SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 16 AND 52-WEEK PERIODS ENDED AUGUST 29, 2010

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Executive Summary

SIR Corp.'s ("SIR's") fourth quarter of fiscal 2010 ("Q4") was from May 10, 2010 to August 29, 2010 inclusive. Highlights for SIR's fourth quarter include:

- ***Consolidated revenue and Same Store Sales[(1)] ("SSS") (unaudited):***
  - Food and beverage revenue from corporate restaurant operations for Q4 was $62.9 million and $200.9 million year to date ("YTD"). This represents a $1.5 million or 2.5% increase over the prior year for the quarter and a $4.2 million or 2.1% increase over the prior year for YTD.
  - SIR experienced same store sales growth[(1)] ("SSSG") of 2.5% for the 16-week period ended August 29, 2010 and 1.3% for the 52-week period ended August 29, 2010.
  - SIR's flagship Concept Restaurant brand, Jack Astor's®, that generates approximately 69% of YTD Pooled Revenue, had SSSG[(1)] of 2.3 % and 2.0% for Q4 and YTD, respectively. Canyon Creek® had SSS[(1)] declines of 0.1% and 2.0% for Q4 and YTD, respectively. Alice Fazooli's® had SSSG[(1)] of 3.0% and 1.6% for Q4 and YTD, respectively. The downtown Signature restaurants, which generated approximately 8% of YTD Pooled Revenue, had SSSG[(1)] of 10.5% and 1.6% for Q4 and YTD, respectively. The Q4 SSSG[(1)] in the Signature Restaurants can be partially attributed to the recovery of some of the business lost during the 2009 weak economic conditions, when these restaurants experienced the most significant declines in SSS[(1)] of SIR's restaurants.

Investment in new and existing restaurants

- Subsequent to fiscal 2010, on October 25, 2010, SIR opened a new Jack Astor's restaurant in Boisbriand, Quebec. This restaurant will be added to the Royalty Pooled Restaurants effective January 1, 2011.
- Two new Jack Astor's restaurants opened in Q1 of fiscal 2009: one near the corner of Don Mills Road and Lawrence Avenue in Toronto, Ontario on October 6, 2008, and the other at one of Toronto's busiest and most highly-visible locations; the corner of Yonge and Bloor Streets on October 31, 2008.
- These two restaurants along with the four new restaurants that opened in fiscal 2008, but still calendar year 2008, were added to the Royalty Pooled Restaurants, effective January 1, 2009. No new restaurants were added to the Royalty Pooled Restaurants effective January 1, 2010.
- SIR has secured two additional sites, at one location, at the corner of Yonge and Gerrard Streets in Toronto, Ontario, with expected opening dates in fiscal year 2013. Management continues to monitor economic conditions and consumer confidence. Based on its assessment of these conditions, the timing of restaurant construction and opening schedules will be reviewed regularly by Management and adjusted as necessary.
- During Q4, SIR completed a renovation of the Jack Astor's in Brampton, Ontario and the Jack Astor's on Wellington Road South in London, Ontario.
- In Q1 of fiscal 2009, SIR closed the Alice Fazooli's near the Square One shopping mall in Mississauga, Ontario, for 10 days to complete a repositioning and renovation. The intent of these changes was to broaden Alice Fazooli's market penetration, similar to the previously completed evolutions of the Jack Astor's (2004 through 2007). Management is encouraged by the performance of this renovation and repositioning, and believes that many of its elements have applicability across some of the other Alice Fazooli's restaurants. As a result, SIR completed a similar renovation at the Alice Fazooli's located in Richmond Hill, Ontario in Q1 of fiscal 2011.

[(1)] Same store sales includes revenue from all SIR restaurants except for those restaurants that were not open for the entire comparable periods in fiscal 2010 and fiscal 2009. The U.S. restaurant is not part of SSS. Same store sales growth ("SSSG") is the percentage increase in SSS over the prior comparable period. SSS and SSSG are non-GAAP measures that do not have standardized meanings prescribed by GAAP. However, SIR believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. SIR's method of calculating SSS and SSSG may differ from those of other issuers and accordingly, SSS and SSSG may not be comparable to measures used by other issuers. Please refer to the reconciliation of consolidated revenue to SSS on page 7 and to the definition of SSS in the Revenue section on page 8.

- ***Net Earnings (Loss)***
  - The net loss for Q4 of $0.3 million was $1.3 million unfavourable to the net earnings of $1.0 million for the same period in the prior year.
  - The YTD net earnings of $0.01 million are $0.7 million favourable to the net loss of $0.7 million for the same period in the prior year.
  - The unfavourable variance in Q4 compared to the same period in the prior year can be partly attributed to the higher corporate costs in the quarter due to increased professional consulting costs to facilitate SIR's strategic planning process and the higher costs of restaurant operations relative to revenue, related to the two Jack Astor's renovations in Q4 and the opening of the new Jack Astor's restaurant subsequent to fiscal 2010.
  - An increase in food and beverage revenue of $4.2 million has contributed to the favourable variance in YTD net earnings. SIR has also continually managed restaurant costs over the past year to obtain efficiencies, which is noted in the decrease in YTD restaurant costs as a percentage of sales of 0.3%. The YTD net earnings also include a favourable variance in other income (expense) of $1.0 million. Furthermore, the YTD net loss for 2009 included $0.2 million in restructuring costs and a goodwill impairment of $0.2 million. These items have been partially offset by an increase in interest expense of $1.0 million and an increase in corporate costs of $0.9 million.
- ***Adjusted EBITDA[(2)]***
  - Adjusted EBITDA[(2)] for Q4 is $5.5 million and $7.0 million in the current and prior year, respectively.
  - YTD adjusted EBITDA[(2)] is $17.4 million and $18.3 million for the current and prior year, respectively.
- ***Outlook***
  - While the economy is showing some early signs of improvement, Management remains cautious with regard to growth and conservation of cash. Prior to the economic slowdown, SIR had been following its sales building initiative it began after launching the SIR Royalty Income Fund (the "Fund") in fiscal 2005. Since then, SIR has opened eleven new Jack Astor's restaurants, including the new Jack Astor's opened in Boisbriand, Quebec, in Q1 of fiscal 2011 and four new Canyon Creek restaurants. All the original Jack Astor's restaurants still in existence in Royalty Pooled Restaurants have undergone the sales building evolution program. The Jack Astor's location in the U.S. has also been evolved. In addition, all five Alice Fazooli's locations have been renovated, along with one Canyon Creek location, *reds*®, Far Niente®, Soul of the Vine® (conversion to FOUR™/Petit Four™) and the Armadillo Steak House®/Loose Moose Tap & Grill® (now the Loose Moose Tap & Grill). In addition, SIR recently completed another renovation of the Jack Astor's in Brampton, Ontario and the Jack Astor's on Wellington Road South in London, Ontario during Q4 of fiscal 2010. Subsequent to fiscal 2010, SIR completed a renovation at the Alice Fazooli's located in Richmond Hill, Ontario. In addition, two sites for new restaurants have been secured with expected openings in fiscal year 2013.
  - SIR continues to carefully monitor the current economic environment and is considering new restaurant growth and renovations subject to raising acceptable long-term financing. Additional sites will be considered when appropriate. Management is committed to maximizing the performance of all of its restaurants.
  - Management continues to monitor the economy and evaluate its potential impact on the Canadian business environment, particularly in relation to consumer confidence and unemployment rates. SIR believes that the economic conditions may continue to impact its sales and profit prospects in the near future, particularly in the higher cheque average Signature restaurants and Canyon Creek.

[(2)] References to EBITDA are to SIR's net earnings (loss) for the period before non-controlling interest in other subsidiary companies, provision for (recovery of) income taxes, other expense (income), provision for (recovery of) impairment of loans and advances, provision for long-lived assets, goodwill impairment, interest expense-net, unrealized foreign exchange (gain) loss, interest on loan payable to SIR Royalty Income Fund, non-controlling interest in SIR Royalty Limited Partnership, other amortization and amortization of restaurant assets. References to Adjusted EBITDA are to SIR's EBITDA plus pre-opening and restructuring costs. Pre-opening costs are added back to EBITDA because Management views these costs as investments in new restaurants and not as on-going costs of operations. Restructuring costs are added back because management views these costs as non-recurring in nature. Management believes that, in addition to net earnings or loss, EBITDA and Adjusted EBITDA are a useful supplemental measure in evaluating SIR's performance. EBITDA and Adjusted EBITDA are not financial measures recognized by Canadian generally accepted accounting principles ("GAAP") and do not have a standardized meaning prescribed by GAAP. Management cautions investors that EBITDA and Adjusted EBITDA should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with GAAP), as an indicator of SIR's performance. SIR's method of calculating EBITDA and Adjusted EBITDA may differ from the methods used by other issuers. Therefore, SIR's EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Please refer to the reconciliation of net earnings (loss) for the period to EBITDA and Adjusted EBITDA on page 6 of this document.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at August 29, 2010, SIR operates 45 Concept and Signature Restaurants in Canada (in Ontario, Quebec, Alberta and Nova Scotia). The Concept Restaurants are Jack Astor's, Canyon Creek and Alice Fazooli's. The Signature Restaurants are *reds*, Far Niente/FOUR/Petit Four, and the Loose Moose Tap & Grill. As at August 29, 2010, 45 SIR Restaurants were included in SIR Royalty Pooled Restaurants.

