ALARIS
EQUITY PARTNERS INCOME TRUST

ANNUAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2020

www.alarisequitypartners.com

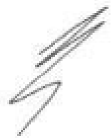
President's Message

While nobody could have foreseen the kind of year 2020 would become, looking back on the outcome for Alaris almost exactly one year after the world was essentially shut down by the virus, we are incredibly proud of how Alaris was able to perform. The stock market sold our stock heavily during the panic of the shutdown, believing that we were a proxy to the overall economy which was expected to be hit hard by the forced closures of so many businesses. What people understand better now is that we are actually a proxy to North America's required services and that our Partners were resilient and performed much better than expected, with an overall net positive reset. We move into 2021 with the best underlying fundamentals within our portfolio that we've had in our 17-year history. Based on our weighted average ECR, we have the largest average cashflow buffer at 70%, the lowest debt levels within our partner companies, eleventh straight year of net positive distribution resets, our best portfolio diversification ever with 20 partners - none more than 12% of our revenue and finally the company had its highest level of capital deployment in its history. I can't thank our staff enough for the incredible effort that has gone into this kind of performance, especially under less than ideal conditions.

With a Run Rate Payout Ratio now below 70%, there are a couple of factors that we expect will push that number even lower in the coming months. The first one is the continued improvements from PFGP who are showing improved performance indicators on a weekly basis. Getting PFGP back to 100% distributions and also making up the distributions that were missed is a large swing factor for Alaris.

The second factor is the growing contributions from the common equity portfolio that we have been building over the last two years. This facet of Alaris is one of the most exciting things that has transpired in our recent history. The addition of common equity along with our preferred equity on transactions has provided our unitholders with three benefits: 1) It is better aligning our risk profile on investments, allowing us to participate in all of the upside on companies during good times, helping to balance out the times where companies may struggle; 2) We believe that the common equity will provide a higher overall return than the preferred equity alone, which is based on a look back analysis on our prior investments over the last 17 years. Early returns on our common equity have also shown this as Carey Electric, as one example, just paid us a common distribution equal to more than a 35% yield on our initial investment; and 3) The addition of common equity has allowed us to ramp up our capital deployment substantially by allowing us to be a larger portion of the capital structure to compete on deals where that's required, by removing the optics of being a debt provider as opposed to the equity investor that we are and by better aligning ourselves with the founders of our Partner companies by owning the same class of shares that they own.

Deploying over $350 million over the last twelve months during a pandemic has been a massive achievement for our team and will have a measurable affect on all of our performance measures for years to come. 2021 will see higher than average growth in revenue and earnings per unit because of the work done over these last six months. We also believe that we are extremely well positioned to keep that growth rate going as opportunities to deploy our capital keep coming in. Between our excess free cash flow that we generate, our expanded credit facility and the expected sale of a couple of our assets, we have the balance sheet capabilities to capitalize on those opportunities.



Steve King
CEO

About Alaris

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

Objective & Strategy

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

Alaris' purpose, through its subsidiaries, is to provide non-control permanent equity to private companies to meet their business and capital objectives, which includes management buyouts, dividend recapitalization and growth and acquisitions. Alaris achieves this by investing its capital through its subsidiaries, into Private Company Partners primarily through preferred equity, in addition to common equity, subordinated debt and promissory notes. In exchange for the investments in preferred equity, subordinated debt and promissory notes, Alaris earns distributions, dividends and interest received in regular monthly or quarterly payments. These payments to Alaris are set for 12 months and are adjusted annually based on the "top-line" results of our Private Company Partners ("Partners"). Alaris creates long-term partnerships with companies that have a proven track record of stability and profitability in varying economic conditions. Alaris' preferred equity investments can also appreciate through the reset metric and a premium upon exit or redemption. In certain situations, Alaris also invests through owning a minority common equity position in our Partners and through which participates in the growth and distributions in proportion to our ownership percentage.

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

Trust Conversion

After receiving shareholder approval on August 31, 2020, Alaris Royalty Corp. converted to an income trust on September 1, 2020 and changed its name to "Alaris Equity Partners Income Trust" ("Alaris" or the "Trust"). The common shares of Alaris Royalty Corp. (AD) were delisted at the end of day on September 3, 2020 and the Trust units began trading on the TSX on September 4, 2020 under the symbol TSX: AD.UN

The conversion to the Trust resulted in a deemed disposition of the common shares in AD. Shareholders of AD received 1 trust unit of AD.UN for every 1 common share held in AD. The debentures outstanding continue to trade under the symbol AD.DB. The Trust believes the conversion will enhance long-term shareholder value as a result of:

- A materially simplified cross-border investment structure involving fewer foreign jurisdictions, which should reduce compliance and other administrative costs and Alaris' exposure to changes in foreign laws;
- Increasing the amount of cash available for distribution to unitholders and reducing the Payout Ratio; and
- Allowing Alaris to comply with applicable US legislation while maintaining an internal efficiency substantially consistent with Alaris' prior corporate structure.

As an income trust, Alaris is paying a trust distribution rather than a corporate dividend at a rate of $0.31 per quarter ($1.24 annually). The first trust distribution was declared in September 2020 and paid October 15, 2020 and quarterly distributions have been declared and paid at that same rate since then.

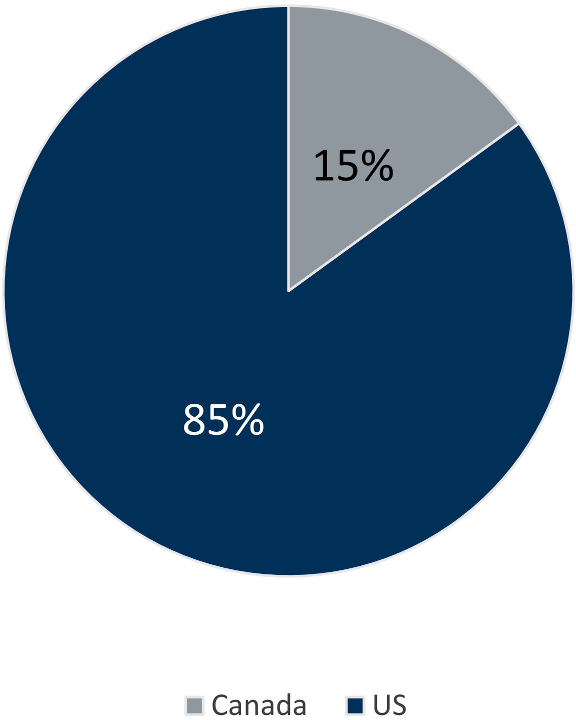
For more information, please visit our website at www.alarisequitypartners.com and search for documents under the "investor section" or visit www.sedar.com and search for documents under Alaris' corporate profile.

Investment Summary

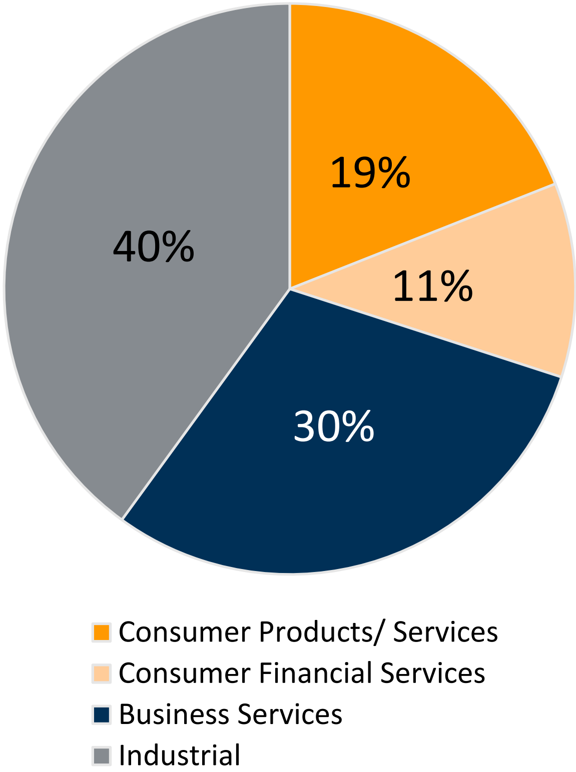
Alaris has approximately 85% of its fair value of investments in US based companies.

Today, 40% of invested dollars are exposed to industrials, 30% to business services, 19% to consumer products and services and 11% consumer financial services.

Investment by Country



Investment by Industry Segment



Private Company Partner Summaries

(all dollar values in this table US$millions)

PARTNER	Partner Since	Current Distribution	Amount Invested	Collar
3E	February 2021	$3.16	$22.50	+/-6%
Accscient	June 2017	$6.89	$46.00	+/-5%
Body Contour Centers	Sept. 2018	$9.00	$66.00	+/-6%
Brown & Settle	February 2021	$7.50	$66.00	+/-6%
Carey Electric	June 2020	$2.42	$16.10 (preferred) $0.90 (common)	+/-5%
ccComm	Jan. 2017	$2.69 (currently not paying distribution)	$19.20	+/-6%
DNT	June 2015	$10.80	$62.80	+/-6%
Edgewater Technical Associates	December 2020	$4.30	$30.55 (preferred) $3.45 (common)	+/-6%
Fleet Advantage	June 2018	$1.57	$10.00	+/-6%
Federal Resources	June 2015	$11.33	$67.00	+/-6%
FNC Title Services	January 2021	$4.50	$32.15 (preferred) $7.85 (common)	+/-7%
GWM Holdings	Nov. 2018	$12.14	$101.00 (2 tranches)	+/-8%
Heritage Restoration	Jan. 2018	$2.38	$15.00	+/-6%
Kimco	June 2014	$4.70	$34.20 (3 tranches)	+/-6%
PFGP	Nov. 2014	$4.00 (Began deferring distributions in Q2-20 – paying $333k per month)	$75.20 (Preferred) $17.30 (Common)	+/-5%
Stride	Nov. 2019	$0.79	$6.00	+/- 6%
Unify	Oct. 2016	$3.41	$25.00	+/-5%
	Total US$	**$91.58**	**$723.30**	

(all dollar values in this table CDN$millions)

PARTNER	Partner Since	Current Distribution	Amount Invested	Collar
Amur	June 2019	$6.50	$50.00 (preferred) $20.00 (common)	+/- 6%
LMS	Apr. 2007	$8.51	$59.80 (4 tranches)	No collar
SCR	May 2013	CDN$6.00 (currently paying $4.2m per year)	$40.00	+/-6%
	Total CDN$	**$21.01**	**$169.80**	

Board of Directors

John "Jay" F. Ripley
Chairman

Bob Bertram

E. Mitchell Shier

Sophia Langlois

Mary Ritchie

Stephen W. King

2020 Financial Highlights

Capital deployment in 2020 of approximately $170.0 million, consistent with Alaris' five-year average. Subsequent to December 31, 2020, Alaris invested an incremental $180.0 million into three new Partners and one current Partner increasing the total capital deployed in the twelve months up to the date of this release to over $350.0 million. This was by far a record amount of deployment for Alaris in a twelve-month period. This deployment will generate, at a minimum, additional annualized distributions of approximately $42.0 million, or $0.93 per unit. These capital deployments in 2020 and in Q1 2021 include:

- New Partner contribution in June 2020 of US$17.0 million to Carey Electric Contracting, LLC ("Carey Electric"), (US$16.1 million of preferred equity and a US$0.9 million minority common equity investment). Common distributions received by Alaris in 2020 were US$0.4 million;

- Follow-on contribution in October 2020 of US$55.0 million to GWM Holdings Inc. and a subsidiary thereof (collectively "GWM");

- Follow-on contribution in December 2020 of US$20.0 million to Body Contour Centers ("BCC");

- New Partner contribution in late December 2020 of US$34.0 million to Edgewater Technical Associates, LLC ("Edgewater"), (US$30.55 million of preferred equity and a US$3.45 million minority common equity investment)

Subsequent to 2020:

- New Partner contribution of US$40.0 million to Falcon Master Holdings LLC ("FNC"), (US$32.15 million of preferred equity and a US$7.85 million minority common equity investment). Based on FNC's past practice of declaring and paying distributions, Alaris expects to receive its pro-rata portion of common equity distributions in 2021 as cashflows permit;
- New Partner contribution of US$66.0 million to Brown & Settle Investments, LLC and a subsidiary thereof (collectively, "Brown & Settle"), (US$53.7 million of a combination of subordinated debt and preferred equity and a US$12.3 minority common equity investment). Common equity distributions in the near term are not expected as Brown & Settle will be re-investing excess cash flows into their business; however, in the longer-term period Alaris will be entitled to their ownership percentage of any common equity distributions declared;
- Follow-on contribution to Accscient, LLC ("Accscient") of US$8.0 million; and
- New Partner contribution of US$30.0 million to 3E, LLC ("3E"), US$22.5 million of preferred equity and US$7.5 million placed into escrow account to fund up to two additional preferred unit tranches, once escrow targets are met by 3E. Alaris' interest expense on the escrowed funds will be paid by 3E until the funds are released.

Alaris generated revenue of $109.6 million for the year ended December 31, 2020, along with Normalized EBITDA of $85.7 million in each period, respectively.

Based on unaudited results from each of its Partners, Alaris estimates the weighted average performance metric reset of the annual distributions to be approximately 1% effective January 2021 resulting in approximately $1.0 million of new distribution revenue.

During Q4 2020, Alaris completed a bought deal short-form prospectus offering of 3,346,500 trust units at a price of $13.75 per unit, for aggregate gross proceeds of $46.0 million. Subsequent to December 31, 2020, in March 2021 Alaris completed an additional bought deal short-form prospectus offering of 5,909,375 trust units at a price of $16.00 per unit, for aggregate gross proceeds of $94.6 million.

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

2020 Per Unit Highlights

$3.03
Revenue from Partners per unit

$2.37
Normalized EBITDA per unit

$1.99
Net Cash from operating activities

$1.32
Annual Distribution

Management Discussion & Analysis

Alaris Equity Partners Income Trust

For the year ended December 31, 2020

This management's discussion and analysis ("**MD&A**") should be read in conjunction with the audited financial statements for the years ended December 31, 2020 and 2019 for Alaris Equity Partners Income Trust ("**Alaris**" or the "**Trust**"). The Trust's consolidated financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and are recorded in Canadian dollars. Certain dollar amounts in the MD&A have been rounded to the nearest thousands of dollars.

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

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

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

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

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

Normalized EBITDA refers to EBITDA excluding items that are non-recurring in nature and is calculated by adjusting for non-recurring expenses and gains to EBITDA. Management deems non-recurring items to be unusual and/or infrequent items that Alaris incurs outside of its common day-to-day operations. For the year ended December 31, 2020, these include the distributions received upon redemption of SBI, the non-recurring legal expenses related to the income trust conversion, the non-cash impact of trust conversion and the unit-based compensation expense related to the quarterly re-valuation of the outstanding unit-based compensation. For the year ended December 31, 2019, these include a bad debt recovery related to Phoenix and the loss on assets held for sale relating to Sandbox. Transaction diligence costs are recurring but are considered an investing activity. Foreign exchange realized and unrealized gains and losses are recurring but not considered part of operating results and excluded from normalized EBITDA on an ongoing basis. Changes in investments at fair value are non-cash and although recurring are also removed from normalized EBITDA. Adjusting for these non-recurring items allows management to assess cash flow from ongoing operations.

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

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

Fixed Charge Coverage Ratio refers to EBITDA less unfunded maintenance capital expenditures divided by the sum of taxes, interest, debt repayments, trust unit repurchases (in excess of $10 million as permitted by the lending syndicate) and distributions paid by Alaris. Alaris' senior credit facility requires a minimum Fixed Charge Coverage Ratio as a financial covenant.

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

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

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

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

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

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

INCOME TRUST CONVERSION

On September 1, 2020, the Trust announced that it had completed the previously announced plan of arrangement under the provisions of the *Canada Business Corporations Act* (the "**Arrangement**") pursuant to which the Trust indirectly acquired all of the issued and outstanding common shares of Alaris Royalty Corp. (the "**Corporation**") in exchange for trust units. Further details on the arrangement were set forth in the Corporation's information circular and proxy statement dated July 21, 2020, a copy of which is available at www.sedar.com.

Following the Arrangement, the Trust has a materially simplified cross-border investment structure involving fewer foreign jurisdictions, which should reduce compliance and other administrative costs and Alaris' exposure to changes in foreign laws and it increases the amount of cash available for distribution to unitholders.

New accounting policies were adopted on the re-organization to reflect the new structure. Refer to Note 3 in the accompanying audited financial statements for the years ended December 31, 2020 and 2019 for further details on these new policies. The primary impact of the trust conversion on the Trust's consolidated statements of comprehensive income / (loss) is an additional gain in the current year of $7.1 million due to a re-valuation of the convertible debentures as at the date of conversion, September 1, 2020. The liability portion of the debentures was revalued based on the market price as at September 1, 2020, which ended up being an approximate 17% discount to the original face value of the debentures at their issuance date. This non-cash impact of the trust conversion of $7.1 million is non-recurring and impacts earnings / (loss) figures throughout the MD&A.

OVERVIEW

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

Beginning in 2020, Alaris has modified the presentation of the consolidated statements of comprehensive income in order to simplify the presentation for users of the statements. Changes include combining all revenues from Partners (distributions and interest) on one line including the impact of the foreign exchange contracts that Alaris enters into to manage the US dollar exposure of the revenues. Further detail is provided in note 5 of the consolidated financial statements for the years ended December 31, 2020 and December 31, 2019. Additionally, gains and losses, both realized from actual exits and unrealized from the fair value process have been moved up the table before a subtotal of "Total revenue and other operating income". Lastly, all of the general and administrative expenses (salaries & benefits, corporate & office and legal & accounting) have been combined on one line with analysis provided in this MD&A on the changes in the individual amounts.

RESULTS OF OPERATIONS

Quarter ended December 31, 2020 compared to Quarter ended December 31, 2019

Three Months Ended December 31st	2020	2019	% Change
Revenue per unit	$ 0.87	$ 0.84	+3.6%
Earnings per unit	$ 0.85	$ (0.49)	n.a
Normalized EBITDA per unit	$ 0.74	$ 0.71	+4.2%
Net cash from operating activities per unit	$ 0.59	$ 0.48	+22.9%
Distributions declared per unit	$ 0.31	$ 0.41	-24.8%
Basic earnings per unit	$ 0.85	$ (0.49)	+273.8%
Fully diluted earnings per unit	$ 0.84	$ (0.49)	+272.1%
Weighted average basic units (000's)	36,472	36,688	

For the three months ended December 31, 2020, revenue per unit increased by 3.6% due to receiving $4.7 million of distributions during the period from BCC, which included previously deferred distributions from Q2 2020 which were not recorded as revenue until received. In addition to $4.5 million of distributions received from Kimco (including catch-up payments from earlier in 2020), distributions from Alaris' new investment in Carey Electric, including a $0.5 million common distribution, and additional distributions from GWM as a result of the follow-on contribution in October 2020. These were partially offset by distributions deferred during the quarter by PFGP as well as the redemption of SBI and sale of Sandbox in Q1 2020.

Earnings of $0.85 per unit improved significantly due to the comparable 2019 period including a one-time loss on assets held for sale of $45.9 million related to the redemption of Sandbox.

Normalized EBITDA of $0.74 per unit increased by 4.2% primarily due to the increase in revenue during the period as discussed above. Additionally, the unit-based compensation expense related to the amortization of restricted trust units ("RTUs") was lower in the current quarter compared to Q4 2019, due to the fact that the units that were issued in 2020 have a lower weighted average expense per unit than those that were collectively being amortized in Q4 2019, due to the change in the trust unit prices at the time of issuances. This was partially offset by the increase in legal expenses in Q4 2020 compared to Q4 2019.

Net cash from operating activities of $0.59 per unit increased by 22.9% in the quarter as a result of the increase in distributions during the period as well as the reduction in finance costs. This reduction in finance costs was due to lower weighted average debt outstanding as well as lower average interest rates compared to the prior year.

