ALARIS
EQUITY PARTNERS INCOME TRUST

# MANAGEMENT DISCUSSION AND ANALYSIS

***For the three months ended March 31, 2023***

This management's discussion and analysis ("**MD&A**") is dated May 9, 2023 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023 and 2022 for Alaris Equity Partners Income Trust ("**Alaris**" or the "**Trust**"). The Trust's condensed 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 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**"), Ohana Growth Partners, LLC, formerly known as 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**"), Brown & Settle Investments, LLC and a subsidiary thereof (collectively, "**Brown & Settle**"), 3E, LLC ("**3E**"), Vehicle Leasing Holdings, LLC, dba D&M Leasing ("**D&M**"), Sagamore Plumbing and Heating, LLC ("**Sagamore**") and Federal Management Partners, LLC. ("**FMP**"). Former partner company names are referred to as follows: Falcon Master Holdings LLC, dba FNC Title Service ("**FNC**"), Kimco Holdings, LLC ("**Kimco**"), ccCommunications LLC ("**ccComm**") and Sandbox Acquisitions, LLC and Sandbox Advertising LP (collectively, "**Sandbox**").

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. The Trust primarily earns distributions, dividends and interest ("**Distributions**"), on preferred equity, subordinated debt and promissory notes that are 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 (the reset metric). Alaris' preferred equity investments have the ability to appreciate through these reset metrics and typically include a premium upon exit or redemption. Based on the investment structure, Alaris may earn additional revenue from carried interest, transaction fees and other earnings related to the particular investment. These additional revenue streams are part of the investments earned revenue and are included as distribution revenue in Total revenue and other operating income. Alaris has limited general and administrative expenses with only seventeen employees.

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 believes that the use of common equity in certain transactions will: (a) better align our interests with those of our Partners; (b) provide higher overall returns on investments than preferred equity alone; and (c) enable Alaris to increase our capital deployment. Common equity distributions are not fixed or set in advance, but rather will be paid as cashflow of a Partner permits.

Alaris continually evaluates its investment structure and strategies to ensure it is in a position to increase unitholder value. Alaris may adopt additional innovative investment structures and strategies that complement and enhance its existing preferred equity strategy and that increase its growth profile, diversify its revenue streams and strengthen its relationships with and available investment offerings for existing and prospective Partners. Additional investment structures and strategies may include the raising and managing of third party capital to allow Alaris to make additional investments in existing Partners, including in common equity of existing Partners, and to earn management fees and carried interest.

## RESULTS OF OPERATIONS

Below is a summary of the Trust's Revenue, EBITDA (1), cash from operations, prior to changes in working capital, Trust distributions declared and earnings, all divided by the weighted average basic units outstanding. The per unit results, other than EBITDA per unit (1) are supplementary financial measures and are provided for the three months ended March 31, 2023 and 2022. Total Revenue, EBITDA (1), cash from operations, prior to changes in working capital, and earnings are outlined below as obtained from the Trust's accompanying condensed consolidated interim financial statements for the three months ended March 31, 2023 and 2022.

| | Three months ended March 31 | | |
|---|---|---|---|
| | 2023 | 2022 | % Change |
| Revenue per unit | $ 0.81 | $ 0.88 | -8.0% |
| EBITDA per unit | $ 0.37 | $ 0.91 | -59.3% |
| Cash from operations, prior to changes in working capital per unit | $ 0.39 | $ 0.78 | -50.0% |
| Distributions declared per unit | $ 0.34 | $ 0.33 | +3.0% |
| Basic earnings per unit | $ 0.12 | $ 0.61 | -80.3% |
| Fully diluted earnings per unit | $ 0.12 | $ 0.59 | -79.7% |
| Weighted average basic units (000's) | 45,308 | 45,161 | |

### *Revenue*

| | Three months ended March 31 | | |
|---|---|---|---|
| ***$ thousands except per unit amounts*** | **2023** | **2022** | **% Change** |
| Revenues, including realized foreign exchange gain (Revenue) | $ 36,688 | $ 39,564 | -7.3% |
| Revenue per unit | $ 0.81 | $ 0.88 | -8.0% |

For the three months ended March 31, 2023, revenue per unit decreased by 8.0% compared to the same period in 2022. The decrease in revenue period over period is primarily due to LMS deferring Distributions in the current quarter, redemptions in 2022 of Kimco and FNC and partial redemptions of Unify and Fleet. These decreases were partially offset by additional Distributions from the new investment in Sagamore and follow-on investments in BCC, Accscient, and Heritage. Also, partially offsetting the decrease in revenue per unit is an overall positive reset on the Distributions received in Q1 2023 and the impact of the average exchange rate during Q1 2023 being approximately 7% more favorable than in Q1 2022, contributing to an improvement in US denominated Distribution revenue.

