Unaudited Condensed Consolidated Interim

Financial Statements of

ALARIS EQUITY PARTNERS INCOME TRUST

For the three months ended March 31, 2022 and 2021

Alaris Equity Partners Income Trust

Condensed consolidated interim statements of financial position (unaudited)

$ thousands	Note	31-Mar 2022	31-Dec 2021
Assets			
Cash and cash equivalents		$ 23,389	$ 18,447
Derivative contracts	10	2,129	71
Accounts receivable and prepayments		4,961	3,181
Income taxes receivable		27,176	28,991
Promissory notes and other assets	4	13,238	13,555
Current Assets		$ 70,893	$ 64,245
Deposits	9	25,011	24,979
Property and equipment		617	658
Investments	4	1,250,850	1,185,327
Non-current assets		$ 1,276,478	$ 1,210,964
Total Assets		**$ 1,347,371**	**$ 1,275,209**
Liabilities			
Accounts payable and accrued liabilities	8	$ 5,439	$ 8,214
Distributions payable	5	14,937	14,899
Office Lease		462	500
Income tax payable		771	740
Current Liabilities		$ 21,609	$ 24,353
Deferred income taxes	9	48,581	43,903
Loans and borrowings	6	332,848	326,569
Convertible debenture		90,524	89,592
Senior unsecured debenture	7	62,256	-
Other long-term liabilities	8	1,181	1,933
Non-current liabilities		$ 535,390	$ 461,997
Total Liabilities		**$ 556,999**	**$ 486,350**
Equity			
Unitholders' capital	5	$ 756,892	$ 754,622
Translation reserve		1,827	15,052
Retained earnings		31,653	19,185
Total Equity		**$ 790,372**	**$ 788,859**
Total Liabilities and Equity		**$ 1,347,371**	**$ 1,275,209**
Commitments and contingencies	9, 11		
Subsequent events	4, 12		

Alaris Equity Partners Income Trust

Condensed consolidated interim statements of comprehensive income (unaudited)

		Three months ended March 31	
$ thousands except per unit amounts	Note	**2022**	**2021**
Revenues, including realized foreign exchange gain	4	$ 39,564	$ 32,234
Net unrealized gain of investments at fair value	4	10,028	5,534
Bad debt recovery	4	-	4,030
Total revenue and other operating income		**$ 49,592**	**$ 41,798**
General and administrative		3,487	2,408
Transaction diligence costs		908	1,902
Unit-based compensation	8	1,877	1,530
Depreciation and amortization		53	75
Total operating expenses		6,325	5,915
Earnings from operations		**$ 43,267**	**$ 35,883**
Finance costs	6, 7	6,466	5,621
Unrealized gain on derivative contracts	10	(2,060)	(177)
Unrealized foreign exchange loss		4,169	2,022
Earnings before taxes		**$ 34,692**	**$ 28,417**
Current income tax expense	9	1,554	4,490
Deferred income tax expense	9	5,733	1,281
Total income tax expense		7,287	5,771
Earnings		**$ 27,405**	**$ 22,646**
Other comprehensive income			
Foreign currency translation differences		(13,225)	(5,092)
Other comprehensive (loss)		(13,225)	(5,092)
Total comprehensive income		**$ 14,180**	**$ 17,554**
Earnings per unit			
Basic		$ 0.61	$ 0.56
Fully diluted		$ 0.59	$ 0.54
Weighted average units outstanding			
Basic	5	45,161	40,803
Fully Diluted	5	49,657	45,400

Alaris Equity Partners Income Trust

Condensed consolidated interim statement of changes in equity (unaudited)

For the three months ended March 31, 2022

$ thousands, except for number of units (000's)	Notes	Units Outstanding	Unitholders' Capital	Translation Reserve	Retained Earnings	Total Equity
Balance at January 1, 2022		45,149	$ 754,622	$ 15,052	$ 19,185	$ 788,859
Earnings for the period		-	-	-	27,405	27,405
Other comprehensive income						
Foreign currency translation differences		-	-	(13,225)	-	(13,225)
Total comprehensive income for the year		-	$ -	$ (13,225)	$ 27,405	$ 14,180
Transactions with unitholders, recognized directly in equity						
Distributions to unitholders	5	-	$ -	$ -	$ (14,937)	$ (14,937)
Units issued under RTU plan	5	113	2,270	-	-	2,270
Total transactions with Unitholders		113	$ 2,270	$ -	$ (14,937)	$ (12,667)
Balance at March 31, 2022		**45,262**	**$ 756,892**	**$ 1,827**	**$ 31,653**	**$ 790,372**

