SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

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Executive Summary

Operational and financial results summary for the three-month period ("Q4 2020") and year ("Fiscal 2020") ended December 31, 2020 for SIR Royalty Income Fund (the "Fund") include:

Coronavirus ("COVID-19") Outbreak

- Since the date of the Fund's last financial report, which was filed on November 16, 2020, the COVID-19 pandemic has continued to significantly impact the operations of SIR Corp. ("SIR").
- Beginning March 16, 2020, SIR suspended dine-in operations at all of its restaurants and bars in accordance with the directives of public health authorities. SIR continued to offer takeout and delivery services at certain of its Jack Astor's® and Scaddabush Italian Kitchen & Bar® ("Scaddabush") restaurants, while all Canyon Creek® and Signature Restaurants were completely closed as of March 16, 2020.
- On March 23, 2020, the Fund announced that unitholder distributions are suspended until further notice. Resumption of payment of unitholder distributions will be dependent, in part, on SIR's agreements with its senior lender.
- Beginning on June 9, 2020, restaurant re-openings commenced in western Canada and the Maritime provinces. On June 12, 2020, certain regions in Ontario began re-opening for limited capacity outdoor patio dining. On June 15, 2020, restaurants in Quebec, outside of the Greater Montreal Area, were permitted to re-open for limited capacity in-restaurant and outdoor patio dining, with Greater Montreal Area restaurants following on June 22, 2020.
- On July 17, 2020, the province of Ontario permitted the re-opening of limited capacity in-restaurant and outdoor patio dining in most public health regions of the province, with the exceptions of the Toronto, Peel and Windsor-Essex regions. Accordingly, SIR commenced the gradual re-opening of dine-in and outdoor patio operations at the majority of its restaurants in these regions. On July 31, 2020, the province of Ontario permitted restaurants in the Toronto and Peel public health regions, where SIR has 26 restaurants, to re-open on a similar basis to other regions in the province. Accordingly, all of SIR's Jack Astor's and Scaddabush restaurants, and certain of its Canyon Creek and Signature restaurants were re-opened for limited capacity in-restaurant and outdoor patio dining, adhering to strict operating procedures and sanitary guidelines to prioritize the safety of its guests and staff. SIR does not have any restaurants in the Windsor-Essex public health region.
- Starting in October 2020, in response to increasing "second wave" case counts, SIR's operations were again adversely impacted by a series of increasing restrictions in the various regions it operates, including the following:.
  - Effective October 1, 2020, the four Jack Astor's restaurants that SIR operates in Montreal were placed in the "Red Zone" (closed for other than takeout and delivery). This initial 28-day closure period was extended multiple times and has now been extended until further notice in the regions where SIR's four Jack Astor's restaurants are located.
  - Effective October 10, 2020, the Toronto, Ottawa and Peel public health regions of Ontario returned to modified Stage 2 restrictions, resulting in the temporary closure of indoor dining rooms and bars in these regions for 28 days. SIR has 28 restaurants in these regions. Effective October 19, 2020, the York public health region, where SIR has five restaurants, was also returned to Modified Stage 2 restrictions for 28 days. As of November 7, 2020, dining rooms in the Toronto, Ottawa, Peel, and York regions were permitted to re-open. Effective November 9, 2020, additional regions were moved into various zones within the Ontario government's COVID-19 framework. Since that time the restrictions and measures for each of the four color zones (Yellow/Protect, Orange/Restrict, Red/Control, Grey/Lockdown) have been modified several times as have the placement of the various public health regions within the provincial tiers. Effective November 23, 2020, Toronto and Peel were returned to Grey/Lockdown where they have remained since that time. Effective December 26, 2020, all public health regions were moved into the Grey/Lockdown where they remained until February 10, 2021, when certain regions with lower incident rates were permitted to move into less restrictive colour zones.
  - Since the second wave began in the fall of 2020, Nova Scotia (two SIR Restaurants) and Newfoundland (one SIR restaurant) have also experienced periods when their operations were limited to take-out and delivery, but for shorter durations than in Ontario and Quebec.

- Reduced services and restaurant closures have resulted in material declines to sales at SIR restaurants. Limited capacity re-openings of in-restaurant and outdoor patio dining are expected to continue to impact sales at SIR restaurants. As a result of the COVID-19 outbreak and ongoing government and public health official recommendations and restrictions, as disclosed in note 1 of SIR's unaudited condensed interim consolidated financial statements for the 12 and 24-week period ended February 14, 2021, there are material uncertainties that may cast doubt on SIR's ability to continue as a going concern.
- The SIR Royalty Limited Partnership (the "Partnership") continues to defer the collection of royalties and the Fund continues to defer the collection of interest on the SIR Loan from SIR as part of the conditions required by SIR's senior lender to grant SIR a series of waiver and amending agreements under its Credit Agreement in order to provide SIR with financial support during the COVID-19 pandemic. The expiration date of these deferrals has been extended from March 31, 2021 to **July 6, 2021**. Accordingly, given the uncertainty surrounding the COVID-19 outbreak and the increasing government mandated shutdowns and the related impact to SIR which the Fund is dependent on for cash flow, the Fund's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. See going concern disclosure in Note 1 to the Fund's Financial Statements for the year ended December 31, 2020 as well as on page 24 of this MD&A. Management of SIR, and accordingly the Fund, are currently addressing its financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender. There can be no assurance that borrowings will be available to SIR, or available on acceptable terms, in an amount sufficient to fund SIR's (and in effect the Fund's) needs. The Fund's ability to meet its obligations for the next 12 to 18 months depends on many factors which are further described, among other things, in the Liquidity and Capital Resources section on page 21.
- As a result of the significant decline in sales at SIR restaurants, Pooled Revenue and royalty income in the Partnership, along with the Fund's equity income from the Partnership and cash available for distribution to unitholders of the Fund, continues to be significantly reduced compared to prior years.

Pooled Revenue and Same Store Sales(1) ("SSS")

- The Royalty Pooled Restaurants had SSS(1) declines of 70.0% and 57.2% in Q4 2020 and Fiscal 2020, respectively. Pooled Revenue decreased by 69.9% to $20.3 million in Q4 2020, compared to $67.5 million in the three-month period ended December 31, 2019 ("Q4 2019"), and decreased by 57.8% to $120.0 million in Fiscal 2020, compared to $284.3 million in the year ended December 31, 2019 ("Fiscal 2019"). These declines are primarily a result of the negative impact of the COVID-19 outbreak on Pooled Revenue and SSS(1) beginning in March 2020. The declines also reflect the permanent closure of two Jack Astor's restaurants and one Canyon Creek restaurant during 2019, and one Jack Astor's during 2020. Jack Astor's, which accounted for approximately 80.2% of Pooled Revenue in Q4 2020, reported SSS(1) declines of 63.8% in Q4 2020 and 53.8% in Fiscal 2020.
- Scaddabush reported SSS(1) declines of 70.9% and 55.2% in Q4 2020 and Fiscal 2020, respectively.
- Canyon Creek reported SSS(1) declines of 99.3% and 80.6% in Q4 2020 and Fiscal 2020, respectively.
- The Signature Restaurants reported SSS(1) declines of 94.1% and 73.9% in Q4 2020 and Fiscal 2020, respectively.

Royalty Income and Equity Income from SIR Royalty Limited Partnership (the "Partnership")

- Royalty income (loss) in the Partnership was ($0.4) million for Q4 2020, compared to $4.0 million for Q4 2019, and ($48.9) million for Fiscal 2020, compared to $17.3 million for Fiscal 2019.
- Equity income (loss) from the Partnership, which represents the Fund's pro rata share of the residual distributions of the Partnership, decreased to ($1.0) million in Q4 2020, compared to $2.5 million in Q4 2019, and decreased to $1.6 million in Fiscal 2020, compared to $10.8 million in Fiscal 2019.
- As a result of the negative impact of the COVID-19 outbreak on the forecasted cash flows of SIR Restaurants, the Partnership recognized an impairment loss on the SIR Rights, as defined in the Overview and Business of the Fund section on page 11 for a total impairment to $54.2 million in Fiscal 2020, resulting in an impairment loss on the Fund's investment in the Partnership of $29.1 million in Fiscal 2020.
- The Partnership continues to defer the collection of restaurant royalties and the Fund continues to defer the collection of interest on the SIR Loan, as part of the conditions required by SIR's senior lender to grant SIR a series of waiver and amending agreements under its credit agreement. During the year ended December 31, 2020, the Partnership recognized

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(1) Same store sales ("SSS"), same store sales growth ("SSSG"), Adjusted Net Earnings (Loss), Adjusted Net Earnings per Fund Unit, Distributable cash and payout ratio are non-GAAP financial measures and do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"). For additional information regarding these financial measures, including full details on how these financial measures are calculated, see the "Description of Non-IFRS Measures" section of this MD&A (page 31).

an impairment loss of $1.8 million on the royalty payments receivable and the Fund recognized an impairment loss of $1.0 million on the interest receivable from SIR based on management's assessment of the SIR-specific risk. A rate of 40% was applied to the both the Fund's interest and distributions receivable and the Partnership's royalties receivable, respectively, as at December 31, 2020.

Net Earnings and Adjusted Net Earnings(1)

- Net earnings and net earnings per Fund unit were impacted by an adjustment of the loss on the Fund's investment in the Partnership and an adjustment to the fair value of the SIR Loan in both Q4 2020 and Fiscal 2020.
- Net earnings were $0.6 million for Q4 2020 compared to a net loss $1.7 million for Q4 2019. Adjusted net loss(1) was $0.0 million for Q4 2020, compared to Adjusted net earnings of $2.3 million for Q4 2019. Please refer to the Adjusted Net Earnings(1) section on page 15.
- Net loss was $44.0 million for Fiscal 2020, compared to net earnings of $12.6 million for Fiscal 2019. Adjusted net earnings(1) were $3.4 million for Fiscal 2020, compared to $9.6 million for Fiscal 2019. Please refer to the Adjusted Net Earnings(1) section on page 15.
- Net earnings per Fund unit were $0.07 (basic and diluted) for Q4 2020, compared to a net loss per Fund unit of $0.21 (basic and diluted) for Q4 2019. Net loss per Fund unit was $5.25 (basic and diluted) for Fiscal 2020, compared net earnings per Fund unit of $1.51 (basic) and $1.43 (diluted) for Fiscal 2019.
- Adjusted Net Earnings (Loss) per Fund unit(1) were ($0.00) for Q4 2020 and $0.27 for Q4 2019, and $0.40 and $1.15 for Fiscal 2020 and Fiscal 2019, respectively.

Distributable Cash(1) and Payout Ratio(1)

- Distributable cash(1) per Fund unit was ($0.09) and $0.14 (basic and diluted) for Q4 2020 and Fiscal 2020, respectively, compared to $0.27 and $1.16 (basic and diluted) for Q4 2019 and Fiscal 2019, respectively. Please refer to the Distributions section on page 10 and Distributable Cash(1) on page 17.
- The Fund's payout ratio(1) was 0.0% in Q4 2020 compared to 102.3% in Q4 2019, and increased to 187.4% in Fiscal 2020 from 105.9% in Fiscal 2019. The payout ratio(1) since the Fund's inception, up to and including Q4 2020, is 100.6%.
- The decline in distributable cash(1) is related to the impact of the decline in Pooled Revenue and SSS(1) on the net earnings of the Fund in Q4 2020 and Fiscal 2020. The Fund did not pay any cash distributions in Q4 2020, resulting in the 0.00% payout ratio.

