DIVERSIFIED ROYALTY CORP.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2015

November 6, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

BASIS OF PRESENTATION

This management's discussion and analysis ("MD&A") in respect of the results of operations of Diversified Royalty Corp. ("DIV" or the "Company") for the three and nine months ended September 30, 2015 should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2015 (the "Q3 2015 Financial Statements"). The financial statements of the Company are presented in thousands of Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS") as applicable to interim financial reports including International Accounting Standards 34, Interim Financial Reporting.

Additional information related to the Company including its Annual Information Form dated March 25, 2015 for the fiscal year ended December 31, 2014 is available on SEDAR at www.sedar.com.

Statements are subject to the risks and uncertainties identified in the "Risks Factors" and "Forward Looking Statements" sections of this document. The Company has included the non-IFRS measures of EBITDA, normalized EBITDA and distributable cash. For further information of these measures, see the "Description of Non-IFRS and Additional IFRS Measures" section of this document.

OVERVIEW

DIV is a multi-royalty corporation, engaged in the business of acquiring royalties from well-managed multi-location businesses and franchisors in North America ("Royalty Partners"). The Company believes that its royalty structure provides a strong incentive for a Royalty Partner to continue growing its business while retaining control of its business.

The Company's primary objectives are to (i) purchase stable and growing royalty streams from Royalty Partners, and (ii) increase distributable cash per share by making accretive royalty purchases. These objectives will allow the Company to pay a dividend to shareholders, while increasing the dividend as distributable cash per share allows.

The Company's revenue consists of royalties and management fees received monthly that are contractually agreed to between the Company and its Royalty Partners:

- Franworks Franchise Corp. ("Franworks"): royalties are based on top-line system sales of Franworks restaurants in the royalty pool (the "Franworks Royalty Pool"). As at September 30, 2015, Franworks had 90 restaurants, of which 82 were in the Franworks Royalty Pool.
- Sutton Group Realty Services Ltd. ("Sutton"): royalties are based on the number of agents in the royalty pool (the "Sutton Royalty Pool"). As at September 30, 2015, there were 5,185 agents in the Sutton Royalty Pool. In addition to the royalty, Sutton pays the Company a management fee of approximately $0.1 million per year for strategic and other services; and
- Mr. Lube Canada Limited Partnership ("Mr. Lube"): royalties are based on the top-line system sales of Mr. Lube locations in the royalty pool (the "Mr. Lube Royalty Pool"). As at September 30, 2015, Mr. Lube had 169 locations, of which 117 were in the Mr. Lube Royalty Pool. In addition to the royalty, Mr. Lube pays the Company a management fee of approximately $0.2 million per year for strategic and other services.

The Company's ongoing expenses are comprised of salaries and benefits, general and administration (including public company costs), professional fees, and interest on credit facilities. Unusual expenses primarily relate to the John Bennett litigation, which the Company hopes to have resolved in 2016. Accordingly, the success of the Company currently depends on the ability of its Royalty Partners to maintain and increase the sales or number of agents in the respective royalty pools, and to pay the royalties to the Company.

FINANCIAL HIGHLIGHTS

(000's except per share amounts, number of restaurants, agents, and locations)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Consolidated:				
Revenue	$ 5,717	$ 169	$ 12,168	$ 169
Royalty income	5,668	169	12,116	169
Normalized EBITDA[1]	5,377	(549)	10,981	(1,750)
Distributable cash[1]	4,980	(561)	10,187	(1,766)
Income (loss) from operations	3,893	(1,214)	7,460	(4,094)
Net income	2,428	8,433	4,297	5,990
Dividends declared	4,893	-	11,458	-
Basic earnings per share	$ 0.03	$ 0.21	$ 0.06	$ 0.15
Diluted earnings per share	0.03	0.21	0.06	0.15
Distributable cash flow per share[1]	0.06	(0.01)	0.13	(0.04)
Dividends declared per share	0.05	-	0.14	-
Total assets	$ 312,429	$ 128,283	$ 312,429	$ 128,283
Total non-current financial liabilities	55,820	15,341	55,820	15,341
Franworks:				
Number of restaurants in the Franworks Royalty Pool[2]	82	78	82	78
System sales reported by restaurants in the Franworks Royalty Pool[3]	$ 54,219	$ 2,810	$ 157,188	$ 2,810
Royalty income[4]	3,282	169	9,613	169
SSSG of restaurants in the Franworks Royalty Pool[1,5]	-2.2%	n / a	0.4%	n / a
Sutton[6]:				
Number of agents in the Sutton Royalty Pool[2]	5,185	n / a	5,185	n / a
Royalty income and management fees	$ 900	n / a	$ 1,020	n / a
Mr. Lube[7]:				
Number of locations in the Mr. Lube Royalty Pool[2]	117	n / a	117	n / a
System sales reported by Mr. Lube locations in the Mr. Lube Royalty Pool	$ 21,738	n / a	$ 21,738	n / a
Royalty income and management fees	1,535	n / a	1,535	n / a
SSSG of locations in Mr. Lube Royalty Pool[1]	3.3%	n / a	2.5%	n / a

1) Normalized EBITDA, distributable cash, distributable cash flow per share, and SSSG are non-IFRS measures and as such, do not have standardized meanings under IFRS. For additional information regarding these financial metrics, refer to the sections "EBITDA, Normalized EBITDA and Distributable Cash" and "Description of Non-IFRS and Additional IFRS Measures" in this MD&A.
2) At period end.
3) The Franworks Acquisition closed on September 26, 2014. As a result, system sales, royalty income, and management fees in the comparative periods of 2014 only include amounts for the period from September 26, 2014 to September 30, 2014.
4) Royalty income for the third quarter of 2015 includes make-whole payments of $0.03 million for the third quarter and $0.2 million for the first nine months of 2015 on lost system sales of $0.5 million and $3.1 million, respectively. There were no make-whole payments during the third quarter and first nine months of 2014.
5) Management of DIV estimates that the SSSG of the 82 Franworks restaurants in the Franworks Royalty Pool for the third quarter of 2015 was -2.2% in Canadian dollars (excluding the impact of translating U.S. sales into Canadian dollars, the estimated SSSG of the 82 Franworks restaurants was -4.4%). Management of DIV estimates that the SSSG of the 82 Franworks restaurants in the Franworks Royalty Pool for the first nine months of 2015 was 0.4% in Canadian dollars (excluding the impact of translating U.S. sales into Canadian dollars, the estimated SSSG of the 82 Franworks restaurants was -1.8%).
6) The Sutton Acquisition closed on June 19, 2015. As a result, the system sales, royalty income, and management fees for the first nine months of 2015 only include amounts for the period from June 19, 2015 to September 30, 2015.
7) The Mr. Lube Acquisition closed on August 19, 2015. As a result, the system sales, royalty income, and management fees for the third quarter and first nine months of 2015 only include amounts for the period from August 19, 2015 to September 30, 2015.

ROYALTY POOLS

Franworks

The following table sets out the royalty income received from Franworks for the periods indicated below:

(000's, except number of restaurants)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Number of restaurants[1]	82	78	82	78
System sales[2]	$ 54,219	$ 2,810	$ 157,188	$ 2,810
Royalty income[2,3]	$ 3,282	$ 169	$ 9,613	$ 169

1) At period end.
2) The Franworks Acquisition closed on September 26, 2014. Accordingly, the system sales of the restaurants in the Franworks Royalty Pool and royalty income in the comparative periods of 2014 only include amounts for the period from September 26, 2014 to September 30, 2014.
3) Royalty income includes Franworks Make-Whole Payments of $0.03 million for the third quarter of 2015 and $0.18 million for the first nine months of 2015 on lost system sales of $0.5 million and $3.1 million, respectively. There were no Franworks Make-Whole Payments during the third quarter and first nine months of 2014.

