ALARIS
EQUITY PARTNERS INCOME TRUST

ANNUAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2021

www.alarisequitypartners.com

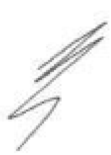
President's Message

The momentum that started in the second half of 2020 continued on throughout 2021 as we had sustained success in deploying capital in an extremely competitive environment. Going back 18 months, Alaris has now deployed more than $500 million into both new partners as well as helping our current partners grow and we have done this without sacrificing on our return expectations. On just a cash yield basis, we are receiving more than a 13% return on our preferred equity holdings and while the common equity holdings that we have are contributing a lower cash yield, the capital appreciation we expect on those investments will help our overall return profile going forward.

In 2021 it also marked our 12th straight year of positive overall partner resets on our preferred distributions. An overall increase of 2.4% is a solid number but the underlying portfolio is showing stronger numbers than that, considering that our one un-collared investment, LMS, saw an approximate 18% year over year decrease in gross profit. Excluding LMS, the rest of the portfolio is expected to have a net positive reset of approximately 4%. With 12 straight years of organic growth, a dynamic growth engine provided by accretive deployment and an all-time low 65% Run Rate Payout Ratio[1], we offer a secure and growing cashflow stream to our unitholders that we are very proud of.

Looking forward, the network of advisors that show us new opportunities as well as the reputation that we have earned over the last 18 years continues to generate excellent choices for us as we look to expand our business. Our structure presents us with opportunities in a very unique asset class that competitors have a difficult time penetrating.

Thank you to our partners, board of trustees, service providers and most importantly our incredible team of employees at Alaris for another record year.



Steve King
CEO

1. "Run Rate Payout Ratio" is a Non-GAAP financial ratio that refers to Alaris' total distribution per unit expected to be paid over the next twelve months divided by the free cash flow per unit. Run Rate Payout Ratio is a useful metric for Alaris to track and to outline as it provides a summary of the percentage of the free cash flow that can be used to either repay senior debt during the next twelve months and/or be used for additional investment purposes.

About Alaris

The Trust provides alternative financing for a diversified group of private businesses ("Private Company Partners") in exchange for distributions, dividends and interest (“**Distributions**”) from the Private Company Partners, with the principal objective of generating stable and predictable cash flows for distribution payments to its unitholders. Distributions from the Private Company Partners are adjusted each year based on the percentage change of a "top line" financial performance measure such as gross revenue, gross margin or same-store sales and rank in priority to the owners' common equity position.

Objective & Strategy

Alaris is dedicated to creating long-term value for its unitholders.

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 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 profit, same store sales or other similar “top-line” performance measures. Alaris’ preferred equity investments can also appreciate through the reset metric and typically include a premium upon exit or redemption. In certain situations, Alaris also invests through owning a minority common equity position in our Partners and participates in the growth and distributions or dividends in proportion to our ownership percentage. Alaris has limited general and administrative expenses with only sixteen employees.

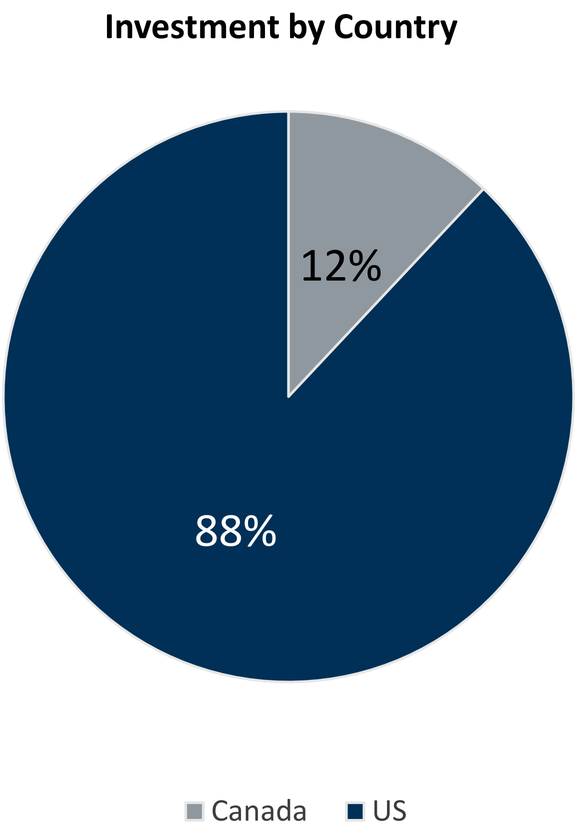
Our goal is to continue to diversify and increase our revenue streams by adding a select few new Partners each year in addition to providing follow-on capital to our existing Partners. Within our current revenue streams we aim to generate organic growth of 3-5% per year.

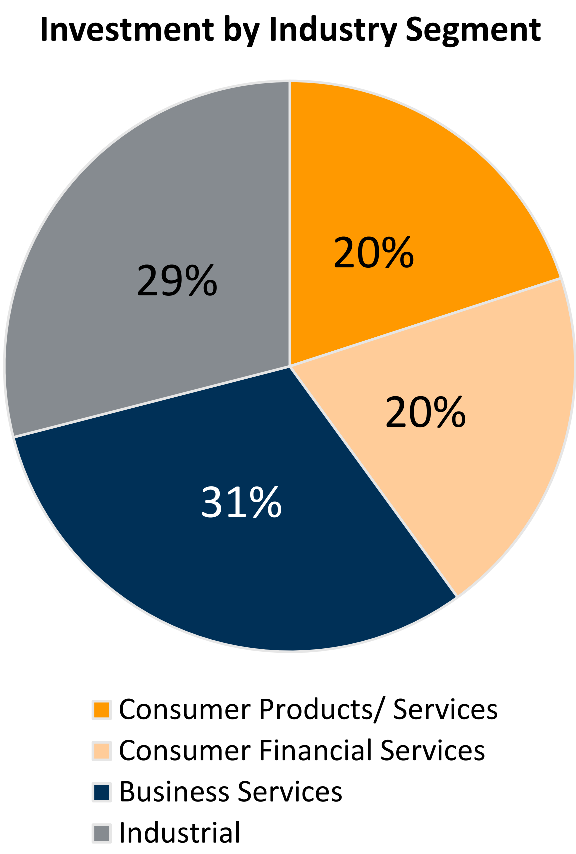
Board of Trustees

Investment Summary

Alaris has approximately 88% of its fair value of investments in US based companies.

Today our invested dollars are exposed to the following industry sectors: 31% to business services; 29% to industrials; 20% to consumer products and services; and 20% consumer financial services.





Private Company Partner Summaries

all dollar values in this table US$(000's) as of March 20, 2022.

PARTNER	Partner Since	Current Distribution	Amount Invested	Collar
3E	February 2021	$5,648	$39,500	+/-6%
Accscient	June 2017	$7,200	$46,000	+/-5%
Body Contour Centers	Sept. 2018	$21,200	$156,000	+/-6%
Brown & Settle	February 2021	$7,969	$53,700 (preferred) $12,700 (common)	+/-6%
Carey Electric	June 2020	$2,009	$14,100 (preferred) $900 (common)	+/-5%
DNT	June 2015	$11,017	$62,800	+/-6%
D&M	June 2021	$9,380	$67,000 (preferred) $7,500 (common)	+/-7%
Edgewater Technical Associates	December 2020	$4,020	$30,550 (preferred) $3,450 (common)	+/-6%
Fleet Advantage	June 2018	$3,780	$27,000 (preferred) $8,000 (common)	+/-6%
FNC Title Services	January 2021	$4,816	$32,150 (preferred) $7,850 (common)	+/-7%
GWM Holdings	Nov. 2018	$9,138	$76,000 (preferred & debt) $30,000 (common)	+/-8%
Heritage Restoration	Jan. 2018	$2,519	$15,000	+/-6%
Kimco	June 2014	$4,762	$34,200	+/-6%
PFGP	Nov. 2014	$12,220	$75,200 (Preferred) $17,300 (Common)	+/-5%
Stride	Nov. 2019	$759	$6,000	+/- 6%
Unify	Oct. 2016	$3,583	$25,000	+/-5%
	Total US$	**$110,020**	**$847,900**	

all dollar values in this table CDN$(000's) as of March 20, 2022.

PARTNER	Partner Since	Current Distribution	Amount Invested	Collar
Amur	June 2019	$6,477	$50,000 (preferred & debt) $20,000 (common)	+/- 6%
LMS	Apr. 2007	$7,060	$59,800	No collar
SCR	May 2013	$5,200	$40,000	+/-6%
	Total CDN$	**$18,737**	**$169,800**	

2021 Financial Highlights

- Revenue of $37.6 million and cash generated from operating activities of $34.5 million in the fourth quarter of 2021 represent 18% and 29% increases respectively, as compared to the same period in 2020. On a per unit basis, revenue of $0.83 represents a 5.7% decrease and cash generated from operating activities of $0.76 represents a 4.1% increase, both as compared to Q4 2020;

- Full year 2021 revenue of $147.7 million and cash generated from operating activities of $124.7 million represent 35% and 44% increases each, as compared to 2020. On a per unit basis, revenue of $3.36 and cash generated from operating activities of $2.83 are each up by 10.9% and 17.9% compared to 2020;

- Capital deployment of $92.9 million in the quarter and $357.8 million in the year resulted in a record year of deployment for Alaris in 2021. This annual deployment is expected to generate additional annualized preferred distributions of approximately $41.7 million, or $0.92 per unit, in addition to common distributions if declared, as $51.0 million of the total $357.8 million invested was in exchange for minority common equity positions in certain Alaris Partners;

- Alaris is expecting an overall positive reset of approximately 2.4% for preferred distributions that are resetting in 2022, resulting in additional Run Rate Revenue[2] of $2.6 million or $0.06 per unit;

- The weighted average combined Earnings Coverage Ratio[3] for Alaris' Partners has increased further and is now above 1.8x for the year ended December 31, 2021, with fifteen of nineteen Partners greater than 1.5x;

- Alaris had a $63.2 million net increase in fair value of investments in 2021, resulting in a Book Value per unit of $17.47 at December 31, 2021 as compared to $15.51 at the end of 2020, an improvement of 12.6%;

- Subsequent to December 31, 2021, the Trust completed a $65.0 million bought deal offering of senior unsecured debentures at a price of $1,000 per debenture. The offering closed on February 4, 2022 and the debentures will bear interest at a rate of 6.25% per annum, with a maturity date of March 31, 2027. The net proceeds to Alaris after underwriters' fees and expenses was approximately $62.0 million, which was used to repay senior indebtedness;

- For 2021 Alaris realized an Actual Payout Ratio[4] of 53%, thereby generating approximately $49 million of excess cash that was used for a combination of follow-on investments and repaying senior debt; and

- Alaris reduced its outstanding senior debt to $265 million as of the date of this release of Alaris' financial statements for the year, ended December 31, 2021, which was March 9, 2022, with approximately $135 million of available capacity based on covenants and credit terms.

For more information, please view our Investor Presentation found on our website under Presentations & Events: https://www.alarisequitypartners.com/investors.

Non-GAAP and Other Financial Measures

The terms Run Rate Payout Ratio, Run Rate Revenue, Earnings Coverage Ratio, and Actual Payout Ratio (collectively, the "Non-GAAP and Other Financial Measures") are financial measures used in this Annual Report that are not standard measures under International Financial Reporting Standards ("IFRS"). The Trust's method of calculating Run Rate Payout Ratio, Run Rate Revenue, Earnings Coverage Ratio, and Actual Payout Ratio may differ from the methods used by other issuers. Therefore, the Trust's Run Rate Payout Ratio, Run Rate Revenue, Earnings Coverage Ratio, and Actual Payout Ratio may not be comparable to similar measures presented by other issuers.

1. "**Run Rate Payout Ratio**" is a Non-GAAP financial ratio that refers to Alaris' distributions per unit expected to be paid over the next twelve months divided by the net cash from operating activities per unit calculated in the Run Rate Cash Flow table. Run Rate Payout Ratio is a useful metric for Alaris to track and to outline as it provides a summary of the percentage of the net cash from operating activities that can be used to either repay senior debt during the next twelve months and/or be used for additional investment purposes. Run Rate Payout Ratio is comparable to Actual Payout Ratio as defined below.

2. "**Run Rate Revenue**" is a supplementary financial measure and refers to Alaris' total revenue expected to be generated over the next twelve months based on contracted distributions from current Partners as well as an estimate for common dividends or distributions based on past practices, where applicable. Run Rate Revenue is a useful metric as it provides an expectation for the amount of revenue Alaris can expect to generate in the next twelve months based on information known.

3. "**Earnings Coverage Ratio ("ECR")**" is a supplementary financial measure and refers to the Earnings less interest, taxes, depreciation and amortization 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.

4. **"Actual Payout Ratio"** is a supplementary financial measure and refers to Alaris' total distributions paid during the period (annually or quarterly) divided by the actual net cash from operating activities Alaris generated for the period. It represents the net cash from operating activities after distributions paid to unitholders available for either repayments of senior debt and/or to be used in investing activities.

2021 Per Unit Highlights

$3.36
Revenue from Partners per unit

$2.83
Cash generated from operating activities

$1.28
Annual Distribution

Management Discussion & Analysis

Alaris Equity Partners Income Trust

For the year ended December 31, 2021

This management's discussion and analysis ("**MD&A**") should be read in conjunction with the audited financial statements for the years ended December 31, 2021 and 2020 for Alaris Equity Partners Income Trust ("**Alaris**" or the "**Trust**"). The Trust's consolidated financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") 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 guaranteed as to the 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-GAAP and Other Financial Measures, including EBITDA, Earnings Coverage Ratio, Run Rate Payout Ratio, Actual Payout Ratio, Run Rate Revenue, Run Rate Cash Flow, IRR, Per Unit amounts and Net Working Capital. The terms EBITDA, Earnings Coverage Ratio, Run Rate Payout Ratio, Actual Payout Ratio, Run Rate Revenue, Run Rate Cash Flow, IRR, Per Unit amounts and Net Working Capital (collectively, the "**Non-GAAP and Other Financial Measures**") are financial measures used in this MD&A that are not standard measures under IFRS. The Trust's method of calculating the Non-GAAP and Other Financial Measures may differ from the methods used by other issuers. Therefore, the Trust's Non-GAAP and Other Financial Measures may not be comparable to similar measures presented by other issuers. 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**"), Unify Consulting, LLC ("**Unify**"), 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**"), 3E, LLC ("**3E**") and Vehicle Leasing Holdings, LLC, dba D&M Leasing ("**D&M**"). Former partner company names are referred to as follows: Federal Resources Supply Company and its subsidiaries ("**FED**" or "**Federal Resources**"), ccCommunications LLC ("**ccComm**"), M-Rhino Holdings LLC, dba Providence Industries ("**Providence**"), Sandbox Acquisitions, LLC and Sandbox Advertising LP (collectively, "**Sandbox**") and Sales Benchmark Index LLC ("**SBI**"). The Non-GAAP and Other Financial Measures should only be used in conjunction with the Trust's audited consolidated 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 profit, same store sales or other similar "top-line" performance measures. Alaris' preferred equity investments can also appreciate through the reset metric and typically include a premium upon exit or redemption. In certain situations, Alaris also invests through owning a minority common equity position in our Partners and 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

Below is a summary of the Trust's Revenue, EBITDA[2], cash generated from operating activities, Trust distributions declared and basic earnings all divided by the weighted average basic units outstanding. The per unit results, other than EBITDA per unit [1] are supplementary

(1) EBITDA and EBITDA per unit are Non-GAAP financial measures and refer to earnings determined in accordance with IFRS, before depreciation and amortization, interest expense (finance costs) and income tax expense and the same amount divided by weighted average basic units outstanding. EBITDA and EBITDA per unit are used by management and many investors to determine the ability of an issuer to generate cash from operations, aside from still including fluctuations due to changes in exchange rates and changes in the Trust's investments at fair value. Management believes EBITDA and EBITDA per unit are useful supplemental measures from which to determine the Trust's ability to generate cash available for servicing its loans and borrowings, income taxes and distributions to unitholders. The supporting calculation for Alaris' EBITDA is on the following page. The Trust's method of calculating these Non-GAAP financial measures may differ from the methods used by other issuers. Therefore, they may not be comparable to similar measures presented by other issuers.

financial measures and are provided for the three months and years ended December 31, 2021 and 2020. Total Revenue, EBITDA (1), cash generated from operating activities and earnings are outlined below as obtained from the Trust's accompanying audited financial statements for the years ended December 31, 2021 and 2020.

	Three months ended December 31			Year ended December 31		
	2021	2020	% Change	2021	2020	% Change
Revenue per unit	$ 0.83	$ 0.88	-5.7%	$ 3.36	$ 3.03	+10.9%
EBITDA per unit	$ 1.26	$ 1.12	+12.5%	$ 4.35	$ 1.48	+193.9%
Cash generated from operating activities per unit	$ 0.76	$ 0.73	+4.1%	$ 2.83	$ 2.40	+17.9%
Distributions declared per unit	$ 0.33	$ 0.31	+6.5%	$ 1.28	$ 1.32	-3.0%
Basic earnings per unit	$ 1.02	$ 0.85	+20.0%	$ 3.28	$ 0.56	+485.7%
Fully diluted earnings per unit	$ 0.97	$ 0.80	+21.3%	$ 3.13	$ 0.56	+458.9%
Weighted average basic units (000's)	45,121	36,472		43,994	36,121	

Revenue

	Three months ended December 31			Year ended December 31		
$ thousands except per unit amounts	2021	2020	% Change	2021	2020	% Change
Revenues	$ 37,619	$ 31,973	+17.7%	$ 147,664	$ 109,568	+34.8%
Revenue per unit	$ 0.83	$ 0.88	-5.7%	$ 3.36	$ 3.03	+10.9%

For the three months ended December 31, 2021, revenue per unit decreased by 5.7% compared to the same period in 2020 due to Alaris receiving 80% of Kimco's full year 2020 distribution in Q4 2020 and additional Distributions from BCC that were deferred from Q2 2020, as well as fewer Distributions in Q4 2021 from FED following their redemption. These were partially offset by additional Distributions in the three months ended December 31, 2021 from the new investments in Edgewater, FNC, Brown & Settle, 3E and D&M, as well as full Distributions from PFGP as they were still deferring their Distributions during Q4 2020 as a result of the impact of COVID-19.

In the year ended December 31, 2021, revenue per unit increased by 10.9% compared to 2020 due to the new investments listed above, follow-on investments in GWM, BCC and Accscient, receiving Distributions from PFGP (partial in the first half of 2021 and full Distributions in Q3 and Q4) as well as receiving additional Distributions from Kimco in 2021 that were deferred from a prior year. These were partially offset by the redemption of SBI in 2020, the redemption of FED in Q4 2021 and also a lower average exchange rate in 2021 as the average exchange rate from USD to CAD deteriorated approximately 7% from 2020. See below for Distributions from each of the Alaris Partners for the years ended December 31, 2021 and 2020.

Partner Revenue ($ thousands)	Three months ended December 31, 2021	Three months ended December 31, 2020	% Change	Year ended December 31, 2021	Year ended December 31, 2020	% Change	Comment
GWM	$ 3,828	$ 3,930	-2.6%	$ 15,229	$ 10,048	+51.6%	Follow-on in Oct-20, reset -8% in Jan-21
DNT	3,407	3,803	-10.4%	13,575	15,415	-11.9%	Partial redemption Dec-20
FED	1,136	3,481	-67.4%	11,641	14,376	-19.0%	Redemption in Oct-21
BCC	2,926	4,731	-38.2%	11,373	9,141	+24.4%	Follow-on in Dec-20, reset -6% in Jan-21
Kimco	1,479	4,538	-67.4%	10,182	5,730	+77.7%	Additional US$3.4m in Q3-21 from pre-2020
LMS	2,117	1,855	+14.1%	8,463	7,449	+13.6%	Positive 15.6% reset Jan-21, FX impact
PFGP	2,962	-	+100.0%	8,415	2,696	+212.1%	Deferral of distributions from Q2-20 to Q4-20
Accscient	2,162	1,818	+18.9%	8,398	7,477	+12.3%	Follow-on in Feb-21, +2.5% reset Jan-21
Brown & Settle	2,160	-	+100.0%	8,142	-	+100.0%	Contribution closed in Feb-21
Amur	1,528	1,625	-6.0%	6,105	6,500	-6.0%	Reset -6% in Jan-21
D&M	2,813	-	+100.0%	5,627	-	+100.0%	Contribution closed in Jun-21
FNC	1,418	-	+100.0%	5,537	-	+100.0%	Contribution closed in Jan-21
Edgewater	1,349	-	+100.0%	5,364	-	+100.0%	Contribution closed in Dec-20
SCR	1,411	1,150	+22.7%	5,061	4,200	+20.5%	Additional cash sweep in 2021 of $861k
Unify	1,075	1,059	+1.5%	4,279	4,359	-1.8%	Positive 5% reset Jan-21, FX impact
3E	1,447	-	+100.0%	3,927	-	+100.0%	Contribution closed in Feb-21
Heritage	746	828	-9.9%	2,963	3,404	-13.0%	Negative 6% reset in Jan-21, FX impact
Carey Electric	710	790	-10.1%	2,900	1,714	+69.2%	Contribution closed in Jun-20
Fleet	496	480	+3.3%	1,972	1,985	-0.7%	Positive 6% reset Jan-21, FX impact
Stride	255	274	-6.9%	1,013	1,127	-10.1%	Reset -3.8% in Jan-21, FX impact
ccComm	-	-	+100.0%	-	294	-100.0%	Redemption in Q3-21
SBI	-	-	+100.0%	-	9,176	-100.0%	Redemption in Jan-20, make-whole distributions
Providence	-	-	+100.0%	-	514	-100.0%	Ceased operations as of Dec-20
Distributions - Pref / Debt	**$ 35,425**	**$ 30,362**	**+16.7%**	**$ 140,166**	**$ 105,605**	**+32.7%**	
Common Equity Distributions	1,418	732	+93.7%	3,294	1,137	+189.7%	Common dividends from FNC in 2021
Total Distributions	**$ 36,843**	**$ 31,094**	**+18.5%**	**$ 143,460**	**$ 106,742**	**+34.4%**	
Interest	320	594	-46.1%	1,841	2,741	-32.8%	Kimco and LMS repayments in 2021
Realized FX Gain / (Loss)	456	285	+60.0%	2,363	85	+2680.0%	FX contracts at favorable rates to spot in 2021
Total Revenue	**$ 37,619**	**$ 31,973**	**+17.7%**	**$ 147,664**	**$ 109,568**	**+34.8%**	

EBITDA[1]

$ thousands except per unit amounts	Three months ended December 31 2021	Three months ended December 31 2020	% Change	Year ended December 31 2021	Year ended December 31 2020	% Change
Earnings	$ 46,102	$ 30,847	+49.5%	$ 144,244	$ 20,291	+610.9%
Depreciation and amortization	46	53	-13.2%	211	222	-5.0%
Finance costs	6,723	4,772	+40.9%	24,988	18,103	+38.0%
Total income tax expense	3,756	5,181	-27.5%	21,801	14,757	+47.7%
EBITDA	$ 56,627	$ 40,853	+38.6%	$ 191,244	$ 53,373	+258.3%
Weighted average basic units (000's)	45,121	36,472		43,994	36,121	
EBITDA per unit	$ 1.26	$ 1.12	+12.5%	$ 4.35	$ 1.48	+193.9%

For the three months ended December 31, 2021, EBITDA per unit increased by 12.5% compared to Q4 2020 primarily due to an unrealized gain on foreign exchange in the current period of $1.3 million, compared to a loss in Q4 2020 of $4.0 million. Further contributing to the improvement was a reduction in total operating expenses per unit to $0.17 per unit in the current period (total operating expenses of $7.9 million) from $0.19 per unit in Q4 2020 (total operating expenses of $7.0 million).

In the year ended December 31, 2021, EBITDA per unit increased by 193.9% compared to 2020 mainly due to a net increase in investments at fair value of $63.2 million during 2021 as compared to a net realized and unrealized loss from investments at fair value during 2020 of $41.5 million. The significant loss in 2020 related to the total net decrease in the investments at fair value recorded in Q1 2020 of $84.9 million, due to the impact of COVID-19 on Alaris' Partners. The net increase in investments at fair value of $63.2 million during 2021 outlines the recovery in the financial performance for the majority of Alaris' Partners since 2020. Also contributing to the improvement in EBITDA per unit for the year ended December 31, 2021 is the 10.9% increase in revenue per unit discussed above, as well as an improvement in general and administrative expenses per unit of $0.10, as discussed on the following page.