Amendments to SIR's Credit Agreement, payment of royalties and interest on the SIR Loan

- At May 3, 2020, the end of SIR's third quarter, SIR was in breach of the covenants in the SIR Loan Agreement and the financial covenants in its Credit Agreement.
- On June 1, 2020 (effective April 1, 2020), SIR received a covenant waiver (the "Third Amending Agreement") under its Credit Agreement (the "Credit Agreement") with a Schedule I Canadian chartered bank (the "Lender") until June 30, 2020.
- On June 30, 2020, SIR and its Lender entered into an amending agreement (the "Fourth Amending Agreement") to its Credit Agreement, including the addition of a new $6.25 million Export Development Canada ("EDC") guaranteed Business Credit Availability Program ("BCAP") facility (the "EDC-Guaranteed Facility"), to the Credit Agreement.
- On September 30, 2020, SIR and its Lender entered into an amending agreement (the "Fifth Amending Agreement") to its Credit Agreement which, among other things, extended certain waivers from August 31, 2020 to December 31, 2020.
- On December 18, 2020, SIR entered into an amending agreement (the "Sixth Amending Agreement") to its Credit Agreement which, among other things, extended certain waivers from December 31, 2020 to March 31, 2021.
- On March 31, 2021, SIR entered into an amending agreements (the "Seventh Amending Agreement") to its Credit Agreement which, among other things, extended certain waivers from March 31, 2021 to July 6, 2021. Additionally, this amendment includes the addition of a new $6.25 million Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program (HASCAP") facility (the "BDC-Guaranteed Facility"), to the Credit Agreement.
- The Third, Fourth, Fifth, Sixth, and Seventh Amending Agreements are filed on SEDAR.
- Starting in April of 2020, the Fund and the Partnership granted SIR deferrals of interest on a loan owing by SIR to the Fund (the "SIR Loan") and royalty payments owing by SIR to the Partnership through a series of short-term deferral

agreements, the latest of which is set to expire on July 6, 2021. These deferral agreements were conditions required by SIR's senior lender for a series of waiver and amending agreements that it granted to SIR. In the absence of these waiver and amending agreements from SIR's senior lender, as a result of the impact of COVID-19 on SIR's sales and financial results, SIR would have breached a number of financial and non-financial covenants and events of default under its credit agreement. The Fund and the Partnership have security interests over the assets of SIR, but these security interests are subordinated and postponed to those of SIR's senior lender. The ongoing cooperation and support of SIR's senior lender has been necessary and will in SIR's view continue to be necessary in order for SIR to retain sufficient liquidity to operate. The Partnership's and the Fund's cooperation in the form of deferrals on royalties and on interest on the SIR Loan, as well as waivers of certain covenants and events of default, have been requirements for SIR to obtain the needed funding, waivers and deferrals that have been granted to it by its senior lender. Failure to obtain them would have materially and adversely affected SIR, the Fund and the Partnership. The long-term viability of SIR is in the best interests of the Fund and the Partnership. Additionally, the waiver and extension agreements approved by the Fund and the Partnership on June 30, 2020 enabled SIR to add $6.25 million in much needed liquidity through the addition of the EDC-Guaranteed Facility, to which the Fund and Partnership are also subordinated. Further, the waiver and extension agreements approved by the Fund and the Partnership on March 31, 2021 enabled SIR to add $6.25 million in much needed liquidity through the addition of the BDC-Guaranteed Facility, to which the Fund and Partnership are also subordinated. Accordingly, each of the deferral agreements was approved by the independent Trustees of the Fund. The deferral agreements and related documents have also been filed on SEDAR.

- For details for all agreements entered into on June 30, 2020, September 30, 2020, December 18, 2020, and March 31, 2021, please refer to the Liquidity and Capital Resources section on page 21.

Outlook

- On September 28, 2020, the Quebec government announced that, effective October 1, 2020, all restaurants and bars in three regions of the province with high rates of new cases would be closed for at least 28 days other than for takeout and delivery. This affected four Jack Astor's locations. This initial 28-day closure period was extended multiple times and has now been extended until further notice in the regions. Effective March 31, 2021, there has been no change announced or expected.
- Effective February 9, 2021, SIR permanently closed three restaurants located at the corner of Yonge and Gerrard in downtown Toronto. The three closed restaurants include a Scaddabush restaurant, Reds Midtown Tavern and a Duke's Refresher & Bar ("Duke's"). The Scaddabush and Reds locations are part of the Royalty Pool. SIR's landlord presented the Company with an unexpected but mutually beneficial opportunity to vacate these properties as the landlord had a unique opportunity to lease the space to another tenant for a non-restaurant purpose. Given the current operating environment and uncertain future prospects, SIR decided to exercise this option and return the property to the landlord.
- On February 10, 2021, the Waterloo public health region, where SIR has one restaurant, was moved into the Green/Prevent zone within the provincial government's COVID-19 framework. Effective February 16, 2021, public health regions within Ontario were moved into various zones within the provincial government's COVID-19 framework, which restricts the capacity of indoor dining guests, as follows:

Provincial Tier	Public Health Region (Number of SIR restaurants)
Grey/Lockdown • no indoor dining	• Peel (6) • Toronto (19)
Red/Control • indoor dining capacity: 10 • maximum number of guests per table: 4	Effective February 16, 2021 • Halton (3) • Hamilton (2) • Durham (2) • Simcoe-Muskoka (1) Effective March 8, 2021 • York (5) • Niagara (2)
Orange/Restrict • indoor dining capacity: 50 • maximum number of guests per table: 4	Effective February 16, 2021 • Ottawa (3) Effective March 8, 2021 • London Middlesex (3)
Yellow/Protect • maximum number of guests per table: 6	
Green/Prevent • maximum number of guests per table: 10	Effective February 10, 2021 • Waterloo (1)

- Effective March 5, 2021, the province of Nova Scotia, where SIR has two restaurants, permitted the re-opening of indoor dining rooms.
- SIR has been deemed eligible for the Canada Emergency Wage Subsidy ("CEWS") program. As a result, SIR has received a subsidy from the federal government to partially offset certain of its wage costs starting in mid-March 2020. The federal government recently announced an extension of the CEWS program until June 5, 2021 and SIR expects to continue to remain eligible for the program.
- SIR was deemed to be eligible for the new Canadian Emergency Rent Subsidy ("CERS"). However, the program, as passed, limits SIR's claims under the base program to a maximum of 65% of $0.3 million in eligible expenses during each 4-week claim period. As SIR owns all of its restaurants, it appears to be deemed to be considered an "affiliated group" and, as such, the size of the available subsidy is limited. The maximum claim of $0.2 million per month represents approximately 10% of SIR's eligible expenses under the CEWS program. During periods where indoor dining is mandated to be fully closed, SIR may also be eligible to apply for the 25% lockdown support top-up.
- SIR was deemed eligible for the Ontario COVID-19 Energy Assistance Program which provides support to businesses to partially offset the cost of energy bills and property taxes during certain lockdown periods.
- 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 increased and extended financing through further amendments to its Credit Agreement and the availability of credit under the current Credit Agreement or other financing sources and/or additional government assistance to aid businesses.
- SIR's ability to meet its obligations for the next 12 to 18 months also depends on, among other factors: the duration of restaurant capacity restrictions due to COVID-19, SIR's ability to return to increased or full operating capacity in the near future, Canadian economic conditions after bars and restaurants are able to fully re-open, the type and impact of any new government mandated pandemic-related operating regulations, 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. SIR's insurer has denied any business interruption claims due to COVID-19 closures. However, SIR continues to pursue its claim through legal avenues. There can be no assurance this action will be successful.
- Accordingly, given the uncertainty surrounding the COVID-19 outbreak and the increasing government mandated shutdowns and the related impact to SIR which the Fund is dependent on for cash flow, the Fund's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. The consolidated financial statements of the Fund have been prepared using International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities during the normal course of operations for the foreseeable future. Please refer to Note 1 of the Fund's

financial results for the fourth quarter ("Q4 2020") and year ended December 31, 2020 for the Fund's complete going concern disclosure.

- While SIR is not owned by the Fund, the Fund is economically dependent upon SIR. SIR files its unaudited interim and audited annual consolidated financial statements and Management's Discussion and Analysis ("MD&A") on SEDAR under the Fund's SEDAR profile under the heading "Other". SIR's Fiscal 2021 second quarter unaudited interim consolidated financial statements and MD&A were filed on SEDAR on March 31, 2021.

Same Store Sales(1)

SIR reported to the Fund that the Royalty Pooled Restaurants had cumulative SSS(1) declines of 70.0% and 57.2% in Q4 2020 and Fiscal 2020, respectively. SSS(1) are typically impacted by changes in guest traffic and average cheque amount. Other factors are identified below. Segmented SSS(1) performance for Q4 2020 and Fiscal 2020 is detailed in the following table.

SSS(1) for the Royalty Pooled Restaurants (unaudited)	**Three-month period ended December 31, 2020**	**Three-month period ended December 31, 2019**	**12-month period ended December 31, 2020**	**12-month period ended December 31, 2019**
Jack Astor's	(63.8%)	(7.9%)	(53.8%)	(6.4%)
Scaddabush	(70.9%)	(1.4%)	(55.2%)	(1.3%)
Canyon Creek	(99.3%)	(8.7%)	(80.6%)	(6.3%)
Signature Restaurants	(94.1%)	(1.4%)	(73.9%)	(1.0%)
Overall SSS(1)	**(70.0%)**	**(6.5%)**	**(57.2%)**	**(5.3%)**

Despite recent changes to consumer behavior, SIR noted that in the early part of 2020, up to the COVID-19 outbreak, previously declining guest counts had started to flatten.

Prior to the COVID-19 outbreak that materially impacted sales at SIR restaurants near the end of the Fund's Q1 2020, SIR identified shifts in consumer behaviour related to spending at full-service restaurants, especially in Ontario, that SIR believes has impacted recent SSS(1) performance. SIR believes that price increases at most Ontario restaurants related to the minimum wage increase on January 1, 2018 contributed to a decline in full-service restaurant visits compared to the same periods in prior years. SIR also believes that new stricter legislation for impaired driving contributed to lower alcoholic beverage sales in full-service restaurants.

SIR believes that the recent rapid growth of delivery services in commercial foodservice has negatively impacted the volume of guest visits to full-service restaurants. In addition, due to the nature of take-out and delivery orders, guests who choose these options were initially unable to order alcoholic beverages, which contributed to a decline in beverage sales at SIR restaurants. Government regulations designed to support restaurants during the COVID-19 pandemic have now allowed for sales of alcohol with take-out and delivery orders.

The increase in the use of these third-party delivery services has negatively impacted Pooled Revenue, and therefore the royalties paid by SIR to the Partnership, due to the high fees charged by delivery service operators to restaurant operators.

According to Restaurants Canada data, real commercial food service sales (sales adjusted for menu inflation) in Ontario declined 0.3% in calendar year 2018 (despite the generally higher menu prices) and rebounded only slightly by 0.8% in calendar year 2019. Restaurants Canada's latest Quarterly Forecast is projecting that total commercial foodservice sales could decline by 30.8% in 2020 compared to 2019.

Prior to the government restrictions on dining rooms and bars, SIR had commenced proactively implementing social distancing seating and other measures at all of its restaurants, resulting in a decrease of available tables for guests. SIR suspended dine-in operations at all of its restaurants and bars in accordance with the directives of public health authorities on March 16, 2020. SIR's pre-shutdown social distancing seating and other measures, followed by the full closure of all SIR dining rooms and bars on March 16, 2020, followed by the gradual re-openings and partial re-openings that commenced in mid-June 2020, followed by increasing closures and restrictions starting in October 2020, resulted in significant SSS(1) declines in Fiscal 2020.

Jack Astor's, which accounted for approximately 74% of Pooled Revenue in Fiscal 2020, had SSS(1) declines of 63.8% and 53.8% in Q4 2020 and YTD 2020, respectively. After SIR suspended dine-in operations at all of its restaurants and bars on March 16, 2020 due to the COVID-19 outbreak, 23 of the 38 Jack Astor's restaurants remained open for take-out and delivery services only. Beginning June 9, 2020 through to July 31, 2020, SIR gradually re-opened outdoor patios and dining rooms at the majority of its Jack Astor's locations for limited capacity seating as permitted by provincial governments. These patios were all subsequently closed in Q4 2020.

Effective July 15, 2020, SIR permanently closed the Jack Astor's location in Calgary, Alberta. The sales from the three permanently closed Jack Astor's locations (the former locations in the St. Lawrence Market neighbourhood and on John Street in downtown Toronto and the location in Calgary) have been excluded from the calculation of SSS(1) for Q4 2020 and Fiscal 2020.

Scaddabush SSS(1) performance for Q4 2020 and Fiscal 2020 includes eight Scaddabush locations, excluding the locations in the Mimico neighbourhood of Etobicoke and in Burlington, Ontario. Scaddabush had SSS(1) declines of 70.9% and 55.2% for Q4 2020 and YTD 2020, respectively.

Canyon Creek had SSS(1) declines of 99.3% and 80.6% in Q4 2020 and Fiscal 2020, respectively. On March 16, 2020, SIR suspended all operations at its five Canyon Creek restaurants. On July 15, 2020, SIR re-opened the outdoor patio at the Canyon Creek location near the Toronto Pearson International Airport and then followed on July 31, 2020 with the re-opening of the indoor dining room on a limited capacity basis. This location was subsequently closed again in Q4 2020.

The downtown Toronto Signature Restaurants had SSS(1) declines of 94.1% and 73.9% in Q4 2020 and Fiscal 2020, respectively. On March 16, 2020, SIR suspended all operations at the four Signature Restaurants in the Royalty Pool. Outdoor patios and dining rooms at certain of the Signature restaurants had been re-opened for a limited time for limited capacity seating as permitted by the provincial government and now remain temporarily closed.

