SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 12-WEEK PERIOD ENDED NOVEMBER 21, 2010

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TABLE OF CONTENTS

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Executive Summary

SIR Corp.'s ("SIR's") first quarter of fiscal 2011 ("Q1") was from August 30, 2010 to November 21, 2010 inclusive. Highlights for SIR's first quarter include:

- ***Consolidated revenue and Same Store Sales[1] ("SSS") (unaudited):***
  - Food and beverage revenue from corporate restaurant operations for Q1 was $45.4 million compared to $44.6 million for the first quarter of 2010, an increase of 1.7%.
  - SIR experienced same store sales growth[1] ("SSSG") of 1.1% for the 12-week period ended November 21, 2010.
  - SIR's flagship Concept Restaurant brand, Jack Astor's®, that generates approximately 69% of YTD Pooled Revenue, had SSSG[1] of 2.4% for Q1. Canyon Creek® and Alice Fazooli's® had SSS[1] declines of 1.4% and 3.7% for Q1, respectively. The downtown Signature restaurants, which generated approximately 8% of YTD Pooled Revenue, had SSSG[1] of 1.0% for Q1.

Investment in new and existing restaurants

- During Q1, 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.
- SIR completed one renovation, during Q1, at the Alice Fazooli's located in Richmond Hill, Ontario
- During Q4 of Fiscal 2010, SIR completed renovations at the Jack Astor's in Brampton, Ontario and the Jack Astor's on Wellington Road South in London, Ontario.
- 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.
- Subsequent to Q1, SIR assumed a lease in London, Ontario, where two restaurants currently operate. SIR plans to convert this site into a Jack Astor's with an expected opening date later this fiscal year.

- ***Net Earnings (Loss)***
  - The net loss for Q1 of $2.0 million was $1.4 million unfavourable to the net loss of $0.6 million for the same period in the prior year.
  - The unfavourable variance in Q1 compared to the same period in the prior year can be partly attributed to the higher corporate costs in the quarter due to consulting costs incurred related to manager development and branding initiatives. In addition, there were higher costs of restaurant operations relative to revenue, mainly attributable to opening of the new Jack Astor's restaurant in Q1 and to higher labour costs primarily due the increase in minimum wage compared to Q1 of fiscal 2010. Finally, the interest expense is higher in Q1 compared to the same period in the prior year because new increased debt was obtained near the end of the Q1 of fiscal 2010.

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[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 2011 and fiscal 2010. 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 6 and to the definition of SSS in the Revenue section on page 8.

- ***Adjusted EBITDA***[(2)]
  - Adjusted EBITDA[(2)] for Q1 is $2.5 million and $3.4 million in 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 and four new Canyon Creek restaurants. SIR has also invested in a large number of renovations of its existing restaurants to ensure that they remain current. In addition, three sites for new restaurants have been secured, one with an expected opening in the current fiscal year, and two with expected openings in fiscal year 2013.
  - SIR continues to focus on sustaining and growing existing restaurant sales and profits while managing costs. SIR continues to carefully monitor the current economic environment and is considering new restaurant growth and renovations. In addition to the three restaurant sites already secured, new restaurant sites will be considered, when appropriate and will be subject to raising acceptable long-term financing.
  - SIR believes that the current economic conditions may continue to impact its sales and profit prospects in the near future, particularly in the higher cheque average restaurants, which have not returned to their pre-recession levels.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at November 21, 2010, SIR operates 46 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 November 21, 2010, 45 SIR Restaurants were included in SIR Royalty Pooled Restaurants.

SIR 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.

The new Jack Astor's in Boisbriand, Quebec, that opened 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 2011 and 2010 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.

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(2) References to EBITDA are to SIR's net earnings (loss) for the period before 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 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. 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.

Selected Consolidated Historical Financial Information

The following tables set out selected financial information of SIR for the 12-week periods ended November 21, 2010 and November 22, 2009, respectively. The unaudited 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	12-Week Period Ended November 21, 2010	12-Week Period Ended November 22, 2009
Corporate restaurant operations:		
Food and beverage revenue	45,364	44,611
Cost of corporate restaurant operations	42,358	40,967
Earnings from corporate restaurant operations	**3,006**	**3,644**
Net earnings (loss) for the period	**(2,038)**	**(622)**

Balance Sheet	November 21, 2010	August 29, 2010
	(in thousands of dollars) (unaudited)	
Total assets	64,266	67,566
Total long-term liabilities	77,754	77,865

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' 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.