On April 13, 2009, SIR acquired the non-controlling interest in Jack Astor's Don Mills Limited. Therefore, SIR now owns 100% of all its Canadian restaurants. SIR also has an investment in one Jack Astor's restaurant in the USA which is not included in Royalty Pooled Restaurants.

There were five new Jack Astor's and one new Canyon Creek that opened during calendar year 2008 and these were added to the Royalty Pooled Restaurants on January 1, 2009. The new Jack Astor's that was open on October 25, 2010 will be added to the Royalty Pooled Restaurants on January 1, 2011.

On October 1, 2004, the SIR Royalty Income Fund (the "Fund") filed a final prospectus for a public Offering of Units of the Fund and the Offering closed on October 12, 2004. The net proceeds of the Offering of $51.2 million were used by the Fund to acquire the SIR Loan and indirectly, through the SIR Holdings Trust (the "Trust"), the SIR Rights owned or licensed by SIR or its subsidiaries and used in connection with the operation of SIR's restaurants in Canada. In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants. The Partnership also issued its own securities to SIR in return for the SIR Rights acquired.

SIR's fiscal year is comprised of 52 or 53-week periods ending on the last Sunday in August. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks, respectively. The fiscal years for 2010 and 2009 consist of 52 weeks each.

Seasonality

The full service restaurant sector of the Canadian foodservice industry, in which SIR operates, experiences seasonal fluctuations in revenues. Favourable summer weather generally results in increased revenues during SIR's fourth quarter (ending on the last Sunday in August) when patios can be open. Certain holidays and observances also affect dining patterns both favourably and unfavourably.

Selected Consolidated Historical Financial Information

The following tables set out selected financial information of SIR for the 16 and 52-week periods ended August 29, 2010 and August 30, 2009, respectively. The audited consolidated financial statements of SIR are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars. This information should be read in conjunction with the annual audited consolidated financial statements of SIR, including the notes thereto.

Statements of Operations	16-Week Period Ended August 29, 2010	16-Week Period Ended August 30, 2009[3]	52-Week Period Ended August 29, 2010	52-Week Period Ended August 30, 2009[3]
	(in thousands of dollars) (unaudited)			
Corporate restaurant operations:				
Food and beverage revenue	62,947	61,400	200,883	196,705
Cost of corporate restaurant operations	57,259	55,270	181,965	178,733
Earnings from corporate restaurant operations	**5,688**	**6,130**	**18,918**	**17,972**
Net earnings (loss) for the period	**(291)**	**984**	**11**	**(661)**

[3] *Prior period balances reflect the retroactive application of the change in accounting policy for goodwill and intangible assets as described in SIR's notes to the consolidated financial statements for the 52-week period ended August 29, 2010. The capitalization of pre-opening costs is no longer permitted and therefore these costs are now reflected as an expense in the statements of operations and the related amortization has been removed. In addition, certain computer software costs have been reclassified from property and equipment to intangible and other assets.*

Balance Sheet	August 29, 2010	August 30, 2009[3]
	(in thousands of dollars) (unaudited)	
Total assets	67,566	70,998
Total long-term liabilities	77,865	67,372

EBITDA[2] and Adjusted EBITDA[2]

EDITDA[2] and Adjusted EBITDA[2] are non-GAAP measures used by SIR to supplement its reporting of net earnings (loss) and net cash flow. EBITDA[2] and Adjusted EBITDA[2] consist of net earnings (loss) for the period excluding certain non-cash expenses and other expenses that SIR considers not to be of an operating nature. SIR believes that EBITDA[2] and Adjusted EBITDA[2] are useful estimates of the core business's contribution to cash flow from operations and uses this measure as a supplemental measure of SIR's performance. Similarly, SIR believes that certain investors may also find this non-GAAP measure to be a useful measure for their independent evaluation of SIR's performance.

The following table reconciles net earnings (loss) for the period to EBITDA[2] and Adjusted EBITDA[2]:

Reconciliation of net earnings (loss) for the period to EBITDA[2] and Adjusted EBITDA[2]	16-Week Period Ended August 29, 2010	16-Week Period Ended August 30, 2009[3]	52-Week Period Ended August 29, 2010	52-Week Period Ended August 30, 2009[3]
	(in thousands of dollars) (unaudited)			
Net earnings (loss) for the period	(291)	984	11	(661)
Add (deduct):				
Non-controlling interest in other subsidiary companies	-	-	-	(32)
Provision for (recovery of) income taxes	37	(24)	4	(48)
Other expense (income)	(41)	579	(327)	635
Recovery of impairment of loans and advances	(200)	(700)	(700)	(700)
Goodwill impairment	-	237	-	237
Unrealized foreign exchange (gain) loss	15	(157)	(71)	79
Interest expense – net	849	903	2,351	1,365
Interest on loan payable to SIR Royalty Income Fund	921	921	2,992	2,992
Non-controlling interest in SIR Royalty Limited Partnership	1,630	1,513	4,618	4,679
Other amortization	84	86	277	294
Amortization of restaurant assets	2,368	2,565	7,816	8,609
EBITDA[2]	**5,372**	**6,907**	**16,971**	**17,449**
Restructuring costs	-	-	-	228
Pre-opening costs	165	57	404	616
Adjusted EBITDA[2]	**5,537**	**6,964**	**17,375**	**18,293**
Income from Class A & B GP Units of the Partnership [4] (Not included in EBITDA[2] and Adjusted EBITDA[2] above)	1,155	1,170	4,219	3,369
6% Royalty obligations under License and Royalty Agreement [5]	3,732	3,631	11,899	11,125

(2) See footnote (2) on page 4
(3) See footnote (3) on page 5
(4) The 52-week periods ended August 29, 2010 and August 30, 2009 include the additional distribution paid to Class B GP Unitholders in December of each year, if any.
(5) See the SIR Royalty Income Fund section of this document for the Royalty calculation. Pooled Revenue includes revenue from all restaurants included in Royalty Pooled Restaurants. On January 1st of each year, New Additional Restaurants are added and New Closed Restaurants are removed from Royalty Pooled Restaurants. Royalty obligations equal 6% of Pooled Revenue plus any Make-Whole Payments.

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	16-Week Period Ended August 29, 2010	16-Week Period Ended August 30, 2009[3]	52-Week Period Ended August 29, 2010	52-Week Period Ended August 30, 2009[3]
	(in thousands of dollars) (unaudited)			
Revenue reported in consolidated financial statements	62,947	61,400	200,883	196,705
Less: Revenue from corporate restaurant operations excluded from the Royalty Pool	(740)	(884)	(2,565)	(11,283)
Revenue for Restaurants in the Royalty pool	**62,207**	**60,516**	**198,318**	**185,422**

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales[1]	16-Week Period Ended August 29, 2010	16-Week Period Ended August 30, 2009[3]	52-Week Period Ended August 29, 2010	52-Week Period Ended August 30, 2009[3]
	(in thousands of dollars) (unaudited)			
Revenue reported in consolidated financial statements	62,947	61,400	200,883	196,705
Less: Revenue from corporate restaurant operations excluded from same store sales[1]	(3,871)	(3,767)	(11,988)	(10,237)
Same store sales[1]	**59,076**	**57,633**	**188,895**	**186,468**

Same Store Sales[1] by Segment	16-Week Period Ended August 29, 2010	16-Week Period Ended August 30, 2009	% Fav. / (Unfav.)	52-Week Period Ended August 29, 2010	52-Week Period Ended August 30, 2009	% Fav. / (Unfav.)
	(in thousands of dollars) (unaudited)					
Jack Astor's	41,535	40,618	2.3%	127,068	124,627	2.0%
Canyon Creek	7,742	7,751	(0.1%)	27,657	28,220	(2.0%)
Alice Fazooli's	5,955	5,784	3.0%	19,189	18,881	1.6%
Signature Restaurants	3,844	3,480	10.5%	14,981	14,740	1.6%
Same store sales[1]	**59,076**	**57,633**	**2.5%**	**188,895**	**186,468**	**1.3%**