Cash generated from operating activities

	Three months ended December 31			Year ended December 31		
$ thousands except per unit amounts	2021	2020	% Change	2021	2020	% Change
Cash generated from operating activities	$ 34,499	$ 26,780	+28.8%	$ 124,681	$ 86,827	+43.6%
Cash generated from operating activities per unit	$ 0.76	$ 0.73	+4.1%	$ 2.83	$ 2.40	+17.9%

As cash generated from operating activities excludes all non-cash items in the Trust's consolidated statement of comprehensive income, the cash generated from operating activities per unit and the changes from period to period is an important tool to use to summarize the ability for Alaris to generate cash.

Cash generated from operating activities per unit in Q4 2021 increased by 4.1% compared to Q4 2020 due to changes in working capital, primarily related to changes in the income tax receivable and payable balances related to the timing and amounts of tax payments and provisions, as well as a slight improvement in general and administrative expenses per unit. These increases were partially offset by the decrease in revenue per unit discussed above.

In the year ended December 31, 2021, cash generated from operating activities per unit increased by 17.9% compared to 2020 due to the increase in revenue per unit discussed above as well as fewer general and administrative expenses. These improvements were partially offset by a higher average exchange rate in the prior year, which increased USD revenues in 2020, as well as higher finance costs per unit in the current year due to a higher amount of average senior debt outstanding.

The Actual Payout Ratio (3) for Alaris for the year ended December 31, 2021 was 52.7%, an improvement from 57.8% in 2020.

Earnings

	Three months ended December 31			Year ended December 31		
$ thousands except per unit amounts	2021	2020	% Change	2021	2020	% Change
Earnings	$ 46,102	$ 30,847	+49.5%	$ 144,244	$ 20,291	+610.9%
Basic earnings per unit	$ 1.02	$ 0.85	+20.0%	$ 3.28	$ 0.56	+485.7%

Basic earnings per unit increased by 20.0% in the three months ended December 31, 2021, as compared to the Q4 2020, as a result of the unrealized gain on foreign exchange in the current period as well as a reduced income tax expense.

(2) Actual Payout Ratio is a supplementary financial measure and 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. It represents the free cash flow after distributions paid to unitholders available for either repayments of senior debt and/or to be used in investing activities. The Trust's method of calculating this supplementary financial measure may differ from the methods used by other issuers. Therefore, it may not be comparable to similar measures presented by other issuers.

For the year ended December 31, 2021, basic earnings per unit improved significantly as a result of the improvement in revenue per unit and a reduction in general and administrative expenses. Further contributing to the increase in earnings per unit was the net increase in investments at fair value in 2021 of $63.2 million compared to 2020 earnings per unit of $0.56 including the net unrealized and realized loss on investments of $41.5 million as discussed earlier.

General and administrative expenses

	Three months ended December 31			Year ended December 31		
$ thousands except per unit amounts	2021	2020	% Change	2021	2020	% Change
Salaries and benefits	$ 3,425	$ 2,248	+52.4%	$ 8,112	$ 4,595	+76.5%
Corporate and office	284	895	-68.3%	1,803	2,514	-28.3%
Legal and accounting fees	1,329	1,287	+3.3%	3,358	7,410	-54.7%
General and administrative	$ 5,038	$ 4,430	+13.7%	$ 13,273	$ 14,519	-8.6%
General and administrative per unit	$ 0.11	$ 0.12	-8.3%	$ 0.30	$ 0.40	-25.0%

General and administrative expenses, which includes salaries and benefits, corporate and office, and legal and accounting fees, was $5.0 million in the three months ended December 31, 2021 (2020 - $4.4 million), an increase of 13.7% compared to Q4 2020. There was an increase of $1.2 million, or 52.4%, in salaries and benefits expense, due to an increase in the management bonus in 2021 as compared to the management bonus in 2020. The basis of the management bonus calculation in 2021 being a % of Alaris' net cash from operating activities per unit compared to the prior year. There was also a nominal increase of 3.3% in legal and accounting fees due to general increases and additional accounting work. These increases were partially offset by a reduction in corporate and office expenses of $0.6 million, or 68.3%, due to the prior year including non-recurring CRA fees of $0.3 million.

For the year ended December 31, 2021, general and administrative expenses decreased by $1.2 million, or approximately 8.6%, compared to in 2020. The main driver was the reduction in legal and accounting fees as these fees decreased by $4.0 million, or 54.7%, from 2020 to 2021. The additional legal and accounting fees in 2020 related to Alaris' conversion to an income trust ($2.5 million) as well as post-closing costs related to the Sandbox transaction. Corporate and office expenses also decreased to $1.8 million in 2021 from $2.5 million in 2020, a decrease of $0.7 million or approximately 28.3%. The reason for this decrease primarily relates to the CRA fees discussed above. Partially offsetting these decreases was an increase in salaries and benefits expenses of $3.5 million, or 76.5%, due to an increase in the management bonus in 2021. The total general and administrative expenses per unit in 2021 of $0.30 decreased by 25.0% from $0.40 per unit in 2020, primarily due to the reduction in legal fees in 2021.

Finance costs

	Three months ended December 31			Year ended December 31		
$ thousands except per unit amounts	2021	2020	% Change	2021	2020	% Change
Finance costs	$ 6,723	$ 4,772	+40.9%	$ 24,988	$ 18,103	+38.0%
Finance costs per unit	$ 0.15	$ 0.13	+15.4%	$ 0.57	$ 0.50	+14.0%

Finance costs in the three months ended December 31, 2021 of $6.7 million (2020 - $4.8 million) increased by 40.9% primarily due to a higher average amount of senior debt outstanding during Q4 2021 as compared to Q4 2020. Additionally, the average interest rate realized during the current period was higher than the prior year.

For the year ended December 31, 2021, finance costs were $25.0 million (2020 - $18.1 million), a 38.0% increase also due to higher average senior debt and higher average interest rates in 2021 as compared to the prior year. The higher average senior debt was a result of the new and follow-on investments made during Q4 2020 and Q1 2021, primarily being made through drawdowns on Alaris' senior credit facility.

Transaction Diligence costs

$ thousands except per unit amounts	Three months ended December 31			Year ended December 31		
	2021	2020	% Change	2021	2020	% Change
Transaction diligence costs	$ 1,401	$ 1,521	-7.9%	$ 4,246	$ 5,532	-23.2%
Transaction diligence costs per unit	$ 0.03	$ 0.04	-25.0%	$ 0.10	$ 0.15	-33.3%

Transaction diligence costs in the three months ended December 31, 2021 were $1.4 million (2020 - $1.5 million), which is a decrease of $0.1 million and relatively consistent with the prior period based on a similar level of activity.

For the year ended December 31, 2021, transaction diligence costs of $4.2 million (2020 - $5.5 million) decreased by 23.2% due to less external diligence being required during 2021 as compared to the prior year. In 2020 diligence costs were incurred to support the initial investments in Edgewater, FNC, Brown & Settle and 3E; whereas in 2021 the diligence costs were primarily incurred to support the initial investment in D&M as well as follow-on investments.

Unit-based compensation

$ thousands except per unit amounts	Three months ended December 31			Year ended December 31		
	2021	2020	% Change	2021	2020	% Change
Unit-based compensation	$ 1,385	$ 1,019	+35.9%	$ 5,362	$ 2,708	+98.0%
Unit-based compensation per unit	$ 0.03	$ 0.03	+0.0%	$ 0.12	$ 0.07	+71.4%

In the three months ended December 31, 2021 unit-based compensation costs totalled $1.4 million (2020 - $1.0 million), an increase of $0.3 million or 35.9%, as a result of a higher unit price for the Trust's publicly traded units at December 31, 2021 as compared to the prior year end. At each reporting period the total liability related to the outstanding RTUs and PTUs is revalued based on the period end unit price.

For the year ended December 31, 2021, unit-based compensation increased by $2.7 million to $5.4 million (2020 - $2.7 million), close to two times the amount of expenses incurred in the prior year. This increase in unit-based compensation is primarily due to the additional units that vested during 2021 as compared to 2020. In the year ended December 31, 2021, 243,612 units vested into new trust units as compared to 97,359 in 2020, mainly due to Alaris' performance thresholds being met with regards to employee RTUs that vested during 2021; whereas the same performance thresholds were not met with regards to the units that vested in 2020.

OUTLOOK

The Trust deployed approximately $357.8 million in 2021, consistent with the Trust's total acquisition of investments in its consolidated statement of cash flows. This deployment has contributed to a record year of revenue for Alaris of $147.7 million or $3.36 per unit. Total revenue in Q4 2021 of $37.6 million was higher than expected due to follow-on investments in 3E, D&M and BCC, incremental common Distributions from FNC, as well as a higher average exchange rate than forecasted. As outlined below, the outlook for the next twelve months remains positive with Run Rate Revenue (4) in 2022 expected to be approximately $150.7 million. This includes current contracted amounts, an additional US$2.4 million from PFGP related to deferred Distributions during COVID-19 and an estimated $3.1 million of common dividends or Distributions. Alaris expects total revenue from its Partners in Q1 2022 of approximately $38.6 million.

The Run Rate Cash Flow table below outlines the Trust's expectation for revenue, general and administrative expenses, interest expense, tax expense and distributions to unitholders for the next twelve months. The Run Rate Cash Flow is a Non-GAAP financial measure and outlines the net cash from operating activities, net of distributions paid, that Alaris is expecting to have after the next twelve months. This measure is comparable to net cash from operating activities less distributions paid, as outlined in Alaris' consolidated statements of cash

(3) Run Rate Revenue is a supplementary financial measure and refers to Alaris' total revenue expected to be generated over the next twelve months based on contracted Distributions from current Partners as well as an estimate for common dividends or distributions based on past practices, where applicable. Run Rate Revenue is a useful metric as it provides an expectation for the amount of revenue Alaris can expect to generate in the next twelve months based on information known. The Trust's method of calculating this supplementary financial measure may differ from the methods used by other issuers. Therefore, it may not be comparable to similar measures presented by other issuers.

flows. The Trust's method of calculating this Non-GAAP financial measure may differ from the methods used by other issuers. Therefore, it may not be comparable to similar measures presented by other issuers.

Annual general and administrative expenses are currently estimated at $14.0 million and include all public company costs. The Trust's Run Rate Payout Ratio (5) is expected to be within a range of 60% and 65% when including Run Rate Revenue (3), overhead expenses and its existing capital structure. The table below sets out our estimated Run Rate Cash Flow alongside the after-tax impact of 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		**$ 150,700**	**$ 3.34**
General and administrative expenses		(14,000)	(0.31)
Interest and taxes		(44,600)	(0.99)
Net cash from operating activities		**$ 92,100**	**$ 2.04**
Distributions paid		(59,600)	(1.32)
Run Rate Cash Flow		**$ 32,500**	**$ 0.72**
Other considerations (after taxes and interest):			
New investments	Every $50 million deployed @ 14%	+3,563	+0.08
USD to CAD	Every $0.01 change of USD to CAD	+/- 900	+/- 0.02

The senior debt facility was drawn to $326.6 million at December 31, 2021 in the Trust's statement of financial position. The annual interest rate on that debt, inclusive of standby charges on available capacity, was approximately 4.5% for the year ended December 31, 2021. Subsequent to December 31, 2021, the proceeds from the senior unsecured debentures issued in February 2022 of $62.0 million ($65.0 million of proceeds net of $3.0 million of transaction costs) were used to repay senior debt. Following this repayment the total drawn as of the date of this release of Alaris' financial statements for the year, ended December 31, 2021, which was March 9, 2022, is approximately $265 million, with the capacity to draw up to an additional $135 million based on covenants and credit terms.

The Trust's Run Rate Payout Ratio(4) 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 a minority common equity position in some Partners to its investment strategy. Common equity investments are assessed on each individual opportunity, won't appear in every new Partner and will generally be 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 certain 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(3) includes an estimate for common equity dividends or distributions from the Partners based on each Partner's forecasted cash flows for 2022 and expected capital allocation decisions.

Inclusive in the table above summarizing Distributions from Partners during the year ended December 31, 2021, there were $2.6 million of common equity distributions from FNC, $0.4 million of common equity dividends from Amur and $0.3 million of common equity distributions from Carey Electric. In the fiscal year 2020, common dividends and distributions were received from Amur and Carey Electric totalling $1.1 million. The other six common equity investments, D&M, PFGP, Edgewater, Fleet, GWM 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 through cash distributions.

(4) Run Rate Payout Ratio is a Non-GAAP financial ratio that refers to Alaris' distributions per unit expected to be paid over the next twelve months divided by the net cash from operating activities per unit calculated in the Run Rate Cash Flow table. Run Rate Payout Ratio is a useful metric for Alaris to track and to outline as it provides a summary of the percentage of the net cash from operating activities that can be used to either repay senior debt during the next twelve months and/or be used for additional investment purposes. The Trust's method of calculating this Non-GAAP financial ratio may differ from the methods used by other issuers. Therefore, it may not be comparable to similar measures presented by other issuers. Run Rate Payout Ratio is comparable to Actual Payout Ratio as defined above in (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 may also invest in a minority common equity position alongside its preferred equity or loans.

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 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**") (6). 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 37 partners since inception, exited our investment in eighteen partners over that time with twelve yielding highly positive results displayed by a total return of 60% and a median IRR of 19%.

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(5) Earnings Coverage Ratio ("ECR") is a supplementary financial measure and refers to the 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. The Trust's method of calculating this Non-GAAP financial measure may differ from the methods used by other issuers. Therefore, it may not be comparable to similar measures presented by other issuers.

Contribution History: Alaris has invested over $1.9 billion into 37 partners and over 85 tranches of financing, including an average of approximately $217 million over the past five fiscal years (2017 – 2021). During the year ended December 31, 2021, Alaris deployed in excess of this annual average with deployment of approximately $357.8 million.

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

Capital Structure: With a primary focus on being a preferred equity investor, we have invested into a diverse group of capital structures and we pride ourselves on achieving the optimal capital structure so both Alaris and our Partners benefit. Of our existing portfolio, nine of our nineteen Partners have no debt, four partners have less than 1.0x Senior Debt to EBITDA and six 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. The reset allows for Alaris to participate in the growth of its Partners while providing the majority of the upside to the entrepreneurs who create the business value.

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, the total invested to date (net of any partial redemptions since the initial investment), Run Rate Revenue[(3)] in exchange for the preferred equity and subordinated debt investments for the next twelve months, ECR range for the most recent trailing twelve month periods received, estimated 2022 reset, year-to-date changes in revenue and EBITDA compared to the comparable period in 2020 and the unrealized gains or losses to the investments at fair value for the year ended December 31, 2021. See the table below for additional relevant information on each Partner that has occurred during the year ended December 31, 2021. Unless specifically discussed within each Partner update, the ECR range outlined below is consistent with the prior quarterly disclosure. For fair values of each investment refer to Note 5 in the Trust's accompanying audited financial statements for the years ended December 31, 2021 and 2020.

Partner	Original Investment Date	Current Total Invested (000's)	Run Rate Revenue (000's)	As a % of total	ECR Range	Estimated 2022 Reset	Year-to-date changes in:		Fair Value Changes
							Revenue	EBITDA	Year Ended Dec. 31/21
3E	Feb 2021	US $39,500	US $5,648	5%	1.5x - 2.0x	+ 6%	↑	↑	US +$500
Accscient	Jun 2017	US $46,000	US $7,200	6%	> 2.0x	+ 5%	↑	↑	US +$2,600
Amur	Jun 2019	CA $70,000	CA $6,477	4%	> 2.0x	+ 6%	↑	↑	CA +$2,700
BCC	Sep 2018	US $91,000	US $12,786	11%	> 2.0x	+ 6%	↑	↑	-
Brown & Settle	Feb 2021	US $66,394	US $7,969	7%	1.0x - 1.2x	+ 6%	↑	↓	US ($1,700)
Carey Electric	Jun 2020	US $15,000	US $2,009	2%	> 2.0x	- 5%	↓	↑	US +$180
D&M	Jun 2021	US $74,500	US $9,380	8%	> 2.0x	n/a	↑	↑	US +$3,400
DNT	Jun 2015	US $62,800	US $11,017	9%	> 2.0x	+ 6%	↑	↑	US +$2,300
Edgewater	Dec 2020	US $34,000	US $4,020	4%	1.0x - 1.2x	- 6%	↓	↓	US ($2,600)
FNC	Jan 2021	US $40,000	US $4,816	4%	> 2.0x	+ 7%	↑	↑	US +$7,450
Fleet	Jun 2018	US $35,000	US $3,780	3%	> 2.0x	n/a	↑	↑	US ($1,300)
GWM	Nov 2018	US $106,000	US $9,138	8%	1.5x - 2.0x	0%	↔	↑	US +$476
Heritage	Jan 2018	US $15,000	US $2,519	2%	> 2.0x	+ 6%	↑	↑	-
Kimco	Jun 2014	US $34,200	US $4,762	4%	> 2.0x	+ 2%	↑	↓	US +$9,221
LMS	Feb 2007	US $60,564	CA $7,060	5%	1.5x - 2.0x	- 18%	↓	↓	CA ($4,900)
PFGP	Nov 2014	US $92,500	US $12,220	10%	1.2x - 1.5x	+ 5%	↑	↑	US +$14,200
SCR	May 2013	CA $40,000	CA $5,200	4%	1.2x - 1.5x	n/a	↓	↓	CA ($600)
Stride	Nov 2019	US $6,000	US $759	1%	> 2.0x	- 6%	↓	↓	US ($500)
Unify	Oct 2016	US $25,000	US $3,583	3%	> 2.0x	+ 5%	↑	↓	US +$2,600

Note: 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.

(3) Run Rate Revenue is s supplementary financial measure and refers to Alaris' total revenue expected to be generated over the next twelve months based on contracted distributions from current Partners as well as an estimate for common dividends or distributions based on past practices, where applicable. Run Rate Revenue is a useful metric as it provides an expectation for the amount of revenue Alaris can expect to generate in the next twelve months based on information known. The Trust's method of calculating this supplementary financial measure may differ from the methods used by other issuers. Therefore, it may not be comparable to similar measures presented by other issuers.

PARTNER UPDATES

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

- Alaris contributed US$22.5 million into 3E in February 2021, in exchange for preferred equity. Alaris also contributed an additional US$7.5 million to an escrow account to be funded to 3E in two additional tranches once certain performance targets were met. These were met during Q3 and Q4 2021 resulting in the full investment of US$30.0 million of preferred equity at December 31, 2021. The initial yield to Alaris on the investment of US$30.0 million was 14%, a portion of which reset for the first time on January 1, 2022 with the maximum annual reset being a +/- 6% based on change in gross profit. Based on unaudited results for the year-ended December 31, 2021, 3E will be resetting up the full +6% at January 1, 2022.
- During Q4 2021, Alaris contributed an additional US$9.5 million into 3E at an initial yield of 13%, or annualized Distributions of US$1.2 million. Proceeds from the additional contribution were used to partially fund two acquisitions in similar businesses. Following the contribution, Alaris has invested a total of US$39.5 million in 3E during 2021 with Distributions for 2022 estimated to be US$5.6 million.
- Based on 3E's unaudited financial results for the year ended December 31, 2021 and giving effect to the 3E investment and other changes to 3E's capital structure, the resulting earnings coverage ratio has improved since Alaris' initial investment and is now between 1.5x and 2.0x. As a result of 3E's positive reset in 2021 there was also an increase to the fair value of the 3E investment during 2021 of US$0.5 million, bringing the fair value at December 31, 2021 to US$40.0 million.

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

- During Q1 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.
- Based on Accscient's unaudited financial results for the year ended December 31, 2021, their reset in 2022 is expected to be a positive 5%, which is the top of the collar. Based on this positive reset, as well as their outlook for 2022, the fair value of the Accscient investment was increased by US$2.6 million during the year ended December 31, 2021. Following the increase in fair value the Accscient investment at December 31, 2021 is US$49.5 million.
- Accscient's earnings coverage ratio has improved since Q3 2021 and is now greater than 2.0x.

Amur Financial Group – mortgage originations and asset management in Canada

- Based on Amur's unaudited financial results for the year ended December 31, 2021 and the change in revenue compared to 2020, Alaris is expecting a positive 6% reset for the 2022 Distributions, which is the top of their collar. As a result of the positive reset as well as their outlook for 2022, the fair value for the Amur investment was increased by $2.7 million during the year resulting in total fair value at December 31, 2021 of $73.2 million.

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

- During Q4 2021, Alaris contributed an additional US$25.0 million into BCC, which was part of the original investment commitment in September 2018, once BCC hit certain earnings targets, which they did during 2021. The initial yield on the additional contribution is 13% and will reset for the first time in January 2023. Following this investment, Alaris' total investment in BCC at December 31, 2021 was US$91.0 million.
- Based on BCC's unaudited financial results for the year ended December 31, 2021, Alaris is expecting a positive 6% reset on the preferred Distributions in 2022, which is the top of their collar. There has been no change in the fair value of the BCC investment during 2021, resulting in a fair value at December 31, 2021 of US$90.6 million.

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

- 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. During Q4 2021, Brown & Settle undertook a reorganization pursuant to which Alaris agreed to contribute the subordinated debt investment in exchange for additional preferred equity. Therefore, at December 31, 2021, the investment of US$53.7 million was solely preferred equity. The total yield to Alaris on this investment did not change as a result of the reclassification.

- Due to project delays in Q1 2021 as a result of timing and weather issues, along with compressed margins, the Brown & Settle results are down compared to the prior year. The business performs large projects, the timing of which can drive volatility in earnings as compared to prior year periods. These initial results reduced Alaris' expectations for a positive reset in 2022 and drove a decrease in the fair value of the Brown & Settle investment of US$5.0 million during Q2 2021. Since that time the business has performed well and exits Q4 2021 with a significant amount of work on hand. As such, the 2022 reset has improved and is expected to be a positive 6%, which is the top of their collar. As a result of the improvement in reset and their outlook for 2022, the overall decrease in the fair value of the Brown & Settle investment for the year ended December 31, 2021 was US$1.7 million, inclusive of the reduction in Q2 2021, with offsetting increases of US$3.3 million in Q3 and Q4 2021. The resulting fair value of the Brown & Settle investment at December 31, 2021 is US$64.7 million.
- During Q3 2021, the Trust contributed US$0.4 million in exchange for additional common units.
- Due to the timing of projects, Brown & Settle is deferring a portion of their Distributions to align with the resulting free cash flow from those projects. During 2021 and subsequent to year-end, Brown & Settle paid US$6.5 million of the US$6.7 million of Distributions contractually owed. These unpaid Distributions are expected to be collected within the next six months. The long-term outlook for the company remains unchanged.
- As outlined above, based on Brown & Settle's unaudited financial results for the year ended December 31, 2021, the revenue increase in 2021 compared to 2020 will be greater than 6%, resulting in a maximum 6% reset on the Brown & Settle Distributions for 2022. However, as outlined in the table above although their revenue increased, their EBITDA declined year over year due to margin pressure on certain contracts.

<u>Carey Electric</u> – electrical contracting in Illinois

- During Q2 2021, Carey Electric redeemed US$1.0 million of the preferred units at par, in accordance with their operating agreement. Subsequent to December 31, 2021 Carey Electric redeemed an additional US$1.0 million of the preferred units at par. The resulting total that is invested as of the date of this release of Alaris' financial statements for the year, ended December 31, 2021, which was March 9, 2022, is US$15.0 million, inclusive of preferred and common equity.
- Based on unaudited financial results and due to a softer Q4 2021 than in the prior year, Alaris is expecting a negative 5% reset for 2022.

