

SIR Royalty Limited Partnership

Condensed Interim Financial Statements
(Unaudited)

**For the three-month periods ended
March 31, 2020 and March 31, 2019**

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SIR Royalty Limited Partnership
 Condensed Interim Statements of Financial Position
 (Unaudited)

	March 31, 2020	December 31, 2019
	\$	\$
Assets		
Current assets		
Cash	441,752	629,257
Prepaid expenses and other assets	10,778	16,168
Amounts due from related parties (note 6)	4,376,150	4,690,585
	<u>4,828,680</u>	<u>5,336,010</u>
Intangible assets (note 3)	60,400,000	104,418,635
	<u>65,228,680</u>	<u>109,754,645</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	370,145	215,574
Amounts due to related parties (note 6)	4,458,525	5,120,426
	<u>4,828,670</u>	<u>5,336,000</u>
Partners' Interest (note 4)	60,400,010	104,418,645
	<u>65,228,680</u>	<u>109,754,645</u>

Subsequent events (note 9)

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

SIR Royalty Limited Partnership

Condensed Interim Statements of Earnings (Loss) and Comprehensive Income (Loss)

(Unaudited)

	Three-month period ended March 31, 2020 \$	Three-month period ended March 31, 2019 \$
Revenues		
Royalty income (notes 1 and 6)	3,018,698	4,223,607
Administration fee (note 6)	6,000	6,000
	<u>3,024,698</u>	<u>4,229,607</u>
Expenses		
General and administrative	23,495	23,103
Impairment of intangible assets (note 3)	40,525,539	-
	<u>40,549,034</u>	<u>23,103</u>
Net earnings (loss) and comprehensive income (loss) for the period	<u>(37,524,336)</u>	<u>4,206,504</u>

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

SIR Royalty Limited Partnership

Condensed Interim Statements of Partners' Interest

(Unaudited)

For the three-month periods ended March 31, 2020 and 2019

	Number of units	Balance - January 1, 2020	Units issued	Net earnings (loss) for the period	Distributions declared	Balance - March 31, 2020
	(note 4)	\$	\$	\$	\$	\$
Ordinary LP units	5,356,667	7,633,570	-	(6,787,528)	(846,042)	-
Class A LP units	3,018,900	27,983,375	-	(6,944,632)	(888,793)	20,149,950
Ordinary GP units	100	11	-	54	(15)	50
Class A GP units	1,818,351	28,801,688	(3,493,096)	(24,792,242)	(516,350)	-
Class B GP units	95,757,934	1	-	12	(3)	10
Class C GP units	4,000,000	40,000,000	-	1,000,000	(750,000)	40,250,000
		104,418,645	(3,493,096)	(37,524,336)	(3,001,203)	60,400,010

	Number of units	Balance - January 1, 2019	Units issued	Net earnings for the period	Distributions declared	Balance - March 31, 2019
	(note 4)	\$	\$	\$	\$	\$
Ordinary LP units	5,356,667	7,633,570	-	1,402,549	(1,402,549)	7,633,570
Class A LP units	3,018,900	27,983,375	-	1,199,167	(1,199,167)	27,983,375
Ordinary GP units	100	11	-	15	(15)	11
Class A GP units	2,214,250	24,815,424	3,986,264	854,770	(854,770)	28,801,688
Class B GP units	95,362,035	1	-	3	(3)	1
Class C GP units	4,000,000	40,000,000	-	750,000	(750,000)	40,000,000
		100,432,381	3,986,264	4,206,504	(4,206,504)	104,418,645

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

SIR Royalty Limited Partnership
 Condensed Interim Statements of Cash Flows
 (Unaudited)