Summary of Quarterly Results

Statement of Operations	4th Quarter Ended August 29, 2010 (16 weeks)	3rd Quarter Ended May 9, 2010 (12 weeks)	2nd Quarter Ended February 14, 2010 (12 weeks)	1st Quarter Ended November 22, 2009 (12 weeks)	4th Quarter Ended August 30, 2009[3] (16 weeks)	3rd Quarter Ended May 10, 2009[3] (12 weeks)	2nd Quarter Ended February 15, 2009[3] (12 weeks)	1st Quarter Ended November 23, 2008[3] (12 weeks)
Corporate Restaurant Operations	(in thousands of dollars) (unaudited)							
Food and beverage revenue	62,947	47,112	46,213	44,611	61,400	44,995	45,231	45,079
Cost of corporate restaurant operations	57,259	42,075	41,664	40,967	55,270	40,526	40,757	42,180
Earnings from corporate restaurant operations	**5,688**	**5,037**	**4,549**	**3,644**	**6,130**	**4,469**	**4,474**	**2,899**
Net earnings (loss) for the period	**(291)**	**452**	**472**	**(622)**	**984**	**373**	**141**	**(2,159)**

(1) *See footnote (1) on page 3*
(3) *See footnote (3) on page 5*

Selected Unaudited Consolidated Statement of Cash Flows Information	4th Quarter Ended August 29, 2010 (16 weeks)	3rd Quarter Ended May 9, 2010 (12 weeks)	2nd Quarter Ended February 14, 2010 (12 weeks)	1st Quarter Ended November 22, 2009 (12 weeks)	4th Quarter Ended August 30, 2009[3] (16 weeks)	3rd Quarter Ended May 10, 2009[3] (12 weeks)	2nd Quarter Ended February 15, 2009[3] (12 weeks)	1st Quarter Ended November 23, 2008[3] (12 weeks)
				(in thousands of dollars) (unaudited)				
Net cash provided by operations	4,719	1,617	732	2,903	3,838	3,385	2,280	2,454
Net cash used in investing activities	(1,284)	(290)	(215)	(418)	(339)	(999)	(1,788)	(4,303)
Net cash provided by (used in) financing activities	(717)	(540)	(830)	(4,240)	(241)	(177)	(13)	2,601
Increase (decrease) in cash and cash equivalents during the period	2,718	787	(314)	(1,756)	3,256	2,201	479	764
Cash and cash equivalents – Beginning of period	6,900	6,113	6,427	8,183	4,927	2,726	2,247	1,483
Cash and cash equivalents – End of period	9,618	6,900	6,113	6,427	8,183	4,927	2,726	2,247

Revenue

There are a number of references to different revenue groupings used in the audited consolidated financial statements, the notes to the audited consolidated financial statements and the Management's Discussion and Analysis ("MD&A"). The following definitions are provided for greater clarification of these groupings:

i. Revenue (per the SIR audited consolidated statements of operations) – this is the total consolidated revenue of all restaurants for the period. The restaurants include all SIR restaurants and the U.S. Jack Astor's restaurant. For the 16 and 52-week periods ended August 29, 2010, this revenue was $62.9 million and $200.9 million, respectively.

ii. Same Store Sales[(1)] – this is a sub-set of i above used for tracking comparable year-over-year sales. For Q4 fiscal 2010 and 2009, SSS[(1)] includes all SIR restaurants except the Jack Astor's near the corner of Don Mills and Lawrence Avenue in Toronto, Ontario and Jack Astor's at the corner of Yonge and Bloor Streets in Toronto, Ontario because they were not open for the entire comparable period in fiscal 2009. The U.S. restaurant is not part of SIR Restaurants. For the 16 and 52-week periods ended August 29, 2010, this revenue was $59.1 million and $188.9 million, respectively**.**

iii. Pooled Revenue – this is the revenue subject to the License and Royalty Agreement – this includes revenue from all Royalty Pooled Restaurants. The Royalty Pooled Restaurants are adjusted on January 1st of each year for New Additional Restaurants and New Closed Restaurants. Currently, there are 45 Royalty Pooled Restaurants. For the 16 and 52-week periods ended August 29, 2010, Pooled Revenue was $62.2 million and $198.3 million, respectively. The applicable Royalty payable to the Partnership on the Pooled Revenue for these same periods was $3.7 million and $11.9 million, respectively.

Same Store Sales[(1)]

SSSG[(1)] for SIR was 2.5% and 1.3% for the 16 and 52-week periods ended August 29, 2010. Management believes that the improved economic conditions in fiscal 2010 have contributed to the improved SSSG[(1)] compared to the prior year. Management believes that Jack Astor's somewhat lower average cheque, has contributed to reducing the impact of the economy and consumer confidence on Jack Astor's revenue in fiscal 2009 and fiscal 2010. Restaurants with a higher average cheque, such as Canyon Creek and the downtown Toronto Signature Restaurants, tend to experience a greater decline in sales volumes. In addition, the Group of Twenty ("G-20") Summit meeting, held in June, in downtown Toronto, had a negative effect on revenue and SSS[(1)], in the fourth quarter, for nine of SIR's restaurants located in downtown Toronto. Management does not expect significant improvements in the economic conditions in the near future and this may continue to have an impact on future revenue and profit of SIR. The CRFA estimated that sales in calendar year 2009 in the full service restaurant industry declined and is projecting a modest increase in sales, during the 2010 calendar year. To date, SIR's overall sales, for the calendar year 2010, are consistent with these projections. While this is encouraging, SIR remains cautious and continues to monitor the economy and consumer confidence as its sales have not yet achieved its pre-recession levels.

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(1) *See footnote (1) on page 3*
(3) *See footnote (3) on page 5*

SSSG[1] for Jack Astor's, SIR's flagship Concept Restaurant brand, which generates approximately 69% of YTD Pooled Revenue, was 2.3% and 2.0% during the 16 and 52-week periods ended August 29, 2010, respectively. Canyon Creek experienced SSS[1] declines of 0.1% and 2.0% for the 16 and 52-week periods ended August 29, 2010, respectively. The Alice Fazooli's SSSG[1] was 3.0% and 1.6% during the 16 and 52-week periods ended August 29, 2010, respectively and the downtown Toronto Signature Restaurants had SSSG[1] of 10.5% and 1.6% during the 16 and 52-week periods ended August 29, 2010, respectively. The Q4 SSSG[1] in the Signature Restaurants can be partially attributed to the recovery of some of the business lost during the 2009 weak economic condtions, when these restaurants experienced significant declines in SSS[1]. The Signature Restaurants generate only approximately 8% of YTD Pooled Revenue.

Cost of Corporate Restaurant Operations

As a percentage of revenue, costs of corporate restaurant operations for the 16 and 52-week periods ended August 29, 2010 was 91.0% and 90.6% compared to 90.0% and 90.9% for the 16 and 52-week periods ended August 30, 2009. High labour and direct costs of restaurant operations in Q4 related to the two Jack Astor's renovations and the start up costs related to the opening of the new Jack Astor's in Boisbriand, Quebec have contributed to the higher costs as a percentage of revenue in Q4 and the minimal decrease in YTD results. The minimum wage increase also negatively affected labour costs in the latter part of fiscal 2010. A reduction in food and beverage costs and amortization have partly offset these unfavourable variances.

Corporate costs

Corporate costs increased $0.9 million and $0.9 million for the 16 and 52-week periods ended August 29, 2010, respectively compared to the 16 and 52-week periods ended August 30, 2009. The increase is mainly the result of added professional consulting costs, in the latter part of fiscal 2010, to facilitate SIR's strategic planning process. In addition, there was an increase in costs associated with the gift card program, due to increased gift card sales. SIR continues to manage corporate costs and obtain efficiencies to improve profitability.

Interest expense - net

Interest expense decreased $0.05 million and increased $1.0 million for the 16 and 52-week periods ended August 29, 2010 compared to the 16 and 52-week periods ended August 30, 2009, respectively. Long-term debt and the related interest rates were higher during the current year compared to the prior year, resulting in higher interest costs and are the main reason for the significant unfavourable variance in YTD interest expense. The new credit facility also results in higher amortization of deferred financing costs due to the higher fees and the shorter amortization period. However, because the previous facilities were replaced with this new credit facility during Q1, the amortization of the deferred financing fees, related to the prior credit facilities, was accelerated, resulting in higher interest amortization in Q4 of fiscal 2009. This accounts for the majority of the decrease in interest expense in Q4 compared to the same period of the prior year.

SIR Loan & non-controlling interest in SIR Royalty Limited Partnership

On October 12, 2004, the Fund completed its initial public offering and used the proceeds to acquire the SIR Loan and invest in the Ordinary LP Units of the Partnership. In accordance with AcG-15, SIR has consolidated the Partnership and accordingly, the Fund's interest in the Partnership has been recorded as non-controlling interest.

Interest on the SIR Loan totalled $0.9 million and $3.0 million for both the 16 and 52-week periods ended August 29, 2010 and the 16 and 52-week periods ended August 30, 2009, respectively

The Fund's share of the income of the Partnership for the 16 and 52-week periods ended August 29, 2010 was $1.6 million and $4.6 million, respectively (16 and 52-week periods ended August 30, 2009 - $1.5 million and $4.7 million, respectively) and has been recorded as non-controlling interest in the audited consolidated statements of operations.

