DIVERSIFIED ROYALTY CORP.

Management's Discussion and Analysis

November 13, 2014

The following is management's discussion in respect of the results of operations of Diversified Royalty Corp. ("DIV" or the "Company") for the three and nine months ended September 30, 2014 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements as at and for the three and nine months ended September 30, 2014 and 2013 and the Company's audited consolidated financial statements and management's discussion and analysis ("MD&A") for the years ended December 31, 2013 and 2012. The financial statements of the Company are presented in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information related to the Company, including its Annual Information Form, Management Information Circular and Proxy form is available on SEDAR at www.sedar.com.

CORPORATE UPDATE

In May 2014, the Company announced its corporate strategy, which is to purchase, primarily top-line royalty streams from a number of growing Canadian multi-location businesses and franchisors.

On September 26, 2014, consistent with its corporate strategy, the Company completed a transaction (the "Franworks Acquisition") with Franworks Franchise Corp. ("Franworks") whereby it acquired an approximate $12 million annual top-line royalty for a purchase price of $108.8 million. Management determined that the royalty acquisition from Franworks is a platform transaction for DIV and the first step in DIV's current business strategy to purchase top-line royalty streams from a number of growing multi-location businesses and franchisors.

Calgary-based Franworks is one of the fastest growing mid-tier casual dining groups in Canada. On September 30, 2014, Franworks had 62 Original Joe's, 10 State & Main and 14 Elephant & Castle restaurants in operation, located in Western Canada (74), Ontario (4) and the United States (8, all Elephant & Castle). Approximately 40% of the restaurants are wholly owned and operated by Franworks and 60% are franchised locations (65% of which are joint ventures with Franworks). Franworks restaurants had total gross sales of approximately $220.5 million for the twelve months ended September 30, 2014 and employ approximately 3,100 people.

As part of the Franworks Acquisition, the Company acquired all of the Canadian and U.S. trademarks and other intellectual property rights related to the Original Joe's, State & Main and Elephant & Castle restaurant businesses (the "FW Rights") from a wholly owned subsidiary (the "FW Subsidiary") of Franworks. The FW Rights include all registered and unregistered trademarks (including service marks, logos, brand names, trade dress and pending applications for registration) used in connection with the aforementioned restaurant businesses and all intellectual property used in connection with such businesses (including trade secrets, patented technology, proprietary databases, domain names, know-how and show-how, recipes and uniform standard, methods, procedures and specifications regarding the establishment and operation of the restaurants operated under the aforementioned brands). Pursuant to a licence and royalty agreement dated September 26, 2014, the Company licensed the FW Rights to Franworks' wholly owned subsidiary for the payment of a royalty equal to 6% of the gross sales of 58 Original Joe's, 13 Elephant & Castle and 7 State & Main restaurants in existence on March 31, 2014 that were opened prior to September 30, 2013. The gross sales for these 78 restaurants in the Royalty Pool, for the 12 month period ended September 30, 2014, was $200.8 million.

Concurrent with the Franworks Acquisition, the Company changed its name to "Diversified Royalty Corp." from BENEV Capital Inc., adopted a new Long Term Incentive Plan ("LTIP") and allowed for the exchange of stock options held by certain directors and officers into Restricted Share Units ("RSU's"), at their option, and provided for the future grant of RSU's and/or Deferred Share Units ("DSU's"). 250,000 RSU's were granted to the Chief Executive Officer upon closing of the Franworks Acquisition.

Subsequent to the end of the quarter, on November 12, 2014, the Company issued 14,375,000 common shares at a price of $2.40 per common share for gross proceeds of $34,500,000 (the "Offering") in connection with an underwriting agreement (the "Underwriting Agreement") dated October 20, 2014, between the Company and a syndicate of underwriters (the "Underwriters"). The Offering includes the full exercise of an over-allotment option by the Underwriters, under which the Underwriters purchased an aggregate of 1,875,000 common shares at a price of $2.40 per common share. The Company intends to use the net proceeds from the Offering to fund future acquisitions of additional top-line royalties from other well-managed, multi-location businesses and franchisors and for general corporate purposes.

OUTLOOK

The Company continues to pursue and evaluate additional royalty stream acquisitions from well-managed, multi-location businesses and franchisors. Since the closing of the Franworks Acquisition, the Company has had several inquiries from and discussions with potential royalty partners that would add to the Company's royalty income and allow the Company to invest all or a portion of the proceeds raised by the Offering. As of the date hereof, the Company has no probable future acquisitions contemplated or in process, and there can be no assurance that the Company will be able to identify and make acquisitions that satisfy the Company's business objectives or strategy. As a conservative measure, the Company does not use any estimates for future revenue earned from the contribution of capital into new or existing royalty partners in its guidance or budgeting process.