	Three-month period ended March 31, 2020 \$	Three-month period ended March 31, 2019 \$
Cash provided by (used in)		
Operating activities		
Net earnings (loss) for the period	(37,524,336)	4,206,504
Impairment of intangible assets	40,525,539	-
Net change in non-cash working capital items (note 8)	474,395	792,408
	<u>3,475,598</u>	<u>4,998,912</u>
Financing activities		
Distributions paid	<u>(3,663,103)</u>	<u>(4,550,482)</u>
Change in cash during the period	(187,505)	448,430
Cash - Beginning of period	<u>629,257</u>	<u>243,849</u>
Cash - End of period	<u>441,752</u>	<u>692,279</u>

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

SIR Royalty Limited Partnership

Notes to the Condensed Interim Financial Statements

March 31, 2020 and March 31, 2019

(Unaudited)

1 Nature of operations and seasonality

Nature of operations

SIR Royalty Limited Partnership (the Partnership) is a limited partnership formed under the laws of the Province of Ontario, Canada.

On October 1, 2004, SIR Royalty Income Fund (the Fund) filed a final prospectus for a public offering of units of the Fund. The net proceeds of the offering to the Fund of \$51,166,670 were used by the Fund to acquire, directly, certain bank debt of SIR Corp. (the SIR Loan) and, indirectly, through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of the Partnership. The Partnership owns the Canadian trademarks (the SIR Rights) formerly owned or licensed by SIR Corp. (SIR) or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada (the SIR Restaurants). The Partnership has granted SIR a 99-year licence 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 revenues of the restaurants included in the Royalty Pooled Restaurants (the Licence and Royalty Agreement).

The address of the Partnership's registered office is 5360 South Service Road, Suite 200, Burlington, Ontario. The financial statements were approved by the Board of Directors of SIR GP Inc. on June 30, 2020.

Seasonality

The full-service restaurant sector of the Canadian food-service industry, in which SIR operates, experiences seasonal fluctuations in revenues. Favourable summer weather generally results in increased revenues during SIR's fourth quarter (ending the last Sunday in August) when patios can be open. Additionally, certain holidays and observances also affect dining patterns, both favourably and unfavourably. Accordingly, royalty income recognized by the Partnership will vary in conjunction with the seasonality in revenues experienced by SIR.

2 Basis of presentation and summary of significant accounting policies

Basis of presentation

The Partnership prepares its interim condensed financial statements in accordance with International Financial Reporting Standards (IFRS), applicable to interim financial statements, including International Accounting Standard (IAS) 34, Interim Financial Reporting. The disclosures contained in these interim financial statements do not include all requirements of IFRS for annual financial statements and should be read in conjunction with the 2019 audited annual financial statements and notes thereto. The financial performance of the Partnership for the interim period is not necessarily indicative of the results that may be expected for the full year due to the seasonality of the Partnership's business.

The accounting policies applied in these interim financial statements are consistent with those followed in the 2019 audited annual financial statements.

SIR Royalty Limited Partnership

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3 Intangible assets

	Three-month period ended March 31, 2020 \$	Three-month period ended December 31, 2019 \$
SIR Rights - Beginning of period	104,418,635	100,432,371
Adjustment to Royalty Pooled Restaurants	(3,493,096)	3,986,264
Provision for impairment	(40,525,539)	-
	<u>60,400,000</u>	<u>104,418,635</u>
SIR Rights - End of period		

In assessing the intangible assets for impairment at March 31, 2020 and December 31, 2019, the aggregate recoverable amount of the intangible assets was compared to its carrying amounts. The recoverable amount has been determined using the assistance of a third party valuator based on fair value less costs to sell using a four-year discounted cash flow considering a terminal value. The key assumptions included the following:

	As at March 31, 2020	As at December 31, 2019
Revenue growth rates	0.0% to 2.0%	0.0% to 1.0%
Terminal growth rate	2.0%	2.0%
Discount rate	19.5% to 21.8%	12.0% to 12.8%

The revenue growth rates of 0.0% to 2.0% are for periods beyond the large declines projected for 2020 and the large offsetting growth rates as sales are projected to recover in 2021.

