W restaurants that have permanently closed. Food Services is paid for the additional royalty stream related to the gross sales of the net new restaurants added to the

Royalty Pool, based on a formula set out in the Amended and Restated Licence and Royalty Agreement. The formula provides for a payment to Food Services based on 92.5% of the amount of estimated gross sales from the net new A&W restaurants and the current yield on the Units, adjusted for income taxes payable by Trade Marks. The consideration is paid to Food Services in the form of additional units in the Partnership. The additional LP units are, at the option of Food Services, exchangeable for additional common shares of Trade Marks, which are in turn exchangeable for Trust Units on the basis of two common shares for one Trust Unit.

IMPACT OF COVID-19

COVID-19 has significantly impacted many businesses across Canada, especially restaurants, and the future effect of COVID-19 continues to be uncertain. Since the onset in March 2020, jurisdictions across Canada have had varying levels of COVID-19 related restrictions in place and many of those restrictions have been modified multiple times in response to the fluctuating number of COVID-19 cases.

Actions required in response to the COVID-19 pandemic have adversely affected A&W restaurant operations in Canada, including the temporary closure of A&W restaurants in 2020 and 2021. At its peak impact in the third quarter of 2020, a total of 230 A&W restaurants (out of the then 971 restaurants in the Royalty Pool) were temporarily closed due to public health measures in response to COVID-19. The COVID-19 related public health restrictions began to ease in the third quarter of 2021, by the end of 2021 all of the A&W restaurants that were temporarily closed due to restrictions had reopened. Restrictions continued to ease in 2022 and by the end of Q2 2022 most restrictions, such as capacity limits on dine-in guests, reduced hours of operation and requirements for dine-in guests to show proof of vaccination, had been lifted. The chart below shows the reported number of A&W restaurants that were temporarily closed due to COVID-19 restrictions at specified dates.



Throughout the pandemic, Food Services and its franchisees have worked together on initiatives to help accelerate sales recovery and enhance employee experience. These initiatives include, but are not limited to promotional activity, strengthening and expanding partnerships with third party delivery service providers, increasing the speed of service for drive-thru and serving guests on the A&W mobile app. Food Services and its franchisees also continue to take and maintain measures in their restaurants and broader operations to protect the health of employees and guests including compliance with mandates of relevant public health authorities.

During the pandemic to date, various levels of government have offered a number of important financial programs which have helped support individual restaurant businesses, including A&W franchisees; however, all of those programs have now ceased. See “Risks and Uncertainties”.

In response to the sudden onset of COVID-19, the Fund temporarily suspended monthly distributions on the Units in March 2020 and accordingly no distributions were declared by the Fund in the second quarter of 2020. Regular monthly distributions to unitholders resumed at 10¢ per Unit in the third quarter of 2020 and special distributions totaling 50.0¢ per Unit were paid in the fourth quarter of 2020. In 2021, the monthly distribution rate was increased three times, with the last increase in November 2021 bringing the monthly distribution rate to 15.5¢ per Unit. The Fund also paid a special distribution of 5.0¢ per Unit on December 31, 2021.

The monthly distribution rate remained at 15.5¢ per Unit during the year to date period ended September 11, 2022 and will be increased to 16.0¢ per Unit beginning with the October distribution that is payable on November 30, 2022.

Despite the ongoing impacts of COVID-19, when comparing Royalty Pool same store sales in the year to date period ended September 11, 2022 to Royalty Pool same store sales in the year to date period ended September 8, 2019 (the most recent pre-COVID comparable period), Royalty Pool Same Store Sales Growth⁽ⁱ⁾ was +5.1%. The 5.1% Royalty Pool Same Store Sales Growth⁽ⁱ⁾ over 2019 has been achieved due to strong sales growth from 2019 to 2022 primarily in A&W restaurants with drive-thru.

⁽ⁱ⁾ “Royalty Pool Same Store Sales Growth” is a non-IFRS supplementary financial measure. Refer to the “Non-IFRS Measures” section of this MD&A for further details on how this measure is calculated and used to assess the Fund’s performance.

ADJUSTMENT TO THE ROYALTY POOL

The 2022 annual adjustment to the Royalty Pool took place on January 5, 2022. The number of A&W restaurants in the Royalty Pool was increased by 34 new restaurants less 13 restaurants that permanently closed during 2021. The estimated annual sales of the 34 new A&W restaurants were \$50,688,000 at the time they were added to the Royalty Pool and annual sales for the 13 permanently closed restaurants were \$7,536,000 based on their sales during the first year such restaurants were included in the Royalty Pool. The initial consideration for the estimated additional royalty stream was \$21,472,000, calculated by discounting the estimated additional royalties by 7.5% and dividing the result by the yield on the Units for the 20 trading days ending November 1, 2021. The yield was adjusted to reflect the income tax payable by Trade Marks. The Partnership paid Food Services 80% of the initial consideration or \$17,178,000, by issuance of 444,327 LP units which were subsequently exchanged for 888,654 non-voting common shares of Trade Marks. The remaining consideration payable to Food Services for the January 5, 2022 adjustment to the Royalty Pool of \$4,294,000 is to be paid by issuance of additional LP units, which issuance is held back until the number of LP units is determined in December 2022 based on the actual annual sales

reported by the new restaurants. The actual amount of the consideration paid in December 2022 may differ from this amount depending on the actual annual sales reported by the new A&W restaurants.

COMMON SHARES OF TRADE MARKS

The common shares of Trade Marks are owned by the Fund and Food Services, with their respective ownership as at the end of the two most recently completed financial years and the current quarter being as follows:

(dollars in thousands)	Fund			Food Services			Total	
	Number of shares	Trade Marks' book value \$	%	Number of shares	Trade Marks' book value \$	%	Number of shares	Trade Marks' book value \$
Balance as at December 31, 2020	28,129,271	164,605	75.8	8,973,023	124,220	24.2	37,102,294	288,825
January 5, 2021 adjustment to the Royalty Pool ⁽¹⁾	-	-	(2.9)	1,413,998	20,164	2.9	1,413,998	20,164
April 16, 2021 exchange of common shares for Trust Units ⁽²⁾	4,056,040	63,193	10.6	(4,056,040)	(63,193)	(10.6)	-	-
Balance as at December 31, 2021	32,185,311	227,798	83.5	6,330,981	81,191	16.5	38,516,292	308,989
January 5, 2022 adjustment to the Royalty Pool ⁽³⁾	-	-	(1.8)	888,654	17,178	1.8	888,654	17,178
Balance as at September 11, 2022	32,185,311	227,798	81.7	7,219,635	98,369	18.3	39,404,946	326,167

⁽¹⁾ The number of common shares includes the 241,683 LP units exchanged for 483,366 common shares of Trade Marks representing the remaining consideration paid in December 2021 for the January 5, 2021 adjustment to the Royalty Pool.

⁽²⁾ On April 16, 2021, A&W of Canada Inc., an indirect shareholder of Food Services, completed a reorganization to provide liquidity for some of its shareholders and to simplify the indirect ownership of Food Services (the "Reorganization"). Further details regarding the Reorganization can be found in the Fund's MD&A for the fourth quarter ended December 31, 2021, available at www.sedar.com or www.awincomefund.ca.

⁽³⁾ The number of common shares does not include any LP units exchangeable for common shares of Trade Marks in respect of the remaining consideration payable to Food Services for the January 5, 2022 adjustment to the Royalty Pool, which LP units, if any, are held back until the number of LP units is determined in December 2022 based on the actual annual sales reported by the new restaurants. See "Adjustment to the Royalty Pool"

OWNERSHIP OF THE FUND

The table below shows the ownership of the Fund as of September 11, 2022 and December 31, 2021 on a fully-diluted basis, where the ownership of the Fund as at September 11, 2022 includes the issuance of the excess exchangeable LP units that represent the remaining 20% of the initial consideration for the January 5, 2022 adjustment to the Royalty Pool that are payable to Food Services in December 2022.

	September 11, 2022		December 31, 2021	
	Number of units	%	Number of units	%
Units held by public unitholders	14,585,673	73.6	14,585,673	75.7
Limited Voting Units held by Food Services ⁽¹⁾	1,507,020	7.6	1,507,020	7.8
Number of Trust Units issuable upon exchange of securities of Trade Marks held by Food Services ⁽²⁾	3,720,900	18.8	3,165,491	16.5
Total equivalent units	19,813,593	100.0	19,258,184	100.0

⁽¹⁾ Limited Voting Units in the Fund held by Food Services may be exchanged for Units on the basis of one Limited Voting Unit for one Unit.

⁽²⁾ Common shares of Trade Marks held by Food Services may be exchanged for Trust Units on the basis of two common shares for one Trust Unit.

FINANCIAL RESULTS

INCOME

Royalty income for the third quarter of 2022 was \$13,198,000 based on Gross sales reported by restaurants in the Royalty Pool⁽ⁱ⁾ of \$439,950,000, compared to royalty income of \$12,284,000 and Gross sales reported by A&W restaurants in the Royalty Pool⁽ⁱ⁾ of \$409,452,000 for the third quarter of 2021. Year to date royalty income was \$35,963,000 based on gross sales reported by restaurants in the Royalty Pool⁽ⁱ⁾ of \$1,198,779,000, compared to royalty income of \$32,125,000 and gross sales reported by A&W restaurants in the Royalty Pool⁽ⁱ⁾ of \$1,070,819,000 for the comparable period in 2021.

The increase in royalty income is driven by the Royalty Pool Same Store Sales Growth and the gross sales from the 21 net new restaurants added to the Royalty Pool on January 5, 2022. The increase in the year to date period was partially offset by there being one less day in 2022 than in 2021. See “Sales Performance”, “Impact of COVID-19”, “Risks and Uncertainties” and “Outlook”.

⁽ⁱ⁾ “Gross sales reported by A&W restaurants in the Royalty Pool” is a non-IFRS supplementary financial measure. Refer to the “Non-IFRS Measures” section of this MD&A for further details on how this measure is calculated and used to assess the Fund’s performance.

EXPENSES

The Fund's cash expenses excluding income taxes were as follows:

(dollars in thousands)	Period from June 20, 2022 to Sep 11, 2022	Period from Jun 21, 2021 to Sep 12, 2021	Period from Jan 1, 2022 to Sep 11, 2022	Period from Jan 1, 2021 to Sep 12, 2021
General and administrative expenses	\$121	\$103	\$507	\$405
Term loan and other interest (net)	\$489	\$580	\$1,583	\$1,797

The \$84,000 year over year increase in general and administrative expenses is primarily attributable to the \$88,000 expense (2021 - \$nil) related to administrative services received from Food Services.