<u>D&M</u> – Independent direct-to-consumer provider of vehicle sourcing and leasing services in Texas

- Founded in 1976, D&M is the largest independent direct-to-consumer provider of vehicle sourcing and leasing services in the United States. D&M is a fixture in the Texas market, with operations in Fort Worth, Dallas, Grand Prairie, Austin and Houston and a prevalent online business. D&M's service takes the hassle out of the traditional new car experience and enables clients to enhance their experience as compared to the traditional dealership sales model. D&M's business is focused on leasing new and high quality pre-owned vehicles as well as financing used lease returns and providing ancillary services.
- Alaris contributed US$70.0 million into D&M on June 28, 2021, consisting of US$62.5 million of preferred equity and US$7.5 million in exchange for a minority ownership of the common equity. The initial annual distribution on the preferred equity is US$8.75 million, which equates to an initial pre-tax yield of 14%. The D&M distribution will reset +/-7% annually based on the change in gross profit, with the first reset commencing January 1, 2023. D&M can elect to defer up to US$2.5 million of the preferred Distributions in the first full year (4% of the total preferred equity contribution) with any such deferred Distributions compounding at the current yield of the D&M Distribution.
- During Q4 2021, Alaris contributed an additional US$4.5 million in preferred equity and US$0.8 million of a short-term promissory note to D&M, both in exchange for initial annualized yields of 14%. The short-term promissory note is expected to be repaid within the next six months. The Distributions on the additional investment in preferred equity will reset for the first time on January 1, 2023.
- Based on unaudited financial results for the year ended December 31, 2021, D&M's earnings coverage ratio has increased to be greater than 2.0x, driven by growth of the business.
- As a result of their strong performance as well as their outlook for their expected results in 2022, there was an increase of US$3.4 million to the fair value of the D&M investment during the year ended December 31, 2021. The resulting fair value at year-end is US$77.9 million.

DNT – civil construction contractor in Austin and San Antonio, Texas

- Based on the unaudited financial results for DNT for the year ended December 31, 2021, the reset on the 2022 Distributions is expected to be a positive 6%, which is the top of their collar. As a result of this positive reset as well as their outlook for 2022, the fair value of the DNT investment was increased by US$2.3 million during the year ended December 31, 2021. The resulting fair value of the DNT investment at December 31, 2021 is US$62.7 million.

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

- Alaris contributed US$34.0 million into Edgewater in December 2020 consisting of US$30.55 million of preferred equity and US$3.45 million in exchange for a minority ownership of the common equity.
- Due to delays in placing staff onto contracts as well as continued impacts of COVID-19 to their business, the Edgewater results for the year ended December 31, 2021 have declined compared to the prior year. As a result, Alaris expects a 6% negative reset in 2022, which has resulted in a decrease of US$2.6 million in the fair value of the Edgewater investment in the year ended December 31, 2021. The resulting fair value of the Edgewater investment at December 31, 2021 is US$31.4 million.

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

- During Q4 2021, Alaris contributed an additional US$25.0 million to Fleet, which consisted of an additional US$17.0 million of preferred equity as well as an investment of US$8.0 million in exchange for a minority ownership of the common equity in Fleet. The transaction also included an exchange of Alaris' existing preferred equity at their original cost base of US$10.0 million. Since these existing preferred units had previously been recorded at a fair value of US$11.3 million prior to this transaction, the rollover of these units at a value of US$10.0 million resulted in a decrease of US$1.3 million in the year ended December 31, 2021. Following the transaction, the initial annual Distributions in exchange for US$27.0 million of preferred equity are US$3.8 million, an initial yield of 14%. The investment in common equity in Fleet will be entitled to common equity dividends if and when Fleet declares such dividends and as their cash flows allow. The fair value of the total investment in Fleet at December 31, 2021 is US$35.0 million.

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

- Alaris contributed US$40.0 million into FNC on January 7, 2021, consisting of US$32.15 million of preferred equity and US$7.85 million in exchange for a minority ownership of the common equity.
- Based on FNC's historical practice of paying distributions on its common equity, Alaris expects to receive distributions on a regular basis throughout the year, as excess cash flows are generated. During 2021, Alaris received US$2.0 million of common distributions attributable to our minority position in FNC's common equity which equates to an approximate annualized yield of 25%.
- Based on unaudited financial results for the year ended December 31, 2021, FNC's revenue and EBITDA have both continued to grow resulting in an expected positive 7% reset on their preferred Distributions in January 2022. As a result of this top of the collar reset and their positive outlook for 2022, the fair value of the FNC investment was increased by US$7.45 million during the year ended December 31, 2021. This brings the fair value of the FNC investment at December 31, 2021 to US$47.45 million.

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

- During Q4 2021, Alaris received a US$25.8 million partial redemption of preferred units and partial repayment of outstanding subordinated indebtedness in GWM and as part of the transaction re-invested US$30.0 million into GWM in exchange for a minority ownership in the common equity. The US$25.8 million of proceeds received from the partial redemption had an associated cost basis of US$25.0 million, resulting in a realized gain on redemption of US$0.8 million. Following the closing of the partial redemption and follow-on investment, the total investment in GWM at December 31, 2021 includes US$76.0 million of preferred equity and subordinated indebtedness and US$30.0 million of common equity. The preferred equity and subordinated indebtedness are yielding US$9.1 million of annualized Distributions.
- Based on GWM's unaudited financial results for the year ended December 31, 2021, GWM's revenue is relatively flat as compared to the prior year, any reset upon receipt of audited financial statements is expected to be minimal. The reset expectations changed from Q3 2021 as GWM experienced a slower Q4 2021 within their legacy division which operates at lower margins, their EBITDA remains up year over year.

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

- Based on unaudited financial results for the year ended December 31, 2021, Heritage's distribution reset in 2022 is expected to be a positive 6%, which is the top of their collar. The fair value of the Heritage investment remains unchanged at US$15.2 million as at December 31, 2021.

Kimco – commercial janitorial services throughout the United States

- Kimco continued its successful 2020 into 2021, as many clients continue to require higher margin ancillary cleaning services as COVID-19 concerns are still very prevalent. Based on unaudited financial results for the year ended December 31, 2021, Kimco's distribution reset is expected to be a positive 1.5%. As a result of this positive reset as well as the outlook for Kimco going forward, there was an increase in the fair value of the Kimco units in 2021 of US$9.2 million. The resulting fair value at December 31, 2021 is US$35.8 million.
- Kimco continues to evaluate a potential full redemption of the Kimco units, as well as the repayment of the outstanding promissory notes. Based upon a revised redemption formula proceeds to Alaris are estimated to be between US$65.0 million and US$70.0 million. In addition to Alaris receiving proceeds on a potential redemption, during the year ended December 31, 2021 Kimco repaid US$4.0 million of outstanding promissory notes, US$4.5 million of long-term accounts receivable and US$3.4 million of unaccrued Distributions related to amounts from prior years. Alaris used the proceeds from these payments to repay senior debt.

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

- Due to constraints on inputs, most notably the rising price of steel, LMS' margins have compressed beginning in late 2020. The margin compression as well as delays in projects starting has resulted in an expected negative reset in 2022 of approximately 18%. As there is no collar, the expected negative reset resulted in a decrease in the fair value of the LMS investment of $4.9 million during the year ended December 31, 2021. The resulting fair value of the LMS investment at December 31, 2021 is $47.7 million.
- During Q3 2021, LMS repaid in full the $3.0 million of outstanding promissory notes.

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

- As of December 31, 2021, PFGP is onside with all of their senior debt covenants and paid all their contracted Distributions to Alaris from July 2021 onwards. Commencing January 2022, the deferred Distributions of US$9.1 million will be repaid in monthly $0.2 million instalments until the balance is nil. These arrangements require the PFGP to maintain covenant compliance with its senior lenders, which is expected.
- Based on PFGP's unaudited financial results for the year ended December 31, 2021, the reset on Distributions in 2022 is expected to be a positive 5%, which is the top of the collar. Due to this positive reset, the return to full Distributions in the second half of 2021, as well as a positive outlook heading into 2022, there was an increase in the fair value of US$14.2 million in the year ended December 31, 2021. This increase in fair value not only reflects the continued growth of the business, but also includes recovering the US$7.0 million decrease in fair value recorded during 2020 as a result of the impact that COVID-19 had to PFGP's business and the overall industry in that year. The resulting fair value of the PFGP investment at December 31, 2021 is US$99.7 million.
- As part of a commitment made in July 2019 for a total of US$8.0 million, the Trust has a commitment to fund a remaining US$3.5 million, having funded US$4.5 million to date. The timing of the contribution is to be determined.

SCR – mining services in Eastern Canada

- Based on SCR's unaudited financial results for the year ended December 31, 2021, their revenue and EBITDA have decreased compared to the prior year. This is mainly due to a union strike at one of their major customers. All operations were up and running again by Q4 2021; however, due to these issues and the decline in results, there was a decrease to the fair value of the SCR investment of $0.6 million during the year ended December 31, 2021.
- Additionally, due to the softer results realized during 2021 than in 2020, the earnings coverage ratio for SCR has decreased and is now between 1.2x and 1.5x.
- The minimum annual Distributions expected remain at $4.2 million (total contracted amount under the original agreement for 2021 is $6.58 million). Beginning in 2021, 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 the unaudited financial results for SCR in 2021, the total additional distribution to Alaris was $0.9 million bringing the total to $5.1 million.

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

- Due to a slow start to 2021 and based on Stride's unaudited financial results for the year ended December 31, 2021, a negative reset of 6% is expected in 2022. This negative reset has led to the fair value being decreased by US$0.5 million during 2021. The resulting fair value at December 31, 2021 is US$5.5 million.

Unify Consulting – IT Consulting, based in Washington State with operations throughout the United States

- Based on their unaudited financial results for the year ended December 31, 2021 revenue has increased in 2021 and a positive 5% top of the collar reset is expected for 2022. This reset and a positive outlook for 2022 resulted in the fair value of the Unify investment being increased by US$2.6 million during the year ended December 31, 2021.

FORMER PARTNER

FED:

On October 26, 2021, FED redeemed all of Alaris' investments which had a cost base of US$67.0 million and was comprised of preferred equity and a secured subordinated loan. The gross proceeds received on the redemption totaled US$80.9 million, inclusive of a US$13.9 million premium. The proceeds from this redemption were used to repay senior debt on Alaris' credit facility. Alaris' total return on its FED investment was US$75.0 million or 113% which represents an unlevered IRR [(6)] of over 19% during the six year partnership. The FED return was generated by collecting over US$61.7 million of Distributions and interest payments since Alaris' initial investment in June 2015, as well the premium of US$13.9 million as part of the proceeds on redemption.

ccComm:

On July 2, 2021, Alaris received US$11.0 million from ccComm as a negotiated redemption of preferred units. Alaris was carrying its investment in ccComm at a book value of US$3.8 million prior to the redemption and had not received a Distribution from ccComm since January 2020. During Q4 2021, Alaris received an additional US$1.0 million from ccComm as part of the negotiated redemption of preferred units. To date, including the proceeds received of US$12.0 million and US$5.1 million of Distributions received since the initial investment, Alaris received a total of US$17.1 million of its US$19.2 million invested.

LIQUIDITY AND CAPITAL RESOURCES

As at December 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 covenants. Alaris realized an annualized blended interest rate (inclusive of standby fees) of 4.5% for the year ended December 31, 2021.

At December 31, 2021 Alaris met all of its covenants as required by the facility and had US$256.8 million (CA$328.2 million) drawn on its credit facility (December 31, 2020 – US$180.3 million and CA$1.0 million, total of CA$231.4 million). The amount in the Trust's statement of financial position of $326.6 million is the total drawn of $328.2 million reduced by $1.6 million of unamortized debt amendment and extension fees.

Subsequent to December 31, 2021 after receiving the $62.0 million of proceeds from the debenture offering (discussed below) the total drawn for covenant purposes is approximately $265 million with the available capacity being $135 million.

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 Q1 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.

Subsequent to December 31, 2021, Alaris completed a bought deal offering of $65.0 million of senior unsecured debentures at a price of $1,000 per debenture. The debentures will bear interest at a rate of 6.25% per annum, payable semi-annually in arrears on the last day of March and September of each year, commencing on March 31, 2022, and the debentures will mature on March 31, 2027. After the deduction of the underwriters' fees and expenses of the offering, net proceeds to Alaris were approximately $62.0 million and were used to repay senior debt.

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 December 2021 of $0.33 per unit (2020 - $0.31 per unit). Total distributions declared in the year are $1.28 per unit and $57.7 million in aggregate (2020 - $1.3225 per unit and $48.6 million in aggregate).

Since converting to an income trust, the tax profile of distributions changed from being 100% eligible dividends to a combination of return of capital, eligible dividends, capital gains and interest income. The effective tax rate of Alaris' distribution, for an Alberta individual in the top tax bracket, for 2021 was 37.5%. If the same distribution was received from a corporation, the effective tax rate would be 34.3%. For 2021, the split of the distributions was as follows:

Tax Profile of Distributions For the year ended December 31, 2021	
Per unit	**2021**
Dividends	$ 0.0098
Trust Income	$ 0.9920
Return of Capital	$ 0.2782
Total paid	$ 1.2800
As a percentage of total	**2021**
Dividends	0.8%
Trust Income	77.5%
Return of Capital	21.7%
Total	100.0%

As disclosed in its consolidated financial statements for the year ended December 31, 2021, Alaris has exposure to credit risk, other price risk, liquidity risk, and market risk, including foreign exchange risk and interest rate risk.

NET WORKING CAPITAL

Alaris' Net Working Capital is a Non-GAAP financial measure and is defined as current assets less current liabilities, and as at December 31, 2021 and 2020 is set forth in the tables below. The Trust uses this measure to assess the Trust's liquidity position. The Trust's method of calculating the Non-GAAP financial measure may differ from the methods used by other issuers. Therefore, it may not be comparable to similar measures presented by other issuers.

Net Working Capital	31-Dec-21	31-Dec-20
Cash	$ 18,447	$ 16,498
Foreign exchange contracts	71	1,489
Trade and other receivables	3,181	981
Income taxes receivable	28,991	12,669
Promissory notes and other assets	13,555	4,000
Total Current Assets	**$ 64,245**	**$ 35,637**
Accounts payable and accrued liabilities	8,214	5,351
Distributions payable	14,899	12,089
Office Lease	500	659
Income tax payable	740	723
Total Current Liabilities	**$ 24,353**	**$ 18,822**
Net Working Capital	**$ 39,892**	**$ 16,815**

Alaris had Net Working Capital of approximately $39.9 million at December 31, 2021, which does not include the $10.0 million of senior debt repaid in Q4 2021 and drawn for the distribution payment subsequent to December 31, 2021. Under the current terms of the various commitments, Alaris has the ability to meet all current obligations as they become due.

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 where applicable would be included in 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 a portion of the 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 is estimated at each reporting date and any unrealized gain or loss on the contracts is recognized in profit or loss.

As at December 31, 2021, for the next twelve months, Alaris has total contracts to sell US$29.1 million forward at an average $1.2647 CAD. For the following twelve months, Alaris has total contracts to sell US$22.8 million forward at an average $1.2692 CAD.

Alaris has an interest rate swap that allows for a fixed interest rate of 0.35% in replace of LIBOR on US$25.0 million of debt as well as an additional interest rate swap that allows for a fixed interest rate of 0.74% instead of LIBOR on US$50.0 million of senior debt, both of which with expiries in June 2023.

Alaris has the following financial instruments that mature as follows:

31-Dec-21	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	Year 3 and Thereafter
Accounts payable and accrued liabilities	$ 8,214	$ 7,827	$ 387	$-	$-
Distributions payable	14,899	14,899	-	-	-
Office Lease	500	75	72	144	209
Other long-term liabilities	1,933	-	-	1,389	544
Convertible debenture	100,000	-	-	-	100,000
Loans and borrowings	326,569	-	-	326,569	-
Total	$ 452,115	$ 22,801	$ 459	$ 328,102	$ 100,753

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

A. Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Trust's management (including the CEO and CFO) of the effectiveness of the design and operation of the Trust's disclosure controls and procedures, as defined in National Instrument 52-109. Based on that evaluation, the Trust's management (including the CEO and CFO) concluded that the Trust's disclosure controls and procedures were designed to provide a reasonable level of assurance over disclosures of material information and are effective as of December 31, 2021. The Trust uses the 2013 Committee of Sponsoring Organization of the Treasury Commission (COSO) framework.

Management Report on Internal Controls over Financial Reporting

The Trust's management, (including the CEO and CFO) have assessed and evaluated the design and effectiveness of the Trust's internal controls over financial reporting as defined in National Instrument 52-109 as of December 31, 2021. Alaris' assessment included documentation, evaluation and testing of its internal controls over financial reporting. Based on that evaluation, Alaris' management concluded that its internal controls over financial reporting are effective as defined by National Instrument 52-109.

There were no changes in internal controls during the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect Alaris' internal control over financial reporting.

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 PFGP an additional US$3.5 million with an exact timing of which unknown at this time and leases for office space. Subsequent to December 31, 2021, an additional contractual obligation has arisen with regards to the unsecured debentures of $65.0 million with a maturity date in March 2027.

Contractual Obligations	Total	< 1 year	1 – 3 years	4 – 5 years	> 5 years
Loans and borrowings	$ 326,569	$ -	$ 326,569	$ -	$ -
Convertible debenture	100,000	-	100,000	-	-
Additional contribution to PFGP	4,473	-	4,473	-	-
Office lease	689	147	390	152	-
Total Contractual Obligations	$ 431,731	$ 147	$ 431,432	$ 152	$ -

RELATED PARTY TRANSACTIONS

The Trust had no transactions with related parties for the years ending December 31, 2021 or 2020.
In addition to salaries, the Trust also provides long-term compensation to employees of its subsidiaries in the form of options and RTUs as well as bonuses. Key management personnel compensation comprised the following:

Key Management Personnel	2021	2020
Base salaries and benefits	$ 1,600	$ 1,024
Bonus	751	853
Unit-based payments (non-cash)	232	859
Total	**$ 2,583**	**$ 2,736**

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, 2021.

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

As disclosed in Note 12 to the consolidated audited financial statements for the year ended December 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 is vigorously defending the case. The Complaint has progressed to the discovery stage and AEP has filed a counterclaim against the purchasers of Sandbox. 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.

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	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20
Revenue	$ 37,619	$ 42,878	$ 34,933	$ 32,234	$ 31,973	$ 23,421	$ 20,203	$ 33,971
Earnings / (loss)	$ 46,102	$ 46,178	$ 29,318	$ 22,646	$ 30,847	$ 28,571	$ 3,535	$ (42,662)
Basic and Diluted Income /	$ 1.02	$ 1.03	$ 0.65	$ 0.56	$ 0.85	$ 0.80	$ 0.10	$ (1.16)
(loss) per Unit	$ 0.97	$ 0.97	$ 0.63	$ 0.54	$ 0.80	$ 0.75	$ 0.10	$ (1.16)

In Q4 2021, Alaris' earnings included a total net unrealized gain on investments of $25.6 million, which largely consisted of increases to the fair values of PFGP of $8.6 million and of FNC of $6.1 million. In Q3 2021, Alaris' earnings included a total net unrealized gain on investments of $15.9 million, which largely consisted of an increase to the fair value of Kimco of $8.2 million. In Q2 2021, Alaris' earnings included a total net unrealized gain on investments of $16.2 million. This largely consisted of an unrealized gain of $8.9 million as part of the proceeds received in the ccComm redemption. 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.

OUTSTANDING UNITS

At December 31, 2021, Alaris had authorized, issued and outstanding, 45,149,386 voting trust units.

During the year ended December 31, 2021, 243,612 units were issued on the vesting of RTUs and no options were granted, issued or exercised.

At December 31, 2021, 314,021 RTUs and 984,019 options were outstanding under Alaris' long-term incentive compensation plans. The outstanding options have a weighted average exercise price of $21.55 and as of December 31, 2021, all 984,019 options outstanding were out of the money.

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 March 9, 2022, Alaris had 45,149,386 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 2019 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 $9.9 million in investment tax credits ("ITCs") by the Trust were denied, resulting in reassessed taxes and interest of approximately $61.0 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.

At the time the relevant transactions were completed, the Trust received legal advice that it should be entitled to deduct the non-capital losses and claim ITCs. Based on ongoing discussions with its legal counsel, 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 and Alberta Treasury. The Trust has paid a total of $25.0 million (2020 - $20.2 million) in deposits to the CRA and Alberta Treasury relating to the Reassessments to date. These deposits have been recorded on the statement of financial position.

Should the Trust be unsuccessful, it will be required to pay the remaining reassessed taxes and interest and will not recover the $25.0 million in deposits paid to December 31, 2021.

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.

RISK FACTORS

Alaris' risk factors described below comprise risks that we know about and that we consider material to our business or results of our operations. The innovative financing structure we use to invest in private businesses involves unique risks together with the other risks present in the industry as a whole. When considering an investment in Trust Units, investors and others should carefully consider these risk factors and other uncertainties and potential events that may adversely affect our business and financial performance. We operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time. Management cannot predict all risk factors or the effect of such factors on our business, reputation, financial condition, cash flows, ability to pay predictable and stable distributions, response to changes in our industry, our ability to complete strategic acquisitions or divestitures in an efficient manner or at all or the market price of our Trust Units.

We have organized our risks as follows:

- Strategic Risk Factors Relating to our Business.
- Operational and Financial Risk Factors Relating to our Business.
- Risk Factors Relating to our Partners.

STRATEGIC RISK FACTORS RELATING TO OUR BUSINESS

We depend upon the operations, assets and financial health of our Partners

We depend on the operations, assets and financial health of our Partners through our agreements with them. Our ability to pay distributions, to satisfy our debt service obligations and to pay our operating expenses depends on our Partners' consistent payment of Distributions, our sole source of cash flow. Increases or decreases to Distributions generally follow the percentage change of each Partner's revenues, same-store sales, gross margin or other similar top-line measures. As a result, subject to certain conditions, if a negative percentage change to a Partner's applicable performance measure will reduce Distributions. The failure of any material Partner (or collectively several non-material Partners) to pay its Distribution could materially adversely affect our financial condition and cash flows. Each Partner may have liabilities or other matters that we do not identify through our due diligence or ongoing communications and monitoring procedures, which may have a material adverse effect on the Partners and the applicable performance measure.

While the Trust's subsidiaries have certain rights and remedies available to them under the terms of the agreements with the Partners, such rights and remedies, including the right to receive Distributions, are generally subordinated to the payment rights and security interests of the Partner's senior lenders, such as through standstill provisions limiting our exercise of certain remedies until the senior debt is fully paid or for a specified period.

Because Alaris' voting rights in our Partners are generally limited, our ability to exercise direct control or influence over the operations of our Partners may be limited (except for our consent rights and when there has been an uncured event of default and required Distributions have not been made). Further, Alaris' consent rights and remedies are generally subordinated to the rights of and/or require the consent of our Partners' senior lenders and may also be subject to additional regulatory restrictions applicable to a Partner or the industry they operate in. Payment of Distributions therefore depends on several factors that may be outside our control.

During the onset of the COVID-19 pandemic, certain material Partners suspended or decreased Distributions, and several Partners applied for financial support under the U.S. Coronavirus Aid, Relief, and Economic Security Act ("**CARES Act**"). To help facilitate such Partners' application process and to help ensure they received the financial assistance they then required to address the economic uncertainty they were facing, Alaris agreed to waive certain consent rights and remedies for the period that any indebtedness such Partners received remained outstanding or was forgiven under the rules and regulations applicable to the CARES Act. While those waivers have now expired, with the forgiveness or repayment of the indebtedness, there can be no guarantee that the Partners will not require similar assistance in the future if the COVID-19 pandemic continues to impact Partner businesses and/or the economy as a whole. While such waivers remain in place, Alaris' ability to enforce all of its rights under our agreements with the applicable Partners may be limited. Payment of Distributions therefore depends on several factors that may be outside of Alaris' control. The agreements with the Partners also provide the Partners with an ability to purchase, repay or redeem Alaris' investment therein. If a material Partner or a series of Partners that collectively represent a material amount of revenues, purchases, repays or redeems Alaris' equity and we are unable to redeploy the proceeds in a favourable manner into new or existing Partners, it could have a material adverse impact on the business of Alaris, including the revenues generated thereby.

There is generally no publicly available information, including audited or other financial information, about our Partners and their boards of directors and management are not subject to the same governance and disclosure requirements applicable to Canadian public companies. Therefore, we rely on our Management and third-party service providers to investigate the business of each Partner. However, neither our due diligence efforts nor our ongoing monitoring procedures can provide assurance that we will uncover all material information about a Partner necessary to make fully informed decisions. In addition, our due diligence and monitoring procedures will not necessarily ensure that an investment will succeed. Partners may have significant variations in operating results; may from time to time be parties to litigation; may be engaged in rapidly changing businesses; may expand business operations to new jurisdictions or business lines; may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position; or may experience adverse changes in their business cycle or in the industries in which they operate.