Certain information contained herein may be considered to be future oriented financial information or financial outlook under applicable securities laws, the purpose of providing such information in this MD&A is to demonstrate the visibility the Company has with respect to its royalty streams, and such statements are subject to the risks and assumptions identified for the Company in this MD&A. Readers are cautioned that the information may not be appropriate for other purposes. See also "Forward Looking Information" below.

SUMMARY OF QUARTERLY RESULTS

The gross sales reported by the 78 Franworks restaurants in the Royalty Pool were $52.9 million for the quarter, an increase of $1.9 million or 3.7% from the comparable quarter of the prior year. As the Franworks Acquisition was completed on September 26, 2014, the Royalty is only payable on the sales for last 5 days of the quarter (i.e. the period from closing on September 26, 2014 to the end of the quarter on September 30, 2014), equivalent to 6% of $2.8 million, or $0.17 million.

The Company is financially well positioned with a positive working capital balance of $2.5 million as at September 30, 2014. Subsequent to the end of the quarter, working capital increased over $30 million as a result of the Offering.

The following table discloses certain unaudited financial data for the eight most recently completed quarters, expressed in millions of Canadian dollars (except per share data – basic and diluted which is in dollars).

	2014			2013				2012
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenue	0.17	-	-	-	-	-	-	7.83
Net income (loss)	8.4	(2.05)	(0.39)	(0.52)	(0.87)	(1.30)	(0.90)	0.61
Earnings (loss) per common share								
Basic	0.21	(0.05)	(0.01)	(0.02)	(0.02)	(0.03)	(0.02)	0.02
Diluted	0.21	(0.05)	(0.01)	(0.02)	(0.02)	(0.03)	(0.02)	0.02

The current quarter is the first quarter with royalty revenue, pursuant to the Franworks Acquisition, which closed on September 26, 2014. There is no revenue in the prior six quarters since the Company sold its only operating facility in St. Ambroise, Quebec on May 31, 2013 and had not yet completed the Franworks Acquisition. A loss on the sale of the plant and related restructuring costs were recorded in the second quarter of 2013. Subsequent to the second quarter of 2013 the Company achieved significant cost reductions in operating and administrative expenses due to the sale of the St. Ambroise facility. However, during the third quarter of 2013 these cost reductions were offset by increases in legal fees relating to litigation with John Bennett and stock-based compensation. In the second and third quarters of 2014, the Company incurred significant costs, primarily with respect to the acquisition agreement with Franworks; this resulted in a significant net loss for the Company in these quarters, before deferred income tax recovery in the third quarter of 2014, which resulted in positive net income for that quarter.

FINANCIAL HIGHLIGHTS

On a go-forward basis, the Company will provide a table which will outline financial metrics for the Company. This will include the following concepts:

- Number of restaurants in the Royalty Pool;
- Gross sales reported by Franworks restaurants in the Royalty Pool;
- Royalty Income;
- Distributable cash (including per share amounts);
- Dividends paid (including per share amounts);
- Same store sales results of the Franworks restaurants; and
- Number of Franworks restaurants opened and closed in the period.

Since the Franworks Acquisition closed on September 26, 2014, the above metrics are not meaningful for the three and nine months ended September 30, 2014.

OVERVIEW

KEY ATTRIBUTES OF COMPANY

On September 26, 2014, DIV, through its subsidiary, FW Royalties Limited Partnership (the "Partnership"), purchased the FW Rights from a wholly owned subsidiary of Franworks. The Partnership, in turn, granted Franworks' wholly owned subsidiary an exclusive license to use the FW Rights for a term of 99 years pursuant to a license and royalty agreement, which obligates the wholly owned subsidiary to make monthly royalty payments to the Partnership equal to 6% of gross sales of Franworks restaurants included in a specific royalty pool (the "Royalty Pool").

The key feature of the Company's royalty revenue is that it is based on top-line, gross sales of Franworks restaurants in the Royalty Pool and not on the profitability of either Franworks or individual restaurants in the Royalty Pool. The Company's only go-forward expenses, post the Franworks Acquisition, are administrative and public company expenses and interest on non-amortizing debt, as well as transactional costs on future acquisitions. Thus the success of the Company currently depends primarily on the ability of Franworks to maintain and increase the gross sales of the Franworks restaurants in the Royalty Pool.

Increases in gross sales are derived from both same store sales growth from existing restaurants ("SSSG") and from the addition of new Franworks restaurants to the Royalty Pool. Franworks has historically generated SSSG through a combination of increased guest counts and increased guest average cheque.