On January 1, 2020, one new SIR Restaurant was added (January 1, 2019 – two new SIR Restaurants were added) to Royalty Pooled Restaurants in accordance with the Partnership Agreement (note 4).

SIR Royalty Limited Partnership

Notes to the Condensed Interim Financial Statements

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(Unaudited)

4 Partners' interest

The authorized and issued capital of the Partnership consists of the following:

Class	Authorized	Issued	As at	Issued	As at
			March 31, 2020		December 31, 2019
			Amount		Amount
			\$		\$
Class A LP Units	Unlimited	3,018,900	20,149,950	3,018,900	27,983,375
Class C LP Units	Unlimited	-	-	-	-
Ordinary LP Units	Unlimited	5,356,667	-	5,356,667	7,633,570
Ordinary GP Units	Unlimited	100	50	100	11
Class A GP Units (note 3)	Unlimited	1,818,351	-	2,214,250	28,801,688
Class B GP Units (note 3)	Unlimited	95,757,934	10	95,362,035	1
Class C GP Units	Unlimited	4,000,000	40,250,000	4,000,000	40,000,000
			<u>60,400,010</u>		<u>104,418,645</u>

The balance at March 31, 2020 for the capital of the Partnership was determined by evaluating the claim of each class on liquidation as if the Partnership was liquidated for \$60,400,010. The Class B GP Units, the Class B GP Units, and the Ordinary GP Units have preferential rights on liquidation as they entitle the holders to a fixed dividend on liquidation, in addition to a share of the Partnership's net assets. Class A LP Units, Class A GP Units, and Ordinary LP Units have a right to a pro rata share of the net assets of the Partnership.

Generally, the Partnership units have no voting rights, except in certain specified conditions.

Ordinary LP Units and Ordinary GP Units

The holders of the Ordinary LP Units are entitled to receive a pro rata share of all residual distributions.

The Ordinary GP Units have the right to receive distributions of \$5 per month in aggregate.

SIR GP Inc., a direct subsidiary of the Fund, holds 99 Ordinary GP Units and is the Managing General Partner. SIR holds the remaining Ordinary GP Unit and is the General Partner. The Fund and SIR have an 80% and 20% interest in the common shares of SIR GP Inc., respectively.

SIR Holdings Trust, a direct subsidiary of the Fund, holds all of the issued Ordinary LP Units.

Class A GP Units, Class A LP Units and Class B GP Units

The holders of the Class A GP Units are entitled to receive a pro rata share of all residual distributions and the Class A GP Units are exchangeable into units of the Fund. The holders of the Class A LP Units are entitled to receive a pro rata share of all residual distributions.

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Class B GP Units are convertible into Class A GP Units based on a conversion formula defined in the Partnership Agreement for each new restaurant opened in the previous fiscal year. On dissolution of the Partnership, the Class B GP Units are entitled to receive \$10 in aggregate.

On January 1 of each year, Class B GP Units are converted into Class A GP Units for new SIR Restaurants added to the Royalty Pooled Restaurants based on 80% of the initial estimated revenues and the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted into 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 would be returned by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the initial estimated revenues. On January 1 of each year, SIR will reconvert the Class A GP Units received to Class B GP Units for the permanent closure of a SIR Restaurant.

In December of each year, an additional distribution will be payable to the Class B GP unitholders provided that actual revenues of the new SIR Restaurants exceed 80% of the initial estimated revenues, or there will 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, 2020, one new SIR Restaurant was added (January 1, 2019 – two 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 one new SIR Restaurant on January 1, 2020 (January 1, 2019 – two new SIR Restaurants), as well as the Second Incremental Adjustment for two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2019 (January 1, 2018 - three), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. In addition, there was a re-conversion of Class A GP Units into Class B GP Units for the permanent closure of three (January 1, 2019 – one) SIR Restaurants during 2019. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR returned 395,899 Class A GP Units for 395,899 Class B GP Units (January 1, 2019 – SIR converted 197,824 Class B GP Units into 197,824 Class A GP Units) on January 1, 2020 reducing the value of the SIR Rights by \$3,493,096 (January 1, 2019 – increasing the value of the SIR Rights by \$3,986,264).