Numerous factors may affect the quantum of a Partner Distribution or the ability of a Partner to maintain its Partner Distribution obligations, including: its failure to meet its business plan; regulatory or other changes affecting its industry; integration issues related to acquisitions, new locations or new business lines; a downturn in its industry; negative economic conditions; changes in legislation or regulations governing a business or industry; material changes in the unaudited information provided to Alaris; disruptions in the supply chain; disputes with suppliers, customers or service providers or changes in arrangements with them; and working capital or cash flow management issues. Deterioration in a Partner's financial condition and prospects may cause or coincide with a material reduction in the amount of its Distributions. See "*Risk Factors Relating to Material Partners*".

We are subject to risks affecting any new Partners

The businesses of any new Partners may be subject to one or more of the risks referred to under the heading "*Risk Factors Relating to Material Partners*" or similar risks and may be subject to other risks particular to such business or businesses. A material change in a Partner's business or its ability to pay Distributions could have an adverse effect on our business.

We may not complete or realize the anticipated benefits of our Partner arrangements

A key element of our growth plan is adding new Partners and making additional investments in existing Partners. We cannot guarantee our ability to identify and complete new investment opportunities. Achieving the benefits of future investments will depend in part on successfully identifying and capturing opportunities in a timely and efficient manner and in structuring such arrangements to ensure a stable and growing stream of Distributions. From time to time, Alaris has been required to grant concessions to certain Partners to help them manage their debt covenants, working capital or for other reasons. Such concessions may create temporary or permanent reductions in the Partner's payment of Distributions, which may negatively affect our operations, financial condition or cash flows. There are also no guarantees that the perceived benefits of such concessions will, in fact, exist.

We have limited diversification in our Partners

Although Alaris currently has 19 Partners and diversification continues to improve, Alaris does not have stringent fixed guidelines for diversification for our Partners. At any given time, a significant portion of our assets may be dedicated to a single business or industry. If any single Partner or industry does not succeed or experiences a downturn, this could have a material adverse effect on our business, results from operations and financial condition.

Our business and the business of each Partner is subject to changes in North American and international economic conditions, including higher inflation, rising interest rates, labour shortages, recessionary or inflationary trends, capital market volatility, consumer credit availability, currency exchange rates, consumers' disposable income and spending levels, job security and unemployment, corporate taxation and overall consumer confidence. Market and political events and other conditions, including reactions to the COVID-19 pandemic, disruptions in the international credit markets and other financial systems, may result in a deterioration of global economic conditions.

These conditions could reduce confidence in the broader North American and global credit and financial markets and create a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Despite various actions by governments, from time to time, there may be concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions. These factors could negatively impact company valuations and impact the performance of the global economy. A return of any of these negative economic events could have a material adverse effect on our business and our Partners' business, financial condition, results of operations and cash flows. For specific risks related to COVID-19, see "*Risk Factors—Operational and Financial Risk Factors Relating to Our Business—The global COVID-19 outbreak has caused disruptions to the U.S. and Canadian economies and has, and may continue to, negatively impact certain Partners*"" and "*Risk Factors—Risks relating to all of our Partners generally—Public health crises, epidemics and pandemics may negatively impact our Partners' business continuity*".

Alaris and our Partners' businesses could be adversely affected by extraordinary political, social, economic events, war, terrorist attacks, natural disasters and public health threats

International political, social and economic events, acts of war and terrorism, natural disasters and major epidemics and pandemics, may, directly or indirectly, adversely impact our and our Partners' businesses. Escalating military tension between Russia and Ukraine and other conflicts, or conversely peaceful developments, arising in the Middle East, Asia or Eastern Europe and other areas of the world that significantly impact the price of important commodities can negatively affect financial markets and the global economy. Any such negative impacts could have a material adverse effect on our and our Partners' businesses, financial condition, results of operations and cash flows.

Our ability to manage future growth and carry out our business plans may have an adverse effect on our business and our reputation

Our ability to sustain continued growth depends on our ability to identify, evaluate and contribute financing to potential Partners that meet our criteria. Accomplishing such a result on a cost-effective basis largely depends on Alaris' sourcing capabilities, our management of the investment process, our ability to provide capital on terms that are attractive to private businesses and our access to financing on acceptable terms. As Alaris grows, we will also need to hire, train, supervise and manage new employees. Failure to effectively manage future growth or to execute on our business plans to add new Partners could have a material adverse effect on our business, reputation, financial condition and results of operations. We also rely on our reputation to maintain positive relationships with our investors and other stakeholders and with investment banks and other investment sources to receive potential Partner opportunities. Any action that undermines the public or an investment source's opinion of Alaris may adversely affect our unit price or continued growth.

We face competition with other investment entities

Alaris competes for investment opportunities with many private equity funds, mezzanine funds, equity and non-equity-based investment funds, royalty companies and other institutional and strategic investors, including the public and private capital markets and senior debt providers. Some of our competitors, particularly those operating in the United States, are substantially larger and have considerably greater financial resources and more diverse funding structures than Alaris. Competitors may have a lower cost of funds and many have access to funding sources and unique structures that are unavailable to Alaris. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships and build their market shares and to use high amounts of leverage to increase valuations given to entrepreneurs. There is no assurance that the competitive pressures that we face will not have a material adverse effect on our business, financial condition and results of operations. As a result of this competition, we may be unable to take advantage of attractive investment opportunities and there can be no assurance that Alaris will be able to identify and make investments that satisfy our business objectives or that we will be able to meet our business goals.

Potential Investment Opportunities

Alaris regularly evaluates, considers and engages in discussions with respect to potential investment opportunities that it believes may help it achieve its commercial and growth plans, and in connection therewith, it may at any time have outstanding non-binding letters of intent or conditional agreements which individually or together may be material. There can be no assurance that any such discussions, non-binding letters of intent or conditional agreements will result in a definitive investment agreement and, if they do, what the terms or timing of such would be or that such investment will be completed by Alaris. If Alaris does complete any such transaction, it cannot assure investors that the transaction will ultimately strengthen its financial or operating results, prospects or competitive position or that it will not be viewed negatively by securities analysts or investors. Such transactions may also involve significant commitments of Alaris' financial and other resources, including the completion of additional financings of equity or debt (which may be convertible into equity). Any such activity may fail to generate revenue, income or other returns to Alaris, and the resources committed to such activities will not be available to Alaris for other purposes.

OPERATIONAL AND FINANCIAL RISK FACTORS RELATING TO OUR BUSINESS

We are subject to tax related risks

CRA Re-Assessment

Alaris received notices of reassessment (the "**Reassessments**") from the CRA for our 2009 through 2020 taxation years to deny the use of non-capital losses, accumulated scientific research and experimental development expenditures and investment tax credits. The Reassessments seek to deny the deduction of approximately $121.2 million of non-capital losses and utilization of $9.9 million in investment tax credits ("ITCs") by the Trust, resulting in reassessed taxes and interest of approximately $61 million. After filing the original notice of objection for the July 2009 taxation year, the CRA sent Alaris a further notice proposing to apply the general anti-avoidance rule to deny the ITC deductions. The proposal does not affect Alaris' 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.

At the time the relevant transactions were completed, the Trust received legal advice that it should be entitled to deduct the non-capital losses and claim ITCs. Based on ongoing discussions with its legal counsel, the Trust remains of the opinion that all tax filings to date were filed correctly and that it will be successful in appealing the Reassessments. Alaris intends to continue to vigorously defend its tax filing position. In order to do that, Alaris was required to deposit 50% of the reassessed amounts with the CRA and Alberta Treasury. As of the date of this filing, Alaris has deposited $25 million with the CRA and Alberta Treasury.

Alaris anticipates that achieving a final resolution of the Reassessments will take considerable time. The payment of deposits and any taxes, interest or penalties owing should not materially impact the Trust's payout ratio. We believe we will be successful in defending our position and therefore expect that the CRA will refund any current or future deposit with interest.

International Structure

Alaris' international structure is subject to assessment and possible adjustment by any of the taxation authorities in the jurisdictions in which it operates based on differences of interpretation of the applicable tax laws and the manner in which such laws have been implemented.

On April 8, 2020, the U.S. Treasury Department and IRS published the final regulations ("**Regulations**") addressing hybrid financing arrangements. The key impact that these Regulations had on Alaris is that certain interest payments made by Alaris' U.S. entities in 2019 and 2020 may not be deductible. In 2019, Alaris took a deduction for interest expense, against which a reserve of $10.4M was booked in 2020. In 2020, Alaris did not take a deduction for interest and therefore Alaris was not required to take a reserve in 2021.

Furthermore, certain changes in the structure and business practices of our Partners could affect our structure. Although we are of the view that the corporate structure has been implemented correctly and is being managed and monitored properly, there can be no assurance that our Partners' business models will continue to allow us to fully benefit from our corporate structure. Where this is the case, our operating results could be adversely affected.

Mutual Fund Trust Status

The Trust may cease to qualify as a "mutual fund trust" for purposes of the Canadian *Income Tax Act* ("**Tax Act**"). If the Trust did not so qualify for such purposes continuously throughout a taxation year, it would be subject to adverse tax consequences, which may materially reduce its ability to make distributions on the Trust Units.

Furthermore, if the Trust was considered to have been established primarily for the benefit of Non-Residents, depending on the character of the properties held by the Trust at that time, it could be permanently disqualified from qualifying as a "mutual fund trust" for such purposes.

The Trust Units will cease to be qualified investments for a Registered Plan under the Tax Act unless the Trust qualifies as a "mutual fund trust" (as defined in the Tax Act).

Laws, Rules and Regulations Applicable to the Trust

There can be no assurance that additional changes to the taxation of income trusts or corporations or changes to other government laws, rules and regulations, either in Canada or the United States, will not be undertaken which could have a material adverse effect on the

Trust's unit price and its activities and undertakings. There can be no assurance that the Trust will benefit from any rules applicable to corporations, that these rules will not change in the future or that the Trust will avail itself of them.

General

Income tax provisions, including current and deferred income tax assets and liabilities, and income tax filing positions require estimates and interpretations of federal and provincial income tax rules and regulations and judgments as to their interpretation and application to Alaris' specific situation. The business and operations of Alaris are complex, and we have executed a number of significant financings and transactions over the course of our history. The computation of income taxes payable as a result of these transactions involves many complex factors and Alaris' interpretation of and compliance with relevant tax legislation and regulations.

Our ability to recover from Partners for defaults under our agreements with them may be limited

Each Partner provides certain representations and warranties and covenants to us on the Partner and its business and certain other matters. Following a transaction with Alaris, the Partner may distribute all or a substantial portion of the proceeds that it receives from us to its security holders or owners. If we suffer any loss because of a breach of the representations and warranties or non-compliance with any other terms of an agreement with a Partner, we may not recover the entire amount of our loss from the Partner. The Partner may not have sufficient property to satisfy our loss. In addition, our rights and remedies upon default are generally subordinated to a Partner's senior lenders, if any, or may be subject to regulatory restrictions applicable to the Partner or the industry in which they operate, which can limit our ability to recover any losses from Partners. Furthermore, a Partner may try to contest the application of our remedies, which could delay (or, if a Partner's contest succeeds, deny) the operation of our rights and remedies and add costs to Alaris.

There are risks related to Alaris' and our Partners' outstanding debt

Market interest rates remained low during the COVID-19 pandemic, but we expect that interest rates in North American will rise. The U.S. Federal Reserve has signaled its concerns with inflation and announced that it will begin to reduce its purchases of mortgage and other bonds. On March 2, 2022, the Bank of Canada announced that it was increasing its target overnight rate to 0.5%, with the bank rate at 0.75% and the deposit rate at 0.5%. While interest rates remain low, we cannot predict the nature and timing of future changes to monetary policies or the impact that monetary policies will have on our activities and financial results.

Certain features of our outstanding debt, including the renewal of such debt on substantially similar terms, and any outstanding debt of the Partners could adversely affect our ability to raise additional capital, to fund our operations, to pay distributions, and could limit our ability to react to changes in the economy and our industry, expose us to interest rate risks and could prevent us from meeting certain of our business objectives. An inability to meet our debt covenants could cause a default under our senior credit facility, which may then require repayment of any outstanding amounts at a time when Alaris may not have sufficient cash available to make such repayment. In addition, a default under our debt facility may impact our ability to obtain future debt financing on terms favorable to Alaris. Furthermore, an inability of any material Partner (or a group of non-material Partners collectively representing a material portion of our revenues) to meet its (or their) debt covenants and a failure of a Partner to refinance or restructure its debt where necessary can affect the ability to pay Distributions and therefore impact Alaris' cash flows. In addition, where a Partner has defaulted under our agreements, our right to exercise our remedies may be subordinate to the Partner's senior lender and subject to a standstill provision until the senior debt is repaid or for a specified period.

In addition, if Alaris or any of its assets becomes subject to any insolvency, bankruptcy, receivership, liquidation, reorganization or similar proceedings, Alaris' outstanding debt will rank in priority to equity holders (with the indebtedness under the senior credit facility ranking in priority to the Debentures and other unsecured debt).

Alaris and our Partners are subject to significant regulation

Alaris, its subsidiaries and our Partners are subject to various laws, regulations and guidelines in the jurisdictions in which they operate (including U.S. federal, state and local laws and Canadian federal, provincial and local laws) and may become subject to new laws, regulations and guidelines, particularly as a result of acquisitions or additional changes to the jurisdictions in which they operate. The financial and managerial resources necessary to ensure such compliance could escalate significantly, which could have a material adverse effect on Alaris' and the Partners' business, resources, financial condition, results of operations and cash flows. The same goes for any failure to maintain compliance or obtain any required approvals. Such laws and regulations are subject to change. Accordingly, it is impossible for Alaris or the Partners to predict the cost or impact of changes to such laws and regulations on their respective future operations.

There are no guarantees as to the timing and amount of our Trust Distributions

Payment of distributions will depend on several factors, including Distributions received, profitability, debt covenants and obligations, foreign exchange rate, the availability and cost of acquisitions, fluctuations in working capital, the timing and amount of capital expenditures, applicable law and other factors which may be beyond our control. We cannot guarantee distributions, which fluctuate with our performance and the performance of our Partners. There can be no assurance as to payment of distributions we pay if any. The market value of the Trust Units may deteriorate if we cannot pay distributions in accordance with our distribution policy, or at all, and such deterioration may be material.

There are no guarantees as to the availability of future financing for operations, Distributions and growth

We expect that our principal sources of funds for our operations, including our distribution, will be the cash we generate from Distributions. We believe that funds from these sources will provide Alaris with sufficient liquidity and capital resources to meet our ongoing business operations at existing levels. Despite our expectations, Alaris may require new equity or debt financing to meet our financing and operational requirements. There can be no assurance that this financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to Alaris, in which event our financial condition may be materially adversely affected.

The payout by Alaris of substantially all of our operating cash may make future investment capital and operating expenditures dependent on increased cash flow or additional financings. Alaris may require equity or debt financing to acquire interests in new Partners or make additional contributions to our current Partners. Although we have succeeded in obtaining such financing as and when required to date, there can be no assurance that such financing will be available when required or will be on commercially favourable terms. A lack of availability or commercially favourable terms could limit our growth. The ability of Alaris to arrange such financing in the future will depend in part upon the prevailing capital market conditions and our business performance.

Our ability to pay Distributions is affected by the terms of our Senior Credit Facility

Our ability to pay distributions is subject to applicable laws and contractual restrictions in the instruments governing our indebtedness. The degree to which Alaris is leveraged and compliance with other debt covenants under the Senior Credit Facility could have important consequences for Unitholders including: (a) our ability to obtain additional financing for future contributions to private companies may be limited; (b) all or part of our cash flow from operations may be dedicated to the repayment of our indebtedness, thereby reducing funds available for future operations or for payment of distributions; (c) certain of our borrowings are at variable rates of interest, which exposes us to the risk of increased interest rates; and (d) we may be more vulnerable to economic downturns andbe limited in our ability to withstand competitive pressures. These factors may adversely impact our cash flow and, as a result, the amount of cash available for payment of distributions.

Interest expense has been estimated to calculate our distributable cash based on current market conditions that are subject to fluctuations. Such fluctuations could lead to an unanticipated material increase in interest rates that could, in turn, have a material adverse effect on cash available to pay distributions.

We are subject to fluctuations in the U.S./Canadian dollar pairing (USD/CAD)

Most Partners pay Distributions in USD. But Alaris pays distributions in CAD. We currently have currency hedges in place to manage the risk and economic consequences of foreign currency exchange fluctuations on our monthly cash flows and natural hedges such as carrying U.S. dollar-denominated debt. However, the Canadian dollar relative to the U.S. dollar is subject to fluctuations, and the currency hedges are for a limited period. There can be no guarantee that future hedges will be at rates of USD/CAD that fully protect Alaris' cash flows against major fluctuations. As a result, failure to adequately manage our foreign exchange risk could adversely affect our business, financial condition and results of operation. In general, where we continue to have a majority of our investments in the U.S., a declining Canadian dollar versus the U.S. dollar is a net benefit to Alaris' monthly cash flows and to the principal value of its investments.

Certain of our currency hedges are conducted through a forward contract, which comes with an obligation to fulfill the contract at a future date. If Alaris did not have adequate USD to sell under the forward contract, it would have to pay the difference between the contract price and the current spot price. If the current spot price is in Alaris' favour, it could receive a cash benefit from being unable to fulfill its forward contract. But if the spot to forward price differential is not in Alaris' favour, it could owe considerable money to the holder of the contract. A significant loss of USD revenue could cause Alaris to fail to meet its obligations under the forward contracts. This could result from a decline in a Partner's business, which diminishes its Distribution, or if a material U.S. Partner repurchases (or several U.S. Partners repurchase) Alaris. Any cash outlay to meet a forward contract obligation could impair Alaris' cash flows.

Alaris has investments in several U.S.-based businesses and will continue to invest in U.S.-based businesses in U.S. denominated currency. The Senior Credit Facility allows for USD-denominated draws to fund U.S.-based businesses. This will act as a natural hedge on cash flows and future repurchases by Partners. However, Alaris may, from time-to-time, purchase USD in the spot market based on the USD/CAD rate of exchange at the time of investment to make U.S.-based investments. If Alaris is redeemed on a USD-based investment, it may incur a loss in the Canadian dollar equivalent if the USD/CAD spot rate is lower at the time of the redemption than it was when the original investment was made. Alaris does not hedge the fair value of its USD-denominated investments because there is no expectation to be redeemed or to exit these investments, and therefore the timing of such exit events is uncertain. This exposes Alaris to a cash loss, or gain, on a USD investment, even if the investment was successful in its U.S.-based currency. Alaris adjusts the fair value of its USD denominated investments based on the USD/CAD rate on the balance sheet date for each quarter and records an unrealized gain or loss to account for the fluctuations in the exchange rate.

Our Partners have termination rights which may be exercised

Each Partner has the right to terminate their agreement with Alaris through repurchase or redemption rights. Some of these rights may be restricted for a fixed period following Alaris' initial investment. Although Management believes that the repurchase or redemption purchase price would adequately compensate Alaris for the forgone payments, we would need to reinvest the cash received, including possibly repurchasing for cancellation of our own Trust Units to maintain our Trust Distribution levels. There is no assurance that we would be able to successfully identify and complete any such alternative investments or complete any such Trust Unit repurchase.

We and our Partners rely heavily on key personnel

The success of Alaris and our Partners depends on the abilities, experience, efforts and industry knowledge of their respective senior management and other key employees, including their ability to retain and attract skilled management and employees. The long-term loss of the services of any key personnel for any reason could have a material adverse effect on the business, financial condition, results of operations or future prospects of Alaris or a Partner. The growth plans of Alaris and the Partners described in this document may require additional employees, increase the demand on management and produce risks in both productivity and retention levels. Alaris and our Partners may be unable to attract and retain additional qualified management and employees as needed. There can be no assurance that Alaris or our Partners will effectively manage their growth, and any failure to do so could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Our trust unit price is unpredictable and can be volatile

A publicly traded income trust will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Trust Units will trade are unpredictable. The market price of the Trust Units could fluctuate significantly in response to variations in quarterly and annual operating results, the results of any public announcements we make, general economic conditions, unexpected volatility in global stock markets and other factors beyond our control.

We may issue additional Trust Units diluting existing Unitholders' interests

We may issue an unlimited number of Trust Units or other securities for consideration and on terms as we establish without Unitholder approval. Any further issuance of Trust Units will dilute the interests of existing Unitholders if the proceeds of such issuances are not being used in a manner that is accretive to Alaris' net cash from operating activities per Trust Unit. Unitholders have no pre-emptive rights in connection with such future issuances.

We are subject to a risk of legal proceedings

In the normal course of business, we may be subject to or involved in lawsuits, claims, regulatory proceedings and litigation for amounts not covered by our liability insurance. Some of these proceedings could result in high costs. Although the outcome of such proceedings is not predictable with assurance, Alaris has no reason to believe that the disposition of such matters could have a significant impact on our financial position, operating results or ability to carry on our business activities. As of the date of this document, no material claims or litigation have been brought against Alaris.

General Risks Related to the Debentures

In June 2019, Alaris issued $100 million aggregate principal amount of convertible debentures, convertible at the holder's option at any time before the close of business on the earlier of the business day immediately preceding the June 30, 2024 maturity date and the date specified by Alaris for the redemption of the convertible debentures into fully paid and non-assessable Trust Units at a conversion price of $24.25 per Trust Unit, being a conversion rate of approximately 41.2371 Trust Unit for each $1,000 principal amount of convertible debentures (the "**2024 Debentures**"). Each series of the 2024 Debenture will rank pari passu with each other 2024 Debenture of the same series and, subject to certain statutory exceptions, with all other present and future subordinated and unsecured indebtedness of Alaris (except for any sinking fund provisions applicable to different series of 2024 Debentures or similar types of obligations of Alaris).

In February 2022, Alaris issued $65 million aggregate principal amount of senior unsecured debentures with a maturity date of March 31, 2027, and bearing interest of 6.25% per year, payable by the Trust semi-annually in arrears on the last business day in March and September of each year commencing March 31, 2022 (the "**2027 Debentures**"). Each 2027 Debenture ranks pari passu with each other 2027 Debenture and, subject to certain statutory exceptions, with all other present and future unsubordinated and unsecured indebtedness of Alaris. Alaris may, at its option, repay the principal amount of the 2027 Debentures in Canadian dollars or by delivery of fully paid and non-assessable Trust Units. Together, the 2024 Debentures and 2027 Debentures are referred to as the "**Debentures**".

If Alaris or any of its assets becomes subject to any insolvency, bankruptcy, receivership, liquidation, reorganization or similar proceedings, Alaris must first repay the Senior Credit Facility and any other senior indebtedness which may arise from time to time before repaying holders of Debentures. Following repayment in full of the Senior Credit Facility and any other senior indebtedness, the Debentures become entitled to the distribution of any remaining assets of Alaris to satisfy any owing obligations on such Debentures. In addition, any assets of Alaris that are subject to a security interest or are required to be marshalled by the rights of any creditor ranking senior to the holders of the Debentures may not be available to satisfy any obligations owing on the Debentures. As a result, if Alaris or any of its assets becomes subject to any insolvency, bankruptcy, receivership, liquidation, reorganization or similar proceedings, Alaris may have insufficient assets remaining to pay amounts due on any or all of the then outstanding Debentures.

Additionally, any deterioration in Alaris' financial condition may affect our ability to pay principal, premium (if any) and interest on the Debentures when due. Alaris is prohibited from making any payment on the Debentures if: (a) a default, event of default or acceleration occurs under the Senior Credit Facility or any other senior indebtedness or any swap obligation of any senior creditor or its affiliates; (b) a default under the Senior Credit Facility or any other senior indebtedness permits the holders of the Senior Credit Facility or any other senior indebtedness (as applicable) to accelerate its maturity; or (c) if such payment would create a default of the Senior Credit Facility or any other senior indebtedness that would permit acceleration of its maturity.