In the event that a Franworks restaurant is permanently closed during the year (including the termination of a franchise agreement), Franworks will continue to pay the royalty amount for that closed Franworks restaurant ("Make-whole Payment") from the date of closure until those sales are replaced with gross sales from new Franworks restaurants that are added to the Royalty Pool. The amount of the Make-whole Payment is based on the gross sales of the permanently closed restaurant when it was originally included in the Royalty Pool.

The Franworks acquisition is a platform transaction for DIV and the first step in DIV's current business strategy to purchase top-line royalty streams from a number of growing multi-location businesses and franchisors. The Company's primary objectives are to: (i) generate predictable, growing royalty streams and, (ii) increase cash flow per share by making accretive royalty purchases. These objectives will allow the Company to pay a predictable and stable dividend to shareholders, while increasing the dividend as cash flow per share increases allow.

THE ROYALTY POOL

Annually, on April 1st, the Royalty Pool is adjusted to include the gross sales from new Franworks restaurants that have been opened for at least 365 consecutive days prior to April 1, less gross sales from any Franworks restaurants that have permanently closed during the preceding calendar year. In return for adding these net sales to the Royalty Pool, Franworks receives the right to indirectly acquire additional Partnership units (the "Additional Entitlement"). The Additional Entitlement is determined based on 92.5% of the estimated net tax-adjusted royalty revenue added to the Royalty Pool, divided by the yield of the Company's shares, divided by the weighted average share price of the Company's shares. Franworks receives 80% of the estimated Additional Entitlement initially, with the balance received on April 1 of the following year when the actual full year performance of the new restaurants is known with certainty. The Additional Entitlement is automatically exchanged by Franworks into common shares of DIV.

FRANWORKS INTEREST IN THE COMPANY

Upon closing of the Franworks Acquisition on September 26, 2014 and as partial consideration received for the FW Rights, Franworks indirectly owned 16.9% of the issued and outstanding common shares of the Company.

As part of the Franworks Acquisition, Franworks also indirectly acquired 100,000,000 Class B limited partnership units, 100,000,000 Class C limited partnership units and 100,000,000 Class D limited partnership units of the Partnership. A portion of the Class B limited partnership units, Class C limited partnership units and Class D limited partnership units indirectly held by Franworks will be automatically exchanged for common shares of the Company in connection with the addition of Franworks restaurants to the Royalty Pool or increases to the royalty rate payable by Franworks, but Franworks will not receive cash distributions from the Partnership in respect of such units. Franworks is contractually required to own, at all times, a minimum of 5,301,205 shares of DIV, plus 10% of the cumulative number of common shares of the Company issued to Franworks upon the exchange of Partnership. The 5,301,205 shares was equivalent to 10% of the number of common shares of the Company issued and outstanding upon closing of the Franworks Acquisition.

CONSOLIDATION OF THE PARTNERSHIP

International Financial Reporting Standards ("IFRS") requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements include the accounts of Diversified Royalty Corp, its wholly-owned subsidiary, FW Royalties Limited Partnership (the "Partnership"), and its 90%-owned subsidiary, FW Royalties GP Inc. The Partnership's significant assets include cash, royalties receivable from Franworks and other receivables, and the FW Rights, while its significant liabilities include accounts payable, interest payable, a promissory note, and a long-term bank loan. The Partnership's earnings are largely comprised of royalty income earned from the FW Rights less administrative and interest expenses.

REDUCTION IN STATED CAPITAL

At the annual meeting of the Company on June 30, 2014, the shareholders approved a resolution to reduce the stated capital to $50,000,000. This approval resulted in a reduction of share capital of $47,155,660 and a corresponding reduction in accumulated deficit.

DIVIDENDS TO SHAREHOLDERS

The Company intends to provide consistent monthly dividends to shareholders at a sustainable level, and the Company's directors will review dividend levels on an ongoing basis. On October 20, 2014, the Company's board of directors announced the adoption of a monthly dividend policy to pay an annual aggregate dividend of $0.1884 per common share (or $0.0157 per share per month), payable on a monthly basis in arrears (pro-rated for 2014 as necessary. On November 12, 2014, the Company declared a dividend $0.0157 per share to shareholders of record on November 21, 2014 for payment on November 28, 2014. The determination to declare and pay dividends is at the discretion of the Company's board of directors, and until declared payable, the Company has no requirement to pay cash dividends to its shareholders. The Company's board of directors will review this dividend policy on an ongoing basis, and may amend the policy at any time in light of the Company's then current financial position, profitability, cash flow, applicable legal requirements and other factors considered relevant by the Company's board of directors.