Restaurant Renovations

SIR's Management is committed to maximizing the performance of all of its restaurants. SIR believes that investing in restaurant renovations is a key performance-enhancing initiative.

During Fiscal 2020, SIR completed no restaurant renovations due to the impact of COVID-19 on its cash flows and financial liquidity.

During Fiscal 2019, SIR completed four restaurant renovations, including:

- Two Jack Astor's locations (the location near Toronto Pearson International Airport in Etobicoke, Ontario and the location at the CF Shops at Don Mills in North York, Ontario) that resulted in the closure of these restaurants for a combined total of 30 days during the first quarter**.**
- A major renovation at The Loose Moose that resulted in the closure of this restaurant for 15 days during the first quarter**.**
- The Scaddabush restaurant at the Square One shopping centre in Mississauga, Ontario which was closed for six days in the first quarter to complete a renovation.

New and Closed Restaurants

SIR currently owns 53 restaurants, including one seasonal restaurant, in Canada. Since the Fund's Initial Public Offering in October 2004, SIR has opened 39 new restaurants (22 Jack Astor's, four Canyon Creek restaurants, eight Scaddabush restaurants, two Reds restaurants, two Duke's Refreshers, one seasonal Abbey's Bakehouse restaurant) and one seasonal Abbey's Bakehouse retail outlet. During this same period, SIR closed 20 restaurants (six Jack Astor's restaurants, six Canyon Creek restaurants, three Alice Fazooli's restaurants, four Signature restaurants, and one Scaddabush restaurant) and the seasonal Abbey's Bakehouse retail outlet.

The COVID-19 pandemic has drastically altered SIR's operating environment and put a great deal of stress on many businesses, including SIR. As a result, subsequent to December 31, 2020, SIR has permanently closed six restaurants, including:

- Effective January 8, 2021, SIR permanently closed the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario.
- Effective February 9, 2021, SIR permanently closed three restaurants located at the corner of Yonge and Gerrard in downtown Toronto. The three restaurants closed included a Scaddabush, a Reds and a Duke's. The Scaddabush and Reds locations were part of the Royalty Pool, but the Duke's was not. SIR's landlord presented the Company with an unexpected but mutually beneficial opportunity to vacate these properties as the landlord had a unique opportunity to lease the space to another tenant for a non-restaurant purpose. Given the current operating environment and uncertain future prospects, SIR decided to exercise this option and return the property to the landlord.
- Effective March 31, 2021, SIR will permanently close the Canyon Creek location in Vaughan, Ontario.

During Q3 2020, effective July 15, 2020, SIR permanently closed the Jack Astor's location in Calgary, Alberta. This restaurant ceased to be part of Royalty Pooled Restaurants on January 1, 2021

During the calendar year 2019, SIR closed three restaurants, including:

- the Jack Astor's location in the St. Lawrence Market area of downtown Toronto, effective February 4, 2019 (Q1 2019)
- the Jack Astor's location on John Street in downtown Toronto, effective September 23, 2019 (Q3 2019)
- the Canyon Creek restaurant in Burlington, Ontario effective, October 13, 2019 (Q4 2019)

The above noted restaurants ceased to be part of Royalty Pooled Restaurants on January 1, 2020.

SIR opened two new Scaddabush restaurants in 2019, including: one location in the Mimico neighbourhood of Etobicoke, Ontario on June 2, 2019 (Q2 2019), and one location in Burlington, Ontario on November 19, 2019 (Q4 2019). The Scaddabush restaurant in the Mimico neighbourhood of Etobicoke was added to Royalty Pooled Restaurants on January 1, 2020. The Scaddabush restaurant in Burlington was added to Royalty Pooled Restaurants on January 1, 2021.

During the calendar year 2018, SIR closed the Canyon Creek location on Front Street in downtown Toronto, Ontario, effective December 9, 2018 (Q4 2018) after the landlord executed a demolition clause in the lease agreement. This restaurant ceased to be part of Royalty Pooled Restaurants on January 1, 2019.

During the calendar year 2017, SIR closed three restaurants, including:

- the Alice Fazooli's location in Oakville, Ontario effective March 19, 2017 (Q1 2017);
- the Alice Fazooli's location in Vaughan, Ontario effective June 18, 2017 (Q2 2017); and
- the Canyon Creek restaurant in Etobicoke, Ontario effective October 15, 2017 (Q4 2017).

SIR subsequently opened new Scaddabush restaurants at each of these locations:

- Oakville on April 5, 2017 (Q2 2017);
- Vaughan on July 5, 2017 (Q3 2017); and
- Etobicoke on November 28, 2017 (Q4 2017).

SIR elected, as was its option, under the License and Royalty Agreement, to treat the aforementioned closed Alice Fazooli's locations and the closed Canyon Creek location as New Closed Restaurants and to treat the resulting new Scaddabush locations as New Additional Restaurants. The two closed Alice Fazooli's locations and the one closed Canyon Creek location ceased to be part of Royalty Pooled Restaurants on January 1, 2018. The two new Scaddabush restaurants in Oakville and Vaughan were added to Royalty Pooled Restaurants on January 1, 2018, and the new Scaddabush restaurant in Etobicoke was added to Royalty Pooled Restaurants on January 1, 2019.

During Q4 2017, on December 11, 2017, SIR opened its new Reds Square One restaurant in Mississauga, Ontario. This restaurant was added to Royalty Pooled Restaurants on January 1, 2019.

SIR Management continues to monitor economic conditions and consumer confidence. Based on its assessment of these conditions, the timing of restaurant construction and opening schedules will be reviewed regularly by SIR Management and adjusted as necessary.

Distributions

Distributions to unitholders are intended to be made monthly in arrears based on distributable cash(1) and cash redemptions of Fund units and subject to the Fund retaining such reasonable working capital and other reserves as may be considered appropriate by the Trustees of the Fund. It is the Fund's intention to pay even distributions and, if possible, allow the Fund to maintain consistent monthly distributions to unitholders. The Fund intends to make monthly distributions of its available distributable cash(1) to the extent possible.

During Q4 2020, no monthly distributions were declared or paid in each of the months of October, November, and December 2020. On March 23, 2020, the Fund temporarily suspended unitholder distributions until further notice as a result of the impact of COVID-19 on SIR's operations. During Q1 2020, the Fund paid monthly distributions in arrears of $0.7 million, or $0.0875 per unit, in each of the months of January, February, and March 2020.

The payout ratio(1) of cash distributed to distributable cash(1) is intended to average 100% per annum over the long term. Prior to the suspension of unitholder distributions effective on March 23, 2020, the Fund paid even monthly distributions to unitholders, when its underlying cash flow from the Partnership was subject to seasonal fluctuations (as experienced by SIR). As a result, there were times during the year when the Fund's payout ratio(1) would exceed or could be lower than 100%. The payout ratio(1) of cash distributed to distributable cash(1) for Q4 2020 was 0.00%, compared to 102.3% for Q4

2019, and 187.4% for Fiscal 2020 compared to 105.9% for Fiscal 2019. The payout ratio(1) since the Fund's inception in 2004 up to and including Q4 2020 is 100.6%, in line with Fund's target payout ratio of 100%.

Please refer to page 17 for distributable cash(1) and a summary of monthly distributions since inception, and page 17 for a description of the Fund's payout ratio(1).

Overview and Business of the Fund

On October 1, 2004, the Fund filed a final prospectus for an initial public offering of units of the Fund (the "Offering"). The net proceeds of the Offering of $51.2 million were used by the Fund to acquire, directly, certain bank debt of SIR and indirectly, through SIR Holdings Trust (the "Trust"), all of the Ordinary LP Units of the Partnership. The Partnership owns the Canadian trade-marks (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. The Partnership has 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"). The Partnership also issued its own securities to SIR in return for the SIR Rights acquired. The Fund indirectly participates in the revenue generated under the License and Royalty Agreement through its investment in the Partnership. The Partnership's financial statements are provided separately at www.sedar.com under the SIR Royalty Income Fund profile "Other" category and on SIR's website at www.sircorp.com.

The units of the Fund are publicly traded on the Toronto Stock Exchange under the symbol SRV.UN.

Overview and Business of SIR and the Partnership

SIR, which stands for Service Inspired Restaurants, is a private company amalgamated under the Business Corporations Act of Ontario. As at December 31, 2020, SIR owned 59 Concept Restaurants and Signature Restaurants in Canada (in Ontario, Quebec, Nova Scotia, and Newfoundland). The Concept Restaurants are Jack Astor's Bar and Grill®, Scaddabush Italian Kitchen & Bar®, and Canyon Creek®. The Signature Restaurants are Reds® Wine Tavern, Reds® Midtown Tavern, Reds® Square One, and the Loose Moose Tap & Grill®. As at December 31, 2020, SIR also owned two Duke's Refresher® & Bar restaurants located in downtown Toronto, and one seasonal restaurant, Abbey's Bakehouse®, which are considered Signature restaurants, and are not part of Royalty Pooled Restaurants. SIR owns 100% of its Canadian restaurants. As at December 31, 2020, 56 SIR Restaurants were included in Royalty Pooled Restaurants (55 operating restaurants and one closed restaurant).

SIR believes that Duke's Refresher has multi-unit growth potential and has advised the Fund that Duke's Refresher should be considered as a potential New Concept Restaurant brand. As such, the earliest that any Duke's Refresher could be added to the Royalty Pool would be the Adjustment Date following the earlier of: (i) the date that four Duke's Refresher restaurants are open for business at the same time, and (ii) 90 days following the end of SIR's fiscal year in which revenues from all Duke's Refresher restaurants in Canada first exceed $12.0 million (the "Trigger Event"). As neither of these events are expected to occur before August 30, 2020, Duke's Refresher is not expected to be added to the Royalty Pool on January 1, 2021.

The Partnership has the option for a period of six months following delivery of notice of the Trigger Event by SIR to purchase, effective on the next Adjustment Date, any and all associated Canadian trade-mark rights in respect of Duke's Refresher (the "Duke's Refresher Rights"), subject to the Partnership licensing the Duke's Refresher Rights back to SIR for a period of 99 years. SIR and the Partnership have the opportunity to negotiate and agree upon the amount of the consideration to be paid to SIR for the Duke's Refresher Rights. Under circumstances that are similar to those involving the SIR Rights, it is expected that the principles underlying the valuation of the Royalty and the Determined Amount as they relate to the SIR Rights shall apply, with necessary changes, to the extent deemed appropriate under the circumstances. If the Partnership elects not to exercise its option, or if the Partnership and SIR fail to agree on the terms of the purchase of the Duke's Refresher Rights, the Partnership shall have a right of first refusal, so long as the License and Royalty Agreement concerning the SIR Rights remains in effect, and exercisable for a period of 30 days from the date the Partnership receives notice and details of the proposed terms of the third party offer, to purchase the Duke's Refresher Rights should SIR wish to sell, directly or indirectly, all or substantially all of the Duke's Refresher Rights to a third party dealing at arm's length with SIR.

If the Partnership elects not to exercise the foregoing option, then, subject to the right of first refusal, SIR shall be free to operate the business relating to Duke's Refresher and exploit the Duke's Refresher Rights on its own behalf or otherwise.

On January 1 of each year (the "Adjustment Date"), the restaurants subject to the Partnership Agreement are adjusted for new restaurants that have been open for at least 60 days prior to the Adjustment Date and which were not previously included in Royalty Pooled Restaurants. Under the formula as defined in the Partnership Agreement, the number of Class A

GP Units issued to SIR on the Initial Adjustment date is equal to 80% of the estimated value of the additional Royalty revenue. Additional Class B GP Units may be converted to Class A GP Units in respect of these new SIR Restaurants if the actual revenues of the new SIR Restaurants exceed 80% of the Initial Adjustment Date's estimated revenue applied to the formula defined in the Partnership Agreement. Conversely, Class A GP Units would be converted to Class B GP Units by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the Initial Adjustment Date's estimated revenue. 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 based on actual revenues of the new SIR Restaurants exceeding 80% of the Initial Adjustment Date's estimated revenue or there will be a reduction in the cash distributions to the Class A GP Unitholders if revenues are less than 80% of the Initial Adjustment Date's estimated revenue. The additional distribution results in an adjustment to SIR's share of the Partnership income to reflect the actual contribution of the revenues of the new SIR Restaurants for the fiscal year. As this amount is not declared until December 31st, when the actual revenues for the New Additional Restaurants are known, the effect of this adjustment is not included in the results of quarters one through three.

The Partnership has 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 6.0% of the revenue of the Royalty Pooled Restaurants. The Partnership also issued its own securities to SIR in return for the SIR Rights acquired.