*(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.*

Refer to the below table for Distributions from each of the Alaris Partners for the three months ended March 31, 2023 and 2022.

| Partner Revenue ($ thousands) | Three months ended March 31, 2023 | 2022 | % Change | Comment (1) |
|---|---|---|---|---|
| BCC | 5,780 | 4,678 | +23.6% | Follow-on in Mar-22, strategic transaction in Feb-23 |
| PFGP | 4,381 | 3,872 | +13.1% | Follow-on in Dec-22, reset +5%in Jan-23 |
| DNT | 3,948 | 3,491 | +13.1% | Reset +6%in Jan-23 |
| Accscient | 3,278 | 2,281 | +43.7% | Follow-on in Aug-22, reset +5% in Jan-23 |
| D&M | 3,078 | 2,972 | +3.6% | Reset -3%in Jan-23 |
| GWM | 2,840 | 2,872 | -1.1% | Reset -8%in Jan-23 |
| Brown & Settle | 2,838 | 2,801 | +1.3% | Deferred Distribution catch up Q1-22, reset +6%in Jan-23 |
| 3E | 2,014 | 1,797 | +12.1% | Reset +6%in Jan-23 |
| Amur | 1,687 | 1,620 | +4.1% | Reset +6%in Jan-23 net of dividend tax |
| Edgewater | 1,443 | 1,274 | +13.3% | Reset +6%in Jan-23 |
| SCR | 1,050 | 1,050 | +0.0% | No change in annual contracted Distributions |
| Heritage | 1,031 | 752 | +37.1% | Follow-on in May-22, reset +2%in Jan-23 |
| Sagamore | 1,008 | - | +100.0% | Contribution closed in Nov-22 |
| Fleet | 1,004 | 1,213 | -17.2% | Partial redemption in Dec-22, reset +6%in Jan-23 |
| Carey Electric | 599 | 643 | -6.8% | Partial redemption in Jan-23, reset -5%in Jan-23 |
| Unify | 560 | 1,135 | -50.7% | Partial redemption in Dec-22, reset +5%in Jan-23 |
| Stride | 251 | 240 | +4.6% | Partial redemption in Jun-22, reset +3%in Jan-23 |
| LMS | 73 | 1,784 | -95.9% | Partial Distributions Q1-23, deferred Distributions 1H-23 |
| FNC | - | 1,526 | -100.0% | Redemption in Oct-22 |
| Kimco | - | 1,526 | -100.0% | Redemption in April-22 |
| **Distributions - Pref/Debt** | **$ 36,863** | **$ 37,527** | **-1.8%** | In Q1-23, common dividends from Sagamore, Amur, Carey Electric and D&M |
| Common Distributions | 936 | 1,365 | -31.4% | In Q1-22, common dividends from FNC, Amur and D&M |
| **Total Distributions** | **$ 37,799** | **$ 38,892** | **-2.8%** | |
| Interest | - | 321 | -100.0% | Kimco and D&M promissory notes repayments in Q2-22 and Q3-22 respectively |
| Realized FX Gain/(Loss) | (1,111) | 351 | -416.5% | FX contracts out of money in Q1-23 as a result of USD strengthening |
| **Total Revenue** | **$ 36,688** | **$ 39,564** | **-7.3%** | |

Note 1 - US denominated Distribution revenue is impacted by changes in the average exchange rate over the period. For the three months ended March 31, 2023, the impact of the strengthening US dollar resulted in favorable increases in US denominated Distribution revenue when compared to the same period in the prior year.

## EBITDA (1)

| $ thousands except per unit amounts | Three months ended March 31 2023 | 2022 | % Change |
|---|---|---|---|
| Earnings | $ 5,553 | $ 27,405 | -79.7% |
| Depreciation and amortization | 56 | 53 | +5.7% |
| Finance costs | 6,517 | 6,466 | +0.8% |
| Total income tax expense | 4,698 | 7,287 | -35.5% |
| EBITDA | $ 16,824 | $ 41,211 | -59.2% |
| Weighted average basic units (000's) | 45,308 | 45,161 | |
| EBITDA per unit | $ 0.37 | $ 0.91 | -59.3% |

For the three months ended March 31, 2023, EBITDA per unit decreased by 59.3% compared to Q1 2022 mainly due to an increase in general and administrative costs, primarily related to the expected settlement for the outstanding litigation associated with the Sandbox transaction. Refer to the Summary of contractual obligations section below and Note 10 within the accompanying interim financial statements for discussion on this matter. All costs associated with the Sandbox litigation amounted to $13.1 million in Q1 2023 and $0.8 million in Q1 2022. Excluding these costs EBITDA per unit decreased by 29% in Q1 2023 when compared to Q1 2022. Contributing to this decrease in EBITDA per unit was the decrease in revenue per unit as discussed above and a decrease in the net realized and unrealized gain on the fair value of investments. In Q1 2023, the net realized and unrealized gain on investments of $0.8 million is the result of an increase to the fair value of investments of Fleet and B&S, partially offset by decreases to the fair value of investments of PFGP, Accscient, DNT and Unify. Also contributing to the decrease in EBITDA per unit was a net unrealized loss on derivative contracts of $0.4 million in Q1 2023, compared to a net gain of $2.1 million in Q1 2022.

## Cash from operations, prior to changes in working capital

| $ thousands except per unit amounts | Three months ended March 31 2023 | 2022 | % Change |
|---|---|---|---|
| Cash from operations, prior to changes in working capital | $ 17,506 | $ 35,373 | -50.5% |
| Cash from operations, prior to changes in working capital per unit | $ 0.39 | $ 0.78 | -50.0% |

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

For the three months ended March 31, 2023, cash from operations, prior to changes in working capital per unit decreased by 50.0% compared to the three months ended March 31, 2022. The decrease is primarily a result of the higher general and administrative costs which include accrued costs for the expected settlement associated with the Sandbox transaction and a decrease in revenue per unit as compared to Q1 2022, both as discussed above. After excluding all legal fees and costs associated to the Sandbox litigation in the respective quarters, cash from operations, prior to changes in working capital per unit decreased by 15% in Q1 2023 compared to Q1 2022.