Jack Astor's (Cary & Las Colinas) Limited ("JACL") and unrealized foreign exchange gain (loss)

SIR accounts for its investment in JACL as an integrated foreign operation. Therefore, SIR uses the temporal method to translate the transactions and balances of JACL, recognizing foreign currency translation gains and losses in the audited consolidated statements of operations.

There was an unrealized foreign exchange loss of JACL of $0.02 million and an unrealized foreign exchange gain of $0.07 million for the 16 and 52-week periods ended August 29, 2010, respectively compared to an unrealized foreign exchange gain of $0.2 million and an unrealized foreign exchange loss of $0.08 million for the 16 and 52-week periods ended August 30, 2009, respectively. The value of the Canadian dollar versus the US dollar weakened during the first half of fiscal 2009, but has improved since then, with minimal fluctuations during fiscal 2010, resulting in these variances. The gain or loss is mainly related to the US denominated debt of JACL.

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[1] See footnote [1] on page 3

Recovery of impairment of loans and advances

Prior to fiscal 2008, advances were made to U.S. S.I.R. L.L.C. and its subsidiaries to facilitate ongoing operations and the closure of certain restaurant operations. These advances are non-interest bearing, non-secured and due on demand. SIR has determined that these advances are impaired based on estimated future cash flows of the remaining U.S. operations. Accordingly, the loan and advances receivable are written down to their net realizable value of $1.4 million. During the 16 and 52-week periods ending August 29, 2010, U.S. S.I.R. L.L.C. repaid $0.2 million and $0.5 million of these advances to SIR, respectively ($0.1 million and $0.5 million for the 16 and 52-week periods ending August 30, 2009). Accordingly, SIR recognized interest income of $0.05 million and $0.2 million during the 16 and 52-week periods ended August 29, 2010, respectively ($0.02 million and $0.09 million for the 16 and 52-week periods ending August 30, 2009, respectively). The U.S. operations continue to have improved cash flows resulting in a recovery of impairment of $0.2 million and $0.7 million during the 16 and 52-week periods ended August 29, 2010 ($0.7 million and $0.7 million for the 16 and 52-week periods ending August 30, 2009, respectively). While SIR has no obligation to fund the U.S. operations, it may do so if it considers that it would be in the interest of SIR; subject to the restrictions contained in its arrangements with the Fund (see Liquidity and Capital Resources section).

EBITDA(2) and Adjusted EBITDA(2)

EBITDA(2) is $5.4 million and $17.0 million for the 16 and 52-week periods ended August 29, 2010, respectively and $6.9 million and $17.4 million for the 16 and 52-week periods ended August 30, 2009, respectively. Adjusted EBITDA(2) is $5.5 million and $17.4 million for the 16 and 52-week periods ended August 29, 2010 and $7.0 million and $18.3 million for the 16 and 52-week periods ended August 30, 2009, respectively. (See Selected Consolidated Historical Financial Information - Reconciliation of net earnings (loss) for the period to EBITDA(2) and Adjusted EBITDA(2))

SIR Royalty Income Fund

The following is a summary of the accounting implications of the SIR Loan and non-controlling interest of the Partnership:

(a) *SIR Loan*

The $40.0 million SIR Loan bears interest at 7.5% per annum and is due October 12, 2044. On November 13, 2009, the Fund entered into an agreement to subordinate and postpone its claims against SIR in favour of the new senior lender. This agreement replaced the Interlender agreement related to SIR's prior credit facilities. The Partnership and the Fund have not guaranteed the new credit facility (see Liquidity and Capital Resources section).

The debt is "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the senior lender. This subordination, which includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR the right to use the trademarks and related intellectual property in return for Royalty payments based on revenues, has been effected pursuant to the terms of the Subordination and Postponement Agreement.

Under the Subordination and Postponement Agreement, absent a default or event of default under the new credit facility, ordinary payments to the Partnership and the Fund can continue and the Partnership can exercise any and all of its rights to preserve the trademarks and related intellectual property governed by the License and Royalty Agreement. However, if a default or an event of default were to occur, then payments to the Fund and the Partnership could cease and the related rights of the Fund and the Partnership could be subject to a "standstill" obligation for a period of up to 120 days (which may be extended if the senior lender is pursuing remedies). The Subordination and Postponement Agreement also contains various other typical covenants of the Fund and the Partnership.

Interest expense on the SIR Loan of $0.9 million and $3.0 million was charged to the audited consolidated statements of operations for the 16 and 52-week periods ended August 29, 2010, respectively ($0.9 million and $3.0 million for the 16 and 52-weeks periods ended August 30, 2009, respectively).

SIR has the right to require the Fund to, indirectly, purchase their Class C GP Units of the Partnership and assume a portion of the SIR Loan as consideration for the acquisition of the Class C GP Units.

Financing costs of $4.8 million incurred in fiscal 2005 in respect of the issuance of the SIR Loan and Partnership Units have been deferred and are being amortized over 40 years, the term of the SIR Loan, using the effective interest rate method. Amortization of $0.007 million and $0.023 million has been recorded as interest expense in the audited consolidated statements of operations for the 16 and 52-week periods ended August 29, 2010, respectively ($0.006 million and $0.021 million for the 16 and 52-week periods ended August 30, 2009, respectively). The financing costs are netted against the SIR Loan in the audited consolidated financial statements.

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(2) *See footnote (2) on page 4*

(b) Non-controlling interest in SIR Royalty Limited Partnership

	16-Week Period Ended August 29, 2010	16-Week Period Ended August 30, 2009	52-Week Period Ended August 29, 2010	52-Week Period Ended August 30, 2009
Initial investment by the Fund	11,167	11,167	11,167	11,167
Non-controlling interest in earnings of the Partnership	1,630	1,513	4,618	4,679
Distributions declared on the Partnership's Units held by non-controlling interest	(1,630)	(1,513)	(4,618)	(4,679)
Non-controlling interest in the Partnership	11,167	11,167	11,167	11,167
Pooled Revenue [6]	62,207	60,516	198,318	185,422
Partnership royalty income [7]	3,732	3,631	11,899	11,125
Other income	8	7	25	38
Partnership expenses	(34)	(34)	(95)	(123)
Net earnings of the Partnership	3,706	3,604	11,829	11,040
SIR's interest in the earnings of the Partnership:				
Income from Class A & B GP Units of the Partnership	(1,155)	(1,170)	(4,219)	(3,369)
Income from Class C GP Units of the Partnership	(921)	(921)	(2,992)	(2,992)
	(2,076)	(2,091)	(7,211)	(6,361)
Non-controlling interest in the earnings of the Partnership	1,630	1,513	4,618	4,679

On October 12, 2004, the Partnership issued Ordinary LP and GP Units to the Fund for cash consideration of $11.2 million. The holders of the Ordinary LP Units and the Class A GP Units, which are held by SIR, are entitled to receive their pro rata share of all residual distributions of the Partnership and the Class A GP Units are exchangeable into Units of the Fund.

In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants (the "License and Royalty Agreement").

Under the terms of the License and Royalty Agreement, SIR may be required to pay a Make-Whole Payment in respect of the reduction in revenues for restaurants closed during a reporting period. SIR is not required to pay any Make-Whole Payments in respect of a closed restaurant following the date on which the number of Royalty Pooled Restaurants is equal to or greater than 68 or following October 12, 2019, whichever occurs first. On January 1 of each year (the "Adjustment Date"), following December 31, 2005, the restaurants subject to the License and Royalty Agreement are adjusted for new SIR Restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units to Class A GP Units based on the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted to Class A GP Units in respect of these new SIR Restaurants if actual revenues of the new SIR Restaurants exceeded 80% of the initial estimated revenues and the formula defined in the Partnership Agreement. Conversely, converted Class A GP Units may be returned by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the initial estimated revenues. In December of each year, an additional distribution may be payable to the Class B GP unitholders based on actual revenues of the new SIR Restaurants exceeding 80% of the initial estimated revenues or there may be a reduction in the distributions to the Class A GP unitholders if revenues are less than 80% of the initial estimated revenues.

[6] *Includes revenue from the SIR Restaurants subject to the License and Royalty Agreement and excludes revenue from JACL. Revenue from the six restaurants added to Royalty Pooled Restaurants on January 1, 2009 has been included in Pooled Revenue for the period from January 1, 2009 to August 29, 2010. Revenue from the three restaurants added to Royalty Pooled Restaurants on January 1, 2008, has been included in Pooled Revenue for the period from January 1, 2008 to August 30, 2009, as well as the current fiscal year. The Partnership owns the SIR Rights formerly owned or licensed by SIR or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada.*
[7] *6% of Pooled Revenue plus a Make-Whole Payment for closed locations, if applicable, included in Royalty Pooled Restaurants.*

On January 1, 2010, nil (January 1, 2009 - six) new SIR Restaurants, were added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of nil (January 1, 2009 – six) new restaurants on January 1, 2010, as well as the Second Incremental Adjustment for the six (January 1, 2008 – three) new SIR restaurants added to Royalty Pooled Restaurants on January 1, 2009, SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. The effect of these adjustments to the Royalty Pooled Restaurants was that SIR converted 244,000 (January 1, 2009 – 1,077,000) Class B GP Units into 244,000 (January 1, 2009 – 1,077,000) Class A GP Units on January 1, 2010 at an estimated fair value of $1.2 million (January 1, 2009 - $6.0 million). As a result of this exchange, SIR's interest in the Partnership increased to 35.7% effective January 1, 2010. In addition, the revenues of six (January 1, 2008 – three) new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2009 exceeded 80% of the Initial Adjustment's estimated revenues and, as a result, an Additional Distribution of $0.3 million was declared in December 2009 (December 2008 - $0.2 million) and paid in cash the following January. Since there were no new restaurants added to the Royalty Pooled Restaurants on January 1, 2010, the Additional Distribution on the Class B GP units will not be required in December, 2010.