Alaris may Redeem the Debentures before Maturity

Between June 30, 2022, and June 30, 2023 (and subject to regulatory approval and any restrictions on the redemption of 2024 Debentures of a particular series), Alaris has the right to redeem the 2024 Debentures, either in whole at any time or in part from time to time, on at least 30 and not more than 60 days' notice, at a redemption price equal to the principal amount of the 2024 Debentures plus accrued and unpaid interest, as long as the volume-weighted average trading price of the Trust Units on the TSX for the 20 consecutive trading days ending on the fifth trading day before the date on which the notice of redemption is given is at least 125% of the conversion price. Holders of 2024 Debentures should assume that Alaris will exercise its redemption right if refinancing at a lower interest rate becomes available or if Management determines that it is otherwise in Alaris' best interest to redeem the 2024 Debentures.

Between March 31, 2025, and March 31, 2026 (and subject to regulatory approval and any restrictions on the redemption of 2027 Debentures of a particular series), Alaris has the right to redeem the 2027 Debentures, either in whole or in part, on at least 30 and not more than 60 days' notice, at a redemption price equal to 103.125% of the principal amount of the 2027 Debentures to be redeemed plus accrued and unpaid interest up to but excluding the date of redemption. On or after March 31, 2016, and the maturity date of the 2027 Debentures, Alaris has the right to redeem the 2027 Debentures, either in whole or in part, on at least 30 and not more than 60 days' notice, by issuing Trust Units at a redemption price equal to the principal amount of the 2027 Debentures to be redeemed plus accrued and unpaid interested up to but excluding the date of redemption.

Redemption of Debentures upon a Change of Control

Alaris must offer to purchase all 2024 Debentures within 30 days of the acquisition of voting control or direction of more than 50% of the outstanding Trust Units. Upon such an event, Alaris may not have sufficient funds to satisfy the required purchase of all 2024 Debentures. Within 30 days following the occurrence of the acquisition of voting control or direction of more than 50% of the outstanding Trust Units, Alaris must offer to purchase, in whole or in part, the 2027 Debentures then outstanding for 100% of the principal amount of the 2027 Debentures plus accrued and unpaid interest up to but excluding the date of acquisition.

Additionally, the rights under the Senior Credit Facility or any other senior indebtedness in existence at such time may restrict such a purchase.

Effect of Interest Rates on the Price of convertible debentures

The market value of the Debentures will fluctuate with the interest rates in effect from time to time. Consequently, the market value of the Debentures may decline if general interest rates begin to rise.

Nature of Investment

Unitholders of Alaris do not hold a share of a body corporate. As holders of Trust Units, Unitholders do not have statutory rights normally associated with ownership of shares of a corporation, including, for example, the right to bring "derivative" actions. The rights of Unitholders are based primarily on the Declaration of Trust, a copy of which is available under the Trust's profile at www.sedar.com. There is no statute governing the affairs of the Trust equivalent to the *Canada Business Corporation Act* which sets out the rights and entitlements of shareholders of corporations in various circumstances.

We are not, and do not intend to become, registered as an Investment Company under the U.S. Investment Company Act and related rules

We have not been and do not intend to become registered as an investment company under the U.S. Investment Company Act and related rules in reliance on the exemption from such registration under section 3(c)(7) of that Act. The U.S. Investment Company Act and related rules provide certain protections to investors and restrict companies who register with the U.S. Securities and Exchange Commission (the "**SEC**") as investment companies. None of these protections or restrictions is or will be available to investors in Alaris. In addition, as long as Alaris is an "investment company" under the Investment Company Act, to comply with the section 3(c)(7) exemption from registration and avoid being required to register as an investments company under the U.S. Investment Company Act and related rules, we have implemented restrictions on the ownership and transfer of the Trust Units, which may materially affect your ability to hold or transfer the Trust Units. If we needed to register with the SEC as an investment company, compliance with the U.S. Investment Company Act would significantly and adversely affect our ability to conduct our business.

Potential investors' ability to invest in Trust Units or to transfer any Trust Units that investors hold may be limited by certain ERISA, U.S. Tax Code and other Considerations

Alaris has restricted the ownership and holding of Trust Units so that none of our assets will constitute "plan assets" (as defined in the Plan Asset Rules) of any of the following: (a) an "employee benefit plan" (under section 3(3) of ERISA that is subject to Part 4 of Subtitle B of Title I of ERISA; (b) a plan, individual retirement account or another arrangement that is subject to Section 4975 of the Code; (c) any other retirement or benefit plan that is not described in (a) or (b), but that is subject any similar law; or (d) an entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement in (a) through (c) under ERISA, the Code or similar law.

If Alaris' assets were considered "plan assets" of any of the above entities, non-exempt "prohibited transactions" under section 406 of ERISA, section 4975 of the Code or similar law could arise from transactions the Trust or any of our subsidiaries enters into in the ordinary course of business, leading to tax penalties and mandatory rescission of such transactions. Consequently, each recipient and subsequent transferee of Trust Units will, or will be deemed to, represent and warrant that it is not an entity described in (a) through (d) in the preceding paragraph and that no portion of the assets used to acquire or hold its interest in Trust Units or any beneficial interest in them constitutes or will constitute the assets of such an entity. Any holding or transfer of Trust Units in violation of such representation will be void. See "Ownership and Transfer Restrictions".

Foreign Account Tax Compliance Act ("FACTA") Provisions

In general, FATCA imposes due diligence, reporting and withholding obligations on foreign (non-U.S.) financial institutions and certain foreign (non-U.S.) non-financial entities. Failure by such an institution or entity to comply with these obligations could subject it to a 30% U.S. withholding tax on certain U.S. source income (including interest, dividends, rents, royalties, compensation, other passive income and gross proceeds from the sale or other disposition of property that produce similar of U.S. source income) and thereby reduce its distributable cash and net asset value. In 2014, Canada and the United States entered into an Intergovernmental Agreement (the "**IGA**") to facilitate compliance with FATCA by Canadian financial and non-financial institutions and entities.

Under the IGA and the Canadian legislation enacted to implement the IGA (the "**Canada IGA Legislation**"), Alaris (and our subsidiaries): (a) registered with the IRS and acquired identifying numbers; (b) performed, and will continue to perform, specified diligence to determine whether they have any "U.S. reportable accounts"; and (c) will annually, report to the CRA required information about U.S. "account holders", which could include certain of Alaris' Unitholders. Under the Canada IGA Legislation, Unitholders may need to provide identity, residency and other information to Alaris (and may be subject to penalties for failing to do so) that, for certain U.S. persons or certain non-U.S. entities controlled by certain U.S. persons, Alaris would then report to the CRA. The CRA may report such information about U.S. reportable accounts to the IRS under the exchange-of-information provisions in the Canada-U.S. tax treaty.

Under the Canada IGA Legislation, equity and debt interests that regularly trade on an established securities market are not treated as "financial accounts". If the Trust Units are regularly traded on an established securities market, Alaris will not need to provide information to the CRA about U.S. holders of Trust Units. Because we believe the Trust Units would be considered regularly traded on an established securities market, Alaris does not expect to report information about U.S. Unitholders to the CRA under FATCA. However, if in the future the Trust Units are no longer considered regularly traded on an established securities market, Alaris' reporting obligations under FATCA may change.

Alaris and its subsidiaries intend to continue to take any measures and implement any procedures that we, in consultation with our legal and tax counsel, find necessary or desirable to comply with our obligations under the IGA and, more particularly, the Canada IGA Legislation. If Alaris or a subsidiary of does not satisfy the applicable requirements of the IGA and the Canada IGA Legislation or if the Canadian government does not comply with the IGA and if Alaris is otherwise unable to comply with any relevant legislation, then Alaris (or a subsidiary of Alaris) could be subject to FATCA tax.

The discussion above reflects the Code, guidance issued by the IRS and the United States Treasury Department, including regulations and IRS notices, and the IGA and the Canada IGA Legislation (and their interpretations and the guidance issued by the CRA). Future guidance, including explanations of and rulings interpreting current authorities, may affect the application of FATCA to Alaris in a manner unfavorable to Alaris and holders of Trust Units.

Passive Foreign Investment Company ("PFIC") Rules and Potential Implications for U.S. Unitholders

Sections 1291 through 1298 of the Code provide for special (and generally unfavorable for U.S. unitholders) rules applicable to non-U.S. corporations that constitute PFICs. A non-U.S. corporation will constitute a PFIC for any taxable year in which either (a) at least 75% of its gross income is passive income (which would include, among other things and subject to certain exceptions, dividends, interest, royalties, rents, annuities and other income of a kind that would be "foreign personal holding company income", as defined in Section 954(c) of the Code) or (b) at least 50% of our assets by value (determined on the basis of a quarterly average) produce or are held for the production of passive income. For this purpose, the non-U.S. corporation will be deemed to receive its proportionate share of the income directly and to hold its proportionate share of the assets of any corporation or partnership (whether U.S. or non-U.S.) that we own at least 25% (by value).

For any taxable year in which a non-U.S. corporation is a PFIC in the absence of an election by a U.S. shareholder to either treat such non-U.S. corporation as a "qualified electing fund" (such election, a "**QEF Election**") or "mark-to-market" his or her shares of such non-U.S. corporation (such election, an "**MTM Election**"), a U.S. shareholder will, upon making certain "excess distributions" by such non-U.S. corporation or upon the U.S. shareholder's disposition of his or her shares of such non-U.S. corporation at a gain, be subject to U.S. federal income tax at the highest tax rate on ordinary income in effect for each year to which the income is allocated plus an interest charge on the deemed tax deferral, as if the distribution or gain had been recognized rateably over each day in the U.S. shareholder's holding period for his or her shares in such non-U.S. corporation while such corporation was a PFIC.

Based on its (and its subsidiaries') income and assets in prior tax years, Alaris has taken the position that neither it nor any of its subsidiaries were PFICs for any of its prior taxable years. Furthermore, based on its current and projected operations and financial expectations for the current taxable year, Alaris believes that neither it nor any of its subsidiaries will be a PFIC for the current taxable year. However, the determination of whether Alaris or any of its subsidiaries was or will be or become a PFIC was and is fundamentally fact-specific and dependent on: (a) the income and assets of Alaris and its subsidiaries over the course of any such taxable year; and (b) the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Consequently, Alaris cannot provide any assurance that: (i) neither it nor any of our subsidiaries was or will be or become a PFIC; or (ii) that the IRS would not take the position that either Alaris or any of our subsidiaries should have been or should be treated as a PFIC for any one or more taxable years despite Alaris' contrary reporting position.

If Alaris were to be or become a PFIC for the current or any future taxable year, Alaris does not intend to make available to U.S. unitholders the financial information necessary to make a QEF Election; however, provided the Trust Units constitute "marketable stock" (as specifically defined under the MTM Election regulations), a U.S. unitholder should be able to make an MTM Election with respect to a Unitholder's

Trust Units. Alaris believes that the Trust Units would currently be considered "marketable stock" for this purpose. Making an MTM Election would result in the electing U.S. unitholder of Trust Units having to recognize as ordinary income or loss each year an amount equal to the difference as of the close of such year between the fair market value of the Trust Units and the unitholder's adjusted U.S. federal income tax basis in such Trust Units. Losses would be allowed only to the extent of the net mark-to-market gain previously included in income by the U.S. unitholder under the MTM Election for prior taxable years. If an MTM Election is made, then distributions would be treated as if Alaris were not a PFIC, except that the lower tax rate currently imposed on dividends to individuals would not apply.

Alaris urges U.S. unitholders to consult their own tax advisors regarding the possible application of the PFIC rules.

The Global COVID-19 Outbreak has caused disruptions to the U.S. and Canadian Economies and has, and may continue to, negatively impact certain Partners

Although the North American and global economies have begun to recover from COVID-19 as many health and safety restrictions have been lifted and vaccine distribution has increased, Alaris and its Partners may continue to experience negative impacts from the COVID-19 outbreak. The long-term extent of such impacts is currently unquantifiable but may be significant. Such impacts include, without limitation, labour shortages, global supply chain disruptions, government restrictions on travel and could include other increased government regulations, reduced consumer traffic and sales and temporary business closures, all of which may negatively impact the business, financial condition and results of operations of Alaris and its Partners and our Partners' ability to comply with their covenants under their respective obligations to Alaris and satisfy their other obligations to other parties, which in turn may adversely impact, among other things, Alaris' ability to access debt or equity capital on acceptable terms or at all, to comply with the financial covenants under its credit facilities, satisfy its financial obligations to its lenders and other creditors (including under the Senior Debt Facility) and Alaris' ability to pay distributions and make interest and principal payments to holders of our Debentures. The growth in economic activity related to the COVID-19 recovery, together with labour shortages and supply chain constraints, has contributed to rising inflationary pressures, which may negatively impact Alaris and our Partners.

The duration of the business disruption from COVID-19 and the related financial impact cannot be reasonably estimated and will depend on future developments which are unpredictable, including the rate of distribution and administration of COVID-19 vaccinations, the severity of any future COVID-19 variants and responses to contain such variants. U.S. and Canadian consumer practices and demands may have changed permanently compared to before COVID-19, including continued social distancing, which could adversely affect certain of our Partners. Our Partners' inability to adapt to these and other COVID-19 changes could adversely impact their ability to pay Distributions.

Expectations of Alaris and our Partners relating to environmental, social and governance factors may impose additional costs and expose us to new risks.

Certain investors and key stakeholders have increased their focus on corporate responsibility, specifically related to environmental, social and governance ("**ESG**") factors. We expect that an increased focus on ESG considerations will affect some aspects of our operations, including our due diligence processes when determining whether to invest in a new Partner. There are many groups involved in a range of ESG issues, including investors, special interest groups, public and consumer interest groups and third-party service providers. As a result, there is an increased emphasis on corporate responsibility ratings and a number of third parties provide reports on companies to measure and assess corporate responsibility performance. The ESG factors used to assess Alaris' corporate responsibility may change, which could result in greater expectations of Alaris and cause us to undertake costly initiatives to satisfy new ESG criteria. If we cannot satisfy existing or new ESG criteria, investors may conclude that our corporate responsibility policies are inadequate. We risk damage to our reputation if our corporate responsibility procedures, standards or policies do not meet the standards set by various ESG focused groups. Alaris has made, and may need to make future, substantial investments in matters related to ESG which require significant investment and resources. Any failure in our decision-making or investments related to ESG could affect investor perceptions of Alaris. Furthermore, we cannot control the ESG approach taken by our current or potential Partners. If we communicate specific ESG goals or initiatives, we could fail, or be perceived to fail, in our achievement of such goals or initiatives, or we could be criticized for the scope of such goals or initiatives. If we, directly or indirectly through our Partners, fail to satisfy the ESG expectations of investors and other key stakeholders or our ESG goal or initiatives are not executed as planned, our reputation could be materially and adversely affected.

RISKS RELATING TO OUR MATERIAL PARTNERS

Our material Partners face several business, operational and other risks which if realized, could have a material impact on our operating results and conditions. These risks are outlined in more detail below.

Risks Relating Specifically to BCC

Lawsuits	Any business performing medical procedures has a higher probability of facing lawsuits in the US than most, even minimally invasive procedures such as those Sono Bello completes. Medical malpractice lawsuits are common in this space and can have a material impact on the business. BCC has appropriate levels of insurance coverage to manage historical lawsuit risks.
Consumer discretionary	BCC performs elective procedures, primarily minimally invasive liposuction. This elective procedure is driven by pricing and consumer spending. If consumers have less disposable income they tend to cut out consumer discretionary spending and focus on core spending. This could have a negative impact on BCC's business. The price point of a typical procedure at BCC is not as significant as other more invasive cosmetic procedures but it is high enough that during recessionary times they will see a pull back in revenue.
Growth of new territories	BCC continues to grow through expansion which comes with the risk that not all new locations produce the returns realized at current ones. Not all markets are created equal and therefore could have substantially different results. Ambitious growth initiatives open the door to execution risk. The team in place at BCC has successfully taken the business through various stages of growth thus far and has executed very well. However, execution risk remains.
Competition	Barriers to entry are time and money in order to get the scale Sono Bello has. However, there are groups that could follow Sono Bello's lead given the growth prospects and profitability of the industry. Competition in the cosmetic procedures business is regional but substantial and growing. On a national level and in the procedures of focus for BCC, they are the dominate player and on a national scale any new competitors will take time to grow to BCC's size and scale. However, new entrants can put pressure on pricing and BCC may not be able to compete with competitors in regions where BCC plans to expand due to existing brand loyalty. Competitors may attempt to copy BCC's business model, or portions thereof, which could erode market share and impair profitability. This competition may limit their ability to attract and new customers, which could materially affect their results of operations and financial condition.
Reliance on IT	BCC relies heavily on their IT systems and the security within, both for lead generation and closing leads, but also on the security front to ensure the confidentiality of the information provided by customers. If the confidentiality and integrity of their customer's personal data, including banking information, aren't upheld then their reputation and business could be materially impacted.
Social acceptance of minimally invasive procedures	Changes in the acceptance of cosmetic procedures (negative image) could lead to a reduction of people that would be willing to have a cosmetic surgery procedure.
Brand Reputation	Sono Bello is a brand in a vanity driven industry. If something was to hurt the image of Sono Bello (customer complaints, lawsuits, botched procedures and even death) it could severely damage Sono Bello's brand and thus the profitability of the business.

Risks Relating Specifically to PFGP

Additional franchise operations may be limited	PFGP is a franchisee of Planet Fitness. As such, PFGP's operations depend, in part, on decisions made by the Planet Fitness franchisor, including decisions relating to pricing, advertising, policy and procedures and approvals required for acquisitions and territory expansion. Business decisions made by the franchisor could impact PFGP's operating performance and profitability. In addition, PFGP must comply with the terms of its franchise agreements with the franchisor and its applicable land development agreements. A failure to comply with such obligations or a failure to

	obtain renewals on any expiring franchise agreements could adversely affect PFGP's operations.
Brand loyalty	PFGP relies on the other franchisees to uphold the Planet Fitness brand. Franchisees are contractually obligated to operate their stores in accordance with the standards set forth in the agreements with the franchisor. However, the other franchisees are independent third parties, whose actions are outside of the control of PFGP.
Performance amongst new clubs	PFGP continues to grow through expansion which comes with the risk that not all new clubs produce the returns realized at current ones. Further, there is a risk of ensuring new clubs are not within close enough proximity to existing stores that would negatively impact the existing stores' results as well.
High level of competition	The high level of competition in the health and fitness industry could materially and adverse affect their business. PFGP may not be able to compete effectively in the markets in which they operate. Competitors may attempt to copy their business model, or portions thereof, which could erode market share and impair profitability. This competition may limit their ability to attract and retain existing members and their ability to attract new members, which in each case could materially and adversely affect their results of operations and financial condition.
Reliance on IT	PFGP relies heavily on their IT systems and the security within, both for ease of service with their point-of-sale processing systems, but also on the security front to ensure the confidentiality of the information provided by customers. If the confidentiality and integrity of their customer's personal data, including member banking information, aren't upheld then their reputation and business could be materially impacted.

RISKS RELATING TO ALL OF OUR PARTNERS, GENERALLY

Along with the risks relating specifically to our material Partners, several other risks impact all of our current and future Partners collectively, which, if realized, could have a material impact on our operations and financial condition, as described below.

How a Partner is leveraged may have adverse consequences to them

Leverage may have important adverse consequences on our Partners. Partners may be subject to restrictive financial and operating covenants. Leverage may impair our Partners' ability to finance their future operations and capital needs and continue paying Distributions. As a result, their flexibility to respond to changing business and economic conditions and business opportunities may be limited. A leveraged company's income and net assets will increase or decrease faster than if the borrowed money was not used.

Our Partners rely on key personnel

Often, a private business's success depends on the management talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on a Partner's operations or ability to access additional capital, qualified personnel, expand or compete. See also, "*Risk Factors – Operational and Financial Risk Factors Relating to our Business*" and "*Our Partners and we rely heavily on key personnel*".

Public Health Crises, Epidemics and Pandemics may negatively impact our Partner's business continuity

New and infectious diseases such as COVID-19 may disrupt a Partner's ability to carry on business in the ordinary course. In addition, the disruption to supply chains, overall market sentiment, credit rating, political and governmental reaction and risks to employee health and safety due to such health crises may result in a slowdown or temporary shutdown of the operations of our Partners or any of them. The full risks associated with the ongoing COVID-19 pandemic have not yet been realized, and, accordingly, there may be other unknown impacts to our Partners' businesses as a result.

A lack of funding for our Partners could have adverse consequences to them

Each of our Partners may continue to require additional working capital to conduct their existing business activities and expand their businesses. Our Partners may need to raise additional funds through collaborations with corporate partners, including Alaris, or through private or public financings to support their long-term growth efforts. If adequate funds are unavailable, our Partners may need to curtail their business objectives in one or more areas. There can be no assurance that unforeseen developments or circumstances will not alter a Partner's capital requirements. No assurance can be given that additional financing will be available on acceptable terms, if at all.

Failure to Realize Anticipated Benefits of Acquisitions, New Business Lines or Locations

The business model for many of our Partners includes acquiring businesses and assets or growth through expanding to new locations. In addition, a Partner's business could launch a new business line or service offering. Achieving the benefits of acquisitions, new business lines, new locations and other transactions depends on, among other things, successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, allocating appropriate resources, including management time, and a Partner's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses, assets and operations with those of their own. The integration of acquired businesses, new business lines or locations may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. A failure to realize the anticipated benefits of such acquisitions, new business lines or locations could have a material adverse impact on a Partner's operations and therefore on our operations.

Our Partners may suffer damage to their brand reputations

Damage to our Partners' brands or reputation, or the reputation of the brands of suppliers of products that the Partners offer, could result from events out of our Partners' control. This damage could negatively impact consumer opinion of our Partners or their related products and services, which could harm the Partners' performance.

Our Partners face intense competition

Our Partners may face intense competition, including competition from companies with greater financial and other resources, more extensive development, manufacturing, marketing, other capabilities and more qualified managerial and technical personnel. There can be no assurance that our Partners will be able to compete against their respective competitors successfully or that such competition will not have a material adverse effect on their businesses, financial condition, results of operations and cash flows and therefore their ability to pay Distributions.

Changes in the industry in which the Partners operate

Our Partners operate in several different industries, some of which are heavily regulated. A change in the regulatory regime of such industries or a material change in the economic factors specific to any industry in which our Partners operate could have a material impact on the operations of such Partners and therefore could have an adverse impact on their ability to pay Distributions.

Risks regarding legal proceedings involving our Partners

During the course of their operations, our Partners may be subject to or involved in lawsuits, claims, regulatory proceedings or other litigation matters for amounts not covered by their liability insurance. Some of these proceedings could result in high costs and restraints on a Partner's operations, which could negatively impact their ability to pay Distributions and therefore could have a material impact on our financial performance.

There could be material adjustments to financial information once an annual audit is conducted

Alaris receives unaudited internal financial information from each of its Partners throughout the year and bases certain estimates on this information, including the ECRs Alaris discloses throughout the year. Upon conducting an audit of the annual information, there could be material adjustments to the financial statements used by us in determining such estimates, and therefore Alaris may have to change certain guidance that it had previously given to its Unitholders. The adjustments could also impact financial covenants that our Partners have with their lenders and thus could impact Distributions.

Customer Concentration

At times, some Partners may have a single customer concentration or only a handful of customers that make up a large portion of their revenues. If there is a loss of one or some of these customers, there could be a material impact on a Partner's business and its cash flows, which could have a material impact on the Partner's ability to pay Distributions.

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, including resets on Distributions; the ECR for the Partners; the Trust’s Run Rate Payout Ratio, Run Rate Cash Flow and Run Rate Revenue; the repayment of PFGP’s and Brown and Settle’s deferred Distributions, including the timing thereof; the impact of new investments and follow-on investments; expected resets of Distributions in 2022; the Trust’s consolidated expenses; expectations regarding receipt (and amount of) any common equity distributions or dividends 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 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, thereof and the amounts to be received by the Trust (including, specifically, the potential Kimco redemption); Q1 2022 and annual 2022 revenue; the Trust’s expenses for Q1 2022 and annually; annualized net cash from operating activities; changes in Distributions from Partners; the proposed resolutions to any outstanding issues with certain Partners; the timing for collection of deferred or unpaid Distributions; impact of new deployment; impact of changes to the U.S./Canadian dollar exchange rate; and Alaris’ ability to deploy capital to and attract new private businesses to invest in. 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 Revenue, 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 stabilize from economic downturn created by COVID-19 and will not be detrimentally impacted over the next twelve months; interest rates will not rise in a material way over the next 12 months, that those Partners previously affected by COVID-19 will not see a detrimental impact from COVID-19 over the next 12 months; 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 Trust's 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, 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.