The \$123,000 year over year decrease in term loan and other interest (net) was due to a lower effective interest rate on the term loan due to a decrease in the stamping fee. Interest rate swap agreements are used to manage risks from fluctuations in interest rates and facilitate uniform monthly distributions when paid. See "Unrealized Gain on Interest Rate Swaps" and "Liquidity and Capital Resources".

UNREALIZED GAIN ON INTEREST RATE SWAPS

Trade Marks uses interest rate swap agreements to manage risks from fluctuations in interest rates. To manage the interest rate risk associated with the \$60,000,000 term loan Trade Marks has entered into two interest rate swap arrangements, one swap with an effective date of December 22, 2015 and a maturity date of December 22, 2022 (the "Existing Swap") and another swap, which was entered into simultaneously with the renewal of Trade Marks' Credit Facility (as defined below) on September 10, 2021, with an effective date of December 22, 2022 and a maturity date of September 10, 2026 (the "Forward Start Swap"). See "Liquidity and Capital Resources".

The Fund's net income included unrealized gains on the two interest rate swaps that are equal to the change in the fair value of the swaps. These non-cash gains had no impact on the Fund's cash available to pay distributions.

(dollars in thousands)	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jun 21, 2021 to Sep 12, 2021	Period from Jan 1, 2022 to Sep 11, 2022	Period from Jan 1, 2021 to Sep 12, 2021
Gain on Existing Swap	\$(133)	\$(269)	\$(1,170)	\$(1,014)
Loss (gain) on Forward Start Swap	\$234	\$371	\$(3,483)	\$371
Total loss (gain) on interest rate swaps	\$101	\$102	\$(4,653)	\$(643)

INCOME TAXES

The Fund's provision for income taxes was as follows:

(dollars in thousands)	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jun 21, 2021 to Sep 12, 2021	Period from Jan 1, 2022 to Sep 11, 2022	Period from Jan 1, 2021 to Sep 12, 2021
Current				
Current income tax provision	\$2,036	\$2,087	\$7,821	\$6,012
Refundable income tax	410	296	1,240	704
Deferred	458	212	(109)	97
Total provision for income taxes	\$2,904	\$2,595	\$8,952	\$6,813

The Fund as a legal entity is not subject to the Specified Investment Flow-Through ("SIFT") tax as its only source of income is dividends from Trade Marks which are not subject to SIFT tax. The provision for income taxes on the Fund's consolidated statement of income is the expected current and deferred tax payable by Trade Marks as a legal entity.

Trade Marks' taxable income is taxed at an effective rate of 20.0% (2021 – 20.0%), plus an additional tax of 30.67% (2021 – 30.67%) on investment income which is refundable at a rate of 38.33% (2021 – 38.33%) for each dollar Trade Marks pays out in taxable dividends to its shareholders. Trade Marks' provision for income taxes for 2022 includes a payable of refundable income tax of \$1,240,000 based on its year to date share of annual estimated annual taxable income and dividends paid in 2022. Under IFRS, refundable income tax is recognized on the income statement when it is paid or payable or when it is received or receivable. Management expects that the net refundable income tax paid in prior years will be recovered in future years when sufficient dividends are paid by Trade Marks.

Deferred income tax is recorded on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is a non-cash item and has no impact in the current year on the Fund's cash available to pay distributions.

NET INCOME AND COMPREHENSIVE INCOME

Net income and comprehensive income was as follows:

(dollars in thousands)	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jun 21, 2021 to Sep 12, 2021	Period from Jan 1, 2022 to Sep 11, 2022	Period from Jan 1, 2021 to Sep 12, 2021
Net income and comprehensive income attributable to public unitholders of the Fund	\$7,085	\$6,821	\$21,874	\$17,973
Net income and comprehensive income attributable to Food Services' ownership of Limited Voting Units	732	705	2,260	1,209
Net income and comprehensive income attributable to Food Services' non-controlling interest that arises from Food Services' ownership of common shares of Trade Marks	1,751	1,370	5,394	4,548
Total net income and comprehensive income	\$9,568	\$8,896	\$29,528	\$23,730

DISTRIBUTABLE CASH

(dollars in thousands)	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jun 21, 2021 to Sep 12, 2021	Period from Jan 1, 2022 to Sep 11, 2022	Period from Jan 1, 2021 to Sep 12, 2021
Distributable cash generated ⁽ⁱⁱ⁾	\$10,552	\$9,514	\$26,052	\$23,911
Number of equivalent units	19,813,593	19,132,830	19,813,593	19,132,830
Distributable cash per equivalent unit ^(iv)	\$0.533	\$0.497	\$1.315	\$1.250
Distributions and dividends declared per equivalent unit ^{(ii) (iv)}	\$0.465	\$0.435	\$1.240	\$1.075
Distributions and dividends declared and accrued per equivalent unit ^(iv)	\$0.428	\$0.385	\$1.294	\$1.170
Payout ratio ^(iv)	80.3%	77.5%	98.4%	93.6%

Distributable cash generated⁽ⁱⁱ⁾ in the third quarter of 2022 to pay distributions to unitholders and dividends to Food Services was \$10,552,000 compared to \$9,514,000 in the third quarter of 2021. Distributable cash generated⁽ⁱⁱ⁾ in the year to date period was \$26,052,000 compared to \$23,911,000 in the comparable period in 2021. The \$2,141,000 year to date increase in Distributable cash generated⁽ⁱⁱ⁾ was attributable to the \$3,838,000 increase in royalty income, partially offset by the \$1,809,000 increase in the current income tax expense. The increase in the current tax expense in 2022 is largely driven by a timing difference related to when income from the Partnership is captured in Trade Mark's taxable income.

Distributable cash per equivalent unit^(iv) increased by 3.6¢ to 53.3¢ per Unit in the third quarter of 2022 from 49.7¢ per Unit for the third quarter of 2021. Year to date Distributable cash per equivalent unit^(iv) increased by 6.5¢ to \$1.315 per Unit for 2022 from \$1.250 per Unit for the comparable period in 2021. The

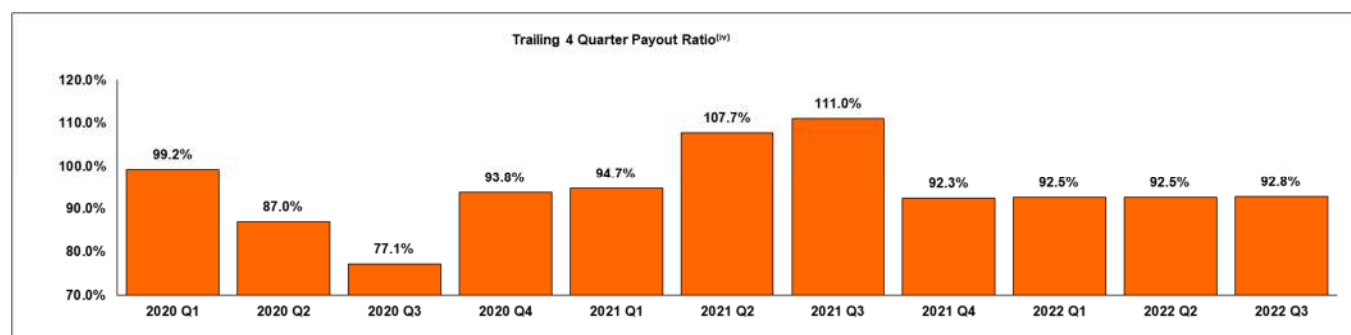
increase in Distributable cash per equivalent unit is a result of the increase in Distributable cash generated discussed above, partially offset by the increase in the number of equivalent units that is a result of the 2022 annual adjustment to the Royalty Pool. See “Adjustment to the Royalty Pool”.

Three monthly distributions totaling 46.5¢ per Unit were declared in the third quarter of 2022 compared to three monthly distributions totaling 43.5¢ per Unit in the third quarter of 2021. Eight monthly distributions totaling \$1.240 per Unit were declared in the 2022 year to date period compared to eight monthly distributions totaling \$1.075 per Unit for the comparable period in 2021. Total distributions declared and accrued per equivalent unit year to date were \$1.294 for 2022 compared to \$1.170 for the comparable period in 2021.

The current monthly distribution rate of 15.5¢ per Unit translates to an annualized distribution of \$1.86 per Unit. Due to the performance by restaurants in the Royalty Pool, the monthly distribution to unitholders will increase from 15.5¢ per Unit to 16.0¢ per Unit beginning with the October distribution which is payable on November 30, 2022. The new distribution rate translates into a go-forward annualized distribution rate of \$1.92 per Unit, an increase of 3.2% from the prior level of \$1.86 per Unit.

The Payout ratio^(iv) for the third quarter of 2022 was 80.3% compared to 77.5% for the third quarter of 2021. The year to date Payout ratio^(iv) for 2022 was 98.4% compared to 93.6% for the comparable period in 2021. The Fund’s long-term objective is to maintain an annual Payout ratio at or below 100%; however, as the Fund strives to provide unitholders with regular monthly distributions (absent unique circumstances, such as those resulting in the declaration of special distributions or a temporary suspension due to COVID-19), and as a result of seasonality of sales in A&W restaurants and the timing of current income taxes, the Fund historically experiences seasonal fluctuations in its Payout ratio. The Payout ratio^(iv) of 98.4% for the year to date period in 2022 is higher than the trailing four quarter Payout ratio^(iv) of 92.8% due primarily to the timing impact of current income taxes.

The following table shows the trailing four quarter Payout ratios for 2020, 2021 and 2022.



(i) In accordance with the Fund’s Declaration of Trust, the Fund declares and records distributions in respect of any particular calendar month at the beginning of the immediate subsequent month, with the exception of the distribution for December of each year, which is declared and recorded in December of each year. Distributions in respect of any particular calendar month are paid on the last business day of the immediate subsequent month. The distributions declared in the first quarter of each year are in respect of the calendar months January and February.

(ii) “Distributable cash generated” is a non-IFRS financial measure. Refer to the table in the “Selected Information” section for a reconciliation of this measure to the most comparable IFRS measure and the “Non-IFRS Measures” section of this MD&A for further details on how it is used to assess the Fund’s performance.

(iv) “Distributable cash per equivalent unit”, “Distributions and dividends declared per equivalent unit”, “Distributions and dividends declared and accrued per equivalent unit” and “Payout ratio” are non-IFRS ratios. Refer to the “Non-IFRS Measures” section of this MD&A for further details on how these ratios are calculated and used to assess the Fund’s performance.