Partner Revenue ($ thousands)	Quarter ended December 31, 2020	Quarter ended December 31, 2019	% Change	Comment
BCC	$ 4,731	$ 2,126	+122.5%	Includes Q2 2020 distributions previously deferred, follow-on in Dec-20
Kimco	4,538	-	+100.0%	Restarted distributions in 2020 and catch up for Q1-Q3 20 full distributions
GWM	3,930	1,841	+113.5%	Reset +8% Jan-20, follow-on contribution in Oct-20
DNT	3,803	3,717	+2.3%	Positive reset in Jan-20
FED	3,481	3,735	-6.8%	Negative reset in Jan-20, FX impact
LMS	1,855	1,392	+33.3%	Reset +32% Jan-20, FX impact
Accscient	1,818	1,839	-1.1%	Flat reset at Jan-20, decrease caused by FX
Amur	1,625	1,625	+0.0%	First reset is Jan-21
Amur Common Equity	271	350	-22.6%	Common dividend reduced from prior year
SCR	1,150	750	+53.3%	Increased distributions from $250/mth to $350/mth, extra $100k for Q4-20
Unify	1,059	707	+49.8%	Follow-on contribution in Dec-19
Heritage	828	787	+5.2%	Reset +6% Jan-20, FX impact
Carey Electric	790	-	+100.0%	Initial contribution closed Jun-20
Carey Electric Common Equity	461	-	+100.0%	Initial contribution closed Jun-20, common dividend for 2020
Fleet	480	462	+3.9%	Positive reset in Jan-20, FX impact
Stride	274	163	+68.1%	Initial contribution closed Nov-19
PFGP	-	2,961	-100.0%	Deferral of Q4-20 distributions to future date
ccComm	-	890	-100.0%	Distributions to be recorded as received
Providence	-	773	-100.0%	Ceased operations as of Dec-20
SBI	-	3,476	-100.0%	Redemption in Jan-20
Sandbox	-	2,037	-100.0%	Redemption in Feb-20
Total Distributions	**$ 31,094**	**$ 29,631**	**+4.9%**	
Interest & other	594	1,253	-52.6%	Redemption of Sandbox in Feb-20
Realized FX Gain	285	126	+126.2%	FX impact
Total Revenue	**$ 31,973**	**$ 31,010**	**+3.1%**	

Total revenue was $32.0 million in the three months ended December 31, 2020 (2019 - $31.0 million). This 3.1% increase is due to the additional distributions from BCC (US$1.7 million previously deferred from Q2 2020), distributions from Kimco including a catch-up payment for the rest of their 2020 contracted distributions (US$4.4 million), distributions (preferred and common) from Alaris' new investment in Carey Electric and the distributions from follow-on contributions to GWM and BCC in Q4 2020. These were partially offset by the redemptions of SBI and Sandbox as well as the deferral of PFGP distributions.

Finance costs in the three months ended December 31, 2020 were $4.8 million (2019 - $5.4 million), an 11.1% decrease due to lower interest payments on the senior debt as the average debt outstanding in the period was lower than in 2019 (weighted average outstanding debt of $226.4 million in 2020 compared to $271.5 million in the comparable period in 2019). Also contributing to the reduction in finance costs was a lower average interest rate on the senior debt, as the average rate in Q4 2020 was 4.2% compared to 6.0% in Q4 2019.

General and administrative costs, which includes salaries and benefits, corporate and office, and legal and accounting fees, were $4.4 million in the period (2019 - $3.6 million), an increase of 22.2%. Salaries and benefits of $2.2 million (2019 - $2.5 million) decreased by $0.3 million from the prior year mainly due to a reduced management bonus. Corporate and office expenses of $0.9 million increased nominally by $0.1 million compared to Q4 2019 of $0.8 million. Legal and accounting expenses increased to $1.3 million in the current quarter (2019 - $0.3 million), an increase of $1.0 million which was mainly due to legal fees related to the extension of Alaris' credit facility to November 2023 as well as post-closing costs related to the sale of Sandbox and the Complaint (defined below under Critical Accounting Estimates) issued by the purchasers.

Alaris incurred $1.5 million of transaction diligence costs during the three months ended December 31, 2020 (2019 - $0.6 million), an increase of $0.9 million or 150% as a result of the diligence work related to the investments closed in Q4 2020 as well as partnerships entered into subsequent to December 31, 2020.

For the three months ended December 31, 2020, Alaris incurred unit-based compensation expenses of $1.1 million (2019 - $1.1 million), which is consistent to that of the comparable prior year period. However, following the conversion to an income trust, the Alaris unit-based compensation plan is re-valued at each period end based on the trust unit price. In the reconciliation of net income to normalized EBITDA, the impact of this new treatment is normalized to result in an expense calculated consistent with the prior year. The reduction of $0.7 million results in a normalized unit-based compensation expense for comparison purposes with 2019, of $0.4 million. The reason for the decrease of $0.7 million from the Q4 2019 expense of $1.1 million is due to the fact that the units that vested in the current quarter had already been fully amortized as the only reason they had not vested prior to the quarter was due to prolonged trading restrictions. These units had a higher weighted average expense per unit compared to the new units issued in early 2020, due to the difference in the trust unit prices at the time of each of the issuances.

Reconciliation of Net Income to Normalized EBITDA ($ thousands)	**Three Months Ended December 31, 2020**	**Three Months Ended December 31, 2019**
Earnings / (Loss)	**$ 30,847**	**$ (17,854)**
Adjustments to Net Income:		
Depreciation and amortization	53	(111)
Finance costs	4,772	5,414
Income tax expense	5,181	(13,126)
EBITDA	**$ 40,853**	**$ (25,677)**
Normalizing Adjustments:		
Realized (gain) / loss on investment	38,466	(2,407)
Unrealized (gain) / loss on investments at fair value	(61,634)	6,142
Transaction diligence costs	1,521	625
Loss on assets held for sale	-	45,883
Non-cash impact of trust conversion	3,509	-
Unit-based compensation re-valuation	692	-
Bad debt expense / (recovery)	(183)	-
Unrealized loss on foreign exchange	3,992	1,718
Realized (gain) on foreign exchange	(285)	(126)
Legal and accounting fees for trust conversion	38	-
Normalized EBITDA	**$ 26,969**	**$ 26,158**

Earnings in the three months ended December 31, 2020 were $30.8 million, compared to a loss of $17.9 million in the comparable prior year period. The loss in the prior year period was due to the one-time loss on assets held for sale of $45.9 million related to the redemption of Sandbox.

In Q4 2020 the Trust recorded EBITDA of $40.9 million and Normalized EBITDA of $27.0 million, compared to a negative EBITDA of $25.7 million and Normalized EBITDA of $26.2 million each in the prior year period, respectively. The 3.1% increase in Normalized EBITDA is mainly due to the increase in revenue due to the additional distributions received in the current quarter, as discussed previously, partially offset by the increase in legal fees. The realized loss of $38.5 million in the three months ended December 31, 2020 was a reclassification from unrealized to realized upon Providence ceasing their operations in December 2020. Refer to the Partner Updates section for further details on Providence; however, the net impact to Earnings and EBITDA in the current period of this reclassification is nil.

Year ended December 31, 2020 compared to Year ended December 31, 2020

Year ended December 31st	2020	2019	% Change
Revenue per unit	$ 3.03	$ 3.17	-4.4%
Earnings per unit	$ 0.56	$ 0.99	-43.4%
Normalized EBITDA per unit	$ 2.37	$ 2.76	-14.1%
Net cash from operating activities per unit	$ 1.99	$ 2.04	-2.5%
Distributions declared per unit	$ 1.32	$ 1.65	-19.8%
Basic earnings / (loss) per unit	$ 0.56	$ 0.99	-43.4%
Fully diluted earnings / (loss) per unit	$ 0.56	$ 0.98	-42.9%
Weighted average basic units (000's)	36,121	36,597	

For the year ended December 31, 2020, revenue per unit decreased by 4.4% due to the deferral of nine months of distributions from PFGP, the redemption of SBI and sale of Sandbox. These were partially offset by the restart of distributions from Kimco, contributions to new partners Amur, Stride and Carey Electric, follow-on contributions to Unify, GWM and BCC and organic growth through the 2020 net positive resets.

The impact to the Trust's financial results due to COVID-19 during 2020 not only included the deferral of distributions from PFGP, but also fair value adjustments as a result of the impact that COVID-19 had on a number of the Partners. The net realized and unrealized loss from investments for 2020 was $41.5 million, which includes a $84.9 million reduction in Q1 offset by cumulative increases since Q1 of $43.4 million as a result of the Partners' recovering considerably sooner than initially anticipated. Further, the portion of the $84.9 million write-down in Q1 2020 that related to Providence was $32.4 million as a result of the negative impact of COVID-19 to their business and the entire apparel industry. This resulted in their senior lender issuing them a foreclosure notice in December 2020. Alaris does not expect to receive any recovery on the Providence preferred units, however the book value had already been written down to nil in Q1 2020. Aside from the Providence fair value write-down, the resulting net decrease in 2020 related to the rest of the Alaris portfolio was $11.0 million (1.2% of fair value of investments at December 31, 2020), further outlining the overall resiliency to the COVID-19 pandemic and the negative economic impact it has had. Overall the 2021 weighted average reset is expected to be a net positive of approximately 1% as certain Partners will have positive resets (FED, Unify, LMS, Accscient, Kimco, SCR and Fleet) while others will be resetting down (BCC, GWM, Heritage and Amur).

Normalized EBITDA of $2.37 per unit decreased 14.1% compared to the year ended December 31, 2020 due to the reduction in revenue per unit noted above as well as the additional legal fees in the current year compared to 2019. Also, the revenue from SBI was removed as an adjustment to EBITDA as these were non-recurring make-whole distributions as part of their redemption. Net cash from operating activities was $1.99 per unit, a decrease of 2.5% due to the reduction in revenue per unit of 4.4% partially offset by lower finance costs during 2020 due to a lower weighted average debt outstanding and also lower average interest rates versus the comparable 2019 period. The Actual Payout Ratio for 2020 was 58%, lower than expected due to the timing of distribution payments being changed to quarterly from monthly, with the distribution declared for Q4 2020 being paid in January 2021.

Partner Revenue ($ thousands)	Year ended December 31, 2020	Year ended December 31, 2019	% Change	Comment
DNT	$ 15,415	$ 14,943	+3.2%	Positive reset in Jan-20, FX impact
FED	14,376	14,862	-3.3%	Negative 6% reset Jan-20, FX impact
GWM	10,048	7,405	+35.7%	Additional contribution Oct-20, positive reset in Jan-20
SBI	9,176	14,650	-37.4%	One-time $9.2m of distributions upon redemption in Jan-20
BCC	9,141	8,547	+6.9%	Positive reset in Jan-20, additional contribution in Dec-20
Accscient	7,477	7,355	+1.7%	Additional contribution Jan-19, FX impact
LMS	7,449	5,551	+34.2%	Positive 32% reset Jan-20, FX impact
Amur	6,500	3,413	+90.4%	Contribution closed in Jun-19
Amur Common Equity	676	705	-4.1%	Reduced common dividends in 2020 due to impact of COVID-19
Kimco	5,730	-	+100.0%	Restart of distributions in 2020
Unify	4,359	2,630	+65.7%	Additional contribution in Dec-19
SCR	4,200	2,250	+86.7%	Monthly distributions increased to current amount of $350k
Heritage	3,404	3,152	+8.0%	Positive 6% reset, FX impact
PFGP	2,696	8,190	-67.1%	Deferral of Q2-Q4 2020 distributions
Fleet	1,985	2,379	-16.6%	Partial redemption in Jul-20, FX impact
Carey Electric	1,714	-	+100.0%	Contribution closed in Jun-20
Carey Electric Common Equity	461	-	+100.0%	Initial contribution closed Jun-20, common dividend for 2020
Stride	1,127	163	+591.4%	Contribution closed in Nov-19
ccComm	294	3,229	-90.9%	No distributions beg. Feb-20, ccComm used for working capital needs
Providence	514	3,900	-86.8%	Ceased operations as of Dec-20
Sandbox	-	8,000	-100.0%	Redemption in Feb-20, no distributions accrued in 2020
Total Distributions	**$ 106,742**	**$ 111,324**	**-4.1%**	
Interest	2,741	4,644	-41.0%	Redemption of Sandbox in Feb-20
Realized FX Gain / (Loss)	85	(1,012)	-108.4%	FX impact
Total Revenue, net of FX	**$ 109,568**	**$ 114,956**	**-4.7%**	

In the year ended December 31, 2020, total revenue was $109.6 million (2019 - $115.0 million) while total revenue and other operating income in the Trust's consolidated statements of comprehensive income was $68.1 million (2019 - $69.5 million). This decrease in total revenue and other operating income by 2.0% is due to the decrease in revenue and the net reduction in fair value of investments during the current period, partially offset by the loss on assets held for sale in the prior year.

Finance costs were $18.1 million compared to $19.3 million in the prior year, a 6.2% decrease mainly due to the lower weighted average debt outstanding, as the average in the current period was $185.2 million compared to $236.9 million in the prior year. Also contributing to the decrease was that the average interest rate in 2020 of 5.1% was lower than the average rate in 2019 of 6.0%.

General and administrative expenses in 2020 were $14.5 million (2019 - $10.7 million) representing an increase of 35.5% compared to the prior year, which was mainly due to additional legal fees in the current year. Salaries and benefits expenses of $4.6 million in 2020 were down by $0.4 million compared to the prior year due to a decreased management bonus (2019 - $5.0 million). Corporate and office expenses of $2.5 million decreased by $0.6 million or 19.4%, compared to $3.1 million in 2019, mainly due to a change in business practice in response to COVID-19, such as fewer travel expenses and the cancellation of the annual Partner conference. Legal and accounting fees in the current year were $7.4 million (2019 - $2.6 million) and the reason for this increase of $4.8 million or 185% was a result of the one-time fees on the conversion to an income trust ($2.5 million) as well as post-closing costs related to the Sandbox transaction.

For the year ended December 31, 2020, Alaris incurred unit-based compensation expense of $2.7 million (2019 - $4.3 million). The expense in 2020 of $2.7 million includes $0.1 million of which related to the change in accounting treatment of the outstanding units as a result of the conversion to an income trust, as previously discussed. The resulting expense related to the amortization of the units for 2020 was $2.6 million and the reason for the decrease of $1.7 million from 2019 is mainly due to the RTU units that vested during 2019 that had been issued at higher trust unit prices relative to those issued in early 2020.

Reconciliation of Net Income to Normalized EBITDA ($ thousands)	**Year ended December 31, 2020**	**Year ended December 31, 2019**
Earnings	**$ 20,291**	**$ 36,258**
Adjustments to Net Income:		
Depreciation and amortization	222	384
Finance costs	18,103	19,294
Income tax expense	14,757	(8,281)
EBITDA	**$ 53,373**	**$ 47,655**
Normalizing Adjustments:		
Realized (gain) / loss on investment	26,863	(11,724)
Unrealized loss on investments at fair value	14,623	11,304
Transaction diligence costs	5,532	2,754
Loss on assets held for sale	-	45,883
Non-cash impact of trust conversion	(7,138)	-
Unit-based compensation re-valuation	142	-
Bad debt expense / (recovery)	(183)	(2,018)
Distributions received on redemption (SBI)	(9,176)	-
Unrealized (gain) / loss on foreign exchange	(729)	6,069
Realized loss on foreign exchange	(85)	1,012
Legal and accounting fees for trust conversion	2,474	-
Normalized EBITDA	**$ 85,696**	**$ 100,935**

The Trust recorded earnings of $20.3 million in the year ended December 31, 2020 (2019 - $36.3 million) and this decline in earnings by 44.1% primarily relates to the net realized and unrealized loss on investments at fair value during the current year of $41.5 million ($32.4 million related to Providence write-down) as well as the additional tax expenses during the year due to a change in US tax regulations, but related to 2019 income taxes.

In the year ended December 31, 2020, Alaris recorded EBITDA of $53.4 million (2019 - $47.7 million) and Normalized EBITDA of $85.7 million (2019 - $100.9 million), representing an 11.9% increase in EBITDA and a 15.1% decrease in Normalized EBITDA, both compared to the prior year respectively. The increase in EBITDA is due to the prior year including a non-recurring loss on assets held for sale, partially offset by the unrealized loss on investments at fair value being more significant in 2020 due to the impact that COVID-19 on the portfolio, mainly to do with the impact it had on Providence, ccComm and PFGP. The decrease of 15.1% in Normalized EBITDA is due to the decrease in distributions as discussed above and also the removal of the one-time distributions received from SBI as part of the redemption and the increase in legal fees in the current period

OUTLOOK

In the last twelve months, the Trust has invested over $350 million into a combination of new Partners (Carey Electric, Edgewater, FNC, Brown & Settle and 3E) as well as follow-on contributions into current Partners (GWM, BCC and Accscient). This productive period of capital deployment for Alaris, along with consistently positive results amongst the majority of the current portfolio, is contributing to Run Rate Revenue of approximately $136.7 million over the next twelve months. Run Rate Revenue would exceed the 2020 actual revenue by $27.1 million, an approximate increase of 25%. This Run Rate

Revenue of $136.7 million includes current contracted amounts, agreed upon partial distributions of US$0.33 million per month from PFGP and no distributions from ccComm. Alaris has entered an agreement with PFGP to receive monthly distributions of US$0.33 million between January 2021 and June 2021, which equates to approximately 40% of the contracted distributions. Commencing in July 2021, PFGP may resume full distributions to Alaris in the event they are compliant with bank covenants. This would add $6.9 million to Run Rate Revenue and reduce the Run Rate Payout Ratio by approximately 5%. Alaris expects total revenue from its Partners in Q1 2021 of approximately $32.2 million.

Alaris has added to its investment strategy, the inclusion of a minority common equity position (always less than 20% of the common equity of the company) in some of its Partners. Common equity investments are assessed on each individual opportunity and won't appear in every new Partner, and will be only a small portion of total capital invested, Alaris management believes this feature will facilitate access to more transactions as well as an opportunity to participate in more of the upside in the long-term partnerships. Additionally, in most of the situations where Alaris owns common equity, there is an expectation of a current yield by way of discretionary common distributions consistent with past practices in the business, and as cash flows allow. The Run Rate Revenue includes a conservative estimate for common equity distributions from the Partners based on past dividend practices and each Partner's forecasted cash flows for 2021.

Below is a table summarizing the Alaris common equity investments, inclusive of those made subsequent to December 31, 2020. The table compares the common equity value at each period end as well as to the initial amount contributed, and the total distributions received during 2019 and 2020. Each common equity investment is uniquely assessing the best capital allocation decision to increase common equity value and returns on an ongoing basis. These include allocating free cash flow to paying common distributions, re-investing for faster growth, reducing debt (in certain Partners) or making acquisitions. As a result, Alaris expects to receive common distributions on certain Partners as a portion of their total return, which will be more variable due to the other value driving decisions outlined above.

Investment ($ thousands)	Common Equity Fair Value as at December 31		Initial Invested (up to the date of this report)	Invested Since	Distributions received in the years ended December 31 (CAD)	
	2020	2019			2020	2019
Amur	CA $20,500	CA $20,000	CA $20,000	Jun-19	$ 676	$ 705
PFGP	US $15,144	US $16,687	US $17,343	Jul-19	-	-
Carey Electric	US $900	n/a	US $900	Jun-20	461	n/a
Edgewater	US $3,450	n/a	US $3,450	Dec-20	n/a	n/a
FNC	n/a	n/a	US $7,815	Jan-21	n/a	n/a
Brown & Settle	n/a	n/a	US $12,300	Feb-21	n/a	n/a
Total (CAD)	$ 45,419	$ 41,330			$ 1,137	$ 705
Total Alaris investments	$ 880,512	$ 881,037				
As a percentage of total	5.2%	4.7%				

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

Run Rate Cash Flow *($ thousands except per unit)*		**Amount ($)**	**$ / Unit**
Revenue		**$ 136,700**	**$ 3.04**
General & Admin.		(12,500)	(0.28)
Interest & Taxes		(43,200)	(0.96)
Free cash flow		**$ 81,000**	**$ 1.80**
Annual Distribution		55,700	1.24
Excess Cash Flow		**$ 25,300**	**$ 0.56**
Other Considerations (after taxes and interest):			
PFGP	Full distributions of $12.0 million per year	+5,172	+0.12
Common Dividends	Every additional $1.0 million of common dividends	+1,000	+0.02
New Investments	Every $50 million deployed @ 14%	+3,188	+0.07

The senior debt facility was drawn to $231.4 million at December 31, 2020. Subsequent to December 31, 2020, Alaris drew an additional US$40.0 million for its investment in FNC, US$66.0 million for its investment in Brown & Settle and US$30.0 million for its investment in 3E. The Trust also repaid US$71.0 million of outstanding USD debt following the completion of a bought deal short-form prospectus offering of 5,909,375 trust units at a price of $16.00 per unit, for aggregate gross proceeds of $94.6 million.

Also subsequent to December 31, 2020, Alaris completed an amendment with its syndicate of senior lenders increasing the base of its credit facility from $330 million to $400 million, which included the addition of a seventh bank to the syndicate of lenders. Following this amendment and the transactions noted above, the senior debt facility was drawn to $320.0 million, with the capacity to draw up to another $80.0 million based on covenants and credit terms.