The Class A GP Units are entitled to receive a pro rata share of all residual distributions of the Partnership and are exchangeable into Units of the Fund on a one for one basis. SIR is obligated to pay the Partnership a "Make-Whole Payment", subject to certain terms, initially equal to the amount of the Royalty that otherwise would have been paid to the Partnership in the event of a permanent closure of a Royalty Pooled Restaurant. SIR is not required to pay a "Make-Whole Payment" in respect of a permanently closed Royalty Pooled Restaurant following the date on which the number of restaurants in Royalty Pooled Restaurants is equal to or greater than 68, or following October 12, 2019, whichever occurs first. However, other adjustments or payments may still be required in respect of permanently closed restaurants after such date by SIR, depending upon the circumstances.

On January 1, 2021, one new SIR Restaurant was added (January 1, 2020 – one new SIR Restaurant was 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, 2021 (January 1, 2020 – one new SIR Restaurants), as well as the Second Incremental Adjustment for one new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2020 (January 1, 2019 - two), 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 one (January 1, 2020 – three) SIR Restaurants during 2020. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 153,201 Class B GP Units into 153,201 Class A GP Units (January 1, 2020 – SIR returned 395,899 Class A GP Units for 395,899 Class B GP Units) on January 1, 2021 reducing the value of the SIR Rights by $0.7 million (January 1, 2020 – reducing the value of the SIR Rights by $3.5 million).

In addition, the revenues of the one (January 1, 2019 – two) new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2020 was less than 80% of the Initial Adjustment's estimated revenue (January 1, 2019 – revenue of the two new SIR Restaurants was less than 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 $0.009 million in December 2020 and paid in January 2021 (a special conversion refund of $0.02 million in December 2019 and paid in January 2020). Make-Whole Payments of $nil (year ended December 31, 2019 - $0.3 million) have been recorded in Royalty income in the statement of (loss) earnings and comprehensive (loss) income of the Partnership for the year ended December 31, 2020.

SIR's fiscal year is comprised of 13 periods of four weeks each, ending on the last Sunday in August. To preserve this year-end, an additional week must be added approximately every five years. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks. SIR's fiscal years for 2020 and 2019 consist of 53 and 52 weeks, respectively.

Consolidated financial statements of SIR can be found at www.sedar.com under the SIR Royalty Income Fund profile, "Other" category and on SIR's website at www.sircorp.com.

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 the last Sunday in August) when patios have been open for an extended period. Additionally, certain holidays and observances also affect guest dining patterns both favourably and unfavourably. Accordingly, equity income from the Partnership recognized by the Fund will vary in conjunction with the seasonality in revenue experienced by SIR. The Fund's intention is to pay even distributions in order to reduce the effect of seasonality, and if possible, allow the Fund to maintain consistent monthly distributions to unitholders.

Selected Consolidated Financial Information

The consolidated financial statements of the Fund are presented in Canadian dollars, and are prepared in accordance with IFRS. The consolidated financial statements include the accounts of the Fund and its subsidiaries, namely the Trust and SIR GP Inc. The information in this Management's Discussion and Analysis should be read in conjunction with the audited annual consolidated financial statements of the Fund, including the notes thereto. The Fund has been in existence since August 23, 2004, and began operating on October 12, 2004 upon closing of the Offering.

The following table sets out selected financial information of the Fund and the Partnership:

(in thousands of dollars or units, except restaurants and per unit amounts) (audited)	**Year ended December 31, 2020**	**Year ended December 31, 2019**
Royalty Pooled Restaurants	56	58
Pooled Revenue generated by SIR	120,013	284,333
Royalty income to Partnership - 6% of Pooled Revenue	7,201	17,060
Make-Whole Payment(2)	-	267
Total Royalty income to Partnership	7,201	17,327
Partnership other income	24	24
Impairment of financial and intangible assets	(55,999)	-
Partnership expenses	(128)	(79)
Partnership earnings	(48,902)	17,272
SIR's interest (Class A, B and C GP Units)	(3,886)	(6,491)
SIR's interest (impairment of intangible assets)	25,308	(6,491)
Partnership income allocated to Fund(3)	(27,480)	10,781
Impairment of financial assets	(1,000)	-
Change in estimated fair value of the SIR Loan	(14,250)	6,000
	(42,730)	16,781
General & administrative expenses	(524)	(488)
Net earnings before income taxes of the Fund	(43,254)	16,293
Income tax recovery (expense)	(748)	(3,649)
Net earnings for the period	(44,002)	12,644
Basic earnings per Fund unit	($5.25)	$1.51
Weighted average number of Fund units outstanding – Basic	8,376	8,376
Net earnings for the period – Diluted	(43,355)	15,192
Weighted average number of Class A GP Units	N/A	2,214
Weighted average number of Fund units outstanding – Diluted	N/A	10,590
Diluted earnings per Fund unit	($5.25)	$1.43

In Fiscal 2020, the Class A GP Units are excluded from the calculation of diluted earnings per Fund unit, as the conversion is anti-dilutive.

(2) *The Jack Astor's restaurants in the St. Lawrence Market neighbourhood and on John Street, both in downtown Toronto, Ontario, were closed effective February 4, 2019 and September 23, 2019, respectively. Under the terms of the License and Royalty Agreement, SIR was required to pay a Make-Whole Payment for these locations equal to the amount of the royalty otherwise payable from the date of the closure until December 31st of the year of closure.*

(3) *The Fund, indirectly through the Trust, holds all of the Ordinary LP Units and Class A LP Units of the Partnership. The holders of the Ordinary LP Units and Class A LP Units are entitled to receive a pro rata share of all residual distributions of the Partnership.*

Summary of Quarterly Financial Information

	Three-month periods ended							
(in thousands of dollars or units, except restaurants and per unit amounts) (audited)	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**
Royalty Pooled Restaurants	56	56	56	56	58	58	58	58
Pooled Revenue generated by SIR	20,283	39,902	9,551	50,277	67,455	72,154	77,708	67,016
Royalty income to Partnership - 6% of Pooled Revenue	1,217	2,394	571	3,018	4,047	4,329	4,662	4,021
Make-Whole Payment(4)	-	-	-	-	-	65	-	203
Total Royalty income to Partnership	1,217	2,394	571	3,018	4,047	4,394	4,662	4,224
Partnership other income	6	6	6	6	6	6	6	6
Impairment of financial and intangible assets	(1564)	(13,909)	-	(40,525)	-	-	-	-
Partnership expenses	(34)	(49)	(21)	(23)	(13)	(21)	(22)	(23)
Partnership earnings (loss)	(375)	(11,558)	556	(37,524)	4,040	4,379	4,646	4,207
SIR's interest (Class A, B and C GP Units)	(651)	(1,144)	(825)	(1,266)	(1,549)	(1,643)	(1,694)	(1,605)
SIR's interest (impairment of intangible assets)	-	250	-	25,058	-	-	-	-
Partnership income allocated to Fund(5)	(1,026)	(12,452)	(269)	(13,732)	2,491	2,736	2,952	2,602
Impairment of financial assets	(886)	(114)	-	-	-	-	-	-
Change in estimated fair value of the SIR Loan	2,250	(2,500)	2,500	(16,500)	(6,750)	(500)	5,000	8,250
	338	(15,066)	2,231	(30,232)	(4,259)	2,236	7,952	10,852
General & administrative expenses	(141)	(146)	(131)	(106)	(128)	(109)	(133)	(118)
Net earnings (loss) before income taxes of the Fund	197	(15,212)	2,100	(30,338)	(4,387)	2,127	7,819	10,734
Income tax recovery (expense)	385	(486)	(218)	(430)	2,648	(273)	(3,211)	(2,813)
Net earnings (loss) for the period	582	(15,698)	1,882	(30,768)	(1,739)	1,854	4,608	7,921
Basic earnings (loss) per Fund unit	$0.07	($1.87)	$0.22	($3.67)	($0.21)	$0.22	$0.55	$0.95
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Net earnings (loss) for the period – Diluted	509	(15,410)	1,936	(30,391)	(1,155)	2,505	5,297	8,545
Weighted average number of Class A GP Units	N/A	N/A	1,818	N/A	N/A	N/A	2,214	2,214
Weighted average number of Fund units outstanding – Diluted	N/A	N/A	10,194	N/A	N/A	N/A	10,590	10,590
Diluted earnings (loss) per Fund unit	$0.07	($1.87)	$0.19	($3.67)	($0.21)	$0.22	$0.50	$0.81

In Q4 2019, Q4 2020, and Fiscal 2020, the Class A GP Units are excluded from the calculation of diluted earnings per Fund unit, as the conversion is anti-dilutive.

(4) The Canyon Creek restaurant in Etobicoke, Ontario was closed effective October 15, 2017, the Canyon Creek restaurant on Front Street in downtown Toronto, Ontario was closed effective December 9, 2018, the Jack Astor's restaurant in the St. Lawrence Market neighbourhood of downtown Toronto, Ontario was closed effective February 4, 2019 and the Jack Astor's restaurant on John Street in downtown Toronto, Ontario was closed effective September 23, 2019. Under the terms of the License and Royalty Agreement, SIR is required to pay a Make-Whole Payment for these locations equal to the amount of the royalty otherwise payable from the date of the closure until December 31st of the year of closure.

(5) The Fund, indirectly through the Trust, holds all of the Ordinary LP Units and Class A LP Units of the Partnership. The holders of the Ordinary LP Units and Class A LP Units are entitled to receive a pro rata share of all residual distributions of the Partnership.

Adjusted Net Earnings(1) and Adjusted Earnings per Fund unit(1)

Adjusted Net Earnings(1) and Adjusted Earnings per Fund unit(1) are financial measures that do not have standardized meanings prescribed by IFRS. They are used by the Fund to supplement its reporting of net earnings (loss), net cash flow and earnings (loss) per Fund unit. Adjusted Net Earnings(1) consist of net earnings (loss) excluding the after-tax non-cash portion of the change in estimated fair value of the SIR Loan and including interest income on the SIR Loan. Adjusted Earnings per Fund unit(1) is the portion of Adjusted Net Earnings(1) allocated to each outstanding Fund unit. The Fund believes that Adjusted Net Earnings(1) and Adjusted Earnings per Fund unit(1) are useful estimates of the core business' contribution to cash flow from operations and uses these measures as a supplemental measure of the Fund's performance. Similarly, the Fund believes that certain investors may also find these non-GAAP financial measures to be useful measures for their independent evaluation of the Fund's performance.

The following table reconciles net earnings (loss) for the period to Adjusted Net Earnings(1) and calculates Adjusted Earnings per Fund unit(1):

(in thousands of dollars or units, except per unit amounts) *(audited)*	**Three-month period ended December 31, 2020**	**Three-month period ended December 31, 2019**	**12-month period ended December 31, 2020**	**12-month period ended December 31, 2019**
Net earnings for the period	582	(1,739)	(44,002)	12,644
Impairment of financial and intangible assets	886	-	30,126	-
Change in estimated fair value of the SIR Loan	(2,250)	6,750	14,250	(6,000)
Interest received on SIR Loan	750	750	3,000	3,000
Deferred tax expense (recovery)	-	(3,479)	-	-
Adjusted Net Earnings(1)	**(32)**	**2,282**	**3,374**	**9,644**
Adjusted Basic Earnings per Fund unit(1)	$0.00	$0.27	$0.40	$1.15
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376

The SIR Loan is now accounted for at fair value through the statement of earnings which required management to discount the cash flows using a market interest rate. Management has estimated the discount rate by considering comparable corporate bond rates, risk-free rates and SIR's credit risk.

During Q4 2020, management adjusted the discount rate from 15.25% at September 30, 2020 to 14.35% at December 31, 2020. The adjustment consists of an estimated increase of 0.11% in the Canadian risk free rate, offset by a decrease of 1.03% in the corporate bond rate.

During the year ended December 31, 2020, management adjusted the discount rate from 7.70% at December 31, 2019 to 14.35% at December 31, 2020. The adjustment consists of an estimated increase in the corporate bond rate of 0.82% combined with an increase in management's estimate for SIR's credit risk of 6.5%, offset by a decrease of 0.67% in the Canadian risk free rate.

The fair value of the SIR Loan is sensitive to changes in the discount rate. A 0.25% increase or decrease in the discount rate will result in a $0.4 million decrease or increase in the fair value of the SIR Loan.

Distributions and Distributable Cash[(1)]

On March 23, 2020, the Fund temporarily suspended unitholder distributions until further notice as a result of SIR temporarily suspending its dine-in restaurant operations at all of its locations. Resumption of payment of unitholder distributions will be dependent, in part, on SIR's agreements with its senior lender.