DISTRIBUTABLE CASH

Distributable cash is defined as the periodic cash flows from operating activities as reported in the consolidated financial statements less interest and financing fees paid on the term loan. Distributable cash is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS, and therefore may not be comparable to similar measures presented by other issuers.

Given the Franworks Acquisition closed on September 26, 2014, distributable cash will be calculated beginning in the next fiscal quarter.

SYSTEM SALES

While the Company's income is indirectly based on a royalty of 6% of gross sales of Franworks restaurants in the Royalty Pool, the total system sales of Franworks are of interest to the Company and its shareholders as the total system sales best reflect Franworks' overall performance. Total system sales represent the gross sales of all Franworks restaurants for the applicable period, including Franworks restaurants not included in the Royalty Pool. The following table sets out Franworks system sales for the periods indicated below:

	3 months ended		9 months ended	
($000's)	Sep 30, 2014	Sep 30, 2013	Sep 30, 2014	Sep 30, 2013
Franworks restaurants	58,420	53,580	169,230	151,532

Third Quarter

System sales for the three months ended September 30, 2014 were $58.4 million compared to $53.6 million for the three months ended September 30, 2013, an increase of 9.0%. The increase was primarily due to the sales of new restaurants that operated during the quarter.

During the 3 months ended September 30, 2014, no new restaurants were opened. As at September 30, 2014, there were a total of 86 Franworks restaurants as compared with 83 Franworks restaurants at September 30, 2013.

Of the 86 Franworks restaurants open as at September 30, 2014, there were 81 that operated during both the entire 3 months ended September 30, 2014 and the entire 3 months ended September 30, 2013. The comparable period sales difference ("Same Store Sales" or "SSS") for these 81 restaurants did not change materially, with a slight decrease of 0.5%. Of the 81 Franworks restaurants that were measured for SSS, 69, or 85%, have been open for more than 2 years ("Mature Restaurants") and 12, or 15%, have been open for less than 2 years ("Young Stores"). SSS of Mature Restaurants for the 3 month period increased by 1.7%, whereas SSS of Young Restaurants decreased by 12.2%. This decrease is largely due to a decline in sales during the second year of operation of some restaurants, especially in smaller cities and towns where guest traffic is typically high during the opening year. Franworks feels it is important to make the distinction between Mature Restaurants and Young Restaurants as it highlights the impact that the opening phase of new stores has on Same Store Sales.

Post quarter-end, for the four weeks ended October 28, 2014, total Franworks restaurants SSS increased by 3.4%. Mature Restaurants' SSS for the same period increased by 5.9%, whereas Young Restaurants' SSS decreased by 9.5%.

The Company has structured the Additional Entitlement receivable by Franworks for new stores rolled into the Royalty Pool on April 1st of each year in such a way as to minimize the impact of the aforementioned second year decrease in sales. Only stores open for at least 365 days on April 1st each year are eligible to be rolled into the Royalty Pool and the royalty is calculated on the actual sales for the calendar year in which such restaurant is first included in the Royalty Pool.

Year to date

System sales for the 9 months ended September 30, 2014 were $169.2 million compared to $151.5 million for the 9 months ended September 30, 2013, an increase of 11.7%. The increase was primarily due to the sales of new restaurants that operated during the quarter.

During the 9 month period ended September 30, 2014, 4 new restaurants were opened.

Of the 86 Franworks restaurants open as at September 30, 2014, there were 63 that operated during both the entire 9 months ended September 30, 2014 and the entire 9 months ended September 30, 2013. The SSS for these 63 restaurants decreased 0.8%, largely due to adverse weather conditions in the first two quarters of 2014. Mature Restaurants' SSS for this period increased by 1.6%, whereas SSS of Young Restaurants decreased by 9.8%.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

Royalty Income

Royalty income for the third quarter of 2014 was $0.17 million compared to nil in the same period a year earlier. The Company closed the Franworks Acquisition on September 26, 2014 and therefore had five days of royalty income in the current period.

Operating Costs

Operating costs for the third quarter of 2014 were nil compared to nil in the same period a year earlier. The Company has not incurred operating expenses subsequent to the completion of the sale of its St. Ambroise waste treatment facility.

Administration and Business Development Costs

Administration and business development costs were $0.9 million in the third quarter of 2014, as compared with $1.1 million in the same quarter of 2013. Savings in wages and occupancy costs were achieved in the third quarter of 2014 over the prior period as costs that pertained to the St. Ambroise facility were no longer incurred after it was sold in May 2013 and the Company closed its office in Oakville and terminated those employees. However, in this quarter, higher professional fees relating to litigation and other corporate matters, as well as costs of the Services Agreement (see section entitled "Transactions with Related Parties" below) and higher share-based compensation offset these savings.