The annual interest rate on that debt, inclusive of the standby charges on available capacity, was approximately 5.1% for the year ended December 31, 2020. During Q4 2020, Alaris closed a two-year extension of its credit facility with its syndicate of senior lenders. The maturity of the credit facility is now extended to November 2023. Alaris also closed an amendment subsequent to December 31, 2020, that increased the base of its credit facility as noted, but additionally the amendment increased the Senior Debt to EBITDA leverage covenant by 0.5x EBITDA for the March 2021 and June 2021 measurement periods, bringing the maximum leverage to 3.5x through those two periods. Covenants return to previous levels from September 30, 2021 onwards.

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

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

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

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

(i) A history of success (average age of partners is approximately 30 years)

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

(ii) Proven track record of free cash flow

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

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

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

Contribution History: Alaris has invested over $1.8 billion into 36 partners and over 75 tranches of financing, including an average of approximately $170 million over the past five fiscal years (2016 – 2020). As of the date of this filing, Alaris has already deployed in excess of $180 million in 2021.

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

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

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

The following is a summary of each of the Partners recent financial results. The below table outlines the date the original contribution to each Partner was made, investment type, the total invested to date (net of any partial redemptions since the initial investment), Run Rate Distributions for the next twelve months, ECR range for the most recent trailing twelve month periods received, year-to-date changes in revenue and EBITDA compared to the comparable period in 2019 (1) and the unrealized gains or losses to the investments at fair value for the three months and year ended December 31, 2020. See the table below for additional relevant information on each Partner that has occurred during the year ended December 31, 2020. Unless specifically discussed within each Partner Update, the ECR Range outlined below is consistent with the prior quarterly disclosure. For fair values of each investment refer to Note 5 in the Trust's accompanying audited financial statements for the years ended December 31, 2020 and 2019.

Partner	Original Investment Date	Investment Type	Current Total Invested (000's)	Run Rate Distributions (000's)	As a % of total	ECR Range	Year-to-date changes in:		Fair Value Changes	
							Revenue	EBITDA	Three Months	Year Ended
3E	Feb 2021	Preferred	US $22,500	US $3,157	3%	1.2x - 1.5x	↔	↔	No change	No change
Accscient	Jun 2017	Preferred	US $46,000	US $6,885	7%	1.2x - 1.5x	↑	↔	US +$2,300	US +$600
Amur	Jun 2019	Preferred & Common	CA $70,000	CA $6,110	5%	1.5x - 2.0x	↓	↓	CA +$5,500	CA +$500
BCC	Sep 2018	Preferred	US $66,000	US $8,997	9%	> 2.0x	↔	↑	No change	US ($1,300)
Brown & Settle	Feb 2021	Preferred, Debt & Common	US $66,000	US $7,518	7%	1.5x - 2.0x	↔	↔	No change	No change
Carey Electric	Jun 2020	Preferred & Common	US $17,000	US $2,415	2%	1.5x - 2.0x	↑	↔	No change	No change
ccComm	Jan 2017	Preferred	US $19,200	US $ -	0%	< 1.0x	↓	↓	No change	US ($11,000)
DNT	Jun 2015	Preferred	US $62,800	US $10,803	10%	1.5x - 2.0x	↓	↓	No change	US ($3,500)
Edgewater	Dec 2020	Preferred & Common	US $34,000	US $4,277	4%	1.2x - 1.5x	↔	↔	No change	No change
FED	Jun 2015	Preferred & Debt	US $67,000	US $11,334	11%	> 2.0x	↑	↑	US +$1,100	US +$1,100
FNC	Jan 2021	Preferred & Common	US $40,000	US $4,501	4%	> 2.0x	↔	↔	No change	No change
Fleet	Jun 2018	Preferred	US $10,000	US $1,573	2%	> 2.0x	↑	↑	US +$500	US +$900
GWM	Nov 2018	Preferred & Debt	US $101,000	US $12,144	12%	1.5x - 2.0x	↓	↓	No change	US ($3,200)
Heritage	Jan 2018	Preferred	US $15,000	US $2,376	2%	1.5x - 2.0x	↔	↓	No change	US ($1,000)
Kimco	Jun 2014	Preferred	US $34,200	US $4,695	5%	> 2.0x	↑	↑	US +$6,300	US +$15,200
LMS	Feb 2007	Preferred	CA $54,000 & USD $4,400	CA $8,513	6%	1.5x - 2.0x	↓	↑	CA +$1,000	CA +$3,700
PFGP	Nov 2014	Preferred & Common	US $92,500	US $4,000	4%	1.0x - 1.2x	↓	↓	US +$2,800	US ($7,000)
SCR	May 2013	Preferred	CA $40,000	CA $4,200	3%	> 2.0x	↑	↑	No change	No change
Stride	Nov 2019	Preferred	US $6,000	US $790	1%	> 2.0x	↓	↓	No change	No change
Unify	Oct 2016	Preferred	US $25,000	US $3,413	3%	> 2.0x	↑	↑	No change	US +$700

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 2019.

PARTNER UPDATES

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

- 3E is a utility service provider that installs, inspects, maintains and replaces critical infrastructure (primarily natural gas utilities) for blue-chip, investor-owned utility companies. 3E operates under two entities: Benton Georgia and Pipe Strong, with operations across nine states in the Southeastern and Midwestern United States, including Georgia, Illinois, Texas, Tennessee, Missouri, Kentucky, Louisiana, Arkansas and Mississippi. 3E's business is well positioned to benefit from maintaining and replacing the aging natural gas utility network in the United States. 3E's services relate only to regulated entities. 3E does not provide services for natural gas exploration, production or mid-stream operations.
- Alaris contributed US$22.5 million into 3E subsequent to December 31, 2020 (partnership formed on February 22, 2021), in exchange for preferred equity. Alaris also contributed an additional US$7.5 million to an escrow account to then be funded to 3E in two additional tranches once certain performance targets are met. Alaris is entitled to an initial annual distribution of US$3.2 million on the initial contribution of US$22.5 million, which equates to a 14% yield. Each additional tranche will also yield preferred distributions of 14%, once issued. 3E will pay Alaris' interest expense on the escrowed funds until they are released in order to offset the borrowing cost to Alaris. The distribution from 3E will reset +/- 6% annually based on change in gross profit, with the first reset commencing in January 2022.
- Based on Alaris' review of 3E's internal pro forma financial results for the year ended December 31, 2020 and giving effect to the 3E investment and other changes to 3E's capital structure, the resulting earnings coverage ratio would be between 1.2x and 1.5x.

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

- The fair value of the Accscient units was increased by US$2.3 million in Q4 2020 due to their increase in gross profit and the expected positive 2021 reset of approximately 3%, based on unaudited financial statements for the year ended December 31, 2020. After an initial slowdown in their business at the beginning of the COVID-19 pandemic, Accscient have since seen an improvement in their gross margin compared to 2019. This increase in gross margin is mainly due to additional demand for IT infrastructure and companies requiring further investment in IT services, due to the increased importance of remote work following the onset of COVID-19 in Q1 2020. The total fair value change in 2020 for the Accscient units was an increase of US$0.6 million, as a result of this positive 2021 reset.
- Subsequent to December 31, 2020, Alaris contributed an additional US$8.0 million into Accscient (February 18, 2021) in exchange for preferred equity with an initial yield of 14.3%, or approximately US$1.1 million on an annualized basis. This represents the fourth follow-on contribution to Accscient since the initial investment was made in June 2017, bringing the total invested to US$46.0 million following this contribution.

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

- Amur's total revenue in 2020 was down compared to 2019 as a result of the adverse impact of COVID-19 on origination volumes, thereby limiting Amur's ability to generate origination revenues as well as grow their assets under management. In the second half of 2020, Amur increased their advertising spend to return to pre-COVID levels which in turn resulted in a rebound in origination volumes. However, the impact from the soft demand during the onset of COVID resulted in an expected negative reset of 6% on the Alaris preferred distributions, based on unaudited financial statements for the year ended December 31, 2020.
- There was an initial decrease to the fair value of the Amur Preferred units in Q1 2020 of $2.7 million, due to the anticipated negative reset in 2021. As a result of a positive outlook for the company in 2021 onwards, there was an offsetting increase to the fair value of the Amur Preferred units recorded in Q4 2020 of $2.7 million. Therefore, the net impact during the year ended December 31, 2020 to the Amur Preferred units was nil. The Amur Common units were reduced by $2.3 million in Q1 2020 due to the impact on earnings from COVID-19 and the uncertainty at the time of the eventual economic recovery. Due to the positive long-term outlook for Amur and its continued recovery into 2021, there was an increase in the Amur Common units recorded in Q4 2020 of $2.8 million. Total net increase to the Amur Common units in 2020 was $0.5 million.

- Although Amur was impacted negatively by COVID-19, they still have sufficient coverage for the Alaris distributions (just under 2.0x) and were able to maintain issuing common equity dividends, $0.7 million of which was paid to Alaris in 2020. Amur intends to declare and pay common dividends on a bi-annual basis moving forward.

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

- BCC was mandated to temporarily close all of its clinics and consult centers in mid-March as elective procedures were prohibited. Since re-opening, the company has seen positive key performance indicators in lead generation, cost per lead and conversion rates with most of the metrics outperforming pre-COVID-19 levels and the same period in 2019.
- Although Alaris deferred the BCC distributions in Q2 2020 to allow them to preserve cash flows, their performance and profitability in the second half of 2020 allowed BCC to restart full distributions in Q3 2020 and also make a catch-up payment of US$1.7 million in Q4 2020 for their previously deferred Q2 amounts. Therefore, all contracted distributions from BCC were received during 2020.
- Due to an expected negative reset in 2021 as a result of a soft Q2 2020 when all their clinics were closed, the total net decrease in the fair value of the BCC units in the year ended December 31, 2020 was US$1.3 million.
- Upon BCC reaching previously agreed-upon performance targets, Alaris contributed an additional US$20.0 million to BCC in December 2020. The initial yield on the follow-on contribution is 13% and this contribution will reset for the first time in the fiscal year commencing January 1, 2022, based on same clinic sales and subject to a collar of +/-6%, consistent with the terms of the original investment. This follow-on contribution brings the total invested in BCC to US$66.0 million. The resulting fair value of the total BCC units at December 31, 2020 is US$65.6 million.
- Due to BCC's positive results in the second half of 2020, their ECR for the year ended December 31, 2020 increased and is in excess of 2.0x, which includes the incremental annualized distributions of US$2.6 million associated with the December 2020 follow-on contribution.
- Alaris has a commitment to fund an additional US$25.0 million and the funding of which is based on BCC reaching certain EBITDA and ECR thresholds. Timing of which is still to be determined.

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

- Brown & Settle is a large-parcel site development contractor that was founded in 2003 and is headquartered in Northern Virginia, the largest data center market in the world. Brown & Settle's comprehensive suite of services includes excavation, clearing, rock blasting, concrete, paving and utility installation in the Mid-Atlantic region in the United States. Brown & Settle has established itself as one of the top providers of site development services for data centers, working on projects for the large hyperscalers in the data center market.
- Subsequent to December 31, 2020, Alaris contributed a total of US$66.0 million into Brown & Settle (partnership formed February 9, 2021), which consisted of: an aggregate of US$53.7 million of combined subordinated debt and preferred equity and US$12.3 million in exchange for a minority common equity ownership of the company. The initial annualized distribution on the subordinated debt and preferred equity investments is US$7.5 million, which equates to a pre-tax yield of approximately 14%. Commencing on January 1, 2022, the Brown & Settle distribution will be adjusted annually based on the percentage change in gross revenue, subject to a collar of +/-6%.
- Based on Alaris' review of Brown & Settle's internal pro forma financial results for the year ended December 31, 2020 and giving effect to the Brown & Settle investment and certain other changes to the Brown & Settle capital structure, the resulting earnings coverage ratio would be between 1.5x and 2.0x.

***Carey Electric* – Electrical Contracting in Illinois**

- Carey Electric is an electrical contractor servicing the industrial and commercial markets in the suburban Chicagoland area. Founded in 1923, Carey is a third-generation firm with services including power distribution, lighting, bucket truck services, trenching, underground locating, fire alarm services, generator testing and other specialized offerings.

- Alaris contributed US$17.0 million into Carey Electric in June 2020 consisting of US$16.1 million of preferred units and US$0.9 million in exchange for a minority common equity ownership position. The initial annual distribution on the preferred equity is US$2.4 million, which equates to an initial 15% yield. The Carey distribution will reset +/- 5% annually based on the change in revenue, with the first reset commencing in January 2022.
- Based on Carey's historical practice of paying dividends on its common equity, Alaris expects to receive dividends on its US$0.9 million common equity investment on an annual basis as cash flows permit. For the year ended December 31, 2020, of which Alaris was invested for just over six months, the common dividend issued to Alaris was US$0.4 million.

ccComm ***– T-Mobile Retailer with approximately 50 locations throughout the Northwest and Central United States***

- During Q1 2020, the Trust suspended distributions from ccComm to allow them to preserve liquidity for working capital needs as they endured the impacts from the COVID-19 pandemic as well as transitioning via the merger from Sprint to T-Mobile (effective in early August 2020). The Trust will continue to defer distributions from ccComm due to the continued uncertainty from the ongoing pandemic and its impact to the retail industry. Given the numerous challenges ccComm has overcome in 2020 (pandemic, riots and forest fires in the areas they operate in), their assessment of the longer-term impact that the transition to T-Mobile will have on their operations is ongoing.
- As a result of this deferral of distributions and the continued deferral into early 2021, the fair value of the ccComm units was decreased by US$11.0 million to a fair value at US$3.8 million. There has been no change to the fair value since this reduction in Q1 2020.

DNT ***– Civil Construction Contractor in Austin and San Antonio, Texas***

- In December 2020, DNT repurchased US$5.0 million of the outstanding redeemable units through cash flow generated from operations during the year. The units were redeemed at par and bring the total amount repurchased by DNT since the initial investment to US$7.2 million. Subsequently, Alaris has US$40.0 million of permanent units and US$22.8 million of redeemable units invested in DNT.
- The fair value of the DNT units was reduced by US$3.5 million in Q1 2020 due a negative 2021 reset as a result of an initial industry slowdown in Q2 2020 (that has since returned to normal levels) as a result of COVID-19. There have been no changes to the fair value since March 31, 2020, aside from the repurchase of US$5.0 million of redeemable units, leaving the fair value of the units at US$60.4 million.
- Based on unaudited financial statements for the year ended December 31, 2020, the DNT reset for 2021 distributions will be a negative 6%. However, at the onset of COVID-19, to help alleviate potential liquidity concerns, Alaris allowed DNT to maintain the same distributions as 2019 rather than taking the positive 6% reset for their 2020 payments. Therefore, although DNT reset down 6% for the 2021 distributions period, there is no impact to the yield on distributions for 2021 compared to 2020.

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

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

- Based on Alaris' review of Edgewater's internal pro-forma financial results for the year ended December 31, 2020, as well as the post-closing capital structure, Edgewater would have an earnings coverage ratio at the high end of the range between 1.2x and 1.5x.

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

- In addition to executing on its traditional core business, FED has been awarded numerous material contracts to supply personal protective equipment ("**PPE**") such as masks, medical gowns and gloves to nursing homes throughout the United States, throughout the COVID-19 pandemic. The positive financial impact to FED has been substantial given the enhanced demand for PPE, which has led to a positive improvement to their ECR range during the year moving from 1.2x to 1.5x, to now being greater than 2.0x in the trailing twelve-month period.
- Based on unaudited financial statements for the year ended December 31, 2020 and the significant revenue growth that FED realized, there will be a positive 6% reset in 2021. Due to there also being an expectation for the demand for PPE to continue well into 2021, the fair value of the FED units was increased by US$1.1 million in the three months and year ended December 31, 2020. The resulting fair value of the units at December 31, 2020 is US$74.6 million.

<u>Fleet Advantage</u> – provides flexible leasing and truck lifecycle management solutions in the United States

- The fair value of the Fleet units was initially reduced by US$0.5 million during Q1 2020 due to the expected decline in business from COVID-19; however, business has since recovered and has outperformed the comparable period. Furthermore, based on unaudited financial statements for the year ended December 31, 2020, the Fleet distributions will be resetting up 6% due to their increase in revenue year over year. As a result, the fair value of the Fleet units was increased by US$0.5 million in Q4 2020, with a total net increase for 2020 being US$0.9 million, resulting in a fair value as of December 31, 2020 of US$11.3 million.

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

- Founded in 2007, FNC Title Services is a full-service title and settlement company specializing in reverse mortgages that operates in 49 states in the U.S. Management of FNC believes it is the only independent, nationwide player providing title and settlement services to the lenders in the reverse mortgage industry. FNC is specifically focused on meeting the title services needs of seniors through a specialized understanding of the senior citizen demographic and reverse mortgage market. FNC is involved throughout the reverse mortgage process, providing a comprehensive set of title and closing services through its highly trained reverse mortgage professionals.
- Alaris contributed US$40.0 million into FNC in January 2021 consisting of US$32.2 million of preferred equity and US$7.8 million in exchange for a minority ownership of the common equity. The initial annual distribution on the preferred equity is US$4.5 million, which equates to an initial pre-tax yield of 14%. The FNC distribution will reset +/-7% annually based on the change in gross profit, with the first reset commencing January 1, 2022. Based on FNC's historical practice of paying dividends on its common equity, Alaris expects to receive dividends on a regular basis throughout the year, as cash flows permit. Subsequent to the contribution Alaris received its first common distribution in February 2021, in the amount of US$0.1 million.
- Based on Alaris' review of FNC's internal pro forma financial results for the year ended December 31, 2020, as well as the post-closing capital structure, FNC would have an earnings coverage ratio above 2.0x.

<u>GWM</u> – provides data-driven digital marketing solutions for advertisers globally

- The fair value of the GWM units was reduced by US$3.2 million during Q2 2020 as a result of the impact from COVID-19, as certain customers of GWM, notably in the hospitality industry, significantly reduced advertising spending during the peak of the pandemic as well as the expected negative reset in 2021. There has been no change to the fair value of the GWM units since June 30, 2020 as the company has since seen a positive recovery with numerous customers increasing ad spend in addition to having acquired new customers in the year. Although GWM have recovered from the initial impact of the pandemic the reset for distributions in 2021 on the initial contribution is expected to be negative 8% based on unaudited financial statements for the year ended December 31, 2020.

- GWM has displayed an impressive track record of growth and cash flow generation since Alaris' original investment in November 2018. As a result of these years of success as well as based on their outlook and current cash flow profile, Alaris invested an additional US$55.0 million into GWM in October 2020. The investment consists of US$44.0 million of subordinated debt and US$11.0 million of preferred equity, in exchange for initial annualized distributions of US$6.6 million. Due to the structure used for the GWM follow-on contribution, the after-tax yield is expected to be equivalent to an initial pre-tax yield of approximately 13%. Commencing on January 1, 2022, the distributions on the follow-on contribution will be adjusted annually based on the percentage change in gross revenue subject to a maximum increase or decrease of 8%. Following the additional contribution, the total invested in GWM is US$101.0 million.
- The GWM ECR has increased since Q3 2020 and is now again above 1.5x, in the 1.5x – 2.0x range, as a result of a positive Q4 2020 as they continue to recover from the initial impacts of COVID-19 to their business.

<u>Heritage Restoration</u> –provides masonry and masonry services to commercial building industry in Massachusetts

- The fair value of the Heritage units was reduced by US$1.0 million in Q1 2020 due to the majority of operations being prohibited from being performed during the onset of COVID-19 resulting in an expected negative reset in 2021. The business has been operating normally since Q2 2020 and there have been no changes to the fair value since March 31, 2020, leaving the fair value of the units at US$15.2 million.
- Based on the unaudited financial statements from the year ended December 31, 2020 and the change in gross profit, Heritage's reset on the distributions in 2021 is a negative 6%.

<u>Kimco</u> – commercial janitorial services throughout the United States

- Kimco has significantly increased volumes and improved their profitability as a result of the COVID-19 pandemic due to the heightened demand for sanitizing solutions and the increase in higher margin ancillary cleaning services. As numerous businesses re-open, cleanliness remains a key priority. As a result of these positive results, Kimco restarted distributions to Alaris in July 2020, with the total distributions received during 2020 of US$4.4 million, their full contracted distributions. Kimco paid US$3.5 million of distributions in Q4 2020 to catch-up on all 2020 distributions owing. Based on unaudited financial statements for the year ended December 31, 2020, Kimco will be resetting up 6% in 2021 with the contracted annual distributions increasing to US$4.7 million. In addition, Kimco will pay Alaris US$1.3 million of interest on the outstanding promissory notes, bringing the total expected distributions and interest in 2021 to US$6.0 million.
- Kimco's positive results in 2020 along with the restart of full distributions in Q4 2020 has resulted in an increase in the fair value of the Kimco units during the three months ended December 31, 2020 of US$6.3 million. The units were also previously increased by US$8.9 million earlier in 2020, bringing the total increase in fair value of the Kimco units during 2020 to US$15.2 million and resulting in a fair value at December 31, 2020 of US$26.5 million. Based on the recent success of the company, Kimco is actively evaluating a potential partial or full redemption of the Kimco units during 2021, as well as the repayment of the outstanding promissory notes and accrued accounts receivable. Nothing is imminent, nor can any redemption be assured; however, based upon a revised formula factoring in several valuations' factors, proceeds to Alaris are estimated to be between US$53.0 million and US$75.0 million.