Consolidated Financial Statements of

Alaris Equity Partners Income Trust

Audited financial statements for the years ended December 31, 2021 and 2020

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Alaris Equity Partners Income Trust

Opinion

We have audited the consolidated financial statements of Alaris Equity Partners Income Trust (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at end of December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of the fair value of investments at fair value

Description of the matter

We draw attention to Notes 2(d), 5, and 11 to the financial statements. Investments at fair value are measured using a discounted cash flow model or capitalized cash flow. The Entity recognizes that the determination of fair value of its investments at fair value becomes more judgmental the longer the investments are held. Typically, the risk profile and future cash flows expected from the individual investments change over time. The Entity's valuation model incorporates these factors each reporting period. The Entity has recorded investments at fair value of $1,185,327,000 as at December 31, 2021. Significant assumptions in determining the fair value of investments at fair value include the discount rate, terminal value growth rate and changes in future distributions for preferred unit investments, and the discount rate, terminal value growth rate, cash flow multiple and estimated future cash flows for common equity investments.

Why the matter is a key audit matter

We identified the evaluation of the fair value of investments at fair value as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of investments at fair value and the high degree of estimation uncertainty in determining the fair value of investments at fair value. In addition, significant auditor judgment and specialized skills and knowledge were required in evaluating the results of our procedures, due to the sensitivity of the fair value of investments at fair value to minor changes to significant assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We compared the Entity's actual 2021 distributions received to the amount budgeted for 2021 to assess the Entity's ability to accurately forecast.

We evaluated the appropriateness of the assumptions used in determining the fair value of investments at fair value by:

- Comparing a selection of changes in future distributions to the actual historical distributions, and assessing the adjustments made in arriving at changes in future distributions by comparing to the adjustment factors permitted under the respective agreements. We took into account changes in conditions and events affecting estimated future distributions to assess the adjustments or lack of adjustments made in arriving at estimated future distributions.
- Comparing a selection of the estimated future cash flows to the actual historical cash flows. We took into account changes in conditions and events affecting estimated future cash flows to assess the adjustments or lack of adjustments made in arriving at estimated future cash flows.

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the discount rates, terminal value growth rates and cash flow multiples used in determining the fair value of investments at fair value by:

- Comparing a selection of discount rates and terminal value growth rates to the transaction discount rates and terminal value growth rates implied at the time of the Entity making the initial investment
- Comparing the changes in a selection of discount rates and terminal value growth rates to changes in the financial performance and condition of each specific investment since the time of the Entity making the initial investment
- Comparing a selection of discount rates and cash flow multiples against a discount rate range and cash flow multiple range that were independently developed using publicly available market data for comparable entities

Evaluation of the accounting treatment for new investment structures

Description of the matter

We draw attention to Note 2(d) to the financial statements. The Entity makes significant judgments related to the consideration of control, joint control and significant influence for each of its investments. The Entity has agreements with various private businesses and these agreements include not only clauses as to distributions but also various protective rights. The Entity must apply significant judgment when assessing the rights under the agreement and determining the appropriate accounting treatment.

Why the matter is a key audit matter

We identified the evaluation of the accounting treatment for new investment structures as a key audit matter. This matter represents an area of significant risk of material misstatement requiring significant auditor judgment to evaluate the Entity's rights under the agreements and assess the Entity's conclusions reached on the accounting treatment.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- Assessing the contractual terms of the new investment structure and the impact those terms have on the accounting treatment, by examining a selection of contracts and comparing the contract details to the relevant accounting standards.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors’ report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditors’ report is Kimberly Maria Isotti.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 9, 2022

Alaris Equity Partners Income Trust
Consolidated statements of financial position

$ thousands	Note	31-Dec 2021	31-Dec 2020
Assets			
Cash and cash equivalents		$ 18,447	$ 16,498
Derivative contracts	11	71	1,489
Accounts receivable and prepayments		3,181	981
Income taxes receivable		28,991	12,669
Promissory notes and other assets	5	13,555	4,000
Current Assets		$ 64,245	$ 35,637
Promissory notes and other assets	5	-	19,233
Deposits	10	24,979	20,206
Property and equipment		658	846
Investments	5	1,185,327	880,512
Non-current assets		$ 1,210,964	$ 920,797
Total Assets		**$ 1,275,209**	**$ 956,434**
Liabilities			
Accounts payable and accrued liabilities	9	$ 8,214	$ 5,351
Distributions payable	6	14,899	12,089
Office Lease		500	659
Income tax payable		740	723
Current Liabilities		$ 24,353	$ 18,822
Deferred income taxes	10	43,903	16,112
Loans and borrowings	7	326,569	229,477
Convertible debenture	8	89,592	86,029
Other long-term liabilities	8, 9	1,933	980
Non-current liabilities		$ 461,997	$ 332,598
Total Liabilities		**$ 486,350**	**$ 351,420**
Equity			
Unitholders' capital	6	$ 754,622	$ 659,988
Equity reserve		-	17,621
Translation reserve		15,052	12,431
Retained earnings / (deficit)		19,185	(85,026)
Total Equity		**$ 788,859**	**$ 605,014**
Total Liabilities and Equity		**$ 1,275,209**	**$ 956,434**

Commitments and contingencies	12
Related parties	13
Subsequent events	5, 14

On behalf of the Board:

Director (signed) *"John F. Ripley"*
Director (signed) *"Mary Ritchie"*

Alaris Equity Partners Income Trust
Consolidated statements of comprehensive income

$ thousands except per unit amounts	Note	Year ended December 31 2021	Year ended December 31 2020
Revenues, including realized foreign exchange gain	5	$ 147,664	$ 109,568
Net realized gain / (loss) from investments	5	9,921	(26,863)
Net unrealized gain / (loss) of investments at fair value	5	53,275	(14,623)
Bad debt recovery	5	4,030	183
Total revenue and other operating income		**$ 214,890**	**$ 68,265**
General and administrative		13,273	14,519
Transaction diligence costs		4,246	5,532
Unit-based compensation	9	5,362	2,708
Depreciation and amortization		211	222
Total operating expenses		23,092	22,981
Earnings from operations		**$ 191,798**	**$ 45,284**
Finance costs	7, 8	24,988	18,103
Unrealized (gain) / loss on derivative contracts	11	1,419	(935)
Unrealized foreign exchange (gain) / loss		(654)	206
Non-cash impact of trust conversion	8	-	(7,138)
Earnings before taxes		**$ 166,045**	**$ 35,048**
Current income tax (recovery)	10	(5,682)	(875)
Deferred income tax expense	10	27,483	15,632
Total income tax expense		21,801	14,757
Earnings		**$ 144,244**	**$ 20,291**
Other comprehensive income			
Foreign currency translation differences		2,621	(4,645)
Total comprehensive income		**$ 146,865**	**$ 15,646**
Earnings per unit			
Basic		$ 3.28	$ 0.56
Fully diluted		$ 3.13	$ 0.56
Weighted average units outstanding			
Basic	6	43,994	36,121
Fully Diluted	6	48,432	36,482

Alaris Equity Partners Income Trust
Consolidated statement of changes in equity
For the year ended December 31, 2021

$ thousands	Notes	Unitholders' Capital	Equity Reserve	Translation Reserve	Retained Earnings / (Deficit)	Total Equity
Balance at January 1, 2021		$ 659,988	$ 17,621	$ 12,431	$ (85,026)	$ 605,014
Earnings for the year		-	-	-	144,244	144,244
Other comprehensive income						
Foreign currency translation differences		-	-	2,621	-	2,621
Total comprehensive income for the year		$ -	$ -	$ 2,621	$ 144,244	$ 146,865
Transactions with unitholders, recognized directly in equity						
Distributions to unitholders	6	$ -	$ -	$ -	$ (57,654)	$ (57,654)
Units issued under RTU plan	6	4,347	-	-	-	4,347
Units issued in the year by short form prospectus	6	94,550	-	-	-	94,550
Unit issuance costs	6	(4,263)	-	-	-	(4,263)
Transfer equity reserve to retained earnings		-	(17,621)	-	17,621	-
Total transactions with Unitholders		$ 94,634	$ (17,621)	$ -	$ (40,033)	$ 36,980
Balance at December 31, 2021		**$ 754,622**	**$ -**	**$ 15,052**	**$ 19,185**	**$ 788,859**

Alaris Equity Partners Income Trust
Consolidated statement of changes in equity
For the year ended December 31, 2020

$ thousands	Notes	Unitholders' Capital	Convertible Debenture	Equity Reserve	Translation Reserve	Retained Earnings / (Deficit)	Total Equity
Balance at January 1, 2020		$ 625,313	$ 4,059	$ 14,763	$ 17,076	$ (56,764)	$ 604,447
Earnings for the year		-		-	-	20,291	20,291
Other comprehensive income / (loss)							
Foreign currency translation differences		-		-	(4,645)	-	(4,645)
Total comprehensive income / (loss) for the year		$ -	$ -	$ -	$ (4,645)	$ 20,291	$ 15,646
Transactions with unitholders, recognized directly in equity							
Unit-based compensation, prior to trust conversion	9	$ -	$ -	$ 2,067	$ -	$ -	$ 2,067
Distributions to unitholders	6	-	-	-	-	(48,553)	(48,553)
Equity component of convertible debenture	8	-	(4,059)	3,978	-	-	(81)
Reclassification of unit-based compensation in equity reserve	9	-	-	(2,655)	-	-	(2,655)
Trust units repurchased under the NCIB	6	(10,051)	-	-	-	-	(10,051)
Units issued under RTU plan	6	1,351	-	(532)	-	-	819
Units issued in the year by short form prospectus	6	46,014	-	-	-	-	46,014
Unit issuance costs	6	(2,639)	-	-	-	-	(2,639)
Total transactions with Shareholders		$ 34,675	$ (4,059)	$ 2,858	$ -	$ (48,553)	$ (15,079)
Balance at December 31, 2020		**$ 659,988**	**$ -**	**$ 17,621**	**$ 12,431**	**$ (85,026)**	**$ 605,014**

Alaris Equity Partners Income Trust
Consolidated statements of cash flows

$ thousands	Notes	Year ended December 31 2021	2020
Cash flows from operating activities			
Earnings for the period		$ 144,244	$ 20,291
Adjustments for:			
Finance costs	7, 8	24,988	18,103
Deferred income tax expense		27,483	15,632
Depreciation and amortization		211	222
Bad debt recovery	5	(4,030)	-
Net realized (gain) / loss from investments	5	(9,921)	26,863
Net unrealized (gain) / loss of investments at fair value	5	(53,275)	14,623
Unrealized (gain) / loss on derivative contracts	11	1,419	(935)
Unrealized foreign exchange (gain) / loss		(654)	206
Non-cash impact of trust conversion		-	(7,138)
Transaction diligence costs		4,246	5,532
Unit-based compensation	9	5,362	2,708
Changes in working capital:			
- accounts receivable and prepayments		(2,200)	(183)
- income tax receivable / payable		(15,997)	(11,424)
- accounts payable, accrued liabilities		2,805	2,327
Cash generated from operating activities		$ 124,681	$ 86,827
Cash interest paid	7	(20,523)	(14,965)
Net cash from operating activities		$ 104,158	$ 71,862
Cash flows from investing activities			
Acquisition of investments	5	$ (357,750)	$ (170,465)
Transaction diligence costs		(4,246)	(5,532)
Proceeds from partner redemptions	5	119,600	117,698
Proceeds on disposal of assets and liabilities held for sale	5	-	39,196
Promissory notes and other assets issued	5	(1,030)	-
Promissory notes and other assets repaid	5	14,435	2,499
Net cash used in investing activities		$ (228,991)	$ (16,604)
Cash flows from financing activities			
Repayment of loans and borrowings	7	$ (219,624)	$ (228,970)
Proceeds from loans and borrowings	7	318,130	184,465
Debt amendment and extension fees	7	(552)	-
Issuance of unitholders' capital, net of unit issue costs	6	90,287	43,375
Distributions paid	6	(54,844)	(41,511)
Trust unit repurchases	6	-	(10,051)
Office lease payments		(159)	(178)
Deposits with CRA	10	(4,773)	-
Net cash from / (used in) financing activities		$ 128,465	$ (52,870)
Net increase in cash and cash equivalents		$ 3,632	$ 2,388
Impact of foreign exchange on cash balances		(1,683)	(2,994)
Cash and cash equivalents, Beginning of year		16,498	17,104
Cash and cash equivalents, End of year		$ 18,447	$ 16,498
Cash taxes paid		$ 14,267	$ 7,616

Alaris Equity Partners Income Trust

Notes to consolidated financial statements

Years ended December 31, 2021 and 2020

1. Reporting entity:

Alaris Equity Partners Income Trust is a company domiciled in Calgary, Alberta, Canada. The consolidated financial statements as at and for the year ended December 31, 2021 composed of Alaris Equity Partners Income Trust and its subsidiaries (together referred to as "Alaris" or the "Trust"). The Trust's Canadian investments are made through a wholly-owned Canadian corporation, Alaris Equity Partners Inc. ("AEP", formerly known as Alaris Royalty Corp.) and its American investments are made through two Delaware corporations, Alaris Equity Partners USA Inc. ("Alaris USA") and Salaris USA Royalty Inc. ("Salaris USA"). The Trust's operations consist primarily of investments in private operating entities, typically in the form of preferred or common limited partnership interests, preferred or common interest in limited liability corporations in the United States, and loans receivable. The Trust also has a wholly-owned subsidiary in the Netherlands, Alaris Cooperatief U.A. ("Alaris Cooperatief").

On August 31, 2020, the shareholders approved a reorganization of Alaris Royalty Corp., as described in the Plan of Arrangement (the "Arrangement") dated July 21, 2020 and became effective on September 1, 2020, pursuant to which the Trust indirectly acquired all of the issued and outstanding common shares of Alaris Royalty Corp. in exchange for trust units of the Trust.

Prior to September 1, 2020, the consolidated financial statements were of Alaris Royalty Corp., which comprised Alaris Royalty Corp. and its subsidiaries, Alaris USA, Salaris USA and Alaris Cooperatief.

New accounting policies were adopted on the re-organization to reflect the new structure. These new accounting policies are described in Note 3.

2. Statement of compliance:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements were approved by the Board of Directors on March 9, 2022.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Investments at fair value are measured at fair value with changes in fair value recorded in earnings (see Note 5).
- Derivative financial instruments are measured at fair value (see Note 11).

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars which is the Trust's functional currency. Alaris USA Inc. and Salaris USA have the United States dollar, while AEP and Alaris Cooperatief have the Canadian dollar as their functional currencies.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. Statement of compliance (continued):

Information about assumptions, judgments and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next twelve months are as follows:

Significant judgments

A significant judgment relates to the consideration of control, joint control and significant influence in each of our investments. Through subsidiaries, the Trust has agreements with various private businesses to whom it invests capital into (collectively the "**Partners**") and these agreements include not only clauses as to distributions but also various protective rights. The Trust has assessed these rights under IFRS 10 and 11 and determined that consolidation is not appropriate as control does not exist. The Trust has also assessed the rights under IAS 28 and determined that significant influence does not exist. In a number of our investments we have protective rights, which provides the Trust the right to demand repayment of our investment if it is in default of the terms of our operating agreement. Failure to satisfy the demand for repayment can lead to the Trust's rights to allow it to control or significantly influence the investment. Judgment was applied in determining that the conversion to a trust as of September 1, 2020 resulted in a substantial modification to the previously issued convertible debentures (note 8). The Trust concluded that the conversion did result in a substantial modification to the terms of the instrument, and therefore the previous carrying amount was de-recognized, and the convertible debenture was re-recognized at its fair value on that date. Judgment was required to determine if the conversion resulted in a substantial modification.

Key estimates used in determining investments at fair value

Investments at fair value are measured using a discounted cash flow model or capitalized cash flow. Significant assumptions used in the valuation of the preferred unit investments include the discount rate, terminal value growth rate and changes in future distributions. Significant assumptions used in the valuation of the common equity investments include the discount rate, terminal value growth rate, cash flow multiple and estimated future cash flows.

Key estimates used in the provision for expected credit losses

Management makes estimates of expected credit losses (ECLs) on its financial assets measured at amortized cost. ECLs are a probability weighted estimate of credit losses. Significant assumptions used in the determination of ECLs include the probability of future default, and the timing and amount of the collection of contractual cash flows. These assumptions are generally based on a combination of the relevant Partners' most recently available financial information and past performance, and information on security values.

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Management reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

COVID-19

For the year ended December 31, 2021 and as discussed further in Note 5, the Trust has used estimates and judgments related to the impact that the novel coronavirus disease 2019 ("COVID-19") has had and is expected to have on its Partners in the determination of key estimates and judgments. These estimates are based on the information available to the Trust to the date of the financial statements. The situation remains fluid and certain impacts to our Partner's businesses continue to remain unknown and may reasonably result in future adjustments to our fair value assumptions or expected credit losses within the next twelve months.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Trust. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

(b) Revenue recognition

The Trust recognizes revenue on its financial instruments in accordance with IFRS 9. Revenue is recognized when and only when, the Trust becomes party to the monthly distributions, interest and discretionary common distributions related to the instruments and collection is reasonably assured.

(c) Financial instruments

Recognition and Initial Measurement

Financial instruments are recognized when the Trust becomes party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Trust has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

A financial asset or financial liability is initially measured at fair value, plus, for an item not at Fair Value through Profit or Loss ("FVTPL"), transaction diligence costs that are directly attributable to its acquisition or issue. Transaction diligence costs directly attributable to financial assets or liabilities measured at FVTPL are expensed as incurred. Transaction diligence costs are directly related to Alaris' investing activity and therefore presented as cash flow from investing in the consolidated statement of cash flows.

Classification and Subsequent Measurement

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through OCI ("FVOCI") or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Trust changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant accounting policies (continued):

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

The Trust characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Business Model Assessment

The Trust makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Solely Payments of Principal and Interest Assessment

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Trust considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial Liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition and modifications

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Trust has transferred substantially all the risks and rewards of ownership. The Trust assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Trust's derecognition policy.

When the modifications do not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset's original effective interest rate.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are modified, but the changes to the terms are considered non-substantial, the modification is accounted for as a modification to the existing financial liability. The difference in the carrying amounts of liabilities as a result of both substantial and non-substantial modifications is recognized in profit and loss.

Derivatives

Derivative financial instruments are classified as FVTPL unless designated for hedge accounting. Derivative instruments that do not qualify as hedges, or are not designated as hedges, are recorded using mark-to-market accounting whereby instruments are recorded as either an asset or liability with changes in fair value recognized in profit and loss.

The Trust's financial instruments are classified as follows:

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

Compound Financial Instruments:

The Trust has convertible unsecured subordinated debentures that are convertible at the holder's option. The entire instrument is considered a financial liability, as there is a contractual obligation for the Trust to deliver Trust units (which are accounted for as liabilities but presented as equity instruments upon conversion on September 1, 2020).

As permitted under IFRS 9, Financial Instruments, the Trust has elected to separate the conversion feature from the debt instrument, and account for the conversion feature at fair value through profit or loss ("FVTPL"). The liability portion of the conversion feature is included in Other long-term liabilities. Changes in fair value of the conversion feature are recorded as finance costs.

Prior to September 1, 2020, the liability component of the convertible debentures was initially recognized at the fair value of a similar liability that did not have any equity conversion option, with the equity component initially recognized at the difference between the fair value of the compound instrument as a whole, and the fair value of the liability component. The liability component was measured at amortized cost using the effective interest method, while the equity component was classified in equity and was not re-measured subsequent to initial recognition.

3. Significant accounting policies (continued):

(d) Unitholders' capital

The Trust is an open-ended mutual fund trust and, as a result, the Trust units are redeemable at the holders' option. This puttable feature would generally result in recognizing the Trust units as a financial liability. However, under International Accounting Standard 32, "Financial Instruments: Presentation" (IAS 32), the Trust units meet the narrow scope exception to be presented as equity, including meeting the condition as the most residual class of units.

Prior to conversion on September 1, 2020, the shares did not have a redemption option and were classified as equity.

As a result of the redemption feature and the fact the units meet the definition of a financial liability, they may not be considered equity in accordance with IAS 33 Earnings Per Share. However, the Trust has elected to continue to present earnings per unit.

All references to "unit" or "unitholder" throughout these financial statements refer to trust units or trust unitholders subsequent to September 1, 2020 and common shares or common shareholders prior to September 1, 2020.

(e) Equipment

(i) Recognition and measurement

Equipment is measured at cost less accumulated depreciation.

(ii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of the asset. Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(f) Impairment of financial assets

The Trust recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. The ECL model requires the recognition of credit losses based on 12 months of expected losses for performing financial assets (Stage 1) and the recognition of lifetime expected losses on performing financial assets that have experienced a significant increase in credit risk since origination (Stage 2) and credit impaired financial assets (Stage 3). Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument whereas 12 month ECLs are the ECLs that result from possible default over the next 12 months. The maximum period considered when estimating ECLs is the maximum contractual period over which the Trust is exposed to credit risk. ECLs are a probability-weighted estimate of credit losses, twelve month ECLs are recorded on origination and changed to lifetime ECLs should a significant deterioration in credit risk arise. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Trust expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(g) Unit based compensation

The Trust has two unit-based compensation plans, a unit option plan and a restricted trust unit plan. The fair value of the unit-based compensation is recognized as compensation expense over the vesting period. The grants under the unit-based compensation plans are considered to be grants of financial liabilities because there is a contractual obligation for the Trust to deliver Trust units (which are accounted for as liabilities but presented as equity instruments under IAS 32 upon conversion of the unit options and restricted units).

Holders of units granted under the restricted unit plans receive distributions when the Trust declares distributions on its Trust units, once the granted units have vested. The distributions are recognized as compensation expense once the units have vested and the distributions are paid.

Changes in fair value are recorded as an increase or (decrease) to unit-based compensation expense each period. The current portion of the liability is recorded in accounts payable and accrued liabilities, while the long-term portion is included in other long-term liabilities.

Prior to September 1, 2020, the grant-date fair value of share based payment awards was recognized as share based compensation expense, with a corresponding increase in equity reserves, over the period that the employee becomes entitled to the awards.

(h) Finance costs

Finance costs comprise interest expense on borrowings, interest expense on convertible debentures, accretion expense on convertible debentures and credit facility renewal fees. Borrowing costs that are not directly attributable to the acquisition of a qualifying asset are recognized in profit or loss using the effective interest method.

(i) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they related to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Earnings per unit

The Trust presents basic and diluted earnings per unit data for its trust units. Basic earnings per unit is calculated by dividing the profit or loss attributable to common unitholders of the Trust by the weighted average number of units outstanding during the period. Diluted earnings per unit is determined by adjusting the profit or loss attributable to common unitholders and the weighted average number of units outstanding, adjusted for the effects of all dilutive potential units, which comprise the convertible debentures and restricted trust units and options granted to employees.

3. Significant accounting policies (continued):

(k) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Trust's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for available for sale equity investments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss) which are recognized in other comprehensive income.

(l) Foreign operations

The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as a part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(m) Office lease

The Trust recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost and subsequently measured at cost less any accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Trust's incremental borrowing rate. The Trust uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortized cost.

4. Financial risk management overview

The Trust has exposure to the following risks from its use of financial instruments:

- credit risk and other price risk
- liquidity risk
- market risk
- foreign exchange risk
- interest rate risk

This note presents information about the Trust's exposure to each of the above risks, the Trust's objectives, policies and processes for measuring and managing risk, and the Trust's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Trust's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Trust's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Trust's risk management policies are established to identify and analyze the risks faced by the Trust, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Trust's activities. The Trust aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Trust's Risk Management Committee oversees how management monitors compliance with the Trust's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Trust. The Risk Management Committee undertakes both regular and ad hoc reviews of risk management controls and procedures.