The Actual Payout Ratio (2) for Alaris for the three months ended March 31, 2023 was 60%, an increase from 54% in the comparable period of 2022, primarily as a result of an overall negative change in working capital during the quarter as compared to the change in Q1 2022.

*(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.*

## Earnings

| $ thousands except per unit amounts | Three months ended March 31 2023 | 2022 | % Change |
|---|---|---|---|
| Earnings | $ 5,553 | $ 27,405 | -79.7% |
| Basic earnings per unit | $ 0.12 | $ 0.61 | -80.3% |

Basic earnings per unit decreased by 80.3% in the three months ended March 31, 2023 as compared to Q1 2022, primarily as a result of the decreases in EBITDA per unit discussed above, partially offset by a period over period decrease in total income tax expense.

## General and administrative expenses

| $ thousands except per unit amounts | Three months ended March 31 2023 | 2022 | % Change |
|---|---|---|---|
| Salaries and benefits | $ 2,004 | $ 1,062 | +88.7% |
| Corporate and office | 1,414 | 720 | +96.4% |
| Legal and accounting fees | 13,542 | 1,705 | +694.3% |
| General and administrative | $ 16,960 | $ 3,487 | +386.4% |
| General and administrative per unit | $ 0.37 | $ 0.08 | +362.5% |

General and administrative expenses, which includes salaries and benefits, corporate and office, and legal and accounting fees, for the three months ended March 31, 2023 was $17.0 million (2022 - $3.5 million), an increase of greater than 300% compared to the prior year mainly due to higher legal and accounting fees. Legal and accounting fees increased by $11.8 million to $13.5 million in Q1 2023 (2022 - $1.7 million) primarily due to the expected settlement for the outstanding litigation associated with the Sandbox transaction and the associated ongoing legal costs. Refer to the Summary of Contractual Obligations and Note 10 within the accompanying interim financial statements for further discussion. Salaries and benefits expense in Q1 2023 of $2.0 million (2022 - $1.1 million) increased by $0.9 million or 88.7% due to Alaris accruing a portion of the forecasted annual management bonus in the current period. Management bonus is now accrued throughout the year each quarter versus in the prior year the annual management bonus accrual was recorded in the second, third and fourth quarters. The accrual in the current period does not change Alaris' expectation for total salaries and benefits expense expected in fiscal 2023. Corporate and office expense in Q1 2023 of $1.4 million (2022 - $0.7 million) increased by $0.7 million or 96.4% as a result of the amortization of insurance premiums previously purchased, the timing of charitable donations and a continuation of consulting fees related to the strategic investment in BCC.

### Finance costs

| $ thousands except per unit amounts | Three months ended March 31 | | |
|---|---|---|---|
| | 2023 | 2022 | % Change |
| Finance costs | $ 6,517 | $ 6,466 | +0.8% |
| Finance costs per unit | $ 0.14 | $ 0.14 | +0.0% |

Finance costs in the three months ended March 31, 2023, of $6.5 million was consistent to prior period (2022 - $6.5 million). For the three months ended March 31, 2023 there was incremental interest compared to the prior year on senor unsecured debentures that were issued during Q1 2023. The incremental interest on the senior unsecured debentures was offset by a lower realized interest expense on the senior debt facility due to lower average senior debt outstanding. Although the realized average annualized interest rate on the senior debt facility increased to 6.7% in Q1 2023 from 5.0% in Q1 2022, the impact of the increase was more than offset due to a significantly lower average amount of senior debt outstanding in Q1 2023 versus Q1 2022.

### Transaction Diligence costs

| $ thousands except per unit amounts | Three months ended March 31 | | |
|---|---|---|---|
| | 2023 | 2022 | % Change |
| Transaction diligence costs | $ 1,351 | $ 908 | +48.8% |
| Transaction diligence costs per unit | $ 0.03 | $ 0.02 | +50.0% |

Transaction diligence costs in the three months ended March 31, 2023 of $1.4 million (2022 - $0.9 million) increased by $0.4 million compared to the prior year. In Q1 2023 a significant portion of the transaction costs incurred related to the strategic investment in BCC, as well as additional costs incurred related to the initial investment in FMP that closed subsequent to March 31, 2023. In Q1 2022, transaction costs were incurred mainly to support a follow-on investment in BCC.

### Unit-based compensation

| $ thousands except per unit amounts | Three months ended March 31 | | |
|---|---|---|---|
| | 2023 | 2022 | % Change |
| Unit-based compensation | $ 1,779 | $ 1,877 | -5.2% |
| Unit-based compensation per unit | $ 0.04 | $ 0.04 | +0.0% |

Unit-based compensation in the three months ended March 31, 2023 of $1.8 million (2022 – $1.9 million) decreased by 5.2% as a result of the change in the Trust's unit price during Q1 2023 as compared to the relative change in the Trust unit price during Q1 2022 and the nature of the calculation for the RTU and PTU liability being re-valued each period. Although the unit price change during Q1 2023 was smaller than in the prior year, resulting in a reduced expense in the current quarter, this was partially offset by the fact that there was a higher number of units issued.