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

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)]	12-Week Period Ended November 21, 2010	12-Week Period Ended November 22, 2009
Net earnings (loss) for the period	(2,038)	(622)
Add (deduct):		
Provision for (recovery of) income taxes	(15)	(19)
Other expense (income)	44	(4)
Unrealized foreign exchange (gain) loss	(54)	(39)
Interest expense – net	564	333
Interest on loan payable to SIR Royalty Income Fund	690	690
Non-controlling interest in SIR Royalty Limited Partnership	1,047	1,084
Other amortization	65	65
Amortization of restaurant assets	1,781	1,856
EBITDA[(2)]	**2,084**	**3,344**
Pre-opening costs	403	72
Adjusted EBITDA[(2)]	**2,487**	**3,416**
Income from Class A & B GP Units of the Partnership [(3)] (Not included in EBITDA[(2)] and Adjusted EBITDA[(2)] above)	912	851
6% Royalty obligations under License and Royalty Agreement [(4)]	2,668	2,639

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	12-Week Period Ended November 21, 2010	12-Week Period Ended November 22, 2009
Revenue reported in consolidated financial statements	45,364	44,611
Less: Revenue from corporate restaurant operations excluded from the Royalty Pool	(890)	(635)
Revenue for Restaurants in the Royalty pool	**44,474**	**43,976**

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales[(1)]	12-Week Period Ended November 21, 2010	12-Week Period Ended November 22, 2009
Revenue reported in consolidated financial statements	45,364	44,611
Less: Revenue from corporate restaurant operations excluded from same store sales[(1)]	(890)	(635)
Same store sales[(1)]	**44,474**	**43,976**

[(1)] *See footnote [(1)] on page 3*
[(2)] *See footnote [(2)] on page 4*
[(3)] *Includes the additional distribution paid to Class B GP Unitholders in December of each year, if any. There was no additional distribution in the 12-week periods ended November 21, 2010 or November 22, 2009.*
[(4)] *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.*

Same Store Sales[1] by Segment	12-Week Period Ended November 21, 2010	12-Week Period Ended November 22, 2009	% Fav. / (Unfav.)
Jack Astor's	30,634	29,930	2.4%
Canyon Creek	6,404	6,493	-1.4%
Alice Fazooli's	3,935	4,085	-3.7%
Signature Restaurants	3,501	3,468	1.0%
Same store sales[1]	**44,474**	**43,976**	**1.1%**

Summary of Quarterly Results

Statement of Operations	1st Quarter Ended November 21, 2010 (12 weeks)	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[5] (16 weeks)	3rd Quarter Ended May 10, 2009[5] (12 weeks)	2nd Quarter Ended February 15, 2009[5] (12 weeks)
					(in thousands of dollars) (unaudited)			
Corporate Restaurant Operations								
Food and beverage revenue	45,364	62,947	47,112	46,213	44,611	61,400	44,995	45,231
Cost of corporate restaurant operations	42,358	57,259	42,075	41,664	40,967	55,270	40,526	40,757
Earnings from corporate restaurant operations	**3,006**	**5,688**	**5,037**	**4,549**	**3,644**	**6,130**	**4,469**	**4,474**
Net earnings (loss) for the period	**(2,038)**	**(291)**	**452**	**472**	**(622)**	**984**	**373**	**141**

Selected Unaudited Consolidated Statement of Cash Flows Information	1st Quarter Ended November 21, 2010 (12 weeks)	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[5] (16 weeks)	3rd Quarter Ended May 10, 2009[5] (12 weeks)	2nd Quarter Ended February 15, 2009[5] (12 weeks)
				(in thousands of dollars) (unaudited)				
Net cash provided by (used in) operations	(1,843)	4,719	1,617	732	2,903	3,838	3,385	2,280
Net cash used in investing activities	(1,689)	(1,284)	(290)	(215)	(418)	(339)	(999)	(1,788)
Net cash used in financing activities	(479)	(717)	(540)	(830)o	(4,240)	(241)	(177)	(13)
Increase (decrease) in cash and cash equivalents during the period	(4,012)	2,718	787	(314)	(1,756)	3,256	2,201	479
Cash and cash equivalents – Beginning of period	9,618	6,900	6,113	6,427	8,183	4,927	2,726	2,247
Cash and cash equivalents – End of period	5,606	9,618	6,900	6,113	6,427	8,183	4,927	2,726

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(1) See footnote (1) on page 3

(5) 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.

