ALARIS

EQUITY PARTNERS INCOME TRUST

MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended March 31, 2021

This management's discussion and analysis ("**MD&A**") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 and 2020 for Alaris Equity Partners Income Trust ("**Alaris**" or the "**Trust**"). The Trust's condensed consolidated interim financial statements and the notes thereto have been prepared in accordance with International Accounting Standard 34 and are recorded in Canadian dollars. Certain dollar amounts in the MD&A have been rounded to the nearest thousands of dollars.

This MD&A contains forward-looking statements that are not historical in nature and involve risks and uncertainties. Forward-looking statements are not guarantees as to Alaris' future results since there are inherent difficulties in predicting those. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. See "Forward- Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under "Risks and Uncertainty". This MD&A also refers to certain non-IFRS measures, including EBITDA, Normalized EBITDA, Earnings Coverage Ratio, Contracted EBITDA, Run Rate Payout Ratio, Actual Payout Ratio, Run Rate Revenue, Adjusted Net Working Capital, Tangible Net Worth, Fixed Charge Coverage Ratio, IRR and Per Unit values as well as certain financial covenants defined below to assist in assessing the Trust's financial performance. The terms EBITDA, Normalized EBITDA, Earnings Coverage Ratio, Contracted EBITDA, Run Rate Payout Ratio, Actual Payout Ratio, Run Rate Revenue, Adjusted Net Working Capital, Tangible Net Worth, Fixed Charge Coverage Ratio, IRR and Per Unit values (collectively, the "**Non-IFRS Measures**") as well as certain financial covenants as defined below are financial measures used in this MD&A that are not standard measures under IFRS. The Trust's method of calculating the Non-IFRS Measures may differ from the methods used by other issuers. Therefore, the Trust's Non-IFRS measures may not be comparable to similar measures presented by other issuers. See "Results of Operations" for a reconciliation of EBITDA and Normalized EBITDA to earnings.

Run Rate Payout Ratio refers to Alaris' total distribution per unit expected to be paid over the next twelve months divided by the estimated net cash from operating activities per unit that Alaris expects to generate over the same twelve month period (after giving effect to the impact of all information disclosed as of the date of this report).

Actual Payout Ratio refers to Alaris' total cash distributions paid during the period (annually or quarterly) divided by the actual net cash from operating activities Alaris generated for the period.

Run Rate Revenue refers to Alaris' total revenue expected to be generated over the next twelve months.

Run Rate Cash Flow refers to Alaris' total cash flows expected to be generated and disbursed over the next twelve months.

EBITDA refers to earnings determined in accordance with IFRS, before depreciation and amortization, net of gain or loss on disposal of capital assets, interest expense and income tax expense. EBITDA is used by management and many investors to determine the ability of an issuer to generate cash from operations. Management believes EBITDA is a useful supplemental measure from which to determine the Trust's ability to generate cash available for debt service, working capital, income taxes and distributions.

Normalized EBITDA refers to EBITDA excluding items that are non-recurring in nature and is calculated by adjusting for non-recurring expenses and gains to EBITDA. Management deems non-recurring items to be unusual and/or infrequent items that Alaris incurs outside of its common day-to-day operations. For the three months ended March 31, 2021, this includes the unit-based compensation expense related to the quarterly re-valuation of the outstanding RTU's and Options and the reversal of previously recorded credit losses related to the Kimco promissory notes and accounts receivable. For the three months ended March 31, 2020, this includes the distributions received upon the redemption of SBI. Transaction diligence costs are recurring but are considered an investing activity. Foreign exchange unrealized gains and losses are recurring but not considered part of operating results and excluded from normalized EBITDA on an ongoing basis. Changes in investments at fair value are non-cash and although recurring are also removed from normalized EBITDA. Adjusting for these non-recurring items allows management to assess cash flow from ongoing operations.

Earnings Coverage Ratio refers to the Normalized EBITDA of a Partner divided by such Partner's sum of debt servicing (interest and principal), unfunded capital expenditures and distributions to Alaris. Management believes the earnings coverage ratio is a useful metric in assessing our partners continued ability to make their contracted distributions.

Per Unit values, other than earnings per unit, refer to the related financial statement caption as defined under IFRS or related term as defined herein, divided by the weighted average basic units outstanding for the period.

Fixed Charge Coverage Ratio refers to EBITDA less unfunded maintenance capital expenditures divided by the sum of taxes, interest, debt repayments and distributions paid by Alaris. Alaris' senior credit facility requires a minimum Fixed Charge Coverage Ratio as a financial covenant.

Contracted EBITDA refers to EBITDA for the previous twelve months excluding proceeds from any disposition of investments and any distributions accrued and not received but including all projected contracted payments from new and existing investments for the twelve-month period following the investment date. Contracted EBITDA is used in determining Alaris' leverage covenant as required by our senior debt facility.

IRR refers to internal rate of return, which is a metric used to determine the discount rate that derives a net present value of cash flows to zero. Management uses IRR to analyze partner returns.

Tangible Net Worth refers to the sum of unitholders' equity. Alaris' senior credit facility requires a minimum Tangible Net Worth as a financial covenant.

Adjusted Net Working Capital refers to current assets excluding promissory notes receivables, office lease items and investment tax credit receivable. Management believes this is a useful metric in determining the liquidity of Alaris and ability to meet its short-term liabilities.

Partner company names are referred to as follows: LMS Management LP and LMS Reinforcing Steel USA LP (collectively, "**LMS**"), SCR Mining and Tunneling, LP ("**SCR**"), Kimco Holdings, LLC ("**Kimco**"), PF Growth Partners, LLC ("**PFGP**"), DNT Construction, LLC ("**DNT**"), Federal Resources Supply Company and its subsidiaries ("**FED**" or "**Federal Resources**"), Unify Consulting, LLC (**"Unify"**), ccCommunications LLC ("**ccComm**"), Accscient, LLC ("**Accscient**"), Heritage Restoration, LLC ("**Heritage**"), Fleet Advantage, LLC ("**Fleet**"), Body Contour Centers, LLC ("**BCC**" or "**Body Contour Centers**"), GWM Holdings, Inc. and its subsidiaries ("**GWM**"), Amur Financial Group Inc. ("**Amur**"), Stride Consulting LLC. ("**Stride**"), Carey Electric Contracting LLC ("**Carey Electric**"), Edgewater Technical Associates, LLC ("**Edgewater**"), Falcon Master Holdings LLC, dba FNC Title Service ("**FNC**"), Brown & Settle Investments, LLC and a subsidiary thereof (collectively, "**Brown & Settle**") and 3E, LLC ("**3E**"). Former partner company names are referred to as follows: M-Rhino Holdings LLC, dba Providence Industries ("**Providence**"), Sandbox Acquisitions, LLC and Sandbox Advertising LP (collectively, "**Sandbox**"), Sales Benchmark Index LLC ("**SBI**") and Phoenix Holdings Limited, formerly KMH ("**Phoenix**").

The Non-IFRS measures should only be used in conjunction with the Trust's unaudited condensed consolidated interim financial statements, excerpts of which are available below, complete versions of these statements are available on SEDAR at www.sedar.com.

OVERVIEW

Alaris' purpose, through its subsidiaries, is to provide non-control permanent equity to private companies to meet their business and capital objectives, which includes management buyouts, dividend recapitalization and growth and acquisitions. Alaris achieves this by investing its capital through its subsidiaries, into private businesses (individually, a "**Private Company Partner**" and collectively the "**Partners**") primarily through preferred equity, in addition to common equity, subordinated debt and promissory notes. In exchange for the investments in preferred equity, subordinated debt and promissory notes, the Trust earns distributions, dividends and interest ("**Distributions**") received in regular monthly or quarterly payments that are contractually agreed to between Alaris and each Private Company Partner. These payments are set for twelve months at a time and are adjusted annually based on the audited performance of each Private Company Partner's gross revenue, gross margin, same store sales, or other similar "top-line" performance measure. Alaris' preferred equity investments can also appreciate through the reset metric and a premium upon exit or redemption. In certain situations, Alaris also invests through owning a minority common equity position in our Partners and through which it participates in the growth and distributions in proportion to our ownership percentage. Alaris has limited general and administrative expenses with only sixteen employees.