(c) *Amounts due to the Fund* – (see Transactions with the SIR Royalty Income Fund in the Transactions with Related Parties section)

Liquidity and Capital Resources

Selected Consolidated Statement of Cash Flows Information	16-Week Period Ended August 29, 2010	16-Week Period Ended August 30, 2009[(3)]	52-Week Period Ended August 29, 2010	52-Week Period Ended August 30, 2009[(3)]
	(in thousand of dollars) (unaudited)			
Net cash provided by operations	4,719	3,838	9,971	11,957
Net cash used in investing activities	(1,284)	(339)	(2,207)	(7,429)
Net cash provided by (used in) financing activities	(717)	(241)	(6,327)	2,170
Increase in cash and cash equivalents during the period	2,718	3,256	1,435	6,700
Cash and cash equivalents – Beginning of period	6,900	4,927	8,183	1,483
Cash and cash equivalents – End of period	9,618	8,183	9,618	8,183

Net cash provided by operations increased by $0.9 million for the 16-week period ended August 29, 2010 as compared to the 16-week period ended August 30, 2009. There was an increase in the net change in working capital of $2.3 million for the 16-week period ended August 29, 2010 compared to the 16-week period ended August 30, 2009, due to timing of payments and purchases. In addition, there was a decrease in the recovery of impairment of loans and advances of $0.5 million in Q4 versus the same period of the prior year. These were partially offset by the decrease in net earnings for the period of $1.3 million and a decrease in non-cash interest expense and goodwill impairment of $0.5 million and $0.2 million, respectively, for the period. Net cash provided by operations decreased by $2.0 million for the 52-week period ended August 29, 2010 as compared to the 52-week period ended August 30, 2009. The change in net earnings/loss for the period was favourable by $0.7 million, but the amortization decreased $0.8 million, the impairment of goodwill decreased $0.2 million, the non-cash interest expense decreased $0.3 million and there was a decrease in leasehold and other inducements received of $0.9 million and a decrease in net change in working capital items of $0.5 million. The working capital change is due to timing of payments and purchases.

Net cash used in investing activities for the 16-week periods ended August 29, 2010 and August 30, 2009 was $1.3 million and $0.3 million, respectively. Net cash used in investing activities for the 52-week periods ended August 29, 2010 and August 30, 2009 was $2.2 million and $7.4 million, respectively. Purchases of property and equipment amounted to $1.5 million and $2.5 million for the 16 and 52-week periods ended August 29, 2010, respectively and $0.5 million and $7.7 million for the 16 and 52-week periods ended August 30, 2009, respectively. Capital expenditures have decreased in the current year compared to the prior year due to SIR reducing its growth plans. However, capital expenditures increased during Q4, due to the construction costs incurred for the new Jack Astor's that opened in Boisbriand, Quebec subsequent to year end and due to the Q4 renovations of two Jack Astor's restaurants. YTD fiscal 2009 expenditures were mainly the result of the two new Jack Astor's that opened during Q1 of fiscal 2009 and the renovations at Alice Fazooli's near the Square One shopping mall in Mississauga, Ontario.

(3) *See footnote (3) on page 5*

During fiscal years 2005 to 2010, SIR has purchased property and equipment totalling approximately $62.0 million. This represents investments in new restaurants, major renovations of existing restaurants, certain other profit enhancing initiatives (such as new patios and patio expansions) and maintenance capital expenditures. Management expects that these investments in new and existing restaurants and the profit enhancing initiatives will help position SIR to work through this period of weaker economic conditions.

During Q1 of fiscal 2010, SIR acquired the rights to certain debts owed by U.S. S.I.R. L.L.C. from one shareholder of SIR for $0.3 million. In addition, during the 16 and 52-week periods ended August 29, 2010, SIR received $0.2 million and $0.5 million, respectively in payments on its loans and advances from U.S. S.I.R. L.L.C. and its subsidiaries (16 and 52-week periods ended August 30, 2009 - $0.1 million and $0.5 million, respectively). During fiscal 2009, SIR acquired the non-controlling interest in Jack Astor's Don Mills Limited for $0.3 million.

Net cash used in financing activities was $0.7 million and $6.3 million for the 16 and 52-week periods ended August 29, 2010. Net cash used in financing activities was $0.2 million for the 16-week period ended August 30, 2009 and net cash provided by financing activities was $2.2 million for the 52-week period ended August 30, 2009. Bank indebtedness decreased $0.9 million in the 52-week period ended August 30, 2009. Proceeds received from the new credit facility were $26.0 million during Q1 of fiscal 2010. These proceeds were used to repay $12.7 million outstanding on the previous credit facility and to repurchase capital stock for $16.8 million, including transaction costs paid of $0.03 million. Principal repayments on long-term debt, including this $12.7 million repayment were $0.7 million and $14.5 million for the 16 and 52-week periods ended August 29, 2010, respectively ($0.1 million and $0.4 million for the 16 and 52-week periods ended August 30, 2009, respectively). Financing fees related to the new credit facility of $1.1 million were paid YTD for fiscal 2010. Proceeds from issuance of long-term debt from the previous credit facility of $3.7 million were received YTD in fiscal 2009.

The five new Jack Astor's restaurants and one new Canyon Creek restaurant that opened during calendar year 2008 were added to the Royalty Pooled Restaurants effective January 1, 2009. At this time, SIR received additional Class A GP Units in accordance with the formula for adjustment for the addition of restaurants added to Royalty Pooled Restaurants. Under the terms of the Exchange Agreement, SIR has the right to convert some or all of the net additional Class A GP Units into Fund Units on a one-for-one basis. The new Jack Astor's that opened in Boisbriand, Quebec, on October 25, 2010, will be added to the Royalty Pooled Restaurants effective January 1, 2011.

As of August 29, 2010, SIR had current assets of $16.0 million (August 30, 2009 - $14.3 million) and current liabilities of $28.7 million (August 30, 2009 - $25.6 million) resulting in a working capital deficit of $12.7 million (August 30, 2009 - $11.3 million). Revenues in the restaurant business are largely paid by cash and credit card whereas most suppliers offer credit terms for payment. Therefore, restaurants are able to pay their suppliers from the cash received on revenues in the following months, as the supplier payables are due. Cash balances are typically used to construct new restaurants or re-invest in existing restaurants to grow the business. As a result, SIR, like many other restaurant businesses would anticipate having a negative working capital balance in the foreseeable future.

Management believes that currently there are sufficient cash resources retained in SIR from its cash generated by operations to fund its working capital requirements.

During Q1, on November 13, 2009, SIR entered into a new Credit Agreement ("Credit Agreement") with a new senior lender, a copy of which is filed on SEDAR, to refinance its previous revolving line of credit and construction facility and to facilitate the repurchase of certain of its common shares. This new credit facility is a three-year facility for a maximum principal amount of $26.0 million. Part of the proceeds from this facility was used to repay and replace the previous credit facilities of which $12.7 million was outstanding on the Construction Line. The remaining proceeds, as well as a portion of existing cash on hand, were used to repurchase 5.4 million common shares of SIR held by Ken Fowler Enterprises Limited ("KFEL") or its controlling shareholder Ken Fowler (representing approximately 35% of the shares of SIR), to acquire the rights to certain debts owed by U.S. S.I.R. L.L.C. from one shareholder of SIR and to pay professional fees and transaction costs related to these transactions. The amount allocated to the share repurchase was $16.8 million, including transaction costs of $0.03 million. SIR also filed Articles of Amendment to authorize an unlimited number of Class S Special Shares. The Class S Special Shares have 1.0 million votes per share, are redeemable at the option of the holder for a redemption amount as defined in the Articles of Amendment and redeemable at the option of SIR, at any time following the third anniversary of the date of first issuance of any Class S Special Share, at the redemption amount. Following the repurchase of common shares, Peter Fowler Enterprises Limited ("PFEL") owns approximately 58% of the common shares of SIR. Peter Fowler and PFEL have guaranteed SIR's obligations under the Credit Agreement and a guarantee fee of $0.03 million was charged to the consolidated statement of operations for the 16 and 52-week periods ended August 29, 2010 ($nil for the 16 and 52-week periods ended August 30, 2009). SIR also issued warrants to Peter Fowler, which would, if exercised, represent a controlling voting interest in SIR. The warrants have an exercise price of $1.00, expire on November 11, 2020 and can only be exercised upon an event of default by SIR with respect to the Credit Agreement. The warrants have also been pledged to the new senior lender.