In addition, the revenues of the two (January 1, 2018 – three) new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2019 was less than 80% of the Initial Adjustment's estimated revenue (January 1, 2018 – revenue of the three new SIR Restaurants exceeded 80% of the Initial Adjustment's estimated revenue) and, as a result, the distributions of the Class A GP Units were reduced by a special conversion refund of \$23,240 in December 2019 and paid in January 2020 (a special conversion distribution of \$90,971 was declared on the Class B GP Units in December 2018 and paid in January 2019). As a result of the permanent closure of two Jack Astor's restaurants during the year ended December 31, 2019, Make-Whole Payments of \$267,573 (year ended December 31, 2018 - \$11,986) have been recorded in Royalty income in the statement of earnings and comprehensive income of the Partnership for the year ended December 31, 2019.

Effective January 1, 2020, SIR's residual interest in the Partnership is 17.84%.

Class A GP Units and Class B GP Units are held by SIR. Class A LP Units are held by SIR Holdings Trust, a direct subsidiary of the Fund.

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(Unaudited)

Class C GP Units

The holders of Class C GP Units are entitled to receive a cumulative preferential monthly cash distribution equal to \$0.063 per Class C GP Unit held, payable on the dates that distributions are paid on the units of the Fund.

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

Class C LP Units

The Class C LP Units have similar attributes to the Class C GP Units.

5 Financial instruments

Classification

As at March 31, 2020 and December 31, 2019, the classifications of the financial instruments, as well as their carrying and fair values, are as follows:

		Carrying and fair value	
		As at	As at
		March 31,	December 31,
		2020	2019
		\$	\$
	Classification		
Cash	Financial assets at amortized cost	441,752	629,257
Amounts due from related parties	Financial assets at amortized cost	4,376,150	4,690,585
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	370,145	215,574
Amounts due to related parties	Financial liabilities at amortized cost	4,458,525	5,120,426

Carrying and fair value

Cash, amounts due from related parties, accounts payable and accrued liabilities and amounts due to related parties are short-term financial instruments whose fair value approximates the carrying amount given that they will mature in the short term.

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(Unaudited)

6 Related party balances and transactions

	As at March 31, 2020 \$	As at December 31, 2019 \$
SIR Corp.		
Royalties receivable	250,699	771,820
Advances receivable	625,858	574,508
	<u>876,557</u>	<u>1,346,328</u>
Advances receivable from the SIR Royalty Income Fund and its subsidiaries	<u>3,499,593</u>	<u>3,344,257</u>
Amounts due from related parties	<u>4,376,150</u>	<u>4,690,585</u>
Distributions payable to SIR Corp	1,230,473	1,387,146
Distributions payable to SIR Royalty Income Fund and its subsidiaries	<u>3,228,053</u>	<u>3,733,280</u>
Amounts due to related parties	<u>4,458,525</u>	<u>5,120,426</u>

Advances receivable from related parties are non-interest bearing and due on demand. All advances were conducted as part of the normal course of business operations.