RESULTS OF OPERATIONS

Quarter ended March 31, 2021 compared to Quarter ended March 31, 2020

Three Months Ended March 31st	2021	2020	% Change
Revenue per unit	$ 0.79	$ 0.93	-15.1%
Earnings per unit	$ 0.56	$ (1.16)	+147.7%
Normalized EBITDA per unit	$ 0.71	$ 0.58	+22.4%
Net cash from operating activities per unit	$ 0.66	$ 0.72	-8.3%
Distributions declared per unit	$ 0.31	$ 0.41	-24.8%
Basic earnings per unit	$ 0.56	$ (1.16)	+147.7%
Fully diluted earnings per unit	$ 0.55	$ (1.16)	+147.2%
Weighted average basic units (000's)	40,803	36,694	

For the three months ended March 31, 2021, revenue per unit decreased by 15.1%; however, after excluding the additional US$7.0 million of distributions from SBI as part of their redemption in January 2020, revenue would have otherwise increased by approximately $0.11 per unit or 17%, compared to Q1 2020. The increase is due to the distributions in Q1 2021 from Alaris' new investments in Carey Electric, Edgewater, FNC, Brown & Settle and 3E, as well as the additional distributions from follow-on investments in GWM, BCC and Accscient. These were partially offset by the depreciation of the US dollar against the Canadian dollar compared to the prior year, as the quarterly average rate was approximately 6% lower in Q1 2021.

Earnings of $0.56 per unit improved significantly due to the comparable 2020 period including a $84.9 million decrease in the investments at fair value, which was a result of the initial impact to the Partners from COVID-19.

Normalized EBITDA of $0.71 per unit increased by 22.4% due to the new investments and follow-on investments outlined above. The reason for the difference from the decrease in revenue per unit is that the additional US$7.0 million of distributions from SBI were deducted from Normalized EBITDA as a normalizing item.

Net cash from operating activities of $0.66 per unit decreased by 8.3% in the quarter, compared to Q1 2020, due to the additional distributions from SBI that were included in Q1 2020 as part of their redemption.

Partner Revenue ($ thousands)	Quarter ended March 31, 2021	Quarter ended March 31, 2020	% Change	Comment
GWM	$ 3,846	$ 2,020	+90.4%	Follow-on contribution in Oct-20, negative reset in Jan-21
FED	3,518	3,653	-3.7%	Positive reset in Jan-21, offset by FX impact and timing of reset
DNT	3,448	3,775	-8.7%	Partial redemption of US$5 million in Dec-20
BCC	2,850	2,159	+32.0%	Follow-on contribution in Dec-20
LMS	2,116	1,765	+19.9%	Reset +16% Jan-21
Accscient	1,981	1,869	+6.0%	Follow-on contribution in Feb-21, positive reset in Jan-21
Amur	1,522	1,623	-6.0%	Negative reset in Jan-21
Kimco	1,486	-	+100.0%	Restarted distributions in 2020, positive reset in Jan-21
Edgewater	1,354	-	+100.0%	Initial contribution closed Dec-20
FNC	1,318	-	+100.0%	Initial contribution closed Jan-21
FNC Common Equity	383	-	+100.0%	Initial contribution closed Jan-21
Brown & Settle	1,308	-	+100.0%	Initial contribution closed Feb-21
PFGP	1,267	2,696	-53.0%	Reduced distributions to US$333k/mth from Jan-21 to June-21
Unify	1,081	1,090	-0.8%	Positive reset in Jan-21, FX impact
SCR	1,050	950	+10.5%	Increased distributions from $250/mth to $350/mth in Feb-20
Carey Electric	767	-	+100.0%	Initial contribution closed Jun-20
Heritage	747	829	-9.9%	Negative reset in Jan-21, FX impact
Fleet	498	498	+0.0%	Positive reset in Jan-21, FX impact
3E	404	-	+100.0%	Initial contribution closed Feb-21
Stride	266	282	-5.7%	Negative reset in Jan-21, FX impact
ccComm	-	294	-100.0%	Distributions to be recorded as received
SBI	-	9,176	-100.0%	Redemption in Jan-20
Providence	-	514	-100.0%	Ceased operations as of Dec-20
Total Distributions	**$ 31,210**	**$ 33,193**	**-6.0%**	
Interest & other	572	700	-18.3%	Redemption of Sandbox in Feb-20
Realized FX Gain	452	78	+479.5%	FX Contracts at higher average rates than actual
Total Revenue	**$ 32,234**	**$ 33,971**	**-5.1%**	

Total revenue was $32.2 million in the three months ended March 31, 2021 (2020 - $34.0 million). This 5.1% decrease in total revenue is due to the prior year comparable period including US$7.0 million of distributions from SBI as part of their redemption. A portion of the decrease was also due to the depreciation of the US dollar compared to Q1 2020. All US revenue in Q1 2021 was negatively impacted by the change in FX as the average USDCAD rate in Q1 2021 of $1.27 was approximately $0.07 less than the average rate of $1.34 in Q1 2020. Partially offset by the new investments in Carey Electric, Edgewater, FNC, Brown & Settle and 3E and follow-on investments in GWM, BCC and Accscient.

Finance costs in the three months ended March 31, 2021 were $5.6 million (2020 - $4.8 million), a 16.7% increase due to the average debt outstanding in the period being higher than in 2020 (weighted average outstanding debt of $320.4 million in 2021 compared to $169.1 million in Q1 2020) partially offset by lower interest rates and a lower average exchange rate. The average interest rate during Q1 2021 was 3.8% compared to 5.9% in the prior year comparable period.

General and administrative costs, which includes salaries and benefits, corporate and office, and legal and accounting fees, were $2.4 million in the period (2020 - $2.8 million), a decrease of 14.3%. Salaries and benefits of $0.9 million (2020 - $0.9 million) were consistent with the prior year. Corporate and office expenses of $0.4 million (2020 - $0.6 million) decreased by $0.2 million due to fewer travel expenses during the current period. Legal and accounting fees of $1.1 million (2020 - $1.3 million) decreased by $0.2 million as there were additional legal fees in Q1 2020 as part of the sale of Sandbox.

Alaris incurred $1.9 million of transaction diligence costs during the three months ended March 31, 2021 (2020 - $2.0 million), which was consistent with the diligence costs in Q1 2020.

For the three months ended March 31, 2021, Alaris incurred unit-based compensation expenses of $1.5 million (2020 - $0.7 million), an increase of $0.8 million or 114.3%. The significant increase versus to the prior year comparable period is due to certain performance thresholds being met with regards to the employee RTUs that vested during Q1 2021.

Reconciliation of Net Income to Normalized EBITDA ($ thousands)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Earnings / (Loss)	**$ 22,646**	**$ (42,662)**
Adjustments to Net Income:		
Depreciation and amortization	75	77
Finance costs	5,621	4,754
Income tax expense	5,771	(11,622)
EBITDA	**$ 34,113**	**$ (49,453)**
Normalizing Adjustments:		
Realized gain on investment	-	(11,603)
Unrealized (gain) / loss on investments at fair value	(5,534)	96,527
Transaction diligence costs	1,902	1,977
Distributions received on redemption (SBI)	-	(9,176)
Unit-based compensation re-valuation	495	-
Bad debt recovery	(4,030)	-
Unrealized (gain) / loss on foreign exchange	1,845	(6,993)
Normalized EBITDA	**$ 28,791**	**$ 21,279**

Earnings in the three months ended March 31, 2021 was $22.6 million, compared to a loss of $42.7 million in the comparable prior year period. The loss in Q1 2020 was due to the net decrease in the investments at fair value of $84.9 million, due to the anticipated impact of COVID-19 on Alaris' Partners at that time. As the majority of Alaris' Partners recovered throughout 2020, a sizeable portion of this write-down was eventually reversed ($43.4 million) as the total net decrease in investments at fair value for the year ended December 31, 2020 ended up being $41.5 million. The majority of this was the write-down of the fair value of the Providence units of $31.9 million, as their business was impaired permanently due to the impact from COVID-19 and they ceased operations in Q4 2020.

In Q1 2021 Alaris recorded EBITDA of $34.1 million and Normalized EBITDA of $28.8 million, compared to a negative EBITDA of $49.5 million and Normalized EBITDA of $21.3 million each in the prior year period, respectively. The 35.2% increase in Normalized EBITDA is mainly due to the additional revenue from the Trust's new investments and follow-on investments, that Alaris have made over the last twelve months. This increase is also due to the removal of the SBI distributions from Normalized EBITDA in Q1 2020 as these were made as part of their redemption.

OUTLOOK

The last twelve months were an incredibly productive period of capital deployment for Alaris as the total invested in the period was approximately $350 million. This included new investments in Carey Electric, Edgewater, FNC, Brown & Settle and 3E, as well as follow-on contributions into current Partners (GWM, BCC and Accscient). This increased level of capital deployment for Alaris, along with consistently positive results amongst the majority of our current portfolio, is contributing to the Run Rate Revenue of approximately $135.4 million over the next twelve months. This includes current contracted amounts, an aggregate $2.0 million of common dividends, agreed upon partial distributions of US$0.33 million per month from PFGP and no distributions from ccComm. PFGP plans to resume full distributions beginning in July 2021 as long as they are compliant with bank covenants. This would add $6.8 million to Run Rate Revenue and reduce the Run Rate Payout Ratio by approximately 4%. Alaris expects total revenue from its Partners in Q2 2021 of approximately $33.8 million.