DISTRIBUTIONS TO UNITHOLDERS

Distributions declared during 2022 were as follows:

(dollars in thousands except per unit amounts)					
Month	Record date	Per Trust Unit	Amount paid/payable to public Unitholders	Amount paid/payable to Food Services	Total amount paid/payable
January	February 15, 2022	\$0.155	\$2,261	\$234	\$2,495
February	March 15, 2022	0.155	2,261	233	2,494
March	April 15, 2022	0.155	2,260	234	2,494
April	May 15, 2022	0.155	2,261	234	2,495
May	June 15, 2022	0.155	2,261	233	2,494
June	July 15, 2021	0.155	2,261	233	2,494
July	August 15, 2022	0.155	2,261	234	2,495
August	September 15, 2022	0.155	2,260	234	2,494
		\$1.240	\$18,086	\$1,869	\$19,955

The August 2022 distribution of \$2,494,000 was declared on September 9, 2022 and paid subsequent to quarter end on September 30, 2022, and is reported as a current liability as at September 11, 2022.

On October 7, 2022, the Fund declared a distribution to Unitholders of \$0.155 per Trust Unit or \$2,494,000 payable on October 31, 2022 to unitholders of record as at October 15, 2022.

TAX TREATMENT OF DISTRIBUTIONS

All of the distributions declared in 2022 are designated as non-eligible dividends.

DIVIDENDS ON TRADE MARKS’ COMMON SHARES

Trade Marks declared and paid non-eligible dividends on its voting and non-voting common shares during 2022 as follows:

(dollars in thousands except per unit amounts)				
Month declared/paid	Per Share	Amount paid/payable to the Fund	Amount paid/payable to Food Services	Total amount paid/payable
January	\$0.0775	\$2,495	\$559	\$3,054
February	0.0775	2,494	560	3,054
March	0.0775	2,494	560	3,054
April	0.0775	2,495	559	3,054
May	0.0775	2,494	560	3,054
June	0.0775	2,494	559	3,053
July	0.0775	2,495	559	3,054
August	0.0775	2,494	560	3,054
	\$0.6200	\$19,955	\$4,476	\$24,431

On October 7, 2022, Trade Marks declared dividends on its voting and non-voting common shares equal to \$0.775 per share, or \$3,054,000, payable to Food Services and the Fund on October 31, 2022.

SUMMARY OF QUARTERLY RESULTS

The following selected quarterly results, other than “Distributable cash generated”, “Distributable cash per equivalent unit”, “Distributions and dividends declared per equivalent unit” and information with respect to numbers of restaurants, equivalent units and days have been prepared in accordance with IFRS and all dollar amounts are reported in Canadian currency. See “Non-IFRS Measures”.

	Q3	Q2	Q1	Q4
(dollars in thousands except per unit amounts)	2022	2022	2022	2021
Number of restaurants in the Royalty Pool	1,015	1,015	1,015	994
Royalty income	\$13,198	\$12,187	\$10,578	\$14,956
General and administrative expenses	121	120	266	412
Term loan and other interest (net)	489	520	574	717
Amortization of financing fees	15	15	16	21
Loss (gain) on interest rate swaps	101	(1,817)	(2,937)	(1,606)
Current income tax provision	2,036	2,030	3,755	1,265
Refundable income tax expense (recovery)	410	408	422	(1,794)
Deferred income tax expense (recovery)	458	639	(1,206)	1,817
Net income	\$9,568	\$10,272	\$9,688	\$14,124
Net cash generated from operating activities	\$10,678	\$12,459	\$7,942	\$11,713
Distributable cash generated ⁽ⁱⁱ⁾	\$10,552	\$9,517	\$5,983	\$12,387
Number of equivalent units	19,813,593	19,813,593	19,813,593	19,258,184
Distributable cash per equivalent unit ^(iv)	\$0.533	\$0.480	\$0.302	\$0.643
Distributions and dividends declared per equivalent unit ^{(iii)(iv)}	\$0.465	\$0.465	\$0.310	\$0.665
Number of days in the quarter	84	84	86	110
	Q3	Q2	Q1	Q4
(dollars in thousands except per unit amounts)	2021	2021	2021	2020
Number of restaurants in the Royalty Pool	994	994	994	971
Royalty income	\$12,284	\$10,519	\$9,322	\$13,350
General and administrative expenses	103	96	206	463
Term loan and other interest (net)	580	611	606	681
Amortization of financing fees	8	7	8	11
Gain on interest rate swaps	102	(381)	(364)	(342)
Current income tax provision	2,087	1,893	2,032	2,798
Refundable income tax expense (recovery)	296	54	354	(1,165)
Deferred income tax expense (recovery)	212	144	(259)	(290)
Net income	\$8,896	\$8,095	\$6,739	\$11,194
Net cash generated from operating activities	\$9,042	\$8,540	\$4,818	\$14,629
Distributable cash generated ⁽ⁱⁱ⁾	\$9,514	\$7,919	\$6,478	\$9,408
Number of equivalent units	19,132,830	19,132,830	19,132,830	18,551,185
Distributable cash per equivalent unit ^(iv)	\$0.497	\$0.414	\$0.339	\$0.508
Distributions and dividends declared per equivalent unit ^{(iii)(iv)}	\$0.435	\$0.405	\$0.235	\$0.900
Number of days in the quarter	84	84	87	116

⁽ⁱⁱ⁾ “Distributable cash generated” is a non-IFRS financial measure. Refer to the table on the following page for a reconciliation of this measure to the most comparable IFRS measure and the “Non-IFRS Measures” section of this MD&A for further

details on how it is used to assess the Fund's performance.

- (iii) The distribution for December of each year, which is paid on the last business day of January of the following year, is declared and recorded in the year in which it is earned. Therefore, four monthly distributions are declared in the fourth quarter of each year, and two monthly distributions are declared in the first quarter of each year.
- (iv) "Distributable cash per equivalent unit" and "Distributions and dividends declared per equivalent unit" are non-IFRS ratios. Refer to the "Non-IFRS Measures" section of this MD&A for further details on how these ratios are calculated and used to assess the Fund's performance.

The following table provides a reconciliation of "Total distributable cash generated" to "Net cash generated from operating activities", the most comparable IFRS measure, for the periods indicated.

(dollars in thousands)	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Net cash generated from operating activities	\$10,678	\$12,459	\$7,942	\$11,713
Term loan and other interest (net)	(489)	(520)	(574)	(717)
Current income tax provision	(2,036)	(2,030)	(3,755)	(1,265)
Net changes in items of non-cash working capital	137	800	346	(1,045)
Financing fees paid	-	-	-	(175)
Interest paid (received)	762	(15)	684	1,195
Income tax paid (recovered)	1,500	(1,177)	1,340	2,681
Distributable cash generated	\$10,552	\$9,517	\$5,983	\$12,387

(dollars in thousands)	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Net cash generated from operating activities	\$9,042	\$8,540	\$4,818	\$14,629
Term loan and other interest (net)	(580)	(611)	(606)	(681)
Current income tax provision	(2,087)	(1,893)	(2,032)	(2,798)
Net changes in items of non-cash working capital	490	516	(119)	(7,881)
Financing fees paid	-	-	-	-
Interest paid	636	26	661	1,099
Income tax paid	2,013	1,341	3,756	5,040
Distributable cash generated	\$9,514	\$7,919	\$6,478	\$9,408

SEASONALITY

Sales at A&W restaurants typically fluctuate seasonally however, because of COVID-19, the impact of seasonality was less pronounced in 2020 and 2021. In typical years for A&W restaurants in shopping centres, sales tend to fluctuate due to, among other things, higher traffic during the back-to-school, "Black Friday" and Christmas shopping seasons. In the freestanding and other concepts of A&W restaurants, weather and summer travel, among other things, typically impact sales.

LIQUIDITY AND CAPITAL RESOURCES

Modifications to the operations of A&W restaurants in the Royalty Pool in response to COVID-19, as well as temporary restaurant closures, have impacted and may continue to impact system sales at A&W

restaurants and therefore, gross sales of A&W restaurants in the Royalty Pool and royalty income of the Fund. There is the potential that COVID-19 and related restrictions imposed on restaurant operations could drive future reductions of system sales which have a direct impact on the amount of royalties payable to and earned by the Fund, and correspondingly, funds available to distribute to unitholders of the Fund.

The Fund's normal policy is to distribute all available cash, after allowing for reasonable reserves, in order to maximize returns to unitholders over time. In light of seasonal variances inherent to the restaurant industry and fluctuations in business performance, the Fund's normal policy is to make equal distribution payments to unitholders on a monthly basis (absent unique circumstances, such as those resulting in the declaration of special distributions or a temporary suspension due to COVID-19) in order to smooth out these fluctuations. The Trustees review distribution levels on a regular basis and any change in monthly distributions is expected to be implemented with a view to maintain the continuity of uniform monthly distributions. It is expected that any future distributions will be funded entirely by cash flow from operations and the cash reserve.

Trade Marks has a \$60,000,000 term loan, \$2,000,000 demand operating loan, and an interest rate swap facility (collectively the "Credit Facility") with HSBC Bank Canada (the "Bank"). On September 10, 2021, Trade Marks renewed and extended the Credit Facility for an additional five years on terms and conditions substantially consistent with those of the previous credit facility in place with the Bank and entered into the Forward Start Swap simultaneously.

The \$2,000,000 demand operating loan facility is used to fund working capital requirements and for general corporate purposes. Amounts advanced under the facility bear interest at the Bank's prime rate plus 0.4% and are repayable on demand. As at September 11, 2022, the amount of the facility available was \$2,000,000 (December 31, 2021 - \$2,000,000).

The \$60,000,000 term loan with the Bank is in the form of a banker's acceptance. The term loan is repayable on September 10, 2026. The term loan contains covenants including the requirement to meet certain earnings before interest, taxes, depreciation, amortization and non-cash charges/income ("EBITDA") levels and debt to EBITDA ratios during each trailing four quarter period. Interest only is payable, providing that Trade Marks' EBITDA tested quarterly on a trailing four quarter basis is not less than specified amounts. In the event that EBITDA is less than these specified amounts, the term loan will be fully amortized over the greater of three years and the remaining term and repayment will be by way of blended monthly instalments of principal and interest. Trade Marks was in compliance with all of its financial covenants as at October 18, 2022, September 11, 2022 and December 31, 2021.

Financing fees of \$175,000 that were incurred related to the September 10, 2021 Credit Facility amendment were capitalized in 2021 and are presented as a reduction to the carrying amount of the \$60,000,000 term loan. The financing fees will be amortised over the remainder of the five-year term of the amended Credit Facility.