Revenue

There are a number of references to different revenue groupings used in the unaudited consolidated financial statements, the notes to the unaudited 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 unaudited 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 12-week period ended November 21, 2010, this revenue was $45.4 million.

ii. Same Store Sales[(1)] – this is a sub-set of i above used for tracking comparable year-over-year sales. For Q1 fiscal 2011 and 2010, SSS[(1)] includes all SIR restaurants except the Jack Astor's in Boisbriand, Quebec, because it was not open for the entire comparable period in fiscal 2010. The U.S. restaurant is not part of SIR Restaurants. For the 12-week period ended November 21, 2010, this revenue was $44.5 million**.**

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 12-week period ended November 21, 2010, Pooled Revenue was $44.5 million. The applicable Royalty payable to the Partnership on the Pooled Revenue for these same periods was $2.7 million.

Same Store Sales[(1)]

SSSG[(1)] for SIR was 1.1% for the 12-week period ended November 21, 2010. SSSG[(1)] for Jack Astor's, SIR's flagship Concept Restaurant brand, which generates approximately 69% of YTD Pooled Revenue, was 2.4% during the 12-week period ended November 21, 2010. Canyon Creek and Alice Fazooli's experienced SSS[(1)] declines of 1.4% and 3.7% for the 12-week period ended November 21, 2010, respectively. The Alice Fazooli's decline is largely due to the closure of the Alice Fazooli's in Richmond Hill for 11 days during Q1**.** During Q1 of fiscal 2010, Canyon Creek sales were favourably affected by a significant promotional direct mail marketing program. A similar offering began at the very end of Q1 in fiscal 2011, with the majority of the program continuing subsequent to Q1. The downtown Toronto Signature Restaurants had SSSG[(1)] of 1.0% during the 12-week period ended November 21, 2010.

Management believes that the current economic conditions are having some effect on SIR's revenue, particularly in those restaurants with a higher average cheque, such as Canyon Creek and the downtown Toronto Signature Restaurants. SIR 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 Canadian Restaurant and Foodservices Association ("CRFA") is projecting a modest increase in sales, in the full service restaurant industry, 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.

Cost of Corporate Restaurant Operations

As a percentage of revenue, costs of corporate restaurant operations for the 12-week period ended November 21, 2010 was 93.4% compared to 91.8% for the 12-week period ended November 22, 2009. High labour and direct costs of restaurant operations in Q1 associated with the opening of the new Jack Astor's in Boisbriand, Quebec, including pre-opening costs of $0.4 million, have contributed to the higher costs as a percentage of revenue in Q1. Higher operating costs and pre-opening expenses are typical of a new restaurant opening. In addition, the minimum wage increase, in Q3 of fiscal 2010, negatively affected labour costs, in Q1 of fiscal 2011, compared to the prior year.

Corporate costs

Corporate costs increased $0.5 million for the 12-week period ended November 21, 2010 compared to the 12-week period ended November 22, 2009. The increase is mainly the result of professional consulting fees incurred for manager development and branding initiatives.

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(1) See footnote (1) on page 3

Interest expense - net

Interest expense increased $0.2 million for the 12-week period ended November 21, 2010 compared to the 12-week period ended November 22, 2009. A new credit facility was obtained near the end of Q1 of fiscal 2010 and therefore long-term debt and the related interest rates were higher during Q1 of fiscal 2011 compared to the prior year, resulting in higher interest costs.

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 $0.7 million for both the 12-week period ended November 21, 2010 and the 12-week period ended November 22, 2009, respectively

The Fund's share of the income of the Partnership for the 12-week period ended November 21, 2010 was $1.0 million (12-week period ended November 22, 2009 - $1.1 million) and has been recorded as non-controlling interest in the unaudited 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 unaudited consolidated statements of operations.

There was an unrealized foreign exchange gain of JACL of $0.05 million for the 12-week period ended November 21, 2010 (12-week period ended November 22, 2009 - $0.04 million). The value of the Canadian dollar versus the US dollar improved during both quarters resulting in a gain in both quarters. The gain is mainly related to the US denominated debt of JACL.