Proxy contest costs

In May 2014, Difference Capital Financial Inc. ("DCF") began a proxy contest with the Company. This required DIV to incur significant legal costs and professional advisor fees. On June 4, 2014, the Company reached an agreement with DCF pursuant to which DCF agreed not to solicit proxies for the election of directors at the annual general and special meeting of the

Company held on June 30, 2014, which included payment of $100,000 of DCF's costs. There were no proxy contest costs in the prior period. The Company accrued its expected total proxy costs at June 30, 2014; the actual costs were slightly less than the accrual, resulting in a slight reversal of proxy costs in the current quarter.

Transactional costs

On June 30, 2014, the Company entered into an acquisition agreement with Franworks with respect to the Franworks Acquisition which closed on September 26, 2014. DIV incurred $0.6 million of acquisition costs in the third quarter including legal fees, accounting costs, financial advisory costs, lender due diligence expenses and other related costs. There were no such expenses in the prior period. Many of these expenses are also reflected in accounts payable at September 30, 2014.

Loss on disposal of assets held for sale and related restructuring costs.

Loss on disposal of assets held for sale and related restructuring costs was nil in the third quarter of 2014 compared to $0.09 million in the same quarter of 2013. The Company completed the sale of its St. Ambroise, Quebec waste treatment facility and related assets and liabilities on May 31, 2013 and incurred costs on disposal as well as restructuring costs including bonuses on sale and severance to employees at head office.

Finance Income

Finance income declined slightly from the comparable prior year period of 2013 since the Company cashed its short term investments leading up to the Franworks Acquisition, and deployed the majority of its cash in the Franworks Acquisition on September 26, 2014.

Finance Costs

Finance costs increased slightly from the comparable prior year period of 2013 as the Company incurred a $15 million long-term bank loan to help finance the Franworks Acquisition on September 26, 2014. As the loan was only outstanding for 5 days during the quarter, interest expense of $0.01 million was incurred (including amortization of deferred financing costs).

Deferred Income Tax Expense

During the quarter, the Company recorded a deferred income tax recovery of $9.5 million, which primarily relates to the Company's recognition of $34.6 million of non-capital loss carry-forwards that were previously not recognized by the Company. Upon completion of the Franworks Acquisition, the Company anticipates receiving monthly royalty income and therefore expects to be able to utilize these non-capital losses over the next few years.

Net Income

The net income for the third quarter of 2014 was $8.4 million or a basic and diluted earnings per share of $0.21 compared to a net loss of $0.87 million or a basic and diluted loss per share of $0.02 for the third quarter of 2013. The Company had minimal royalty income in the current quarter, as the Franworks Acquisition closed on September 26, 2014. In addition, DIV incurred significant transactional costs in the third quarter of 2014, as described above. These were more than offset by the $9.5 million deferred income tax recovery recognized in the quarter.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

Royalty Income

Royalty income for the nine months ended September 30, 2014 was $0.2 million compared to nil in the same period a year earlier. The Company closed the Franworks Acquisition on September 26, 2014 and therefore had five days of royalty income in the current period.

Operating Costs

Operating costs for the nine month period ended September 30, 2014 were nil compared to $0.5 million in the same period a year earlier. The Company has not incurred operating expenses subsequent to the completion of the sale of its St. Ambroise waste treatment facility in May 2013.

Administration and Business Development Costs

Administration and business development costs were $2.5 million for the nine month period ended September 30, 2014, as compared with $2.7 million in the same period of 2013. The slight net decrease is explained above under this item in the section entitled "Operating Results for the Three Months Ended September 30, 2014" of this MD&A.

Proxy contest costs

Proxy contest costs for the nine month period ended September 30, 2014 were $0.3 million compared to nil in the same period a year earlier. These are explained above under this item in the section entitled "Operating Results for the Three Months Ended September 30, 2014" of this MD&A.

Transactional costs

Transactional costs for the nine month period ended September 30, 2014 were $1.5 million compared to nil in the same period a year earlier. These are explained above under this item in the section entitled "Operating Results for the Three Months Ended September 30, 2014" of this MD&A.

Amortization

Amortization expense was nil for the nine month period ended September 30, 2014 compared to $0.1 million in the period of 2013. Substantially all of the Company's amortizable long-term assets were sold on May 31, 2013.

Loss on disposal of assets held for sale and related restructuring costs.

Loss on disposal of assets held for sale and related restructuring costs for the nine month period ended September 30, 2014 was nil compared to $0.6 million in the same period a year earlier. These are explained above under this item in the section entitled "Operating Results for the Three Months Ended September 30, 2014" of this MD&A.

