# SIR Royalty Limited Partnership

Condensed Interim Financial Statements
(Unaudited)
**For the three-month and nine-month periods ended September 30, 2024 and September 30, 2023**

# SIR Royalty Limited Partnership

Condensed Interim Statements of Financial Position

(Unaudited)

| | September 30, 2024 $ | December 31, 2023 $ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | 160,167 | 776,498 |
| Prepaid expenses and other assets | 1,995 | 19,950 |
| Amounts due from related parties (note 6) | 4,922,968 | 3,795,996 |
| | 5,085,130 | 4,592,444 |
| **Intangible assets** (note 3) | 91,994,795 | 93,607,420 |
| | 97,079,925 | 98,199,864 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 207,906 | 356,569 |
| Amounts due to related parties (note 6) | 4,877,214 | 4,235,865 |
| | 5,085,120 | 4,592,434 |
| **Partners' interest** (note 4) | 91,994,805 | 93,607,430 |
| | 97,079,925 | 98,199,864 |

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)

| | Three-month period ended | | Nine-month period ended | |
|---|---|---|---|---|
| | September 30, 2024 $ | September 30, 2023 $ | September 30, 2024 $ | September 30, 2023 $ |
| **Revenues** | | | | |
| Royalty income (note 6) | 3,887,704 | 4,127,483 | 11,567,856 | 12,076,729 |
| Administration fee (note 6) | 6,000 | 6,000 | 18,000 | 18,000 |
| | 3,893,704 | 4,133,483 | 11,585,856 | 12,094,729 |
| **Expenses** | | | | |
| General and administrative | 19,242 | 57,948 | 58,888 | 101,769 |
| Impairment loss (recovery) on SIR Rights and financial assets (notes 3 and 6) | 8,703 | 12,058 | 60,614 | (28,602) |
| **Net earnings and comprehensive income for the period** | 3,865,759 | 4,063,477 | 11,466,354 | 12,021,562 |

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, 2024 and September 30, 2023**

| | Number of units (note 4) | Balance - January 1, 2024 $ | Units (returned) $ (note 4) | Net Earnings for the period $ | Distributions declared $ | Balance – September 30, 2024 $ |
|---|---|---|---|---|---|---|
| Ordinary LP units | 5,356,667 | 7,633,570 | - | 4,352,555 | (4,352,555) | 7,633,570 |
| Class A LP units | 3,018,900 | 27,983,375 | - | 3,696,904 | (3,696,904) | 27,983,375 |
| Ordinary GP units | 100 | 11 | - | 45 | (45) | 11 |
| Class A GP units | 987,835 | 17,990,473 | (1,612,625) | 1,166,841 | (1,166,841) | 16,377,848 |
| Class B GP units | 96,588,450 | 1 | - | 9 | (9) | 1 |
| Class C GP units | 4,000,000 | 40,000,000 | - | 2,250,000 | (2,250,000) | 40,000,000 |
| | | 93,607,430 | (1,612,625) | 11,466,354 | (11,466,354) | 91,994,805 |

| | Number of units (note 4) | Balance - January 1, 2023 $ | Units issued $ (note 4) | Net Earnings for the period $ | Distributions declared $ | Balance – September 30, 2023 $ |
|---|---|---|---|---|---|---|
| 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 |

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

# SIR Royalty Limited Partnership

Condensed Interim Statements of Cash Flows

(Unaudited)

| | Nine-month period ended | |
|---|---|---|
| | September 30, 2024 $ | September 30, 2023 $ |
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Net earnings for the period | 11,466,354 | 12,021,562 |
| Adjustments for non-cash items | | |
| Net change in non-cash working capital items (note 8) | (1,271,680) | (152,210) |
| Impairment (recovery of) loss on SIR Rights and financial assets | 60,614 | (28,602) |
| | 10,255,288 | 11,840,750 |
| **Financing activities** | | |
| Distributions paid | (10,871,619) | (11,155,625) |
| **Change in cash during the period** | (616,331) | 685,125 |
| **Cash - Beginning of period** | 776,498 | 115,125 |
| **Cash - End of period** | 160,167 | 800,250 |

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

## 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 14, 2024.

### 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 Fund prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Standards Board (IFRS Accounting Standards), applicable to the preparation of interim financial statements, including International Accounting Standard (IAS) 34, Interim Financial Reporting. The disclosures contained in these interim consolidated financial statements do not include all requirements of IFRS Accounting Standards for annual consolidated financial statements and should be read in conjunction with the 2023 and 2022 audited annual consolidated financial statements and notes thereto. The financial performance of the Fund 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 Fund's business.