## OUTLOOK

The Trust deployed US$36.5 million since December 31, 2022, up to the date of this release, with an initial investment in FMP finalized subsequent to the quarter end. Additionally, Alaris re-invested into BCC during Q1 2023 as part of a strategic investment that will help extend the successful partnership further into the future. These transactions along with a generally positive environment for the rest of Alaris' portfolio result in the outlook summarized below. The $36.7 million of total revenue in Q1 2023 was slightly below previous guidance of $37.0 million primarily due to LMS deferring the majority of Q1 2023 Distributions, partially offset by a higher average exchange rate than forecast. As outlined below, the outlook for the next twelve months includes Run Rate Revenue(3) expected to be approximately $156.7 million. This includes current contracted amounts, an additional US$2.4 million from PFGP related to deferred Distributions during COVID-19, and an estimated $5.4 million of common dividends. Alaris expects total revenue from its Partners in Q2 2023 of approximately $36.1 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' condensed consolidated interim statements of cash 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.

Run rate general and administrative expenses are currently estimated at $16.5 million and include all public company costs, which is a decrease in general and administrative expenses from previous guidance to reflect a reduction in legal fees as a result of the expected settlement of the outstanding litigation related to the Sandbox transaction. In addition, general and administrative costs are expected to continue to incrementally decline in forward outlooks as Alaris continues to unwind any outstanding fees in the short-term associated to the expected final settlement. The Trust's Run Rate Payout Ratio (4) is expected to be within a range of 65% and 70% 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, the impact of every 1% increase in SOFR based on current outstanding USD debt 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** | | **$ 156,700** | **$ 3.45** |
| General and administrative expenses | | (16,500) | (0.36) |
| Interest and taxes | | (49,800) | (1.10) |
| **Net cash from operating activities** | | **$ 90,400** | **$ 1.99** |
| Distributions paid | | (61,900) | (1.36) |
| **Run Rate Cash Flow** | | **$ 28,500** | **$ 0.63** |
| **Other considerations (after taxes and interest):** | | | |
| New investments | Every $50 million deployed @ 14% | +2,738 | +0.06 |
| Interest rates | Every 1.0% increase in SOFR | -900 | -0.02 |
| USD to CAD | Every $0.01 change of USD to CAD | +/- 900 | +/- 0.02 |

*(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, excluding any potential Partner redemptions, it also includes 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.*

*(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).*

The senior debt facility was drawn to $142.5 million at March 31, 2023 in the Trust's statement of financial position. The annual interest rate on the facility, inclusive of standby charges on available capacity, was approximately 6.7% for the three months ended March 31, 2023. Subsequent to March 31, 2023, following a draw for the investment in FMP, the total drawn on the facility on the date of this MD&A is approximately $203 million with the capacity to draw up to an additional $247 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, will not 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 the next twelve months and expected capital allocation decisions.

Included in the previous table summarizing Distributions from Partners during the three months ended March 31, 2023, were $0.4 million of common equity distributions from Sagamore, $0.3 million from Amur and collectively $0.2 million from Carey Electric and D&M. Certain common equity investments such as, PFGP, 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. As with all common distributions these amounts are declared and paid as cashflows permit. As of March 31, 2023, the total fair value of Alaris' common equity investments of $145.0 million is approximately 12% of total investments.

**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, other than the recent strategic investment into BCC that has a fixed Distribution rate and in exchange exposure to common equity upside through the conversion feature. As discussed above, Alaris may also invest in a minority common equity position along side its preferred equity or loans.

Alaris is not involved 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 matters 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**") (5). 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.

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

(i) A history of success (average age of Partners is approximately 26 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 financial risk from business fluctuations and allows for free cash flow to remain in the business to support growth and make common and preferred equity distributions.

(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 capital requirements.

(v) Management continuity and quality management teams - Alaris has invested in 39 Partners since inception, exited our investment in 20 Partners over that time with 14 yielding highly positive results displayed by an overall total return from exited investments of 65% and a median IRR (6) of 19%.

***Contribution History:*** Alaris has invested over $2.1 billion into 39 partners and over 90 tranches of financing, including an average of approximately $186 million per year over the past five fiscal years (2018 – 2023). Inclusive of the three months ended March 31, 2023 as well as the period subsequent to Q1 2023, Alaris deployed a total of approximately $49.5 million to date in 2023.

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

***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, three partners have less than 1.0x Senior Debt to EBITDA and seven partners have debt greater than 1.0x Senior Debt to EBITDA on a trailing twelve months basis.

***Reset:*** The annual Distribution reset is another feature of our capital which we view as win-win. 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.

*(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.*

*(6) IRR is a supplementary financial measure and refers to internal rate of return, which is a metric used to determine the discount rate that derives a net present value of cash flows to zero. Management uses IRR to analyze partner returns. 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.*

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] on the preferred equity and subordinated debt investments for the next twelve months, ECR range for the most recent trailing twelve month periods received, year-to-date changes in revenue and EBITDA compared to the comparable period in 2022 and the unrealized gains or losses to the investments at fair value for the three months ended March 31, 2023. See commentary following the below table for additional relevant information on each Partner wherein either a fair value change, an ECR range change or an investment or redemption has occurred during the three months ended March 31, 2023. 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 4 in the Trust's accompanying condensed consolidated interim financial statements for the three months ended March 31, 2023.