Finance Income

Finance income declined slightly from the comparable prior year period of 2013 since the Company cashed its short term investments leading up to the Franworks Acquisition, and deployed the majority of its cash in the Franworks Acquisition on September 26, 2014.

Finance Costs

Finance costs increased slightly from the comparable prior year period of 2013 as the Company incurred a $15 million long-term bank loan to help finance the Franworks Acquisition on September 26, 2014. As the loan was only outstanding for 5 days during the quarter, interest expense of $0.01 million was incurred (including amortization of deferred financing costs).

Deferred Income Tax Expense

Deferred income tax recovery for the nine month period ended September 30, 2014 was $9.5 million. This is explained above under this item in the section entitled "Operating Results for the Three Months Ended September 30, 2014" of this MD&A.

Net Income

The net income for the nine month period ended September 30, 2014 was $6.0 million or a basic and diluted earnings per share of $0.15 compared to a net loss of $3.1 million or a basic and diluted loss per share of $0.08 for the same period of 2013. The Company had minimal royalty income in the current period, as the Franworks Acquisition closed on September 26, 2014. In addition, DIV incurred significant transactional costs in the current period, as described above. These were more than offset by the $9.5 million deferred income tax recovery recognized in the period. Also, the Company did not operate its St. Ambroise waste treatment facility between January 1, 2013 and the date the sale of the facility was completed, May 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

At September 30, 2014 the Company had cash and equivalents of $4.4 million and net working capital (including cash) of $2.5 million compared to cash and equivalents of $69.0 million and net working capital (including cash) of $68.4 million at December 31, 2013. On September 26, 2014, the Company completed the Franworks Acquisition where it used the majority of its cash and equivalents. Going forward, it is the Company's policy to distribute most of its available distributable cash on a monthly basis in order to provide a consistent return to shareholders.

Subsequent to the end of the quarter, the Company raised gross proceeds of $34,500,000 from the Offering (refer to the section above entitled "Corporate Update")

TERM LOAN

The Partnership, a subsidiary of the Company, has a $15 million non-revolving term loan facility, which bears interest at published three-month Canadian dollar banker's acceptance rates ("BA Rate") plus 4.15% per annum. The facility was arranged on September 26, 2014 to partially finance the purchase of the FW Rights from Franworks, and to provide term debt as part of the Company's consolidated capital structure. The term loan is subject to certain financial covenants, including a covenant to maintain a funded debt to EBITDA ratio of not more than 1.6:1.0. As at September 30, 2014, the Company and the Partnership are in compliance with all financial covenants associated with this facility.

OPERATING LINE OF CREDIT

The Partnership, a subsidiary of the Company has a $2 million operating line of credit which bears interest at BA Rate plus 4.50% per annum. This operating line is intended for general working capital purposes or, if required, to help finance periodic differences between receipt of the royalty payments (which may vary due to small seasonal variations in the gross sales of those restaurants in the Royalty Pool), and payment of dividends to shareholders. As at September 30, 2014, the entire $2 million remains available for use and is undrawn.

Cash from Operating Activities

For the first nine months of 2014, cash used by operations amounted to approximately $2.1 million as compared to $1.4 million in the first nine months of 2013. The net income for the period, more than offset by non-cash charges and changes in non-cash working capital items was primarily responsible for the use of cash in the first nine months of 2014.

The net income for the first nine months of 2013, more than offset by non-cash charges and changes in non-cash working capital items, was primarily responsible for the use of cash in the first nine months of 2013.

Cash from Investing Activities

Cash used for investing activities during the nine months ended September 30, 2014 was $88.1 million due to the acquisition of the FW Rights in the period. Cash provided by investing activities during the same period of 2013 was $7.5 million due to cash received on the disposal of assets held for sale, and a decrease in restricted cash, slightly offset by capital expenditures at the St. Ambroise waste treatment facility.

Cash from Financing Activities

Cash provided by financing activities during the nine months ended September 30, 2014 was $25.5 million consisting of $8.7 million from equity issuance and $14.8 million from debt issuance, both in connection with the Franworks Acquisition, plus $2.0 million in proceeds from the exercise of share options. Cash used by financing activities during the same period of 2013 was $0.01 million due to repayment of finance lease obligations, partially offset by proceeds from the exercise of share options.

