

# **SIR Royalty Limited Partnership**

Condensed Interim Financial Statements  
(Unaudited)

**For the three-month and nine-month periods ended  
September 30, 2023 and September 30, 2022**

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

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	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	800,250	115,125
Prepaid expenses and other assets	3,019	30,192
Amounts due from related parties (note 6)	4,390,271	4,325,965
	<u>5,193,540</u>	<u>4,471,282</u>
<b>Intangible assets</b> (note 3)	93,607,420	92,151,695
	<u>98,800,960</u>	<u>96,622,977</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	240,664	430,038
Amounts due to related parties (note 6)	4,952,866	4,041,234
	<u>5,193,530</u>	<u>4,471,272</u>
<b>Partners' Interest</b> (note 4)	93,607,430	92,151,705
	<u>98,800,960</u>	<u>96,622,977</u>

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

# SIR Royalty Limited Partnership

## Condensed Interim Statements of Earnings and Comprehensive Income

(Unaudited)

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	Three-month period ended September 30, 2023 \$	Three-month period ended September 30, 2022 \$	Nine-month period ended September 30, 2023 \$	Nine-month period ended September 30, 2022 \$
<b>Revenues</b>				
Royalty income (note 6)	4,127,483	4,120,325	12,076,729	10,548,941
Administration fee (note 6)	6,000	6,000	18,000	18,000
	<hr/>	<hr/>	<hr/>	<hr/>
	4,133,483	4,126,325	12,094,729	10,566,941
<b>Expenses</b>				
General and administrative	57,948	32,972	101,769	96,490
Impairment (recovery of) loss on SIR Rights and financial assets (notes 3 and 6)	12,058	31,904	(28,602)	(56,004,204)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net earnings and comprehensive income for the period</b>	<hr/>	<hr/>	<hr/>	<hr/>
	4,063,477	4,061,449	12,021,562	66,474,655

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

# SIR Royalty Limited Partnership

## Condensed Interim Statements of Partners' Interest

(Unaudited)

For the nine-month periods ended September 30, 2023 and September 30, 2022

	Number of units	Balance - January 1, 2023	Units issued	Net Earnings for the period	Distributions declared	Balance - September 30, 2023
	(note 4)	\$	\$	\$	\$	\$
Ordinary LP units	5,356,667	7,633,570	-	4,530,651	(4,530,651)	7,633,570
Class A LP units	3,018,900	27,983,375	-	3,789,773	(3,789,773)	27,983,375
Ordinary GP units	100	11	-	45	(45)	11
Class A GP units	1,200,660	16,534,748	1,455,725	1,451,084	(1,451,084)	17,990,473
Class B GP units	96,375,625	1	-	9	(9)	1
Class C GP units	4,000,000	40,000,000	-	2,250,000	(2,250,000)	40,000,000
		92,151,705	1,455,725	12,021,562	(12,021,562)	93,607,430

	Number of units	Balance - January 1, 2022	Units (returned) issued	Net Earnings (loss) for the period	Distributions declared	Balance - September 30, 2022
	(note 4)	\$	\$	\$	\$	\$
Ordinary LP units	5,356,667	-	-	12,114,965	(4,481,395)	7,633,570
Class A LP units	3,018,900	6,490,912	-	25,252,361	(3,759,898)	27,983,375
Ordinary GP units	100	50	-	6	(45)	11
Class A GP units	1,291,618	-	(8,773,843)	26,857,323	(1,548,732)	16,534,748
Class B GP units	96,284,667	10	-	-	(9)	1
Class C GP units	4,000,000	40,000,000	-	2,250,000	(2,250,000)	40,000,000
		46,490,972	(8,773,843)	66,474,655	(12,040,079)	92,151,705

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

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

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	<b>Nine-month period ended September 30, 2023 \$</b>	<b>Nine-month period ended September 30, 2022 \$</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net earnings for the period	12,021,562	66,474,655
Adjustments for non-cash items		
Net change in non-cash working capital items (note 8)	(152,210)	2,690,273
Recovery of impairment on SIR Rights and financial assets	(28,602)	(56,004,204)
	<u>11,840,750</u>	<u>13,160,724</u>
<b>Financing activities</b>		
Distributions paid	<u>(11,155,625)</u>	<u>(12,830,245)</u>
<b>Change in cash during the period</b>	685,125	330,479
<b>Cash - Beginning of period</b>	<u>115,125</u>	<u>40,684</u>
<b>Cash - End of period</b>	<u>800,250</u>	<u>371,163</u>

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

# **SIR Royalty Limited Partnership**

## Notes to the Condensed Interim Financial Statements

September 30, 2023 and September 30, 2022

(Unaudited)