### Recently adopted IFRS Accounting standards

### IAS 1, Presentation of Financial Statements

In January 2020, the IASB (International Accounting Standards Board) 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 amendment is effective for annual periods beginning on or after January 1, 2024. The amendment did not have a material impact 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 amendment is effective for annual periods beginning on or after January 1, 2024. The amendment did not have a material impact 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 amendment is effective for annual periods beginning on or after January 1, 2024. The amendment did not have a material impact on the consolidated financial statements.

**IFRS Accounting Standards issued but not yet effective**

**IFRS 18, Presentation and Disclosure in Financial Statements**

On April 9, 2024, the IASB issued a new standard – IFRS 18, ‘Presentation and Disclosure in Financial Statements’ – in response to investors’ concerns about the comparability and transparency of entities’ performance reporting. The new requirements introduced in IFRS 18 will help to achieve comparability of the financial performance of similar entities, especially related to how ‘operating profit or loss’ is defined. The new disclosures required for some management-defined performance measures will also enhance transparency. The new standard will be effective for annual reporting periods beginning on or after January 1, 2027, including for interim financial statements. The Company has not yet assessed the impact of the amendment on the condensed interim consolidated financial statements.

**IFRS 9 and IFRS 7, Classification and Measurement of Financial Instruments**

On May 30, 2024, the IASB issued targeted amendments to IFRS 9, ‘Financial Instruments’, and IFRS 7, ‘Financial Instruments: Disclosures’. The amendments respond to recent questions arising in practice, and include new requirements not only for financial institutions but also for corporate entities. These new requirements will apply from January 1, 2026, with early application permitted. The Company has not yet assessed the impact of the amendment on the condensed interim consolidated financial statements.

## 3 Intangible assets

| | Nine-month period ended September 30, 2024 $ | Year ended December 31, 2023 $ |
|---|---|---|
| SIR Rights – Beginning of period | 93,607,420 | 92,151,695 |
| Adjustment to Royalty Pooled Restaurants (note 4) | (1,612,625) | 1,455,725 |
| SIR Rights – End of period | 91,994,795 | 93,607,420 |

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, 2024, Management did not note any indicators of impairment.

## 4 Partners' interest

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

| | | As at September 30, 2024 | | As at December 31, 2023 | |
|---|---|---|---|---|---|
| **Class** | **Authorized** | **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 | 987,835 | 16,377,848 | 1,200,660 | 17,990,473 |
| Class B GP Units (note 3) | Unlimited | 96,588,450 | 1 | 96,375,625 | 1 |
| Class C GP Units | Unlimited | 4,000,000 | 40,000,000 | 4,000,000 | 40,000,000 |
| | | | 91,994,805 | | 93,607,430 |

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 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, 2024, one new SIR Restaurant was added (January 1, 2023 – two) to the 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, 2024 (January 1, 2023 – two) as well as the Second Incremental Adjustment for two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2023 (January 1, 2022 – nil), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. In addition, there was a re-conversion of Class A GP Units into Class B GP Units for the permanent closure of three (January 1, 2023 – two) SIR Restaurants during 2023. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 212,825 Class A GP Units into 212,825 Class B GP Units on January 1, 2024 (January 1, 2023 – SIR converted 90,958 Class A GP Units into Class B GP Units), decreasing the value of the SIR Rights by $1,612,625 (January 1, 2023 – increasing the value of the SIR rights by $1,455,725).

In addition, the revenues of the two (January 1, 2022 – nil) new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2023 were 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 $52,099 in December 2023 and paid in February 2024 (no conversion distributions effective in December 2022 as no new SIR Restaurants were added to Royalty Pooled Restaurants on January 1, 2022).

Effective January 1, 2024, SIR residual interest in the Partnership is 10.55%.

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.