Annual general and administrative expenses are currently estimated at $12.5 million and include all public company costs. The Trust's Run Rate Payout Ratio is expected to be within a range of 65% and 70% when including run rate distributions, overhead expenses and its existing capital structure. The table below sets out our estimated Run Rate Cash Flow alongside the after-tax impact of additional PFGP distributions, positive net deployment and the impact of every $0.01 change in the USD to CAD exchange rate.

Run Rate Cash Flow *($ thousands except per unit)*		**Amount ($)**	**$ / Unit**
Revenue		**$ 135,400**	**$ 3.01**
General & Admin.		(12,500)	(0.28)
Interest & Taxes		(42,700)	(0.95)
Free cash flow		**$ 80,200**	**$ 1.78**
Annual Distribution		55,800	1.24
Excess Cash Flow		**$ 24,400**	**$ 0.54**
Other Considerations (after taxes and interest):			
PFGP	Full distributions of US$9.4 million per year	+5,103	+0.11
New Investments	Every $50 million deployed @ 14%	+3,188	+0.07
USD to CAD	Every $0.01 change of USD to CAD	+/- 800	+/- 0.02

The senior debt facility was drawn to $312.3 million at March 31, 2021, with the capacity to draw up to another $80.7 million based on covenants and credit terms. The annual interest rate on that debt, inclusive of the standby charges on available capacity, was approximately 3.8% for the three months ended March 31, 2021.

The Trust's Run Rate Payout Ratio does not include new potential deployment opportunities. However, Alaris expects to maintain our track record of net positive capital deployment as a result of the demand for Alaris' capital which continues to fill a niche in the private capital markets.

Common Equity Investments

Alaris has added the inclusion of a minority common equity position in some of its Partners to its investment strategy. Common equity investments are assessed on each individual opportunity, won't appear in every new Partner and will be only a small portion of total capital invested. Alaris management believes this feature will facilitate access to more transactions as well as an opportunity to participate in greater upside of certain partnerships. Additionally, in most of the situations where Alaris owns common equity, there is an expectation of a current yield by way of discretionary common dividends or distributions consistent with past practices in the business, and as cash flows allow. The Run Rate Revenue includes a conservative estimate for common equity dividends or distributions from the Partners based on past practices and each Partner's forecasted cash flows for 2021.

As outlined above in the table summarizing distributions from Partners during the three months ended March 31, 2021, there were $0.4 million of common equity distributions from FNC. There are also common dividends or distributions expected, as cash flows allow, on an annual basis from Amur, Carey Electric and Edgewater. In the fiscal year 2020, common dividends and distributions were received from Amur and Carey Electric totalling $1.1 million. The other two common equity investments, PFGP and Brown & Settle, are focused on growth and reinvestment in the short-term period, through which Alaris expects to increase its common equity value over time rather than cash distributions. Across all six of the investments in which Alaris owns a common equity position, the pre-tax free cash flow yield is approximately 10.0%.

Below is a table summarizing the Alaris common equity investments, comparing the common equity value at each period end as well as to the initial amount contributed.

Investment ($ thousands)	Common Equity Fair Value as at:		Initial Invested	Invested Since
	Mar 31 2021	Dec 31 2020		
Amur	CA $20,500	CA $20,500	CA $20,500	Jun-19
PFGP	US $15,144	US $15,144	US $17,343	Jul-19
Carey Electric	US $900	US $900	US $900	Jun-20
Edgewater	US $3,450	US $3,450	US $3,450	Dec-20
FNC	US $7,850	n/a	US $7,850	Jan-21
Brown & Settle	US $12,300	n/a	US $12,300	Feb-21
Total (CAD)	$ 70,503	$ 45,419		
Total Alaris investments	$ 1,048,538	$ 880,512		
As a percentage of total	6.7%	5.2%		

Private Company Partner Update

Through its subsidiaries, the Trust's investment in each of the Partners consists of a preferred partnership interest, preferred equity interest, or loans, with a return generated from distributions that are adjusted annually based on a formula linked to a top-line metric (i.e. sales, gross profit, same store sales) rather than a residual equity interest in the net earnings of such entities. Alaris has no involvement in the day to day business of each Private Company Partner and has no rights to participate in normal course management decisions. Alaris does not have any significant influence over any of the Partners nor does it have the ability to exercise control over such Partners except in limited situations of uncured events of default. Instead, Alaris has certain restrictive covenants in place designed to protect the ongoing payment of preferred distributions to Alaris. In addition, the Partners are required to obtain the consent of Alaris in certain circumstances prior to entering into a material transaction or other significant matters outside the normal course of business. Such transactions include, without limitation, acquisitions & divestitures, major capital expenditures, certain changes in structure, certain changes in executive management, change of control and incurring additional indebtedness or amending existing debt terms.

Included in the summary table below is each Partners' Earnings Coverage Ratio ("**ECR**"). Because this information other than with respect to fiscal year end is based on unaudited information provided by Private Company Partner management, each ECR, based on the most current information for the trailing twelve months, will be identified as part of a range. The ranges are: less than 1.0x, 1.0x to 1.2x, 1.2x to 1.5x, 1.5x to 2.0x and greater than 2.0x. A result greater than 1.0x is considered appropriate and the greater the number is, the better the ratio. Alaris notes that these ECRs are based on historical results, which includes impacts from COVID-19.

Description: Alaris' investment thesis is to generally partner with companies that have:

(i) A history of success (average age of partners is approximately 25 years)

- Offer a required service or products in mature industries;
- Low risk of obsolescence; and
- Non-declining asset bases.

(ii) Proven track record of free cash flow

(iii) Low levels of debt – reduced leverage minimizes risk from business fluctuations and allows for additional free cash flow to remain in the business to support growth and distributions to Alaris and common equity owners.

(iv) Low levels of capital expenditures required to maintain/grow a business – Our partners are typically not required to reinvest much of their cash flow back into their operations as they are typically asset light businesses with minimal equipment requirements.

(v) Management continuity and quality management teams - Alaris has invested in 36 partners since inception, exited our investment in sixteen partners over that time with eleven yielding highly positive results displayed by a total return of 57% and a median IRR of 20%.

Contribution History: Alaris has invested over $1.8 billion into 36 partners and over 75 tranches of financing, including an average of approximately $170 million over the past five fiscal years (2016 – 2020). During the three months ended March 31, 2021, Alaris has already deployed in excess of this annual average of $170 million.

Performance: Alaris discloses an ECR to provide information on the financial health of our partners. Alaris has eight partners with an ECR greater than 2.0x (BCC, FED, Fleet, FNC, Kimco, Stride, SCR and Unify), seven in the 1.5x-2.0x range (Amur, Brown & Settle, Carey Electric, DNT, GWM, Heritage and LMS), three between 1.2x-1.5x (3E, Accscient and Edgewater), one between 1.0x-1.2x (PFGP) and one less than 1.0x (ccComm).

Capital Structure: As a preferred equity investor, we have contributed capital into a diverse group of capital structures and we pride ourselves on achieving the optimal capital structure for our Partners so both Alaris and our Partners benefit. Of our existing portfolio, ten of our twenty have no debt, three partners have less than 1.0x Senior Debt to EBITDA and seven partners have debt greater than 1.0x Senior Debt to EBITDA on a trailing twelve months basis.

Reset: The annual Distribution reset is another feature of our capital which we view as win-win. It aligns our interest with our Partners while providing the majority of the upside to the entrepreneurs who create the business value. Based on unaudited results from each of its Partners, Alaris estimates the weighted average performance metric reset of the annual distributions to be approximately 1% effective January 2021, resulting in approximately $1.0 million of organic revenue growth.

The following is a summary of each of the Partners recent financial results. The below table outlines the date the original contribution to each Partner was made, investment type, the total invested to date (net of any partial redemptions since the initial investment), Run Rate Distributions for the next twelve months, ECR range for the most recent trailing twelve month periods received, year-to-date changes in revenue and EBITDA compared to the comparable period in 2020 (1) and the unrealized gains or losses to the investments at fair value for the three months ended March 31, 2021. See the table below for additional relevant information on each Partner that has occurred during the three months ended March 31, 2021. Unless specifically discussed within each Partner update, the ECR range outlined below is consistent with the prior quarterly disclosure.