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### **1 Nature of operations and seasonality**

#### **Nature of operations**

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

On October 1, 2004, SIR Royalty Income Fund (the Fund) filed a final prospectus for a public offering of units of the Fund. The net proceeds of the offering to the Fund of \$51,166,670 were used by the Fund to acquire, directly, certain bank debt of SIR Corp. (the SIR Loan) and, indirectly, through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of the Partnership. The Partnership owns the Canadian trademarks (the SIR Rights) formerly owned or licensed by SIR Corp. (SIR) or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada (the SIR Restaurants). The Partnership has granted SIR a 99-year licence to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenues of the restaurants included in the Royalty Pooled Restaurants (the Licence and Royalty Agreement).

The address of the Partnership's registered office is 5360 South Service Road, Suite 200, Burlington, Ontario. The financial statements were approved by the Board of Directors of SIR GP Inc. on November 9, 2023.

#### **Seasonality**

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

### **2 Basis of presentation**

The Partnership prepares its condensed interim financial statements in accordance with International Financial Reporting Standards (IFRS), applicable to the preparation of interim financial statements, including International Accounting Standard (IAS) 34, Interim Financial Reporting. The disclosures contained in these interim financial statements do not include all requirements of IFRS for annual financial statements and should be read in conjunction with the 2022 audited annual financial statements and notes thereto. The financial performance of the Partnership for the interim period is not necessarily indicative of the results that may be expected for the full year due to the seasonality of the Partnership's business.

#### **Recently adopted IFRS**

##### **IAS 1, Presentation of Financial Statements**

The narrow-scope amendment to the standard requires entities to disclose their material accounting policy information instead of significant accounting policies. The amendment is effective for annual periods beginning on or after January 1, 2023. The amendment did not have a material impact on the financial statements.

# **SIR Royalty Limited Partnership**

## Notes to the Condensed Interim Financial Statements

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(Unaudited)

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### **IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors**

The narrow-scope amendment aims to improve accounting policy disclosures and to help distinguish between changes in accounting estimates and changes in accounting policies. The amendment is effective for annual periods beginning on or after January 1, 2023. The amendment did not have a material impact on the financial statements.

### **IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

In January 2023, the IASB issued amendments to IAS 12 that aim to provide temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two model rules. The amendment is effective for annual periods beginning on or after January 1, 2023. The amendment did not have a material impact on the financial statements.

### **IFRS issued but not yet effective**

#### **IAS 1, Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued an amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. In October 2022, the IASB issued an amendment to IAS 1, Non-current Liabilities with Covenants, to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The 2022 amendments also introduce additional disclosure requirements to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period. The 2022 amendments changed the effective date of the 2020 amendments. The mandatory effective date is for annual periods beginning on or after January 1, 2024, with early adoption permitted. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

#### **IFRS 16, Lease Liability in a Sale and Leaseback**

In September 2022, the IASB issued amendments to IFRS 16 to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The mandatory effective date is for annual periods beginning on or after January 1, 2024, with early adoption permitted. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

#### **IAS 7, Disclosures on Supplier Finance Arrangements**

In May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require specific disclosures regarding supplier finance arrangements. The mandatory effective date is for annual periods beginning on or after January 1, 2024. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

# SIR Royalty Limited Partnership

## Notes to the Condensed Interim Financial Statements

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(Unaudited)

### 3 Intangible assets

	Nine-month period ended September 30, 2023 \$	Year ended December 31, 2022 \$
SIR Rights – Beginning of period	92,151,695	46,699,990
Adjustment to Royalty Pooled Restaurants	1,455,725	(8,773,843)
Reversal of provision for impairment	-	54,225,548
SIR Rights – End of period	<u>93,607,420</u>	<u>92,151,695</u>

The Partnership reviews the SIR Rights for indicators of impairment or whether there is any indication that an impairment loss recognised in prior periods, for an asset other than goodwill, may no longer exist or may have decreased. If any such indication exists, the Partnership estimates the recoverable amount of the SIR Rights to determine whether the carrying amount of the assets should be adjusted. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the asset, as determined by management). A reversal of previous impairment losses is recognized when the recoverable amount of the SIR Rights is higher than the carrying value. As at September 30, 2023, Management did not note any indications of impairment.

During the year ended December 31, 2022, the Partnership recognized a recovery of \$54,225,548 to bring the asset to its historical carrying value had the impairment loss not been recognized in prior years before any adjustments to the Royalty Pooled Restaurants.