During the three-month period ended March 31, 2020, the Partnership earned royalty income of \$3,018,698 from SIR (three-month period ended March 31, 2019 - \$4,223,607). The Partnership's royalty income is determined based on 6% of the revenues from certain SIR Restaurants subject to the Licence and Royalty Agreement between the Partnership and SIR. SIR makes 13 Royalty payments based on SIR's 13 four- or five-week period fiscal year and, as such, royalty payments can fluctuate depending on how the four- or five-week periods coincide with the Partnership's calendar fiscal year. Under the terms of the Licence and Royalty Agreement, SIR may be required to pay a Make-Whole Payment in respect of the reduction in revenues for restaurants permanently closed during a reporting period. SIR is not required to pay any Make-Whole Payment in respect of a permanently closed restaurant following the date on which the number of restaurants in the 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 Licence and Royalty Agreement are adjusted for new restaurants opened for at least 60 days preceding such Adjustment Date in the previous fiscal year. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units into Class A GP Units based on the conversion formula defined in the Partnership Agreement (note 4). As a result of the permanent closure of one SIR Restaurant during the three-month period ended March 31, 2019, a Make-Whole Payment of \$202,618 has been recorded in Royalty income in the statement of earnings and comprehensive income for the three-month period ended March 31, 2019.

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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, or SIR as the General Partner. SIR, on behalf of SIR GP Inc., also provides services to the Partnership for its administration. For the three-month period ended March 31, 2020, the Partnership provided these services to the Fund and the Trust for consideration of \$6,000 (three-month period ended March 31, 2019 - \$6,000), which was the amount of consideration agreed to by the related parties.

7 Economic dependence

The Partnership earns substantially all of its revenues from SIR; accordingly, the Partnership is economically dependent on SIR.

SIR has a credit agreement (Credit Agreement), as amended on December 8, 2017, July 6, 2018, and April 1, 2020, with a Schedule I Canadian chartered bank (the Lender). The Credit Agreement between SIR and the Lender provides for a maximum principal amount of \$42,328,000 consisting of a \$20,000,000 revolving term credit facility (Credit Facility 1), and a \$22,328,000 revolving term loan (Credit Facility 2). SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional \$1,500,000.

Credit Facility 1 is for general corporate and operating purposes, bearing interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%, principal repaid in one bullet repayment on July 6, 2021 (the "Maturity Date"). A standby fee of 0.85% is charged on the undrawn balance of Credit Facility 1. Provided SIR is in compliance with the Credit Agreement, the principal amount of Credit Facility 1 can be repaid and reborrowed at any time during the term of the Credit Agreement.

Credit Facility 2 bears interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%. Each advance under Credit Facility 2 is repayable in equal quarterly instalments based on a seven year amortization, with the remaining outstanding principal balance due on the Maturity Date. On April 2, 2020, SIR redrew an additional \$5,500,000 on Credit Facility 2.

The Credit Agreement 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 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 an Intercreditor Agreement.

Under the Intercreditor Agreement, absent a default or event of default under the Credit Agreement, ordinary payments to the Fund and the Partnership 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, the Fund and the Partnership agree not to

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take actions on their security until the Lender has been repaid in full. However, payments by SIR, to the Fund and the Partnership, will be permitted for such amounts as are required to fund their monthly operating expenses, up to an annual limit. In addition, the Fund, the Partnership and SIR have the right, acting cooperatively, to reduce payments of Royalties and/or interest on the SIR Loan by up to 50% without triggering a cross default under the Credit Agreement for a period of up to nine consecutive months. SIR and each obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Fund's unitholders and SIR and its shareholders in exchange for the subordinating parties not demanding repayment or enforcing security as a result of any such related party obligation default. The Intercreditor Agreement also contains various other typical covenants of the Fund and the Partnership in which they are compliant.

8 Net change in non-cash working capital items

Net change in non-cash working capital items comprises:

	Three-month period ended March 31, 2020 \$	Three-month period ended March 31, 2019 \$
Prepaid expenses and other assets	5,389	5,167
Amounts due from related parties	314,435	613,709
Accounts payable and accrued liabilities	154,571	173,532
	<u>474,395</u>	<u>792,408</u>

9 Subsequent events

The outbreak of the coronavirus (COVID-19) in Canada has had a negative impact on global economic activity and has had a significant impact on consumer spending in Canada, including restaurant sales. This has resulted in a severe drop in in-restaurant dining and, effective March 16, 2020, SIR closed all of its dining rooms and bars. These mandated closures are to continue until further notice, in an effort to help reduce large group gatherings as required by public health and government officials.