CONTRACTUAL OBLIGATIONS

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Millions of Canadian dollars	Carrying amount	Contractual cash flow	2014	2015	2016	2017	2018	Thereafter
Tenure agreement	$ 0.61	$ 0.65	$ 0.02	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.31
Accounts payable and accrued liabilities	1.68	1.68	1.68	-	-	-	-	-
Promissory note	5.15	5.15	5.15	-	-	-	-	-
Long-term bank loan	14.80	17.40	.020	0.80	.080	15.60	-	-
Total contractual obligations	$ 22.24	$24.88	$7.05	$ 0.88	$ 0.88	$ 15.68	$0.08	$ 0.31

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

FINANCIAL AND OTHER INSTRUMENTS

The Company’s financial instruments consist of cash, royalty receivable from Franworks, other accounts receivable, accounts payable and accrued liabilities, provisions, promissory note, long-term liability, employee RSU Obligation and long-term bank loan.

The fair values of the royalty receivable from Franworks, other accounts receivable, accounts payable and accrued liabilities, provisions, and promissory note approximate their carrying amounts, largely due to the short-term maturities of these instruments. The fair value of the long-term liability and employee RSU Obligations are adjusted quarterly to reflect current assumptions. The fair value of the long-term bank loan is not materially different from its carrying value as the variable interest rate on the facility would not be significantly different from the current market rate of interest due to the considerable security held by the banking syndicate.

CONTINGENCIES AND PROVISIONS

There were no developments during the third quarter of 2014 or subsequent to quarter-end regarding provisions or contingencies except for the following which are described in greater detail in note 6 to the interim condensed consolidated financial statements for the period ended September 30, 2014:

Fraud claim against Mr. Bennett

The Company has filed a claim against Mr. John Bennett for $10.3 million. The claim alleges that he was directly or indirectly responsible for the illegal payments that resulted in the Company pleading guilty to conspiracy to commit fraud. In addition to seeking to recover these illegal payments, the associated fines and legal fees, the claim seeks to recover bonuses which were inappropriately paid and punitive damages. The claim had been stayed, with the consent of both parties, until June 2013 when Mr. Bennett withdrew his consent to the stay in order to serve the Company with a statement of defence and counterclaim in the amount of $30 million. The Company brought a motion with regard to the counterclaim and on the 9th of April 2014, the Superior Court Ordered that the counterclaim be struck, without leave to amend. Costs of $16,000 were also awarded to the Company. On May 6, 2014, Mr. Bennett filed an appeal to the April 9th Order with the Ontario Court of Appeal. On September 15, 2014 the Ontario Court of Appeal upheld the Order of the Superior Court that the counterclaim be struck without leave to amend. In addition, the court granted $6,600 in costs in favour of the Company in addition to the $16,000 previously awarded.

Mr. Bennett's indemnity claim

On October 30, 2014, the Supreme Court of Canada dismissed Mr. Bennett's application for leave to appeal an order of the British Columbia Court of Appeal ordering his extradition to the United States to stand trial for conspiracy to defraud and major fraud against the United States.

In October 2013, the Company brought a motion to the Ontario Superior Court (Commercial List) to set aside or suspend a December 29, 2010 interim order which required the reimbursement of Mr. Bennett's criminal defence expenses by the Company, pending a final determination of his entitlement to indemnification. In March 2014, Mr. Bennett served a cross-motion to strike the Company's motion and to require the Company to continue to reimburse his legal defence costs pending trial. In September 2014, both the motion and the cross-motion were scheduled for a hearing on December 19, 2014. On October 30, 2014, after Mr. Bennett lost his application for leave to appeal to the Supreme Court of Canada, his counsel requested the Company pay a US$2.5 million retainer to cover the criminal defence costs of his trial in New Jersey. On the 3rd of November, Mr. Bennett's counsel served an amended cross-motion record seeking this relief. On November 4, 2014, the Commercial List rescheduled the hearing and advanced it to November 26, 2014.

While the Company intends to strenuously resist this motion, it is possible that the Company may be ordered to pay up to US$2.5 million to cover Mr. Bennett's criminal lawyer's retainer, and that the advance of this retainer may not be funded by the Company's insurance. The Company has sufficient funds available for such purposes, if ordered. If Mr. Bennett were to be acquitted on the criminal charges in New Jersey, the Company expects that its insurer would refund Mr. Bennett's legal costs. If the Company is required to advance such funds to Mr. Bennett's criminal defence lawyer to otherwise continue to fund Mr. Bennett's criminal defence costs and Mr. Bennett is found guilty of the criminal charges in New Jersey, the Company would not be entitled to reimbursement from its insurer of any amounts advanced to Mr. Bennett or his counsel. Although the Company would have a right to seek reimbursement from Mr. Bennett for such amounts, the Company's ability to collect such amounts from Mr. Bennett may be limited to the $0.6 million tenure agreement long-term liability to Mr. Bennett.