Trade Marks uses interest rate swap agreements to manage risks from fluctuations in interest rates. To manage the interest rate risk associated with the \$60,000,000 term loan, Trade Marks has entered into two interest rate swaps. The Existing Swap has an effective date of December 22, 2015 and a maturity date of December 22, 2022 and the Forward Start Swap, which was entered into simultaneously with the renewal of the Credit Facility on September 10, 2021, has an effective date of December 22, 2022 and a maturity date of September 10, 2026.

Under the Existing Swap, as at September 11, 2022, the term loan's effective interest rate was 3.95% per annum (December 31, 2021 – 3.95%), comprising 2.80% per annum which is fixed under the swap agreement until December 22, 2022 plus a 1.15% per annum stamping fee. Depending on the performance of the business of Trade Marks, the stamping fee can range between 0.90% and 1.40% in accordance with the following:

Debt to EBITDA Ratio	Credit Charge
< 1.00:1	0.90% per annum
≥ 1.00:1 and < 1.50:1	1.15% per annum
≥ 1.50:1	1.40% per annum

The fair value of the Existing Swap as at September 11, 2022 was \$187,000 favourable (December 31, 2021 - \$983,000 unfavourable) and the change in fair value is recorded in the consolidated statements of income and comprehensive income.

Under the Forward Start Swap, effective December 22, 2022, the term loan's effective interest rate will be 1.74% per annum which is fixed under the Forward Start Swap agreement until September 10, 2026 plus a stamping fee that ranges from 0.90% and 1.40%, depending on Trade Marks' debt to EBITDA ratio in accordance with the table above. The fair value of the Forward Start Swap as at September 11, 2022 was \$4,043,000 favourable (December 31, 2021 – \$560,000 favourable) and the change in fair value is recorded in the consolidated statements of income and comprehensive income.

A general security agreement over the assets of Trade Marks has been provided as collateral for the demand operating loan facility and term loan. The Partnership has provided its guarantee in favour of the Bank of all of the indebtedness, covenants and obligations of Trade Marks to the Bank. Trade Marks is currently, and based upon projections, expects to remain, in compliance with all covenants related to its term loan.

The following is a summary of contractual obligations payable by the Fund:

Payments due by period (dollars in thousands)	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Term loan	\$60,000	\$0	\$0	\$60,000	\$0

The Fund, Trade Marks and the Partnership have no other contractual or purchase obligations except as described under the section "Related Party Transactions and Balances". The Fund, Trade Marks and the Partnership do not have any capital expenditures; their operating and administrative expenses are expected to be stable and reasonably predictable and are considered to be in the ordinary course of business.

OFF-BALANCE SHEET ARRANGEMENTS

The Fund, Trade Marks and the Partnership have no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS AND BALANCES

During the year to date period ended September 11, 2022 royalty income of \$35,963,000 (2021 - \$32,125,000) was earned from Food Services of which \$4,357,000 is receivable at September 11, 2022 (December 31, 2021 - \$3,332,000). Royalty income earned during the quarter was \$13,198,000 (2021 - \$12,284,000).

During the year to date period ended September 11, 2022, Trade Marks declared eight dividends payable to Food Services totaling \$4,476,000 (2021 - \$3,893,000) as a result of Food Services' ownership of Trade Marks' common shares. The eighth dividend amounted to \$560,000 and was declared on September 9, 2022 but paid to Food Services subsequent to the period end on September 30, 2022 and is therefore reported as a current liability as at September 11, 2022 (December 31, 2021 – \$nil). During the quarter Trade Marks declared three dividends payable to Food Services totaling \$1,679,000 (2021 - \$1,272,000).

During the year to date period ended September 11, 2022, the Fund declared eight distributions payable to Food Services totaling \$1,869,000 (2021 – \$1,062,000) as a result of Food Services' ownership of Limited Voting Units. The eighth distribution amounted to \$234,000 and was declared on September 9, 2022 but paid to Food Services subsequent to the period end on September 30, 2022 and is therefore reported as a current liability as at September 11, 2022 (December 31, 2021 – \$234,000). During the quarter the Fund declared three distributions payable to Food Services totaling \$701,000 (2021 - \$656,000).

On April 8, 2022, Trade Marks and Food Services entered into the Services Agreement. Under the terms of the Services Agreement, Food Services is entitled to be paid an annual fee, on a quarterly basis, for the services provided in each fiscal year in an amount approved by the board of directors of Trade Marks that is based on a prescribed time and effort computation. The Services Agreement will remain in effect for the duration of the Administration Agreement dated February 15, 2002 between Trade Marks and the Fund, unless terminated by either party by giving 5 years advance written notice to the other party. During the year to date period ended September 11, 2022, Trade Marks recognized an expense of \$131,000 (2021 - \$nil) related to administrative services received from Food Services, \$44,000 of which is reported in accounts payable and accrued liabilities as at September 11, 2022 (December 31, 2021 - \$40,000). During the quarter, Trade Marks recognized an expense of \$44,000 related to administrative services received from Food Services (2021 - \$nil).

Other related party transactions and balances are referred to elsewhere in this MD&A, including, without limitation, under the headings "Adjustment to the Royalty Pool", "Common Shares of Trade Marks" and "Ownership of the Fund".

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Significant areas requiring the use of a management estimate are the fair value of the interest rate swaps and of the indefinite life intangible assets. The fair value of the interest rate swaps is not a "critical accounting estimate" as (i) it does not require the Fund to make assumptions about matters that are highly uncertain at the time the estimate is made, and (ii) a different estimate that could have been used, or changes in the accounting estimates that are reasonably likely to occur from period to period, would not have had a material impact on the Fund's financial condition, changes in financial condition or financial performance. The fair value of the Existing Swap as at September 11, 2022 was \$187,000 favourable (December 31, 2021 - \$983,000 unfavourable) and the fair value of the Forward Start Swap as at September 11, 2022 was \$4,043,000 favourable (December 31, 2021 – \$560,000 favourable). The change in fair value of both swaps is recorded as a gain on interest rate swaps in the consolidated statements of income and comprehensive income.

FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable to Food Services, distributions payable to unitholders,

income taxes payable/recoverable, the demand operating loan facility, the term loan, and interest rate swaps. The Fund classifies its financial instruments as follows:

- Cash and cash equivalents and accounts receivable as financial assets at amortized cost, which are initially measured at the amount expected to be received, less, when material, a discount to reduce the assets to fair value. Subsequently, financial assets at amortized cost are measured at amortized cost using the effective interest method less a provision for impairment.
- Accounts payable and accrued liabilities, income taxes payable, distributions payable to unitholders, and the term loan as financial liabilities at amortized cost. Accounts payable and accrued liabilities and income taxes payable are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Dividends payable to Food Services and distributions payable to unitholders are recognized at the amount required to be paid. The term loan is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.
- Derivatives as financial assets/liabilities at fair value through profit or loss. The Fund's derivatives are interest rate swaps with changes in fair value recorded in the consolidated statements of income.

Management estimates that the fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable to Food Services, distributions payable to unitholders, income taxes payable, and the term loan approximate their carrying values given the short term to maturity of these instruments. The fair value of the Existing Swap as at September 11, 2022 was \$187,000 favourable (December 31, 2021 - \$983,000 unfavourable) and the fair value of the Forward Start Swap as at September 11, 2022 was \$4,043,000 favourable (December 31, 2021 - \$560,000 favourable).

The Trustees have oversight responsibilities for risk management policies. The Trustees closely monitor the cash position and internal controls, along with the level of distributions of the Fund. The Fund, through dividends from Trade Marks, is expected to have sufficient financial resources to pay future distributions.

The Fund's exposure to credit risk is as indicated by the carrying amount of its accounts receivable. All of the accounts receivable as at September 11, 2022 relate to royalties due from Food Services to the Partnership which were paid in full by Food Services on October 6, 2022.

The primary sources of liquidity risk are the monthly distributions to unitholders and dividends to Food Services. The Fund's primary source of funds to pay distributions and dividends is the 3% royalty income it receives from Food Services. Additionally, the Fund manages liquidity risk by actively monitoring forecast and actual cash flows.

The demand operating loan facility and the term loan bear floating rates of interest. Trade Marks has used interest rate swaps to fix the rate of interest on the term loan. Cash and cash equivalents earn interest at market rates. All of the Fund's other financial instruments are non-interest bearing.

CAPITAL DISCLOSURE

The Fund's capital consists of unitholders' equity and the term loan. The Fund's capital management objectives are to have sufficient cash and cash equivalents to pay distributions to its unitholders, after satisfaction of its debt service and income tax obligations; provisions for general and administrative expenses; retention of reasonable working capital reserves; and amounts that may be paid by the Fund in

connection with any cash redemptions of Units. The Fund manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Fund may adjust the amount of distributions paid to its unitholders.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Fund's financial reporting and the preparation of its financial statements for external purposes in accordance with the Fund's generally accepted accounting principles. The control framework used to design the Fund's internal control over financial reporting is "Internal Control – Integrated Framework: 2013" which was released in May 2013 by the Committee of Sponsoring Organizations of the Treadway Commission.

There has been no change in the Fund's internal controls over financial reporting during the period covered by this MD&A that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

RISKS AND UNCERTAINTIES

Economic Conditions

Food Services' profitability and correspondingly, the funds available to be paid as dividends by Trade Marks to Food Services and the Fund and available to distribute to unitholders of the Fund, are indirectly impacted by consumer discretionary spending which is influenced by general economic conditions. These economic conditions could include economic recession or changes in the rate of inflation or deflation, unemployment rates and household debt, political uncertainty, interest rates currency exchange rates or derivative or commodity prices, such as fuel and energy costs. A number of these conditions could impact consumer spending and, as a result, payment patterns could deteriorate or remain unpredictable due to global, national, regional or local economic volatility. Uncertain economic conditions may adversely impact demand for A&W's products and services which could adversely affect the Fund's financial performance.

International Conflict

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes, and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in the global supply chain and financial markets. On February 24, 2022, Russia commenced a military invasion of Ukraine. In response, many jurisdictions have imposed strict economic sanctions against Russia and its interests, including Canada, the United States, the European Union, the United Kingdom, and others, which may have a destabilizing effect on commodity prices, supply chain and global economies more broadly. Supply chain disruptions may adversely affect the business, financial condition, and results of operations for Food Services, its franchisees and the Fund. The extent and duration of the current Russian-Ukrainian conflict and related international action cannot be accurately predicted at this time and the effects of such conflict may magnify the impact of the other risks identified herein and in

the Fund's most recent Annual Information Form, available on the Fund's SEDAR profile at www.sedar.com.