<u>LMS</u> – rebar and post tensioning fabrication and installer in British Columbia, Alberta and California

- Based on unaudited financial statements for the year-ended December 31, 2020, the distributions on the LMS units are expected to have a positive reset of approximately 15% following an increase in gross profit. As a result, the fair value of the LMS units was increased by an additional $1.0 million in Q4 2020, a total increase of $3.7 million for the year ended December 31, 2020. The resulting fair value of the LMS units is $52.6 million.
- Following the estimated positive reset of 15%, the LMS distributions in 2021 are expected to be $8.5 million which represents an approximate 14% yield on the total invested of $60.6 million. Although revenue declined slightly

from 2019, gross profit has increased by approximately 15% mainly due to timely and efficient material purchases made by LMS management throughout 2019 and 2020 which has significantly improved their margins.

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

- After temporarily closing all locations in March 2020 as mandated by each state, PFGP was proactive in attempting to preserve liquidity and to assist them in this endeavor, Alaris deferred distributions for the remainder of 2020. PFGP continues to take all the appropriate precautions to keep all members safe as they return to their facilities and usage rates increase. PFGP clubs in the state of Washington were again closed for just under two months beginning in November, but in early January have all re-opened. Membership cancellations at the onset of COVID-19 were initially nil, increasing through the remainder of 2020, however have started to recover in early 2021. PFGP and the Planet Fitness franchise system cancellations remain well below industry averages. As of February 2021, net memberships have decreased by approximately 12% compared to pre-COVID levels in February 2020.
- Alaris continued to defer distributions in Q4 2020, but in January 2021, after PFGP, Alaris and PFGP's senior lending syndicate came to an agreed upon amendment, PFGP began to pay partial distributions to Alaris of US$0.3 million per month (US$4.0 million per annum). This amendment and these partial payments are in place until June 2021, with the intent to return to full contracted distributions beginning in July 2021, if PFGP are onside with all their senior debt covenants at that time. Alaris and PFGP have also agreed to a payment plan on all deferred distributions with payments to begin being made in January 2022. All deferred distributions as of January 1, 2022 are to be paid over the 48 months ended December 31, 2025. These arrangements require the continued recovery of the business in 2021 and maintaining covenant compliance with its senior lenders.
- Due to the restarting of distributions in Q1 2021, the fair value of the PFGP preferred units was increased by US$2.8 million in Q4 2020. As a result of the overall impact of COVID-19 on their membership base and to the industry as a whole, the fair value of the PFGP preferred units still had a net decrease in the year ended December 31, 2020 of US$4.8 million. During 2020 due to the impact to their business and the fitness industry there was also a decrease recorded to the fair value of the PFGP common equity units of US$2.2 million, which was recorded in Q1 2020. The resulting fair value of the preferred units is US$70.4 million and the fair value of the common equity units is US$15.1 million.
- As part of an overall commitment made in July 2019 for a total of US$8.0 million, the Trust contributed US$3.5 million in early March 2020 (US$2.8 million of additional preferred equity and an additional US$0.7 million investment in the common equity of PFGP). The remaining commitment to fund is US$3.5 million, timing of which is to be determined.

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

- There has been no change to the fair value of the SCR units in the year ended December 31, 2020 and the fair value of the SCR units remains at $34.5 million. The impact of COVID-19 has been minimal to date as the mining sites have been considered an essential service throughout the pandemic.
- The Run Rate distributions remain at $4.2 million (total contracted amount for 2021 is $6.58 million, resetting up the maximum 6% from 2020). For 2021 and years forward, SCR and Alaris have agreed in principal to a new arrangement whereby the $4.2 million in annual distributions is the base required amount and SCR will pay an additional amount semi-annually based on the free cash flow of their business. Based on current cash flow over the most recent twelve-month period, additional distributions to Alaris would be approximately $1.8 million, for an expected total of $6.0 million annually.

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

- There has been no change to the fair value of the Stride units in the year ended December 31, 2020 and they remain at US$6.0 million.
- Based on unaudited financial statements for the year ended December 31, 2020, Alaris is expecting a negative reset of approximately 6% on the Stride distributions. The annual distributions in 2021 will be just below US$0.8 million.

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

- As a result of successfully moving their workforce to remote work and their ability to retain and grow their customer base as the economy has recovered from the initial impact of COVID-19, their financial results have improved in the year ended December 31, 2020 compared to the prior year period.
- Based on unaudited financial statements for the year ended December 31, 2020, the distributions from Unify in 2021 will be resetting up 5%, the top of the collar. Due to this reset as well as the overall positive outlook for the company heading into 2021, the fair value of the Unify units was increased by US$0.7 million during Q3 2020, with no further changes in Q4 2020, leaving the fair value at year-end to be US$25.7 million.

FORMER PARTNER

Providence:

In late 2020, Alaris was informed by management of Providence that, in relation to continuing defaults under the terms of its forbearance agreement with its lender, such lender took enforcement action on its security, by way of a foreclosure on the assets of Providence. Given the amount of senior debt ahead of Alaris and the value of the assets of the business, there was no prospect of recovery for Alaris. Alaris wrote the fair value of its Providence investment down to zero at March 31, 2020 as the expectation for recovery at that time was nil, and has since been confirmed. The write-down in Q1 2020 was US$22.9 million and was recorded to unrealized loss of investments at fair value, however in Q4 2020 the total amount of the original investment of US$30.0 million ($38.5 million) was reclassified from unrealized to realized loss from investments. There was no impact of the reclassification during Q4 2020 to Alaris' earnings as the fair value had been written down to nil during Q1 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2020 Alaris Equity Partners Inc. ("**AEP**"), the Trust's subsidiary, has a $330 million credit facility with a syndicate of Canadian chartered banks, which has a maturity date in November 2023 and is secured by a general security agreement on all of the Trust's assets. The interest rate is based on a combination of the CAD Prime Rate ("Prime"), Bankers' Acceptances ("BA"), US Base Rate ("USBR") and LIBOR and the applicable spread determined by the Trust's Funded Debt to Contracted EBITDA. Alaris realized a blended interest rate (inclusive of standby fees) of 5.1% for the year ended December 31, 2020, respectively.

At December 31, 2020 Alaris met all of its covenants as required by the facility. Those covenants include a maximum funded debt to contracted EBITDA of 2.5:1, which prior to the amendment closed subsequent to year-end could be increased to 3.0:1 for a period of 90 days if needed (actual ratio is 2.34:1 at December 31, 2020); minimum Tangible Net Worth of $450.0 million (actual amount is $605.0 million at December 31, 2020); and a minimum Fixed Charge Coverage Ratio of 1:1 (actual ratio is 1.33:1 at December 31, 2020). At December 31, 2020, AEP had US$180.3 million and $1.0 million ($231.4 million) drawn on its credit facility (December 31, 2019 – US$197.2 million and $27.5 million, total of $285.2 million). The total drawn at December 31, 2020 of $231.4 million is reduced by $1.9 million of unamortized debt amendment and extension fees in the Trust's statement of financial position.

For the purposes of calculating covenants and total capacity on Alaris' senior credit facility, the total drawn is $240.4 million, which includes the $231.4 million noted above, as well as $9.0 million repaid during Q4 2020 with the intent to re-draw in January 2021 for the quarterly distribution payment. This short-term repayment was made during Q4 2020 for interest savings prior to being re-drawn for the distribution to unitholders.

Subsequent to December 31, 2020, Alaris drew an additional US$40.0 million for its investment in FNC, US$66.0 million for its investment in Brown & Settle and US$30.0 million for its contribution to 3E. The Trust also repaid US$71.0 million of outstanding USD debt following the completion of a bought deal short-form prospectus offering of 5,909,375 trust units at a price of $16.00 per unit, for aggregate gross proceeds of $94.6 million.

Additionally, subsequent to December 31, 2020 Alaris entered into amendments with its syndicate of senior lenders increasing the base of its credit facility from $330 million to $400 million that included the addition of a seventh bank to the lending syndicate. Included in the amendment was an increase in the leverage covenant for the March 2021 and June 2021 measurement periods, from 3.0x to 3.5x for those two measurement periods. Covenants return to previous levels from September 30, 2021 onwards (maximum of 2.5:1, with the ability to increase to 3.0:1 for a period of 90 days). Following this amendment and the transactions noted above, the senior debt facility was drawn to approximately $320.0 million, with the capacity to draw up to another $80.0 million based on covenants and credit terms. The resulting funded debt to contracted EBITDA after these transactions is approximately 2.6x.

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.

Upon conversion to an income trust, the previously used term of dividends has changed to distributions. Alaris declared monthly distributions for each of the first three months of 2020, for a first quarter total of $0.4125 per unit, declared a quarterly distribution in June 2020 at $0.29 per unit, paid in July, and declared quarterly distributions in September 2020 and December 2020, each at $0.31 per unit. Total distributions declared in the year are $1.3225 per unit and $48.6 million in aggregate (2019 – $1.65 per share and $60.4 million in aggregate).

Since converting to an income trust, the tax profile of distributions changed from being 100% eligible dividends to a combination of return of capital, eligible dividends, capital gains and interest income. For 2020, the split of the distributions was as follows:

Tax Profile of Distributions For the year ended December 31, 2020					
Per unit	**Q1**	**Q2**	**Q3**	**Q4**	**TOTAL**
Dividends	$ 0.41250	$ 0.29000	$ 0.02154	$ 0.02154	**$ 0.74558**
Trust Income	$ -	$ -	$ 0.21677	$ 0.21677	**$ 0.43354**
Taxable Capital Gains	$ -	$ -	$ 0.00336	$ 0.00336	**$ 0.00672**
Return of Capital	$ -	$ -	$ 0.06833	$ 0.06833	**$ 0.13666**
Total paid	$ 0.41250	$ 0.29000	$ 0.31000	$ 0.31000	**$ 1.32250**
As a percentage of total	**Q1**	**Q2**	**Q3**	**Q4**	**TOTAL**
Dividends	100.0%	100.0%	6.9%	6.9%	**56.4%**
Trust Income	0.0%	0.0%	69.9%	69.9%	**32.8%**
Taxable Cap Gains	0.0%	0.0%	1.1%	1.1%	**0.5%**
Return of Capital	0.0%	0.0%	22.0%	22.0%	**10.3%**
Total	100.0%	100.0%	100.0%	100.0%	**100.0%**

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

Credit Risk and Other Price Risk

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

Liquidity Risk

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

Market Risk

Market risk includes the risk that changes in market prices, such as foreign exchange rates and interest rates will impact the Trust's income or value of its financial instruments. There has been a significant impact on interest rates in the period due to the current global pandemic, and also resulting impacts on foreign exchange rates. The Trust continues to manage these risks in the same manner as those disclosed in the consolidated financial statements for the year ended December 31, 2019 through the use of derivative contracts, and does not believe its risks related to these factors have increased significantly.

Alaris had adjusted net working capital of approximately $12.8 million at December 31, 2020. Subsequent to December 31, 2020, Alaris drew $9.0 million of previously repaid debt for the purposes of paying the distribution in January 2021. Including this amount the total net working capital was approximately $21.8 million for purposes of meeting its current obligations. Under the current terms of the various commitments, Alaris has the ability to meet all current obligations as they become due.

WORKING CAPITAL

Alaris' Adjusted Net Working Capital (defined as current assets, excluding promissory notes and investment tax credits receivable, less current liabilities) at December 31, 2020 and 2019 is set forth in the tables below.

Adjusted Net Working Capital	31-Dec-20	31-Dec-19
Cash	$ 16,498	$ 17,104
Prepayments	177	1,509
Foreign exchange contracts	1,489	555
Trade and other receivables	804	1,226
Income taxes receivable	12,669	4,205
Total Current Assets	**$ 31,637**	**$ 24,599**
Accounts payable and accrued liabilities	5,351	2,713
Distributions payable	12,089	5,047
Office Lease	659	837
Income tax payable	723	384
Total Current Liabilities	**$ 18,822**	**$ 8,981**
Adjusted Net Working Capital	**$ 12,815**	**$ 15,618**

FINANCIAL INSTRUMENTS

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

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

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

Alaris holds derivative financial instruments to hedge its foreign currency exposure and variable interest rate exposure. Alaris purchases forward exchange rate contracts to match between 75% and 90% of expected quarterly distributions and expenses in Canadian dollars on a rolling 12-month basis and also for a portion of the expected distributions and expenses in Canadian dollars on a rolling 12 to 24 month basis. The fair value of the forward contracts will be estimated at each reporting date and any unrealized gain or loss on the contracts will be recognized in profit or loss. As at December 31, 2020, for the next twelve months, Alaris has total contracts to sell US$35.1 million forward at an average $1.3274 CAD. For the following twelve months, Alaris has total contracts to sell US$11.1 million forward at an average $1.3004 CAD.

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

Alaris has the following financial instruments that mature as follows:

31-Dec-20	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	Year 3 and Thereafter
Accounts payable and accrued liabilities	$ 5,351	$ 5,351	$-	$-	$-
Distributions payable	12,089	12,089	-	-	-
Office Lease	659	91	91	182	295
Other long-term liabilities	980	-	-	572	408
Convertible debenture	100,000	-	-	-	100,000
Loans and borrowings	229,477	-	-	-	229,477
Total	$ 348,556	$ 17,531	$ 91	$ 754	$ 330,180

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

A. Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Trust's management (including the CEO and CFO) of the effectiveness of the design and operation of the Trust's disclosure controls and procedures, as defined in National Instrument 52-109. Based on that evaluation, the Trust's management (including the CEO and CFO) concluded that the Trust's disclosure controls and procedures were designed to provide a reasonable level of assurance over disclosures of material information and are effective as of December 31, 2020. The Trust uses the 2013 Committee of Sponsoring Organization of the Treasury Commission (COSO) framework.

B. Management Report on Internal Controls over Financial Reporting

The Trust's management, (including the CEO and CFO) have assessed and evaluated the design and effectiveness of the Trust's internal controls over financial reporting as defined in National Instrument 52-109 as of December 31, 2020. Alaris' assessment included documentation, evaluation and testing of its internal controls over financial reporting. Based on that evaluation, Alaris' management concluded that its internal controls over financial reporting are effective as defined by National Instrument 52-109.

There were no changes in internal controls during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect Alaris' internal control over financial reporting.

SUMMARY OF CONTRACTUAL OBLIGATIONS

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

Contractual Obligations	Total	< 1 year	1 – 3 years	4 – 5 years	> 5 years
Loans and borrowings	$ 229,477	$ -	$ 229,477	$ -	$ -
Convertible debenture	100,000	-	-	100,000	-
Additional contributions to BCC	31,958	31,958	-	-	-
Additional contribution to PFGP	4,474	-	4,474	-	-
Office lease	659	182	369	108	-
Total Contractual Obligations	$ 366,568	$ 32,140	$ 234,320	$ 100,108	$ -

RELATED PARTY TRANSACTIONS

The Trust had no transactions with related parties for the years ending December 31, 2020 or 2019.

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

Key Management Personnel	2020	2019
Base salaries and benefits	$ 864	$ 898
Bonus	853	981
Unit-based payments (non-cash)	511	$1,552
Total	**$ 2,228**	**$ 3,431**

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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

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

As disclosed in Note 5 to the financial statements for the year ended December 31, 2020, subsequent to the sale of Sandbox in Q1 2020, AEP received a complaint (the "Complaint") from the purchasers of Sandbox concerning its disputes arising out of the sale of the Sandbox assets, which alleges damages of approximately US$37.2 million. AEP and the Trust believe the claims within the Complaint are without merit and intends to vigorously defend the case. To this end, AEP and the Trust filed Motions to Dismiss the purchasers' claims of fraud and their claim seeking arbitration regarding the working capital adjustment. AEP and the Trust has not moved to dismiss certain narrow contract breach claims. The Trust is also actively evaluating the possibility of lodging counterclaims in the matter. Based upon its knowledge of the facts of the pre-closing of Sandbox, the sale process and other advice obtained to date, no liability has been recorded in the financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

As a result of Alaris' conversion to an income trust during Q3 2020, the following new accounting policies were applied in the audited financial statements for the year ended December 31, 2020.

Trust units

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

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

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

All references to "unit" or "unitholder" throughout this MD&A refer to trust units or trust unitholders subsequent to September 1, 2020 and common shares or common shareholders prior to September 1, 2020

Unit based compensation

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

Holders of units granted under the restricted unit plans receive distributions in the form of additional units when the Trust declares distributions on its Trust units. The additional units are recognized as compensation expense.

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

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

Convertible debenture

The Trust has convertible unsecured subordinated debentures that are convertible at the holder's option. The entire instrument is considered a financial liability, as there is a contractual obligation for the Trust to deliver Trust units (which are accounted for as liabilities but presented as equity instruments under IAS 32 upon conversion.

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

SUMMARY OF ANNUAL AND QUARTERLY RESULTS

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

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

Quarterly Results Summary	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19
Revenue	$ 31,973	$ 23,421	$ 20,203	$ 33,971	$ 30,884	$ 30,025	$ 27,401	$ 27,658
Earnings / (loss)	$ 30,847	$ 28,571	$ 3,535	$ (42,662)	$ (17,854)	$ 20,884	$ 21,967	$ 11,261
Basic and Diluted Income (loss) per Unit	$ 0.85	$ 0.80	$ 0.10	$ (1.16)	$ (0.49)	$ 0.57	$ 0.60	$ 0.31
	$ 0.84	$ 0.79	$ 0.10	$ (1.16)	$ (0.48)	$ 0.57	$ 0.60	$ 0.31

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

In Q4 2019, Alaris recognized a loss on assets held for sale of $45.9 million, relating to the Sandbox sale as well as a $6.2 million reduction in the investments at fair value. These were partially offset by a $2.5 million realized gain from the Unify follow-on contribution. In Q3 2019, Alaris crystallized a gain on investments of $9.3 million upon closing the PFGP additional contribution, which was offset by a net reduction in the investments at fair value of $9.4 million, resulting in a nominal loss. In Q2 2019, Alaris received $2.0 million from a Phoenix recovery of previously recorded bad debts and Alaris recorded a $9.3 million net increase in investments in fair value. In Q1 2019, Alaris recorded a $5.0 million net decrease in investments at fair value.

OUTSTANDING UNITS

At December 31, 2020, Alaris had authorized, issued and outstanding, 38,996,399 voting trust units.

During the year ended December 31, 2020, 97,359 units were issued on the vesting of RTUs and no options were granted, issued or exercised.

At December 31, 2020, 361,518 RTUs and 984,019 options were outstanding under Alaris' long-term incentive compensation plans. The outstanding options have a weighted average exercise price of $21.70 and as of December 31, 2020 all 984,019 options outstanding were out of the money.

On March 20, 2020, Alaris announced it had received approval from the Toronto Stock Exchange ("TSX") to establish a normal course issuer bid ("NCIB") program. Under the NCIB, Alaris may purchase for cancellation up to 3,473,720 units (formerly common shares). The program commenced on March 24, 2020 and will remain in effect until March 23, 2021 or such earlier time as the NCIB is completed or terminated at the option of Alaris. During the nine months ended September 30, 2020, Alaris purchased 1,156,541 units for cancellation for a total cost, including transaction costs, of $10.1 million under the NCIB. The weighted-average price of the units repurchased, including transaction costs, was $8.69 per unit.
In December 2020, Alaris completed a bought deal short-form prospectus offering of 3,346,500 trust units at a price of $13.75 per unit, for aggregate gross proceeds of $46.0 million, which includes the exercise in full of the over-allotment option. After deduction of the underwriters' fees and expenses of the offering, net proceeds to Alaris were $43.4 million.
Following the offering and as at December 31, 2020, Alaris had 38,996,399 units outstanding.

Subsequent to December 31, 2020, Alaris completed an additional bought deal short-form prospectus offering of 5,909,375 trust units 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 $90.7 million.

As at March 9, 2021, Alaris had 44,905,774 units outstanding.

INCOME TAXES

Beginning in 2015, the Trust began receiving notices of reassessment (the "Reassessments") from the Canada Revenue Agency (the "CRA") in respect of its 2009 through 2019 taxation years to deny the use of non-capital losses, accumulated scientific research and experimental development expenditures and investment tax credits. Pursuant to the Reassessments, the deduction of approximately $121.2 million of non-capital losses and utilization of $7.6 million in investment tax credits ("ITCs") by the Trust were denied, resulting in reassessed taxes and interest of approximately $55.6 million (2019 - $50.4 million).