Credit risk and other price risk

Credit risk is the risk of financial loss to the Trust if a partner or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's investments, accounts receivable and promissory notes receivable. Concentrations of credit risk exist when a significant proportion of the Trust's assets are invested in a small number of individually significant investments, and investments with similar characteristics and/or subject to similar economic, political and other conditions that may prevail. The Trust's exposure to credit risk is influenced mainly by the individual characteristics of each Partner.

The Trust is exposed to credit related losses on current and future amounts receivable pursuant to investment agreements and outstanding promissory notes. In the event of non-performance by partners, future distributions from investments could be reduced, resulting in impairment of investment values. The investment agreements typically provide that payments are receivable monthly no later than the last day of the month.

Cash and cash equivalents consist of cash bank balances. The Trust manages the credit exposure related to short-term investments by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper. The Trust held cash and cash equivalents of $18.5 million at December 31, 2021 (December 31, 2020 - $16.5 million), which represents its maximum credit exposure on these assets.

The carrying amount of investments, accounts receivables, promissory notes, and cash and cash equivalents represents the maximum credit exposure.

4. Financial risk management overview (continued):

However, management also considers the demographics of counterparties, including the default risk of the industry and country in which counterparties operate, as these factors may have an influence on credit risk. No single partner accounted for more than 11% of the Trust's revenue in the years ended December 31, 2021 and 2020.

Other price risk is the risk that future cash flows associated with portfolio investments will fluctuate. Changes in cash flow from investments is generally based on a percentage of the investments' gross revenue, same store sales, gross margin or other similar metric. Accordingly, to the extent that the financial performance of the investment declines in respect of the relevant performance metric, cash payments to the Trust will decline. Portfolio investment agreements allow for the repayment of investments at the option of the portfolio entity, and such repayment could affect future cash flows.

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Trust's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation.

Typically the Trust ensures that it has sufficient cash on hand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. In addition, the Trust maintains a $400 million, three year revolving credit facility, and has $326.6 million balance drawn at December 31, 2021 ($229.5 million at December 31, 2020).

As at December 31, 2021 the Trust has the following financial liabilities that mature as follows:

31-Dec-21	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	3 – 4 years
Accounts payable and accrued liabilities	$ 8,214	$ 7,827	$ 387	$-	$-
Distributions payable	14,899	14,899	-	-	-
Office Lease	500	75	72	144	209
Other long-term liabilities	1,933	-	-	1,389	544
Convertible debenture	100,000	-	-	-	100,000
Loans and borrowings	326,569	-	-	326,569	-
Total	**$ 452,115**	**$ 22,801**	**$ 459**	**$ 328,102**	**$ 100,753**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Trust's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. All such transactions are carried out within the guidelines set by the Trust's Risk Management Committee.

Foreign currency exchange rate risk

As a result of the investments denominated in USD, the Trust has exposure to foreign currency exchange rate risk. The Trust purchases forward exchange rate contracts to match expected distributions and expenditures in Canadian dollars on a rolling 12 month basis and also for a portion of the expected distributions and expenditures in Canadian dollars on a rolling 12 to 24 month basis (total current notional value of US$51.9 million for next 24 months).

4. Financial risk management overview (continued):

Additionally, the Trust has US dollar subsidiaries and loans in US dollars (external senior debt and intercompany) that are translated at each balance sheet date with an unrealized foreign exchange gain or loss recorded in earnings.

As at December 31, 2021, if the US foreign exchange rate had been $0.01 lower with all other variables held constant, earnings for the year would have been approximately $3.7 million lower due to lower net income from US subsidiaries, a larger unrealized loss on loans to subsidiaries and a reduction to the unrealized gain on forward exchange rate contracts, partially offset by a higher unrealized gain on USD denominated external senior debt and a reduction to finance costs related to the interest expense on the USD denominated external senior debt.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Trust is exposed to interest rate fluctuations on its bank debt that bears a floating rate of interest. As at December 31, 2021, if interest rates had been 1% higher with all other variables held constant, earnings for the year would have been approximately $2.7 million lower, due to higher finance costs. An equal and opposite impact would have occurred to earnings had interest rates been 1% lower. The Trust has two interest rate swaps that were both initiated during 2021: an interest rate swap initiated in May 2021 that allows for a fixed interest rate of 0.35% instead of LIBOR on $25.0 million notional amount of USD debt and an interest rate swap initiated in December 2021 that allows for a fixed interest rate of 0.74% instead of LIBOR on $50.0 million notional amount of USD debt. Both of which are due to expire in June 2023. The Trust also had an interest rate swap that expired in November 2021 that allowed for a fixed interest rate of 1.50% instead of LIBOR on $50.0 million notional amount of USD debt.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of unitholders' capital, a $400.0 million revolving credit facility, a $23.0 million accordion facility, $100.0 million of convertible debentures and retained earnings. The Board of Directors monitors the return on capital as well as the level of distributions to common unitholders. Subsequent to December 31, 2021, as described further in Note 14, the Trust issued an additional $65.0 million of senior unsecured debentures.

The Trust manages capital by monitoring certain debt covenants set out in its credit facility. The Trust has a maximum senior debt to contracted EBITDA covenant of 2.5:1 which can extend to 3.0:1 for a period of 90 days. Contracted EBITDA is defined as net income before interest expense, income taxes, depreciation and amortization, bad debt expense, realized and unrealized foreign exchange gains or losses and unit-based compensation expenses, the Trust can include twelve months of revenue from partners that are less than twelve months from closing and must exclude revenue from partners for the portion that was redeemed or repurchased and for distributions that have been accrued and are past due. The Trust has a fixed charge coverage ratio covenant of 1:1. Additionally, a minimum tangible net worth requirement of $450.0 million is in place. Tangible net worth is defined as unitholders equity less intangible assets. The Trust was in compliance with all debt covenants at December 31, 2021 (please refer to Note 7 for actual ratios as of December 31, 2021). In order to acquire more distributions, the Trust can access its credit facility for investing activity. Any funding requirements for acquisitions in excess of availability under the credit facility will require the Trust to access capital markets and manage the business within the bank covenants. There were no significant changes in the Trust's approach to capital management.

5. Investments

The following table lists the Trust's investments at period end. For each period presented, all of the investments are recorded at fair value with the exception of the GWM loan receivable, which is recorded at amortized cost. Investments listed below are each denominated in their local currencies, other than LMS which includes a portion of its total that is in USD but translated into Canadian dollars using the period end exchange rates. The total United States investments in USD is also translated below into Canadian dollars using the period end exchange rates.

Investments at Fair Value & Amortized Cost *$ thousands*	**Carrying Value**		**Acquisition Cost**
As at	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**
GWM Loan Receivable at amortized cost	US $ 62,678	US $ 85,500	US $ 62,946
GWM Holdings, Inc ("GWM")	43,698	15,400	43,054
PF Growth Partners, LLC ("PFGP")	99,700	85,500	92,500
Body Contour Centers, LLC ("BCC")	90,604	65,604	91,000
D&M Leasing ("D&M")	77,900	-	74,500
Brown & Settle Investments, LLC ("Brown & Settle")	64,694	-	66,394
DNT Construction, LLC ("DNT")	62,743	60,443	62,800
Accscient, LLC ("Accscient")	49,477	38,877	46,000
Falcon Master Holdings LLC ("FNC")	47,450	-	40,000
3E, LLC ("3E")	40,000	-	39,500
Kimco Holdings, LLC ("Kimco")	35,753	26,532	34,200
Fleet Advantage, LLC ("Fleet")	35,000	11,300	35,000
Edgewater Technical Associates, LLC ("Edgewater")	31,400	34,000	34,000
Unify Consulting, LLC ("Unify")	28,300	25,700	25,000
Carey Electric Contracting LLC ("Carey Electric")	16,180	17,000	16,000
Heritage Restoration, LLC ("Heritage")	15,200	15,200	15,000
Stride Consulting LLC ("Stride")	5,500	6,000	6,000
Federal Resources Supply Company ("FED")	-	74,624	-
ccCommunications LLC ("ccComm")	-	3,827	-
Total Investments (based in United States) - USD	806,277	565,507	783,894
Total Preferred and Debt (based in United States) - USD	708,309	546,013	696,156
Total Common (based in United States) - USD	97,968	19,494	87,738
Total Investments (based in United States) - CAD	**$ 1,030,502**	**$ 722,887**	**$ 1,001,895**
Amur Financial Group ("Amur")	73,200	70,500	70,000
Lower Mainland Steel Limited Partnership ("LMS")	47,722	52,622	60,564
SCR Mining and Tunneling, LP ("SCR")	33,903	34,503	40,000
Total Investments (based in Canada)	**$ 154,825**	**$ 157,625**	**$ 170,564**
Total Preferred and Debt (based in Canada)	133,425	137,125	150,564
Total Common (based in Canada)	21,400	20,500	20,000
Total Investments	**$ 1,185,327**	**$ 880,512**	**$ 1,172,459**

Transactions closed in 2021

Investment in Falcon Master Holdings LLC ("FNC")

On January 7, 2021, Alaris made an initial contribution of US$40.0 million into FNC (dba "FNC Title Services") which consisted of US$32.15 million of preferred equity as well as an investment of US$7.85 million in exchange for a minority ownership of the common equity in FNC. The contribution in exchange for preferred units of US$32.15 million has initial

5. Investments (continued):

annualized distributions to Alaris of US$4.5 million. The FNC distribution will be adjusted annually (commencing January 1, 2022) based on the change in FNC's gross profit, subject to a +/- 7% collar. Alaris is entitled to their ownership percentage of any common equity distributions declared. During the year ended December 31, 2021 total common equity distributions to Alaris totaled US$2.0 million.

Investment in Brown & Settle Investments, LLC and a subsdiary thereof (collectively, "Brown & Settle")

On February 9, 2021, Alaris made an initial contribution of US$66.0 million into Brown & Settle which consisted of US$53.7 million in a combination of subordinated debt and preferred equity and US$12.3 million in exchange for a minority ownership of the common equity. In Q3 2021, Alaris contributed an additional US$0.4 million for common equity. The contribution in exchange for subordinated debt and preferred equity of US$53.7 million has initial annualized distributions to Alaris of US$7.5 million. The Brown & Settle distribution will be adjusted annually (commencing January 1, 2022) based on the change in Brown & Settle's gross revenue, subject to a +/- 6% collar. Alaris is entitled to their ownership percentage of any common equity distributions declared.

During Q4 2021, Brown & Settle undertook a reorganization pursuant to which Alaris agreed to contribute the subordinated debt investment in exchange for additional preferred equity. Therefore, at December 31, 2021, the investment of US$53.7 million was solely preferred equity. The total yield to Alaris on this investment did not change as a result of the reclassification.

Accscient Additional Contribution

On February 18, 2021, Alaris contributed an additional US$8.0 million into Accscient in exchange for initial annual distributions of US$1.1 million. Following this additional tranche, the total preferred units in Accscient are US$46.0 million.

Investment in 3E, LLC ("3E")

On February 22, 2021, Alaris made an initial contribution of US$30.0 million into 3E which consisted of US$22.5 million of preferred equity as well as US$7.5 million placed in an escrow account to be funded into additional preferred units in two additional tranches, once additional performance thresholds are met by 3E. Both additional tranches were released from escrow during 2021 and transferred to additional preferred equity. Alaris is entitled to an initial annual distribution of US$4.2 million on the total preferred equity investment of US$30.0 million. The distribution from 3E will reset +/- 6% annually based on the change in gross profit, with the first reset commencing in January 2022. The reset commencing in January 2022 applies to US$24.3 million of the total US$30.0 million initial investment based on the timing of the first of two tranches from escrow during 2021.

During Q4 2021, Alaris made a follow-on investment of US$9.5 million into 3E in exchange for initial annualized distributions of US$1.2 million, with the first reset based on year over year changes in gross profit to occur on January 1, 2023. Following this contribution, the total preferred units in 3E are US$39.5 million.

Partial Redemption of Redeemable Carey Electric units

On May 14, 2021, Alaris received a partial redemption of US$1.0 million from Carey Electric in exchange for preferred units which had an associated US$0.15 million of annual distributions. The preferred units were redeemed at par, in accordance with the operating agreement.

Subsequent to December 31, 2021, Carey Electric redeemed an additional US$1.0 million of preferred units.

Investment in D&M Leasing ("D&M")

On June 28, 2021, Alaris made an initial contribution of US$70.0 million into Vehicle Leasing Holdings, LLC dba D&M Leasing which consisted of US$62.5 million of preferred equity as well as an investment of US$7.5 million in exchange for a minority non-voting ownership of the common equity in D&M. The contribution in exchange for preferred units of

5. Investments (continued):

US$62.5 million has initial annualized distributions to Alaris of US$8.75 million. The D&M distribution will be adjusted annually (commencing January 1, 2023) based on the change in D&M's gross profit, subject to a +/- 7% collar. Alaris is entitled to their ownership percentage of any common equity distributions declared.

During Q4 2021, Alaris contributed an additional US$5.4 million to D&M, which consisted of US$4.5 million in additional preferred equity and US$0.8 million of a short-term subordinated note. The initial annualized distributions in exchange for the additional preferred equity is US$0.6 million and the initial annualized interest rate on the subordinated note is 14%. Following this contribution, the total preferred units in D&M are US$67.0 million.

Redemption of ccComm units

On July 2, 2021, Alaris received US$11.0 million from ccComm as a negotiated redemption of the ccComm preferred units, as well as potential additional proceeds as cash flows permit. During Q4 2021, Alaris received an additional US$1.0 million from ccComm related to the negotiated redemption of the ccComm preferred units.

The original cost of the units was US$19.2 million, resulting in a realized loss on redemption of US$7.2 million.

Redemption of Federal Resources

During Q4 2021 Alaris announced the redemption of Federal Resources in connection with a sale to a third party. The sale closed on October 26, 2021 and resulted in the redemption of all of Alaris' investment in FED and repayment of Alaris' outstanding loan for total proceeds of US$80.9 million (CA$101.9 million), which was inclusive of the cost base of the Alaris investments of US$67.0 million and a US$13.9 million premium, recorded as a realized gain during the year ended December 31, 2021.

Proceeds from Phoenix Holdings Ltd, (formerly "KMH")

During Q4 2021, Alaris received $0.5 million as full and final settlement of the outstanding indebtedness owed to Alaris by Phoenix Holdings Ltd. (formerly KMH). The $0.5 million was recorded as a net realized gain from investments, reversing previously recorded losses on the disposal of that investment in a prior year. There are no additional amounts expected to be received by Alaris from this investment.

BCC Additional Contribution

During Q4 2021, Alaris made an additional US$25.0 million contribution to BCC in exchange for preferred equity with initial annualized distributions of US$3.3 million. The additional contribution to BCC was a result of BCC achieving key performance targets agreed to under the original financing. The BCC distribution will be adjusted annually (commencing January 1, 2023) based on the change in same clinic sales, subject to a 6% collar.

GWM Partial Redemption and Additional Contribution

During Q4 2021, Alaris received US$25.8 million for a partial redemption of preferred units and partial repayment of outstanding subordinated indebtedness in GWM as well as contributed an additional US$30.0 million in exchange for a minority non-voting ownership of the common equity. The US$25.8 million of proceeds received from the partial redemption had an associated cost basis of US$25.0 million. Following the partial redemption and subsequent additional contribution, the total invested in GWM is US$106.0 million, inclusive of US$76.0 million of preferred equity and subordinated indebtedness and US$30.0 million of common equity. The annualized distributions on the remaining US$76.0 million of preferred equity and subordinated indebtedness are approximately US$9.1 million.

Fleet Additional Contribution

During Q4 2021, Alaris made an additional US$25.0 million contribution to Fleet which consisted of US$17.0 million of additional preferred equity as well as an investment of US$8.0 million in exchange for the minority ownership of the common equity in Fleet. This transaction also included an exchange of Alaris' existing preferred equity valued at US$10.0 million. Following the contribution the total investment in Fleet is US$35.0 million. The total preferred equity

5. Investments (continued):

investment of US$27.0 million will result in initial annualized distributions to Alaris of US$3.8 million. Commencing on January 1, 2023, the Fleet distributions will be adjusted based on the change in net revenues, subject to a 6% collar. Alaris is entitled to their ownership percentage of any common equity distributions declared.

Transactions closed in 2020

Redemption of SBI

On January 7, 2020, SBI entered into a purchase and sale agreement with a third party pursuant to which SBI redeemed all of Alaris' outstanding US$75.0 million of preferred units. The gross proceeds on the redemption to Alaris were US$91.3 million, which consisted of US$84.3 million for the preferred units (inclusive of a US$9.3 million premium) as well as US$7.0 million of distributions for the amounts owed up to the third anniversary date of Alaris' initial investment, being August 31, 2020. These distributions were previously unaccrued and were therefore included as revenue in the year ended December 31, 2020. The gain on redemption had been previously recorded as increases to the investment at fair value over time; however, during the year ended December 31, 2020 the Trust reclassified this gain from net unrealized gains and losses on investments at fair value to realized gain from investments.

Redemption of Sandbox Acquisitions, LLC and Sandbox Advertising LP (collectively, "Sandbox")

On February 28, 2020, Alaris exited its investment in Sandbox for total consideration of US$32.6 million. The proceeds from the Sandbox sale were used to repay outstanding debt and accrued interest owed to Alaris of US$21.9 million, to pay US$1.5 million of accrued distributions owed to Alaris and US$5.1 million to redeem all of the outstanding preferred units. Also included in the total proceeds of US$32.6 million is US$4.1 million to remain in escrow to cover working capital adjustments and indemnity obligations, which, if released, is expected to be paid out over a period of 24 months. Alaris may also receive up to an additional US$2.0 million pursuant to an earnout if certain financial performance criteria are satisfied. Due to the uncertainty regarding the escrow and earnout amounts have not been recorded on the balance sheet and will only be recorded once received (see Note 12).

Revenues, expenses and net earnings from Sandbox in the interim period up to the closing date of February 28, 2020, did not have a material impact on Alaris' statement of comprehensive income.

PFGP Additional Contribution

On March 13, 2020, Alaris made an additional US$3.5 million contribution to PFGP in exchange for an additional US$2.8 million of preferred units and US$0.7 million of a minority interest of the common equity in PFGP. The contribution was part of a total commitment of US$8.0 million to be used as part of expansion into new markets. Following this contribution of US$3.5 million and US$1.0 million in December 2019, the remaining commitment to be funded to PFGP is US$3.5 million. Timing of future funding is unknown at this time.

Investment in Carey Electric Contracting LLC ("Carey Electric")

On June 16, 2020, Alaris made an initial contribution into Carey Electric which consisted of US$16.1 million of preferred equity as well as an investment of US$0.9 million in exchange for a minority ownership of the common equity in Carey Electric. The contribution in exchange for preferred units of US$16.1 million had initial annualized distributions to Alaris of US$2.4 million. The Carey Electric distribution will be adjusted annually (commencing January 1, 2022) based on the change in Carey Electric's gross revenues, subject to a +/- 5% collar. Alaris is entitled to their ownership percentage of any common equity distributions declared.

5. Investments (continued):

GWM Additional Contribution

On October 8, 2020, the Trust contributed an additional US$55.0 million to GWM in exchange for initial annualized distributions of US$6.6 million. The legal structure of GWM being a Corporation (compared to traditional LLC's) required the contribution to be comprised of US$44.0 million of debt and US$11.0 million of preferred equity, consistent with the structure that the Trust initially contributed to in 2018. Distributions received from GWM are after tax and therefore the Trust pays less taxes than a comparable transaction into a Limited Liability Company. The GWM distribution will be adjusted annually (commencing January 1, 2022) based on the change in revenue, subject to an 8% collar.

Proceeds from Phoenix (formerly KMH)

On October 23, 2020, Alaris received US$0.2 million from the third party which purchased a US loan that Alaris had outstanding with Phoenix Holdings Limited ("Phoenix"), a previous partner of Alaris. The US$0.2 million was recorded as a recovery of a previously recorded bad debt expense during the year ended December 31, 2020.

BCC Additional Contribution

On December 7, 2020, Alaris made an additional US$20.0 million contribution to BCC in exchange for preferred equity with initial annualized distributions of US$2.6 million. The additional contribution to BCC was a result of BCC achieving key performance targets agreed to under the original financing. The BCC distribution will be adjusted annually (commencing January 1, 2022) based on the change in same clinic sales, subject to a 6% collar.

Partial Redemption of Redeemable DNT Units

On December 24, 2020, Alaris received a partial redemption of US$5.0 million from DNT in exchange for preferred units which had an associated US$0.9 million of annual distributions. The preferred units were redeemed at par, in accordance with the operating agreement. Following this partial redemption there remains US$40.0 million permanent units in addition to US$22.8 million of redeemable units.

Investment in Edgewater Technical Associates, LLC ("Edgewater")

On December 31, 2020, Alaris made an initial contribution into Edgewater which consisted of US$30.55 million of preferred equity as well as an investment of US$3.45 million in exchange for a minority ownership of the common equity in Edgewater. The contribution in exchange for preferred units of US$30.55 million had initial annualized distributions to Alaris of US$4.3 million. The Edgewater distribution will be adjusted annually (commencing January 1, 2022) based on the change in Edgewater's gross profit, subject to a +/- 6% collar. Alaris is entitled to their ownership percentage of any common equity distributions declared.

Assumptions used in fair value calculations:

Alaris recognizes that the determination of the fair value of its investments becomes more judgmental the longer the investments are held. The price Alaris pays for its investments is fair value at the time of acquisition. Typically, the risk profile and future cash flows expected from the individual investments change over time. Alaris' valuation model incorporates these factors each reporting period. Alaris typically estimates the fair value of the investments by calculating the discounted cash flow of the future distributions for preferred equity and debt instruments carried at fair value. Alaris estimates the fair value of its common equity investments using discounted cash flows or capitalized cash flows of the underlying business. Key assumptions used in the valuation of the preferred unit investments include the discount rate, terminal value growth rate and estimates relating to changes in future distributions. Key assumptions used in the valuation of the common equity investments include the discount rate, terminal value growth rate, cash flow multiple and estimated future cash flows. Alaris also considers the maximum repurchase price outlined in the respective partnership agreement in all fair value adjustments of investments.

5. Investments (continued):

For each individual Partner, Alaris considered a number of different discount rate and cash flow multiple factors including what industry they operate in, the size of the entity, the health of the balance sheet and the ability of the historical earnings to cover the future distributions. This was supported by the historical yield of the original investment, current investing yields, and the current yield of other similar public companies. Cash flows have been discounted at rates ranging from 12.5% - 19.5%.

For the year ended December 31, 2021, the Trust has made estimates of the impact of the COVID-19 pandemic as it relates to each Partner's business in determining the fair value of each investment. Assumptions that were assessed and adjusted, where required, for each Partner included:

- Amount of distributions: For each Partner, the Trust estimated whether future distributions would be impacted, including the potential for non-receipt and/or deferrals and adjusted assumptions where necessary;
- Timing of distributions: For each Partner, the Trust estimated whether the timing of receipt of future distributions would likely be impacted and adjusted assumptions where necessary;
- Financial results and future distribution growth rates: For each Partner, the Trust estimated the impact the situation would have on the relevant Partner reset metrics and financial performance, and adjusted assumptions related to changes in future distributions and assumptions of future cash flows used in the common equity valuation where necessary; and
- Discount rates: Based on the matters and assumptions as described above, the Trust also considered the need to adjust discount rates used and adjusted assumptions where necessary.

These assumptions will be refined each reporting period as new information is obtained and may continue to require future adjustment to the fair value of the investments. All assumptions made at December 31, 2021 are based on the information available to the Trust as of the date of these financial statements. Refer to Note 11 for additional information, including sensitivity analyses to these inputs.