On January 1, 2023, two (January 1, 2022 – nil) new SIR Restaurants were added to Royalty Pooled Restaurants in accordance with the Partnership Agreement (Note 4). In addition, two (January 1, 2022 – five) permanently closed SIR Restaurants were removed from Royalty Pooled Restaurants. The adjustment to Royalty Pooled Restaurants was that SIR converted 90,958 Class A GP Units into Class B GP Units (January 1, 2022 – SIR converted 679,934 Class A GP Units into Class B GP Units) on January 1, 2023, increasing the value of the SIR Rights by \$1,455,725 (January 1, 2022 - \$8,100,078 reduction in value of the SIR Rights). The adjustments to Royalty Pooled Restaurants from January 1, 2021 and January 1, 2022, as a result of the reversal of the previous impairment to the SIR Rights, reduced the value of SIR Rights by \$8,773,843 during the year ended December 31, 2022.



# SIR Royalty Limited Partnership

## Notes to the Condensed Interim Financial Statements

September 30, 2023 and September 30, 2022

(Unaudited)

### 4 Partners' interest

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

Class	Authorized	As at September 30, 2023		As at December 31, 2022	
		Issued	Amount \$	Issued	Amount \$
Class A LP Units	Unlimited	3,018,900	27,983,375	3,018,900	27,983,375
Class C LP Units	Unlimited	-	-	-	-
Ordinary LP Units	Unlimited	5,356,667	7,633,570	5,356,667	7,633,570
Ordinary GP Units	Unlimited	100	11	100	11
Class A GP Units (note 3)	Unlimited	1,200,660	17,990,473	1,291,618	16,534,748
Class B GP Units (note 3)	Unlimited	96,375,625	1	96,284,667	1
Class C GP Units	Unlimited	4,000,000	40,000,000	4,000,000	40,000,000
			<u>93,607,430</u>		<u>92,151,705</u>

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

#### Ordinary LP Units and Ordinary GP Units

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

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

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

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

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

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

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

On January 1 of each year, Class B GP Units are converted into Class A GP Units for new SIR Restaurants added to the Royalty Pooled Restaurants based on 80% of the initial estimated revenues and the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted into Class A GP Units in respect of these

# **SIR Royalty Limited Partnership**

## Notes to the Condensed Interim Financial Statements

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(Unaudited)

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

In December of each year, an additional distribution will be payable to the Class B GP unitholders provided that actual revenues of the new SIR Restaurants exceed 80% of the initial estimated revenues, or there will be a reduction in the distributions to the Class A GP unitholders if revenues are less than 80% of the initial estimated revenues.

On January 1, 2023, two new SIR Restaurants were added (January 1, 2022 – nil) to Royalty Pooled Restaurants in accordance with the Partnership Agreement. There were no Second Incremental Adjustments on January 1, 2023 as no new SIR Restaurants were added to Royalty Pooled Restaurants on January 1, 2022 (January 1, 2021 – one). As consideration for the additional Royalty associated with the addition of two new SIR Restaurants added (January 1, 2022 – nil) to Royalty Pooled Restaurants on January 1, 2023, SIR converted its Class B GP Units into Class A GP Units based on the formulas 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 two (January 1, 2022 – five) SIR Restaurants during 2022. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 90,958 Class A GP Units into Class B GP Units (January 1, 2022 – 679,934) on January 1, 2023, increasing the value of the SIR rights by \$1,455,725 (January 1, 2022 – reducing the value of the SIR rights by \$8,100,078).

In addition, there were no conversion distributions effective in December 2022 as no new SIR Restaurants were added to Royalty Pooled Restaurants on January 1, 2022 (January 1, 2022 – revenues of one new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2021 were greater than 80% of the Initial Adjustment's estimated revenue and, as a result, a special conversion distribution of \$71,780 was declared on the Class B GP units in December 2021 and paid in January 2022).

Effective January 1, 2023, SIR residual interest in the Partnership is 12.54%.

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

### **Class C GP Units**

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

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

### **Class C LP Units**

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

# SIR Royalty Limited Partnership

## Notes to the Condensed Interim Financial Statements

September 30, 2023 and September 30, 2022

(Unaudited)

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### 5 Financial instruments

#### Classification

As at September 30, 2023 and December 31, 2022, the classifications of the financial instruments, as well as their carrying and fair values, are as follows:

		<b>Carrying and fair value</b>	
		<b>As at</b>	<b>As at</b>
		<b>September 30,</b>	<b>December 31,</b>
		<b>2023</b>	<b>2022</b>
		<b>\$</b>	<b>\$</b>
	<b>Classification</b>		
Cash	Financial assets at amortized cost	800,250	115,125
Amounts due from related parties	Financial assets at amortized cost	4,390,271	4,325,965
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	240,664	430,038
Amounts due to related parties	Financial liabilities at amortized cost	4,952,866	4,041,234