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

The Trust has received legal advice that it should be entitled to deduct the non-capital losses and claim ITCs and as such, the Trust remains of the opinion that all tax filings to date were filed correctly and that it will be successful in appealing such Reassessments. The Trust intends to continue to vigorously defend its tax filing position. In order to do that, the Trust was required to pay 50% of the reassessed amounts as a deposit to the Canada Revenue Agency. The Trust has paid a total of $20.2 million (2019 - $20.2 million) in deposits to the CRA relating to the Reassessments to date. It is possible that the Trust may be reassessed with respect to the deduction of ITCs of $2.5 million on the same basis.

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

On April 8, 2020, the U.S. Treasury Department and IRS published the final regulations ("Regulations") addressing hybrid financing arrangements. The key impact that these Regulations have on Alaris is that certain interest payments made by Alaris' U.S. entities are no longer deductible beginning with Alaris' 2019 tax year. The 2019 impact of these Regulations is an increase to total income tax expense of $10.4 million which has been recorded in the current year ended December 31, 2020. For 2020, Alaris' U.S. entities incurred non-deductible interest expense of $12.4 million, resulting in an increase in total income tax expense of $3.2 million.

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

RISK FACTORS

Our securities are exposed to a number of risks, including the risk described below and under the heading "*Special Note Regarding Forward-Looking Statements, Non-IFRS Measures and U.S. Investors*". Alaris' risk factors described below comprise risks that we know about and that we consider material to our business or results of our operations. The innovative financing structure we use to invest in private businesses involves unique risks together with the other risks present in the industry as a whole. When considering an investment in Trust Units, investors and others should carefully consider these risk factors and other uncertainties and potential events that may adversely affect our business and financial performance. We operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for Management to predict all risk factors or the effect of such factors on our business, reputation, financial condition, cash flows, ability to pay predictable and stable Trust Distributions, response to changes in our industry, our ability to complete strategic acquisitions or divestitures in an efficient manner or at all or the market price of our Trust Units.

We have organized our risks as follows:

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

COVID RISKS TO OUR BUSINESS

The global COVID-19 outbreak has caused disruptions to the U.S. and Canadian economies and has, and may continue to, negatively impact certain of our Partners

On March 11, 2020, the World Health Organization expanded its classification of COVID-19 to a worldwide pandemic and federal, state, provincial and municipal governments in North America have been implementing legislation to combat the spread of COVID-19. In the response to general economic effects of COVID-19 (including in respect of our Partners), Alaris announced in March 2020 that it would switch its dividend policy to a quarterly payment rather than a monthly payment and its intention to reduce its dividend by approximately 30% to $1.16 annually and $0.29 per quarter (which, after the Trust Conversion, was increased to $1.24 per Trust Unit annually, an increase of approximately 7% over the last quarterly dividend paid by the Company). Alaris and its Partners have experienced, and may continue to experience, negative impacts from the COVID-19 outbreak. The long-term extent of such impacts are currently unquantifiable, but may be significant. Such impacts include, without limitation, reduced willingness or ability of the general population to travel, government restrictions on travel, reduced hours of business operations, forced closures, mandated social distancing, isolation or quarantines, border closures, impacts of declared states of emergency, public health emergency and similar declarations and could include other increased government regulations, reduced consumer traffic and sales, as well as temporary business closures, and potential supply and staff shortages, all of which may negatively impact the business, financial condition and results of operations of Alaris and its Partners and thus may impact the ability of our Partners to comply with their covenants under their respective obligations to Alaris and satisfy their other obligations to other parties, which in turn may adversely impact, among other things, Alaris' ability to access debt or equity capital on acceptable terms or at all, to comply with the financial covenants under its credit facilities, satisfy its financial obligations to its lenders and other creditors (including under the Senior Debt Facility) and Alaris' ability to pay Trust Distributions and make interest and principal payments to holders of our convertible debentures.

When the COVID-19 pandemic subsides, its impact may have lasting effects on our and our Partners' businesses and operations. U.S. and Canadian consumer practices and demands may have change permanently compared to before COVID-19, including continued social distancing, which could adversely affect certain of our Partners. Our Partners inability to adapt to these and other COVID-19 changes could adversely impact their ability to pay Partner Distributions.

STRATEGIC RISK FACTORS RELATING TO OUR BUSINESS

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

We depend on the operations, assets and financial health of our Partners through our agreements with them. Our ability to pay Trust Distributions, to satisfy our debt service obligations and to pay our operating expenses depends on our Partners consistent payment of Partner Distributions, our sole source of cash flow. Increases or decreases to Partner Distributions generally follow the percentage change of each Partner’s revenues, same-store sales, gross margin or other similar top-line measure. As a result, subject to certain conditions, if the applicable financial performance measure of a Partner declines, Partner Distributions will decline. The failure of any material Partner (or collectively several non-material Partners) to pay its Partner Distribution could materially adversely affect our financial condition and cash flows. Each Partner may have liabilities or other matters that we do identify through our due diligence or ongoing communications and monitoring procedures, which may have a material adverse effect on the Partners and the applicable performance measure.

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

Because Alaris generally has limited voting rights in our Partners, our ability to exercise direct control or influence over the operations of our Partners may be limited (except over our consent rights and when there has been an uncured event of default and required Partner Distributions have not been made). Payment of Partner Distributions therefore depend on a number of factors that may be outside our control.

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

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

We are subject to risks affecting any new Partners

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

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

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

We have limited diversification in our Partners

Although Alaris currently has 20 Partners and diversification continues to improve Alaris does not have stringent fixed guidelines for diversification for our Partners. At any given time, a significant portion of our assets may be dedicated to a single business or industry. If any single Partner or industry does not succeed or experiences a downturn, this could have a material adverse effect on our business, results from operations and financial condition.

Our business and the business of each Partner is subject to changes in North American and international economic conditions, including recessionary or inflationary trends, capital market volatility, consumer credit availability, interest rates, currency exchange rates, consumers' disposable income and spending levels, job security and unemployment, corporate taxation and overall consumer confidence. Market and political events and other conditions, including reactions to the COVID-19 pandemic, disruptions in the international credit markets and other financial systems, may result in a deterioration of global economic conditions. These conditions could cause a decrease in confidence in the broader North American and global credit and financial markets and create a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Despite various actions by governments, from time to time there may be concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions. These factors could negatively impact company valuations and impact the performance of the global economy. A return of any these negative economic events could have a material adverse effect on our Company and our Partners' business, financial condition, results of operations and cash flows. For specific risks related to COVID-19, see "*COVID Risks To Our Business*"

In addition, geopolitical events may, directly or indirectly, disrupt financial markets in North America. In particular, conflicts, or conversely peaceful developments, arising in the Middle East, Asia or Eastern Europe and other areas of the world that significantly impact the price of important commodities can negatively affect financial markets and global economy. Any such negative impacts could have a material adverse effect on our Company and our Partners' business, financial condition, results of operations and cash flows.

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

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

We face competition with other investment entities

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

Potential Investment Opportunities

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

OPERATIONAL AND FINANCIAL RISK FACTORS RELATING TO OUR BUSINESS

We are subject to tax related risks

CRA Re-Assessment

The Corporation has received 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 $7.6 million in investment tax credits ("**ITCs**") by the Trust were denied, resulting in reassessed taxes and interest of approximately $55.6 million.

Subsequent to filing the original notice of objection for the July 14, 2009 taxation year, the Corporation 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 Corporation's previously disclosed assessment of the total potential tax liability (including interest) or the deposits required to be paid in order to dispute the CRA's reassessments.

The Corporation has received legal advice that it should be entitled to deduct the non-capital losses and claim ITCs and as such, the Corporation remains of the opinion that all tax filings to date were filed correctly and that it will be successful in appealing the Reassessments. The Corporation intends to continue to vigorously defend its tax filing position. In order to do that, the Corporation was required to pay 50% of the reassessed amounts as a deposit to the CRA. The Corporation has paid a total of $20.2 million in deposits to the CRA relating to the Reassessments to date. It is possible that the Corporation may be reassessed with respect to certain deductions taken in 2020 on the same basis.

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

International Structure

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

On April 8, 2020, the U.S. Treasury Department and IRS published the final regulations ("**Regulations**") addressing hybrid financing arrangements. The key impact that these Regulations have on Alaris is that certain interest payments made by the Alaris' U.S. entities may no longer be deductible beginning with Alaris' 2019 tax year. The 2019 impact of these Regulations is an increase to total income tax expense of $10.4 million which has been recorded in the current year ended December 31, 2020. For 2020, Alaris' U.S. entities incurred non-deductible interest expense of $12.4 million, resulting in an increase in total income tax expense of $3.2 million.

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

Mutual Fund Trust Status

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

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

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

Laws, Rules and Regulations Applicable to the Trust

There can be no assurance that additional changes to the taxation of income trusts or corporations or changes to other government Laws, rules and regulations, either in Canada or the United States, will not be undertaken which could have a material adverse effect on the Trust's unit price and its activities and undertakings. There can be no assurance that the Trust will benefit from any rules applicable to corporations, that these rules will not change in the future or that the Trust will avail itself of them.

General

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

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

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

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

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

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

Alaris and our Partners are subject to significant regulation

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

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

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

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

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

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

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

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

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

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

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

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

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

Our Partners have termination rights which may be exercised

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

We and our Partners rely heavily on key personnel

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

Our trust unit price is unpredictable and can be volatile

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

We may issue additional Trust Units diluting existing Unitholders' interests

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

We are subject to a risk of legal proceedings

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

General Risks Related to the convertible debentures

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

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

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

Alaris may Redeem the convertible debentures prior to Maturity

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

Redemption of convertible debentures upon a Change of Control

Alaris must offer to purchase all convertible debentures within 30 days of the acquisition of voting control or direction of more than 50% of the outstanding Trust Units. Upon such an event, Alaris may not have sufficient funds to satisfy the required purchase of all convertible debentures. Additionally, the rights under the Senior Credit Facility or any other senior indebtedness in existence at such time may restrict such a purchase.

Effect of Interest Rates on the Price of convertible debentures

The market value of the convertible debentures will fluctuate with the interest rates in effect from time to time. The market value of the convertible debentures may consequently decline if general interest rates begin to rise.

Nature of Investment

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

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

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

Potential investors' ability to invest in Trust Units or to transfer any Trust Units that investors hold may be limited by certain ERISA, United States Internal Revenue Code (the "Code") and other considerations

Alaris has restricted the ownership and holding of Trust Units so that none of our assets will constitute "plan assets" (as defined in section 3(42) of ERISA and applicable regulations) of any of the following: (a) an "employee benefit plan" (under section 3(3) of ERISA that is subject to Part 4 of Subtitle B of Title I of ERISA; (b) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the Code; (c) any other retirement or benefit plan that is not described in (a) or (b), but that is subject any similar law; or (d) an entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement in (a) through (c) under ERISA, the Code or similar law.

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

Foreign Account Tax Compliance Act ("FACTA") Provisions

In general, FATCA imposes due diligence, reporting and withholding obligations on foreign (non-U.S.) financial institutions and certain foreign (non-U.S.) non-financial entities. A failure by such an institution or entity to comply with these obligations could subject it to a 30% U.S. withholding tax ("**FATCA Tax**") on certain U.S. source income (including interest, dividends, rents, royalties, compensation and other passive income and, since 2019, gross proceeds from the sale or other disposition of property that can produce such type of U.S. source income) and thereby reduce its distributable cash and net asset value. In 2014, Canada and the United States entered into an Intergovernmental Agreement (the "**IGA**") to facilitate compliance with FATCA by Canadian financial and non-financial institutions and entities.

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

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

Alaris and its Subsidiaries intend to continue to take such measures and implement such procedures as it, in consultation with its legal and tax counsel, determines to be necessary or desirable to comply with its obligations under the IGA and, more particularly, the Canada IGA Legislation. If Alaris or a Subsidiary of Alaris cannot (or otherwise does not) satisfy the applicable requirements of the IGA and the Canada IGA Legislation or if the Canadian government does not comply with the IGA and if Alaris is otherwise unable to comply with any relevant and applicable legislation, then Alaris (or a Subsidiary of Alaris) could be subject to the FATCA Tax and thereby reduce the distributable cash and net asset value of Alaris.

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

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

Sections 1291 through 1298 of the Code provide for special (and generally unfavorable for U.S. Unitholders) rules applicable to non-U.S. corporations (and non-U.S. mutual fund trusts) that constitute PFICs. A non-U.S. corporation will constitute a PFIC for any taxable year in which either (a) at least 75% of its gross income for such taxable year is passive income (which would include, among other things and subject to certain exceptions, dividends, interest, royalties, rents, annuities and other income of a kind that would be "foreign personal holding company income", as defined in Section 954(c) of the Code) or (b) the average percentage of assets by value (based on a quarterly average) held by it during such taxable year which produce passive income or which it holds for the production of passive income is at least 50%. For this purpose, the non-U.S. corporation will be considered to receive its proportionate share of the income directly, and as holding its proportionate share of the assets, of any corporation (whether U.S. or non-U.S.) at least 25% (by value) of the stock of which the non-U.S. corporation owns directly or indirectly.

For any taxable year in which a non-U.S. corporation is a PFIC, and without any election by a U.S. equityholder of such non-U.S. corporation to either treat such non-U.S. corporation as a "qualified electing fund" (such election, a "**QEF Election**") or "mark-to-market" his or her shares of such non-U.S. corporation (such election, an "**MTM Election**"), such U.S. equityholder will, upon the non-U.S. corporation's making certain "excess distributions" or upon the U.S. equityholder's disposition of his or her shares of such non-U.S. corporation at a gain, be subject to U.S. federal income tax at the highest tax rate on ordinary income in effect for each year to which the income is allocated plus an interest charge on the deemed tax deferral, as if the distribution or gain had been recognized rateably over each day in the U.S. equityholder's holding period for his or her shares in such non-U.S. corporation while such corporation was a PFIC.

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

If Alaris were to be or become a PFIC for the current or any future taxable year, Alaris does not intend to make available to U.S. Unitholders the financial information necessary to make a QEF Election. However, if the Trust Units constitute "marketable stock" (as specifically defined under the MTM Election regulations), a U.S. Unitholder should be able to make an MTM Election with respect to his or her Trust Units. Alaris believes that the Trust Units currently constitute "marketable stock" for this purpose. Making an MTM Election would cause the electing U.S. Unitholder to recognize as ordinary income or loss each year an amount equal to the difference as of the close of such year (or the actual disposition of the Trust Units) between the fair market value of the Trust Units and the Unitholder's adjusted U.S. federal income tax basis in such Trust Units. Losses would be allowed only to the extent of the net mark-to-market gain previously included in income by the U.S. Unitholder under the MTM Election for prior taxable years. If an MTM Election is made, then Trust Distributions would be treated as if Alaris were not a PFIC, except that the lower tax rate currently imposed on dividends or distributions to individuals would not apply.

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

RISKS RELATING TO OUR MATERIAL PARTNERS

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

Risks Relating Specifically to DNT

Exposure to residential development	In the current economic cycle, DNT chooses to have a higher percentage of its revenue generated from new residential development projects than commercial or infrastructure projects. Although it is DNT's strategy to focus more of its efforts on the segment of the market with the most current and projected growth, it exposes DNT to a downturn in the new home development segment of the economy, which can have a material impact on its cash flows. In times of economic downturns DNT can shift its focus to commercial and infrastructure projects. However, failing to do so in a timely manner to offset lost revenue from the residential segment, or at all, can have a significant impact on DNT's cash flow.
Geographic exposure to Austin and San Antonio	DNT focuses primarily on the Austin and San Antonio regions of the state of Texas. Although these two regions have robust economies, diversified among healthcare, technology and education, they are close enough in

proximity that the same economic and weather-related factors impact both regions. This lack of geographic diversification exposes DNT to more concentrated events than it would otherwise be if it were to be diversified across many regions of the United States.

Bonding requirements

DNT requires bonding on a significant number of its projects. This requires DNT to maintain a healthy balance sheet or face the risk of not being able to bid on certain new projects. Any lack of ability to bond new projects could have a significant impact on DNT's cash flows.

Seasonality including weather related events

Unusual amounts of rain can impact the business significantly as it prevents DNT from providing its services and in many instances can increase costs for things such as water remediation. The unusual wet weather can also cause "work overs" which can erode margins on certain projects. The unusual wet weather may also cause margins to erode when the work is eventually restarted as it may require overtime hours to complete the work on schedule.

Fixed price contracts

As costs are established on estimates for fixed price contracts, DNT bears the risk for cost overruns. Generally, it manages the risk with vigorous pre-bid analysis and through hedging of its materials and fuel costs. However, errors in estimating and unforeseen weather events can cause both labour and materials costs overruns.

Customer concentration

DNT generates a large portion of its revenues from a handful of customers. If DNT fails to win new tenders with these customers or if the customers face financial trouble, which results in the delay or cancelation of new projects, DNT's revenue and cash flows can be negatively impacted until the revenue can be replaced through other sources.

Labour

DNT operates a labour-intensive business. Its employee base is comprised of management level professionals, skilled operators of heavy equipment and general labourers. The labour market in Texas is highly competitive and availability of both general labourers and skilled operators is low across the state. A tight labour market can cause wage rates to rise rapidly and cause temporarily margin compression on jobs previously bid with lower wage rates. DNT can adapt to wage rate increases in future bids but will deal with any wage increases through lower margin on current jobs. If DNT is not able to hire and retain a qualified labour force it could also lead to a delay in finishing current jobs and an inability to win new work. Failure to complete certain jobs on time can lead to financial penalties incurred by DNT and failure to competitively bid on new jobs can lead to a decrease in future company revenues.

Risks Relating Specifically to Federal Resources

Complex procurement rules and regulations on U.S. government contracts

Federal Resources derives a majority of its revenue from contracts with the U.S. government, and other State level and municipal contracts. U.S. government contracts have complex procurement rules and certain regulations. A failure to abide by these rules/regulations can result in penalties such as termination of certain contracts, disqualification from bidding on future contracts and suspension or permanent removal from bidding on U.S. government contracts.

Subject to reviews, audits and costs adjustments by the U.S. government

If a review, audit or cost adjustment conducted by the U.S. government results in an outcome negative to Federal Resources, it could adversely affect their profitability, cash flow or growth prospects.

Contracts can be cancelled at anytime	The U.S. government can cancel contracts at any time through a termination of convenience provision, provided that they cover Federal Resources for costs incurred. Although cost coverage would result in Federal Resources not incurring a loss on the inventory it purchased, it will not make a profit on the sale and will need to find a substantial new customer or customers and sell the product over a prolonged period of time in order to eventually realize a profit on the inventory.
Competition is intense	Federal Resources competes with a number of large established multinational companies. This results in competitive pricing and low profit margins. Successfully winning contracts in a competitive environment can result in losses on certain contracts if certain variables change given the low profit margins Federal Resources operates with.
Seasonality/variability of revenue	Due to the timing of government's budget cycles, the majority of Federal Resources sales can come within a certain time of the year. This requires Federal Resources to manage its cash flows for operations, debt payments and its Partner Distributions for the remaining months of a given year out of the cash generated from prior sales. Failure to properly manage cash flow from seasonal sales could negatively impact Federal Resources cash flow.
Working capital requirements at certain times of the year can be significant	Due to the amount of inventory Federal Resources has to carry to satisfy certain contracts at certain times of the year, it can result in significant requirements for working capital to fund operations. If Federal Resources fails to have sufficient working capital to support periodic needs it could negatively impact the cash flows of the business and thus payment of Partner Distributions.
A decline in U.S. government defense budgets can impact FRS	Given that Federal Resources generates a majority of its revenue from U.S. government defense contracts it could be negatively impacted by a general decrease in defense budget spending in a given year.