On September 26, 2014, the Company indirectly acquired, through FW Royalties Limited Partnership ("FW LP"), an entity controlled by the Company, 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 of Franworks (the "Franworks Subsidiary") for a purchase price of $108.8 million (the "Franworks Acquisition"). The Franworks Acquisition was the first step in DIV's strategy of purchasing top-line royalty streams from a number of growing multi-location businesses and franchisors.

Immediately following the closing of the Franworks Acquisition, the Company licensed the FW Rights to the Franworks Subsidiary for 99 years in exchange for a royalty payment equal to 6.0% of the system sales (the "Franworks Royalty Rate") of the restaurants in the Franworks Royalty Pool.

For Franworks, changes in Franworks Royalty Pool system sales are derived from both same store sales growth ("SSSG") from existing restaurants in the Franworks Royalty Pool and from the addition of new Franworks restaurants to the Franworks Royalty Pool.

In the event that a Franworks restaurant is permanently closed during the year (including the termination of a franchise agreement) or that renovations have caused the closure of a restaurant, Franworks will continue to pay the royalty amount for that closed Franworks restaurant ("Franworks 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 or until the restaurant re-opens. The amount of the Franworks Make-Whole Payment is based on the system sales of the permanently closed restaurant or the restaurant, which was closed due to renovations, as applicable, for the first year it was included in the Franworks Royalty Pool.

Effective April 1, 2015, the Franworks Royalty Pool was adjusted to include the royalties from five new restaurants opened across Canada and to remove one restaurant in the U.S. that was permanently closed. With the adjustment for these five openings and one closure, the Franworks Royalty Pool now includes 82 restaurants.

The initial consideration for the estimated net additional royalty revenue is $4.9 million, representing 80% of the total estimated consideration of $6.2 million payable to the Franworks Subsidiary for such additional royalty revenue. The consideration is paid in the form of DIV shares on the basis of the 20-day volume weighted average closing price of DIV's shares for the period ending March 25, 2015. Based on a weighted average closing price of $2.69 per share, the initial consideration payable for the net additional royalty revenue was paid to the Franworks Subsidiary in the form of 1,835,728 DIV shares which were issued on April 1, 2015.

The remaining consideration payable for net additional royalty revenue will be paid to the Franworks Subsidiary on April 1, 2016, the next adjustment date, and will be adjusted to reflect the actual gross sales of the five new restaurants for the year ended December 31, 2015, as determined through an audit of the gross sales of the five new restaurants in the Franworks Royalty Pool.

Third Quarter

System sales in the Franworks Royalty Pool for the third quarter of 2015 were $54.2 million compared to $2.8 million for the same period in 2014. As the Franworks Acquisition closed on September 26, 2014, the system sales of the restaurants in the Franworks Royalty Pool only include amounts for the period from September 26, 2014 to September 30, 2014. If the Franworks Acquisition had closed on January 1, 2014, system sales for the restaurants in the Franworks Royalty Pool would have been $52.9 million for the third quarter of 2014, resulting in an increase of 2.5%. The increase was due to net new store roll-ins completed on April 1, 2015 and incremental sales from stores not open for the full period, partially offset by negative SSSG.

Management of DIV estimates that the SSSG of the 82 Franworks restaurants in the Franworks Royalty Pool for the third quarter of 2015 was -2.2%[1] in Canadian dollars. 79 out of the 82 Franworks restaurants in the Franworks Royalty Pool were open during the third quarter of 2014 and 2015 (SSSG of -3.0%[2] in Canadian dollars). One of the Franworks restaurants in the royalty pool was closed for a portion of the third quarter of 2014 for renovations (SSSG of 31.4% in September). The second Franworks restaurant was under renovation in the third quarter of 2015 (year-to-date SSSG was 2.2% prior to the renovation). The third restaurant was under renovations in the third quarter of 2014 (August and September SSSG of 16.2%).

Year-To-Date

System sales in the Franworks Royalty Pool for the first nine months of 2015 were $157.2 million compared to $2.8 million for the first nine months of 2014. If the Franworks Acquisition had closed on January 1, 2014, system sales for the restaurants in the Franworks Royalty Pool for the first nine months of 2014 would have been $152.4 million, resulting in an increase of 3.1%. The increase was due to net new store roll-ins completed on April 1, 2015, incremental sales from stores not open for the full period, and positive SSSG.

Management of DIV estimates that the SSSG of the 82 Franworks restaurants in the Franworks Royalty Pool for the first nine months of 2015 was 0.4%[3] in Canadian dollars. 75 out of the 82 Franworks restaurants in the Franworks Royalty Pool were open during the first nine months of 2014 and 2015 (SSSG of -0.4%[4] in Canadian dollars).

Sutton

The following table sets out the royalty income and management fees received from Sutton for the periods indicated below:

	Three months ended September 30,			Nine months ended September 30,		
(000's, except number of agents)		**2015**	**2014**		**2015**	**2014**
Number of agents[1]		5,185	n / a		5,185	n / a
Royalty income[2]	$	875	n / a	$	992	n / a
Management fees[2]	$	25	n / a	$	28	n / a

1) At period end.
2) The Sutton Acquisition was completed on June 19, 2015. Accordingly, royalty income and management fees for the first nine months of 2015 only include amounts for the period from June 19, 2015 to September 30, 2015.

On June 19, 2015, the Company completed its second royalty acquisition (the “Sutton Acquisition”) whereby it indirectly acquired, through SGRS Royalties Limited Partnership (“SGRS LP”), an entity controlled by the Company, all of the Canadian and U.S. trademarks and certain other intellectual property rights utilized by Sutton in its residential real estate franchise business (the “Sutton Rights”) for a purchase price of $30.6 million.

Immediately following the closing of the Sutton Acquisition, the Company licensed the Sutton Rights to Sutton for 99 years in exchange for a royalty payment equal to $56.25 per agent per month (the “Sutton Royalty Rate”), based on a determined number of agents in the Sutton Royalty Pool. The Sutton Royalty Rate grows by 2.0% per year, effective July 1st beginning in 2016. In addition, Sutton will pay the Company a management fee of approximately $0.1 million per year for strategic and other services.

Third Quarter and Year-To-Date

Sutton made its scheduled fixed monthly royalty and management fee payments during the third quarter of 2015. Sutton’s third quarter results were in line with expectations.

[1] Excluding the impact of translating U.S. sales into Canadian dollars, the estimated SSSG of the 82 Franworks restaurants was -4.4%.
[2] Excluding the impact of translating U.S. sales into Canadian dollars, the SSSG of the 79 Franworks restaurants was -5.1%.
[3] Excluding the impact of translating U.S. sales into Canadian dollars, the estimated SSSG of the 82 Franworks restaurants was -1.8%.
[4] Excluding the impact of translating U.S. sales into Canadian dollars, the SSSG of the 79 Franworks restaurants was -2.0%.

Mr. Lube

The following table sets out the royalty income and management fees received from Mr. Lube for the periods indicated below:

(000's, except number of locations)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Number of locations[1]	117	n / a	117	n / a
System sales[2]	$ 21,738	n / a	21,738	n / a
Royalty income[2]	$ 1,511	n / a	$ 1,511	n / a
Management fees[2]	$ 24	n / a	$ 24	n / a

1) At period end.
2) The Mr. Lube Acquisition was completed on August 19, 2015. Accordingly, system sales, royalty income, and management fees for the third quarter and first nine months of 2015 only included amounts for the period from August 19, 2015 to September 30, 2015.