In addition, as part of this transaction, 0.8 million stock options with an exercise price of $0.01 were forfeited by a shareholder of SIR.

The Credit Agreement provides for a maximum $26.0 million senior term debt facility. This facility has a 3 year term and a 10 year amortization. Interest is the greater of 7.80% per annum and the three-month Canadian dollar bankers' acceptance rate plus 7.55% per annum, which on August 29, 2010 was 8.52%. Certain financial covenants apply to SIR, including a minimum fixed charge coverage ratio, that SIR is in compliance with as at August 29, 2010. The loan is secured by substantially all of the assets of SIR and most of its subsidiaries, which are also guarantors. The Partnership and the Fund have not guaranteed the Credit Agreement. The Credit Agreement qualifies as "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the new lender. The terms of the subordination are as contemplated in the previous agreements between the Fund, the Partnership and SIR. This subordination includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR the right to use trademarks and related intellectual property in return for royalty payments based on revenues and is effected pursuant to the terms of a Subordination and Postponement Agreement, a copy of which was filed on SEDAR. In addition, the original five year restrictions on repurchases of shares by SIR contained in the agreements between the Fund, the Partnership and SIR have expired.

Under the Subordination and Postponement Agreement, absent a default or event of default under the Credit Agreement, ordinary payments to the Partnership and the Fund are permitted. However, if a default or an event of default were to occur, then payments to the Fund and the Partnership are likely to cease and the related rights of the Fund and the Partnership will be subject to a "standstill" obligation for a period of up to 120 days (which may be extended if the senior lender is pursuing remedies). The Subordination and Postponement Agreement also contains various other typical covenants of the Fund and the Partnership. In addition, SIR provided an undertaking to the Fund and the Partnership to restrict the amount of additional debt that SIR can incur without the consent of the Fund and the Partnership (which consent shall not be unreasonably withheld).

As at August 29, 2010, SIR also had an obligation of $0.3 million in capital lease arrangements. Amounts drawn on the above mentioned credit facility and capital lease arrangements are Permitted Indebtedness as defined in the SIR General Security Agreement and the Partnership General Security Agreement.

Management continues to monitor the economy and evaluate its potential impact on the Canadian business environment, particularly in relation to consumer confidence and unemployment rates. SIR believes that the economic conditions may continue to impact sales and profit prospects in the near future, particularly in the higher cheque average Signature restaurants and Canyon Creek.

Certain loans were entered into by Jack Astor's Cary, LLC, a subsidiary of JACL, in fiscal year 2001 and are guaranteed by SIR. There is one loan remaining of $1.1 million (U.S. $1.1 million) and it is currently non-compliant with respect to certain financial and non-financial covenants. As a result, this loan is presented as a current liability in SIR's audited consolidated financial statements. All payments due on this loan have been made to date and the borrowers have not received any notices of default. The loan is secured by the assets of JACL and a pledge of the shares in JACL by SIR.

Contractual Obligations

In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the restaurants included in Royalty Pooled Restaurants. Payment of the Royalty is secured by the Partnership General Security Agreement. On November 13, 2009, the Fund entered into an agreement to subordinate and postpone its claims against SIR in favour of the senior lender. This agreement replaced the Interlender agreement related to SIR's prior credit facility. The Partnership and the Fund have not guaranteed this credit facility (Please refer to SIR Royalty Income Fund section).

The security interest for all amounts payable by SIR to the Partnership under the License and Royalty Agreement, as set out in the Partnership General Security Agreement, is substantially the same as, and ranks equally with, the security interest granted by SIR to the Fund in respect of the SIR Loan. SIR consolidates the Partnership, and this transaction between SIR and the Partnership is eliminated in SIR's audited consolidated financial statements, however the obligation for payments remains.

Under the terms of the License and Royalty Agreement, SIR may be required to pay a Make-Whole Payment in respect of the reduction in revenue for restaurants closed during a reporting period. SIR is not required to pay any Make-Whole Payment in respect of a closed restaurant following the date on which the number of Royalty Pooled Restaurants is equal to or greater than 68, or following October 12, 2019, whichever occurs first. On January 1 of each year (the "Adjustment Date"), the restaurants subject to the License and Royalty Agreement are adjusted for new SIR restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units to Class A GP Units based on a formula defined in the Partnership Agreement.

SIR and its subsidiaries have entered into operating leases relating to its head office and restaurant locations with minimum annual payments. As at August 29, 2010, SIR had three commitments to lease properties and, since then, it has completed the construction of one restaurant and plans to build two new restaurants. SIR is committed to fulfilling its purchase obligations for the one completed restaurant and incurred approximately $1.4 million to complete this restaurant. At the current date, SIR has not entered into any construction contracts for the two remaining restaurants to be built, but expects to do so in the future. Final costs of construction are subject to uncertainties as to their amounts and timing. Such things as finalization of design and final construction quotations could change the total cost of these projects. SIR has entered into capital lease arrangements to lease restaurant equipment and as at August 29, 2010, SIR had an obligation of $0.3 million. During Q1, on November 13, 2009, SIR entered into a new senior debt facility to refinance its current revolving line of credit and construction facility and to repurchase certain shares. As at August 29, 2010, $24.7 million was outstanding on this credit facility (see Liquidity and Capital Resources section).

SIR has the following contractual obligations as of August 29, 2010 (in thousands of dollars):

	1 Year	2 – 3 Years	4 – 5 Years	Thereafter	Total
Operating leases	10,435	21,921	18,745	31,131	82,232
Long-term debt repayments [8]	2,242	23,266	471	128	26,107
SIR Loan				40,000	40,000
	12,677	45,187	19,216	71,259	148,339

Off-Balance Sheet Arrangements

SIR has off-balance sheet arrangements with respect to its operating leases. (See Contractual Obligations section).

Transactions with Related Parties

SIR has entered into related party transactions with shareholders or companies controlled by shareholders of SIR and directors of SIR. The transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Significant transactions with related parties include:

- Payment for operational services provided by two shareholders and directors of SIR in the amount of $0.2 million and $0.6 million for the 16 and 52-week periods ended August 29, 2010, respectively ($0.2 million and $0.5 million for the 16 and 52-week periods ended August 30, 2009, respectively).
- Payment for design fees, charged to property and equipment, provided by one shareholder of SIR in the amount of $0.1 million and $0.2 million for the 16 and 52-week periods ended August 29, 2010, respectively ($0.01 million and $0.1 million for the 16 and 52-week periods ended August 30, 2009, respectively).
- Payment for consulting fees provided by two of SIR's shareholders (one is also a director) in the amount of $0.04 million and $0.1 million for the 16 and 52-week periods ended August 29, 2010.
- Payment for consulting fees provided indirectly by one of SIR's directors in the amount of $nil and $0.03 million for the 16 and 52-week periods ended August 29, 2010, respectively ($0.05 million and $0.2 million for the 16 and 52-week periods ended August 30, 2009, respectively).
- Received repayment against loans and advances from a related company of $0.2 million and $0.5 million during the 16 and 52-week periods ended August 29, 2010, respectively ($0.1 million and $0.5 million for the 16 and 52-week periods ended August 30, 2009, respectively).

Transactions related to the new Credit Agreement

- Payment for the purchase of certain debts owed by U.S. S.I.R. L.L.C. of $0.3 million to one shareholder and director of SIR during the 52-week period ended August 29, 2010.
- Payment to one shareholder and director of SIR for the repurchase of common shares of $16.7 million during the 52-week period ended August 29, 2010.
- Payment of a guarantee fee to one shareholder and director of SIR of which $0.03 million was charged to the statement of operations for the 16 and 52-week periods ended August 29, 2010 ($nil for the 16 and 52-week periods ended August 30, 2009).
- Payment for consulting services, charged to deferred financing fees, provided by one shareholder and director of SIR in the amount of $0.05 million for the 52-week period ended August 29, 2010.

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[8] *Repayments of long-term debt include the scheduled principal repayments of the loans of JACL. The loans are currently non-compliant with respect to certain financial and non-financial covenants. As a result, the loans are presented as a current liability on SIR's consolidated financial statements.*

Transactions with the SIR Royalty Income Fund

Amounts due to (from) the Fund and its subsidiaries consist of:

	August 29, 2010	August 30, 2009
	(in thousands of dollars) (unaudited)	
Advances receivable	(1,987)	(1,518)
Interest payable on SIR Loan	489	247
Partnership distributions payable	3,242	2,651
Payable to the Fund and its subsidiaries – net	1,744	1,380

Amounts due to (from) related parties are non-interest bearing and due on demand.