COVID-19

Since March 2020, the COVID-19 pandemic has had significant impacts on the Canadian economy, the QSR industry, and the willingness of the general public to dine outside their homes and travel. These have negatively impacted Food Services, its franchisees and the Fund (including Trade Marks and the Partnership), and have adversely affected each of their respective investments, results of operations and financial condition. Restrictions on the operations of A&W restaurants in response to COVID-19, continued to impact system sales at A&W restaurants in 2022, particularly in the first quarter. System sales drive the fees payable to Food Services by its franchisees and the amount of royalties payable to the Fund (through the Partnership), and correspondingly, the funds available to be paid as dividends by Trade Marks to Food Services and the Fund and available to distribute to unitholders of the Fund. Food Services may become liable for the lease obligations of certain of its franchisees, if such franchisees default on their leases as a result of the impacts of COVID-19 or otherwise, and such obligations may be significant and Food Services may be unsuccessful in seeking recovery from such franchisees, all of which may adversely affect Food Services' investments, results of operations and financial condition. Food Services' projections may be inaccurate, and do not represent a financial forecast and actual results may differ materially from those anticipated by the projections. Monthly distributions on Units are not guaranteed and may be reduced, suspended or terminated at any time. Recent sales improvements for restaurants in the Royalty Pool may not continue and may slow or regress. A&W restaurant locations may close temporarily or permanently due to the impacts of COVID-19. Government restrictions related to COVID-19 may be reinstated, which may restrict the ability of A&W restaurants to operate, or result in forced closures, reduced guest traffic, supply interruptions or staff shortages. All of the government programs that have been helpful to A&W franchisees have ceased.

In addition, it is unknown if and to what extent the COVID-19 pandemic will alter consumer behaviour and demand for QSR services. Health epidemics or pandemics can adversely affect consumer spending and confidence levels and supply availability and costs, as well as the local operations in impacted markets, all of which can adversely affect the financial results, condition and outlook of Food Services and A&W franchisees. Importantly, the global pandemic resulting from COVID-19 has disrupted global health, economic and market conditions, consumer behavior and A&W restaurant operations beginning in early 2020. Local and national governmental mandates or recommendations and public perceptions of the risks associated with the COVID-19 pandemic have caused, and may continue to cause, consumer behavior to change, which could continue to adversely affect Food Services' and A&W franchisees' business. Food Services and A&W franchisees could also be adversely impacted by the worsening or increased volatility of economic conditions.

The COVID-19 pandemic may also heighten other risks disclosed herein, such as, but not limited to, those related to consumer behavior, consumer perceptions of the A&W brand, supply chain interruptions, inflation, interest rates, commodity costs and labour availability and cost. See "Impact of COVID-19".

Information regarding the other risks and uncertainties applicable to the business operations of the Fund is contained elsewhere in this MD&A, including under the heading "Forward-Looking Information", and in the Fund's most recent Annual Information Form under the heading "Risk Factors". Additional risks and uncertainties not currently known to the Trustees or that are currently not considered to be material may

also impair the Fund's business operations. If any of the risks actually occur, the Fund's business, results of operations and financial condition, and the amount of cash available for distribution to unitholders, could be adversely affected.

OUTLOOK

Food Services believes that the food service industry, and more particularly the quick service restaurant (QSR) segment of the industry, is recovering from the impacts of COVID-19. Against this backdrop, the success of the A&W brand and individual franchised A&W restaurants is paramount to the long-term success of the overall A&W system and, in turn, to the Fund. Both Food Services and its franchisees have worked diligently to develop and implement plans and programs to mitigate the effects of the COVID-19 pandemic. Food Services' objective is to ensure that A&W's 1,039 restaurants (as at September 11, 2022) are able to safely operate (as permitted by health authorities and government regulations mandated from time to time) and have the ability to emerge from this period of uncertainty in a financial condition that enables them to compete effectively and grow their businesses.

Food Services believes that its mission "To become #1 with millennial burger lovers, chosen and trusted for truly good food and the convenience they crave" will help it to continue to rebound from the impact of COVID-19 and better position it to withstand the risks associated with economic conditions and international conflict disclosed under the "Risks and Uncertainties" section of this MD&A. Strategic initiatives, including repositioning and differentiating the A&W brand through the use of delicious natural ingredients; continued new restaurant growth, and delivering an industry leading guest experience, have all contributed to A&W's strong appeal and the trust it has built with Canadian consumers over many years. These strengths will be key to delivering strong results and improved market share as the QSR industry and the QSR burger market resume growth.

A&W is proud to be a Canadian company, 100% Canadian owned and operated, and a leader in sourcing simple, great-tasting ingredients, farmed with care. In 2013, Food Services launched an initiative to focus on natural ingredients and became the first and only national burger chain in Canada to serve beef raised without artificial hormones or steroids. This was then followed by a continued effort to source other proteins from animals that were raised without the use artificial hormones and antibiotics. A&W also serves organic Fairtrade Coffee and A&W Root Beer made from natural cane sugar and all-natural flavours in its restaurants.

In 2018, A&W further strengthened its positioning as a leader in food and innovation with the introduction of the Beyond Meat⁽¹⁾ branded plant-based burger. Food Services was very excited to be the first national burger chain in Canada to offer this plant-based burger patty and A&W continues to enhance its position as a leader in great tasting plant-based options with regular introductions of new recipes and products to its plant-based line-up.

⁽¹⁾ Trademark of Beyond Meat, Inc., used under license.

In 2020, A&W announced that all of its beef is grass-fed and grass-finished, from cattle that graze on grass and other forage, like hay.

In 2021, Food Services announced that it is expanding the beverage offerings at A&W restaurants with the phased rollout of the A&W Brew BarTM. The A&W Brew Bar offers a variety of frozen beverages as well

as hot and cold espresso-based beverages. The A&W Brew Bar is now available in over 300 A&W restaurants across the country.

TM trademark of A&W Trade Marks Limited Partnership, used under license.

A&W is committed to reducing its environmental impact through conscious use of packaging, waste, energy and water, and high-efficiency equipment is being introduced into A&W restaurants to use less energy. In October 2021, A&W launched the “A&W Cup Crew”, an exchangeable cup pilot at A&W restaurants in Vancouver and in March 2022, A&W launched a pilot program in Toronto for its “Zero Cup” which is a fully compostable, plastic-free cup that requires no lid or straw. A&W also continues to innovate to serve guests that are mobile app users.

Food Services has continued to grow new A&W restaurants, particularly in the key Ontario and Quebec markets. As at September 11, 2022, fifteen new A&W restaurants had been opened in 2022, three of which were opened during the third quarter of 2022, and an additional fourteen restaurants were under construction as at September 11, 2022.

A&W’s brand positioning is strong. Growth of new locations, industry leading innovation, a safe and stable supply chain, and continued efforts to consistently deliver great food and a better guest experience are all expected to contribute to building loyalty and enhancing performance over the long term. Food Services remains committed to the long-term health and success of its franchise network and the Fund.

On June 2, 2022 Food Services announced that it had signed a Country Agreement (the "Country Agreement") with UK-based Pret A Manger (Europe) Limited ("Pret"), which sets forth the general terms and conditions granting Food Services master franchisor rights to Canada for Pret A Manger.

Pursuant to the Country Agreement, Food Services has the exclusive right to use the Pret brand in Canada for a two-year pilot (the “Trial Phase”) during which Food Services will introduce the Pret brand within A&W restaurants in select markets in Canada. If the Trial Phase is successful, Food Services will have the exclusive right to expand the Pret brand across Canada pursuant to an agreed development plan. As at September 11, 2022, two A&W locations (one in Vancouver and one in Toronto) were offering Pret products in their restaurants.

The royalty payable to the Fund applies to Pret products sold within A&W restaurants during the Trial Phase to the extent that such restaurants are in the Royalty Pool. Should the Trial Phase prove successful, the Royalty will also be earned by the Fund on the sales of any Pret products made within A&W restaurants thereafter.

FORWARD LOOKING INFORMATION

Certain statements in this MD&A contain forward-looking information within the meaning of applicable securities laws in Canada (forward-looking information). The words “anticipates”, “believes”, “budgets”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “plans”, “projects”, “schedule”, “should”, “will”, “would” and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this MD&A includes, but is not limited to: the expectation that the Trustees will continue to review distribution levels on a regular basis and that any change in monthly distributions will be implemented with a view to maintain the continuity of uniform monthly distributions; the expectation that the monthly distribution rate will be increased from 15.5¢ per Unit to 16.0¢ per Unit beginning with the October 2022 distribution that is payable November 30, 2022; expectations with respect to timing for the payment of the remaining \$4,294,000 by the Partnership to Food Services and a final adjustment to the consideration based on the actual annual sales reported by the new restaurants; the impact of COVID-19, including its impact on the global economy in general and on the businesses of Food Services and A&W franchisees in particular; statements with respect to government restrictions on business operations, and in particular restaurants; statements regarding the extent to which COVID-19 will alter consumer behaviour and demand for QSR services; expectations regarding improvements in sales trends at the A&W restaurants in the Royalty Pool; statements regarding future adjustments to the Royalty Pool; statements regarding government support programs; Food Services' expectation that the food service industry, and more particularly the QSR segment, will recover; the success of the A&W brand and individual franchised restaurants being paramount to the long-term success of the overall A&W system and, in turn, to the unitholders of the Fund; statements regarding the potential impact of international conflicts; Food Services' objectives with respect to the A&W restaurants and its planned strategies to achieve those objectives; statements regarding future restrictions on the operations of A&W restaurants as well as temporary restaurant closures and the corresponding reductions to the amounts of royalties payable to and earned by the Fund, as well as funds available to distribute to unitholders of the Fund; the expectation that Trade Marks will remain in compliance with all covenants related to its term debt based on current projections; the Fund's long-term objective to maintain an annual Payout ratio at or below 100%; Food Services' belief that its mission "to become #1 with millennial burger lovers, chosen and trusted for truly good food and the convenience they crave" will help it to continue to rebound from the impact of COVID-19; Food Services' belief that strategic initiatives will be key to delivering strong results and improved market share as the QSR industry and the QSR burger market resume growth; growth of new locations, industry leading innovation, a safe and stable supply chain, and continued efforts to consistently deliver great food and a better guest experience are all expected to contribute to building loyalty and enhancing performance over the long term; Food Services remaining committed to the long-term health and success of its franchise network and the Fund; the expectation that Food Services will open additional Pret locations and that the Fund will earn royalty income from the sale of Pret products; the expectation that the Trial Phase will be successful and that Food Services will expand the Pret brand across Canada; the Fund's expectations that future distributions will continue to be funded entirely by cash flow from operations and the cash reserve; and statements regarding the stability and predictability of the operating and administrative expenses of the Fund, Trade Marks and the Partnership.