During the year ended December 31, 2020, the Fund paid monthly distributions in arrears of $0.0875 per unit in each of the months of January, February and March 2020, for a total of $0.2625 per unit. No distributions were paid in the months of April through December 2020.

The Fund declared and paid a distribution of $0.105 per unit in each of the months of January to October 2019, inclusive. The Fund declared and paid distributions of $0.0875 per unit in November and December 2019, reflecting the adjustment to the Fund's monthly distribution level that was announced on October 16, 2019.

Distributable Cash[(1)] *(in thousands of dollars or units, except per unit amounts and payout ratio[(1)]) (audited)*	**Year ended December 31, 2020**	**Year ended December 31, 2019**
Cash provided by operating activities	2,200	10,101
Add/(deduct):		
Net change in non-cash working capital items[(6)]	(319)	(545)
Net change in income tax payable[(6)]	(114)	316
Net change in distribution receivable from the Partnership[(6)]	(594)	(181)
Distributable cash[(1)]	**1,173**	**9,691**
Cash distributed for the period	**2,199**	**10,260**
Surplus/(shortfall) of distributable cash[(1)]	**(1,026)**	**(569)**
Payout ratio[(1), (7)]	187.4%	105.9%
Weighted average number of Fund units outstanding – Basic	8,376	8,376
Distributable cash[(1)] per Fund unit – Basic	$0.14	$1.16
Distributable cash[(1)] for the period – Diluted[(8)]	1,819	12,239
Weighted average number of Class A GP Units	N/A	2,214
Weighted average number of Fund units outstanding – Diluted	N/A	10,590
Distributable cash[(1)] per Fund unit – Diluted	$0.14	$1.16

(6) Distributable cash is adjusted to exclude the net change in non-cash working capital items, the net change in income tax payable, and the net change in the distribution receivable from the Partnership, as the Fund's working capital requirements are not permanent and are primarily due to the timing of payments.

(7) It is the Fund's intention to pay even distributions to reduce the effect of seasonality. Higher payout ratios during the colder months of the year are expected with the pattern of seasonality in SIR's business, and it is anticipated that the payout ratio will decrease on average during the warm weather months.

(8) Diluted distributable cash per Fund unit is as follows: Distributable cash for the period, plus the distributions, net of income tax expense (recovery), related to the Class A GP Units, divided by the weighted average number of Fund units outstanding. The weighted average number of Fund units outstanding represents the weighted average number of Fund units outstanding (basic) plus the weighted average number of convertible Class A GP Units.

Distributable Cash[(1)]

(in thousands of dollars or units, except per unit amounts and payout ratio[(1)]) *(audited)*	Three-month periods ended December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Cash provided by operating activities	(105)	(60)	-	2,366	2,441	2,342	2,654	2,663
Add/(deduct): Net change in non-cash working capital items[(9)]	(35)	(46)	(131)	(106)	(324)	193	(143)	(271)
Net change in income tax payable[(9)]	409	(517)	(210)	203	126	16	22	153
Net change in distribution receivable from the Partnership[(9)]	(1,026)	1,207	(270)	(505)	50	(104)	112	(239)
Distributable cash[(1)]	**(757)**	**584**	**(611)**	**1,958**	**2,293**	**2,447**	**2,645**	**2,306**
Cash distributed for the period	**-**	**-**	**-**	**2,199**	**2,345**	**2,638**	**2,638**	**2,638**
Surplus/(shortfall) of distributable cash[(1)]	**(757)**	**584**	**(611)**	**(241)**	**(52)**	**(191)**	**7**	**(332)**
Payout ratio[(1),(10)]	0.00%	0.00%	0.00%	112.3%	102.3%	107.8%	99.7%	114.4%
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Distributable cash[(1)] per Fund unit – Basic	($0.09)	$0.07	($0.07)	$0.23	$0.27	$0.29	$0.32	$0.28
Distributable cash[(1)] for the period – Diluted[(11)]	(829)	870	(555)	2,335	2,877	3,098	3,334	2,930
Weighted average number of Class A GP Units	N/A	N/A	N/A	1,818	2,214	2,214	2,214	2,214
Weighted average number of Fund units outstanding – Diluted	N/A	N/A	N/A	10,194	10,590	10,590	10,590	10,590
Distributable cash[(1)] per Fund unit – Diluted[(11)]	($0.09)	$0.07	($0.07)	$0.23	$0.27	$0.29	$0.32	$0.28

A history of distributions is as follows:

Months Paid	Distribution per Unit
Inception to May 2006	$0.100
June 2006 to May 2007	$0.105
June 2007 to May 2008	$0.110
June 2008 to January 2011	$0.115
February 2011 to May 2012	$0.083[(12)]
June 2012 to May 2013	$0.088
June 2013 to March 2018	$0.095
April 2018 to August 2018	$0.100
September 2018 to October 2019	$0.105
November 2019 to February 2020	$0.0875
March 2020 to date	nil
December 2012 Special Distribution	$0.05[(13)]
December 2017 Special Distribution	$0.02[(9)]

(9) Distributable cash is adjusted to exclude the net change in non-cash working capital items, the net change in income tax payable, and the net change in the distribution receivable from the Partnership, as the Fund's working capital requirements are not permanent and are primarily due to the timing of payments.

(10) It is the Fund's intention to pay even distributions to reduce the effect of seasonality. Higher payout ratios during the colder months of the year are expected with the pattern of seasonality in SIR's business, and it is anticipated that the payout ratio will decrease on average during the warm weather months.

(11) Diluted distributable cash per Fund unit is as follows: Distributable cash for the period, plus the distributions, net of income tax expense (recovery), related to the Class A GP Units, divided by the weighted average number of Fund units outstanding. The weighted average number of Fund units outstanding represents the weighted average number of Fund units outstanding (basic) plus the weighted average number of convertible Class A GP Units.

(12) As a result of certain legislative changes to the tax treatment of income trusts, corporate income taxes became applicable to the taxable income of the Fund effective January 1, 2011. Accordingly, the distributions, starting with the January 2011 distribution (declared and paid in February 2011), were reduced for the impact of income taxes.

(13) The special year-end distributions of $0.05 per unit declared in December 2012 (paid in January 2013) and $0.02 per unit declared and paid in December 2017 were declared because the Fund expected that the taxable income generated in these calendar years would exceed the aggregate monthly distributions declared by the Fund.

Effective for the Fund's cash distribution to be paid in November 2019, the Fund reduced its monthly unitholder distributions from $0.105 per unit to $0.0875 per unit, representing $1.05 per unit on an annualized basis.

On March 23, 2020, the Fund temporarily suspended payment of unitholder distributions until further notice as a result of the impact of COVID-19 on SIR's operations. Reduced services and restaurant closures have resulted in material declines to sales at all SIR restaurants. Limited capacity re-openings of in-restaurant and outdoor patio dining are expected to continue to sales at SIR restaurants and will continue to impact the ability of the Fund to pay unitholder distributions.

The payout ratio(1) of cash distributed to distributable cash(1) for Q4 2020 was 0.0%, compared to 102.3% in Q4 2019. The payout ratio(1) of cash distributed to distributable cash(1) for Fiscal 2020 was 187.4%, compared to 105.9% in Fiscal 2019. The 0.0% payout ratio(1) for Q4 2020 is the result of the suspension of unitholder distributions on March 23, 2020. The increased payout ratio(1) for Fiscal 2020 reflects the significant decline in distributable cash in Fiscal 2020 relative to Fiscal 2019.

The payout ratio(1) of cash distributed to distributable cash(1) is intended to average 100% per annum over the long term. Since the Fund pays even monthly distributions when its underlying cash flow from the Partnership is subject to seasonal fluctuations (as experienced by SIR), there are times during the year when the payout ratio(1) may exceed or could be lower than 100%. For example, the first quarter typically has lower sales volumes than the second and third quarters which include warmer summer months when patios are open.

Since the Fund's inception in October 2004 up to and including Q4 2020, the Fund has generated $119.7 million in cumulative distributable cash(1) and has paid cumulative cash distributions of $120.4 million, representing a cumulative payout ratio(1) (the ratio of cumulative cash distributions paid since inception to cumulative distributable cash(1) generated) of 100.6%.

The following table provides disclosure regarding the relationship between cash flows from operating activities and net earnings, and historical distributed cash amounts:

(in thousands of dollars) *(audited)*	**Year ended December 31, 2020**	**Year ended December 31, 2019**
Cash provided by operating activities	2,200	10,101
Net earnings for the period	(44,002)	12,643
Cash distributed for the period	2,199	10,260
Excess (shortfall) of cash provided by operating activities over cash distributed for the period(14)	**1**	**(159)**
Excess (shortfall) of net earnings for the period over cash distributed for the period(15)	**(48,220)**	**2,383**

The $48.2 million shortfall of net earnings for the period over cash distributed for the twelve-month period ended December 31, 2020 is primarily attributable to the recognition of the impairment loss on the Fund's investment in the Partnership combined with the change in estimated fair value of the SIR Loan.

(14) *Excess (shortfall) of cash provided by operating activities over cash distributed for the period is calculated by subtracting the cash distributed for the period from cash provided by operating activities.*

(15) *Excess (shortfall) of net earnings for the period over cash distributed for the period is calculated by subtracting cash distributed for the period from net earnings for the period.*

Balance Sheet

The following table shows total assets and unitholders' equity of the Fund:

(in thousands of dollars) (audited)	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total assets	48,494	48,159	63,472	61,471	94,316	101,519	103,172	98,789
Unitholders' equity	42,701	42,118	57,816	55,935	88,901	92,986	93,770	91,800

Results of Operations - Fund

The Fund's (loss) income for Q4 2020 comprises equity (loss) income from the Partnership of ($1.0) million ($2.5 million for Q4 2019) and an increase in the estimated fair value of the SIR Loan of $2.3 million (reduction of $6.8 million for Q4 2019). The Fund's income for Fiscal 2020 comprises equity income from the Partnership of $1.6 million ($10.8 million for Fiscal 2019) and a decrease in the estimated fair value of the SIR Loan of $14.3 million (increase in the estimated fair value of the SIR Loan of $6.0 million for Fiscal 2019). Equity income from the Partnership is the pro rata share of the residual distributions of the Partnership for the three-month and 12-month periods ended December 31, 2020 and December 31, 2019. The change in estimated fair value of the SIR Loan is related to IFRS 9, which requires the Fund to recognize the SIR Loan at fair value, with changes in the fair value being recorded in the statement of earnings.

The Fund's operating expenses, which are limited to general and administrative expenses, totaled $0.1 million and $0.5 million for Q4 2020 and Fiscal 2020, respectively ($0.1 million and $0.5 million for Q4 2019 and Fiscal 2019, respectively). These expenses include professional fees, directors' and officers' liability insurance premiums, Trustees' fees, certain public company costs and other administrative fees.

The Fund recorded an income tax recovery of $0.4 million Q4 2020 and an income tax expense of $0.7 million for Fiscal 2020, respectively (recovery of $2.6 million and expense of $3.6 million for Q4 2019 and Fiscal 2019, respectively).

Net income for Q4 2020 was $0.6 million and net loss for Fiscal 2020 was $44.0 million, compared to net earnings for Q4 2019 of $1.7 million and net earnings of $12.6 million for Fiscal 2019. Net loss per Fund unit for Q4 2020 was $0.07 (basic and diluted) and net loss per Fund unit was $5.25 (basic and diluted) for Fiscal 2020, compared to a net loss per Fund unit of $0.21 (basic and diluted) for Q4 2019 and net earnings per Fund unit of $1.51 (basic) and $1.43 (diluted) for Fiscal 2019.

Adjusted Net Earnings (Loss)[(1)] was ($0.03) million and $3.4 million for Q4 2020 and Fiscal 2020, respectively ($2.3 million and $9.6 million for Q4 2019 and Fiscal 2019, respectively), and Adjusted Earnings (Loss) per Fund unit[(1)] were ($0.00) and $0.40 for Q4 2020 and Fiscal 2020, respectively ($0.27 and $1.15 for Q4 2019 and Fiscal 2019, respectively).

Pooled Revenue

The Fund is indirectly dependent on the amount of the Royalty paid by SIR to the Partnership. The amount of this Royalty is dependent on Pooled Revenue. Pooled Revenue is the revenue of the SIR Restaurants included in Royalty Pooled Restaurants. As at December 31, 2020, there were 58 restaurants included in Royalty Pooled Restaurants (56 operating restaurants and two closed restaurants). Increases or decreases in Pooled Revenue are derived from SSS[(1)] growth or declines, and new or permanently closed SIR Restaurants subject to the SIR Rights. Pooled Revenue is affected by the risks associated with the operations and financial condition of SIR, the commercial foodservice industry generally and the casual and fine dining segment of the commercial foodservice industry in particular.