During the 16 and 52-week periods ended August 29, 2010, distributions of $1.6 million and $4.6 million were declared to the Fund by the Partnership, respectively ($1.5 million and $4.7 million for the 16 and 52-week periods ended August 30, 2009, respectively). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions.

Interest expense on the SIR Loan totalled $0.9 million and $3.0 million for the 16 and 52-week periods ended August 29, 2010, respectively ($0.9 million and $3.0 million for the 16 and 52-week periods ended August 30, 2009, respectively). The SIR Loan bears interest at 7.5% per annum.

SIR, through the Partnership, has entered into an arrangement with the Fund and the Trust whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc., in its capacity as the managing general partner of the Partnership. The Partnership provided these services to the Fund and the Trust for consideration of $0.007 million and $0.024 million for both the 16 and 52-week periods ended August 29, 2010, respectively ($0.007 million and $0.024 million for the 16 and 52-week periods ended August 30, 2009, respectively) which was the amount of consideration agreed to by the related parties.

Critical Accounting Estimates

The preparation of SIR's financial statements requires Management to make estimates and assumptions that affect income and expenses during the reporting periods, in addition to the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ materially from those estimates in the near term.

Under Canadian GAAP, goodwill is not amortized but is tested for impairment, at least annually. Management applies a fair-value-based test to the carrying value of each reporting unit. A goodwill impairment charge would be recorded if the amount of the recorded goodwill exceeds the difference between the fair value of the reporting unit and the carrying value of the net assets of each respective reporting unit. No impairment of goodwill was recognized in the current year. An impairment of goodwill of $0.2 million was recognized in fiscal 2009 for one restaurant, as a result of declining sales and earnings.

Under Canadian GAAP, an impairment charge is recognized for long-lived assets, including intangible assets with finite lives, when an event or change in circumstances causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. SIR determined that there were no impairments in long-lived assets in fiscal 2010 or fiscal 2009.

SIR adopted the provisions of CICA Handbook Section 3110, Asset Retirement Obligations effective August 30, 2004 with respect to estimated lease end remediation costs. SIR has estimated an asset retirement liability of $0.4 million (2009 - $0.4 million) and a corresponding leasehold improvement of $0.1 million (2009 - $0.1 million) as at August 29, 2010.

SIR follows the asset and liability method of accounting for income taxes. Future income tax assets are recognized only to the extent that Management determines it is more likely than not that the future income tax assets will be realized. At August 29, 2010, SIR had approximately $30.9 million in non-capital losses carried forward in Canada available to reduce taxable income in future years. At August 29, 2010, SIR has not recognized the benefit of these losses in the financial statements. SIR recorded a valuation allowance of $10.9 million at August 29, 2010 against the net future tax assets. Future changes in the valuation allowance are thus expected based on changes in Management's assessment of the likelihood of realizing the future tax asset, and will directly impact income tax expense and therefore net income.

In prior years, SIR has recorded a provision for impairment of loans and advances resulting from the potential risk that the loan recipient will not be able to make the required payments. Management continually monitors payment patterns and investigates past-due accounts to assess the likelihood of collections to estimate the required provisions, if any. During fiscal 2010, SIR received repayment of $0.5 million (2009 - $0.5 million) against the loans and advances. Accordingly, SIR recognized interest income of $0.05 million and $0.2 million during the 16 and 52-week periods ended August 29, 2010 ($0.02 million and $0.09 million during the 16 and 52-week periods ended August 30, 2009) and recorded a recovery of the provision for loans receivable of $0.2 million and $0.7 million for the 16 and 52-week periods ended August 29, 2010 ($0.7 million and $0.7 million for the 16 and 52-week periods ended August 30, 2009). If the financial condition of its loan recipients were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required.

SIR has established a management bonus program that provides restaurant managers and area directors with the opportunity to earn a bonus based on the cash flows of the restaurant(s). The percentage of cash flow earned depends on the years of service and ranges up to 10%. The managers and area directors also have the opportunity to earn a bonus upon leaving SIR, if he/she has at least five years of service. This bonus is based on the value of the restaurant(s) at that time using cash flows over a three-year period and a percentage that ranges from 2% to 10%. Upon leaving the plan, a participant's bonus is paid in three instalments over a two-year period. Estimates made by Management in determining the amount of accrual for the bonus are dependent upon the performance of the restaurant and termination rates of managers.

Changes in Accounting Policies, Including Initial Adoption

CICA Handbook Section 3064, Goodwill and Intangible Assets replaced CICA Handbook Sections 3062, Goodwill and Other Intangible Assets, and 3450, Research and Development Costs, and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of International Accounting Standard ("IAS") 38, Intangible Assets. SIR adopted CICA Handbook Section 3064 effective August 31, 2009. Management determined that the capitalization of restaurant pre-opening costs is no longer permitted and that certain computer software costs require reclassification from property and equipment to intangible and other assets. The change in accounting policy has been applied retroactively.

The effect of applying this change in accounting policy on the audited consolidated balance sheet as at August 30, 2009, is as follows:

	Balance as reported	Impact of new standard	Balance as restated
		(in thousands of dollars) (unaudited)	
Assets			
Property and equipment	49,820	(118)	49,702
Intangible and other assets	3,291	(2,580)	711
Liabilities			
Future income taxes	138	(41)	97
Shareholders' deficiency			
Deficit	(36,734)	(2,657)	(39,391)

The effect of applying this change in accounting policy on the consolidated statement of operations for the 16-week period ended August 30, 2009 is as follows:

	Balance as reported	Impact of new standard	Balance as restated
		(in thousands of dollars) (unaudited)	
Cost of corporate restaurant operations			
Labour	20,136	9	20,145
Direct cost of restaurant operations	14,075	48	14,123
Amortization of restaurant assets	2,867	(302)	2,565
Net earnings for the period	739	245	984

The effect of applying this change in accounting policy on the audited consolidated statement of operations for the 52-week period ended August 30, 2009 is as follows:

	Balance as reported	**Impact of new standard**	**Balance as restated**
		(in thousands of dollars) (unaudited)	
Cost of corporate restaurant operations			
Food and beverage	59,751	39	59,790
Labour	63,974	203	64,177
Direct cost of restaurant operations	45,783	374	46,157
Amortization of restaurant assets	9,595	(986)	8,609
Recovery of income tax	35	13	48
Net earnings for the period	(1,044)	383	(661)

Recently Issued Accounting Pronouncements

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests: CICA Handbook Sections 1582, Business Combinations, 1601, Consolidated Financial Statements, and 1602, Non-Controlling Interests replace the former CICA Handbook Sections 1581, Business Combinations and 1600, Consolidated Financial Statements, and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections provide the Canadian equivalent to IFRS 3, Business Combinations and IAS 27, Consolidated and Separate Financial Statements. CICA Handbook Section 1582 is effective for the Company for business combinations for which the acquisition date is on/after the reporting period beginning on or after August 29, 2011. CICA Handbook Sections 1601 and 1602 are effective for SIR for interim and annual consolidated financial statements relating to years beginning on or after August 29, 2011. Management has not yet determined the impact of this change in its consolidated financial statements.

Financial Instruments and Other Instruments

SIR's financial instruments consist of cash and cash equivalents, accounts receivable, loans and advances, trade accounts payable and accrued liabilities, construction accounts payable and accrued liabilities, long-term debt, loan payable to the Fund and warrants. The fair values of these instruments approximate their carrying amounts due to their short-term maturity or, in the case of the loans and advances, the fair values of these items do not differ significantly from their carrying values. The fair value of the long-term debt is $26.1 million and the fair value of the warrants is nil. The fair value of the loan payable to the Fund could only be determined through the valuation of the debt. As a result, the determination of the fair value is not practical within the constraints of timeliness and cost.

SIR's financial instruments exposed to credit risk include cash and cash equivalents, accounts receivable and loans and advances. SIR places its cash and cash equivalents with institutions of high credit worthiness. Accounts receivable primarily comprise amounts due from major credit card companies, and as such, Management believes that its accounts receivable credit risk exposure is limited. SIR monitors the collectability of its loans and advances and establishes provisions when collection of the amounts becomes doubtful. SIR is exposed to interest rate risk with respect to its new credit facility because it has a floating interest rate. The loan payable to the Fund, the US loan payable and the capital lease obligations have fixed interest rates. Accordingly, changes in interest rates for these liabilities would not impact the consolidated statements of operations and comprehensive loss or the carrying value of these financial liabilities. However the fair value of these financial liabilities will vary with changes in the interest rate. SIR is exposed to exchange rate risk in respect of transactions and certain guarantees denominated in U.S. dollars.