On August 19, 2015, the Company completed its third royalty acquisition (the “Mr. Lube Acquisition”), whereby it indirectly acquired, through ML Royalties LP (“ML LP”), an entity controlled by the Company, the trademarks and certain other intellectual property rights utilized by Mr. Lube (“ML Rights”) in its business of franchising automotive maintenance businesses for a purchase price of $138.9 million.

Immediately following the closing of the Mr. Lube Acquisition, ML LP licensed the ML Rights back to Mr. Lube for 99 years, in exchange for a royalty payment equal to 6.95% of the system sales (the “Mr. Lube Royalty Rate”) of Mr. Lube locations in the Mr. Lube Royalty Pool. In addition, Mr. Lube will pay DIV a management fee of approximately $0.2 million per year for strategic and other services. The management fee will be increased at a rate of 2.0% per annum over the term of the license and royalty agreement.

For Mr. Lube, changes in system sales are derived from both SSSG from existing locations in the Mr. Lube Royalty Pool and from the addition of new Mr. Lube locations to the Mr. Lube Royalty Pool.

In the event that a Mr. Lube location is permanently closed, Mr. Lube is required to pay a make-whole payment (the “Mr. Lube Make-Whole Payment”), which is based on the gross system sales of the trailing 12-month period immediately before it was permanently closed, multiplied by the Mr. Lube Royalty Rate and pro-rated for the number of days in the royalty period that the location was permanently closed.

Third Quarter and Year-To-Date

System sales for the Mr. Lube locations within the Mr. Lube Royalty Pool was $21.7 million for the third quarter of 2015. As the Mr. Lube Acquisition was completed on August 19, 2015, system sales only included amounts for the period from August 19, 2015 to September 30, 2015. If the Mr. Lube Acquisition had closed on January 1, 2015, system sales for the locations within the Mr. Lube Royalty Pool would have been $47.2 million for the third quarter of 2015 and $134.1 million for the first nine-months of 2015. SSSG for the Mr. Lube locations within the Mr. Lube Royalty Pool was 3.3% for the third quarter and 2.5% for the first nine months of 2015 due to product line growth and key marketing campaigns which drove regional sales growth.

EBITDA, NORMALIZED EBITDA AND DISTRIBUTABLE CASH

The following table reconciles EBITDA, normalized EBITDA, and distributable cash to net income:

(000's)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Net income	**$ 2,428**	**$ 8,433**	**$ 4,297**	**$ 5,990**
Interest expense on credit facilities	397	12	794	16
Other finance costs	195	12	249	58
Finance income	-	(197)	(172)	(684)
Income taxes	873	(9,474)	2,292	(9,474)
Depreciation	-	-	-	-
EBITDA[1]	**3,893**	**(1,214)**	**7,460**	**(4,094)**
Adjustments:				
Share-based compensation	63	39	190	222
Litigation	1,104	97	3,014	358
Royalty transition credit	284	-	284	-
Proxy contest costs	-	(63)	-	272
Acquisition costs	-	349	-	786
Professional fees related to change in business structure	-	243	-	706
CFO retention bonus	33	-	33	-
Normalized EBITDA[1]	**5,377**	**(549)**	**10,981**	**(1,750)**
Less: interest expense on credit facilities	397	12	794	16
Distributable cash[1]	**$ 4,980**	**$ (561)**	**$ 10,187**	**$ (1,766)**

1) EBITDA, normalized EBITDA, and distributable cash are non-IFRS measures and as such, do not have standardized meanings under IFRS. For additional information regarding these financial metrics, refer to the “Non-IFRS Measures” and “Additional IFRS Measures” in this MD&A.

RESULTS OF OPERATIONS

The following table sets out selected unaudited information from the financial statements of the Company together with other data and should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the periods ended September 30, 2015 and 2014. The financial information in the tables included in this MD&A are reported in accordance with IFRS unless otherwise noted.

	Three months ended September 30,		Nine months ended September 30,	
(000's)	**2015**	**2014**	**2015**	**2014**
Royalty income	$ 5,668	$ 169	$ 12,116	$ 169
Management fees	49	-	52	-
	5,717	169	12,168	169
Expenses				
Salaries and benefits	208	376	535	807
Share-based compensation	63	39	190	222
General and administration	95	165	427	721
Professional fees	70	420	258	1,097
Litigation	1,104	97	3,014	358
Royalty transition credit	284	-	284	-
Proxy contest costs	-	(63)	-	272
Acquisition costs	-	349	-	786
	1,824	1,383	4,708	4,263
Income (loss) from operations	3,893	(1,214)	7,460	(4,094)
Finance income	-	197	172	684
Interest expense on credit facilities	(397)	(12)	(794)	(16)
Other finance costs	(195)	(12)	(249)	(58)
Net finance income (costs)	(592)	173	(871)	610
Income (loss) before income taxes	3,301	(1,041)	6,589	(3,484)
Income tax expense (recovery)	873	(9,474)	2,292	(9,474)
Net income and comprehensive income	$ 2,428	$ 8,433	$ 4,297	$ 5,990

Revenue

Third Quarter

Revenue was $5.7 million in the third quarter of 2015, compared to $0.2 million in the third quarter of 2014. The increase in revenue was due to the addition of the Sutton royalty stream effective June 19, 2015, and the Mr. Lube royalty stream effective August 19, 2015, which contributed $0.9 million and $1.5 million of revenues, respectively. In addition, the Franworks Acquisition closed on September 26, 2014. As a result, the third quarter of 2015 reflects a full quarter of royalty income ($3.3 million), compared to the five days in the third quarter of 2014.

Year-To-Date

Revenue for the first nine months of 2015 was $12.1 million, compared to $0.2 million for the same period in 2014. The increase in revenue was due to the addition of the Sutton and Mr. Lube royalty streams, which contributed $1.0 million and $1.5 million, respectively. In addition, the first nine months of 2015 reflects royalty income of $9.6 million from the Franworks royalty stream, compared to the five days in the first nine months of 2014.

Salaries and Benefits

Third Quarter

Salaries and benefits were $0.2 million in the third quarter of 2015, compared to $0.4 million in the third quarter of 2014. The third quarter of 2014 included a one-time transformative transaction bonus of $0.2 million awarded to senior management of the Company in connection with the Franworks Acquisition.

Year-To-Date

Salaries and benefits for the nine months ended September 30, 2015 were $0.5 million, compared to $0.8 million for the same period in 2014. The decrease in salaries and benefits was primarily due to the one-time transformative transaction bonus of $0.2 million awarded to senior management of the Company in connection with the Franworks Acquisition. In additions, savings in salaries and benefits of $0.1 million were achieved as a result of the closure of the Company's office in Oakville at the end of March 2014, which reduced overall headcount, and lower directors' fees.

Share-based Compensation

Third Quarter and Year-To-Date

Share-based compensation for the third quarter and first nine months of 2015 were comparable to the same periods in 2014.

General and Administration Costs

Third Quarter

General and administration costs were $0.1 million in the third quarter of 2015, compared to $0.2 million in the third quarter of 2014. The savings in general and administration costs were due to a reduction in the monthly fee for the services agreement with Maxam Capital Corp. (the "Services Agreement") as described under the section "Transactions with Related Parties". In addition, there was a decrease in insurance premiums and travel costs in 2015, which yielded savings in general and administration costs.

The decrease in general and administration costs were partially offset by an expense reversal of $0.1 million in the third quarter of 2014 related to a GST reassessment. During the second quarter of 2014, the Company accrued $0.2 million in connection with a GST reassessment. The actual reassessment received in November 2014 amounted to $0.1 million, which resulted in a reversal of $0.1 million in the third quarter of 2014.