Alaris Equity Partners Income Trust

Condensed consolidated interim statement of changes in equity (unaudited)

For the three months ended March 31, 2021

$ thousands, except for number of units (000's)	Notes	Units Outstanding	Unitholders' Capital	Equity Reserve	Translation Reserve	Retained Earnings	Total Equity
Balance at January 1, 2021		38,996	$ 659,988	$ 17,621	$ 12,431	$ (85,026)	$ 605,014
Earnings for the period		-	-	-	-	22,646	22,646
Other comprehensive income / (loss)							
Foreign currency translation differences		-	-	-	(5,092)	-	(5,092)
Total comprehensive income / (loss) for the period		-	$ -	$ -	$ (5,092)	$ 22,646	$ 17,554
Transactions with unitholders, recognized directly in equity							
Distributions to unitholders	5	-	$ -	$ -	$ -	$ (13,938)	$ (13,938)
Units issued under RTU plan	5	244	932	-	-	-	932
Units issued in the period by short form prospectus	5	5,909	94,550	-	-	-	94,550
Unit issuance costs	5	-	(4,263)	-	-	-	(4,263)
Total transactions with Unitholders		6,153	$ 91,219	$ -	$ -	$ (13,938)	$ 77,281
Balance at March 31, 2021		**45,149**	**$ 751,207**	**$ 17,621**	**$ 7,339**	**$ (76,318)**	**$ 699,849**

Alaris Equity Partners Income Trust

Condensed consolidated interim statements of cash flows (unaudited)

$ thousands	Notes	Three months ended March 31 2022	2021
Cash flows from operating activities			
Earnings for the period		$ 27,405	$ 22,646
Adjustments for:			
Finance costs	6, 7	6,466	5,621
Deferred income tax expense		5,733	1,281
Depreciation and amortization		53	75
Bad debt recovery		-	(4,030)
Net unrealized gain of investments at fair value	4	(10,028)	(5,534)
Unrealized gain on derivative contracts	10	(2,060)	(177)
Unrealized foreign exchange loss		5,019	2,022
Transaction diligence costs		908	1,902
Unit-based compensation	8	1,877	1,530
Cash from operating, prior to changes in working capital		$ 35,373	$ 25,336
Changes in working capital:			
- accounts receivable and prepayments		(1,780)	179
- income tax receivable / payable		791	1,456
- accounts payable, accrued liabilities		(2,775)	2,860
Cash generated from operating activities		$ 31,609	$ 29,831
Cash interest paid	6	(3,865)	(3,076)
Net cash from operating activities		$ 27,744	$ 26,755
Cash flows from investing activities			
Acquisition of investments	4	$ (82,316)	$ (174,062)
Transaction diligence costs		(908)	(1,902)
Proceeds from partner redemptions	4	1,263	-
Promissory notes and other assets issued	4	-	(9,556)
Net cash used in investing activities		$ (81,961)	$ (185,520)
Cash flows from financing activities			
Repayment of loans and borrowings	6	$ (58,912)	$ (99,939)
Proceeds from loans and borrowings	6	73,473	185,453
Debt amendment and extension fees		-	(552)
Issuance of unitholders' capital, net of unit issue costs	5	-	90,287
Proceeds from senior unsecured debenture, net of fees	7	62,192	-
Distributions paid	5	(14,899)	(12,089)
Office lease payments		(38)	(40)
Net cash from financing activities		$ 61,816	$ 163,120
Net increase in cash and cash equivalents		$ 7,599	$ 4,355
Impact of foreign exchange on cash balances		(2,657)	(1,799)
Cash and cash equivalents, Beginning of period		18,447	16,498
Cash and cash equivalents, End of period		$ 23,389	$ 19,054
Cash taxes paid		$ 352	$ 3,049

1. Reporting entity:

Alaris Equity Partners Income Trust is an entity domiciled in Calgary, Alberta, Canada. The condensed consolidated interim financial statements as at and for the three months ended March 31, 2022 and 2021 are 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").

2. Statement of compliance:

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 and do not include all of the disclosures required for full annual financial statements and should be read in conjunction with the 2021 consolidated annual financial statements.