Partner	Original Investment Date	Investment Type	Current Total Invested (000's)	Run Rate Distributions (000's)	As a % of total	ECR Range	Year-to-date changes in:		Fair Value Changes
							Revenue	EBITDA	Three Months
3E	Feb 2021	Preferred	US $22,500	US $3,150	3%	1.2x - 1.5x	↔	↔	No change
Accscient	Jun 2017	Preferred	US $46,000	US $6,885	7%	1.2x - 1.5x	↑	↑	No change
Amur	Jun 2019	Preferred & Common	CA $70,000	CA $6,110	5%	1.5x - 2.0x	↓	↓	No change
BCC	Sep 2018	Preferred	US $66,000	US $8,997	9%	> 2.0x	↑	↑	No change
Brown & Settle	Feb 2021	Preferred, Debt & Common	US $66,000	US $7,518	7%	1.5x - 2.0x	↔	↔	No change
Carey Electric	Jun 2020	Preferred & Common	US $17,000	US $2,415	2%	1.5x - 2.0x	↑	↑	No change
ccComm	Jan 2017	Preferred	US $19,200	US $ -	0%	< 1.0x	↓	↑	No change
DNT	Jun 2015	Preferred	US $62,800	US $10,803	10%	1.5x - 2.0x	↑	↑	No change
Edgewater	Dec 2020	Preferred & Common	US $34,000	US $4,277	4%	1.2x - 1.5x	↔	↔	No change
FED	Jun 2015	Preferred & Debt	US $67,000	US $11,334	11%	> 2.0x	↑	↑	US +$900
FNC	Jan 2021	Preferred & Common	US $40,000	US $4,501	4%	> 2.0x	↑	↑	No change
Fleet	Jun 2018	Preferred	US $10,000	US $1,573	2%	> 2.0x	↑	↑	No change
GWM	Nov 2018	Preferred & Debt	US $101,000	US $12,144	12%	1.5x - 2.0x	↓	↓	US +$1,300
Heritage	Jan 2018	Preferred	US $15,000	US $2,376	2%	1.5x - 2.0x	↔	↑	No change
Kimco	Jun 2014	Preferred	US $34,200	US $4,695	5%	> 2.0x	↑	↑	US +$2,200
LMS	Feb 2007	Preferred	CA $54,000 & USD $4,400	CA $8,501	6%	1.5x - 2.0x	↓	↓	No change
PFGP	Nov 2014	Preferred & Common	US $92,500	US $4,000	4%	1.0x - 1.2x	↓	↓	No change
SCR	May 2013	Preferred	CA $40,000	CA $4,200	3%	> 2.0x	↔	↔	No change
Stride	Nov 2019	Preferred	US $6,000	US $790	1%	> 2.0x	↔	↔	No change
Unify	Oct 2016	Preferred	US $25,000	US $3,413	3%	> 2.0x	↔	↓	No change

Note 1: The year-to-date changes in Revenue and EBITDA are based on unaudited information provided by management of each Private Company Partner and are summarized here based on being either relatively consistent or whether or not they've increased or decreased, when compared against the same period in 2020. Due to the impact of COVID-19 during 2020 on select partners, these year-to-date changes are expected to improve throughout the remainder of 2021and the changes noted above are not necessarily indicative of Alaris' expectations for potential positive or negative 2022 distribution resets.

PARTNER UPDATES

***3E* – Utility service provider working on critical infrastructure throughout Southeastern and Midwest U.S.**

- 3E is a utility service provider that installs, inspects, maintains and replaces critical infrastructure (primarily natural gas utilities) for blue-chip, investor-owned utility companies. 3E operates under two entities: Benton Georgia and Pipe Strong, with operations across nine states in the Southeastern and Midwestern United States. 3E's business is well positioned to benefit from maintaining and replacing the aging natural gas utility network in the United States. 3E's services relate only to regulated entities. 3E does not provide services for natural gas exploration, production or mid-stream operations.
- On February 22, 2021, Alaris contributed US$22.5 million into 3E subsequent to December 31, 2020 in exchange for preferred equity. Alaris also contributed an additional US$7.5 million to an escrow account to then be funded to 3E in two additional tranches once certain performance targets are met. Alaris is entitled to an initial annual Distribution of US$3.2 million on the initial contribution of US$22.5 million, which equates to a 14% yield. Each additional tranche will also yield Distributions of 14%, once issued. 3E will pay Alaris' interest expense on the escrowed funds until they are released in order to offset the borrowing cost to Alaris. The distribution from 3E will reset +/- 6% annually based on change in gross profit, with the first reset commencing in January 2022.

***Accscient* – IT staffing, consulting and outsourcing services throughout the United States**

- On February 18, 2021, Alaris contributed an additional US$8.0 million into Accscient in exchange for preferred equity with an initial yield of 14.3%, or approximately US$1.1 million on an annualized basis. This represents the fourth follow-on contribution to Accscient since the initial investment was made in June 2017, bringing the total invested to US$46.0 million following this contribution.
- The fair value of the Accscient units at March 31, 2021 is US$46.9 million. The reset on the Accscient units at January 1, 2021 (not inclusive of the US$8.0 million contribution in February 2021) is estimated to be +3% based on the change in gross profit and on unaudited results for the year ended December 31, 2020.

***Amur Financial Group* – Mortgage Originations and Asset Management in Canada**

- No changes for the fair value of the Amur preferred or Amur common units in the three months ended March 31, 2021. The fair value of the Amur preferred units remains at $50.0 million and the Amur common units at $20.5 million.
- The Amur Distribution reset for the first time on January 1, 2021 and it was a negative reset of 6%, based on the change in revenue from Amur's unaudited results for the year ended December 31, 2020.

***Body Contour Centers* – cosmetic surgery practice across the United States with over 40 locations**

- No changes for the fair value of the BCC units in the three months ended March 31, 2021, the fair value remains at US$65.6 million. The reset for the original BCC contribution of US$46.0 million at January 1, 2021 was a negative 6%, based on unaudited results for the year ended December 31, 2020 and the change in their same store sales, which was negatively impacted by mandatory closures from March until June 2020.
- Alaris has a commitment to fund an additional US$25.0 million and the funding of which is based on BCC reaching certain EBITDA and ECR thresholds, timing of which is still to be determined.

<u>Brown & Settle</u> – full-service large-parcel site development contractor, based in the Mid-Atlantic region of the U.S.

- Brown & Settle is a large-parcel site development contractor that was founded in 2003 and is headquartered in Northern Virginia, the largest data center market in the world. Brown & Settle's comprehensive suite of services includes excavation, clearing, rock blasting, concrete, paving and utility installation in the Mid-Atlantic region in the United States. Brown & Settle has established itself as one of the top providers of site development services for data centers, working on projects for the large hyperscalers in the data center market.
- On February 9, 2021, Alaris contributed a total of US$66.0 million into Brown & Settle, which consisted of: an aggregate of US$53.7 million of combined subordinated debt and preferred equity and US$12.3 million in exchange for a minority common equity ownership of the company. The initial annualized distribution on the subordinated debt and preferred equity investments is US$7.5 million, which equates to a pre-tax yield of approximately 14%. Commencing on January 1, 2022, the Brown & Settle distribution will be adjusted annually based on the percentage change in gross revenue, subject to a collar of +/-6%.

<u>Carey Electric</u> – Electrical Contracting in Illinois

- No changes for the fair value of the Carey Electric preferred units or the Carey Electric common units during the three months ended March 31, 2021, the fair value of the preferred units remains at US$16.1 million and the common at US$0.9 million. The Carey distribution will reset +/- 5% annually based on the change in revenue, with the first reset commencing in January 2022.
- Based on Carey Electric's historical practice of paying dividends on its common equity, Alaris expects to receive dividends on its US$0.9 million common equity investment on an annual basis as cash flows permit. In 2020, Alaris received a common dividend for US$0.4 million, declared at the end of their fiscal year after our initial investment was made in June 2020.

<u>ccComm</u> – T-Mobile Retailer with approximately 50 locations throughout the Northwest and Central United States

- No change to the fair value of the ccComm units during the three months ended March 31, 2021, as the fair value remains at US$3.8 million.
- ccComm continue to monitor cash flows and manage their working capital as restrictions in the states in which they operate loosen and more consumer spending improves. Alaris continues to work closely with ccComm's management in determining the opportune time to restart Distributions, but as at March 31, 2021 there are still no distributions from ccComm included in Run Rate Revenue. Distributions will be recorded as revenue as received.

<u>DNT</u> – Civil Construction Contractor in Austin and San Antonio, Texas

- No change to the fair value of the DNT units during the three months ended March 31, 2021, as the fair value remains at US$60.4 million. The remaining DNT units include contributions of US$40.0 million of permanent units and US$22.8 million of redeemable units.
- Based on DNT's audited financial statements for the year ended December 31, 2021, the DNT reset for 2021 Distributions would be a negative 6%; however, as previously disclosed in the Trust's 2020 Management Discussion and Analysis, the Distributions in 2020 and 2021 were kept flat each year to alleviate potential liquidity concerns at the onset of the COVID-10 pandemic rather than being 6% higher in 2020 and then down 6% in 2021. The DNT units will reset again January 1, 2022, based on the change in gross revenue.