| Partner | Original Investment Date | Current Total Invested (000's) | Run Rate Revenue (000's) | As a % of total | ECR Range | Estimated 2023 Reset | Year-to-date changes in (1): | | Fair Value Changes |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Revenue | EBITDA | Three Months |
| **BCC** | Sep 2018 | US $145,000 | US $13,825 | 12% | 1.2x - 1.5x | n/a | ↑ | ↑ | nil |
| **GWM** | Nov 2018 | US $106,000 | US $8,401 | 7% | 1.2x - 1.5x | - 8% | ↓ | ↓ | nil |
| **PFGP** | Nov 2014 | US $94,629 | US $12,952 | 11% | 1.2x - 1.5x | + 5% | ↑ | ↓ | US ($1,300) |
| **D&M** | Jun 2021 | US $74,500 | US $9,108 | 8% | 1.5x - 2.0x | - 3% | ↓ | ↓ | nil |
| **Accscient** | Jun 2017 | US $72,000 | US $9,693 | 9% | 1.2x - 1.5x | + 5% | ↑ | ↓ | US ($1,500) |
| **Amur** | Jun 2019 | CA $70,000 | CA $6,869 | 5% | > 2.0x | + 6% | ↓ | ↓ | nil |
| **Brown & Settle** | Feb 2021 | US $66,394 | US $8,447 | 7% | 1.5x - 2.0x | + 6% | ↑ | ↑ | US +$600 |
| **DNT** | Jun 2015 | US $62,800 | US $11,678 | 10% | > 2.0x | + 6% | ↓ | ↓ | US ($800) |
| **LMS** | Feb 2007 | CA $60,564 | CA $3,985 | 3% | < 1.0 | - 22% | ↑ | ↓ | nil |
| **SCR** | May 2013 | CA $40,000 | CA $4,200 | 3% | 1.2x - 1.5x | n/a | ↑ | ↑ | nil |
| **3E** | Feb 2021 | US $39,500 | US $5,987 | 5% | 1.2x - 1.5x | + 6% | ↑ | ↑ | nil |
| **FMP** | Apr 2023 | US $36,500 | US $4,130 | 3% | 1.2x - 1.5x | n/a | ↔ | ↔ | nil |
| **Edgewater** | Dec 2020 | US $34,000 | US $4,262 | 4% | 1.5x - 2.0x | + 6% | ↑ | ↑ | nil |
| **Fleet** | Jun 2018 | US $28,000 | US $2,968 | 3% | > 2.0x | + 6% | ↑ | ↑ | US +$4,000 |
| **Sagamore** | Nov 2022 | US $24,000 | US $3,000 | 3% | > 2.0x | n/a | ↓ | ↓ | nil |
| **Heritage** | Jan 2018 | US $18,500 | US $2,946 | 3% | > 2.0x | + 2% | ↑ | ↑ | nil |
| **Carey Electric** | Jun 2020 | US $14,000 | US $1,773 | 2% | > 2.0x | - 5% | ↓ | ↓ | nil |
| **Unify** | Oct 2016 | US $11,000 | US $1,655 | 1% | > 2.0x | + 5% | ↓ | ↓ | US ($400) |
| **Stride** | Nov 2019 | US $4,500 | US $589 | 1% | 1.5x - 2.0x | + 3% | ↓ | ↓ | nil |

**Note 1**: The year-to-date changes in Revenue and EBITDA are based on unaudited information provided by management of each Private Company Partner and are summarized here based on being either relatively consistent or whether or not they've increased or decreased, when compared against the same period in 2022.

*(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, excluding any potential Partner redemptions, it also includes 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.*

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

- As a result of the continued increase in market interest rates in Q1 2023 and its related impact to 3E's earnings, 3E's ECR has decreased and is now in the range of 1.2x–1.5x.

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

- While Accscient continues to show growth in revenue over 2022, the company has updated their outlook for 2023 with the resulting impact on earnings for the year causing the fair value of the common equity to decrease by US$1.5 million during the three months ended March 31, 2023. The resulting fair value of the Accscient investment is US$75.8 million.
- As a result of a reduction in earnings through the first two months of 2023 as compared to the prior year, Accscient's ECR has decreased and is now in the range of 1.2x–1.5x.

***Body Contour Centers* – cosmetic surgery practice across the United States with over 70 locations**

- During Q1 2023, Alaris completed a strategic transaction involving BCC and co-sponsor Brookfield, through its Special Investment program. The transaction included exchanging US$145.0 million of its existing preferred units in BCC for newly issued convertible preferred units and receiving cash proceeds of US$20.3 million for the redemption of its remaining existing preferred units which had an initial cost basis of US$156.0 million, resulting in a US$9.3 million realized gain.
- The new convertible preferred units are entitled to an 8.5% Distribution payable in cash or in-kind, and are convertible at the option of the holder, for a period of up to five years, into common equity of BCC at a predetermined valuation. These units also participate in any common distribution paid above 8.5%. As with all our common distributions these amounts are paid when declared as cashflow permits.
- In addition, Alaris will be entitled to an annual transaction fee of US$1.5 million payable quarterly.
- Alaris is entitled to an over allocation of profits relative to the approximate US$400 million of the convertible preferred units not held by Alaris if certain return-based performance thresholds are achieved. This over allocation of profits allows Alaris to receive a higher portion of distributions if the following thresholds are met with respect to the convertible preferred units; the greater of 12.5% net internal rate of return and 1.80x multiple on invested capital, and a second hurdle with further additional sharing above the greater of net 18% internal rate of return and a 2.50x multiple on invested capital. As of period end, these hurdles have not been met.