Year-To-Date

For the nine months ended September 30, 2015, general and administrative costs were $0.4 million, compared to $0.7 million for the nine months ended September 30, 2014. The majority of the variance is due to a reduction in the monthly fee for the Services Agreement as described under the section "Transactions with Related Parties". In addition, during the first nine months of 2014, the Company incurred $0.1 million in connection with the 2014 reassessment as described above.

Professional Fees

Third Quarter

Professional fees are comprised of legal, audit, tax, and advisory services.

Professional fees decreased by $0.3 million in the third quarter of 2015, when compared to the same period in 2014. The decrease was due to additional work performed in the third quarter of 2014 related to the changes in the Company's business structure.

Year-To-Date

Professional fees decreased by $0.8 million in the first nine months of 2015 when compared to the same period in 2014. The decline from last year primarily relates to additional work performed in the first nine months of 2014 related to changes in the Company's business structure.

Royalty Transition Credit

Third Quarter and Year-to-date

The monthly royalty payments received from Mr. Lube related to the periods ending on or before December 31, 2015 are subject to a royalty transition credit of $0.2 million per month, pro-rated for partial payment periods. The royalty transition credit for the third quarter and first nine months of 2015 was $0.3 million.

Litigation

Third Quarter

Litigation expenses increased by $1.0 million in the third quarter and $2.7 million in the first nine months of 2015, compared to the same periods in 2014. These increases were due to the John Bennett related litigation. Additional information on the John Bennett related litigation is discussed below under the heading "Contingencies and Provisions".

Proxy Contest Costs

Third Quarter

Proxy contest costs in the third quarter of 2015 were nil. Proxy contest costs in the third quarter of 2014 reflect a recovery of $0.1 million. In May 2014, Difference Capital Financial Inc. ("DCF") began a proxy contest with the Company, which required DIV to incur significant legal and professional advisor fees. As at June 30, 2014, the Company accrued its expected total proxy costs. As the actual proxy costs were lower than the original accrual, there was a reversal of proxy costs expense in the third quarter of 2014.

Year-To-Date

Proxy contest costs in the first nine months of 2015 were nil compared to $0.3 million for the first nine months of 2014. During the first nine months of 2014, the Company incurred non-recurring costs in connection with the proxy contest with DCF as described above.

Acquisition Costs

Third Quarter and Year-To-Date

Acquisition costs for the third quarter and first nine months of 2015 were nil compared to $0.3 million in the third quarter and $0.8 million in the first nine months of 2014. The costs incurred in 2014 related to the Franworks Acquisition.

Finance Income

Third Quarter and Year-To-Date

Finance income decreased by $0.2 million in the third quarter of 2015 and $0.5 million in the first nine months of 2015, compared to the same periods in 2014. These decreases were due to the Company deploying the majority of its cash in the Franworks Acquisition on September 26, 2014. Subsequently on November 12, 2014, the Company completed the November 2014 Offering, which increased its cash position, until this was deployed in the acquisition of the Sutton Rights in June 2015.

Interest Expense on Credit Facilities

Third Quarter

Interest expense on credit facilities increased by $0.4 million in the third quarter of 2015 compared to the same period in 2014. The increase was primarily due to interest expense of $0.2 million incurred on the credit facilities related to financing the SGRS Rights and ML Rights acquisitions, which occurred on June 19, 2015 and August 19, 2015, respectively. In addition, the Company incurred $0.2 million of interest expense on the credit facility related to financing the FW Rights acquisition, which occurred on September 26, 2014.

Year-To-Date

Interest expense on credit facilities increased by $0.8 million in the first nine months of 2015 compared to the same period in 2014. The increase was primarily due to interest expense of $0.2 million incurred on the credit facilities related to financing the SGRS Rights and ML Rights acquisitions, which occurred on June 19, 2015 and August 19, 2015, respectively. In addition, the

Company incurred $0.6 million of interest expense on the credit facility related to financing the FW Rights acquisition, which occurred on September 26, 2014.

Other Finance Costs

The following table summarizes other finance costs for the third quarter and first nine months of 2015 and 2014.

(000's)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Interest expense on promissory note	$ 55	$ -	$ 55	$ -
Amortization of deferred financing fees	39	-	73	-
Loan application fee	-	-	-	25
Adjustment to and unwinding of discount on financial liabilities	4	3	16	18
Foreign exchange loss	97	9	105	15
	$ 195	$ 12	$ 249	$ 58

Third quarter and Year-to-date

Other finance costs increased by $0.2 million in the third quarter and first nine months of 2015 compared to the same periods in 2014. The increases were primarily due to a foreign exchange loss of $0.1 million related to U.S. dollar denominated provisions, interest expense on the promissory note and the amortization of deferred financing fees.

Income Tax Expense

Third Quarter

During the third quarter of 2015, the Company recorded a deferred income tax expense of $0.9 million compared to a deferred income tax recovery of $9.5 million in the third quarter of 2014. During the third quarter of 2014, the Company recorded a deferred income tax recovery of $9.5 million related to $34.6 million in non-capital loss carry-forwards that were previously not recognized by the Company. Upon completion of the Franworks Acquisition on September 26, 2014, and in connection with the receipt of monthly royalty income, the Company expects to utilize the non-capital losses over the next few years.

Year-To-Date

During the first nine months of 2015, the Company recorded a deferred income tax expense of $2.3 million, compared to a deferred income tax recovery of $9.5 million in the first nine months of 2014. During the first nine months of 2014, the Company recognized a deferred income tax recovery of $9.5 million related to $34.6 million in non-capital loss carry-forwards that were previously not recognized by the Company as described above.

Non-Capital Loss Carry-Forwards and Eligible Capital Expenditures

As at September 30, 2015, the Company has approximately $31.8 million of non-capital losses (December 31, 2014 - $36.4 million). In addition, the Company has eligible capital expenditures related to the FW Rights, Sutton Rights, and ML Rights, which has a tax cost base of approximately $186.7 million (December 31, 2014 - $64.3 million).

DIVIDENDS TO SHAREHOLDERS

The Company intends to pay monthly dividends to shareholders, 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. Since that time, the Company has consistently paid monthly dividends.

After the closing of the Sutton Acquisition, DIV's annual dividend increased from $0.1884 per share to $0.20 per share (a 6% increase) effective August 31, 2015. After the closing of the Mr. Lube Transaction, the Company's annual dividend increased a further 11.25% from $0.20 per share to $0.2225 per share effective October 30, 2015.

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.

The Company's dividends are deemed eligible dividends for Canadian tax purposes. Dividends paid during the first nine months of 2015 were as follows:

Month	Payment date	Amount / share
October 2015	October 30, 2015	$ 0.01854
September 2015	September 30, 2015	$ 0.01667
August 2015	August 31, 2015	$ 0.01667
July 2015	July 31, 2015	$ 0.01570
June 2015	June 30, 2015	$ 0.01570
May 2015	May 29, 2015	$ 0.01570
April 2015	April 30, 2015	$ 0.01570
March 2015	March 31, 2015	$ 0.01570
February 2015	February 27, 2015	$ 0.01570
January 2015	January 30, 2015	$ 0.01570

Dividend Reinvestment Plan

In November 2015, the Company adopted a dividend reinvestment plan ("DRIP"), commencing with the Company's November 2015 dividend, which will be paid on November 30, 2015 to shareholders of record on November 20, 2015.