SIR continued to offer take-out and delivery services at certain of its Jack Astor's and Scaddabush locations and, beginning on June 9, 2020, restaurant re-openings commenced in western Canada and the Maritime provinces. On June 12, 2020, certain regions in the province of Ontario began re-opening of patio dining. On June 15, 2020, restaurants in Quebec, outside of Montreal, were permitted to re-open for sit-down dining, with Montreal area restaurants following on June 22, 2020. Beginning on June 19, 2020, additional regions in Ontario, outside of Toronto, Peel and Windsor, began re-opening patio dining. All of Ontario remains closed for dine-in operations until further notice.

At the time of filing SIR Corp.'s fiscal 2020 second quarter results on March 25, 2020, SIR was in compliance with its financial and non-financial covenants as outlined in its credit agreement with the Lender.

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On June 1, 2020, effective April 1, 2020, SIR obtained a waiver with its senior lender on its covenants until June 30, 2020.

On June 30, 2020, SIR and its Lender entered into a fourth amending agreement to its Credit Agreement (the "Waiver and Amendment"). The Waiver and Amendment provides for the following:

- extension of the waivers of certain anticipated covenant breaches and events of default granted in the June 1, 2020 Third Amending Agreement effective April 1, 2020 until August 31, 2020 (the "Waiver Period"),
- waiving, for the Waiver Period and for the period September 1, 2020 to the Maturity Date, the financial covenants in the Credit Agreement,
- during the Waiver Period and the period September 1, 2020 until the Maturity Date, the two financial covenants in the Credit Agreement are replaced by a minimum quarterly EBITDA amount, and
- the addition of a new \$6,250,000 EDC guaranteed BCAP (the "EDC-Guaranteed Facility") to the Credit Agreement – the EDC-Guaranteed Facility is a 364 day revolving term credit facility and can be extended at the Lender's sole discretion by a further 12 months.

There can be no assurance that SIR will receive additional waivers or remain in compliance in the future.

On June 30, 2020, the Fund and the Partnership entered into an acknowledgement and consent agreement with the Lender acknowledging, among other things:

- receipt of a copy of the Waiver and Amendment,
- that none of: entering the agreement, borrowing under the agreement, or performing any of the obligations under the agreement shall breach any of the terms or constitute an event of default under any of the Fund's or the Partnership's existing agreements with SIR,
- any debt arising under the EDC-Guaranteed Facility constitutes Permitted Debt (as such term is defined in the SIR Loan Agreement).

On June 30, 2020, the Fund, the Partnership, and SIR entered into a waiver and extension agreement that, among other things:

- extends the period of the deferral of interest on the SIR Loan to the Fund and royalties to the Partnership from June 30, 2020 to August 31, 2020,
- waives any and all existing breaches of covenants and events of default under the various agreements between SIR, the Fund, and the Partnership until August 31, 2020.

SIR has advised the Fund that its ability to meet its obligations for the next 12 to 18 months is dependent on:

- its ability to obtain necessary financing through a renewal of its Credit Agreement,
- the collectability of credit under the current Credit Agreement or other financing sources,
- government assistance, including the Canada Emergency Wage Subsidy,
- the collectability or utilization of business interruption or other insurance coverage, and
- SIR's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases.

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SIR's ability to meet its financial obligations for the next 12 to 18 months also depends on, among other factors:

- the length of the closure of our dine-in operations,
- the speed at which we are able to return to full operating capacity in the near future,
- Canadian economic conditions after bars and restaurants are able to re-open, and
- the type and impact of new government mandated pandemic-related operating regulations.

Reduced services and restaurant closures have resulted, and will continue to result, in material declines to sales at SIR restaurants. In order to provide SIR with financial support, the Partnership deferred the collection of restaurant royalties and interest on the SIR Loan from SIR until August 31, 2020.