#### Carrying and fair value

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

# SIR Royalty Limited Partnership

## Notes to the Condensed Interim Financial Statements

September 30, 2023 and September 30, 2022

(Unaudited)

### 6 Related party balances and transactions

	As at September 30, 2023 \$	As at December 31, 2022 \$
Royalties receivable from SIR Corp.	1,316,719	1,669,483
Advances receivable from the SIR Royalty Income Fund and its subsidiaries	<u>3,073,552</u>	<u>2,656,482</u>
Amounts due from related parties	<u>4,390,271</u>	<u>4,325,965</u>
Distributions payable to SIR Corp.	1,231,240	1,143,430
Distributions payable to SIR Royalty Income Fund and its subsidiaries	<u>3,721,626</u>	<u>2,897,804</u>
Amounts due to related parties	<u>4,952,866</u>	<u>4,041,234</u>

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

During the three-month and nine-month periods ended September 30, 2023, the Partnership recognized an impairment loss of \$12,058 and an impairment recovery of \$28,602, respectively, on royalties receivable from SIR (three-month and nine-month periods ended September 30, 2022 – impairment (provision) recovery on the royalties receivable from SIR of \$(31,904) and \$1,778,656, respectively) based on management's assessment of the SIR-specific risk.

A rate of approximately 7.5% was applied to the royalties receivable to estimate an impairment provision as at September 30, 2023:

	As at September 30, 2023 \$
<b>SIR Corp.</b>	
Royalties receivable	1,423,480
Less: Provision for impairment	<u>(106,761)</u>
	<u>1,316,719</u>

Impairment loss on royalties receivable is presented as net impairment recovery within the Condensed Interim Statement of Earnings and Comprehensive Income and within the net amounts due from related parties on the Condensed Interim Statement of Financial Position.

# SIR Royalty Limited Partnership

## Notes to the Condensed Interim Financial Statements

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(Unaudited)

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During the three-month and nine-month periods ended September 30, 2023, the Partnership earned royalty income of \$4,127,483 and \$12,076,729, respectively, from SIR (three-month and nine-month periods ended September 30, 2022 - \$4,120,325 and \$10,548,941, respectively). The Partnership's royalty income is determined based on 6% of the revenues from certain SIR Restaurants subject to the Licence and Royalty Agreement between the Partnership and SIR. SIR makes 13 Royalty payments based on SIR's 13 four- or five-week period fiscal year and, as such, royalty payments can fluctuate depending on how the four- or five-week periods coincide with the Partnership's calendar fiscal year. On January 1 of each year (the Adjustment Date), the restaurants subject to the Licence and Royalty Agreement are adjusted for new restaurants opened for at least 60 days preceding such Adjustment Date in the previous fiscal year. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units into Class A GP Units based on the conversion formula defined in the Partnership Agreement (note 4).

SIR began offering Renegade Chicken takeout and delivery services again on a trial basis as of January 27, 2022. The services were initially offered out of 21 Jack Astor's locations in Ontario, with two additional Jack Astor's locations added to the trial as of February 16, 2022. SIR has agreed to pay an amount equal to 6% of the revenues earned from the trial to the Partnership. The trial was initially scheduled to continue until March 31, 2022, at SIR's option. Effective March 29, 2022, SIR opted to extend the trial until August 28, 2022, but has reduced the number of Jack Astor's locations supporting the trial to eight locations. On August 29, 2022 and on December 15, 2022, respectively, the Trustees of the Fund approved further extensions of the trial, under the existing terms, until December 31, 2022 and December 31, 2023, respectively. In exchange, SIR will continue to pay 6% of the revenues arising therefrom to the Partnership. The Renegade Chicken brand offers a variety of fried chicken sandwiches, fingers and wings, paired with freshly cut in-house fries, and is capitalizing on the emergence of fried chicken growth brands in the fast casual dining space.

The Partnership has entered into an arrangement with the Fund and the Trust whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc. in its capacity as the Managing General Partner, or SIR as the General Partner. SIR, on behalf of SIR GP Inc., also provides services to the Partnership for its administration. For the three-month and nine-month periods ended September 30, 2023, the Partnership provided these services to the Fund and the Trust for consideration of \$6,000 and \$18,000, respectively (three-month and nine-month periods ended September 30, 2022 - \$6,000 and \$18,000, respectively), which was the amount of consideration agreed to by the related parties

## 7 Economic dependence

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

SIR has a credit agreement (Credit Agreement), as amended on December 8, 2017, July 6, 2018, April 1, 2020, June 30, 2020, September 30, 2020, December 21, 2020, March 31, 2021, May 31, 2021, June 16, 2022 and June 6, 2023 with a Schedule I Canadian chartered bank (the Lender).