## 5 Financial instruments

**Classification**

As at September 30, 2024 and December 31, 2023, the classifications of the financial instruments, as well as their carrying and fair values, are as follows:

| | | Carrying and fair value | |
|---|---|---|---|
| | Classification | As at September 30, 2024 $ | As at December 31, 2023 $ |
| Cash | Financial assets at amortized cost | 160,167 | 776,498 |
| Amounts due from related parties | Financial assets at amortized cost | 4,922,968 | 3,795,996 |
| Accounts payable and accrued liabilities | Financial liabilities at amortized cost | 207,906 | 356,569 |
| Amounts due to related parties | Financial liabilities at amortized cost | 4,877,214 | 4,235,865 |

**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.

## 6 Related party balances and transactions

| | As at September 30, 2024 $ | As at December 31, 2023 $ |
|---|---|---|
| Royalties receivable from SIR Corp. | 1,320,643 | 573,073 |
| Advances receivable from the SIR Royalty Income Fund and its subsidiaries | 3,602,325 | 3,222,923 |
| Amounts due from related parties | 4,922,968 | 3,795,996 |
| | | |
| Distributions payable to SIR Corp. | 1,122,064 | 1,080,187 |
| Advances payable to SIR Corp. | 109,508 | 62,894 |
| Amounts due to SIR Corp. | 1,231,572 | 1,143,081 |
| Distributions payable to SIR Royalty Income Fund and its subsidiaries | 3,645,642 | 3,092,784 |
| Amounts due to related parties | 4,877,214 | 4,235,865 |

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, 2024, the Partnership recognized an impairment loss of $8,703 and $60,614, respectively, on royalties receivable from SIR (three-month and nine-month periods ended September 30, 2023 – impairment (recovery of) loss on the royalties receivable from SIR of $12,058 and $(28,602), 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, 2024:

| | As at September 30, 2024 $ |
|---|---|
| **SIR Corp.** | |
| Royalties receivable | 1,427,722 |
| Less: Provision for impairment | (107,079) |
| | 1,320,643 |

Impairment on royalties receivable is presented as net impairment loss 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.

During the three-month and nine-month periods ended September 30, 2024, the Partnership earned royalty income of $3,887,704 and $11,567,856, respectively, from SIR (three-month and nine-month periods ended September 30, 2023 - $4,127,483 and $12,076,729, 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).

On January 27, 2022, SIR began offering Renegade Chicken takeout and delivery services on a trial basis. SIR has agreed to remit to the Partnership an amount equivalent to 6% of revenues earned from this trial. This program has been extended on multiple occasions, with the most recent extensions covering eight Jack Astor's locations, occurring on December 15, 2022, August 8, 2023, and August 7, 2024, thereby extending the trial periods to December 31, 2023, August 25, 2024, and August 31, 2025, respectively. The Renegade Chicken brand offers a selection of fried chicken sandwiches, tenders, and wings, complemented by freshly cut, in-house fries, and aims to leverage the growing demand for fried chicken within the fast-casual dining sector.

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, 2024, 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, 2023 - $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 with a Schedule 1 Canadian chartered bank (the Lender). As at the date of SIR's 36-week period ended May 5, 2024, the Credit Agreement provides for a maximum principal amount of $41,695,000 consisting of a $20,000,000 revolving term credit facility (Credit Facility 1), a $10,700,000 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 $4,745,000 Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility"). The term of the Credit Agreement matures on July 6, 2026 ("Maturity Date"). 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 2.75% and/or the CORRA advances' rate plus 3.75%, 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 5, 2024, $16,552,000 was drawn on Credit Facility 1.

Credit Facility 2 is a revolving facility that can be drawn for capital expenditures on new restaurants and renovations or remodelling of existing restaurants and bears interest at the prime rate plus 2.75% and/or the CORRA advances' rate plus 3.75%. 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. For the 12-week period ended May 5, 2024, SIR repaid $1,037,000 on this facility. As at May 5, 2024, $7,589,000 was drawn on Credit Facility 2.

As at May 5, 2024, SIR has drawn $22,734,000 on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 27, 2023 – $4,681,000).

The EDC-Guaranteed Facility bears interest at the prime rate plus 3.00%. 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, 2025. A standby fee of 0.90% is charged on the undrawn balance of this facility. As at May 5, 2024, 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 of interest of 4.00%. The moratorium has elapsed and SIR has commenced repayment on this facility. For the 12-week period ended May 5, 2024, SIR repaid $174,000 on this facility. As at May 5, 2024, $4,745,000 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 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

| | Nine-month period ended | |
|---|---|---|
| | **September 30, 2024 $** | **September 30, 2023 $** |
| Prepaid expenses and other assets | 17,955 | 27,173 |
| Amounts due from related parties | (1,187,586) | (35,704) |
| Amounts due to related parties | 46,614 | 45,695 |
| Accounts payable and accrued liabilities | (148,663) | (189,374) |
| | (1,271,680) | (152,210) |