Edgewater – Professional and technical services firm supporting the U.S Department of Energy

- Founded in 2003, Edgewater is a professional and technical services firm primarily supporting U.S. Department of Energy and private sector businesses involved in high-hazard or complex operations through the provision of staff augmentation support in specialty areas such as nuclear operations, nuclear safety basis, multidisciplinary engineering, regulatory compliance, waste management, environmental remediation, maintenance, work control, waste transportation and decommissioning and closure activities. Originally founded to support the Los Alamos National Laboratory, Edgewater now supports operations across the United States and Canada.
- Alaris contributed US$34.0 million into Edgewater in December 2020 consisting of US$30.6 million of preferred equity and US$3.4 million in exchange for a minority ownership of the common equity. The initial annual Distribution on the preferred equity is US$4.3 million, which equates to an initial 14% yield. The Edgewater distribution will reset +/-6% annually based on the change in gross profit, with the first reset commencing January 1, 2022. Based on Edgewater's historical practice of paying dividends on its common equity, Alaris expects to receive dividends on an annual basis, as cash flows permit.

Federal Resources – distributor of products, services and training to the U.S. defence and homeland security

- In addition to executing on its traditional core business, FED has continued to be awarded and perform numerous material contracts to supply personal protective equipment ("PPE") into early 2021. The impact to FED's financials continues to be substantially positive given the enhanced demand for PPE, which has led to Alaris increasing the fair value of the FED units by US$0.9 million during the three months ended March 31, 2021. The increase in fair value is a result of these positive results from FED and the expectation for another positive reset in 2021. Based on unaudited financial statements for the year ended December 31, 2020, the reset for 2021 is a positive 6%. The resulting fair value of the units at March 31, 2021 is US$75.5 million.
- FED also continue to evaluate the possibility of a full or partial redemption of the Alaris investment, as a result of the positive results realized over their last twelve months. Nothing is imminent, nor can any redemption be assured; however, if it were to be a full redemption, the proceeds to Alaris would be between US$75.0 million and US$85.0 million. Distributions in 2021 are US$11.3 million.

Fleet Advantage – provides flexible leasing and truck lifecycle management solutions in the United States

- No change to the fair value of the Fleet units during the three months ended March 31, 2021, as the fair value remains at US$11.3 million. Based on unaudited financial statements for the year ended December 31, 2020, the Fleet distributions will reset up 6% in 2021, based on their increase in revenue year over year.

FNC Title Services – full-service title and settlement company, specializing in reverse mortgages in the U.S.

- Founded in 2007, FNC Title Services is a full-service title and settlement company specializing in reverse mortgages that operates in 49 states in the U.S. Management of FNC believes it is the only independent, nationwide player providing title and settlement services to the lenders in the reverse mortgage industry. FNC is specifically focused on meeting the title services needs of seniors through a specialized understanding of the senior citizen demographic and reverse mortgage market. FNC is involved throughout the reverse mortgage process, providing a comprehensive set of title and closing services through its highly trained reverse mortgage professionals.
- Alaris contributed US$40.0 million into FNC on January 7, 2021, consisting of US$32.2 million of preferred equity and US$7.8 million in exchange for a minority ownership of the common equity. The initial annual Distribution on the preferred equity is US$4.5 million, which equates to an initial pre-tax yield of 14%. The FNC distribution will reset +/-7% annually based on the change in gross profit, with the first reset commencing January 1, 2022.

- Based on FNC's historical practice of paying dividends on its common equity, Alaris expects to receive dividends on a regular basis throughout the year, as cash flows permit. During the period from January 7, 2021 to March 31, 2021, Alaris received US$0.3 million of common dividends in exchange for our minority position in FNC's common equity.

***GWM* – provides data-driven digital marketing solutions for advertisers globally**

- GWM's results have continued to improve each month during the second half of 2020 and into the beginning of 2021. As a result of this positive start to 2021, the GWM reset in 2022 is expected to be towards the high end of the 8% collar. This expectation for their 2022 reset has resulted in the fair value of the GWM units being increased by US$1.3 million during the three months ended March 31, 2021. The resulting fair value at quarter end is US$102.2 million.
- Based on unaudited financial statements for the year ended December 31, 2020 and GWM's change in revenue, the GWM reset for 2021 is a negative 8%.

***Heritage Restoration* –provides masonry and masonry services to commercial building industry in Massachusetts**

- No change to the fair value of the Heritage units during the three months ended March 31, 2021, as the fair value remains at US$15.2 million.
- Based on the unaudited financial statements from the year ended December 31, 2020 and the change in gross profit, Heritage's reset on the distributions in 2021 is a negative 6%.

***Kimco* – commercial janitorial services throughout the United States**

- Kimco have continued their successful 2020 into early 2021, as many clients continue needing higher margin ancillary cleaning services as COVID-19 concerns are still very prevalent. They have also been able to win a number of customers during COVID-19 that intend on continuing to require cleaning services once the COVID-19 specialized work is no longer required. The positive start to 2021 along with an expected sustained level of positive results for the remainder of the year, has resulted in an expected positive reset in 2022 and an increase in the fair value of the Kimco units during the three months ended March 31, 2021. The increase of US$2.2 million brings the fair value to US$28.7 million at March 31, 2021. Based on unaudited results for the year ended December 31, 2020, the reset for the 2021 distributions is a positive 6%.
- Based on the recent success of the company, Kimco is actively evaluating a potential partial or full redemption of the Kimco units during 2021, as well as the repayment of the outstanding promissory notes and accrued accounts receivable. Nothing is imminent, nor can any redemption be assured; however, based upon a revised formula factoring in several valuations factors, proceeds to Alaris are estimated to be between US$70.0 million and US$80.0 million.
- As a result of Kimco's continued success and increased probability of repayment, previous bad debt expense recorded of US$3.2 million on their long-term accounts receivable and promissory notes was reversed and is included as a bad debt recovery in the three months ended March 31, 2021. As outlined in Note 4 to the Trust's condensed consolidated interim financial statements for the three months ended March 31, 2021, this returns the fair value of the amounts owing on the accrued accounts receivable and the promissory notes to their original face values. Subsequent to March 31, 2021, Kimco repaid US$2.0 million of the accrued accounts receivable and US$2.0 million of the promissory notes outstanding.

***LMS* – rebar and post tensioning fabrication and installer in British Columbia, Alberta and California**

- No change to the fair value of the LMS units during the three months ended March 31, 2021, as the fair value remains at $52.5 million.

- Based on unaudited financial statements for the year ended December 31, 2020, the distributions on the LMS units are expected to have a positive reset of approximately 16%, based on the change in gross profit.

***PFGP* – Planet Fitness franchisee with over 70 fitness clubs in the United States**

- All PFGP clubs remain open and membership levels are consistently increasing week by week throughout the three months ended March 31, 2021. As of April 2021, net memberships have decreased by approximately 10% compared to pre-COVID levels in February 2020. The membership levels continue to increase due to states slowly loosening restrictions on fitness facilities, as the United States grow the number of vaccinations and U.S. COVID-19 cases fall.
- In January 2021, after PFGP, Alaris and PFGP's senior lending syndicate came to an agreed upon amendment, PFGP began to pay partial distributions to Alaris of US$0.33 million per month (US$4.0 million per annum). This amendment and these partial payments are in place until June 2021, with the intent to return to full contracted distributions beginning in July 2021, if PFGP are onside with all their senior debt covenants at that time. Alaris and PFGP have also agreed to a payment plan on all deferred distributions with payments to begin being made in January 2022. All deferred distributions as of January 1, 2022 are to be paid over the 48 months ended December 31, 2025. These arrangements require the continued recovery of the business in 2021 and maintaining covenant compliance with its senior lenders.
- No change to the fair value of the PFGP preferred units or the PFGP common units during the three months ended March 31, 2021. The fair value of the preferred units remains at US$70.4 million and the common units at US$15.1 million.
- As part of an overall commitment made in July 2019 for a total of US$8.0 million, the Trust contributed US$3.5 million in early March 2020 (US$2.8 million of additional preferred equity and an additional US$0.7 million investment in the common equity of PFGP). The remaining commitment to fund is US$3.5 million, timing of which is to be determined.

***SCR* – mining services in Eastern Canada**

- No change to the fair value of the SCR units during the three months ended March 31, 2021, as the fair value remains at $34.5 million.
- The Run Rate distributions remain at $4.2 million (total contracted amount under the original agreement for 2021 is $6.58 million, resetting up the maximum 6% from 2020). For 2021 and years forward, SCR and Alaris have agreed to a new arrangement whereby the $4.2 million in annual distributions is the base required amount and SCR will pay an additional amount semi-annually determined by the free cash flow generated, which can exceed the aforementioned $6.58 million. Based on current cash flow over the most recent twelve-month period, additional distributions to Alaris would be approximately $1.8 million, for a total of $6.0 million annually in 2021.