The DRIP allows eligible holders of the Company's common shares to reinvest some or all cash dividends paid in respect of their common shares in additional common shares of the Company. At the Company's election, these additional common shares may be issued from treasury or purchased on the open market. If the Company elects to issue common shares from treasury, the common shares will be purchased under the DRIP at a 3% discount to the volume weighted average of the closing price for the Common Shares on the TSX for the five trading days immediately preceding the relevant dividend payment date. The Company may, from time to time, change or eliminate the discount applicable to common shares issued from treasury.

SUMMARY OF QUARTERLY RESULTS

The following table discloses certain unaudited financial data for the eight most recently completed quarters.

(000's except per share amounts)	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Revenue	$ 5,717	$ 3,538	$ 2,916	$ 3,078	$ 169	$ -	$ -	$ -
Net income (loss)	$ 2,428	$ 680	$ 1,190	$ 1,433	$ 8,433	$ (2,054)	$ (389)	$ (523)
Earnings (loss) per common share								
Basic	$ 0.03	$ 0.01	$ 0.02	$ 0.02	$ 0.21	$ (0.05)	$ (0.01)	$ (0.01)
Diluted	$ 0.03	$ 0.01	$ 0.02	$ 0.02	$ 0.21	$ (0.05)	$ (0.01)	$ (0.01)

Revenue

The overall growing trend in quarterly revenue is driven by the following additions to the Company's royalty streams: (i) the Franworks Acquisition on September 26, 2014; (ii) the Sutton Acquisition on June 19, 2015; and (iii) the Mr. Lube Acquisition on August 19, 2015. There was no revenue generated during the period from Q4 2013 through Q2 2014 as the Company closed its only operating facility in St. Ambroise, Quebec, and had not yet completed the Franworks Acquisition.

Net Income

Net income reflects the growing trend in quarterly revenue, offset by fluctuations associated with litigation expenses, acquisition costs, proxy contest costs, and income tax expenses / recoveries. During the second and third quarters in 2014, the Company incurred significant costs associated with the due diligence and legal fees related to the Franworks Acquisition, proxy contest costs, and fees associated with the Company graduating from the NEX to the TSX. These costs were largely offset by a deferred income tax recovery of $9.5 million recorded in the third quarter of 2014.

The fourth quarter of 2014 marks the first full quarter of royalty income, offset by increased litigation expenses related to the John Bennett litigation (see "Contingencies and Provisions - John Bennett Indemnity Claim"). Net income during the first quarter and second quarter of 2015 decreased due to higher litigation expenses related to the John Bennett litigation.

Net income during the third quarter of 2015 reflects the additional royalty revenue generated from the Sutton Acquisition and the Mr. Lube Acquisition, partially offset by higher litigation expenses associated with John Bennett.

OUTLOOK

The Company continues to pursue and evaluate additional royalty stream acquisitions from multi-location businesses and franchisors. As of the date hereof, the Company has no probable future acquisitions and there can be no assurance that the Company will be able to identify and make further acquisitions that satisfy the Company's business objectives or strategy.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

As at September 30, 2015, the Company had cash and equivalents of $8.0 million and net working capital (including cash) of $7.8 million compared to cash and equivalents of $34.5 million and net working capital (including cash) of $33.9 million at December 31, 2014. It is the Company's policy to distribute what it believes to be a sustainable dividend.

It is the Company's intention to acquire future royalty streams in separate legal entities without cross-collateralization so that, to the maximum extent possible, any liability exposure in one legal entity does not affect the balance sheet of any other legal entity. However, there can be no assurance that this will be achieved.

Credit Facilities

As at September 30, 2015, the Company had the following term loan facilities:

- $15.0 million non-amortizing term loan facility, which matures on September 26, 2017, and bears interest at the bankers' acceptance rate ("BA rate") plus 4.15%;
- $6.3 million non-amortizing term loan facility, which matures on June 19, 2018, and bears interest at the BA rate plus 2.25%; and
- $34.6 million non-amortizing term loan facility, which matures on August 18, 2018, and bears interest at the BA rate plus 2.50%.

As at September 30, 2015, the Company had the following operating lines of credit:

- $2.0 million operating line of credit, which matures on September 26, 2017, and bears interest at the bankers' acceptance rate ("BA rate") plus 4.50%;
- $0.5 million operating line of credit, which matures on June 19, 2018, and bears interest at the BA rate plus 2.45%; and
- $1.0 million operating line of credit, which matures on August 18, 2018, and bears interest at the BA rate plus 2.50%.

As at September 30, 2015, the Company and its subsidiaries were in compliance with all financial covenants associated with the term loan facilities and operating lines of credit.

Interest Rate Swaps – October 2015

In October 2015, to manage risks arising from fluctuations in interest rates, the Company entered into interest rate swap agreements that entitle the Company to receive interest at floating rates and effectively pay interest at fixed rates for the SGRS LP term loan facility and the ML LP term loan facility. The following table summarizes the interest rate swap agreements:

		Notional amount	Effective interest rate	Maturity date
SGRS LP interest rate swap	$	6,300	3.41%	June 19, 2018
ML LP interest rate swap		34,600	3.62%	August 13, 2018
	$	40,900		

The interest rate swaps will be re-measured at fair value at the end of each reporting period with fair values calculated as the present value of contractual cash flows based on quoted forward curves and discount rates incorporating the applicable yield curve.

Cash Flows

	Nine months ended September 30,	
(000's)	2015	2014
Cash from operating activities	$ 6,359	$ (2,054)
Cash from financing activities	137,529	25,524
Cash used in investing activities	(170,449)	(88,061)
Decrease in cash	(26,561)	(64,591)
Cash, beginning of period	34,511	69,000
Cash, end of period	$ 7,950	$ 4,409

Cash From Operating Activities

Cash from operations for the first nine months of 2015 increased by $8.4 million compared to the same period in 2014. The increase was primarily due to higher income from operations, net of changes in non-cash working capital.

Cash From Financing Activities

Cash from financing activities during the first nine months of 2015 was $137.5 million. This was primarily generated by net proceeds from the issuance of equity of $108.4 million, and net proceeds from the issuance of debt of $40.5 million. These items were partially offset by the payment of dividends of $11.4 million.

Cash from financing activities during the first nine months of 2014 was $25.5 million. This was primarily generated by net proceeds from the issuance of debt of $14.8 million, net proceeds from the issuance of common shares of $8.7 million, and proceeds from the exercise of share options of $2.0 million.

Cash Used in Investing Activities

Cash used in investing activities during the first nine months of 2015 was $170.4 million, which was related to the Sutton Acquisition and Mr. Lube Acquisition.

Cash used in investing activities during the first nine months of 2014 was $88.1 million, which was related to the Franworks Acquisition.

CONTRACTUAL OBLIGATIONS

As at September 30, 2015, the following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements of the Company (on a consolidated basis).

(000's)	Carrying amount	Contractual cash flow	2015	2016	2017	2018	Thereafter
Tenure agreement	$ 556	$ 573	$ 20	$ 79	$ 79	$ 79	$ 316
Accounts payable and accrued liabilities	464	464	464	-	-	-	-
Long-term bank loans	55,343	61,248	511	2,043	16,860	41,835	-
Promissory note	6,943	7,077	-	7,077	-	-	-
Total contractual obligations	$ 63,306	$ 69,362	$ 995	$ 9,199	$ 16,939	$ 41,914	$ 316

In November 2015, the Company repaid $3.0 million of the promissory note.

FINANCIAL AND OTHER INSTRUMENTS

As at September 30, 2015 The Company's financial instruments consist of: cash, royalties and management fees receivable, amounts receivable, accounts payable and accrued liabilities, a promissory note, long-term liability, and long-term bank loans.