Risks and Uncertainties

The performance of SIR is dependent on many factors. The restaurant industry generally, and in particular, the casual and fine dining segment of this industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. Recently, competition has increased in the mid-price, full-service, casual and fine dining sectors in which many of the SIR Restaurants operate. In addition, factors such as business and economic conditions, availability of credit, inflation, increased food, labour and benefits costs, taxes, government regulations (including those governing alcoholic beverages), weather, seasonality, public safety issues and the availability and quality of food, services and products sold in the restaurants affect the restaurant industry in general and therefore SIR. Please refer to the Fund's March 31, 2010 Annual Information Form for further discussion on risks and uncertainties related to SIR.

SIR is a holder of partnership interests in the Partnership. The Fund is also an indirect holder of partnership interests in the Partnership. The income of the Fund must be computed and will be taxed in accordance with Canadian tax laws. There is no assurance that Canadian federal income tax laws respecting the treatment of trusts will not be changed in a manner which adversely affects Unitholders.

On June 22, 2007, Bill C-52, which significantly modifies the income tax rules applicable to certain publicly traded or listed trusts and partnerships, received Royal Assent. In particular, certain income of (and distributions made by) publicly listed flow-through entities ("FTE's") will be taxed in a manner similar to income earned by (and distributions made by) a corporation and investors in the FTE would be taxed as though the distributions were dividends. Because the Fund was publically traded or listed prior to November 1, 2006, it is not subject to these new rules until its 2011 taxation year, so long as the Fund meets the requirements for normal growth. On December 15, 2006, the Federal Department of Finance released guidance provisioning the amount of growth that FTE's are permitted to experience without jeopardizing its deferral of these new taxation rules. The 2011 date will hold for those FTE's whose equity capital growth does not exceed the greater of $50.0 million and the FTE's market capitalization as of the end of trading on October 31, 2006. As a result of these new rules, the Fund has a future income tax liability in their financial statements.

On March 12, 2009, Bill C-10 – Budget Implementation Act 2009, which further modifies the rules applicable to certain publically traded or listed trusts and partnerships, received Royal Assent. In particular, Bill C-10 provides rules to facilitate the conversion of an income trust into a corporation on a tax-deferred basis (the "Conversion Rules"). The Conversion Rules provide income trusts with tax efficient structuring options to convert to corporate form in advance of their 2011 taxation year – at which time most income trusts would become subject to a new entity-level tax based on corporate income tax rates. However, the new income tax rules under Bill C-52 do not require certain publicly traded or listed trusts and partnerships to convert into a corporation prior to December 31, 2010. The Fund does not have any current plans to convert to a corporation. As a result, assuming no material changes in the Fund's financial performance from its current levels, the Fund would be expected to reduce its distributions from their then current levels by approximately 30% commencing January 2011. The Fund will incur professional fees during 2010, as a result of considering the possible impact of the new rules and reviewing its options.

SIR is considering these announcements and the possible impact of the new rules to it and to the Fund. The new rules may adversely affect the value and marketability of SIR's indirect interests in the Fund, and at such time as the new rules apply to the Fund, the distributable cash of the Fund may be materially reduced. As a result, the new rules may adversely affect SIR, as the holder of partnership interests which are convertible into units of the Fund, as well as the Fund and its Unitholders. SIR intends to continue to assess and plan for their expected impact. Changes may prove necessary to seek to adapt to any new tax laws with a view to attempting, where practicable, to minimize their overall adverse effects.

Outlook

SIR currently has 46 restaurants open in Canada and since October 2004, the Fund's Initial Public Offering, SIR has opened fifteen new restaurants to date, including the Jack Astor's in Boisbriand, Quebec that opened subsequent to fiscal 2010, on October 25, 2010. SIR has secured two additional sites at one location, at the corner of Yonge and Gerrard Streets, in Toronto, Ontario which are expected to open in fiscal year 2013. Management continues to monitor the economic conditions and consumer confidence. Based on its assessment of these conditions, the timing of restaurant construction and opening schedules will be reviewed regularly by Management and adjusted as necessary.

SIR completed a renovation of the Jack Astor's in Brampton, Ontario and the Jack Astor's on Wellington Road South in London, Ontario during Q4 of fiscal 2010. Due to the encouraging performance at the Alice Fazooli's in Mississauga, Ontario, after its renovation and repositioning in fiscal 2009, SIR also completed a similar renovation of the Alice Fazooli's located in Richmond Hill, Ontario in Q1 of fiscal 2011.

Six new locations were added to the Royalty Pooled Restaurants effective January 1, 2009. These locations included three new Jack Astor's and one new Canyon Creek that opened in fiscal 2008 and two new Jack Astor's that opened in fiscal 2009. The Jack Astor's in Boisbriand, Quebec will be added to the Royalty Pooled Restaurants effective January 1, 2011.

Management believes that SSS[1] in the full service restaurant industry have been negatively impacted by the economic conditions. However, the CRFA is projecting a modest increase in sales, during the 2010 calendar year, compared to a decline in 2009. To date, SIR's overall SSSG[1], for the calendar year 2010, is consistent with the CRFA projections. Management believes that restaurants with a higher average cheque, such as Canyon Creek and the downtown Toronto Signature Restaurants, tend to experience a greater decline in sales volumes during economic downturns. Jack Astor's, which accounts for approximately 69% of Pooled Revenue, has been affected, but to a lesser extent than the other concepts and it is believed that it is due to its somewhat lower average cheque. In addition to the economic conditions, the June G-20 Summit meeting held in downtown Toronto had a negative effect on revenue and SSS[1], in the fourth quarter, for nine of SIR's restaurants located in downtown Toronto. Management remains cautious and continues to monitor the economy and consumer confidence as its sales have not yet achieved its pre-recession levels.

Management believes that currently there are sufficient cash resources retained in SIR from its cash generated by operations to fund its working capital requirements and scheduled debt repayments.

On November 13, 2009, SIR entered into a new Credit Agreement with a new senior lender to refinance its previous revolving line of credit and construction facility and to facilitate the repurchase of certain of its common shares (see Liquidity and Capital Resources section).

In June 2007, legislation was enacted that changes the manner in which distributions from certain publicly listed flow-through entities including income funds are taxed (see Risks and Uncertainties section).

While the economy is showing some early signs of improvement, Management remains cautious with regard to growth and conservation of cash. Management is carefully monitoring the effects on SIR's business of the continued weakness in economic conditions and consumer confidence. SIR expects that these economic conditions may continue to impact its sales and profit prospects in the near future, particularly in the higher cheque average Signature restaurants and Canyon Creek. SIR is considering new restaurant development and renovations, subject to economic conditions and raising acceptable long-term financing. New restaurant sites, in addition to the two already secured, will be considered when appropriate.

SIR limited its mass media advertising during 2009. It had one mass media campaign during Q2 of 2009 when it launched its exciting new advertising campaign, "Get Fresh" for Jack Astor's, during Q3 of 2009. This campaign included direct mail, radio and television banner advertisements supporting Jack Astor's key markets. For fiscal 2010, SIR has decided to return to its regular advertising initiatives including radio-based advertising. During Q1 of fiscal 2010, SIR launched a 4-week media campaign for Canyon Creek that included print, television, on-line and radio advertisements. During Q2 of fiscal 2010, SIR focused on gift card advertising initiatives, starting with a bonus program, followed by consumer awareness initiatives, including targeted direct mail and on-line and television advertising. During Q4, there was more radio advertising for Jack Astor's. SIR is expected to continue its regular advertising initiatives going forward.

SIR continues to invest in both new and existing restaurants to ensure that it remains well positioned with modern and relevant concepts, which Management believes will help position SIR to work through the current challenging economic times. SIR management is committed to maximizing the performance of all of its restaurants.

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[1] *See footnote [1] on page 3*

Forward Looking Information

Statements in this report, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute "forward-looking" information within the meaning of securities laws. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this document, such statements may include, among other language, such words as "may", "will", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology. These statements reflect Management's current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this document. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. These forward-looking statements involve a number of risks and uncertainties. The following are some of the factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition; changes in demographic trends; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of SIR. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR's actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR. Readers are cautioned that forward-looking statements are not guarantees of future performance, and should not place undue reliance on them. The Fund and SIR expressly disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations, estimates and projections with regard thereto or any changes in events, conditions or circumstances on which any statement is based, except as expressly required by law. This Management Discussion and Analysis is provided as of November 18, 2010.

In formulating the forward-looking statements contained herein, Management has assumed that business and economic conditions affecting SIR's restaurants and the Fund will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, general levels of economic activity (including in downtown Toronto), regulations (including those regarding employees, food safety, tobacco and alcohol), weather, taxes, foreign exchange rates and interest rates, that there will be no pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products, and that there will be no unplanned material changes in its facilities, equipment, customer and employee relations, or credit arrangements. These assumptions, although considered reasonable by Management at the time of preparation, may prove to be incorrect. For more information concerning the Fund's risks and uncertainties, please refer to the October 2004 final prospectus, and/or its March 31, 2010 Annual Information Form, all of which are available under the Fund's profile at www.sedar.com.

Additional information related to SIR, the Partnership and the Fund can be found at www.sedar.com and on SIR's website at www.sircorp.com