TRANSACTIONS WITH RELATED PARTIES

The following transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Mr. Sean Morrison, the Company's President and Chief Executive Officer is also the founder and managing partner of Maxam Capital Corp ("Maxam"). The Company entered into a services agreement (the "Services Agreement") with Maxam whereby Maxam provided, effective as of January 1, 2014, accounting, tax and public company compliance services, head office and infrastructure services and transaction support services to the Company. Effective September 29, 2014, this Services Agreement was terminated, and a new services agreement with Maxam was entered into whereby the Chief Financial Officer services were removed and the monthly service fee was reduced.

On September 29, 2014, Mr. Greg Gutmanis, the Company's Chief Financial Officer entered into a consulting services agreement with the Company, pursuant to which, his holding company will provide his services as interim Chief Financial Officer to the Company for a period of three months.

On September 29, 2014, the Company agreed to a services agreement with the Mr. Morrison's holding company, pursuant to which, his holding company will provide his services as President and Chief Executive Officer to the Company.

During 2013 and in conjunction with Mr. Morrison joining the Company as its President and Chief Executive Officer, a fund to be created by Maxam was granted a right to invest in the Company. At the time this right was granted to Maxam, Maxam and the Company were not related. This right was exercised by Maxam Opportunities Fund II LP on September 26, 2014, whereby it acquired 5,240,964 common shares at a price of $1.66 per share in a private placement.

At September 30, 2014, Franworks is considered to be a related party of the Company by virtue of common directors of Franworks and the Company. The Company receives royalty payments from Franworks and through the Partnership, has a $5.15 million promissory note owing to Franworks. This promissory note bears interest at a rate of 5.25% per annum and is payable in full on the earlier of (a) the six month anniversary of the Franworks Acquisition closing date and (b) the third business day following receipt of a refund in respect of the GST recoverable by the Partnership in connection with the Franworks Acquisition. In connection with the Franworks Acquisition, the Company and Franworks entered into several agreements related to the licence of the FW Rights, the governance of the Partnership and the security of the royalty payable by Franworks. For full particulars of these agreements, reference should be made to the Company's management information circular dated August 18, 2014 (the "Circular"), a copy of which is available under the Company's profile at www.sedar.com.

SHARE CAPITAL

The number of common shares outstanding at November 13, 2014 was 68,530,173. This increased from December 31, 2013 due to 5,240,964 common shares issued in a private placement, 8,992,187 common shares issued for Franworks' retained interest, 1,143,125 common shares issued pursuant to the exercise of stock options and 14,375,000 common shares issued pursuant to the Offering. There were 705,500 stock options outstanding as at November 13, 2014 exercisable at prices from $1.50 to $2.12 per share. No stock options have been issued since August 2013. Effective September 29, 2014, the Company issued 250,000 RSU's.

CRITICAL ACCOUNTING ESTIMATES

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

There have been no significant changes in the nature of the Company's critical accounting estimates as described in the Company's annual MD&A dated March 26, 2014 which can be found on SEDAR at www.sedar.com., with the exception of the new critical accounting estimates related to the Franworks Acquisition. These include the following:

Intangible Assets

DIV carries the FW Rights at historical cost comprising the amount of consideration paid for the FW Rights.DIV tests the FW Rights for impairment annually, which requires that the Company use a valuation technique to determine if impairment exists. This valuation technique is dependent on a number of different variables which requires management to exercise judgment, and as a result, the estimated net cash flows the FW Rights are expected to generate could differ materially from actual results.

CHANGES IN ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared using the same accounting principles and policies as the annual financial statements for the year ended December 31, 2013 and adopted new IFRS accounting standards as well as policies specific to the Franworks Acquisition, both as outlined in Note 3 to the interim condensed consolidated financial statements for the period ended September 30, 2014.

RISK FACTORS

Information on “Risk Factors” can be found in the Company’s Annual Information Form dated March 26, 2014 for the fiscal year ended December 31, 2013. In addition, the Franworks Acquisition significantly changed the risk factors relevant to the Company; these can be found in the Company’s Management Information Circular dated August 18, 2014

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A, or incorporated herein by reference, may constitute “forward-looking statements” which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The use of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe”, “confident”, “plan” and “intends” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition; changes in international, national and local business and economic conditions; legislation and governmental regulation; accounting policies and practices; the results of operations and financial condition of Franworks; the Company; the Company’s high dependency on the operations of Franworks; prevailing yields on similar securities; the Company’s reliance on key personnel; the unpredictability and volatility of share prices; leverage and restrictive covenants; investment eligibility; failure to realize anticipated benefits of future royalty acquisitions; fluctuations in interest rates; competition for royalty acquisition targets; the litigation with John Bennett; and any residual liability arising from its former St. Ambroise facility. The foregoing list of factors is not exhaustive. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as expressly required by law.