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

In October 2015, the Company entered into interest rate swap agreements that entitle the Company to receive interest at floating rates and pay interest at fixed rates for the SGRS LP term loan facility and the ML LP term loan facility as described under the Section "Liquidity and Capital Resources – Interest rate swaps"

CONTINGENCIES AND PROVISIONS

The following outlines contingencies and provisions with respect to the Company. Refer to note 8 of the Q3 2015 Financial Statements for greater detail.

John Bennett Indemnity Claim

John Bennett ("Bennett"), CEO of the Company until early 2004, is charged with conspiracy to defraud and major fraud against the United States between 2001 and mid-2004. The Company and two former vice presidents (both of whom left the Company in 2004) plead guilty to this same conspiracy against the United States.

Bennett was extradited to the United States in November 2014 and is expected to be tried in February 2016. Note that up until the first quarter of 2015, the trial had been scheduled for November of 2015. The Company has been ordered by the Ontario courts to reimburse Bennett for the reasonable legal costs he has incurred and will incur in connection with his criminal defense.

The Company has accrued for Bennett's legal costs incurred and reimbursable to him as at September 30, 2015. The cost to the Company in respect of his future legal expenses will be recorded when these expenses are known and the amounts reimbursable to him can be reasonably estimated. The Company filed a motion to challenge the reasonableness of Bennett's legal costs incurred to date, with a hearing expected in December 2015.

If Bennett is acquitted, the Company's insurer is responsible for Bennett's legal costs. If Bennett is found guilty, the Company will be required to reimburse its insurance underwriter for all amounts advanced to Bennett and the Company will be entitled to reimbursement from Bennett. The Company's ability to obtain reimbursement will depend on its ability to identify and obtain recourse against Bennett's assets, including, without limitation, the balance of any payments then still due to Bennett under the tenure agreement referred to in note 9 of the Q3 2015 Financial Statements.

Liability to Insurance Underwriter

Under its funding agreement with the insurance underwriter, the Company expects to be required to repay all legal costs it recovers from the underwriter in the event that Bennett is found guilty. As at September 30, 2015, the estimated liability was $2.5 million (December 31, 2014 - $0.7 million), as disclosed in note 8 of the Q3 2015 Financial Statements. The Company has cash resources available to settle the estimated liability that may result from this requirement.

Additional Claims Involving John Bennett

Bennett has also served a claim against Second City Capital Partners I, Limited Partnership (“Second City”), Samuel Belzberg (“Belzberg”) and the Company in 2011. The claim alleges that in September 2009, the Company was in possession of material undisclosed information and that, while in possession of such information, the Company and Belzberg directed Second City to purchase the Company’s common shares from Bennett. Management believes there is no basis for making this allegation against the Company. Accordingly the Company has made no provision in respect of this matter.

Claim by U.S. Contractor

In 2008, a prime contractor (“Sevenson”) on a U.S. Federal Government project (“Project”) filed a complaint against the Company and many other persons in a US court. This relates to the same matters which are the subject of the John Bennett litigation. Initially, the complaint also named a director and officer, an officer and a senior manager, all of whom are no longer with the Company and some of whom were involved in, and pleaded guilty to, the conspiracy to defraud the United States as described under the discussion related to Mr. Bennett’s Indemnity Claim.

In 2009, the court stayed all proceedings in this matter pending the conclusion of the Antitrust Division of the United States Department of Justice investigation into the same matter. On November 18, 2014, the stay was lifted.

On February 11, 2015, Sevenson filed its third amended complaint against the Company. The complaint alleges that employees of the Company conspired with an employee of the prime contractor relating to, among other things, the awarding of contracts during the years 2002 through 2004. Of the 22 counts in the complaint, only six name the Company as a defendant. The complaint seeks not less than approximately $1.1 million U.S. plus the value of additional gratuities from the Company.

Counsel for the Company brought a motion to dismiss the third amended complaint for failure to plead enough facts to state a claim for relief that is plausible on its face. This motion was not successful. Management intends to defend against this claim vigorously. In October 2015, the Company filed a counterclaim against Sevenson.

Management considers that it is not probable that a liability will result and no amount has been recorded in the Company’s financial statements in respect of the complaint.

SHARE CAPITAL

Common Shares

As at September 30, 2015, there were 112,980,901 common shares issued and outstanding compared to 68,530,173 as at December 31, 2014.

On April 1, 2015, the Company issued 1,835,728 common shares on a private placement basis to the Franworks Subsidiary as part of the annual Franworks Royalty Pool Adjustment as described under the section “Royalty Pools – Franworks”.

In connection with the Mr. Lube Acquisition, the Company entered into an agreement with a syndicate of investment dealers led by Cormark Securities Inc. (the “2015 Underwriters”) pursuant to which the 2015 Underwriters agreed to purchase for resale to the public on a bought deal basis 40,741,000 subscription receipts of the Corporation (the “Subscription Receipts”), at a price of $2.70 per Subscription Receipt for gross proceeds of $110.0 million (the “August 2015 Offering”). In addition, the Company granted the 2015 Underwriters an option (the “Over-Allotment Option”) to purchase up to an additional 6,111,150 Subscription Receipts at the price of $2.70 per Subscription Receipt.

On August 18, 2015, the Company completed the public offering of 42,595,000 Subscription Receipts, including Subscription Receipts pursuant to the partial exercise of the Over-Allotment Option, for gross proceeds of $115.0 million. After deducting the underwriters’ fees of $5.8 million and the expenses of $0.8 million, the total net proceeds from the sale of the Subscription Receipts under this offering was $108.4 million. Upon completion of the Mr. Lube Acquisition on August 19, 2015, the Subscription Receipts were automatically exchanged into common shares of the Company.

The net proceeds of the August 2015 Offering was used to partially fund the acquisition of the ML Rights, with the remainder available for future acquisition and general corporate purposes. The remainder of the cash consideration payable to Mr. Lube upon completion of the Mr. Lube Acquisition was satisfied through a $34.2 million term loan (net of $0.4 million of deferred financing fees) and approximately $0.9 million in cash on hand.

The table below compares the estimated and actual use of proceeds from the August 2015 Offering for the specific uses identified in the final prospectus for the August 2015 Offering:

Item	Estimated Use of Proceeds (Cdn)	Actual Use of Proceeds (Cdn)	Variance (Cdn)
Equity proceeds to fund the Mr. Lube Acquisition, future acquisitions, and for general corporate purposes	$108,436	$108,436	-

As at November 6, 2015, there were 112,980,901 common shares outstanding.

Share Options

As at September 30, 2015, there were 685,500 share options outstanding, compared to 705,500 as at December 31, 2014. On September 28, 2015, there were 20,000 share options exercised into common shares of the Company.

The share options are exchangeable into common shares at exercise prices ranging from $1.50 to $2.12 per share. No share options have been issued since August 2013.

As at November 6, 2015, there were 685,500 share options outstanding.

Restricted Share Units ("RSUs")

As at September 30, 2015, there were 300,006 RSUs outstanding, compared to 250,000 RSUs as at December 31, 2014. On April 21, 2015, the Company issued an aggregate of 32,418 RSUs to certain directors which vest on April 1, 2018. In addition, there were 17,588 RSUs issued as notional dividends during the first nine months of 2015.

In October 2015, the Company issued 123,802 RSUs to the Chief Financial Officer of the Company, with a grant date fair value of $2.68 per share, totalling $0.3 million. The RSUs vest in three annual installments on September 1, 2016, September 1, 2017, and September 1, 2018.

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.