These condensed consolidated interim financial statements were approved by the Board of Trustees on May 5, 2022.

(b) Basis of measurement

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

- Investments classified as fair value through profit or loss ("Investments at Fair Value") are measured at fair value with changes in fair value recorded in earnings (see note 4).
- Derivative financial instruments are measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the condensed consolidated interim 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.

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.

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.

3. Significant accounting policies:

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Trust's consolidated financial statements as at and for the year ended December 31, 2021.

4. 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-Mar-22**	**31-Dec-21**	**31-Mar-22**
Body Contour Centers, LLC ("BCC")	US $ 155,604	US $ 90,604	US $ 156,000
PF Growth Partners, LLC ("PFGP")	99,700	99,700	92,500
D&M Leasing ("D&M")	77,900	77,900	74,500
Brown & Settle Investments, LLC ("Brown & Settle")	64,694	64,694	66,394
DNT Construction, LLC ("DNT")	62,743	62,743	62,800
GWM Loan Receivable at amortized cost	62,678	62,678	62,946
GWM Holdings, Inc ("GWM")	43,698	43,698	43,054
Accscient, LLC ("Accscient")	49,477	49,477	46,000
Falcon Master Holdings LLC ("FNC")	47,450	47,450	40,000
Kimco Holdings, LLC ("Kimco")	43,671	35,753	34,200
3E, LLC ("3E")	40,000	40,000	39,500
Fleet Advantage, LLC ("Fleet")	35,000	35,000	35,000
Edgewater Technical Associates, LLC ("Edgewater")	31,400	31,400	34,000
Unify Consulting, LLC ("Unify")	28,300	28,300	25,000
Heritage Restoration, LLC ("Heritage")	15,200	15,200	15,000
Carey Electric Contracting LLC ("Carey Electric")	15,180	16,180	15,000
Stride Consulting LLC ("Stride")	5,500	5,500	6,000
Total Investments (based in United States) - USD	878,195	806,277	847,894
Total Preferred and Debt (based in United States) - USD	780,227	708,309	760,156
Total Common (based in United States) - USD	97,968	97,968	87,738
Total Investments (based in United States) - CAD	**$ 1,096,163**	**$ 1,030,502**	**$ 1,058,341**
Amur Financial Group ("Amur")	73,200	73,200	70,000
Lower Mainland Steel Limited Partnership ("LMS")	47,584	47,722	60,564
SCR Mining and Tunneling, LP ("SCR")	33,903	33,903	40,000
Total Investments (based in Canada)	**$ 154,687**	**$ 154,825**	**$ 170,564**
Total Preferred and Debt (based in Canada)	133,287	133,425	150,564
Total Common (based in Canada)	21,400	21,400	20,000
Total Investments	**$ 1,250,850**	**$ 1,185,327**	**$ 1,228,905**

Transactions closed in the three months ended March 31, 2022

Partner	Date	Investment / Redemption	Investment Type	Contribution / (Proceeds)	Annualized Distributions
Carey Electric	05-Jan-22	Redemption - Partial	Preferred	US ($ 1,000)	US ($ 150)
BCC	11-Mar-22	Investment - Follow-on	Preferred	US $ 65,000	US $ 8,450

Transactions closed in the three months ended March 31, 2021

Partner	Date	Investment / Redemption	Investment Type	Contribution / (Proceeds)	Annualized Distributions
FNC	07-Jan-21	Investment - New Partner	Preferred & Common	US $ 40,000	US $ 4,501
Brown & Settle	09-Feb-21	Investment - New Partner	Preferred & Common	US $ 66,000	US $ 7,518
Accscient	18-Feb-21	Investment - Follow-on	Preferred	US $ 8,000	US $ 1,144
3E (**Note 1**)	22-Feb-21	Investment - New Partner	Preferred	US $ 30,000	US $ 4,200

Note 1 - The investment in 3E on February 22, 2021 was an initial contribution of US$30.0 million; however, initially there was US$22.5 million of preferred equity and US$7.5 million placed into escrow and to be funded into additional preferred units in two additional tranches, once additional performance thresholds were met. These thresholds were met during the remainder of 2021 and therefore the total preferred equity investment is US$30.0 million, with an initial annualized distribution of US$4.2 million

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.

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%.

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 March 31, 2022 are based on the information available to the Trust as of the date of these financial statements. Refer to Note 9 for additional information, including sensitivity analyses to these inputs.