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

- Brown and Settle's revenue and EBTIDA have both increased compared to the prior year, and based on their growth expectations for 2023 as supported by their increasing backlog, the fair value of the common equity increased by US$0.6 million in Q1 2023. The resulting fair value of the B&S investment at March 31, 2023 is US$64.5 million.

***Carey Electric* – electrical contracting in Illinois**

- During Q1 2023, Carey Electric redeemed an additional US$1.0 million of preferred units at par. Carey Electric has now redeemed the full US$3.0 million of eligible redeemable units at par from the initial investment. The resulting fair value of the Carey investment at March 31, 2023 is US$13.7 million.

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

- DNT had a record year of revenue and EBITDA in 2022, however due to current macro economic conditions reducing the demand for new housing projects in their current market, management has updated their outlook for 2023. Due to the expected decline in 2023 results, Alaris has adjusted its reset expectations which resulted in a decrease in the fair value of the preferred equity by US$0.8 million in Q1 2023. The resulting fair value of the investment in DNT at March 31, 2023 is US$63.1 million.

***Fleet* – provides fleet leasing and truck lifecycle management solutions in the U.S.**

- Fleet continues to build their record backlog of syndication work for 2023 and 2024 with new contracts wins. As a result of this continued growth in backlog and its impact to Fleet's outlook, the fair value of the Fleet common equity investment was increased by US$4.0 million in Q1 2023. The resulting fair value of the total investment in Fleet at March 31, 2023 is US$49.0 million.

***FMP* – organizational management consulting firm in the U.S public sector**

- FMP is a leading-edge professional services firm that provides evidence-based workforce and organizational management solutions to transform the public sector. The company leverages its strategic human capital experience to develop practical, customized solutions focused on engaging employees and empowering organizations.
- Alaris contributed US$36.5 million into FMP in April 2023 consisting of US$30.5 million of preferred equity and US$6.0 million in exchange for a minority ownership of common equity. The contribution of preferred equity is in exchange for preferred Distributions at an annualized yield of 14%. The FMP distribution will reset +/- 7% annually based on the percent change of gross revenue, with the first reset commencing on January 1, 2024. Based on certain financial hurdles, there is a second tranche of US$3.5 million available to be invested in FMP upon achievement of these hurdles. If FMP achieves these financial hurdles, the second tranche will consist entirely of additional preferred equity and will have the same yield and rights as the initial FMP preferred contribution.
- Based on Alaris' review of FMP's internal pro forma financial results for the most recent trailing twelve-month period in 2023, FMP would have an ECR between 1.2x and 1.5x.

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

- Based on Heritage's financial results for the year ended December 31, 2022, gross profit in 2022 increased by 2% from the comparative prior year, as a result Alaris expects a 2% reset on 2023 preferred Distributions. Initially Alaris had an expected positive reset of 6%.

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

- Over the course of the past year LMS' margins have experienced compression as the price of steel increased significantly with limited ability to pass these increases on to customers. This increased investment in inventory's effect on working capital and declining margins impact on EBITDA, have put pressure on certain covenants within their senior credit facility. LMS has since included steel price escalation features in contracts and projects set to start this year to help reflect current pricing.
- As a result of the current transitory pressures on the company as they complete these remaining contracts, LMS is deferring a portion of their 2023 Distributions. Alaris expects margins to normalize by Q3 2023 and Distributions to resume in the current year with unpaid amounts to be collected in 2024.

- Based on LMS' financial results for the year ended December 31, 2022, their gross profit in 2022 decreased by less than expected, approximately 22% as compared to 2021. Initially Alaris had an expected negative reset of 25%.

***PFGP – Planet Fitness franchisee with over 70 fitness clubs in the U.S.***

- As a result of the continued increase in market interest rates in Q1 2023, the PFGP discount rate was increased to reflect the impact that these rate increases have had on the cost of capital. The result of which was a decrease in the fair value of the common equity by US$1.7 million during the three months ended March 31, 2023.
- Based on continued positive results fair value of the preferred equity investment increased by US$0.4 million during the three months ended March 31, 2023. The resulting fair value of the total PFGP investment at March 31, 2023 is US$98.0 million.

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

- Based on Unify's decrease in revenue through the first three months of 2023 as compared to the prior year, along with an updated financial outlook for 2023, Alaris has decreased its reset expectations on the preferred Distributions for 2024. This update has resulted in a decrease in the fair value of the preferred equity investment of US$0.4 million during Q1 2023. The resulting fair value of the total investment in Unify at March 31, 2023 is US$12.2 million.

## LIQUIDITY AND CAPITAL RESOURCES

As at March 31 2023, AEP has a $450 million credit facility with a syndicate of Canadian chartered banks, which has a maturity date in September 2026 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 SOFR. Alaris realized an annualized blended interest rate of 6.7% (inclusive of standby fees) for the three months ended March 31, 2023.

At March 31, 2023, AEP had US$107.3 million (CA$145.3 million) drawn on its credit facility (December 31, 2022 – US$161.8 million or CA$219.1 million). The amount recorded in the Trust's statement of financial position of $142.5 million is reduced by the unamortized debt amendment and extension fees of $2.8 million. Subsequent to March 31, 2023, as part of the Trust's investment in FMP there was a US$36.5 million draw on the facility to fund the contribution. Following this contribution, the total amount outstanding is approximately $203 million, with $247 million of available capacity based on covenants and credit terms.