Franworks' Interest in the Company

On September 26, 2014, upon closing of the Franworks Acquisition, DIV issued 8,992,187 common shares to the Franworks Subsidiary as partial consideration received for the FW Rights. On April 1, 2015, in connection with the addition of Franworks' restaurants into the Franworks Royalty Pool, DIV issued 1,835,728 common shares to the Franworks Subsidiary. As at September 30, 2015, Franworks indirectly owned 8,992,187 (8.0%) common shares of the Company.

In connection with the Franworks Acquisition, FW LP issued 100,000,000 Class B, Class C, and Class D limited partnership ("LP") units to the Franworks Subsidiary. The Class B LP units become exchangeable to common shares of DIV on the contribution of additional Franworks' restaurants into the Franworks Royalty Pool. The Class C and Class D LP units become exchangeable on the increase in the Franworks Royalty Rate from 6.0% to 7.0%, and from 7.0% to 8.0%, respectively, in accordance with the partnership agreement dated September 26, 2014.

Franworks is contractually required to own, at all times, a minimum of 5,301,205 common shares of DIV, plus 10% of the cumulative number of common shares of DIV issued to Franworks upon the exchange of FW LP units during the term of the royalty. The 5,301,205 shares is equivalent to 10% of the number of common shares of the Company that were issued and outstanding upon closing of the Franworks Acquisition. As at September 30, 2015, Franworks is required to retain a minimum of 5,484,778 common shares of DIV.

Franworks is considered to be a related party of the Company by virtue of common directors of Franworks and the Company. In addition, the President and CEO of Franworks is a director of the Company.

Sutton's Interest in the Company

On June 19, 2015, upon closing of the Sutton Acquisition, SGRS LP issued 100,000,000 Class A, Class B, Class C, Class D, and Class E LP units to Sutton. The Class A LP units become exchangeable for common shares of DIV upon the contribution of additional agents to the Sutton Royalty Pool. The Class B, Class C, Class D and Class E LP units, become exchangeable into common shares of DIV on increases in the Sutton Royalty Rate of 10.0% increments four times during the life of the royalty, in accordance with the partnership agreement dated June 19, 2015.

Mr. Lube's Interest in the Company

On August 19, 2015, upon closing of the Mr. Lube Acquisition, ML LP issued 100,000,000 Class B, Class C, Class D, Class E, and Class F LP units to Mr. Lube. The Class B LP units become exchangeable into common shares of the Company upon the addition of Mr. Lube locations to the ML Royalty Pool. The Class C, Class D, Class E, and Class F LP units become exchangeable into common shares of the Company on increases in the ML Royalty Rate of 0.5% increments four times during the life of the royalty, in accordance with the partnership agreement dated August 19, 2015.

Maxam Services Agreement

The Company's President and CEO and one of the Company's directors are co-founders and managing partners 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. Pursuant to the Services Agreement, the Corporation paid Maxam a monthly service fee of approximately $29,000 plus reasonable out of pocket expenses. Effective September 29, 2014, this Services Agreement was terminated, and a new services agreement with Maxam was entered into whereby the monthly service fee was reduced to approximately $9,000 per month and includes only rent and administrative services. Chief Financial Officer services were removed. On September 29, 2014, the Company's then CFO (a Vice President at Maxam Capital) entered into a consulting services agreement with the Company, pursuant to which, his holding company provided his services as interim CFO to the Company for a period of three months, in return for a monthly fee of $12,500. This agreement was extended to January 31, 2015 and then terminated after the Company hired a permanent CFO.

On September 29, 2014, the Company agreed to a services agreement with the Company's President and CEO's holding company (the "CEO Agreement"), pursuant to which, his holding company provides his services as CEO to the Company in return for an annual service fee of $200,000 per annum until September 2015 (increased to $300,000 per annum on September 26, 2015), and an additional $87,500 per annum for the first two years thereafter, subject to adjustments. In addition, the CEO Agreement provides for payment of: (i) an incentive bonus based on the Company's aggregate cash dividends derived from new royalty streams acquired by the Company, (ii) the grant of 250,000 RSU's, and (iii) a lump sum signing bonus of $125,000. 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 in connection with the closing of the Franworks Acquisition.

SIGNIFICANT ACCOUNTING POLICIES, CRITICAL JUDGMENTS AND KEY ESTIMATES

The interim condensed consolidated financial statements accompanying this MD&A have been prepared using the same accounting principles and policies as the Company's annual financial statements for the year ended December 31, 2014.

Critical Accounting Estimates

The preparation of the Company's Q3 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.

Significant estimates and judgments made by management in the application of IFRS that have a significant effect on the amounts recognized in these condensed consolidated interim financial statements are as follows:

Intangible Assets

DIV carries the FW Rights, Sutton Rights, and ML Rights at historical cost comprising the amount of consideration paid for the FW Rights, Sutton Rights, and ML Rights. DIV tests the FW Rights, Sutton Rights, and ML 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. As a result, the estimated net cash flows the FW Rights, Sutton Rights, and ML Rights are expected to generate could differ materially from actual results.

Fair Value of Class B, C, D, and E FW LP units ("Exchangeable FW LP Units")

Fair Value of Class A, B, C, D, and E SGRS LP units ("Exchangeable SGRS LP Units")

Fair Value of Class B, C, D, E, and F ML LP units ("Exchangeable ML LP Units")

The Company does not assign any value to the Exchangeable FW LP Units, Exchangeable SGRS LP Units, and Exchangeable ML LP Units as they do not currently meet the relevant criteria for exchange into common shares of DIV (see note 7 in the Q3 2015 Financial Statements for further information).

Consolidation

Applying the criteria outlined in IFRS 10, *Consolidated Financial Statements*, judgment is required in determining whether DIV controls FW LP, SGRS LP, and ML LP. Making this judgment involves taking into consideration the concepts of power over the partnerships, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of the partnerships so as to generate economic returns. Using these criteria, management has determined that DIV ultimately controls FW LP, SGRS LP, and ML LP through a majority ownership of the respective general partners.

New Standards Applicable in Future Periods

IFRS 9, *Financial Instruments* ("IFRS 9"), replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their cash flows. In addition, under IFRS 9 for financial liabilities measured at fair value, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the changes recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its condensed consolidated interim financial statements.

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company does not expect the standard to have a material impact on its condensed consolidated interim financial statements.

DESCRIPTION OF NON-IFRS AND ADDITIONAL IFRS MEASURES

Non-IFRS Measures

Management believes that disclosing certain non-IFRS financial measures provides readers of this MD&A with important information regarding the Company's financial performance and its ability to pay dividends. By considering these measures in combination with the most closely comparable IFRS measure, management believes that investors are provided with additional and more useful information about the Company than investors would have if they simply considered IFRS measures alone. The non-IFRS financial measures do not have standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS measures should not be construed as a substitute or an alternative to cash flows from operating activities as determined in accordance with IFRS.

In addition to financial measures prescribed by IFRS, "EBITDA", "Normalized EBITDA", "Distributable Cash", "Same Store Sales Growth", and "Royalty Coverage" are used as non-IFRS measures in this MD&A.

EBITDA and Normalized EBITDA

EBITDA is calculated as earnings before interest, taxes, depreciation and amortization. Normalized EBITDA is calculated as EBITDA before certain items including: share-based compensation, litigation expense, transition credit, proxy contest costs, acquisition costs, professional fees related to the change in business structure, and CFO retention bonus. While Normalized EBITDA is not a recognized measure under IFRS, management of the Company believes that, in addition to net income, Normalized EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service, working capital needs and capital expenditures. Investors should be cautioned, however, that Normalized EBITDA should not be construed as an alternative to a statement of cash flows as a measure of liquidity and cash flows. The methodologies used by the Company to determine Normalized EBITDA may differ from those utilized by other issuers or companies and, accordingly, Normalized EBITDA as used in this MD&A may not be comparable to similar measures used by other issuers or companies. Readers are cautioned that Normalized EBITDA should not be construed as an alternative to net income or loss determined in accordance with IFRS as indicators of an issuer's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. The table under the heading "EBITDA, Normalized EBITDA, and Distributable Cash" above provides a reconciliation from this non-IFRS financial measure to net income (loss).