Risks Relating Specifically to PFGP

Additional franchise operations may be limited	PFGP is a franchisee of Planet Fitness. As such, PFGP's operations depend, in part, on decisions made by the Planet Fitness franchisor, including decisions relating to pricing, advertising, policy and procedures and approvals required for acquisitions and territory expansion. Business decisions made by the franchisor could impact PFGP's operating performance and profitability. In addition, PFGP must comply with the terms of its franchise agreements with the franchisor and its applicable land development agreements. A failure to comply with such obligations or a failure to obtain renewals on any expiring franchise agreements could adversely affect PFGP's operations.
Brand loyalty	PFGP relies on the other franchisees to uphold the Planet Fitness brand. Franchisees are contractually obligated to operate their stores in accordance with the standards set forth in the agreements with the franchisor. However, the other franchisees are independent third parties, whose actions are outside of the control of PFGP.
Performance amongst new clubs	PFGP continues to grow through expansion which comes with the risk that not all new clubs produce the returns realized at current ones. Further, there is a risk of ensuring new clubs are not within close enough proximity

	to existing stores that would negatively impact the existing stores' results as well.
High level of competition	The high level of competition in the health and fitness industry could materially and adverse affect their business. PFGP may not be able to compete effectively in the markets in which they operate. Competitors may attempt to copy their business model, or portions thereof, which could erode market share and impair profitability. This competition may limit their ability to attract and retain existing members and their ability to attract new members, which in each case could materially and adversely affect their results of operations and financial condition.
Reliance on IT	PFGP relies heavily on their IT systems and the security within, both for ease of service with their point-of-sale processing systems, but also on the security front to ensure the confidentiality of the information provided by customers. If the confidentiality and integrity of their customer's personal data, including member banking information, aren't upheld then their reputation and business could be materially impacted.

Risks Relating Specifically to GWM

Changes to the regulatory environment in North America and Abroad	As regulations related to protecting individuals' privacy on the internet evolve, there will continue to be changes to how digital advertisers can gather data and use such data to target individuals with advertisements. An inability to adapt to privacy or other regulatory changes could significantly harm GWM's business.
Changes in and or disruptions to Technology	If there are rapid changes in the technology used in the industry, which makes it harder for GWM to conduct its business, GWM will need to adapt. Being ahead of the tech curve will help reduce this risk. GWM also relies heavily on technology to deliver its services. If GWM's system was to be interrupted for a considerable time, it could impact GWM's ability to generate revenue.
Failure to maintain and grow client base	If GWM fails to maintain and grow its client base, its revenue and profitability may be impacted. To sustain and grow its revenue, GWM must continuously add new clients and persuade existing clients to maintain or increase their business with GWM. If competitors introduce lower cost or differentiated offerings that compete with or are perceived to compete with GWM's offerings, GWM's ability to sell services to new or existing clients could be impaired.
Intense competition	GWM competes in a highly competitive and rapidly changing industry. Increased competition and an inability to compete effectively could lead to reduced profitability or market share. Current and potential competitors may also have significantly more financial, technical and other resources than GWM.
Buying of advertising through programmatic media is new and evolving	Programmatic media is a relatively new industry. If this market develops slower or differently than expected, GWM's business, growth prospects and financial condition could be adversely affected. A large portion of GWM's revenue is derived from clients for whom it programmatically purchases advertising. GWM expects that spending on programmatic ad buying will remain a significant source of revenue for the foreseeable future and that its revenue growth will largely depend on increasing client purchases of advertising through GWM's programmatic services. The market for programmatic ad buying is an emerging market. GWM's current and potential clients may not shift to programmatic ad buying from other buying methods as quickly as they expect, which could reduce its growth potential. If the market for programmatic

ad buying deteriorates or develops more slowly than GWM expects, demand for GWM's services may be diminished and its business, growth prospects and financial condition could be adversely affected.

Sales Cycles Can Be Long GWM's sales cycles can be long, creating significant time between initial contact with a prospect and execution of a client agreement, making it difficult to project when, if at all, they will obtain new clients and when they will generate revenue from those clients.

RISKS RELATING TO ALL OF OUR PARTNERS, GENERALLY

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

How a Partner is leveraged may have adverse consequences to them

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

Our Partners rely on key personnel

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

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

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

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

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

Our Partners may suffer damage to their brand reputations

Damage to the reputation of our Partners' brands, or the reputation of the brands of suppliers of products that are offered by the Partners, could result from events out of the control of our Partners. This damage could negatively impact consumer opinion of our Partners or their related products and services, which could have an adverse effect on the Partners' performance.

Our Partners face intense competition

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

Changes in the industry in which the Partners operate

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

Risks regarding legal proceedings involving our Partners

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

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

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

Customer Concentration

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

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information and forward-looking statements (collectively, “forward-looking statements”) under applicable securities laws, including any applicable “safe harbor” provisions. Statements other than statements of historical fact contained in this MD&A may be forward looking statements, including, without limitation: management’s expectations, intentions and beliefs concerning the growth, results of operations, performance of the Trust and the Partners, the future financial position or results of the Trust, business strategy and plans and objectives of or involving the Trust or the Partners. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. In particular, this MD&A contains forward-looking statements regarding: the anticipated financial and operating performance of the Partners; the impact of COVID-19 on the operations of the Trust and those of the Partners; the ECR for the Partners; the timing and impact of restarting or increasing Distributions from Partners not currently paying the full amount or at all; the Trust’s Run Rate Payout Ratio and Run Rate Revenue; the continued deferral of PFGP’s Distributions and the timing to restart full distributions; the impact of the new investments in Carey Electric, FNC, Edgewater, Brown & Settle, 3E as well as the follow-on investments in GWM, BCC and Accscient, including, without limitation, the expected yield therefrom and the impact on the Trust’s net cash from operating activities, Run Rate Revenue and Run Rate Payout Ratio; expected resets of Distributions in 2021; the Trust’s consolidated expenses; expectations regarding receipt (and amount of) any common equity distributions from Partners in which Alaris holds common equity, including the impact on the Trust’s net cash from operating activities, Run Rate Revenue and Run Rate Payout Ratio; the amount of the Trust’s distributions to unitholders (both quarterly and on an annualized basis); the use of proceeds from the senior credit facility; the CRA proceedings (including the expected timing and financial impact thereof); potential Partner redemptions, including the timing, if at all, and amounts thereof; annualized net cash from operating activities; changes in Distributions from Partners; the proposed resolutions to outstanding issues with certain Partners; the restart of Distributions from any partners not currently paying a Distribution or increasing the level of Distribution where a Partner is paying less than the full contracted amount; the timing for collection of deferred or unpaid Distributions; impact of new deployment; Alaris’ ability to deploy capital to and attract new private businesses to invest in and restarting Distributions from Partners not paying full contractual amounts. To the extent that any forward-looking statements herein constitute a financial outlook or future oriented financial information (collectively, “**FOFI**”), including estimates regarding revenues, expenses, distributions to be paid, the impact of capital deployment and changes in Distributions from Partners (including expected resets, restarting full or partial Distributions and common equity distributions), Run Rate Payout Ratio and net cash from operating activities, they were approved by management as of the date hereof and have been included to assist readers in understanding management’s current expectations regarding Alaris’ financial performance and are subject to the same risks and assumptions disclosed herein. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. Readers are cautioned that the assumptions used in the preparation of forward-looking statements, including FOFI, although considered reasonable at the time of preparation, based on information in Alaris’ possession as of the date hereof, may prove to be imprecise. In addition, there are a number of factors that could cause Alaris’ actual results, performance or achievement to differ materially from those expressed in, or implied by, forward looking statements and FOFI, or if any of them do so occur, what benefits the Trust will derive therefrom. As such, undue reliance should not be placed on any forward-looking statements, including FOFI.

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

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

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

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

ADDITIONAL INFORMATION

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

Consolidated Financial Statements of

Alaris Equity Partners Income Trust

Audited financial statements for the years ended December 31, 2020 and 2019

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Alaris Equity Partners Income Trust

Opinion

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

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at end of December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Evaluation of the fair value of investments at fair value

Description of the matter

We draw attention to Notes 2(d), 5, and 11 to the financial statements. Investments at fair value are measured using a discounted cash flow model. The Entity recognizes that the determination of fair value of its investments at fair value becomes more judgmental the longer the investments are held. Typically, the risk profile and future cash flows expected from the individual investments change over time. The Entity's valuation model incorporates these factors each reporting period. The Entity has recorded investments at fair value of $880,512,000 as at December 31, 2020. Significant assumptions in determining the fair value of investments at fair value include the discount rate, terminal value growth rate and changes in future distributions for preferred unit investments, and the discount rate, terminal value growth rate and estimated future cash flows for common equity investments.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

We compared the Entity's actual 2020 distributions received to the amount budgeted for 2020 to assess the Entity's ability to accurately forecast.

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

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

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

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

Evaluation of the provision for expected credit losses on promissory notes and other receivables and investments at amortized cost

Description of the matter

We draw attention to Notes 2(d), 3(f) and 5 to the financial statements. The Entity recognizes a provision for expected credit losses on its financial assets measured at amortized cost, including promissory notes and other receivables and investments at amortized cost. Expected credit losses are a probability weighted estimate of credit losses. Significant assumptions in determining the provision for expected credit losses on promissory notes and other receivables and investments at amortized cost include the probability of future default, and the timing and amount of the collection of contractual cash flows. The Entity's provision for expected credit losses on promissory notes and other receivables and investments at amortized cost as of December 31, 2020 was $3,907,000.

Why the matter is a key audit matter

We identified the evaluation of the provision for expected credit losses on promissory notes and other receivables and investments at amortized cost as a key audit matter. This matter represented an area of significant risk of material misstatement given the high degree of estimation uncertainty in determining the provision for expected credit losses on promissory notes and other receivables and investments at amortized cost. As a result, significant auditor judgment was required to evaluate the Entity's significant assumptions.

How the matter was addressed in the audit

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

We evaluated the Entity's ability to accurately estimate the provision for expected credit losses on promissory notes and other receivables and investments at amortized cost by comparing the Entity's prior year assumptions of the timing and amount of the collection of contractual cash flows to the actual timing and amount of cash flows collected during the year.

We evaluated the appropriateness of the significant assumptions by:

- Comparing the probability of future default assumptions to actual historical default rates and evaluating adjustments to those historical default rates by assessing the consistency of those adjustments to recent trends in each investment and related industry
- Comparing the assumptions of the timing and collection of contractual cash flows to contractual terms, actual historical timing and collection of contractual cash flows, considering the underlying economic performance of the counterparty over time.

Evaluation of the accounting treatment for new investment structures

Description of the matter

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

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

March 9, 2021

Alaris Equity Partners Income Trust
Consolidated statements of financial position

$ thousands	Note	31-Dec 2020	31-Dec 2019
Assets			
Cash and cash equivalents		$ 16,498	$ 17,104
Prepayments		177	1,509
Derivative contracts	11	1,489	555
Accounts receivables	5	804	1,226
Income taxes receivable		12,669	4,205
Investment tax credit receivable	10	-	1,032
Assets acquired held for sale	5	-	97,173
Promissory notes receivable	5	4,000	6,580
Current Assets		$ 35,637	$ 129,384
Promissory notes and other receivables	5	19,233	19,663
Deposits	10	20,206	20,206
Property and equipment		846	1,053
Investments	5	880,512	881,037
Investment tax credit receivable	10	-	2,243
Deferred income taxes	10	-	986
Non-current assets		$ 920,797	$ 925,188
Total Assets		**$ 956,434**	**$ 1,054,572**
Liabilities			
Accounts payable and accrued liabilities	9	$ 5,351	$ 2,713
Distributions payable		12,089	5,047
Liabilities acquired held for sale	5	-	60,297
Office Lease		659	837
Income tax payable		723	384
Current Liabilities		$ 18,822	$ 69,278
Deferred income taxes	10	16,112	4,715
Loans and borrowings	7	229,477	285,193
Convertible debenture	8	86,029	90,939
Other long-term liabilities	8, 9	980	-
Non-current liabilities		$ 332,598	$ 380,847
Total Liabilities		**$ 351,420**	**$ 450,125**
Equity			
Unitholders' capital	6	$ 659,988	$ 625,313
Equity component of convertible debenture	8	-	4,059
Equity reserve	9	17,621	14,763
Translation reserve		12,431	17,076
Retained earnings / (deficit)		(85,026)	(56,764)
Total Equity		**$ 605,014**	**$ 604,447**
Total Liabilities and Equity		**$ 956,434**	**$ 1,054,572**

Commitments and contingencies	5, 12		
Subsequent events	6, 7, 14		

On behalf of the Board:

Director (signed) *"Jay Ripley"*
Director (signed) *"Mary Ritchie"*

Alaris Equity Partners Income Trust
Consolidated statements of comprehensive income

$ thousands except per unit amounts	Note	Year ended December 31 2020	2019
Revenues, net of realized foreign exchange gain or loss	5	$ 109,568	$ 114,956
Net realized gain / (loss) from investments	5	(26,863)	11,724
Net unrealized loss of investments at fair value	5	(14,623)	(11,304)
Loss on assets held for sale	5	-	(45,883)
Total revenue and other operating income		**$ 68,082**	**$ 69,493**
General and administrative		14,519	10,718
Transaction diligence costs		5,532	2,754
Unit-based compensation	9	2,708	4,315
Bad debt expense / (recovery)	5	(183)	(2,018)
Depreciation and amortization		222	384
Total operating expenses		22,798	16,153
Earnings from operations		**$ 45,284**	**$ 53,340**
Finance costs	7, 8	18,103	19,294
Unrealized (gain) / loss on foreign exchange		(729)	6,069
Non-cash impact of trust conversion	8	(7,138)	-
Earnings before taxes		**$ 35,048**	**$ 27,977**
Current income tax expense / (recovery)	10	(875)	5,347
Deferred income tax expense / (recovery)	10	15,632	(13,628)
Total income tax expense / (recovery)		14,757	(8,281)
Earnings		**$ 20,291**	**$ 36,258**
Other comprehensive income			
Foreign currency translation differences		(4,645)	(15,649)
Total comprehensive income		**$ 15,646**	**$ 20,609**
Earnings per unit			
Basic		$ 0.56	$ 0.99
Fully diluted		$ 0.56	$ 0.98
Weighted average units outstanding			
Basic	6	36,121	36,597
Fully Diluted	6	36,482	36,889

Alaris Equity Partners Income Trust
Consolidated statement of changes in equity
For the year ended December 31, 2019

$ thousands	Notes	Shareholders' Capital	Convertible Debenture	Equity Reserve	Translation Reserve	Retained Earnings / (Deficit)	Total Equity
Balance at January 1, 2019		$ 621,082	$ -	$ 14,679	$ 32,725	$ (32,621)	$ 635,865
Earnings for the year		-		-	-	36,258	36,258
Other comprehensive income / (loss)							
Foreign currency translation differences		-		-	(15,649)	-	(15,649)
Total comprehensive income / (loss) for the year		$ -	$ -	$ -	$ (15,649)	$ 36,258	$ 20,609
Transactions with shareholders, recognized directly in equity							
Unit-based compensation	9	$ -	$ -	$ 4,315	$ -	$ -	$ 4,315
Distributions to shareholders	6	-	-	-	-	(60,401)	(60,401)
Equity component of convertible debenture	8	-	4,059	-	-	-	4,059
Shares issued pursuant to RSU vesting in the year		4,231	-	(4,231)	-	-	-
Total transactions with Shareholders		$ 4,231	$ 4,059	$ 84	$ -	$ (60,401)	$ (52,027)
Balance at December 31, 2019		**$ 625,313**	**$ 4,059**	**$ 14,763**	**$ 17,076**	**$ (56,764)**	**$ 604,447**

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

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

Alaris Equity Partners Income Trust
Consolidated statements of cash flows

$ thousands	Notes	Year ended December 31 2020	2019
Cash flows from operating activities			
Earnings for the period		$ 20,291	$ 36,258
Adjustments for:			
Finance costs	7, 8	18,103	19,294
Deferred income tax expense / (recovery)		15,632	(13,628)
Depreciation and amortization		222	384
Loss on assets held for sale	5	-	45,883
Net realized gain / (loss) from investments	5	26,863	(11,724)
Net unrealized loss of investments at fair value	5	14,623	11,304
Unrealized (gain) / loss on foreign exchange		(729)	6,069
Non-cash impact of trust conversion		(7,138)	-
Transaction diligence costs		5,532	2,754
Unit-based compensation	9	2,708	4,315
Changes in working capital (operating):			
- accounts receivables	5	422	(4,428)
- income tax receivable / payable		(11,424)	(3,594)
- prepayments		(605)	672
- accounts payable, accrued liabilities		2,327	(957)
Cash generated from operating activities		$ 86,827	$ 92,602
Cash interest paid	7	(14,965)	(17,824)
Net cash from operating activities		$ 71,862	$ 74,778
Cash flows from investing activities			
Acquisition of investments	5	$ (170,465)	$ (193,357)
Transaction diligence costs		(5,532)	(2,754)
Proceeds from partner redemptions	5	117,698	20,089
Proceeds on disposal of assets and liabilities held for sale	5	39,196	-
Promissory notes issued	5	-	(8,823)
Promissory notes repaid	5	2,499	4,916
Net cash used in investing activities		$ (16,604)	$ (179,929)
Cash flows from financing activities			
Repayment of loans and borrowings	7	$ (228,970)	$ (68,030)
Proceeds from loans and borrowings	7	184,465	134,005
Issuance of unitholders' capital, net of unit issue costs	6	43,375	-
Proceeds from convertible debenture, net of fees	8	-	95,527
Distributions paid	6	(41,511)	(60,367)
Trust unit repurchases	6	(10,051)	-
Office lease payments		(178)	(253)
Net cash from / (used in) financing activities		$ (52,870)	$ 100,882
Net increase / (decrease) in cash and cash equivalents		$ 2,388	$ (4,269)
Impact of foreign exchange on cash balances		(2,994)	(1,401)
Cash and cash equivalents, Beginning of year		17,104	22,774
Cash and cash equivalents, End of year		$ 16,498	$ 17,104
Cash taxes paid		$ 7,616	$ 8,759

Alaris Equity Partners Income Trust

Notes to consolidated financial statements

Years ended December 31, 2020 and 2019

1. Reporting entity:

Alaris Equity Partners Income Trust is a company domiciled in Calgary, Alberta, Canada. The consolidated financial statements as at and for the year ended December 31, 2020 comprise Alaris Equity Partners Income Trust and its subsidiaries (together referred to as “Alaris” or the “Trust”). The Trust’s Canadian investments are made through a wholly-owned Canadian corporation, Alaris Equity Partners Inc. (“AEP”, formerly known as Alaris Royalty Corp.) and its American investments are made through two Delaware corporations, Alaris Equity Partners USA Inc. (“Alaris USA”) and Salaris USA Royalty Inc. (“Salaris USA”). The Trust’s operations consist primarily of investments in private operating entities, typically in the form of preferred or common limited partnership interests, preferred or common interest in limited liability corporations in the United States, and loans receivable. The Trust also has a wholly-owned subsidiary in the Netherlands, Alaris Cooperatief U.A. (“Alaris Cooperatief”).

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

Prior to September 1, 2020, the consolidated financial statements were of Alaris Royalty Corp., which comprised Alaris Royalty Corp. and its subsidiaries, Alaris USA, Salaris USA and Alaris Cooperatief.
New accounting policies were adopted on the re-organization to reflect the new structure. These new accounting policies are described in Note 3.

2. Statement of compliance:

a) Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors on March 9, 2021.

b) Basis of measurement

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

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

2. Statement of compliance (continued):

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

Significant judgments

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

Key estimates used in determining investments at fair value

Investments at fair value are measured using a discounted cash flow model. 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 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. ECL's are a probability weighted estimate of credit losses. Significant assumptions used in the determination of ECLs include the probability of future default, and the timing and amount of the collection of contractual cash flows. These assumptions are generally based on a combination of the relevant Partners' most recently available financial information and past performance, and information on security values.

Income taxes

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

COVID-19

For the year ended December 31, 2020 and as discussed further in Note 5, the Trust has used estimates and judgments related to the impact that the novel coronavirus disease 2019 ("COVID-19") has had and is expected to have on its Partners in the determination of key estimates and judgments. These estimates are based on the information available to the Trust to the date of the financial statements. The situation remains fluid and certain impacts to our Partner's businesses continue to remain unknown and may reasonably result in future adjustments to our fair value assumptions or expected credit losses within the next twelve months.

3. Significant accounting policies:

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

a) Basis of consolidation

i. Subsidiaries

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

ii. Transactions eliminated on consolidation

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

b) Revenue recognition

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

c) Financial instruments

Recognition and Initial Measurement

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

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

Classification and Subsequent Measurement

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

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

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

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

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

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

3. Significant accounting policies (continued):

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

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

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

Business Model Assessment

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

Solely Payments of Principal and Interest Assessment

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

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

Financial Liabilities

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

Derecognition and modifications

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

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

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as a derecognition of the original liability and

3. Significant accounting policies (continued):

the recognition of a new liability. When the terms of an existing financial liability are modified, but the changes to the terms are considered non-substantial, the modification is accounted for as a modification to the existing financial liability. The difference in the carrying amounts of liabilities as a result of both substantial and non-substantial modifications is recognized in profit and loss.