The following table sets out Pooled Revenue for the three-month and 12-month periods ended December 31, 2020 and December 31, 2019:

Summary of Pooled Revenue

(in thousands of dollars except number of restaurants included in Pooled Revenue) (audited)	Three-month period ended December 31, 2020		Three-month period ended December 31, 2019		12-month period ended December 31, 2020		12-month period ended December 31, 2019	
	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue
Jack Astor's	16,270	40	45,553	40	89,328	40	198,276	40
Scaddabush	3,613	8	11,542	8	21,639	8	45,567	8
Canyon Creek	29	6	4,098	6	2,949	6	17,111	6
Signature	370	4	6,261	4	6,097	4	23,379	4
Total included in Pooled Revenue	20,282	58	67,454	58	120,013	58	284,333	58

The Pooled Revenue declines for Jack Astor's are a result of SSS(1) declines in Q4 2020 and Fiscal 2020, and of the closure of a Jack Astor's restaurant in Calgary during Fiscal 2020.

Pooled Revenue from Scaddabush for Q4 2020 and Fiscal 2020 includes nine Scaddabush restaurants. The nine Scaddabush restaurants consist of:

- seven Scaddabush restaurants that opened as New Additional Restaurants (Yonge and Gerrard, and Front Street in downtown Toronto, and Scarborough, Oakville, Vaughan, and two in Etobicoke, Ontario), and
- two Scaddabush restaurants that were converted from Alice Fazooli's restaurants (Richmond Hill and Mississauga, Ontario).

The Pooled Revenue declines for Scaddabush are a result of SSS(1) declines in Q4 2020 and Fiscal 2020, partially offset by one additional restaurant (in the Mimico neighbourhood of Etobicoke, Ontario) added in Q4 2019, compared to the corresponding period a year ago.

Pooled Revenue from Scaddabush for Q4 2019 and Fiscal 2019 includes eight Scaddabush restaurants. The eight Scaddabush restaurants consist of:

- six Scaddabush restaurants that opened as New Additional Restaurants (Yonge and Gerrard, and Front Street in downtown Toronto, and Scarborough, Oakville, Vaughan, and Etobicoke, Ontario), and
- two Scaddabush restaurants that were converted from Alice Fazooli's restaurants (Richmond Hill and Mississauga, Ontario).

The declines in Pooled Revenue for Canyon Creek are the result of SSS(1) declines in Q4 2020 and Fiscal 2020 and the removal of the Canyon Creek restaurant in Burlington, Ontario from the Royalty Pool on January 1, 2020 after its closure in 2019. Only one Canyon Creek location was open during Q4 2020.

The Pooled Revenue declines for the Signature Restaurants are the result of SSS(1) declines in Q4 2020 and Fiscal 2020.

Liquidity and Capital Resources

The Fund has no third-party debt. SIR currently has the $40.0 million SIR Loan owed to the Fund (which SIR can surrender its Class C GP Units as consideration for principal payments under the loan) and a credit agreement ("Credit Agreement") with a Schedule I Canadian chartered bank (the Lender), a copy of which has been filed on SEDAR. The indebtedness of SIR under the original Credit Agreement is "Permitted Indebtedness" within the meaning of the agreements between the Fund, the Partnership and SIR and the EDC-Guaranteed Facility and the BDC-Guaranteed Facility referred to below, which have been added to the Credit Agreement, were approved by the Fund and the Partnership as contemplated in greater detail below. 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. 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 trade-marks and related intellectual property in return for royalty payments based on revenues, has been effected pursuant to the terms of the Intercreditor Agreement. A copy of the Intercreditor Agreement has also been filed on SEDAR.

The Credit Agreement between SIR and the Lender, as amended on December 8, 2017 and July 6, 2018, June 1, 2020, June 30, 2020, September 30, 2020, December 18 and March 31, 2021 provides for a maximum principal amount, as at December 31, 2020, of $45.91 million consisting of a $20.0 million revolving term credit facility (Credit Facility 1), a $19.66 million revolving term loan (Credit Facility 2) and a $6.25 million EDC-Guaranteed Facility. SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional $1.5 million.

Credit Facility 1 is for general corporate and operating purposes, including capital spending on new and renovated restaurants, 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. 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 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 July 6, 2021.

On April 2, 2020, SIR drew an additional $5.5 million on Credit Facility 2.

The EDC-Guaranteed Facility bears interest at the prime rate plus 3.50%. 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. A standby fee of 0.90% is charged on the undrawn balance of this facility.

As part of the Seventh Amending Agreement, subsequent to December 31, 2020, on March 31, 2021, $6.25 million BDC-Guaranteed Facility was added to the Credit Agreement. The BDC-Guaranteed Facility is a 10 year term credit facility, with a one year principal payment moratorium, bearing a fixed rate interest of 4%.

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.

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 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 will have the right, acting cooperatively, to reduce payments of Royalties and/or interest on the SIR Loan without triggering a cross default under the Credit Agreement, by up to 50% 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. For greater certainty, the preemptive deferral arrangements described above, were not used in the deferral agreements between SIR, the Fund and the Partnership deferring royalty payments and interest payments on the SIR loan between April 1, 2020 and July 6, 2021, described below on page 24 as those breaches could not be avoided by a simple preemptive deferral by the Partnership and the Fund.

Given the uncertainty surrounding the COVID-19 outbreak, SIR's ability to continue as a going concern for the next 12 to 18 months involves significant judgement and is dependent on its ability to obtain necessary financing through a renewal of its Credit Agreement, the availability of credit under the current Credit Agreement, or other financing sources, and government assistance to aid businesses. Management is currently addressing its financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender. There can be no assurance that borrowings will be available to SIR, or available on acceptable terms, in an amount sufficient to fund SIR's needs.

The Fund does not have bank lines of credit. The Fund therefore relies on the payments of the distributions from the Partnership and interest received from SIR to meet its obligations to pay the distributions. The Fund believes that the distributions from the Partnership and interest payments will be sufficient to meet its current distribution intentions, subject to seasonal fluctuations. However, the actual amounts distributed will depend upon numerous factors, including the payment of the distributions from the Partnership and interest by SIR, and could fluctuate based on performance. The Fund intends to maintain even distributions in order to reduce the effect of fluctuations in revenue and, if possible, allow the Fund to maintain consistent monthly distributions to unitholders. Under the terms of the License and Royalty Agreement, SIR is required to pay the 6.0% Royalty to the Partnership 21 days after the end of the four-week or five-week period for which the Royalty is determined.

The Partnership has deferred the collection of royalties and interest on the SIR Loan from SIR until June 30, 2020, in order to provide SIR with financial support during the COVID-19 pandemic. This date has been extended.

At May 3, 2020, the end of SIR's third quarter, SIR was in breach of the covenants in the SIR Loan Agreement and the financial covenants in its Credit Agreement. On June 30, 2020, effective April 1, 2020, SIR, as part of the Third Amending Agreement obtained a waiver with its senior lender on its covenants until June 30, 2020. A copy of Third Amending Agreement has been filed on SEDAR.

On June 30, 2020, SIR and its Lender entered into the Fourth Amending Agreement to its Credit Agreement. The Fourth Amending Agreement provides for the following:

- extension of the waivers of certain anticipated covenant breaches and events of default granted in the May 27, 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 $6.25 million 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.

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.

On September 30, 2020, SIR and its Lender entered into the Fifth Amending Agreement to its Credit Agreement which, among other things, extended certain waivers from August 31, 2020 to December 31, 2020.

On September 30, 2020, the Fund and the Partnership entered into an acknowledgement and consent agreement with the Lender, and the Fund, the Partnership, and SIR entered into a waiver and extension agreement. The current expiration date of certain deferrals in these agreements is December 31, 2020.

On December 31, 2020 SIR and its Lender entered into the Sixth Amending Agreement to its Credit Agreement. The Sixth Amending Agreement provides for the following:

- an extension of the waivers of certain of the previously granted anticipated covenant breaches and events of default until March 31, 2021 (the "Waiver Period"),
- extends the period of the deferral until the maturity date of $1.0 million in principal payments previously scheduled between December 31, 2020 to January 31, 2021, and
- allowance for the potential additions of up to an additional $0.375 million in subordinated debt made available by Investissement Québec ("IQ") to SIR pursuant to IQ's Concerted Temporary Action Program for Businesses ("PACTE") on terms and conditions satisfactory to the Lender.

On December 31, 2020, the Fund and the Partnership entered into an acknowledgement, waiver and extension agreement with the Lender and SIR, acknowledging, among other things:

- receipt of a copy of the Sixth Amending Agreement,
- 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,
- the extension of the period of the deferral of interest on the SIR Loan to the Fund and royalties to the Partnership from December 31, 2020 to March 31, 2021,
- the recognition of a potential new PACTE Loan of up to $0.375 million, and
- the waiver of any and all existing breaches of covenants and events of default under the various agreements between SIR, the Fund, and the Partnership until March 31, 2021.

On March 31, 2021, SIR and its Lender entered into the Seventh Amending Agreement to its Credit Agreement. The Seventh Amending Agreement provides for the following:

- an extension of the waivers of certain of the previously granted anticipated covenant breaches and events of default until July 6, 2021 (the "Seventh Amending Agreement Waiver Period"),
- waiving, for the Seventh Amending Agreement Waiver Period which now extends to the July 6, 2021 Maturity Date, the financial covenants in the Credit Agreement,
- during the Seventh Amending Agreement Waiver Period which now extends to the Maturity Date, the two financial covenants in the Credit Agreement are replaced by a minimum quarterly EBITDA amount,
- waiver of the minimum quarterly EBITDA covenant amount for SIR's fiscal 2021 second quarter,
- the addition of a new $6.25 million Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility") to the Credit Agreement. The BDC-Guaranteed Facility is a 10 year term credit facility, with a one year principal payment moratorium, bearing a fixed rate interest of 4%,
- consents to SIR making a distribution to the Partnership or the Fund in an amount up to $1,000,000 for previously deferred royalty payments and/or payments of interest on the SIR Loan (the "Anticipated Fund Distribution") which is expected to be paid in April 2021,
- the Fund and the Partnership were required to acknowledge, consent and subordinate to the BDC-Guaranteed Facility, and
- the Fund and the Partnership were required to extend their agreement to defer payments by SIR of interest on the SIR Loan and royalty payments from April 1, 2021 until July 6, 2021.

On March 31, 2021, the Fund and the Partnership entered into a consent agreement with the Lender acknowledging, among other things:

- receipt of a copy of the Seventh Amending Agreement,
- consent to the new BDC-Guaranteed Facility of $6,250,000,
- 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, and
- that any debt arising under the BDC-Guaranteed Facility constitutes Permitted Debt (as such term is defined in the SIR Loan Agreement).

On March 31, 2021, the Fund and the Partnership entered into a waiver and extension agreement with the Lender and SIR, acknowledging, among other things:

- receipt of a copy of the Seventh Amending Agreement,
- the extension of the period of the deferral of interest on the SIR Loan to the Fund and royalties to the Partnership from March 31, 2021 to July 6, 2021, and
- the waiver of any and all existing breaches of covenants and events of default under the various agreements between SIR, the Fund, and the Partnership until July 6, 2021.

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

In order to provide SIR with financial support, including SIR securing necessary waivers and extension from the Lender, SIR gaining access to additional needed debt facilities, along with the additional consideration of the $1,000,000 Anticipated Fund Distribution, the Partnership deferred the collection of restaurant royalties and the Fund deferred the collection of interest on the SIR Loan from SIR until July 6, 2021. Failure to obtain the waiver extensions from the Lender would have materially and adversely affected SIR, the Fund and the Partnership. The long-term viability of SIR is considered to be in the best interests of the Fund and the Partnership.

The Third, Fourth, Fifth, Sixth, and Seventh Amending Agreements are filed on SEDAR.