The forward-looking information is based on various assumptions that include, but are not limited to:

- the general risks that affect the restaurant industry will not arise, other than those related to COVID-19;
- there are no changes in availability of experienced management and hourly employees;
- there are no material changes in government regulations concerning menu labelling and disclosure and drive-thru restrictions;
- no publicity from any food borne illness;
- no material changes in competition;
- no material increases in food and labour costs;
- the continued availability of quality raw materials;

- continued additional franchise sales and maintenance of franchise operations;
- Food Services is able to maintain and grow the current system of franchises;
- Food Services is able to locate new retail sites in desirable locations;
- Food Services is able to obtain qualified operators to become A&W franchisees;
- no material impact from new or increased sales taxes upon gross sales;
- continued availability of key personnel;
- continued ability to preserve intellectual property;
- no material litigation from guests at A&W restaurants;
- Food Services continues to pay the royalty;
- Food Services can continue to comply with its obligations under its credit arrangements;
- Trade Marks can continue to comply with its obligations and covenants under its credit arrangements;
- the Fund will receive sufficient revenue in the future (in the form of royalty payments from Food Services) to maintain the payment of monthly distributions;
- the projections for the A&W business provided by Food Services are accurate;
- the impacts of the COVID-19 pandemic on the A&W system will not significantly worsen; and
- Food Services will be successful in executing on its business strategies and such strategies will achieve their intended results.

The forward-looking information is subject to risks, uncertainties and other factors related to the quick service restaurant industry that include, but are not limited to:

- the general risks that affect the restaurant industry in general and the quick service segment in particular, including competition with other well-capitalized franchisors and operators of quick service restaurants;
- changes in consumer preferences that adversely affect the consumption of quick service restaurant hamburgers, chicken, fries, breakfast items or soft drinks;
- negative publicity, litigation or complaints from perceived or actual food safety events or other events involving the foodservice industry in general or A&W restaurants in particular;
- changes in the availability and quality of raw materials, including A&W's natural ingredients;
- the possible lack of success of new products and advertising campaigns;
- changes in climate or increases in environmental regulation;
- changes in Food Services' ability to continue to grow same store sales, locate new retail sites in desirable locations and obtain qualified operators to become A&W franchisees;
- increases in closures of A&W restaurants adversely affecting the royalty;
- decreases in traffic at shopping centres and other retail modes;
- changes in Food Services' ability to pay the royalty due to changes in A&W franchisees' ability to generate sales and pay franchise fees and other amounts to Food Services;
- changes in government regulation that affect the restaurant industry in general or the quick service restaurant industry in particular, including franchise legislation and sales tax legislation;
- changes in the availability of key personnel, including qualified franchise operators;
- changes in the ability to enforce or maintain intellectual property;
- technological breakdowns, cybersecurity breaches and the security of consumer and personal information;
- the amplificatory effects of media and social media;

- risks related to global health crises, disease outbreaks (including COVID-19), and other unexpected events which could affect Food Services' and A&W franchisees' supply chains, business continuity, and financial results;
- risks related to international conflicts;
- risks related to inflation;
- the availability and adequacy of insurance coverage;
- occurrence of catastrophic events;
- risks related to COVID-19 set forth in this MD&A, including under the headings "Risks and Uncertainties – COVID-19" and "Impact of COVID-19"; and
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates and household debt, political uncertainty, interest rates, currency exchange rates or derivative and commodity prices.

The forward-looking information is subject to risks, uncertainties and other factors related to the structure of the Fund that include, but are not limited to:

- dependence of the Fund on Trade Marks, Partnership and Food Services;
- dependence of the Partnership on Food Services;
- risks related to leverage and restrictive covenants;
- the risk that cash distributions are not guaranteed and will fluctuate with the Partnership's performance and could be reduced or suspended at any time;
- risks related to the unpredictability and volatility of Unit prices;
- risks related to the nature of Units;
- risks related to the distribution of securities on redemption or termination of the Fund;
- risks related to the Fund issuing additional Units diluting existing unitholders' interests;
- risks related to income tax matters and investment eligibility;
- risks related to the limitations of internal controls over financial reporting;
- risks related to COVID-19 set forth in this MD&A, including under the headings "Risks and Uncertainties – COVID-19" and "Impact of COVID-19";
- risks related to international conflicts set forth in this MD&A under the heading "Risks and Uncertainties – International Conflicts"; and
- risks related to Food Services not meeting its objectives, and the possibility that its strategies to meet its objectives may not be successful.

These risks, uncertainties and other factors are more particularly described above under the heading "Risks and Uncertainties" and in the Fund's most recent Annual Information Form under the heading "Risk Factors".

All forward-looking information in this MD&A is qualified in its entirety by this cautionary statement and, except as required by law, the Fund undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Financial Statements (Unaudited)

For the period ended September 11, 2022

with comparative figures

for the period ended September 12, 2021

(in thousands of Canadian dollars)

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

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Balance Sheets

Unaudited

(in thousands of dollars)

	Note	September 11, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		\$ 17,272	\$ 10,064
Accounts receivable	11	4,357	3,332
Prepaid interest		45	197
Derivative financial assets	4	187	-
Income taxes recoverable		-	2,350
		21,861	15,943
Non-current assets			
Derivative financial assets	4	4,043	560
Intangible assets	3	382,343	360,871
Total assets		\$ 408,247	\$ 377,374
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 373	\$ 631
Dividends payable to A&W Food Services of Canada Inc.	11	560	-
Distributions payable to Unitholders	9,11	2,494	2,494
Derivative financial liabilities	4	-	983
Income taxes payable		5,047	-
		8,474	4,108
Non-current liabilities			
Term loan	4	59,849	59,803
Deferred income tax liabilities		15,758	15,866
Other liabilities	3	4,294	-
		88,375	79,777
Unitholders' Equity			
Trust Units	6	398,884	398,884
Accumulated deficit		(177,348)	(181,527)
		221,536	217,357
Non-controlling interest			
		98,336	80,240
Total equity		319,872	297,597
Total liabilities and equity		\$ 408,247	\$ 377,374
Subsequent events			
	12		

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

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Statement of Income and Comprehensive Income

Unaudited

(in thousands of dollars except per Unit amounts)

		Period from Jun 20, 2022 to Sep 11, 2022	Period from Jun 21, 2021 to Sep 12, 2021	Period from Jan 1, 2022 to Sep 11, 2022	Period from Jan 1, 2021 to Sep 12, 2021
	Note				
Royalty income	11	\$ 13,198	\$ 12,284	\$ 35,963	\$ 32,125
Expenses					
General and administrative	11	121	103	507	405
Interest expense					
Term loan and other interest (net)	5	489	580	1,583	1,797
Amortization of financing fees		15	8	46	23
		625	691	2,136	2,225
Operating income		12,573	11,593	33,827	29,900
Loss (gain) on interest rate swaps	4	101	102	(4,653)	(643)
Net income before income taxes		12,472	11,491	38,480	30,543
Provision for (recovery of) income taxes					
Current					
Current income tax provision	7	2,036	2,087	7,821	6,012
Refundable income tax	7	410	296	1,240	704
Deferred	7	458	212	(109)	97
		2,904	2,595	8,952	6,813
Net income and comprehensive income for the period		\$ 9,568	\$ 8,896	\$ 29,528	\$ 23,730
Net income and comprehensive income attributable to:					
Unitholders of A&W Revenue Royalties Income Fund		\$ 7,817	\$ 7,526	\$ 24,134	\$ 19,182
A&W Food Services of Canada Inc.'s non-controlling interest in A&W Trade Marks Inc.		1,751	1,370	5,394	4,548
		\$ 9,568	\$ 8,896	\$ 29,528	\$ 23,730
Basic and diluted income per weighted average Trust Unit outstanding		\$ 0.486	\$ 0.468	\$ 1.500	\$ 1.257
Weighted average number of Trust Units outstanding		16,092,693	16,092,693	16,092,693	15,257,626

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

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Statement of Unitholders' Equity

Unaudited

(in thousands of dollars)

	Note	Trust Units	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance - December 31, 2020		\$ 332,950	\$ (181,586)	\$ 151,364	\$ 121,724	\$ 273,088
Net income for the period		-	19,182	19,182	4,548	23,730
Distributions on Trust Units		-	(16,549)	(16,549)	-	(16,549)
Dividends on common shares of a subsidiary	11	-	-	-	(3,893)	(3,893)
Issue of common shares of a subsidiary		-	-	-	13,271	13,271
Common shares exchanged for Trust Units	6	65,934	(2,741)	63,193	(63,193)	-
Balance - September 12, 2021		\$ 398,884	\$ (181,694)	\$ 217,190	\$ 72,457	\$ 289,647
Net income for the period		-	10,869	10,869	3,255	14,124
Distributions on Trust Units		-	(10,702)	(10,702)	-	(10,702)
Dividends on common shares of a subsidiary		-	-	-	(2,365)	(2,365)
Issue of common shares of a subsidiary		-	-	-	6,893	6,893
Balance - December 31, 2021		\$ 398,884	\$ (181,527)	\$ 217,357	\$ 80,240	\$ 297,597
Net income for the period		-	24,134	24,134	5,394	29,528
Distributions on Trust Units	9	-	(19,955)	(19,955)	-	(19,955)
Dividends on common shares of a subsidiary	11	-	-	-	(4,476)	(4,476)
Issue of common shares of a subsidiary	3	-	-	-	17,178	17,178
Balance - September 11, 2022		\$ 398,884	\$ (177,348)	\$ 221,536	\$ 98,336	\$ 319,872

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

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Statement of Cash Flows

Unaudited

(in thousands of dollars)

		Period from Jun 20, 2022 to Sep 11, 2022	Period from Jun 21, 2021 to Sep 12, 2021	Period from Jan 1, 2022 to Sep 11, 2022	Period from Jan 1, 2021 to Sep 12, 2021
Operating activities					
Net income for the period	\$	9,568	\$ 8,896	\$ 29,528	\$ 23,730
Adjustments for:					
Non-cash loss (gain) on interest rate swaps	4	101	102	(4,653)	(643)
Amortization of financing fees		15	8	46	23
Interest expense	5	489	580	1,583	1,797
Deferred income taxes	7	458	212	(109)	97
Refundable income tax	7	410	296	1,240	704
Current income tax provision	7	2,036	2,087	7,821	6,012
Net changes in items of non-cash working capital	8	(137)	(490)	(1,283)	(887)
Interest paid		(762)	(636)	(1,431)	(1,325)
Income tax paid		(1,500)	(2,013)	(1,663)	(7,108)
Net cash generated from operating activities		10,678	9,042	31,079	22,400
Financing activities					
Dividends paid to non-controlling interest	11	(1,678)	(1,227)	(3,916)	(3,454)
Distributions paid to Unitholders		(7,483)	(6,759)	(19,955)	(15,541)
Net cash used in financing activities		(9,161)	(7,986)	(23,871)	(18,995)
Increase in cash and cash equivalents		1,517	1,056	7,208	3,405
Cash and cash equivalents - beginning of period		15,755	10,897	10,064	8,548
Cash and cash equivalents - end of period	\$	17,272	\$ 11,953	\$ 17,272	\$ 11,953

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

A&W Revenue Royalties Income Fund

Notes to Interim Condensed Consolidated Financial Statements

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(figures in tables are expressed in thousands of dollars)

1. General information

A&W Revenue Royalties Income Fund (the Fund) is a limited purpose trust established on December 18, 2001 with an unlimited number of Units and Limited Voting Units, (collectively the “Trust Units”), under the laws of the Province of British Columbia pursuant to the Declaration of Trust. The Fund is listed on the Toronto Stock Exchange under the symbol AW.UN. The Fund’s place of business is located at 300 – 171 West Esplanade, North Vancouver, BC. The Fund was established to invest in A&W Trade Marks Inc. (“Trade Marks”), which through its ownership interest in A&W Trade Marks Limited Partnership (“the Partnership”) owns the A&W trade-marks used in the A&W quick service restaurant business in Canada.

2. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports including International Accounting Standards (“IAS”) 34, Interim Financial Reporting. The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund’s audited annual consolidated financial statements as at December 31, 2021.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Fund’s annual consolidated financial statements for the year ended December 31, 2021.

These interim condensed consolidated financial statements were authorized for issue by the Board of Trustees of the Fund on October 18, 2022.

3. Intangible assets

	Number of restaurants in Royalty Pool	Amount \$
Balance as at December 31, 2021	994	360,871
Annual adjustment January 5, 2022	21	21,472
Balance as at September 11, 2022	<u>1,015</u>	<u>382,343</u>

The intangible assets are the A&W trade-marks used in the A&W quick service restaurant business in Canada. The Partnership has granted A&W Food Services of Canada Inc. (“Food Services”) a licence (the Amended and Restated Licence and Royalty Agreement) to use the A&W trade-marks in Canada

A&W Revenue Royalties Income Fund

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for a term expiring December 30, 2100, for which Food Services pays a royalty of 3% of sales reported to Food Services by specific A&W restaurants (the “Royalty Pool”).

The gross sales reported by the 1,015 (2021 - 994) A&W restaurants in the Royalty Pool for the year to date period ended September 11, 2022 were \$1,198,779,000 (2021 - \$1,070,819,000). The gross sales reported by A&W restaurants in the Royalty Pool during the quarter were \$439,950,000 (2021 - \$409,452,000).

Annual Adjustment to the Royalty Pool

The Royalty Pool is adjusted annually to reflect sales from new A&W restaurants, net of the sales of any A&W restaurants that have permanently closed. Food Services is paid for the additional royalty stream related to the sales of the net new restaurants, based on a formula set out in the Amended and Restated Licence and Royalty Agreement. The formula provides for a payment to Food Services based on 92.5% of the amount of estimated sales from the net new restaurants and the current yield on the Units, adjusted for income taxes payable by Trade Marks. The consideration is paid to Food Services in the form of additional limited partnership units (“LP units”). The additional LP units are, at the option of Food Services, exchangeable for additional shares of Trade Marks which are in turn exchangeable for Trust Units on the basis of two common shares for one Trust Unit. The consideration paid for the annual adjustment to the Royalty Pool is recorded as an increase in the value of the A&W trade-marks.

The 2022 annual adjustment to the Royalty Pool took place on January 5, 2022. The number of A&W restaurants in the Royalty Pool was increased by 34 new restaurants less 13 restaurants that permanently closed during 2021. The estimated annual sales of the 34 new A&W restaurants were \$50,688,000 at the time they were added to the Royalty Pool and annual sales for the 13 permanently closed restaurants were \$7,536,000 based on their sales during the first year such restaurants were included in the Royalty Pool. The initial consideration for the estimated additional royalty stream was \$21,472,000, calculated by discounting the estimated additional royalties by 7.5% and dividing the result by the yield on the Units for the 20 trading days ending November 1, 2021. The yield was adjusted to reflect the income tax payable by Trade Marks. The Partnership paid Food Services 80% of the initial consideration or \$17,178,000, by issuance of 444,327 LP units which were subsequently exchanged for 888,654 non-voting common shares of Trade Marks. The remaining consideration payable to Food Services for the January 5, 2022 adjustment to the Royalty Pool of \$4,294,000 is to be paid by issuance of additional LP units, which issuance is held back until the number of LP units is determined in December 2022 based on the actual annual sales reported by the new restaurants. The Fund has recorded the \$4,294,000 as a non-current liability as at September 11, 2022 (December 31,

(figures in tables are expressed in thousands of dollars)

2021 - \$nil). The actual amount of the consideration paid in December 2022 may differ from this amount depending on the actual annual sales reported by the new A&W restaurants.

4. Term loan, operating loan facility and interest rate swaps

Trade Marks has a \$60,000,000 term loan, \$2,000,000 demand operating loan and an interest rate swap facility (collectively the “Credit Facility”) with HSBC Bank Canada (the “Bank”). On September 10, 2021, Trade Marks renewed and extended the Credit Facility for an additional five years on terms and conditions substantially consistent with those of the previous credit facility in place with the Bank.

The \$2,000,000 demand operating loan facility is used to fund working capital requirements and for general corporate purposes. Amounts advanced under the facility bear interest at the Bank’s prime rate plus 0.4% and are repayable on demand. As at September 11, 2022, the amount of the facility available was \$2,000,000 (December 31, 2021 - \$2,000,000).

The \$60,000,000 term loan with the Bank is in the form of a banker’s acceptance. The term loan is repayable on September 10, 2026. The term loan contains covenants including the requirement to meet certain earnings before interest, taxes, depreciation, amortization and non-cash charges/income (“EBITDA”) levels and debt to EBITDA ratios during each trailing four quarter period. Interest only is payable monthly, providing that Trade Marks’ EBITDA tested quarterly on a trailing four quarter basis is not less than specified amounts. In the event that EBITDA is less than these specified amounts, the term loan will be fully amortized over the greater of three years and the remaining term and repayment will be by way of blended monthly instalments of principal and interest. Trade Marks was in compliance with all of its financial covenants as at September 11, 2022 and December 31, 2021.

Financing fees of \$177,000 that were incurred related to the September 10, 2021 Credit Facility amendment were capitalized in 2021 and are presented as a reduction to the carrying amount of the \$60,000,000 term loan. The financing fees will be amortised over the remainder of the five-year term of the amended Credit Facility.

Trade Marks uses interest rate swap agreements to manage risks from fluctuations in interest rates. To manage the interest rate risk associated with the \$60,000,000 term loan Trade Marks has entered into two interest rate swap arrangements, one swap with an effective date of December 22, 2015 and a maturity date of December 22, 2022 (the “Existing Swap”) and one forward start swap with an effective date of December 22, 2022 and a maturity date of September 10, 2026 (the “Forward Start Swap”).

Under the Existing Swap, as at September 11, 2022, the term loan’s effective interest rate was 3.95% per annum (December 31, 2021 – 3.95%), comprising 2.80% per annum which is fixed under the Existing Swap agreement until December 22, 2022 plus a 1.15% per annum stamping fee. The

A&W Revenue Royalties Income Fund

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stamping fee ranges from 0.90% and 1.40%, depending on Trade Mark's debt to EBITDA ratio. The fair value of the Existing Swap as at September 11, 2022 was \$187,000 favourable (December 31, 2021 - \$983,000 unfavourable) and the change in fair value is recorded in the consolidated statements of income and comprehensive income.

Under the Forward Start Swap, effective December 22, 2022, the term loan's effective interest rate will be 1.74% per annum which is fixed under the Forward Start Swap agreement until September 10, 2026 plus a stamping fee that ranges from 0.90% and 1.40%, depending on Trade Mark's debt to EBITDA ratio. The fair value of the Forward Start Swap as at September 11, 2022 was \$4,043,000 favourable (December 31, 2021 - \$560,000 favourable) and the change in fair value is recorded in the consolidated statements of income and comprehensive income.

The following gains and losses, representing the change in the fair value of the interest rate swaps, are recorded in the consolidated statements of income and comprehensive income:

	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jun 21, 2021 to Sep 12, 2021	Period from Jan 1, 2022 to Sep 11, 2022	Period from Jan 1, 2021 to Sep 12, 2021
	\$	\$	\$	\$
Gain on Existing Swap	(133)	(269)	(1,170)	(1,014)
Loss (gain) on Forward Start Swap	234	371	(3,483)	371
Total loss (gain) on interest rate swaps	101	102	(4,653)	(643)

A general security agreement over the assets of Trade Marks has been provided as collateral for the demand operating loan facility and term loan. The Partnership has provided its guarantee in favour of the Bank of all the indebtedness, covenants and obligations of Trade Marks to the Bank.

The term loan comprises:

	Sep 11, 2022	Dec 31, 2021
	\$	\$
Term loan	60,000	60,000
Financing fees	(151)	(197)
	59,849	59,803

A&W Revenue Royalties Income Fund

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5. Term loan and other interest (net)

	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jun 21, 2021 to Sep 12, 2021	Period from Jan 1, 2022 to Sep 11, 2022	Period from Jan 1, 2021 to Sep 12, 2021
	\$	\$	\$	\$
Interest income on cash	(61)	(5)	(80)	(8)
Standby fees	1	1	3	3
Interest expense - term loan	549	584	1,660	1,772
Interest expense - other	-	-	-	30
Term loan and other interest (net)	489	580	1,583	1,797

6. Trust Units

The Trust Units are comprised of two classes, Units and Limited Voting Units. Both Units and Limited Voting Units have equal undivided beneficial interests in any distributions of the Fund and in the net assets of the Fund. Limited Voting Units and Units have equal rights and privileges except that holders of the Limited Voting Units, together with the common shares of Trade Marks that are exchangeable for Limited Voting Units, are not entitled in the aggregate to cast more than 40% of the votes cast upon a resolution with respect to the appointment or removal of Trustees of the Fund and are not entitled to cast votes upon a resolution to amend the Declaration of Trust.

On April 16, 2021, A&W of Canada Inc. ("A&W Canada"), an indirect shareholder of Food Services, completed a reorganization to provide liquidity for some of its shareholders and to simplify the indirect ownership of Food Services (the "Reorganization").