***Stride Consulting* – staff augmentation for code development under the Agile methodology, based in New York City**

- No change to the fair value of the Stride units during the three months ended March 31, 2021, as the fair value remains at US$6.0 million.
- Based on unaudited financial statements for the year ended December 31, 2020, Alaris is expecting a negative reset of approximately 6% on the Stride Distributions.

***Unify Consulting** – IT Consulting, based in Washington State and California*

- No change to the fair value of the Unify units during the three months ended March 31, 2021, as the fair value remains at US$25.7 million.
- Based on unaudited financial statements for the year ended December 31, 2020, the Distributions from Unify in 2021 will be resetting up 5%, the top of the collar.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2021 Alaris Equity Partners Inc. ("**AEP**"), the Trust's subsidiary, has a $400 million credit facility with a syndicate of Canadian chartered banks, which has a maturity date in November 2023 and is secured by a general security agreement on all of the Trust's assets. The interest rate is based on a combination of the CAD Prime Rate ("Prime"), Bankers' Acceptances ("BA"), US Base Rate ("USBR") and LIBOR and the applicable spread determined by the Trust's Funded Debt to Contracted EBITDA. Alaris realized an annualized blended interest rate (inclusive of standby fees) of 3.8% for the three months ended March 31, 2021.

At March 31, 2021 Alaris met all of its covenants as required by the facility. Those covenants include a maximum funded debt to contracted EBITDA of 3.0:1 (actual ratio is 2.51:1 at March 31, 2021); minimum Tangible Net Worth of $450.0 million (actual amount is $699.8 million at March 31, 2021); and a minimum Fixed Charge Coverage Ratio of 1:1 (actual ratio is 1.14:1 at March 31, 2021). The fixed charge coverage ratio at March 31, 2021 is calculated using proforma distributions, in accordance with AEP's credit amendment in June 2020. However, beginning with the June 2021 quarterly filing, the calculation will use actual distributions paid in the prior twelve months, improving the ratio from its current level at March 31, 2021 as proforma distributions include distributions on recently issued equity in the Trust's equity offerings.

At March 31, 2021, AEP had US$245.3 million and $3.0 million ($312.3 million) drawn on its credit facility (December 31, 2020 – US$180.3 million and $1.0 million, total of $231.4 million). The total drawn at March 31, 2021 of $312.3 million is reduced by $2.2 million of unamortized debt amendment and extension fees in the Trust's statement of financial position.

For the purposes of calculating covenants and total capacity on Alaris' senior credit facility, the total drawn is $319.3 million, which includes the $312.3 million noted above, as well as $7.0 million repaid during Q1 2021 with the intent to re-draw in April 2021 for Alaris' quarterly distribution payment. This short-term repayment was made during Q1 2021 for interest savings prior to being re-drawn for the distribution to unitholders. The total capacity at March 31, 2021 is $80.7 million, based on covenants and credit terms.

In March 2021, Alaris completed a bought deal short-form prospectus offering, with the total trust units being issued of 5,909,375 at a price of $16.00 per unit, for aggregate gross proceeds of $94.6 million. After deduction of the underwriters' fees and expenses of the offering, net proceeds to Alaris were $90.3 million.

In the three months ended March 31, 2021, Alaris entered into amendments with its syndicate of senior lenders increasing the base of its credit facility from $330 million to $400 million which included the addition of a seventh bank to the lending syndicate. Included in the amendment was an increase in the leverage covenant for the March 2021 and June 2021 measurement periods, from 3.0x to 3.5x for those two measurement periods. Covenants return to previous levels from September 30, 2021 onwards (maximum of 2.5:1, with the ability to increase to 3.0:1 for a period of 90 days).

In 2019, Alaris issued convertible debentures. The hybrid instrument has a face value of $100.0 million, annual interest rate of 5.5% payable semi-annually and maturity of five years from the issue date. The debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the business day immediately preceding the maturity date of June 30, 2024 and the date specified by Alaris for redemption of the debentures into fully paid and non-assessable units of Alaris at a conversion price of $24.25 per unit, being a conversion rate of approximately 41.2371 units for each $1,000 principal amount of debentures.

Holders of debentures are advised that conversions of debentures into units pursuant to the terms of the debenture indenture dated June 11, 2019 will be processed up until the date that is five business days prior to each upcoming interest payment.

Alaris declared a quarterly distribution in March 2021 at $0.31 per unit (2020 - $0.4125 per unit). Total distributions in aggregate are $13.9 million (2020 - $15.1 million).

As disclosed in its consolidated financial statements for the year ended December 31, 2020, Alaris has exposure to credit risk, other price risk, liquidity risk, and market risk, including foreign exchange risk and interest rate risk. Due to the current global economic situation, Alaris has provided updated disclosures on these risks as follows:

Credit Risk and Other Price Risk

The risks on which the Trust is exposed has not changed in the period. However, as the Trust's exposure to these risks is influenced by the individual characteristics of each Partner, this risk has changed for each Partner during the period. The carrying amount of investments, accounts receivable, promissory notes, and cash and cash equivalents continues to represent the maximum credit exposure.

Liquidity Risk

Liquidity risk is the risk the Trust will encounter difficulty in meeting the obligations associated with its financial liabilities. The most significant financial liability is that of the loans and borrowings and the convertible debenture, both of which are not due within the next twelve months. During the period, distributions from Partners continue to generate cash flows to satisfy these obligations. There is increased risk that in future periods, should these distributions decrease, that the Trust will not have sufficient liquidity to meet these liabilities. The Trust is onside with its lending covenants as previously disclosed, and currently has enough resources to satisfy those obligations becoming due within the next twelve months.

Market Risk

Market risk includes the risk that changes in market prices, such as foreign exchange rates and interest rates will impact the Trust's income or value of its financial instruments. There has been a significant impact on interest rates in the period due to the current global pandemic, and also resulting impacts on foreign exchange rates. The Trust continues to manage these risks in the same manner as those disclosed in the consolidated financial statements for the year ended December 31, 2020 through the use of derivative contracts, and does not believe its risks related to these factors have increased significantly.

Alaris had adjusted net working capital of approximately $9.2 million at March 31, 2021. Subsequent to March 31, 2021, Alaris drew $7.0 million of previously repaid debt for the purposes of paying the distribution in April 2021. Including this amount the total net working capital was approximately $16.2 million for purposes of meeting its current obligations. Under the current terms of the various commitments, Alaris has the ability to meet all current obligations as they become due.

WORKING CAPITAL

Alaris' Adjusted Net Working Capital (defined as current assets, excluding promissory notes and investment tax credits receivable, less current liabilities) at March 31, 2021 and December 31, 2020 is set forth in the tables below.

Adjusted Net Working Capital	31-Mar-21	31-Dec-20
Cash	$ 19,054	$ 16,498
Prepayments	195	177
Foreign exchange contracts	1,666	1,489
Trade and other receivables	607	804
Income taxes receivable	10,333	12,669
Total Current Assets	**$ 31,855**	**$ 31,637**
Accounts payable and accrued liabilities	8,076	5,351
Distributions payable	13,938	12,089
Office Lease	618	659
Income tax payable	-	723
Total Current Liabilities	**$ 22,632**	**$ 18,822**
Adjusted Net Working Capital	**$ 9,223**	**$ 12,815**

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition all financial instruments, including derivatives, are recognized on the balance sheet at fair value. Subsequent measurement is then based on the financial instruments being classified into one of two categories: amortized cost and fair value through profit or loss. Alaris has designated its financial instruments into the following categories applying the indicated measurement methods.

Financial Instrument	Measurement Method
Cash and cash equivalents	Amortized cost
Accounts receivables	Amortized cost
Promissory notes and other assets	Amortized cost
Investments	Fair Value or amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost
Convertible debentures	Amortized cost
Derivative contracts	Fair Value
Other long-term liabilities	Fair Value or amortized cost

Alaris will assess at each reporting period whether there is a financial asset carried at amortized cost that is impaired using the expected credit loss model. An impairment loss is included in net earnings.

Alaris holds derivative financial instruments to hedge its foreign currency exposure and variable interest rate exposure. Alaris purchases forward exchange rate contracts to match between 75% and 90% of expected quarterly distributions and expenses in Canadian dollars on a rolling 12-month basis and also for a portion of the expected distributions and expenses in Canadian dollars on a rolling 12 to 24 month basis. The fair value of the forward contracts will be estimated at each reporting date and any unrealized gain or loss on the contracts will be recognized in profit or loss. As at March 31, 2021, for the next twelve months, Alaris has total contracts to sell US$32.3 million forward at an average $1.3298 CAD. For the following twelve months, Alaris has total contracts to sell US$5.5 million forward at an average $1.2605 CAD.

Alaris has an interest rate swap that was initiated in 2019 and that expires in November 2021. The interest rate swap allows for a fixed interest rate of 1.50% in replace of LIBOR on $50.0 million notional amount of USD debt.