Starting in April of 2020, the Fund and the Partnership granted SIR deferrals of interest on a loan owing by SIR to the Fund (the "SIR Loan") and royalty payments owing by SIR to the Partnership through a series of short-term deferral agreements, the latest of which is set to expire on July 6, 2021. These deferral agreements were conditions required by SIR's senior lender for a series of waiver and amending agreements that it granted to SIR. In the absence of these waiver and amending agreements from SIR's senior lender, as a result of the impact of COVID-19 on SIR's sales and financial results, SIR would have breached a number of financial and non-financial covenants and events of default under its credit agreement. The Fund and the Partnership have security interests over the assets of SIR, but these security interests are subordinated and postponed to those of SIR's senior lender. The ongoing cooperation and support of SIR's senior lender has been necessary and will in SIR's view continue to be necessary in order for SIR to retain sufficient liquidity to operate. The Partnership's and the Fund's cooperation in the form of deferrals on royalties and on interest on the SIR Loan, as well as waivers of certain covenants and events of default, have been requirements for SIR to obtain the needed funding, waivers and deferrals that have been granted to it by its senior lender. Failure to obtain them would have materially and adversely affected SIR, the Fund and the Partnership. The long-term viability of SIR is in the best interests of the Fund and the Partnership. Additionally, the waiver and extension agreements approved by the Fund and the Partnership on June 30, 2020 enabled SIR to add $6.25 million in much needed liquidity through the addition of the EDC-Guaranteed Facility, to which the Fund and Partnership are also subordinated. Further, the waiver and extension agreements approved by the Fund and the Partnership on March 31, 2021 enabled SIR to add $6.25 million in much needed liquidity through the addition of the BDC-Guaranteed Facility, to which the Fund and Partnership are also subordinated. Accordingly, each of the deferral agreements was approved by the independent Trustees of the Fund. The deferral agreements and related documents have also been filed on SEDAR.

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.

Going concern

Accordingly, given the uncertainty surrounding the COVID-19 outbreak and the increasing government mandated shutdowns and the related impact to SIR which the Fund is dependent on for cash flow, the Fund's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. The consolidated financial statements of the Fund have been prepared using International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities during the normal course of operations for the foreseeable future. In the preparation of financial statements, the Fund's management is required to identify when events or conditions indicate that significant doubt may exist about the Fund's ability to continue as a going concern. Significant doubt about the Fund's ability to continue as a going concern would exist when relevant conditions and events indicate that the Fund will not be able to meet its obligations as they become due for a period of at least, but not limited to, twelve months from the end of the reporting period. When the Fund identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, the Fund considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt. Management of SIR is currently addressing its financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender. Refer to note 5 for more details. There can be no assurance that borrowings will be available to SIR, or available on acceptable terms, in an amount sufficient to fund SIR's needs.

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

- the speed at which SIR is able to return to full operating capacity in the near future,
- Canadian economic conditions after bars and restaurants are able to re-open,
- the ability for SIR to obtain necessary financing through a renewal of its Credit Agreement,
- the availability of credit under SIR's current Credit Agreement or other financing sources,
- government assistance, including the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy,
- business interruption 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, and
- the type and impact of continued government mandated pandemic-related operating regulations.

Reduced services and restaurant closures will continue to result in material declines to sales at SIR restaurants. These circumstances indicate the existence of a material uncertainty that may cast doubt on the Fund's ability to continue as a going concern. These audited consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Fund be unable to continue as a going concern. Such adjustments could be material.

The Fund did not have any capital expenditures in Fiscal 2020 and Fiscal 2019 and by its nature is not expected to have significant capital expenditures in the future. Capital expenditures related to Royalty Pooled Restaurants are borne at the operating company (SIR) level. The Fund's operating and administrative expenses are expected to be fairly stable and predictable and are considered to be in the ordinary course of business.

The Fund intends to resume payment of monthly distributions when it is fiscally prudent to do so. However, due to the impact of temporary restaurant closures on the earnings of the Partnership that are distributed to the Fund, the Fund will need to reassess appropriate distribution levels and may not resume distributions consistent with the most recent distribution declared in February 2020. Resumption of payment of unitholder distributions will also be dependent, in part, on SIR's agreements with its senior lender.

While SIR is not owned by the Fund, the Fund's cash flows are derived from interest received on the SIR Loan and distributions from the Partnership and accordingly, the Fund is economically dependent upon SIR. Credit risk arises from the potential default of SIR on the SIR Loan. Management monitors the SIR Loan for credit risk and to date all interest payments have been made. The Fund also depends on the distributions from the Partnership, which are dependent upon SIR paying the Royalty to the Partnership. Information regarding SIR and its liquidity can be found in SIR's unaudited interim and audited annual consolidated financial statements and MD&A, which can be found on SEDAR under the Fund's listing named "Other". The most recent unaudited interim consolidated financial statements and MD&A for SIR's second quarter are listed having a filing date of March 31, 2021.

The following table is an excerpt of the previous eight quarters of SIR's consolidated statement of cash flows information:

Selected Unaudited Consolidated Statement of Cash Flows Information(16)	2nd Quarter Ended February 14, 2021 (12 weeks)	1st Quarter Ended November 22, 2020 (12 weeks)	4th Quarter Ended August 30, 2020 (17 weeks)	3rd Quarter Ended May 3, 2020 (12 weeks)	2nd Quarter Ended February 9, 2020 (12 weeks)	1st Quarter Ended November 17, 2019 (12 weeks)	4th Quarter Ended August 25, 2019 (16 weeks)	3rd Quarter Ended May 5, 2019 (12 weeks)
	(in thousands of dollars) (unaudited)							
Cash provided by (used in) operations	5,841	5,314	4,410	(2,284)	3,936	1,986	9,660	3,509
Cash used in investing activities	(422)	(280)	(91)	(208)	(2,070)	(1,236)	(3,351)	(3,523)
Cash provided by (used in) financing activities	(1,651)	(3,883)	(3,169)	931	(5,331)	1,129	(5,022)	(856)
Increase (decrease) in cash and cash equivalents during the period	3,768	1,151	1,150	(1,561)	(3,465)	1,879	1,287	(870)
Cash and cash equivalents – Beginning of period	1,617	1,617	467	2,028	5,493	3,614	2,327	3,197
Cash and cash equivalents – End of period	5,385	2,768	1,617	467	2,028	5,493	3,614	2,327

Controls and Procedures

Disclosure controls and procedures:

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and includes controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Management carried out an evaluation of the effectiveness of the design and operation of the Fund's disclosures controls and procedures, as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", as at December 31, 2020 under the supervision of and with the participation of the Fund's Chief Executive Officer and Chief Financial Officer.

Based on that evaluation, the Fund's Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective as at December 31, 2020.

Internal controls over financial reporting:

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and includes those policies and procedures that:

a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets;

(16) Information presented is in accordance with IFRS and is derived solely from documents filed with the Canadian securities regulatory authorities by SIR in its interim Q1 2020 MD&A filed on December 19, 2019 and has not been approved by the Fund or its Trustees, officers, SIR GP Inc., or SIR Holdings Trust, or their respective Trustees, managing general partners, directors, or officers.

b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and
c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management carried out an evaluation of the effectiveness of the design and operation of the Fund's internal controls over financial reporting, as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", as at December 31, 2020 and under the supervision and with the participation of the Fund's Chief Executive Officer and Chief Financial Officer. The evaluation was conducted using the framework and criteria established in Internal Control - Integrated Framework: 2013, issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013.

Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that internal controls over financial reporting are effective and there are no material weaknesses in the Fund's internal controls over financial reporting as at December 31, 2020. There have been no substantive changes in the Fund's internal controls over financial reporting that occurred during the most recent interim period beginning October 1, 2020 and ending December 31, 2020, that have materially affected, or are reasonably likely to materially affect the Fund's internal control over financial reporting. The Fund does not own, control or consolidate SIR and therefore, the Fund's disclosure controls and procedures and the internal controls over financial reporting do not encompass SIR or SIR's disclosure controls and procedures or SIR's internal controls over financial reporting.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Off-Balance Sheet Arrangements

The Fund does not have any off-balance sheet arrangements.

Transactions with Related Parties

During the three-month and 12-month periods ended December 31, 2020, the Fund earned equity (loss) income of ($1.0) million and $1.6 million, respectively, from the Partnership ($2.5 million and $10.8 million, respectively, for the three-month and 12-month periods ended December 31, 2019). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. The Fund's equity income is dependent upon the revenue generated by the SIR Restaurants subject to the License and Royalty Agreement.

During the three-month and 12-month periods ended December 31, 2020, the Fund recognized $0.8 and $3.0 million, respectively, of interest payments towards the value of the SIR Loan. For the three-month and 12-month periods ended December 31, 2020, the Fund received interest payments of $nil and $0.8 million from the SIR Loan ($0.8 million and $3.0 million for the three-month and 12-month periods ended December 31, 2019). A description of the terms of the SIR Loan is included in the notes to the consolidated financial statements of the Fund for the 12-month period ended December 31, 2020.

As at December 31, 2020, the Fund had amounts receivable from SIR, net of a provision, of $1.5 million (December 31, 2019 – $0.3 million) and distributions receivable from the Partnership of $3.1 million (December 31, 2019 – $3.7 million). The amount receivable from SIR relates to the interest owing to the Fund on the SIR Loan for the months of March through December. As at December 31, 2020, the Fund had advances payable to the Partnership of $3.7 million (December 31, 2019 - $3.4 million). All advances were conducted as part of the normal course of business operations.

Critical Accounting Estimates

The Fund makes estimates and assumptions concerning the future that will by definition seldom equal actual results. The following are estimates and judgments that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Investment in the Partnership/consolidation of structured entities

The Partnership receives royalties on the SIR Rights, which are licensed to SIR for use in Royalty Pooled Restaurants. The Fund and SIR each hold an investment in the Partnership. Generally, the Partnership units have no voting rights, except in certain specified conditions.

The determination of the entity having the ability to affect the returns on their investment in the Partnership required significant judgment. Based on an evaluation of the activities of the Partnership and the Partnership Agreement, management concluded the substance of the relationships between the Partnership, SIR and the Fund indicates the Partnership is controlled by SIR. In addition, the evaluation of whether or not the Fund has significant influence over the Partnership is a matter of significant judgment. Based on a review of the operating and financing activities of the Partnership, management has concluded that the Fund is able to significantly influence these activities.

Valuation of the SIR Loan and investment in the Partnership

Management reviews for objective evidence whether there may be an impairment of the SIR Loan or the investment in the Partnership. The review includes a review of the earnings, cash flows and available cash of SIR on a prospective basis to assess SIR's ability to meet its obligations to the Fund for interest payments on the SIR Loan and to the Partnership for the Royalty. Based on the analysis completed during the years ended December 31, 2020 and 2019, no impairments have been recorded in the consolidated financial statements.

Fair value of the SIR Loan

On January 1, 2018, the Fund adopted IFRS 9 which resulted in a change in accounting for the SIR Loan. The SIR Loan is now accounted for at fair value through the statement of earnings which required management to discount the cash flows using a market interest rate. Management has estimated the discount rate by considering comparable corporate bond rates, risk-free rates and SIR's credit risk.

During Q4 2020, management adjusted the discount rate from 15.25% at September 30, 2020 to 14.35% at December 31, 2020. The adjustment consists of an estimated increase of 0.11% in the Canadian risk free rate, offset by a decrease of 1.03% in the corporate bond rate.

During the year ended December 31, 2020, management adjusted the discount rate from 7.70% at December 31, 2019 to 14.35% at December 31, 2020. The adjustment consists of an estimated increase in the corporate bond rate of 0.82% combined with an increase in management's estimate for SIR's credit risk of 6.5%, offset by a decrease of 0.67% in the Canadian risk free rate.

The fair value of the SIR Loan is sensitive to changes in the discount rate. A 0.25% increase or decrease in the discount rate will result in a $0.4 million decrease or increase in the fair value of the SIR Loan.

There have been no changes in accounting policies during the period.

Financial Instruments

The Fund's financial instruments consist of cash, amounts due from related parties, the SIR Loan, accounts payable and accrued liabilities, and amounts due to related parties. Management estimates that the fair values of these financial instruments approximate their carrying values due to their short-term maturity except for the SIR Loan. The fair value of the SIR Loan is estimated to be $39.0 million. The fair value was estimated by discounting the expected cash flows using a current market interest rate adjusted for SIR's credit risk. The estimate of fair value is within level 3 of the fair value hierarchy.

Disclosure of Outstanding Unit Data

As at December 31, 2020 and March 31, 2021, the number of outstanding units of the Fund was 8,375,567.

Risks and Uncertainties

The performance of the Fund is directly dependent upon the interest payments the Fund receives from SIR under the SIR Loan and upon the Royalty received by the Partnership from SIR. The amount of the Royalty is dependent upon Pooled Revenue, which is subject to a number of factors that affect the restaurant industry generally and the casual and/or fine dining sectors of this industry in particular. 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.

Increases in minimum wage rates and other labour legislation may affect the growth and profitability of SIR, as a significant portion of its restaurant employees are paid at wage rates related to minimum wage. SIR Restaurants are subject to laws that prohibit or limit smoking in enclosed workplaces and/or certain outdoor public places, such as restaurant patios.