As part of the Reorganization, and pursuant to the Amended and Restated Declaration of Trust and the Amended and Restated Exchange Agreement, Food Services exchanged 1,042,000 common shares of Trade Marks for 521,000 Units, which were then purchased by shareholders of A&W Canada at a price of \$36.42 per Unit. The 521,000 Units sold were subject to a four-month statutory hold period under applicable securities laws. This hold period expired on August 16, 2021. After the exchange and sale of these Units, and as at December 31, 2021 and September 11, 2022, there were 14,585,673 Units outstanding.

In addition, on April 16, 2021, Food Services exchanged 3,014,040 of its common shares of Trade Marks for 1,507,020 Limited Voting Units.

The 4,056,040 common shares of Trade Marks exchanged by Food Services for 2,028,020 Trust Units had a book value of \$63,193,000 and the 2,028,020 Trust Units issued by the Fund had a book value of

A&W Revenue Royalties Income Fund

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\$65,934,000. The difference of \$2,741,000 was recognized in accumulated deficit as the exchange reduced Food Services' proportional ownership in Trade Marks which resulted in a \$63,193,000 decrease in non-controlling interest in 2021.

Prior to the Reorganization, Food Services owned 26.0% of the common shares of Trade Marks which were exchangeable into 26.0% of the total outstanding voting securities of the Fund on a fully diluted basis. Following the Reorganization, but excluding the issuance of the excess exchangeable LP units that represented the remaining 20% of the initial consideration for the January 5, 2021 Adjustment to the Royalty Pool that were paid in December 2021, Food Services owned 15.4% of the exchangeable common shares of Trade Marks and 9.4% of the Trust Units. Taken together, Food Services' ownership of exchangeable common shares of Trade Marks and Trust Units equated to Food Services owning 23.3% of the total outstanding voting securities of the Fund on a fully diluted basis, before the inclusion of the issuance of the excess exchangeable LP units.

Overall, the Reorganization was not dilutive to unitholders of the Fund because the calculation of the number of the fully diluted Trust Units did not change. Post Reorganization, Food Services holds both Limited Voting Units and exchangeable common shares of Trade Marks, whereas prior to the Reorganization, Food Services only held exchangeable common shares of Trade Marks.

The Fund did not receive any proceeds from the Reorganization and Food Services paid for the expenses of the Reorganization.

Following the 2022 annual adjustment to the Royalty Pool on January 5, 2022 (note 3), but excluding the issuance of the excess exchangeable LP units that represent the remaining 20% of the initial consideration for the January 5, 2022 Adjustment to the Royalty Pool that are payable in December 2022, Food Services owned 18.3% of the exchangeable common shares of Trade Marks and 9.4% of the Trust Units. Taken together, as at September 11, 2022, Food Services' ownership of exchangeable common shares of Trade Marks and Trust Units equated to Food Services owning 26.0% of the total outstanding voting securities of the Fund on a fully diluted basis, before the inclusion of the issuance of the excess exchangeable LP units.

	Number of Units	Number of Limited Voting Units	Total Number of Trust Units
Balance as at December 31, 2021	14,585,673	1,507,020	16,092,693
Balance as at September 11, 2022	14,585,673	1,507,020	16,092,693

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	Equity – Units \$	Equity - Limited Voting Units \$	Total Equity - Trust Units \$
Balance as at December 31, 2021	351,925	46,959	398,884
Balance as at September 11, 2022	351,925	46,959	398,884

7. Income taxes

The Fund as a legal entity is not subject to the Specified Investment Flow-Through (“SIFT”) tax, as its only source of income is dividends from Trade Marks which are not subject to SIFT tax. The provision for income taxes shown in the consolidated statements of income is the expected current and deferred tax payable by Trade Marks, and differs from the amount obtained by applying statutory tax rates to Trade Marks’ income before income taxes for the following reasons:

	Period from Jun 20, 2022 to Sep 11, 2022 \$	Period from Jun 21 2021 to Sep 12, 2021 \$	Period from Jan 1, 2022 to Sep 11, 2022 \$	Period from Jan 1, 2021 to Sep 12, 2021 \$
Statutory combined federal and provincial income tax rates on investment income	20.0%	20.0%	20.0%	20.0%
Provision for current income taxes	2,036	2,087	7,821	6,012
Provision for (recovery of) deferred income taxes	458	212	(109)	97
Provision for income taxes based on statutory income tax rates	2,494	2,299	7,712	6,109
Adjustment to prior year refundable income tax	-	-	-	298
Refundable income tax	410	296	1,240	406
Provision for income taxes	2,904	2,595	8,952	6,813

Trade Marks’ taxable income is taxed at an effective rate of 20.0% (2021 – 20.0%), plus an additional tax of 30.67% on investment income that has not been distributed to its shareholders as dividends. This additional tax is refundable in a future year when Trade Marks pays sufficient dividends. Under IFRS, refundable income tax is required to be expensed on the income statement when paid or payable. Subsequently, these amounts are recognized on the income statement as income taxes recoverable when received or receivable.

A&W Revenue Royalties Income Fund

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8. Working capital

Net changes in items of non-cash working capital are as follows:

	Period from Jun 20, 2022 to Sep 11, 2022 \$	Period from Jun 21, 2021 to Sep 12, 2021 \$	Period from Jan 1, 2022 to Sep 11, 2022 \$	Period from Jan 1, 2021 to Sep 12, 2021 \$
Accounts receivable	(201)	(534)	(1,025)	(601)
Accounts payable and accrued liabilities	64	221	(258)	(109)
Financing fees payable	-	(177)	-	(177)
	<u>(137)</u>	<u>(490)</u>	<u>(1,283)</u>	<u>(887)</u>

9. Distributions

During the year to date period ended September 11, 2022, the Fund declared distributions to its Unitholders of \$19,955,000 or \$1.240 per Trust Unit. The record dates and amounts of these distributions are as follows:

Month	Record date	Amount \$	Per Trust Unit \$
January 2022	February 15, 2022	2,495	0.155
February 2022	March 15, 2022	2,494	0.155
March 2022	April 15, 2022	2,494	0.155
April 2022	May 15, 2022	2,495	0.155
May 2022	June 15, 2022	2,494	0.155
June 2022	July 15, 2022	2,494	0.155
July 2022	August 15, 2022	2,495	0.155
August 2022	September 15, 2022	2,494	0.155
		<u>19,955</u>	<u>1.240</u>

The August 2022 distribution was declared on September 9, 2022 and paid subsequent to the period end on September 30, 2022 and is reported as a current liability of \$2,494,000 as at September 11, 2022 (December 31, 2021 - \$2,494,000).

10. Compensation to key management

Key management personnel are the Trustees of the Fund. During the year to date period ended September 11, 2022, the Trustees earned \$104,000 (2021 - \$100,000). During the quarter, the Trustees

A&W Revenue Royalties Income Fund

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earned \$34,000 (2021 - \$31,000).

11. Related party transactions and balances

During the year to date period ended September 11, 2022 royalty income of \$35,963,000 (2021 - \$32,125,000) was earned from Food Services of which \$4,357,000 is receivable at September 11, 2022 (December 31, 2021 - \$3,332,000). Royalty income earned during the quarter was \$13,198,000 (2021 - \$12,284,000).

During the year to date period ended September 11, 2022, Trade Marks declared eight dividends payable to Food Services totaling \$4,476,000 (2021 - \$3,893,000) as a result of Food Services' ownership of Trade Marks' common shares. The eighth dividend amounted to \$560,000 and was declared on September 9, 2022 but paid to Food Services subsequent to the period end on September 30, 2022 and is therefore reported as a current liability as at September 11, 2022 (December 31, 2021 - \$nil). During the quarter Trade Marks declared three dividends payable to Food Services totaling \$1,679,000 (2021 - \$1,272,000).

During the year to date period ended September 11, 2022, the Fund declared eight distributions payable to Food Services totaling \$1,869,000 (2021 - \$1,062,000) as a result of Food Services' ownership of Limited Voting Units. The eighth distribution amounted to \$234,000 and was declared on September 9, 2022 but paid to Food Services subsequent to the period end on September 30, 2022 and is therefore reported as a current liability as at September 11, 2022 (December 31, 2021 - \$234,000). During the quarter the Fund declared three distributions payable to Food Services totaling \$701,000 (2021 - \$656,000).

On April 8, 2022, Trade Marks and Food Services entered into an agreement for Food Services to provide administrative services to Trade Marks (the "Services Agreement"). Under the terms of the Services Agreement, Food Services is entitled to be paid an annual fee, on a quarterly basis, for the services provided in each fiscal year in an amount approved by the board of directors of Trade Marks that is based on a prescribed time and effort computation. The Services Agreement will remain in effect for the duration of the Administration Agreement dated February 15, 2002 between Trade Marks and the Fund, unless terminated by either party by giving 5 years advance written notice to the other party. During the year to date period ended September 11, 2022, Trade Marks recognized an expense of \$131,000 (2021 - \$nil) related to administrative services received from Food Services, \$44,000 of which is reported in accounts payable and accrued liabilities as at September 11, 2022 (December 31, 2021 - \$40,000). During the quarter, Trade Marks recognized an expense of \$44,000 related to administrative services received from Food Services (2021 - \$nil).

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Other related party transactions and balances are referred to in note 6.

12. Subsequent events

On October 7, 2022, the Fund declared a distribution to Unitholders of \$0.155 per Trust Unit or \$2,494,000 payable on October 31, 2022 to unitholders of record as at October 15, 2022. Of the \$2,494,000 payable, \$234,000 is payable to Food Services.

On October 7, 2022, Trade Marks declared dividends on its common shares equal to \$3,054,000, payable to Food Services and the Fund on October 31, 2022. Of the \$3,054,000 payable, \$560,000 is payable to Food Services.

Unitholder Information

Corporate Head Office

A&W Trade Marks Inc.

Registered Office and Records Office:

Mailing and Delivery Address: 2200 HSBC Building,
885 West Georgia Street, Vancouver, BC Canada V6C 3E8

Mailing Address

A&W Revenue Royalties Income Fund
300 – 171 West Esplanade
North Vancouver, BC, V7M 3K9

A&W Revenue Royalties Income Fund Board of Trustees

John R. McLernon ⁽¹⁾ ⁽²⁾
Fern Glowinsky ⁽¹⁾ ⁽²⁾
Kevin Mahoney ⁽¹⁾ ⁽²⁾

A&W Trade Marks Inc. Board of Directors

John R. McLernon (Chairman)
Fern Glowinsky
Kevin Mahoney
Paul F.B. Hollands
David A. Mindell

Committees of the Board

- ⁽¹⁾ Audit Committee and
- ⁽²⁾ Governance Committee

Market Information

Units Listed: Toronto Stock Exchange
Symbol: AW.UN

Registrar and Transfer Agent

Computershare Investor Services Inc.

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