5. Investments (continued):

Below is a summary of changes in each investment during the years ended December 31, 2021 and 2020 (total Fair Value Adjustment below excludes $0.5 million received from KMH during Q4 2021 as described earlier):

Investments *($ thousands)*	**Opening Carrying Value**	**Additions**	**Redemptions**	**Foreign Exchange Adjustment**	**Fair Value Adjustment**	**Ending Carrying Value**
2021						
GWM loan receivable	85,500	-	(22,822)	-	-	62,678
GWM	15,400	30,000	(2,178)	-	476	43,698
PFGP	85,500	-	-	-	14,200	99,700
BCC	65,604	25,000	-	-	-	90,604
D&M	-	74,500	-	-	3,400	77,900
Brown & Settle	-	66,394	-	-	(1,700)	64,694
DNT	60,443	-	-	-	2,300	62,743
Accscient	38,877	8,000	-	-	2,600	49,477
FNC	-	40,000	-	-	7,450	47,450
3E	-	39,500	-	-	500	40,000
Kimco	26,532	-	-	-	9,221	35,753
Fleet	11,300	25,000	-	-	(1,300)	35,000
Edgewater	34,000	-	-	-	(2,600)	31,400
Unify	25,700	-	-	-	2,600	28,300
Carey Electric	17,000	-	(1,000)	-	180	16,180
Heritage	15,200	-	-	-	-	15,200
Stride	6,000	-	-	-	(500)	5,500
FED	74,624	-	(80,924)	-	6,300	-
ccComm	3,827	-	(11,000)	-	7,173	-
Total (based in US) - in USD	565,507	308,394	(117,924)	-	50,300	806,277
Total Pref/Debt (based in US) - USD	546,013	242,350	(117,924)	-	37,870	708,309
Total Common (based in US) - USD	19,494	66,044	-	-	12,430	97,968
Total (based in US) - CAD	**$ 722,887**	**$ 390,755**	**$ (152,105)**	**$ 3,468**	**$ 65,497**	**$ 1,030,502**
Amur	70,500	-	-	-	2,700	73,200
LMS	52,622	-	-	-	(4,900)	47,722
SCR	34,503	-	-	-	(600)	33,903
Total (based in Canada)	**$ 157,625**	**$ -**	**$ -**	**$ -**	**$ (2,800)**	**$ 154,825**
Total Pref/Debt (based in Canada)	137,125	-	-	-	(3,700)	133,425
Total Common (based in Canada)	20,500	-	-	-	900	21,400
Investments - December 31, 2021	**$ 880,512**	**$ 390,755**	**$ (152,105)**	**$ 3,468**	**$ 62,697**	**$ 1,185,327**

5. Investments (continued):

Investments *($ thousands)*	**Opening Carrying Value**	**Additions**	**Redemptions**	**Foreign Exchange Adjustment**	**Fair Value Adjustment**	**Ending Carrying Value**
2020						
GWM loan receivable	41,500	44,000	-	-	-	85,500
GWM	7,600	11,000	-	-	(3,200)	15,400
PFGP	89,000	3,500	-	-	(7,000)	85,500
FED	73,524	-	-	-	1,100	74,624
BCC	46,904	20,000	-	-	(1,300)	65,604
DNT	68,943	-	(5,000)	-	(3,500)	60,443
Accscient	38,277	-	-	-	600	38,877
Edgewater	-	34,000	-	-	-	34,000
Kimco	11,332	-	-	-	15,200	26,532
Unify	25,000	-	-	-	700	25,700
Carey Electric	-	17,000	-	-	-	17,000
Heritage	16,200	-	-	-	(1,000)	15,200
Fleet	10,400	-	-	-	900	11,300
Stride	6,000	-	-	-	-	6,000
ccComm	14,827	-	-	-	(11,000)	3,827
SBI	84,240	-	(84,240)	-	-	-
Providence	22,941	-	-	-	(22,941)	-
Total (based in US) - in USD	556,688	129,500	(89,240)	-	(31,441)	565,507
Total Pref/Debt (based in US) - USD	540,000	124,494	(89,240)	-	(29,241)	546,013
Total Common (based in US) - USD	16,688	5,006	-	-	(2,200)	19,494
Total (based in US) - CAD	**$ 727,480**	**$ 170,465**	**$ (117,698)**	**$ (11,693)**	**$ (45,667)**	**$ 722,887**
Amur	70,000	-	-	-	500	70,500
LMS	49,054	-	-	(113)	3,681	52,622
SCR	34,503	-	-	-	-	34,503
Total (based in Canada)	**$ 153,557**	**$ -**	**$ -**	**$ (113)**	**$ 4,181**	**$ 157,625**
Total Pref/Debt (based in Canada)	133,557	-	-	(113)	3,681	137,125
Total Common (based in Canada)	20,000	-	-	-	500	20,500
Investments - December 31, 2020	**$ 881,037**	**$ 170,465**	**$ (117,698)**	**$ (11,806)**	**$ (41,486)**	**$ 880,512**

Distributions:

The total revenues, net of realized foreign exchange gain or loss, includes the total distributions received and accrued from Partners, interest income received and accrued from Partners on outstanding promissory notes and the realized gain or loss on derivative contracts entered into in order to translate USD revenues to CAD. The Trust recorded distribution revenue, interest and realized gain/losses on foreign exchange contracts as follows:

Partner Distributions:	**Year ended December 31**	
$ thousands	**2021**	**2020**
Preferred Equity and Debt investment Distributions	$ 140,166	$ 105,605
Common Equity investments Distributions	3,294	1,137
Total Distributions	$ 143,460	$ 106,742
Interest	1,841	2,741
Realized gain on derivative contracts	2,363	85
Revenues, including realized foreign exchange gain	**$ 147,664**	**$ 109,568**

5. Investments (continued):

Promissory notes and other assets:

As part of being a long-term partner with the entities Alaris holds preferred interests in, from time to time Alaris has offered alternative financing solutions to assist with short-term needs of the individual businesses. Should there be an adverse event to any of the below businesses, the timing and amounts collected could be negatively impacted.

During the year ended December 31, 2021, the promissory notes and other assets due from Kimco that had previously been disclosed as non-current were reclassified to current, due to partial repayments during 2021 of US$8.5 million as well as the expectation that Kimco will have sufficient excess cash flows to repay the remaining amounts within the next twelve months.

Below is a summary of changes in promissory notes and other assets for the years ended December 31, 2021 and 2020.

Reconciliation of Promissory notes and other assets *($ thousands)*	**Year ended**	
	31-Dec-21	*31-Dec-20*
Face Value - Opening	$ 27,327	$ 30,150
Opening provision for credit losses	(4,094)	(3,907)
Carrying value as at beginning of period	**$ 23,233**	**$ 26,243**
Additions	1,030	-
Repayments	(14,435)	(2,499)
Bad debt recovery / (expense)	4,030	(81)
Foreign exchange	(303)	(430)
Carrying value as at end of period	**$ 13,555**	**$ 23,233**
Promissory notes & other assets - current	$ 13,555	$ 4,000
Promissory notes & other assets - non-current	-	19,233

The Trust has the following promissory notes and other assets outstanding as of December 31, 2021 and 2020:

Promissory notes and other assets	**Note**	**Carrying Value**	
($ thousands)		*31-Dec-21*	*31-Dec-20*
Lower Mainland Steel	*(1)*	$ -	$ 4,000
Kimco - accounts receivable	*(2)*	-	2,326
Kimco - promissory notes	*(3)*	12,525	16,907
D&M	*(4)*	1,030	-
Balance		**$ 13,555**	**$ 23,233**

(1) - unsecured short-term note bearing interest of 12% per annum, fully repaid in 2021.

(2) - unpaid distributions reclassified to a non-interest bearing accounts receivable in 2016. Balance fully repaid as of December 31, 2021.

(3) - unsecured promissory notes with notional amounts of US$7.8 million (bearing interest at 8% per annum) and US$2.0 million (bearing interest at 12% per annum). During 2021, US$4.0 million of the promissory notes was repaid.

(4) - in December 2021, Alaris invested an additional US$4.5 million of preferred equity to D&M along with a short-term subordinated note for US$0.8 million. The short-term note is bearing interest at 14% per annum and is expected to be repaid within the next twelve months.

5. Investments (continued):

The expected credit loss model classifies Alaris' outstanding promissory notes and other assets in three stages based on their credit quality. Stage 1 represents the lowest credit risk and stage 3 represents loans that are credit impaired. As at December 31, 2021 the Trust had $13.6 million (December 31, 2020 - $20.9 million) of promissory notes and other assets classified as stage 1 and $nil classified as stage 3 (December 31, 2020 - $2.3 million). There was a transfer of $2.3 million from Stage 3 to Stage 1, as well as a bad debt recovery of $4.0 million, during the year ended December 31, 2021. The transfer between stages and the bad debt recovery is due to the reduced risk of credit losses on the Kimco accounts receivable and the Kimco promissory notes. The Kimco promissory notes are recorded at their original face value as at December 31, 2021 due to this transfer between stages and the associated lower credit risk. The cumulative total credit loss provision as at December 31, 2021 is $nil (December 31, 2020 - $3.9 million).

6. Unitholders' capital:

The Trust has authorized, issued and outstanding, 45,149,386 voting units as at December 31, 2021 (December 31, 2020 – 38,996,399).

Issued Trust Units	Number of Units	Amount ($)
	thousands	*$ thousands*
Balance at January 1, 2020	36,709	$ 625,313
Trust units issued by short form prospectus	3,347	46,014
Short form prospectus costs	-	(2,639)
RTUs vested	97	1,351
Trust units repurchased under the NCIB	(1,157)	(10,051)
Balance at December 31, 2020	38,996	$ 659,988
Trust units issued by short form prospectus	5,909	94,550
Short form prospectus costs	-	(4,263)
RTUs vested	244	4,347
Balance at December 31, 2021	**45,149**	**$ 754,622**

Outlined below is the weighted average units outstanding for the year ended December 31, 2021 and 2020:

Weighted Average Units Outstanding	Year ended December 31	
thousands	2021	2020
Weighted average units outstanding, basic	43,994	36,121
Effect of outstanding convertible debentures	4,124	-
Effect of outstanding RTUs	314	361
Weighted average units outstanding, fully diluted	48,432	36,482

There were 984,019 options excluded from the calculation as they were anti-dilutive at December 31, 2021 and 2020, respectively.

Distributions

Upon conversion to an income trust, the previously used term of dividends has changed to distributions. For the three months ended December 31, 2021, the Trust declared a quarterly distribution of $0.33 per unit, paid on January 17, 2022. The total distributions declared during the year ended December 31, 2021 were $1.28 per unit and $57.7 million in aggregate (2020 - $1.3225 per unit and $48.6 million in aggregate).

6. Unitholders' capital (continued):

Normal course issuer bid

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. Under the NCIB, the Trust may purchase for cancellation up to 3,473,720 trust units (formerly, common shares). The NCIB represents approximately 10% of the Trust's public float of its issued and outstanding shares as at March 19, 2020. The NCIB commenced on March 24, 2020 and remained in effect until March 23, 2021. There were no additional units repurchased under this program during the year ended December 31, 2021.

Unit offering

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.

7. Loans and borrowings:

As at December 31, 2021, AEP 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 Alaris' assets. The interest rate is based on a combination of the CAD Prime Rate ("Prime"), Bankers' Acceptances ("BA"), US Base Rate ("USBR") and LIBOR. Alaris realized a blended interest rate of 4.5% (inclusive of standby fees) for the year ended December 31, 2021.

At December 31, 2021, AEP had US$256.8 million (CA$328.2 million) drawn on its credit facility (December 31, 2020 – US$180.3 million and CA$1.0 million, total of CA$231.4 million). The amount recorded in the Trust's statement of financial position of $326.6 million is reduced by the unamortized debt amendment and extension fees of $1.6 million.

At December 31, 2021, AEP met all of its covenants as required under the credit facility. Those covenants include a maximum funded debt to contracted EBITDA of 2.5:1, which can be increased to 3.0:1 for up to 90 days (actual ratio is 2.38x at December 31, 2021); minimum tangible net worth of $450.0 million (actual amount is $788.9 million at December 31, 2021); and a minimum fixed charge coverage ratio of 1:1 (actual ratio is 1.50x at December 31, 2021).

Subsequent to December 31, 2021, following the issuance of debentures as described in Note 14, the proceeds were used to repay amounts on Alaris' credit facility reducing the funded debt to contracted EBITDA ratio.

8. Convertible debentures:

The Trust has convertible unsecured subordinated debentures ("Debentures") that bear interest at 5.50% per annum, payable semi-annually on the last business day of June and December with a maturity date of June 30, 2024.

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 the Trust for redemption of the Debentures into fully paid and non-assessable units of the Trust 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.

8. Convertible debentures (continued):

The Debentures are not redeemable by the Trust before June 30, 2022. On and after June 30, 2022 and prior to June 30, 2023, the Debentures may be redeemed in whole or in part from time to time at the option of the Trust at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On and after June 30, 2023, the Debentures may be redeemed in whole or in part from time to time at the option of the Trust at a price equal to their principal amount plus accrued and unpaid interest regardless of the trading price of the units.

Convertible Debenture *($ thousands)*		**Debt**		**Equity**		**Total**
Balance at January 1, 2020	$	90,939	$	4,059	$	94,998
Accretion		2,228		-		2,228
Non-cash impact of trust conversion		(7,138)		(4,059)		(11,197)
Balance at December 31, 2020	$	86,029		-	$	86,029
Accretion		3,563		-		3,563
Balance at December 31, 2021	**$**	**89,592**		**-**	**$**	**89,592**

9. Unit-based payments:

The Trust has a Restricted Trust Unit Plan (“RTU Plan”), formerly Restricted Share Unit Plan, and a Unit Option Plan as approved by shareholders at a special shareholders meeting on July 31, 2008 that authorizes the Board of Directors to grant awards of Restricted Trust Units (“RTUs”) and Unit Options (“Options”) subject to a maximum of ten percent of the issued and outstanding units of the Trust.

The RTU Plan will settle in voting trust units which may be issued from treasury or purchased on the Toronto Stock Exchange. The Trust has reserved 1,127,902 and issued 314,021 RTUs to management and Directors as of December 31, 2021. The RTUs issued to directors (70,406) vest over a three-year period. The RTUs issued to management (243,615) are a combination of time vested units (123,712) and performance vested units (119,903). The time vested units do not vest until the end of a three-year period (14,636 in 2022, 58,300 in 2023 and 50,776 in 2024). The performance vested units vest one third every year (49,694 in 2022, 44,821 in 2023 and 25,388 in 2024) and are subject to certain performance conditions relating to book value per unit. The unit-based compensation expense relating to the RTU Plan is based on the unit price of the Alaris units at December 31, 2021 and based on the remaining time left until vesting for each tranche of units. At December 31, 2021, the total liability related to the RTU and Option Plan is $3.5 million, $1.7 million of which is included in Accounts payable and accrued liabilities and $1.8 million in Other long-term liabilities.

The Trust has reserved and issued 984,019 options as of December 31, 2021. The options outstanding at December 31, 2021 have an exercise price in the range of $20.60 to $22.47, a weighted average exercise price of $21.55 (2020 – $21.70) and a weighted average contractual life of 0.40 years (2020 – 1.39 years).

As a result of Alaris’ conversion to an income trust during the year ended December 31, 2020, the Trust reclassified amounts in 2020 to liability accounts, that had been previously recorded to equity reserve related to future unit-based compensation issuances. As at December 31, 2021, the total liability is $3.5 million (2020 - $2.5 million), $1.7 million of which is included in Accounts payable and accrued liabilities (2020 - $1.7 million) and $1.8 million in Other long-term liabilities (2020 - $0.8 million).

9. Unit-based payments (continued):

The following table summarizes the stock-based compensation expense recognized in 2021 and 2020, along with a continuity of RTUs and Options in each period:

For the year ended December 31, 2021					
	As at Jan 1, 2021	Issued	Vested or exercised	Forfeited / Expired	As at Dec 31, 2021
RTUs	361,518	196,115	(243,612)	-	314,021
Options	984,019	-	-	-	984,019

For the year ended December 31, 2020					
	As at Jan 1, 2020	Issued	Vested or exercised	Forfeited / Expired	As at Dec 31, 2020
RTUs	291,993	199,431	(97,359)	(32,547)	361,518
Options	1,433,866	-	-	(449,847)	984,019

The following table summarizes the options outstanding and exercisable as at December 31, 2021 and 2020:

Exercise Price	Number Outstanding		Weighted average remaining life (years)		Number exercisable	
	2021	2020	2021	2020	2021	2020
$22.47	472,913	472,913	0.04	1.04	472,913	472,913
$22.33	30,000	30,000	0.20	1.20	30,000	30,000
$20.60	481,106	481,106	0.79	1.79	481,106	481,106
Total	984,019	984,019	0.40	1.39	984,019	984,019

10. Income taxes:

The statutory tax rate for the year ended December 31, 2021 was 48% which is the top marginal tax rate of the Trust (December 31, 2020 – 48%). The Trust Indenture requires that any income of the Trust be allocated to unitholders and so it is not anticipated that the Trust as a stand-alone entity will be taxable. The tax provision differs from the expected income tax provision calculated using the Trust's statutory tax rate as follows:

Income Tax Expense	2021	2020
Earnings before income taxes	166,045	35,048
Combined federal and provincial statutory income tax rate	48.00%	48.00%
Expected income tax provision	$ 79,702	$ 16,823
Loss (Income) of the Trust	(20,118)	2,644
Canadian and Foreign corporate rate differences	(30,190)	(11,691)
Expected income tax provision after rate differences	29,394	7,776
Non-taxable portion of capital gains	481	(3,372)
Non-deductible interest	(7,199)	13,656
Non-deductible expense and other	(894)	(1,962)
Change in unrecognized deferred tax assets	(55)	(1,650)
Prior period adjustment	74	309
Balance at end of year	**$ 21,801**	**$ 14,757**

Cash taxes paid by the Trust's subsidiaries during the year were $14.3 million (net of refunds of $1.1 million) and in 2020 the Trust paid $7.6 million (net of refunds of $1.7 million).

10. Income taxes (continued):

Alaris currently has $93.8 million (US$73.4 million) of non-capital losses that can be carried forward indefinitely within the Trust's subsidiary Alaris USA.

The income tax effect of the temporary differences that give rise to the Trust's deferred income tax assets and liabilities are as follows:

Deferred income tax liabilities:	2021	2020
Preferred partnership units	$ (63,069)	$ (12,371)
Share issue costs	622	837
Convertible debentures	(2,682)	(3,606)
Disallowed interest and net capital losses	-	809
Derivatives	27	(245)
Foreign exchange on loan receivable	-	(193)
Foreign exchange on loan payable	(247)	(1,015)
Distributions to be taxed in future years	(17)	(557)
Bad debt	-	1,000
Unrecognized Deferred Tax Asset	(932)	(771)
Non-capital losses, other	22,395	-
Balance at end of year	**$ (43,903)**	**$ (16,112)**

Movement in deferred tax balances during the year	Deferred Income Taxes
Balance at January 1, 2020	**$ (3,729)**
Recognized in profit and loss	(15,632)
Reduction to investment tax credit	3,274
Currency translation and other	(25)
Balance at December 31, 2020	**(16,112)**
Recognized in profit and loss	(27,483)
Currency translation and other	(308)
Balance at December 31, 2021	**$ (43,903)**

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 2019 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 $9.9 million in investment tax credits ("ITCs") by the Trust were denied, resulting in reassessed taxes and interest of approximately $61.0 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.

At the time the relevant transactions were completed, the Trust received legal advice that it should be entitled to deduct the non-capital losses and claim ITCs. Based on ongoing discussions with its legal counsel, 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 and Alberta Treasury. The Trust has paid a total of $25.0 million (2020 - $20.2 million) in deposits to the CRA and Alberta Treasury relating to the Reassessments to date. These deposits have been recorded on the statement of financial position.

10. Income taxes (continued):

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 and Alberta Treasury would be refunded, plus interest.

Should the Trust be unsuccessful, it will be required to pay the remaining reassessed taxes and interest and will not recover the $25.0 million in deposits paid to December 31, 2021.

11. Fair value of financial instruments:

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following items shown on the statement of financial position as at December 31, 2021 and December 31, 2020, are measured at fair value on a recurring basis using level 2 or level 3 inputs. Discount rates, terminal value growth rates, cash flow multiples, changes in future distributions from each investment and estimated future cash flows are the primary inputs in the fair value models and are generally unobservable. Accordingly, these fair value measures are classified as level 3. There were no transfers between level 2 or level 3 classified assets and liabilities during the year ended December 31, 2021.

Fair value classification *($ thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
31-Dec-21				
Derivative contracts	$ -	$ 71	$ -	$ 71
Investments	-	-	1,185,327	1,185,327
Total at December 31, 2021	**$ -**	**$ 71**	**$ 1,185,327**	**$ 1,185,398**
31-Dec-20	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative contracts	$ -	$ 1,489	$ -	$ 1,489
Investments	-	-	880,512	880,512
Total at December 31, 2020	**$ -**	**$ 1,489**	**$ 880,512**	**$ 882,001**

The Trust purchases forward exchange rate contracts to match a portion of the quarterly distributions and expenses in Canadian dollars on a rolling 12-month basis and also a portion of the expected costs on a rolling 12 to 24 month basis. The notional value of outstanding foreign exchange contracts is US$51.9 million as at December 31, 2021 (US$37.5 million as at December 31, 2020). There is an interest rate swap that allows for a fixed interest rate of 0.35% instead of LIBOR on US$25.0 million of debt and an additional interest rate swap that allows for a fixed interest rate of 0.74% instead of LIBOR on US$50.0 million of debt, both with an expiry in June 2023.

The total position of the forward exchange rate contracts and the interest rate swap is included above and in the statement of financial position as Derivative Contracts.

The most significant assumptions in the calculation of fair value of Level 3 Investments are the discount rate, terminal value growth rates, cash flow multiples, changes in future distributions and estimated future cash flows.

As outlined in Note 5, cash flows have been discounted at rates ranging from 12.5% to 19.5%. If the discount rate increased (decreased) by 1%, the fair value of Level 3 investments at December 31, 2021 would decrease by $58.3 million and increase by $69.2 million. If the terminal value growth rate increased (decreased) by 1%, the fair value of Level 3 investments would increase by $55.4 million and decrease by $46.5 million. For the preferred unit investments, if changes in future distributions increased (decreased) by 1% the fair value of Level 3 investments would increase by $6.3 million and decrease by $6.2 million. For the common equity investments, if the estimated future cash flows increased (decreased) by 1%, the fair value of the common equity investments would increase by $3.0 million and decrease by $3.1 million. For the common equity investments, if the cash flow multiples increased (decreased) by 1%, the fair value of the common equity investments would increase by $1.1 million and decrease by $1.1 million.

12. Commitments and contingencies:

The Trust has a commitment to an additional contribution of US$3.5 million to PFGP (inclusive of US$2.8 million of preferred equity and US$0.7 million of common equity, terms consistent with the two existing classes). Timing of the additional funding is unknown at this time.

Subsequent to closing of the sale of Sandbox in February of 2020, AEP received a direct claim and protest notice (the "Notices") from the purchasers of Sandbox for amounts under the indemnification and working capital adjustment provisions. In September 2020, the purchaser served AEP with a complaint (the "Complaint"), which advances claims centered upon the assertions contained in the Notices that were previously disclosed. That is, the Complaint alleges, among other things, that AEP and certain of its representatives breached some of the representations and warranties of the purchase and sale agreement ("purchase agreement") and in so doing committed fraud. The Complaint also asserts that AEP breached the purchase and sale agreement when it took the position that certain issues related to a working capital adjustment were not appropriate for arbitration. The Complaint alleges damages of approximately US$37.2 million. AEP and the Trust believe the claims within the Complaint are without merit and is vigorously defending the case. The Complaint has progressed to the discovery stage and AEP has filed a counterclaim against the purchasers of Sandbox.

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.

13. Related parties:

In addition to salaries, the Trust also provides long-term compensation to employees of its subsidiaries in the form of options and RTUs, as well as bonuses. Key management personnel compensation comprised the following:

Key Management Personnel *($ thousands)*	**2021**	**2020**
Base salaries and benefits	$ 1,600	$ 1,024
Bonus	751	853
Unit-based compensation	232	859
Total for year ended December 31	**$ 2,583**	**$ 2,736**

14. Subsequent events:

Senior Unsecured Debentures

On February 4, 2022, the Trust announced the completion of a $65.0 million bought deal offering at a price of $1,000 per debenture. The debentures will bear interest at a rate of 6.25% per annum, payable semi-annually in arrears on the last day of March and September of each year, commencing on March 31, 2022, and will mature on March 31, 2027. After the deduction of the underwriters' fees and expenses of the offering, net proceeds to Alaris were approximately $62.0 million and were used to repay loans and borrowings.

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ALARIS

EQUITY PARTNERS INCOME TRUST

Additional information relating to the Trust, including all public filings, is available on SEDAR (www.sedar.com)