In addition, factors such as business and economic conditions, changes in foreign exchange, availability of credit, inflation, increased food, labour and benefits costs, taxes, government regulations (including those governing alcoholic beverages and cannabis legalization), weather, seasonality, public safety issues and the availability and quality of food, services and products sold in the restaurants, and growth in off-premise traffic due to an increase in delivery and takeout orders affect the restaurant industry in general and therefore SIR. There are many well-established competitors with greater financial and other resources than SIR. Competitors include national and regional chains, as well as individually owned restaurants. Recently, competition has increased in the mid-price, full-service, casual and fine dining sectors in which many of the SIR Restaurants operate. Some of SIR's competitors have been in existence for a substantially longer period than SIR and may be better established in the markets where SIR Restaurants are or may be located. If SIR is unable to successfully compete in the casual and fine dining sectors of the restaurant industry, Pooled Revenue may be adversely affected, the amount of the Royalty reduced and the ability of SIR to pay the Royalty or interest on the SIR Loan may be impaired. Please refer to the March 31, 2021 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR**.**

SIR and the Fund also face risks and uncertainties related to the COVID-19 outbreak as outlined in the Outlook section below.

The Fund's distributions are subject to change based on a number of factors, including the cash reserves of the Fund, the Trust and the Partnership. The Trustees will continue their practice of regularly reviewing the Fund's distribution levels.

Outlook

SIR is a privately held Canadian corporation in the business of creating, owning and operating full-service restaurants in Canada. All of SIR's restaurants are corporately owned. SIR does not franchise any of its existing brands. SIR remains committed to the corporately owned restaurant model as it believes this structure gives it greater control over its brands and improved agility to proactively respond to changes in market conditions. SIR expects to drive future sales growth through a combination of measured new restaurant growth and investments in its existing restaurants over the long term.

Limited capacity re-openings of in-restaurant and patio dining are expected to continue to impact sales at SIR restaurants. As a result of the COVID-19 outbreak and ongoing government and public health recommendations and restrictions, there are material uncertainties that may cast doubt on SIR's ability to continue as a going concern.

As a result of the COVID-19, there is currently a risk of increased restrictions on in-restaurant dining in Ontario and Quebec. Increased restrictions are likely to target regions with the highest new case rates. These restrictions may include, among other things, in increasing levels of adverse impact on SIR's business, such as: lowering music levels, shorter hours for alcohol service, reductions to group sizes, further reductions to indoor seating, and full closure of indoor dining.

On September 28, 2020 the Quebec government announced, effective October 1, 2020, all restaurants and bars in three regions of the province with high rates of new cases would be closed for at least 28 days other than for takeout and delivery. This affected four Jack Astor's locations. This initial 28-day closure period was extended multiple times and has now been extended until further notice in the regions. Effective March 31, 2021, there has been no change announced or expected.

Due to increasing COVID-19 case counts in Ontario, lockdowns remained in effect from December 26, 2020 until February 10, 2021, when the Kingston (Waterloo) public health region, where SIR has one restaurant, was moved into the Green Tier and then subsequently moved into Yellow/Protect on March 22, 2021. Effective February 16, 2021 to March 31, 2021, public health regions within Ontario were moved into various zones within the provincial government's COVID-19 framework, which restricts the capacity of indoor dining guests, as follows:

Provincial Tier	Public Health Region (Number of SIR restaurants)
Grey/Lockdown • no indoor dining	• Peel (6) • Toronto (16) Effective March 29, 2021 • Hamilton (2)
Red/Control • indoor dining capacity: 10 • maximum number of guests per table: 4	Effective February 16, 2021 • Halton (3) • Durham (2) • Simcoe-Muskoka (1) Effective March 8, 2021 • York (5) • Niagara (2) Effective March 30, 2021 • London Middlesex (3) • Ottawa (3)
Orange/Restrict • indoor dining capacity: 50 • maximum number of guests per table: 4	
Yellow/Protect • maximum number of guests per table: 6	Effective March 22, 2021 • Waterloo (1)
Green/Prevent • maximum number of guests per table: 10	

Effective March 5, 2021, the province of Nova Scotia, where SIR has two restaurants, relaxed restrictions for indoor dining.

Effective March 27, 2021, the province of Newfoundland, where SIR has one restaurant, relaxed restrictions for indoor dining.

SIR has been deemed eligible for the CEWS program. As a result, SIR has received a subsidy from the federal government to partially offset certain of its wage costs starting in mid-March 2020. SIR currently expects to continue to be eligible for the CEWS program through to at least June 4, 2021.

SIR was deemed to be eligible for the new Canadian Emergency Rent Subsidy ("CERS"). However, the program, as passed, limits SIR's claims under the base program to a maximum of 65% of $0.3 million in eligible expenses during each 4-week claim period. As SIR owns all of its restaurants, it appears to be deemed to be considered an "affiliated group" and, as such, the size of the available subsidy is limited. The maximum claim of $0.2 million per month represents approximately 10% of SIR's eligible expenses under the CEWS program. During periods where indoor dining is mandated to be fully closed, SIR may also be eligible to apply for the 25% lockdown support top-up.

SIR was deemed eligible for the Ontario COVID-19 Energy Assistance Program which provides support to businesses to partially offset the cost of energy bills and property taxes during certain lockdown periods.

The COVID-19 pandemic has drastically altered SIR's operating environment and put a great deal of stress on many businesses, including SIR. As a result, subsequent to December 31, 2020 SIR has closed six restaurants, including:

- Effective January 8, 2021, SIR permanently closed the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario.
- Effective February 9, 2021, SIR permanently closed three restaurants located at the corner of Yonge and Gerrard in downtown Toronto. The three restaurants closed included a Scaddabush, a Reds and a Duke's. The Scaddabush and Reds locations were part of the Royalty Pool, but the Duke's was not. SIR's landlord presented the Company with an unexpected but mutually beneficial opportunity to vacate these properties as the landlord had a unique opportunity

to lease the space to another tenant for a non-restaurant purpose. Given the current operating environment and uncertain future prospects, SIR decided to exercise this option and return the property to the landlord.

- Effective March 31, 2021, SIR will permanently close the Canyon Creek location in Vaughan, Ontario.

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 increased and extended financing through further amendments to its Credit Agreement and the availability of credit under the current Credit Agreement or other financing sources and/or additional government assistance to aid businesses.

SIR's and the Fund's ability to meet their obligations for the next 12 to 18 months also depends on, among other factors, the length of the closure of dine-in operations at certain of its restaurants due to COVID-19, the speed at which SIR is able to return to full operating capacity in the near future, Canadian economic conditions after bars and restaurants are able to fully re-open, 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. SIR's insurer has denied any business interruption claims due to COVID-19 closures. However, SIR continues to pursue its claim through legal avenues. There can be no assurance this action will be successful.

Reduced services and restaurant closures have resulted in material declines to sales at SIR restaurants. Limited capacity re-openings of in-restaurant and patio dining are expected to continue to impact sales at SIR restaurants. As part of the conditions under which SIR's senior lender granted SIR a series of waiver and amending agreements under its credit agreement, the Partnership deferred the collection of restaurant royalties and the Fund deferred the collection of interest on the SIR Loan from SIR until July 6, 2021.

Description of non-IFRS measures

Management believes that disclosing certain non-IFRS financial measures provides a useful supplemental measure to evaluate the Fund's performance. By considering these measures in combination with the most closely comparable IFRS measure, management believes that investors are provided with additional and more useful information about the Fund than investors would have if they simply considered IFRS measures alone.

The non-IFRS financial measures do not have standardized meanings prescribed by IFRS. The Fund's method of calculating these non-IFRS financial measures may differ from that of other issuers and, accordingly, may not be comparable to measures used by other issuers.

Same Store Sales and Same Store Sales Growth

The Fund believes that Same Store Sales ("SSS") and Same Store Sales Growth ("SSSG") are useful measures and provide investors with an indication of the change in year-over-year sales. SSS includes revenue from all SIR Restaurants included in Pooled Revenue for the fiscal years 2020 and fiscal 2019, except for those locations that were not open for the entire comparable periods in fiscal 2020 and fiscal 2019. The seasonal Abbey's Bakehouse is not a SIR Restaurant. SSSG is the percentage increase in SSS over the prior comparable period. When a SIR Restaurant is closed, the revenue for the closed restaurant is excluded from the calculation of SSS and SSSG for both the quarter in which the restaurant is closed and the current year-to-date.

Adjusted Net Earnings (Loss)

Adjusted Net Earnings (Loss) is calculated by replacing the change in estimated fair value of the SIR Loan as reported in the statement of earnings with the interest received on the SIR Loan during the period and the corresponding deferred tax expense or recovery from the net earnings for the period, and adding back impairments of financial and intangible assets. Management believes that in addition to net earnings (loss), Adjusted Net Earnings (Loss) is a useful supplemental measure to evaluate the Fund's performance. The change in estimated fair value of the SIR Loan is a non-cash fair value adjustment resulting from the adoption of IFRS 9 on January 1, 2018 and varies with changes in a discount rate that fluctuates based on current market interest rates adjusted for SIR's credit risk. The replacement of the non-cash change in estimated fair value of the SIR Loan with the interest received, and the corresponding deferred tax amount, eliminates this non-cash impact. The impairments of financial and intangible assets are also non-cash provisions. Management cautions investors that Adjusted Net Earnings (Loss) should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of the Fund's performance. Please refer to the reconciliations of net earnings (loss) for the period to Adjusted Net Earnings (Loss) on page 15 of this document.

Adjusted Net Earnings per Fund Unit

Adjusted Earnings per Fund unit represents the portion of net earnings adjusted for any impairment adjustment on financial assets and the investment in the Partnership and the change in estimated fair value of the SIR Loan and the deferred tax expense or recovery for the period allocated to each outstanding Fund unit.

Distributable Cash and Payout Ratio

The Fund believes that distributable cash and the payout ratio are useful measures as they provide investors with an indication of cash available for distribution. Investors are cautioned that distributable cash and the payout ratio should not be construed as an alternative to the statement of cash flows as a measure of liquidity and cash flows of the Fund. The payout ratio is calculated as cash distributed for the period as a percentage of the distributable cash for the period. Distributable cash represents the amount of money which the Fund expects to have available for distribution to Unitholders of the Fund, and is calculated as cash provided by operating activities of the Fund, adjusted for the net change in non-cash working capital items including a reserve for income taxes payable and the net change in the distribution receivable from the Partnership.

Forward-Looking Information

Certain statements contained in this report, or incorporated herein by reference, 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 applicable securities laws ("forward-looking statements"). Statements concerning the objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Fund, the SIR Holdings Trust (the "Trust"), the Partnership, SIR, the SIR Restaurants or industry results, are forward-looking statements. The words "may", "will", "should", "would", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. 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. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including: the impact of the COVID-19 pandemic; market conditions at the time of this filing; competition; changes in demographic trends; weather; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products; changes in tariffs and international trade; changes in foreign exchange; 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, including the cost and/or availability of labour as it relates to changes in minimum wage rates or other changes to labour legislation and forced closures of restaurants and bars; laws affecting the sale and use of alcohol (including availability and enforcement); changes in cannabis laws; 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. There can be no assurance that SIR will remain compliant in the future with all of its financial covenants under the Credit Agreement and imposed by the lender. Given these uncertainties, 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 disclose or release any updates or revisions to any forward-looking statements. Forward-looking statements are based on Management's current plans, estimates, projections, beliefs and opinions, and the Fund and SIR do not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change, except as expressly required by applicable securities laws. This Management's Discussion and Analysis is provided as of March 31, 2021.

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, competition, delivery and takeout services, general levels of economic activity (including in downtown Toronto), regulations (including those regarding employees, food safety, tobacco, cannabis, and alcohol), weather and the potential effects of variations and climate change, taxes, foreign exchange rates and interest rates and that there will be no unplanned material changes in its facilities, equipment, customer and employee relations, or credit arrangements. Management has assumed that it will be successful in dealing with the effects of the COVID-19 pandemic and that business and economic conditions affecting SIR's restaurants and the Fund will return to normalcy within the medium term. Recent changes in employment law, including announced increases in minimum wages, are factored into management's assumptions. These assumptions, although considered reasonable by Management at the time of preparation, may prove to be incorrect. In addition, Management has assumed that the tax effects on distributions will remain consistent with current regulations or pronouncements, and also in estimating the revenue for new restaurants, Management has assumed that they will operate consistent with other similar SIR restaurants, and has assumed that SIR will remain compliant in the future with all of its financial covenants under the Credit Agreement imposed by the lender. For more information concerning the Fund's risks and uncertainties, please refer to the March 31, 2021 Annual Information Form, for the period ended December 31, 2020, which is available under the Fund's profile at www.sedar.com.

All of the forward-looking statements made in this report are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Fund or SIR.

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