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 12 week period ended November 21, 2010, U.S. S.I.R. L.L.C. repaid $0.09 million of these advances to SIR ($0.1 million for the 12-week period ended November 22, 2009). Accordingly, SIR recognized interest income of $0.04 million during the 12-week period ended November 21, 2010 ($0.03 million for the 12-week period ended November 22, 2009). 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 $2.1 million for the 12-week period ended November 21, 2010 and $3.3 million for the 12-week period ended November 22, 2009. Adjusted EBITDA(2) is $2.5 million for the 12-week period ended November 21, 2010 and $3.4 million for the 12-week period ended November 22, 2009. (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. The Partnership and the Fund have not guaranteed the credit facility (see Liquidity and Capital Resources section).

(2) See footnote (2) on page 4

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 $0.7 million was charged to the unaudited consolidated statements of operations for the 12-week period ended November 21, 2010 ($0.7 million for the 12-week period ended November 22, 2009).

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 $0.006 million has been recorded as interest expense in the unaudited consolidated statements of operations for the 12-week period ended November 21, 2010 ($0.005 million for the 12-week period ended November 22, 2009). The financing costs are netted against the SIR Loan in the unaudited consolidated financial statements.

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

	12-Week Period Ended November 21, 2010	12-Week Period Ended November 22, 2009
Initial investment by the Fund	11,167	11,167
Non-controlling interest in earnings of the Partnership	1,047	1,084
Distributions declared on the Partnership's Units held by non-controlling interest	(1,047)	(1,084)
Non-controlling interest in the Partnership	11,167	11,167
Pooled Revenue [6]	44,474	43,976
Partnership royalty income [7]	2,668	2,639
Other income	8	6
Partnership expenses	(27)	(20)
Net earnings of the Partnership	2,649	2,625
SIR's interest in the earnings of the Partnership:		
Income from Class A & B GP Units of the Partnership	(912)	(851)
Income from Class C GP Units of the Partnership	(690)	(690)
	(1,602)	(1,541)
Non-controlling interest in the earnings of the Partnership	1,047	1,084

[6] Includes revenue from the SIR Restaurants subject to the License and Royalty Agreement and excludes revenue from JACL. 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 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.

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	12-Week Period Ended November 21, 2010	12-Week Period Ended November 22, 2009
Net cash provided by (used in) operations	(1,843)	2,903
Net cash used in investing activities	(1,689)	(418)
Net cash provided by (used in) financing activities	(479)	(4,240)
Increase in cash and cash equivalents during the period	(4,012)	(1,756)
Cash and cash equivalents – Beginning of period	9,618	8,183
Cash and cash equivalents – End of period	5,606	6,427

Net cash provided by operations decreased by $4.7 million for the 12-week period ended November 21, 2010 as compared to the 12-week period ended November 22, 2009. There was an increase in the net loss of $1.4 million in Q1 compared to same period of the prior year. In addition, there was a decrease in the net change in working capital of $3.2 million for the 12-week period ended November 21, 2010 compared to the 12-week period ended November 22, 2009, due to timing of payments and purchases.

Net cash used in investing activities was $1.7 million and $0.4 million for the 12-week periods ended November 21, 2010 and November 22, 2009, respectively. Purchases of property and equipment amounted to $1.8 million and $0.3 million for the 12-week periods ended November 21, 2010 and November 22, 2009, respectively. The majority of the capital expenditures in the current year relate to construction costs incurred for the new Jack Astor's that opened in Boisbriand, Quebec and renovation costs related to the Alice Fazooli's in Richmond Hill.

During fiscal years 2005 to 2010, and Q1 of fiscal 2011, SIR has purchased property and equipment totalling approximately $63.8 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 12-week periods ended November 21, 2010 and November 22, 2009, SIR received $0.09 million and $0.1 million, respectively in payments on its loans and advances from U.S. S.I.R. L.L.C. and its subsidiaries.

Net cash used in financing activities was $0.5 million and $4.2 million for the 12-week periods ended November 21, 2010 and November 22, 2009, respectively. Proceeds received from the credit facility obtained in Q1 of fiscal 2010 were $26.0 million. 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 $0.04 million. Principal repayments on long-term debt were $0.5 million for the 12-week period ended November 21, 2010. Principal repayments on long-term debt, including the $12.7 million repayment, mentioned above were $12.9 million for the 12-week period ended November 22, 2009. Financing fees related to the credit facility of $0.6 million were paid during Q1 of fiscal 2010.

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. At that time, SIR will receive 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.