Alaris has the following financial instruments that mature as follows:

31-Mar-21	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	Year 3 and Thereafter
Accounts payable and accrued liabilities	$ 8,076	$ 7,223	853	$-	$-
Distributions payable	13,938	13,938	-	-	-
Office Lease	618	91	91	182	254
Other long-term liabilities	1,115	-	-	816	299
Convertible debenture	100,000	-	-	-	100,000
Loans and borrowings	310,071	-	-	-	310,071
Total	$ 433,818	$ 21,252	$ 944	$ 998	$ 410,624

Alaris has sufficient cash on hand to settle all current accounts payable, accrued liabilities, distributions payable and all scheduled interest payments on the senior debt. In the event the senior debt is not renewed beyond the agreed upon extension and principal payments become due, the debt would be refinanced, or alternatively, management expects that there would be sufficient cash flow from operations and expected Partner redemptions to meet all required repayments.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") for the Trust.

DC&P are designed to provide reasonable assurance that material information relating to the Trust is made known to the CEO and CFO by others, particularly in the period in which the annual filings are being prepared, and that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified in securities legislation, and includes controls and procedures designed to ensure that such information is accumulated and communicated to the Trust's management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. ICFR 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. The Trust follows the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework.

Management, including the CEO and CFO, does not expect that the Trust's DC&P and ICFR will prevent or detect all misstatements or instances of fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues, misstatements or instances of fraud, if any, within the Trust have been detected. There was no change to the Trust's ICFR that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Trust's ICFR.

SUMMARY OF CONTRACTUAL OBLIGATIONS

Alaris, through its subsidiaries, has an outstanding senior credit facility and convertible debentures both of which are described under "Liquidity and Capital Resources", a commitment to fund one additional contribution of US$25.0 million to BCC when specified financial metrics have been reached, which is expected to be within the next twelve months, as well as a commitment to fund PFGP an additional US$3.5 million with an exact timing of which unknown at this time and leases for office space.

Contractual Obligations	Total	< 1 year	1 – 3 years	4 – 5 years	> 5 years
Loans and borrowings	$ 310,071	$ -	$ 310,071	$ -	$ -
Convertible debenture	100,000	-	-	100,000	-
Additional contributions to BCC	31,533	31,533	-	-	-
Additional contribution to PFGP	4,415	-	4,415	-	-
Office lease	618	182	379	57	-
Total Contractual Obligations	$ 446,637	$ 31,715	$ 314,865	$ 100,057	$ -

As disclosed in Note 10 to the condensed consolidated interim financial statements for the three months ended March 31, 2021, subsequent to the sale of Sandbox in Q1 2020, AEP received a complaint (the "Complaint") from the purchasers of Sandbox concerning its disputes arising out of the sale of the Sandbox assets, which alleges damages of approximately US$37.2 million. AEP and the Trust believe the claims within the Complaint are without merit and intends to vigorously defend the case. To this end, AEP and the Trust filed Motions to Dismiss the purchasers' claims of fraud and their claim seeking arbitration regarding the working capital adjustment. AEP and the Trust has not moved to dismiss certain narrow contract breach claims. The Trust is also actively evaluating the possibility of lodging counterclaims in the matter. Based upon its knowledge of the facts of the pre-closing of Sandbox, the sale process and other advice obtained to date, no liability has been recorded in the financial statements.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Management is required to make estimates when preparing the financial statements. Significant estimates include the valuation of investments at fair value, valuation of accounts receivable and promissory notes and income taxes. Refer to the consolidated financial statements for the year ended December 31, 2020.

Alaris' transactions structured as limited partnerships are not amortized and will be assessed for objective evidence of impairment at each balance sheet date.

RECENT ACCOUNTING PRONOUNCEMENTS

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Trust's consolidated financial statements as at and for the year ended December 31, 2020.

SUMMARY OF QUARTERLY RESULTS

Amounts are in thousands except for income (loss) per unit:

In each period, an unrealized (non-cash) foreign exchange gain/loss has impacted earnings.

Quarterly Results Summary	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19
Revenue	$ 32,234	$ 31,973	$ 23,421	$ 20,203	$ 33,971	$ 30,884	$ 30,025	$ 27,401
Earnings / (loss)	$ 22,646	$ 30,847	$ 28,571	$ 3,535	$ (42,662)	$ (17,854)	$ 20,884	$ 21,967
Basic and Diluted Income	$ 0.56	$ 0.85	$ 0.80	$ 0.10	$ (1.16)	$ (0.49)	$ 0.57	$ 0.60
(loss) per Unit	$ 0.55	$ 0.84	$ 0.79	$ 0.10	$ (1.16)	$ (0.48)	$ 0.57	$ 0.60

In Q1 2021, Alaris' earnings included a total net unrealized gain on investments at fair value of $5.5 million. It also included the reversal of previously recorded credit losses related to the Kimco promissory notes and outstanding long-term accounts receivable. The total reversal of this prior impairment included in Q1 is $4.0 million.

In Q4 2020, Alaris' earnings included a total net unrealized gain on investments at fair value of $23.2 million. It also included Q2 2020 distributions from BCC that had previously been deferred as well as a one-time catch up payment in December from Kimco for the remainder of their 2020 contracted distributions, as they didn't re-start paying distributions in 2020 until Q3. In Q3 2020, Alaris' earnings included a total unrealized gain on investments at fair value of $11.9 million. In Q2 2020, Alaris' earnings were impacted negatively by the deferral of the BCC and PFGP distributions and the significant tax expense recorded, as a result of the finalization of the new U.S. tax regulations on hybrid arrangements (discussed in further detail below). These were partially offset by the net unrealized gain on investments at fair value of $8.4 million. In Q1 2020, Alaris recognized a net realized and unrealized loss from investments of $84.9 million, caused by the estimated impact that COVID-19 has had and will continue to have on our Partner's operations. This unrealized loss was the main cause of the overall loss in the period of $42.7 million. Offsetting this fair value loss was an increase in revenues mainly due to the $9.2 million of additional distributions paid by SBI at the time of their redemption in January as a result of redeeming their preferred units prior to the three-year anniversary of the investment, which would have otherwise occurred in Q3 2020.

In Q4 2019, Alaris recognized a loss on assets held for sale of $45.9 million, relating to the Sandbox sale as well as a $6.2 million reduction in the investments at fair value. These were partially offset by a $2.5 million realized gain from the Unify follow-on contribution. In Q3 2019, Alaris crystallized a gain on investments of $9.3 million upon closing the PFGP additional contribution, which was offset by a net reduction in the investments at fair value of $9.4 million, resulting in a nominal loss. In Q2 2019, Alaris received $2.0 million from a Phoenix recovery of previously recorded bad debts and Alaris recorded a $9.3 million net increase in investments in fair value.

OUTSTANDING UNITS

At March 31, 2021, Alaris had authorized, issued and outstanding, 44,962,316 voting trust units.

During the three months ended March 31, 2021, 56,542 units were issued on the vesting of RTUs and no options were granted, issued or exercised.

At March 31, 2021, 472,700 RTUs and 984,019 options were outstanding under Alaris' long-term incentive compensation plans. The outstanding options have a weighted average exercise price of $21.70 and as of March 31, 2021, all 984,019 options outstanding were out of the money.

On March 20, 2020, the Trust announced that it had received approval from the Toronto Stock Exchange ("TSX") to establish a normal course issuer bid ("NCIB") program. The NCIB commenced on March 24, 2020 and remained in effect until March 23, 2021. As of March 31, 2021, the NCIB had expired and the Trust has no current intention to launch a new NCIB. There were no additional units repurchased under this program during the three months ended March 31, 2021.

In March 2021, Alaris completed an additional bought deal short-form prospectus offering, with the total trust units being issued of 5,909,375 at a price of $16.00 per unit, for aggregate gross proceeds of $94.6 million. After deduction of the underwriters' fees and expenses of the offering, net proceeds to Alaris were $90.3 million.

As at May 6, 2021, Alaris had 44,962,316 units outstanding.

INCOME TAXES

Beginning in 2015, the Trust began receiving notices of reassessment (the "Reassessments") from the Canada Revenue Agency (the "CRA") in respect of its 2009 through 2020 taxation years to deny the use of non-capital losses, accumulated scientific research and experimental development expenditures and investment tax credits. Pursuant to the Reassessments, the deduction of approximately $121.2 million of non-capital losses and utilization of $9.1 million in investment tax credits ("ITCs") by the Trust were denied, resulting in reassessed taxes and interest of approximately $57.7 million (2020 - $55.6 million).

Subsequent to filing the original notice of objection for the July 14, 2009 taxation year, Alaris received an additional proposal from the CRA proposing to apply the general anti avoidance rule to deny the use of these deductions. The proposal does not impact the Trust's previously disclosed assessment of the total potential tax liability (including interest) or the deposits required to be paid in order to dispute the CRA's reassessments.