Derivatives

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

The Trust's financial instruments are classified as follows:

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

Compound Financial Instruments:

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

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

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

d) Unitholders' capital

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

3. Significant accounting policies (continued):

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

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

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

e) Equipment

i. Recognition and measurement

Equipment is measured at cost less accumulated depreciation.

ii. Depreciation

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

f) Impairment of financial assets

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

g) Unit based compensation

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

Holders of units granted under the restricted unit plans receive distributions in the form of additional units when the Trust declares distributions on its Trust units. The additional units are recognized as compensation expense.

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

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

3. Significant accounting policies (continued):

h) Finance costs

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

i) Income tax

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

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

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

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

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

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

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

j) Earnings per Trust Unit

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

k) Foreign currency transactions

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

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

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

l) Foreign operations

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

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

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

m) Office lease

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

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

The lease liability is subsequently measured at amortized cost.

4. Financial Risk Management Overview

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

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

4. Financial Risk Management Overview (continued):

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

Risk Management Framework

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

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

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

Credit Risk and Other Price Risk

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

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

Cash and cash equivalents consist of cash bank balances. The Trust manages the credit exposure related to short-term investments by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper. The Trust held cash and cash equivalents of $16.5 million at December 31, 2020 (December 31, 2019 - $17.1 million), which represents its maximum credit exposure on these assets.

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

However, management also considers the demographics of counterparties, including the default risk of the industry and country in which counterparties operate, as these factors may have an influence on credit risk. No single partner accounted for more than 15% of the Trust's revenue in the years ended December 31, 2020 and 2019.

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

Liquidity Risk

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

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

Typically the Trust ensures that it has sufficient cash on hand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. In addition, the Trust maintains a $330 million (increased to $400 million subsequent to December 31, 2020), three year revolving credit facility, and has $229.5 million balance drawn at December 31, 2020 ($285.2 million at December 31, 2019). This total drawn at December 31, 2020 of $229.5 million does not include the short-term $9.0 million repaid for the purposes to re-draw in January 2021 for the quarterly distribution (refer to Note 7). As at December 31, 2020 the Trust has the following financial liabilities that mature as follows:

31-Dec-20	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	3 – 4 years
Accounts payable and accrued liabilities	$ 5,351	$ 5,351	$-	$-	$-
Distributions payable	12,089	12,089	-	-	-
Office Lease	659	91	91	182	295
Other long-term liabilities	980	-	-	572	408
Convertible debenture	100,000	-	-	-	100,000
Loans and borrowings	229,477	-	-	-	229,477
Total	**$ 348,556**	**$ 17,531**	**$ 91**	**$ 754**	**$ 330,180**

Market Risk

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

Foreign currency exchange rate risk

As a result of the investments denominated in USD, the Trust has exposure to foreign currency exchange rate risk. The Trust purchases forward exchange rate contracts to match expected distributions and expenditures in Canadian dollars on a rolling 12 month basis and also for a portion of the expected distributions and expenditures in Canadian dollars on a rolling 12 to 24 month basis (total current notional value of US$37.5 million for next 24 months). As at December 31, 2020, if the US foreign exchange rate had been $0.01 lower with all other variables held constant, earnings for the year would have been approximately $0.2 million higher. An equal and opposite impact would have occurred to earnings had foreign exchange rates been $0.01 higher.

Additionally, the Trust has US dollar subsidiaries and loans in US dollars (external senior debt, intercompany and with Federal Resources) that are translated at each balance sheet date with an unrealized foreign exchange gain or loss recorded in earnings. As at December 31, 2020, if the US foreign exchange rate had been $0.01 lower with all other variables held constant, earnings for the year would have been approximately $2.1 million lower due to lower net income from US subsidiaries, a larger unrealized loss on loans to subsidiaries and Federal Resources, partially offset by a higher unrealized gain on USD denominated external debt and unrealized gain on foreign exchange contracts.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Trust is exposed to interest rate fluctuations on its bank debt that bears a floating rate of interest. As at December 31, 2020, if interest rates had been 1% higher with all other variables held constant, earnings for the year would have been approximately $1.9 million lower, due to higher finance costs. An equal and opposite impact would have occurred to earnings had interest rates been 1% lower. The Trust has an interest rate swap that was initiated in 2019 and that expires in November 2021. The interest rate swap allows for a fixed interest rate of 1.50% in replace of LIBOR on $50.0 million notional amount of USD debt.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of unitholders' capital, a $330.0 million revolving credit facility (increased to $400.0 million subsequent to December 31, 2020 – refter to Note 7 for further details), a $23.0 million accordion facility, $100.0 million of convertible debentures and retained earnings. The Board of Directors monitors the return on capital as well as the level of distributions to common unitholders.

The Trust manages capital by monitoring certain debt covenants set out in its credit facility. The Trust has a maximum senior debt to contracted EBITDA of 2.5:1 which can extend to 3.0:1 for a period of 90 days (subsequent to December 31, 2020 an amendment was agreed to that increased this maximum to 3.0:1 which can extend to 3.5:1 for a period of 90 days, strictly only for the March 2021 and June 2021 reporting periods, then going back to 2.5:1 and 3.0:1 by September 30, 2021). Contracted EBITDA is defined as net income before interest expense, income taxes, depreciation and amortization, bad debt expense, realized and unrealized foreign exchange gains or losses and unit-based compensation expenses, the Trust can include twelve months of revenue from partners that are less than twelve months from closing and must exclude revenue from partners for the portion that was redeemed or repurchased and for distributions that have been accrued and are past due. The Trust has a fixed charge coverage ratio covenant of 1:1. Additionally, a minimum tangible net worth requirement of $450.0 million is in place. Tangible net worth is defined as unitholders equity less intangible assets. The Trust was in compliance with all debt covenants at December 31, 2020 (please refer to Note 7 for actual ratios as of December 31, 2020). In order to acquire more distributions, the Trust can access its credit facility for investing activity. Any funding requirements for acquisitions in excess of availability under the credit facility will require the Trust to access public equity markets and manage the business within the bank covenants. There were no significant changes in the Trust's approach to capital management.

5. Investments

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

5. Investments (continued):

Investments at Fair Value & Amortized Cost *$ thousands*	**Carrying Value**		**Acquisition Cost**
As at	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**
GWM Holdings, Inc ("GWM")	US $ 15,400	US $ 7,600	US $ 15,500
GWM Loan Receivable at amortized cost	85,500	41,500	85,500
Federal Resources Supply Company ("FED")	74,624	73,524	67,000
PF Growth Partners, LLC ("PFGP")	70,356	72,312	75,156
PFGP - Common Equity	15,144	16,687	17,344
Body Contour Centers, LLC ("BCC")	65,604	46,904	66,000
DNT Construction, LLC ("DNT")	60,443	68,943	62,800
Accscient, LLC ("Accscient")	38,877	38,277	38,000
Edgewater Technical Associates, LLC ("Edgewater")	30,550	-	30,550
Edgewater - Common Equity	3,450	-	3,450
Unify Consulting, LLC ("Unify")	25,700	25,000	25,000
Kimco Holdings, LLC ("Kimco")	26,532	11,332	34,200
Carey Electric Contracting LLC ("Carey Electric")	16,100	-	16,100
Carey Electric - Common Equity	900	-	900
Heritage Restoration, LLC ("Heritage")	15,200	16,200	15,000
Fleet Advantage, LLC ("Fleet")	11,300	10,400	10,000
Stride Consulting LLC ("Stride")	6,000	6,000	6,000
ccCommunications LLC ("ccComm")	3,827	14,827	19,200
Providence Industries, LLC ("Providence")	-	22,941	30,000
Sales Benchmark Index LLC ("SBI")	-	84,240	-
Total Investments (based in United States) - USD	US $ 565,507	US $ 556,687	US $ 617,700
Total Investments (based in United States) - CAD	$ 722,887	$ 727,480	$ 789,606
Lower Mainland Steel Limited Partnership ("LMS")	52,622	49,054	60,564
Amur Financial Group ("Amur")	50,000	50,000	50,000
Amur - Common Equity	20,500	20,000	20,000
SCR Mining and Tunneling, LP ("SCR")	34,503	34,503	40,000
Total Investments (based in Canada)	$ 157,625	$ 153,557	$ 170,564
Total Investments	**$ 880,512**	**$ 881,037**	**$ 960,170**

Transactions closed in 2020

Redemption of SBI

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

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

On February 28, 2020, Alaris exited its investment in Sandbox for total consideration of US$32.6 million. The proceeds from the Sandbox sale were used to repay outstanding debt and accrued interest owed to Alaris of US$21.9 million, to pay US$1.5

million of accrued distributions owed to Alaris and US$5.1 million to redeem all of the outstanding preferred units. Also included in the total proceeds of US$32.6 million is US$4.1 million to remain in escrow to cover working capital adjustments and indemnity obligations, which, if released, is expected to be paid out over a period of 24 months. Alaris may also receive up to an additional US$2.0 million pursuant to an earnout if certain financial performance criteria are satisfied. Due to the uncertainty regarding the escrow and earnout amounts have not been recorded on the balance sheet and will only be recorded once received.

As at December 31, 2019, this investment was classified as assets and liabilities held for sale on Alaris' statement of financial position.

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

Subsequent to closing of the sale described above, 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. Due to uncertainties in the timing and collection of the sale proceeds that are subject to the indemnity and working capital adjustment escrows, Alaris did not and has not recognized the amounts being held in escrow or any other contingent amounts in the financial statements. On September 16, 2020, the purchaser served Alaris with a complaint (the "Complaint"), which advances claims centered upon the assertions contained in Notices that were previously disclosed. That is, the Complaint alleges that AEP and certain of its representatives breached some of the representations and warranties of the purchase and sale 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 intends to vigorously defend the case. To this end, AEP and the Trust filed Motions to Dismiss the purchasers' claims of fraud and their claim seeking arbitration regarding the working capital adjustment. AEP and the Trust has not moved to dismiss certain narrower contract breach claims. The Trust is also actively evaluating the possibility of lodging counterclaims in the matter.

Based upon its knowledge of the facts of the pre-closing of Sandbox, the sale process and other advice obtained to date, no liability has been recorded in the financial statements.

PFGP Additional Contribution

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

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

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

5. Investments (continued):

GWM Additional Contribution

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

Proceeds from Phoenix (formerly KMH)

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

BCC Additional Contribution

On December 7, 2020, Alaris made an additional US$20.0 million contribution to BCC in exchange for preferred equity with initial annualized distributions of US$2.6 million, an initial yield of 13%. The additional contribution to BCC was a result of BCC achieving key performance targets agreed to under the original financing. The BCC distribution will be adjusted annually (commencing January 1, 2022) based on the change in same clinic sales, subject to a 6% collar.

Partial Redemption of Redeemable DNT Units

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

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

On December 31, 2020, Alaris made an initial contribution into Edgewater which consisted of US$30.6 million of preferred equity as well as an investment of US$3.4 million in exchange for a minority ownership of the common equity in Edgewater. The contribution in exchange for preferred units of US$30.6 million has initial annualized distributions to Alaris of US$4.3 million. The Edgewater distribution will be adjusted annually (commencing January 1, 2022) based on the change in Edgewater's gross profit, subject to a +/- 6% collar. Alaris is entitled to their ownership percentage of any common equity distributions declared.

<u>**Transactions closed in 2019**</u>

Accscient Additional Contribution

On January 12, 2019, Alaris invested an additional US$8.0 million into Accscient in exchange for initial annual distributions of US$1.1 million.

Sandbox Additional Contribution

On February 22, 2019, Alaris contributed an additional US$5.0 million into Sandbox, in exchange for initial annual distributions of US$0.8 million.

Partial Redemption of Redeemable SBI Units

On May 10, 2019, Alaris received a partial redemption of US$10.0 million from SBI in exchange for preferred units which had an associated US$1.4 million of annual distributions. The preferred units were redeemed at par, in accordance with the operating agreement.

5. Investments (continued):

Proceeds from Phoenix (formerly KMH)

On May 31, 2019, Alaris received US$1.5 million from the third party which purchased a US loan that Alaris had outstanding with Phoenix Holdings Limited ("Phoenix"), a previous partner of Alaris. The US$1.5 million was recorded as a recovery of a previously recorded bad debt expense during the year ended December 31, 2019.

Investment into Amur

On June 21, 2019, Alaris made an initial contribution into Amur Financial Group which consisted of $48.0 million of debt, $2.0 million of preferred equity and an investment of $20.0 million in exchange for common shares of Amur. The Amur contribution in exchange for debt and preferred units of $50.0 million, has resulted in an initial annualized distribution to Alaris of $6.5 million. The Amur distribution will be adjusted annually (commencing January 1, 2021) based on the change in Amur's gross revenues, subject to a +/- 6% collar. Alaris is entitled to their ownership percentage of any common equity distributions declared.

The investments in Amur are recorded at fair value. As the fair value of preferred units and debt will vary based on expected variability in future distributions, it will be recorded separately from the fair value of the common units, which will be based on the underlying value of Amur's business.

PFGP Additional Contribution

On July 11, 2019, Alaris contributed an additional US$60.2 million to PFGP. The contribution consisted of a new US$43.7 million preferred equity investment and US$16.5 million in exchange for a minority ownership of the common equity in PFGP. In conjunction with the incremental investment, Alaris also crystalized a US$7.0 million gain on existing units that had a US$20.8 million cost basis and a redemption price of US$27.8 million. Following the investment, Alaris had US$71.5 million of preferred equity (US$43.7 million of new units and US$27.8 million of existing), in addition to US$16.5 million of common equity for a total investment at the time of US$88.0 million. The initial yield for the preferred equity investment was 12.5% and the reset metric is based on same club sales with a collar of +/- 5%.

On December 2, 2019, Alaris made an additional US$1.0 million contribution in exchange for an additional US$0.8 million of preferred units and US$0.2 million of a minority interest of the common equity in PFGP.

Partial Redemption of Redeemable Fleet Units

On July 22, 2019, Alaris received a partial redemption of US$5.0 million from Fleet in exchange for preferred units which had an associated US$0.7 million of annual distributions. The preferred units were redeemed at par, in accordance with the operating agreement.

ccComm Additional Contribution

Alaris invested an additional US$3.0 million in ccComm during the year ended December 31, 2019, in exchange for initial annual distributions of US$0.4 million.

Investment in Stride

On November 7, 2019, Alaris made a US$6.0 million contribution in exchange for preferred units in Stride. Alaris is entitled to an initial annual distribution of US$0.8 million. Commencing on January 1, 2021, the distribution will be adjusted annually based on the percentage change in gross revenue year over year, subject to a collar of +/- 6%.

Unify Additional Contribution

On December 17, 2019, Alaris contributed an additional US$10.5 million to Unify in exchange for preferred units. Alaris also exchanged the existing preferred units in Unify into new preferred units, which were previously valued at US$14.5 million (original cost of US$12.0 million). The resulting preferred units following the contribution and exchange of current units were US$25.0 million of new preferred units. The new preferred units resulted in an initial annualized distribution of US$3.3

million. The distribution will have a payment in kind ("PIK") feature, pursuant to which Unify can elect to PIK up to 2.0% of Alaris' invested capital and any such outstanding amounts would then accrue at the rate equal to the current overall yield of the Unify distribution. Commencing on January 1, 2021, the distribution will be adjusted annually based on the percentage change in net revenue year over year subject to a collar of +/- 5%.

Assumptions used in fair value calculations:

Alaris recognizes that the determination of the fair value of its investments at fair value 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 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 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 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 the Trust's publicly traded units and of other similar public companies. Cash flows have been discounted at rates ranging from 12.5% - 19.5%.

For the year ended December 31, 2020, the Trust has made estimates of the impact of the COVID-19 pandemic as it relates to each Partner's business in determining the fair value of each investment. Assumptions that were assessed and adjusted, where required, for each Partner included:

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

These assumptions will be refined each reporting period as new information is obtained and may continue to require future adjustment to the fair value of the investments. All assumptions made at December 31, 2020 are based on the information available to the Trust as of the date of these financial statements. Refer to Note 11 for additional information, including sensitivity analyses to these inputs.

5. Investments (continued):

Investments ($ thousands)	Opening Carrying Value	Additions	Redemptions	Foreign Exchange Adjustment	Fair Value Adjustment	Ending Carrying Value
2020						
FED	$ 96,081	$ -	$ -	$ (2,098)	$ 1,410	$ 95,393
PFGP	94,498	4,014	-	(1,612)	(6,964)	89,936
PFGP - Common	21,807	926	-	(320)	(3,055)	19,358
DNT	90,095	-	(6,392)	(1,578)	(4,860)	77,265
BCC	61,294	25,566	-	(1,133)	(1,866)	83,861
GWM	9,932	14,652	-	(557)	(4,341)	19,686
GWM loan receivable	54,232	58,608	-	(3,545)	-	109,295
Accscient	50,020	-	-	(912)	588	49,696
Amur	50,000	-	-	-	-	50,000
Amur - Common	20,000	-	-	-	500	20,500
LMS	49,054	-	-	(113)	3,681	52,622
SCR	34,503	-	-	-	-	34,503
Unify	32,670	-	-	(742)	924	32,852
Heritage	21,170	-	-	(351)	(1,389)	19,430
ccComm	19,376	-	-	793	(15,276)	4,893
Kimco	14,809	-	-	(778)	19,885	33,916
Fleet	13,590	-	-	(282)	1,135	14,443
Stride	7,841	-	-	(171)	-	7,670
Edgewater	-	39,052	-	-	-	39,052
Edgewater - Common	-	4,410	-	-	-	4,410
Carey Electric	-	22,007	-	(1,426)	-	20,581
Carey Electric - Common	-	1,230	-	(80)	-	1,150
Providence	29,980	-	-	1,878	(31,858)	-
SBI	110,085	-	(111,306)	1,221	-	-
Investments - December 31, 2020	**$ 881,037**	**$ 170,465**	**$ (117,698)**	**$ (11,806)**	**$ (41,486)**	**$ 880,512**

Investments ($ thousands)	Opening Carrying Value	Additions	Redemptions	Foreign Exchange Adjustment	Reclass to Assets Held for Sale	Fair Value Adjustment	Ending Carrying Value
2019							
SBI	$ 124,783	$ -	$ (13,505)	$ (4,832)	$ -	$ 3,639	$ 110,085
FED	100,309	-	-	(4,228)	-	-	96,081
PFGP	34,064	58,516	-	(1,880)	-	3,798	94,498
PFGP - Common	-	21,972	-	(165)	-	-	21,807
DNT	94,059	-	-	(3,964)	-	-	90,095
BCC	62,763	-	-	(2,645)	-	1,176	61,294
GWM	6,139	-	-	(301)	-	4,094	9,932
GWM loan receivable	56,619	-	-	(2,387)	-	-	54,232
Accscient	42,261	10,576	-	(1,902)	-	(915)	50,020
Amur	-	50,000	-	-	-	-	50,000
Amur - Common	-	20,000	-	-	-	-	20,000
LMS	39,769	-	-	(265)	-	9,550	49,054
SCR	28,903	-	-	-	-	5,600	34,503
Unify	18,441	13,778	-	(807)	-	1,258	32,670
Providence	39,007	-	-	(1,488)	-	(7,539)	29,980
Heritage	21,556	-	-	(909)	-	523	21,170
ccComm	21,755	3,964	-	(985)	-	(5,358)	19,376
Kimco	25,965	-	-	(1,072)	-	(10,084)	14,809
Fleet	20,464	-	(6,584)	(813)	-	523	13,590
Stride	-	7,973	-	(132)	-	-	7,841
Sandbox	53,318	6,578	-	(2,103)	(6,610)	(51,183)	-
Investments - December 31, 2019	**$ 790,175**	**$ 193,357**	**$ (20,089)**	**$ (30,878)**	**$ (6,610)**	**$ (44,918)**	**$ 881,037**

5. Investments (continued):

Distributions:

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

Partner Distributions:	Year ended December 31	
$ thousands	**2020**	**2019**
DNT	$ 15,415	$ 14,943
FED	14,376	14,862
GWM	10,048	7,405
SBI	9,176	14,650
BCC	9,141	8,547
Accscient	7,477	7,355
LMS	7,449	5,551
Amur	6,500	3,413
Amur Common Equity	676	705
Kimco	5,730	-
Unify	4,359	2,630
SCR	4,200	2,250
Heritage	3,404	3,152
PFGP	2,696	8,190
Fleet	1,985	2,379
Carey Electric	1,714	-
Carey Electric Common Equity	461	-
Stride	1,127	163
ccComm	294	3,229
Providence	514	3,900
Sandbox	-	8,000
Total Distributions	$ 106,742	$ 111,324
Interest	2,741	4,644
Realized gain / (loss) on derivative contracts	85	(1,012)
Revenues, net of realized foreign exchange gain or loss	**$ 109,568**	**$ 114,956**

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 Receivables:

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.

The differences between the carrying value and face value is due to the timing and uncertainty surrounding the collection of cash flows. Alaris will continue to pursue recovery of the full face value for all outstanding promissory notes. Below is a summary of changes in promissory notes and other receivables for the year ended December 31, 2020.