Distributions:

The Trust recorded distribution revenue, interest and realized gain/losses on foreign exchange contracts as follows:

Partner Distributions:	Three months ended March 31	
$ thousands	2022	2021
Preferred Equity and Debt investment Distributions	$ 37,527	$ 30,827
Common Equity investments Distributions	1,365	383
Total Distributions	$ 38,892	$ 31,210
Interest	321	572
Realized gain on derivative contracts	351	452
Revenues, including realized foreign exchange gain	**$ 39,564**	**$ 32,234**

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.

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 three months ended March 31, 2022 the only change to the promissory notes and other assets balances was foreign exchange. Subsequent to March 31, 2022, Kimco repaid in full the promissory notes of US$9.8 million.

Below is a summary of changes in promissory notes and other assets for the three months ended March 31, 2022.

Reconciliation of Promissory notes and other assets *($ thousands)*	Three months ended
	31-Mar-22
Face Value - Opening	$ 13,555
Opening provision for credit losses	-
Carrying value as at beginning of period	**$ 13,555**
Foreign exchange	(317)
Carrying value as at end of period	**$ 13,238**
Promissory notes & other assets - current	$ 13,238
Promissory notes & other assets - non-current	-

Alaris has the following promissory notes and other assets outstanding as of March 31, 2022 and December 31, 2021, respectively:

Promissory notes and other assets	Note	Carrying Value	
($ thousands)		*31-Mar-22*	*31-Dec-21*
Kimco - promissory notes	*(1)*	$ 12,232	$ 12,525
D&M	*(2)*	1,006	1,030
Balance		**$ 13,238**	**$ 13,555**

(1) - 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). Subsequent to March 31, 2022, the promissory notes were repaid in full.

(2) - 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 six months.

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 March 31, 2022 the Trust had $13.2 million (December 31, 2021 - $13.6 million) of promissory notes and other assets classified as stage 1 and $nil classified as stage 3 (December 31, 2021 - $nil). The cumulative total credit loss provision as at March 31, 2022 is $nil (December 31, 2021 - $nil).

5. Unitholders' capital:

The Trust is authorized to issue an unlimited number of trust units. At March 31, 2022, the number of units issued and outstanding is 45,262,310 (December 31, 2021 – 45,149,386).

Issued Trust Units	Number of Units	Amount ($)
	thousands	*$ thousands*
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
RTUs vested	113	2,270
Balance at March 31, 2022	**45,262**	**$ 756,892**

Outlined below are the weighted average units outstanding for the three months ended March 31, 2022 and 2021, respectively.

Weighted Average Units Outstanding	Three months ended March 31	
thousands	**2022**	**2021**
Weighted average units outstanding, basic	45,161	40,803
Effect of outstanding convertible debentures	4,124	4,124
Effect of outstanding RTUs	372	473
Weighted average units outstanding, fully diluted	49,657	45,400

There were 371,627 and 984,019 options excluded from the calculation as they were anti-dilutive at March 31, 2022 and 2021, respectively.

5. Unitholders' capital (continued):

Diluted earnings per unit in the three months ended March 31, 2021 have been recast to reflect the conversion feature of the convertible debenture.

Distributions

For the three months ended March 31, 2022, the Trust declared a quarterly distribution of $0.33 per unit, paid on April 18, 2022, totaling $14.9 million in aggregate (2021 - $0.31 per unit and $13.9 million).

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.

6. Loans and borrowings:

As at March 31, 2022, 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 5.0% (inclusive of standby fees) for the three months ended March 31, 2022.

At March 31, 2022, AEP had US$267.8 million (CA$334.2 million) drawn on its credit facility (December 31, 2021 – US$256.8 million or CA$328.2 million). The amount recorded in the Trust's statement of financial position of $332.8 million is reduced by the unamortized debt amendment and extension fees of $1.4 million.

At March 31, 2022, 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 2.25x at March 31, 2022); minimum tangible net worth of $450.0 million (actual amount is $790.4 million at March 31, 2022); and a minimum fixed charge coverage ratio of 1:1 (actual ratio is 1.46x at March 31, 2022).

Subsequent to March 31, 2022, following the redemption of Kimco as described in Note 12, the proceeds were used to repay amounts on Alaris' credit facility.

7. Senior unsecured debenture:

During the quarter, the Trust issued $65.0 million aggregate principal amount of senior unsecured debentures ("Debentures") at a price of $1,000 per Debenture and an interest rate of 6.25% per annum, payable semi-annually on the last business day of March and September commencing March 31, 2022 with a maturity date of March 31, 2027.