In 2022, the Trust issued senior unsecured debentures ("Debentures"). The Debentures have a face value of $65.0 million, annual interest rate of 6.25% payable semi-annually and 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 that number of freely tradeable trust units of the Trust to Debenture holders.

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

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

Alaris declared a quarterly distribution in March 2023, payable in April 2023, of $0.34 per unit (2022 - $0.33 per unit), totalling $15.5 million in aggregate (2022 - $14.9 million).

As disclosed in its consolidated financial statements for the year ended December 31, 2022, 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 March 31, 2023 and December 31, 2022 is set forth in the table 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-Mar-23 | 31-Dec-22 |
|---|---|---|
| Cash | $ 24,938 | $ 60,193 |
| Derivative contracts | 1,341 | 2,507 |
| Accounts receivable and prepayments | 3,384 | 2,689 |
| Income taxes receivable | 15,192 | 22,675 |
| **Total Current Assets** | **$ 44,855** | **$ 88,064** |
| Accounts payable and accrued liabilities | 18,404 | 11,517 |
| Distributions payable | 15,463 | 15,395 |
| Derivative contracts | 2,159 | 2,818 |
| Office Lease | 317 | 352 |
| Income tax payable | 159 | 306 |
| **Total Current Liabilities** | **$ 36,502** | **$ 30,388** |
| **Net Working Capital** | **$ 8,353** | **$ 57,676** |

Net Working Capital was $8.4 million at March 31, 2023. 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 statement of financial position 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 | Amortized cost |
| Accounts receivables | Amortized cost |
| Investments | FVTPL or amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Loans and borrowings | Amortized cost |
| Convertible and senior debentures | Amortized cost |
| Derivative contracts | FVTPL |
| Other long-term liabilities | FVTPL 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. At March 31, 2023, for the next twelve months, Alaris has total contracts to sell US$39.3 million forward at an average $1.2919 CAD. For the following twelve months, Alaris has total contracts to sell US$18.8 million forward at an average $1.3404 CAD.

Alaris has an interest rate swap that allows for a fixed interest rate of 0.35% instead of SOFR 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 SOFR on US$50.0 million of debt, both with an expiry in June 2023. Alaris also has an interest rate swap on US$50.0 million of debt that allows for a fixed interest rate of 2.99% in place of SOFR that begins in July 2023 and that has an expiry date in July 2026.

Forward exchange rate contracts and the interest rate swaps are presented on the statement of financial position as current or non-current based on the derivatives expected recognition or the contractual maturity. Current amounts are presented as derivative contract assets or liabilities and non-current amounts are included in other long-term assets or liabilities.

Alaris has the following financial instruments that mature as follows:

| 31-Mar-23 | Total | 0-6 Months | 6 mo – 1 yr | 1 – 2 years | Year 3 and Thereafter |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 18,404 | $ 16,179 | $ 2,225 | $- | $- |
| Distributions payable | 15,463 | 15,463 | - | - | - |
| Derivative contracts | 2,477 | 1,254 | 905 | 318 | - |
| Office Lease Payments | 451 | 96 | 101 | 203 | 51 |
| Income tax payable | 159 | 159 | | | |
| Other long-term liabilities | 657 | - | - | 632 | 25 |
| Convertible debenture | 100,000 | - | - | 100,000 | - |
| Senior unsecured debenture | 65,000 | - | - | - | 65,000 |
| Loans and borrowings | 145,270 | - | - | - | 145,270 |
| **Total** | $ 347,881 | $ 33,151 | $ 3,231 | $ 101,153 | $ 210,346 |

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

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

## SUMMARY OF CONTRACTUAL OBLIGATIONS

Alaris, through its subsidiaries, has an outstanding senior credit facility, convertible debentures and senior unsecured debentures, all of which are described under "Liquidity and Capital Resources", a commitment to fund PFGP an additional US$1.4 million with an exact timing of which unknown at this time and leases for office space.

As disclosed in Note 10 to the condensed consolidated interim financial statements for the three months ended March 31, 2023, 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 The Complaint has progressed to the discovery stage and AEP has filed a counterclaim against the purchasers of Sandbox. Subsequent to the current quarter, Alaris entered into settlement discussions and the parties have agreed to the core terms and are working on an agreement to finalize the settlement. While AEP and the Trust believe they would have ultimately prevailed in the litigation, given the inherent risks associated with the process, and its protracted nature and associated costs (legal fees in defending this lawsuit were approximately $4.0 million in the twelve months ended December 31, 2022 alone), the decision was made to proceed with settlement discussions. As a result, the impact of the estimated settlement has been reflected in the Trust's interim statements in profit and loss and accrued for in working capital. Details of the estimate are not disclosed as it would significantly prejudice Alaris' position.

## 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 and income taxes. Refer to the consolidated financial statements for the year ended December 31, 2022.