Distributable Cash

Distributable Cash is defined as Normalized EBITDA less interest expense on the credit facilities. 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.

Management believes that Distributable Cash provides investors with useful information about the amount of cash the Company has generated to cover distributions on the shares during the period. The table under the heading "Distributable Cash" above provides a reconciliation from this non-IFRS financial measure to net income (loss).

Same-Store-Sales-Growth or SSSG

Same store sales growth is the percentage increase in store sales over the prior comparable period for locations that were open in both the current and prior periods, excluding stores that were permanently closed. Same store sales growth is a non-IFRS financial measure and does not have a standardized meaning prescribed by IFRS. However, the Company believes that SSSG is a useful measure as it provides investors with an indication of the change in year-over-year sales of Franworks Restaurants. The Company's method of calculating same store sales growth may differ from those of other issuers or companies and, accordingly, same store sales growth may not be comparable to similar measures used by other issuers or companies.

Additional IFRS Measures

IFRS mandates certain minimum line items for financial statements and requires presentation of additional line items, headings and subtotals when such presentation is relevant to an understanding of the issuer's financial position or performance. IFRS also requires that notes to the financial statements information that is not presented elsewhere in the financial statements, but is relevant to understanding them. Such financial measures outside the minimum mandated line items are considered additional IFRS measures. The Q3 2015 Financial Statements include certain additional IFRS measures where management considers such information to be useful to understanding the Company's financial results.

RISK FACTORS

For information on risk factors associated with the Company and its business, refer to the disclosure under the heading "Risk Factors" in the Company's Annual Information Form dated March 25, 2015 for the fiscal year ended December 31, 2014, a copy of which is available on SEDAR at www.sedar.com. In addition, for information on risk factors associated with the August 2015 Offering, the Mr. Lube Transaction and the businesses of Sutton and Mr. Lube, see the disclosure under the heading "Risk Factors" in the Company's final prospectus dated August 11, 2015, a copy of which is available on SEDAR at www.sedar.com.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD LOOKING STATEMENTS

Certain statements in this MD&A, and documents referred to herein, may constitute "forward-looking information" within the meaning of applicable securities laws. Such statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements or industry results expressed or implied by such forward-looking information. Forward-looking information is generally identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such information includes, but is not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and DIV's objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the estimates or predictions of actions of customers, competitors or regulatory authorities, and statements regarding DIV's future economic performance. DIV has based these forward-looking statements on DIV's current expectations about future events. Some of the specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to: DIV's intention to purchase additional top-line royalties from growing multi-location businesses and franchisors; DIV's intention to make regular monthly cash dividends; the Company's board of directors reviewing the Company's dividend policy going forward; the Company's expectation that it will be able to use its outstanding non-capital losses over the next few years; ongoing litigation with John Bennett and the payment of legal costs and potential liabilities associated therewith; ongoing litigation with a contractor in relation to the Project; the expected tax treatment of DIV's dividends to shareholders; DIV's access to available sources of debt and equity financing; the amount and timing of the payment for the remaining consideration payable to Franworks by the Company for the net new royalty revenue from the five Franworks restaurants added to the Franworks Royalty Pool; the completion of an audit of the gross sales of the five Franworks restaurants added to the Franworks Royalty Pool; the possibility of future increases in the royalty payments made by the Franworks Subsidiary to FW LP and the issuance of common shares by DIV to the Franworks Subsidiary in connection therewith; the possibility of future increases in the royalty payments made by Sutton indirectly to DIV and the issuance of common shares by DIV to Sutton in connection therewith; future increases in the management fee payable by Sutton to DIV; the possibility of future increases in the Mr. Lube royalty payments made by Mr. Lube to DIV and the issuance of common shares by DIV to Mr. Lube in connection therewith; the increase in DIV's annual dividend and the timing therefor; and future increases in the management fee payable by Mr. Lube to DIV.

Forward-looking information contained in this MD&A is based on certain key expectations and assumptions made by the Company, including, without limitation, expectations and assumptions respecting: the general economy; the payment of royalties from Franworks and adjustments thereto; the amount and timing of the payment of the additional consideration payable by the Company to Franworks for the net new royalty from the five additional Franworks restaurants added to the Royalty Pool on April 1, 2015; that the results of the audit to be completed on the gross sales of the five new Franworks restaurants added to the Royalty Pool on April 1, 2015 will be satisfactory to the Company; the payment of royalties and management fees from Sutton and adjustments thereto; the successful integration of the Sutton and Mr. Lube royalties into the Company's overall businesses; the ability to acquire and effect of additional top-line royalties; the business strategy, growth opportunities, budgets, projected costs, goals, plans and objectives of the Company, Franworks, Sutton, and Mr. Lube; the ability to receive equity and/or debt financing on acceptable terms; tax laws not being changed so as to adversely affect DIV's financing capability, operations, activities, structure or distributions; the ability to retain and continue to attract qualified and knowledgeable personnel; no material changes to government and environmental regulations adversely affecting DIV's operations; and competition for acquisitions, will be consistent with the economic climate. Although the forward-looking information contained in this MD&A is based upon what the Company's management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such information. Undue reliance should not be placed on the forward-looking information since no assurance can be given that it will prove to be correct.

Forward-looking information reflects current expectations of the Company's management regarding future events and operating performance as of the date of this MD&A. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information including, without limitation: the Company's high dependency on the operations of Franworks, Sutton, and Mr. Lube; the closure of restaurants by Franworks, failure to successfully process the Elephant & Castle trademark application in the United States; failure to successful integrate the Sutton and Mr. Lube royalties into the Company's overall business; failure to increase the Company's dividend in the amount or in accordance with the timing expected, or at all; prevailing yields on similar securities; the Company's reliance on key personnel; dividends are not guaranteed and will fluctuate with business performance; dividends are discretionary; the unpredictability and volatility of prices of the Company's common shares; leverage and restrictive covenants; current economic conditions; failure to access financing; credit facilities risk; the financial health of Franworks, Sutton, Mr. Lube and cash flows; failure to realize anticipated benefits of royalty acquisitions; regulatory risk; regulatory filing and licensing requirements; fluctuations in interest rates; competition for royalty acquisition targets; dependence on business of Franworks, Sutton, and Mr. Lube to fund dividends; limitations on future growth and cash flow; sensitivity to general economic conditions and levels of economic activity; financing constraints; foreign exchange exposure; the litigation with John Bennett; the litigation with Sevenson regarding the Project; and any residual liability arising from its former St. Ambroise plant. Readers are cautioned that the foregoing list is not exhaustive. For additional information with respect to risks and uncertainties, readers should carefully review and consider the risk factors described under "*Risk Factors*" and elsewhere in this MD&A. The information contained in this MD&A, including the documents referred to herein, identifies additional factors that could affect the operating results and performance of the Company. Readers are urged to carefully consider those factors.

The forward-looking information contained in this MD&A is expressly qualified in its entirety by this cautionary statement. Forward-looking information reflects management's current beliefs and is based on information currently available to the Company. The forward-looking information is made as of the date of this MD&A (or in the case of information contained in a document referred to herein, as of the date of such document), and the Company assumes no obligation to publicly update or revise such forward-looking information to reflect new information, subsequent or otherwise, except as may be required by applicable securities law.