The Debentures will not be redeemable by the Trust before March 31, 2025 (the "First Call Date"). On and after the First Call Date and prior to March 31, 2026, the Debentures will be redeemable, in whole or in part at the Trust's option at a redemption price equal to 103.125% of the principal amount of the Debentures redeemed plus accrued and unpaid interest, if any. On and after March 31, 2026 and prior to the Maturity Date, the Debentures will be redeemable, in whole or in part at the Trust's option at par plus accrued and unpaid interest, if any, up to but excluding the date set for redemption. The Trust has the option to satisfy its obligations to repay the principal amount of and premium (if any) on the Debentures due at redemption or on maturity by issuing and delivering the appropriate number of freely tradeable trust units of the Trust to Debenture holders.

Senior Unsecured Debenture *($ thousands)*	**Total**
Balance at January 1, 2022	-
Face value of issuance	65,000
Issuance costs	(2,808)
Accretion expense	64
Balance at March 31, 2022	**$ 62,256**

The Trust recorded $2.8 million in issuance costs which will be amortized using the effective interest rate method over the five year term of the senior unsecured debenture.

8. Unit-based payments:

The Trust has a Restricted Trust Unit Plan ("RTU 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 371,838 RTUs to management and Directors as of March 31, 2022. The RTUs issued to directors (115,540) vest over a three-year period. The RTUs issued to management (256,298) are a combination of time vested units (145,914) and performance vested units (110,384). The time vested units do not vest until the end of a three-year period (53,300 in 2023, 47,092 in 2024 and 45,522 in 2025). The performance vested units vest one third every year (56,488 in 2023, 38,722 in 2024 and 15,174 in 2025) 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 March 31, 2022 and based on the remaining time left until vesting for each tranche of units. At March 31, 2022, the total liability related to the RTU and Option Plan is $2.7 million, $1.7 million of which is included in Accounts payable and accrued liabilities and $1.0 million in Other long-term liabilities.

The Trust has reserved and issued 371,627 options as of March 31, 2022. The options outstanding at March 31, 2022 have an exercise price of $20.60 (2021 – $21.70) and a remaining contractual life of 0.54 years (2021 – 1.15 years). During the three months ended March 31, 2022, 502,913 options expired and 109,479 options were forfeited.

9. 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 (2021 - $61.0 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 (2021 - $25.0 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.

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 March 31, 2022.

10. 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 condensed consolidated interim statement of financial position as at March 31, 2022 and December 31, 2021, 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 three months ended March 31, 2022.

Fair value classification *($ thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
31-Mar-22				
Derivative contracts	$ -	$ 2,129	$ -	$ 2,129
Investments	-	-	1,250,850	1,250,850
Total at March 31, 2022	**$ -**	**$ 2,129**	**$ 1,250,850**	**$ 1,252,979**
31-Dec-21	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative contracts	$ -	$ 71	$ -	$ 71
Investments	-	-	1,185,327	1,185,327
Total at December 31, 2021	**$ -**	**$ 71**	**$ 1,185,327**	**$ 1,185,398**

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$52.1 million as at March 31, 2022 (US$51.9 million as at December 31, 2021). 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 4, 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 March 31, 2022 would decrease by $91.0 million and increase by $108.7 million. If the terminal value growth rate increased (decreased) by 1%, the fair value of Level 3 investments would increase by $59.9 million and decrease by $49.7 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 $9.5 million and decrease by $9.4 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 $3.6 million and decrease by $3.6 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.

11. Commitments and Contingencies:

Alaris 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.

12. Subsequent Events:

Redemption of Kimco and repayment of outstanding promissory notes

On April 1, 2022, Kimco entered into a purchase and sale agreement with a third party pursuant to which Kimco redeemed all of Alaris' outstanding US$34.2 million of preferred units as well as repaid US$9.8 million of outstanding promissory notes. The gross proceeds to Alaris of US$68.2 million consisted of (i) US$44.7 million for the redemption of all of Alaris' preferred equity, (ii) the payment of US$13.7 million of previously deferred distributions owed to Alaris and (iii) the repayment of US$9.8 million of promissory notes. Alaris agreed to fund US$1.1 million of the total proceeds into an escrow account to cover potential indemnification obligations.