## SUMMARY OF QUARTERLY RESULTS

Amounts are in thousands except for income per unit:

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

| Quarterly Results Summary | Q1-23 | Q4-22 | Q3-22 | Q2-22 | Q1-22 | Q4-21 | Q3-21 | Q2-21 |
|---|---|---|---|---|---|---|---|---|
| Revenues | $ 36,688 | $ 51,115 | $ 42,870 | $ 56,497 | $ 39,564 | $ 37,619 | $ 42,878 | $ 34,933 |
| Earnings | 5,553 | 34,504 | 30,141 | 38,626 | $ 27,405 | $ 46,102 | $ 46,178 | $ 29,318 |
| Basic earnings per unit | $ 0.12 | $ 0.76 | $ 0.67 | $ 0.85 | $ 0.61 | $ 1.02 | $ 1.03 | $ 0.65 |
| Diluted earnings per unit | $ 0.12 | $ 0.73 | $ 0.65 | $ 0.81 | $ 0.59 | $ 0.97 | $ 0.97 | $ 0.63 |

In Q1 2023, Alaris' earnings included a net unrealized gain on investments of $0.8 million, which primarily consisted of an increase to the fair value of Fleet of $5.5 million, partially offset by decreases to the fair values of Accscient of $2.1 million, PFGP of $1.8 million and DNT of $1.1 million. Also impacting Q1 2023 earnings are costs associated with an expected settlement related to the Sandbox transaction and the ongoing legal costs.

In Q4 2022, Alaris' earnings of $34.5 million included a total realized gain of $20.1 million from FNC, Unify and Fleet as well as a total unrealized loss of $14.6 million which included decreases in fair value for GWM of $12.9 million, LMS of $3.8 million, D&M of $3.7 million, Amur of $3.5 million and SCR of $2.2 million. Partially offset by an increase in fair value for Fleet of $20.6 million, among other less significant increases and decreases in the fair values of investments. In Q3 2022, Alaris' earnings included a net loss on realized and unrealized fair value of investments of $7.1 million. In Q2 2022, Alaris' earnings included a total net realized and unrealized loss of $0.5 million. This consisted of a decrease in the fair value of GWM of US$10.8 million and a decrease in the fair value of SCR of $4.4 million, partially offset by increases in Amur of $6.2 million and Fleet of US$4.4 million, among other less significant increases and decreases. In Q1 2022, Alaris' earnings included an unrealized gain on investments of $10.0 million on the fair value of the Kimco investment as a result of the redemption of Kimco and the unrecognized premium.

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.

Diluted earnings per unit in prior periods have been recast to reflect the conversion feature of the convertible debenture.

## OUTSTANDING UNITS

The Trust is authorized to issue an unlimited number of trust units. At March 31, 2023, the number of units issued and outstanding is 45,479,179.

During the three months ended March 31, 2023, 198,494 units were issued on the vesting of RTUs.

As at May 9, 2023, Alaris had 45,479,179 units outstanding.

## INCOME TAXES

Beginning in 2015, the Trust began receiving notices of reassessment (the "Reassessments") from the Canada Revenue Agency (the "CRA") in respect of its 2009 through 2020 taxation years to deny the use of non-capital losses, accumulated scientific research and experimental development expenditures ("SRED") and investment tax credits ("ITCs"). Pursuant to the Reassessments, the deduction of approximately $121.2 million of non-capital losses and SRED expenditures and utilization of $9.9 million in ITCs by the Trust were denied, resulting in reassessed taxes and interest of approximately $61 million (2022 - $61 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 SRED expenditures 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 to the Alberta Treasury for amounts reassessed for the 2013 taxation year and onwards. The Trust has paid a total of $25 million (2022 - $25 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 and are included in Other long-term assets.

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, 2023.

Alaris has entered into insurance contracts to mitigate the risk presented by the above-noted matter, although there can be no assurance that all the amounts for which Alaris may ultimately be liable will be fully covered. The premiums in respect of the insurance contracts are fully paid and will be amortized on a straight-line basis over the term of the insurance contracts

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 Statements” below.

## FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information and forward-looking statements (collectively, “forward-looking statements”) under applicable securities laws, including any applicable “safe harbor” provisions. Statements other than statements of historical fact contained in this MD&A may be forward looking statements, including, without limitation: management’s expectations, intentions and beliefs concerning the growth, results of operations, performance of the Trust and the Partners, the future financial position or results of the Trust, business strategy and plans and objectives of or involving the Trust or the Partners. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. In particular, this MD&A contains forward-looking statements regarding: the anticipated financial and operating performance of the Partners, including resets on Distributions; the ECR for the Partners; net cash from operating activities; the Trust’s Run Rate Payout Ratio, Run Rate Cash Flow and Run Rate Revenue; the impact of new investments and follow-on investments; 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; the expected settlement of outstanding litigation; the Trust’s expenses for Q2 2023 and annually; annualized net cash from operating activities; changes in Distributions from Partners; the proposed resolutions to any outstanding issues with certain Partners including any deferred Distributions; the timing for collection of deferred or unpaid Distributions; impact of new investment structures; 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, any ongoing impact of the COVID-19 and global economic and political factors) 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, the Russia/Ukraine conflict and global supply chain issues and will not be detrimentally impacted over the next twelve months; interest rates will not rise in a material way from market expectations over the next 12 months; that those Partners detrimentally affected by COVID-19 and global economic factors (including the Russia/Ukraine conflict and global supply chain issues) will recover and return to their pre-pandemic operating environments; 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 exchange rate expectations 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 of their business and the length of time of such slowdown); the dependence of the Trust on the Partners; risks relating to the Partners and their businesses; reliance on key personnel; general economic conditions, including any ongoing impact of COVID-19, the Russia/Ukraine conflict, global supply chain issues or inflationary measures on the Canadian, U.S. and global economies; failure to complete or realize the anticipated benefits of transactions or additional investment structures, including asset management or increased common equity ownership; 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; a failure to settle outstanding litigation on expected terms 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.