The Trust has received legal advice that it should be entitled to deduct the non-capital losses and claim ITCs and as such, the Trust remains of the opinion that all tax filings to date were filed correctly and that it will be successful in appealing such Reassessments. The Trust intends to continue to vigorously defend its tax filing position. In order to do that, the Trust was required to pay 50% of the reassessed amounts as a deposit to the Canada Revenue Agency. The Trust has paid a total of $20.2 million (2020 - $20.2 million) in deposits to the CRA relating to the Reassessments to date. The Trust has been reassessed with respect to ITCs of $1.5 million in 2020, that will be paid subsequent to March 31, 2021 and may be reassessed for an additional $1.0 million.

The Trust anticipates that legal proceedings through the CRA and the courts will take considerable time to resolve and the payment of the deposits, and any taxes, interest or penalties owing will not materially impact the Trust's payout ratio. The Trust firmly believes it will be successful in defending its position and therefore, any current or future deposit paid to the CRA would be refunded, plus interest.

Certain information contained herein may be considered to be future oriented financial information or financial outlook under applicable securities laws, including statements regarding expected revenues (annually and quarterly) and anticipated expenses. The purpose of providing such information in this MD&A is to demonstrate the visibility Alaris has with respect to its revenue streams, and such statements are subject to the risks and assumptions identified for the business in this MD&A, and readers are cautioned that the information may not be appropriate for other purposes. See also "Forward Looking Statement" below.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information and forward-looking statements (collectively, "forward-looking statements") under applicable securities laws, including any applicable "safe harbor" provisions. Statements other than statements of historical fact contained in this MD&A may be forward looking statements, including, without limitation: management's expectations, intentions and beliefs concerning the growth, results of operations, performance of the Trust and the Partners, the future financial position or results of the Trust, business strategy and plans and objectives of or involving the Trust or the Partners. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. In particular, this MD&A contains forward-looking statements regarding: the anticipated financial and operating performance of the Partners; the ECR for the Partners; the timing and impact of restarting or increasing Distributions from Partners not currently paying the full amount or at all; the Trust's Run Rate Payout Ratio and Run Rate Revenue; the continued deferral of PFGP's Distributions and the timing to restart full Distributions; the impact of the new investments in Carey Electric, FNC, Edgewater, Brown & Settle, 3E as well as the follow-on investments in GWM, BCC and Accscient, including, without limitation, the expected yield therefrom and the impact on the Trust's net cash from operating activities, Run Rate Revenue, Run Rate Cash Flow and Run Rate Payout Ratio; expected resets of Distributions in 2021; the Trust's consolidated expenses; expectations regarding receipt (and amount of) any common equity distributions from Partners in which Alaris holds common equity, including the impact on the Trust's net cash from operating activities, Run Rate Revenue, Run Rate Cash Flow and Run Rate Payout Ratio; the amount of the Trust's distributions to unitholders (both quarterly and on an annualized basis); the use of proceeds from the senior credit facility; the CRA proceedings (including the expected timing and financial impact thereof); potential Partner redemptions, including the timing, if at all, and amounts thereof; annualized net cash from operating activities; Run Rate Revenue and Run Rate Cash Flow; changes in Distributions from Partners; the proposed resolutions to outstanding issues with certain Partners; the restart of Distributions from any partners not currently paying a Distribution or increasing the level of Distribution where a Partner is paying less than the full contracted amount; the timing for collection of deferred or unpaid Distributions; impact of new deployment; Alaris' ability to deploy capital to and attract new private businesses to invest in and restarting Distributions from Partners not paying full contractual amounts. To the extent that any forward-looking statements herein constitute a financial outlook or future oriented financial information (collectively, "**FOFI**"), including estimates regarding revenues, expenses, distributions to be paid, the impact of capital deployment and changes in Distributions from Partners (including expected resets, restarting full or partial Distributions and common equity distributions), Run Rate Payout Ratio, Run Rate Cash Flow and net cash from operating activities, they were approved by management as of the date hereof and have been included to assist readers in understanding management's current expectations regarding Alaris' financial performance and are subject to the same risks and assumptions disclosed herein. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. Readers are cautioned that the assumptions used in the preparation of forward-looking statements, including FOFI, although considered reasonable at the time of preparation, based on information in Alaris' possession as of the date hereof, may prove to be imprecise. In addition, there are a number of factors that could cause Alaris' actual results, performance or achievement to differ materially from those expressed in, or implied by, forward looking statements and FOFI, or if any of them do so occur, what benefits the Trust will derive therefrom. As such, undue reliance should not be placed on any forward-looking statements, including FOFI.

By their nature, forward-looking statements require Alaris to make assumptions and are subject to inherent risks and uncertainties. Assumptions about the performance of the Canadian and U.S. economies over the next 24 months and how that will affect Alaris' business and that of its Partners (including, without limitation, the ongoing impact of the COVID-19) are material factors considered by Alaris management when setting the outlook for Alaris. Key assumptions include, but are not limited to, assumptions that: the Canadian and U.S. economies will continue to recover from the ongoing economic downturn created by the response to COVID-19 within the next twelve months; interest rates will not rise in a material way over the next 12 to 24 months, that those Partners detrimentally affected by COVID-19 will recover from the pandemic's impact and return to their pre-COVID-19 operating environments; following a recovery from the COVID-19 impact, the businesses of the majority of the Partners will continue to grow; more private companies will require access to alternative sources of capital; the businesses of new Partners and those of existing partners will perform in line with Alaris' expectations and diligence; and that Alaris will have the ability to raise required equity and/or debt financing on acceptable terms. Management of Alaris has also assumed that that the Canadian and U.S. dollar trading pair will remain in a range of approximately plus or minus 15% of the current rate over the next 6 months. In determining expectations for economic growth, management of Alaris primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies as well as prevailing economic conditions at the time of such determinations.

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward looking statements contained herein include risks relating to: the ongoing impact of the COVID-19 pandemic on the Trust and the Partners (including, without limitation how many Partners will experience a slowdown or closure of their business and the length of time of such slowdown or closure); management's ability to assess and mitigate the impacts of

COVID-19; the dependence of the Trust on the Partners; risks relating to the Partners and their businesses; reliance on key personnel; general economic conditions, including the ongoing impact of COVID-19 on the Canadian, U.S. and global economies; failure to complete or realize the anticipated benefits of transactions; limited diversification of Alaris' transactions; management of future growth; availability of future financing; inability to close new partner contributions in a timely fashion on anticipated terms, or at all; competition; government regulation; leverage and restrictive covenants under credit facilities; the ability of the Partners to terminate (by way of a redemption) the various agreements with Alaris or a material portion of Alaris investment; an inability to redeploy any redemption proceeds in a timely fashion or at all; a failure to collect proceeds on a redemption in line with expectations or at all; unpredictability and potential volatility of the trading price of the units; fluctuations in the amount of cash distributions; income tax related risks; ability to recover from the Partners for defaults under the various agreements with Alaris; potential conflicts of interest; dilution; changes in the financial markets; risks associated with the Partners and their respective businesses; a change in the ability of the Partners to continue to pay Alaris at expected Distribution levels or restart Distributions (in full or in part); a failure to collect material deferred Distributions; a material change in the operations of a Partner or the industries in which they operate; a failure to realize the benefits of any concessions or relief measures provided by Alaris to any Partner or to successfully execute an exit strategy for a partner where desired; a failure to obtain by the Trust or the Partners required regulatory approvals on a timely basis or at all; changes in legislation and regulations and the interpretations thereof; litigation risk associated with the CRA's reassessment and the Trust's challenge thereof; and material adjustments to the unaudited internal financial reports provided to Alaris by the Partners. The information contained in this MD&A, and Alaris' annual management discussion and analysis for the year ended December 31, 2020, identifies additional factors that could affect the operating results and performance of the Trust. Without limitation of the foregoing assumptions and risk factors, the forward looking statements in this MD&A regarding the revenues anticipated to be received from the Partners and the Trust's general and administrative expenses are based on a number of assumptions including no adverse developments in the business and affairs of the Partners that would impair their ability to fulfill their payment obligations to the Trust and no material changes to the business of the Trust or current economic conditions that would result in an increase in general and administrative expenses.

The Trust has included the forward-looking statements and FOFI in order to provide readers with a more complete perspective on Alaris' future operations and such information may not be appropriate for other purposes. The forward-looking statements, including FOFI, contained herein are expressly qualified in their entirety by this cautionary statement. Alaris disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A and Alaris does not undertake or assume any obligation to update or revise such statements to reflect new events or circumstances except as expressly required by applicable securities legislation.

ADDITIONAL INFORMATION

Additional information relating to Alaris, including Alaris' Annual Information Form, is on available on SEDAR at www.sedar.com or under the "Investors" section of Alaris' website at www.alarisequitypartners.com.