On June 6, 2023, SIR and its Lender entered into the Tenth Amending Agreement ("Tenth Amendment") to its Credit Agreement. The Tenth Amendment provides for the following:

- extension of the Maturity Date from July 6, 2023 to July 6, 2026, with the exception of the guaranteed facility with Export Development Canada (the "EDC-Guaranteed Facility") which has a new Maturity Date of July 6, 2024,

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- reduced interest rates with the exception of the interest rate on the guaranteed facility with Business Development Bank of Canada (the "BDC-Guaranteed Facility"), which remains fixed at 4.0% per annum, and
- reduction of Banker's acceptance fees on Credit Facility 1 and Credit Facility 2 with Credit Facility 2 reverting to a revolving term facility.

On June 6, 2023, as part of the Tenth Amendment, the Fund and the Partnership entered into an acknowledgement agreement with the Lender acknowledging, among other things:

- receipt of a copy of the Tenth Amending Agreement, and
- 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 the Company.

As at May 7, 2023, the Credit Agreement between SIR and the Lender provided for a maximum principal amount of \$42,611,000 consisting of \$20,000,000 revolving term credit facility (Credit Facility 1), a \$10,921,000 revolving term loan (Credit Facility 2), a \$6,250,000 guaranteed facility with Economic Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") (EDC-Guaranteed Facility) and a \$5,440,000 Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility"). SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional \$1,500,000.

Credit Facility 1 is for general corporate and operating purposes, 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 the Maturity Date. A standby fee of 0.85% is charged on the undrawn balance of Credit Facility 1. Provided SIR is in compliance with the Credit Agreement, the principal amount of Credit Facility 1 can be repaid and reborrowed at any time during the term of the Credit Agreement. As at May 7, 2023, Credit Facility 1 was undrawn.

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 balance due on the Maturity Date. As at May 7, 2023, \$10,921,000 was drawn on Credit Facility 2.

As at May 7, 2023, SIR had drawn \$9,234,000 on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 28, 2022 - \$7,530,000).

The EDC-Guaranteed Facility bears interest at the prime rate plus 3.0%. The EDC-Guaranteed Facility is a 364-day revolving-term credit facility and can be extended at the Lender's sole discretion, in 12 month increments, by a further 12 months beyond the current expiration date of July 6, 2024. A standby fee of 0.90% is charged on the undrawn balance of this facility. As at May 7, 2023, SIR had fully drawn \$6,250,000 on this facility.

The BDC-Guaranteed Facility is a 10-year non-revolving term credit facility, with a one year principal payment moratorium, bearing a fixed rate interest of 4.0%. The moratorium has elapsed and SIR has commenced repayment on this facility. As at May 7, 2023, SIR has repaid \$522,000 on this facility. As at May 7, 2023, \$5,440,000 was drawn on this facility.

The Credit Agreement is secured by substantially all of the assets of SIR and most of its subsidiaries, which are also guarantors. The Partnership and the Fund have not guaranteed the Credit Agreement. The Credit Agreement qualifies as "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership

# SIR Royalty Limited Partnership

## Notes to the Condensed Interim Financial Statements

September 30, 2023 and September 30, 2022

(Unaudited)

and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the Lender. The terms of the subordination are as contemplated in the previous agreements between the Fund, the Partnership and SIR. This subordination includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR the right to use trademarks and related intellectual property in return for royalty payments based on revenues and will be effected pursuant to the terms of an Intercreditor Agreement.

Under the Intercreditor Agreement, absent any 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 by up to 50% without triggering a cross default under the Credit Agreement for a period of up to nine consecutive months. SIR and each obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Fund's unitholders and SIR and its shareholders in exchange for the subordinating parties not demanding repayment or enforcing security as a result of any such related party obligation default. The Intercreditor Agreement also contains various other typical covenants of the Fund and the Partnership in which they are compliant. SIR has the right to require the Fund to, indirectly, purchase the Class C GP Units and assume a portion of the SIR Loan as consideration for the acquisition of the Class C GP Units.

### 8 Net change in non-cash working capital items

	<b>Nine-month period ended September 30, 2023 \$</b>	<b>Nine-month period ended September 30, 2022 \$</b>
Prepaid expenses and other assets	27,173	21,124
Amounts due from related parties	9,991	2,725,482
Accounts payable and accrued liabilities	(189,374)	(56,333)
	<hr/>	<hr/>
	(152,210)	2,690,273