As of November 21, 2010, SIR had current assets of $12.7 million (August 29, 2010 - $16.0 million) and current liabilities of $27.6 million (August 29, 2010 - $28.7 million) resulting in a working capital deficit of $14.9 million (August 29, 2010 - $12.7 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 of fiscal 2010, on November 13, 2009, SIR entered into a 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 $0.04 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 $0.05 million was charged to the consolidated statement of operations for the 12-week period ended November 21, 2010 ($nil for the 12-week period ended November 22, 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 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 November 21, 2010 was 8.76%. Certain financial covenants apply to SIR, including a minimum fixed charge coverage ratio that SIR is in compliance with as at November 21, 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 November 21, 2010, SIR also had an obligation of $0.2 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. $1.0 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 unaudited 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. 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 unaudited 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. SIR currently has two commitments to lease properties on which it plans to build or convert into three new restaurants. At the current date, SIR has not entered into any construction contracts for the three remaining restaurants to be built or converted, 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 November 21, 2010, SIR had an obligation of $0.2 million. As at November 21, 2010, $24.3 million was outstanding on SIR's current credit facility (see Liquidity and Capital Resources section).

Off-Balance Sheet Arrangements

SIR has off-balance sheet arrangements with respect to its operating leases. There have been no material changes in SIR's operating lease commitments since August 29, 2010. The reader will find this information in the annual MD&A for the year ended August 29, 2010.

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 $0.1 million for the 12-week period ended November 21, 2010 ($0.1 million for the 12-week period ended November 22, 2009).
- Payment for design fees, charged to property and equipment, provided by one shareholder of SIR in the amount of $0.1 million for the 12-week period ended November 21, 2010 ($nil for the 12-week period ended November 22, 2009).
- Payment for consulting fees provided by two of shareholders and directors of SIR in the amount of $0.04 million for the 12-week period ended November 21, 2010 ($nil for the 12-week period ended November 22, 2009).
- Received repayment against loans and advances from a related company of $0.9 million for the 12-week period ended November 21, 2010 ($0.1 million for the 12-week period ended November 22, 2009).
- Payment of a guarantee fee to one shareholder and director of SIR of which $0.05 million was charged to the consolidated statement of operations for the 12-week period ended November 21, 2010 ($nil for the 12-week period ended November 22, 2009).

Transactions with the SIR Royalty Income Fund

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

	November 21, 2010	August 29, 2010
	(in thousands of dollars) (unaudited)	
Advances receivable	(2,067)	(1,987)
Interest payable on SIR Loan	429	489
Partnership distributions payable	3,179	3,242
Payable to the Fund and its subsidiaries – net	1,541	1,744

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

During the 12-week period ended November 21, 2010, distributions of $1.0 million were declared to the Fund by the Partnership ($1.1 million for the 12-week period ended November 22, 2009). 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 $0.7 million for the 12-week period ended November 21, 2010 ($0.7 million for the 12-week period ended November 22, 2009). 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 $0.006 million for the 12-week period ended November 21, 2010 ($0.006 million for the 12-week period ended November 22, 2009) which was the amount of consideration agreed to by the related parties.

Critical Accounting Estimates

Management believes that there have been no substantial changes in the nature of critical accounting estimates since the year ended August 29, 2010. The reader will find this information in the annual MD&A for the year ended August 29, 2010.

Recently Issued Accounting Pronouncements

The Canadian Accounting Standards Board has finalized a new set of standards for private enterprises; the Company will adopt Accounting Standards for Private Enterprises effective for its fiscal 2012 year. Management is evaluating the new standards and has not yet determined the impact of this change on the Company's consolidated financial statements.

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

Management believes that there have been no substantial changes in its financial instruments and other instruments since the year ended August 29, 2010. The reader will find this information in the annual MD&A for the year ended August 29, 2010.

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 during Q1, 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. Subsequent to Q1, SIR assumed a lease in London, Ontario, where two restaurants currently operate. SIR plans to convert this site into a Jack Astor's with an expected opening date later this fiscal year. SIR continues to carefully monitor the current economic environment and is considering new restaurant growth and renovations. In addition to the three restaurant sites already secured, new restaurant sites will be considered, when appropriate and will be subject to raising acceptable long-term financing.

The Jack Astor's in Boisbriand, Quebec, which opened during Q1, will be added to the Royalty Pooled Restaurants effective January 1, 2011. SIR completed a renovation of the Alice Fazooli's located in Richmond Hill, Ontario in Q1 of fiscal 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. 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. 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. 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.

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. SIR has invested in 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.

(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 December 22, 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