5. Investments (continued):

Reconciliation of Promissory Notes and Other Receivables *($ thousands)*	**Year ended**	
	31-Dec-20	*31-Dec-19*
Face Value - Opening	$ 30,150	$ 62,359
Opening provision for credit losses	(3,907)	(12,148)
Carrying value as at beginning of period	**$ 26,243**	**$ 50,211**
Additions	-	8,823
Repayments	(2,499)	(4,916)
Bad debt expense	(81)	-
Reclassification to assets held for sale	-	(26,140)
Foreign exchange	(430)	(1,735)
Carrying value as at end of period	**$ 23,233**	**$ 26,243**
Promissory notes & other receivables - current	$ 4,000	$ 6,580
Promissory notes & other receivables - non-current	$ 19,233	$ 19,663

The Trust has the following promissory notes and other receivables by partner outstanding as of December 31, 2020:

Promissory Notes and Other Receivables by Partner	**Note**	**Carrying Value**	
($ thousands)		*31-Dec-20*	*31-Dec-19*
Lower Mainland Steel	*(1)*	$ 4,000	$ 5,000
Group SM	*(2)*	-	1,580
Kimco - long-term accounts receivable	*(3)*	2,326	2,381
Kimco	*(4)*	16,907	17,282
Balance		**$ 23,233**	**$ 26,243**

(1) - unsecured short-term note bearing interest of 12% per annum, $1.0 million of which was repaid during 2020

(2) - short-term subordinated note repaid during 2020

(3) - unpaid distributions reclassified to long-term accounts receivable in 2016, discounted based on recoverability. Non-interest bearing and the carrying value reflects an expectation to receive the notional amount over a five year period.

(4) - unsecured long-term promissory notes with notional amounts of US$7.8 million (bearing interest at 8% per annum) and US$6.0 million (bearing interest at 12% per annum)

The expected credit loss model classifies Alaris' outstanding promissory notes and other receivables in three stages based on their credit quality. Stage 1 represents the lowest credit risk and stage 3 represents loans that are credit impaired. As at December 31, 2020 the Trust had $20.9 million (December 31, 2019 - $23.8 million) of promissory notes and other receivables classified as stage 1 and $2.3 million classified as stage 3 (December 31, 2019 - $2.4 million). There was no transfers between stages during the year ended December 31, 2020. The previously recorded face value and the opening provision for credit losses have both decreased by $8.2 million related to the Sandbox promissory notes, which were settled as part of the reclassification of the Sandbox promissory notes to assets held for sale, during the year ended December 31, 2019.

6. Unitholders' Capital

The Trust has authorized, issued and outstanding, 38,996,399 voting units as at December 31, 2020 (December 31, 2019 – 36,709,081). Refer to Note 1 for details relating to the income trust conversion that occurred on September 1, 2020. There was no change to the total authorized, issued and outstanding units as a result of the conversion to an income trust.

6. Unitholders' capital (continued): 4

Issued Trust Units	Number of Units	Amount ($)
	thousands	*$ thousands*
Balance at December 31, 2018	36,496	$ 621,082
RTUs vested	213	4,231
Balance at December 31, 2019	36,709	$ 625,313
Trust units issued by short form prospectus	3,347	46,014
Short form prospectus costs	-	(2,639)
RTUs vested	97	1,351
Trust units repurchased under the NCIB	(1,157)	(10,051)
Balance at December 31, 2020	**38,996**	**$ 659,988**

Outlined below is the weighted average units outstanding for the year ended December 31, 2020 and 2019:

Weighted Average Units Outstanding	Year ended December 31	
thousands	2020	2019
Weighted average units outstanding, basic	36,121	36,597
Effect of outstanding RTUs	361	292
Weighted average units outstanding, fully diluted	36,482	36,889

There were 984,019 and 1,433,866 options excluded from the calculation as they were anti-dilutive at December 31, 2020 and December 31 2019, respectively.

Distributions

Upon conversion to an income trust, the previously used term of dividends has changed to distributions. For the three months ended December 31, 2020, the Trust declared a quarterly distribution of $0.31 per unit, paid on January 15, 2021. The total distributions and dividends declared during the year ended December 31, 2020 were $1.3225 per unit and $48.6 million in aggregate (2019 - $1.65 per share and $60.4 million in aggregate).

Normal Course Issuer Bid

On March 20, 2020, the Trust announced that it had received approval from the Toronto Stock Exchange ("TSX") to establish a normal course issuer bid ("NCIB") program. Under the NCIB, the Trust may purchase for cancellation up to 3,473,720 trust units (formerly, common shares). The NCIB represents approximately 10% of the Trust's public float of its issued and outstanding shares as at March 19, 2020. The program commenced on March 24, 2020 and will remain in effect until March 23, 2021 or such earlier time as the NCIB is completed or terminated at the option of the Trust.

During the year ended December 31, 2020, the Trust purchased 1,156,541 units for cancellation for a total cost, including transaction costs, of $10.1 million under the NCIB. The weighted-average price of the units repurchased was $8.69 per unit.

Unit Offering

In December 2020, Alaris completed a bought deal short-form prospectus offering of 3,346,500 trust units at a price of $13.75 per unit, for aggregate gross proceeds of $46.0 million, which includes the exercise in full of the over-allotment option to purchase up to 436,500 units for gross proceeds of $6.0 million. After deduction of the underwriters' fees and expenses of the offering, net proceeds to Alaris were $43.4 million.

6. Unitholders' capital (continued):

Subsequent to December 31, 2020, Alaris completed an additional bought deal short-form prospectus offering, with the total trust units being issued of 5,909,375 at a price of $16.00 per unit, for aggregate gross proceeds of $94.6 million. After deduction of the underwriters' fees and expenses of the offering, net proceeds to Alaris were $90.7 million.

7. Loans and borrowings:

As at December 31, 2020, AEP has a $330 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. AEP realized a blended interest rate of 5.1% (inclusive of standby fees) for the year ended December 31, 2020.

At December 31, 2020, AEP had US$180.3 million and $1.0 million ($231.4 million) drawn on its credit facility (December 31, 2019 – US$197.2 million and $27.5 million, total of $285.2 million). The amount recorded in the Trust's statement of financial position of $229.5 million, is reduced by the unamortized debt amendment and extension fees of $1.9 million. For the purposes of calculating AEP's maximum funded debt to contracted EBITDA covenant and the total available capacity on Alaris' senior credit facility, the total drawn is $240.4 million. The additional $9.0 million in excess of the $231.4 million noted above was an amount repaid during Q4 2020 for the purposes of interest savings with the intent to re-draw in January 2021 for the quarterly distribution to unitholders. In accordance with AEP's credit facility this amount is added back for covenant and compliance purposes.

During the year ended December 31, 2020, AEP closed an extension to its credit facility, extending the maturity date to November 2023.

Loans and Borrowings Continuity	Denominated Debt		Total
$ thousands	$USD	$CAD	$CAD
Balance at December 31, 2019	**$ 197,200**	**$ 27,500**	**$ 285,193**
Repayment (SBI Redemption)	(90,000)	-	(116,892)
Repayment (Sandbox Redemption)	(23,000)	(3,500)	(34,210)
Draw (PFGP Expansion Funding)	3,500	-	4,873
Repayment of CAD Debt with USD Debt	13,250	(19,000)	-
Draw (NCIB)	-	10,000	10,000
Draw (Carey Electric)	17,000	-	23,112
Draw (US Tax Regulation Change)	3,000	-	4,086
Draw (GWM Follow-on)	55,000	-	73,007
Draw (BCC Follow-on)	20,000	-	25,806
Repayment (Dec 20 Equity Offering)	(38,700)	-	(49,487)
Draw (Edgewater)	34,000	-	43,581
Repayment (DNT Partial Redemption)	(5,000)	-	(6,409)
Repayment	(6,000)	(5,000)	(12,972)
Repayment (Short-term to re-draw Jan-21 Distribution)	-	(9,000)	(9,000)
Unrealized FX (gain) / loss on USD denominated debt	N/A	N/A	(9,274)
Balance at December 31, 2020, prior to unamortized fees	**$ 180,250**	**$ 1,000**	**$ 231,414**
Unamortized debt amendment and extension fees	N/A	N/A	(1,937)
Balance at December 31, 2020	**$ 180,250**	**$ 1,000**	**$ 229,477**

Loans and borrowings (continued):

At December 31, 2020, 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 2.34:1 at December 31, 2020); minimum tangible net worth of $450.0 million (actual amount is $605.0 million at December 31, 2020); and a minimum fixed charge coverage ratio of 1:1 (actual ratio is 1.33:1 at December 31, 2020).

Subsequent to December 31, 2020, Alaris drew an additional US$40.0 million for its investment in FNC (defined in Note 14), US$66.0 million for its investment in Brown & Settle (defined in Note 14) and US$30.0 million for its investment in 3E (defined in Note 14). The Trust also repaid US$71.0 million of outstanding USD debt following the aforementioned completion of a bought deal short-form prospectus.

Alaris also completed an amendment to its credit facility with its senior lenders, subsequent to December 31, 2020. The amendment increased the base of the credit facility from $330 million to $400 million that included the addition of a seventh bank to the lending syndicate. Included in the amendment was an increase in the maximum funded debt to contracted EBITDA covenant for the March 2021 and June 2021 measurement periods, from 3.0x to 3.5x for those two periods. Covenants return to previous levels from September 30, 2021 onwards (maximum of 2.5:1, with the ability to increase to 3.0:1 for a period of 90 days). Following this amendment and the transactions subsequent to December 31, 2020 noted above, the senior debt facility was drawn to approximately $320.0 million, with the capacity to draw up to another $80.0 million based on covenants and credit terms. The resulting funded debt to contracted EBITDA after these transactions is approximately 2.6x.

8. Convertible debentures:

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

The Debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the business day immediately preceding the maturity date of June 30, 2024 and the date specified by the Trust for redemption of the Debentures into fully paid and non-assessable units of the Trust at a conversion price of $24.25 per unit, being a conversion rate of approximately 41.2371 units for each $1,000 principal amount of Debentures.

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

Convertible Debenture *($ thousands)*	**Debt**	**Equity**	**Total**
Balance at January 1, 2019	$ -	$ -	$ -
Face value of issuance	94,500	5,500	100,000
Issuance Cost	(4,473)	-	(4,473)
Deferred taxes	-	(1,441)	(1,441)
Accretion	912	-	912
Balance at December 31, 2019	$ 90,939	$ 4,059	$ 94,998
Accretion	2,228	-	2,228
Non-cash impact of trust conversion	(7,138)	(4,059)	(11,197)
Balance at December 31, 2020	**$ 86,029**	**-**	**$ 86,029**

9. Unit-based payments:

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

The RTU Plan will settle in voting trust units which may be issued from treasury or purchased on the Toronto Stock Exchange. The Trust has reserved 910,232 and issued 361,518 RSUs to management and Directors as of December 31, 2020. The RTUs issued to directors (99,286) vest over a three-year period. The RTUs issued to management (262,232) are a combination of time vested units (158,509) and performance vested units (103,723). The time vested units do not vest until the end of a three-year period (73,725 in 2021, 17,484 in 2022 and 67,300 in 2023). The performance vested units vest one third every year (53,028 in 2021, 28,261 in 2022 and 22,434 in 2023) and are subject to certain performance conditions relating to book value per unit. The unit-based compensation expense relating to the RSU Plan is based on the issue price at the time of grant and management's estimate of the future performance conditions and will be amortized over the thirty-six month vesting period.

The Trust has reserved and issued 984,019 options as of December 31, 2020. The options outstanding at December 31, 2020, have an exercise price in the range of $20.60 to $22.78, a weighted average exercise price of $21.70 (2019 – $22.67) and a weighted average contractual life of 1.39 years (2019 – 1.77 years).

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

The following table summarizes the stock-based compensation expense recognized in 2020 and 2019, along with a continuity of RTUs and Options in each period

		For the year ended December 31, 2020				
$ thousands		As at Jan 1, 2020	Issued	Vested or exercised	Forfeited / Expired	As at Dec 31, 2020
RTUs	$ 2,224	291,993	199,431	(97,359)	(32,547)	361,518
Options	484	1,433,866	-	-	(449,847)	984,019
Total expense	$ 2,708					

		For the year ended December 31, 2019				
$ thousands		As at Jan 1, 2019	Issued	Vested or exercised	Forfeited / Expired	As at Dec 31, 2019
RTUs	$ 3,923	393,715	76,218	(212,834)	(31,311)	291,993
Options	392	1,789,804	-	-	(355,938)	1,433,866
Total expense	$ 4,315					

The following table summarizes the options outstanding and exercisable as at December 31, 2020 and 2019:

9. Unit-based payments (continued):

Exercise Price	Number Outstanding		Weighted average remaining life (years)		Number exercisable	
	2020	2019	2020	2019	2020	2019
$24.78	-	449,847	-	0.58	-	449,847
$22.78	472,913	472,913	1.04	2.04	472,913	472,913
$22.33	30,000	30,000	1.20	2.21	30,000	30,000
$20.60	481,106	481,106	1.79	2.79	481,106	481,106
Total	984,019	1,433,866	1.39	1.77	984,019	1,433,866

10. Income Taxes:

The statutory tax rate for the year ended December 31, 2020 was 48% which is the top marginal tax rate of the Trust (December 31, 2019 corporate rate – 26.59%). The Trust Indenture requires that any income of the Trust be allocated to unitholders and so it is not anticipated that the Trust will be taxable. The tax provision differs from the expected income tax provision calculated using the Trust's statutory tax rate as follows:

Income Tax Expense	2020		2019
Earnings before income taxes	35,048		$ 27,977
Combined federal and provincial statutory income tax rate	48.00%		26.59%
Expected income tax provision	$ 16,823		$ 7,439
Loss (Income) of the Trust	$ 2,644		-
Canadian and Foreign corporate rate differences	(11,691)		(11,353)
Expected income tax provision after rate differences	7,776	-	(3,914)
Non-taxable portion of capital gains	(3,372)		(624)
Non-deductible interest	13,656		-
Non-deductible expense and other	(1,962)		618
Change in unrecognized deferred tax assets	(1,650)		(3,137)
Prior period adjustment	309		(1,224)
Balance at end of year	**$ 14,757**		**$ (8,281)**

Cash taxes paid during the year were $7.6 million (net of refunds of $1.7 million) and in 2019 the Trust paid $8.8 million (net of refunds of $1.9 million).

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

Deferred income tax assets (liabilities):	2020	2019
Share issue costs	837	(131)
Investment tax credits	-	(611)
Preferred partnership units	(12,371)	(7,704)
Convertible Debentures	(3,606)	(1,305)
Disallowed interest and net capital losses	809	11,603
Derivatives	(245)	(1,182)
Foreign exchange on loan receivable	(193)	(339)
Foreign exchange on loan payable	(1,015)	(100)
Distributions to be taxed in future years	(557)	(2,566)
Bad debt	1,000	1,027
Valuation allowance	(771)	(2,421)
Balance at end of year	**$ (16,112)**	**$ (3,729)**

10. Income taxes (continued):

Movement in deferred tax balances during the year	Deferred Income Taxes
Balance at January 1, 2019	**$ (15,856)**
Recognized in profit and loss	13,628
Reduction to investment tax credit	(477)
Recognized directly in equity	(1,441)
Currency translation and other	417
Balance at December 31, 2019	**(3,729)**
Recognized in profit and loss	(15,632)
Reduction to investment tax credit	3,274
Currency translation and other	(25)
Balance at December 31, 2020	**$ (16,112)**

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 $7.6 million in investment tax credits (“ITCs”) by the Trust were denied, resulting in reassessed taxes and interest of approximately $55.6 million (2019 - $50.4 million).

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

The Trust has received legal advice that it should be entitled to deduct the non-capital losses and claim ITCs and as such, the Trust remains of the opinion that all tax filings to date were filed correctly and that it will be successful in appealing such Reassessments. The Trust intends to continue to vigorously defend its tax filing position. In order to do that, the Trust was required to pay 50% of the reassessed amounts as a deposit to the Canada Revenue Agency. The Trust has paid a total of $20.2 million (2019 - $20.2 million) in deposits to the CRA relating to the Reassessments to date. It is possible that the Trust may be reassessed with respect to the deduction of ITCs of $2.5 million on the same basis.

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

As a result of the trust conversion, Alaris reduced the carrying amounts of the remaining ITCs receivables to $nil in the statement of financial position. The impact was an additional $0.6 million of deferred tax expense incurred in the year ended December 31, 2020.

On April 8, 2020, the U.S. Treasury Department and IRS published the final regulations (“Regulations”) addressing hybrid financing arrangements. The key impact that these Regulations have on Alaris is that certain interest payments made by Alaris’ U.S. entities are no longer deductible beginning with Alaris’ 2019 tax year. The 2019 impact of these Regulations is an increase to total income tax expense of $10.4 million which has been recorded in the current year ended December 31, 2020. For 2020, Alaris’ U.S. entities incurred non-deductible interest expense of $12.4 million, resulting in an increase in total income tax expense of $3.2 million.

11. Fair Value of Financial Instruments:

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

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

The following items shown on the statement of financial position as at December 31, 2020 and December 31, 2019, are measured at fair value on a recurring basis using level 2 or level 3 inputs. Discount rates, terminal value growth rates, changes in future distributions from each investment and estimated future cash flows are the primary inputs in the fair value models and are generally unobservable. Accordingly, these fair value measures are classified as level 3. There were no transfers between level 2 or level 3 classified assets and liabilities during the year ended December 31, 2020.

Fair value classification *($ thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
31-Dec-20				
Derivative contracts	$ -	$ 1,489	$ -	$ 1,489
Investments	-	-	880,512	880,512
Total at December 31, 2020	**$ -**	**$ 1,489**	**$ 880,512**	**$ 882,001**
31-Dec-19	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative contracts	$ -	$ 555	$ -	$ 555
Investments	-	-	881,037	881,037
Total at December 31, 2019	**$ -**	**$ 555**	**$ 881,037**	**$ 881,592**

The Trust purchases forward exchange rate contracts to match between 75% and 90% of 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$37.5 million as at December 31, 2020 (US$41.9 million as at December 31, 2019). The interest rate swap was initiated in Q3 2019 and it expires in November 2021. The interest rate swap allows for a fixed interest rate of 1.50% in replace of LIBOR on $50.0 million notional amount of USD debt. 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, changes in future distributions and estimated future cash flows.

As outlined in Note 5, cash flows have been discounted at rates ranging from 12.5% to 19.5%. If the discount rate increased (decreased) by 1%, the fair value of Level 3 investments at December 31, 2020 would decrease by $54.3 million and increase by $63.1 million. If the terminal value growth rate increased (decreased) by 1%, the fair value of Level 3 investments would increase by $37.6 million and decrease by $32.4 million. For the preferred unit investments, if changes in future distributions increased (decreased) by 1% the fair value of Level 3 investments would increase by $6.3 million and decrease by $6.4 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 $10.0 million and decrease by $8.0 million.

12. Commitments:

The Trust has a commitment of up to an additional US$25.0 million to BCC to fund when specified financial metrics are achieved. Timing of this additional contribution is expected to be within the next twelve months.

12. Commitments (continued):

The Trust also has a commitment to a further US$3.5 million to PFGP (an additional 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.

13. Related Parties:

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

Key Management Personnel *($ thousands)*	**2020**	**2019**
Base salaries and benefits	$ 864	$ 898
Bonus	853	981
Unit-based compensation	511	1,552
Total for year ended December 31	**$ 2,228**	**$ 3,431**

14. Subsequent Events:

Investment in Falcon Master Holdings LLC ("FNC")

On January 7, 2021, Alaris made an initial contribution of US$40.0 million into FNC (dba "FNC Title Services") which consisted of US$32.2 million of preferred equity as well as an investment of US$7.8 million in exchange for a minority ownership of the common equity in FNC. The contribution in exchange for preferred units of US$32.2 million has initial annualized distributions to Alaris of US$4.5 million. The FNC distribution will be adjusted annually (commencing January 1, 2022) based on the change in FNC's gross profit, subject to a +/- 7% collar. Alaris is entitled to their ownership percentage of any common equity distributions declared.

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

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

Additional Investment in Accscient

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

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

On February 22, 2021, Alaris made an initial contribution of US$30.0 million into 3E which consisted of US$22.5 million of preferred equity as well as US$7.5 million placed in an escrow account to be funded into additional preferred units in two additional tranches, once additional performance thresholds are met by 3E. Alaris is entitled to an initial annual distribution of US$3.2 million on the initial contribution of US$22.5 million. Each of the two additional tranches will also yield preferred distributions of 14%, once released from escrow. 3E will pay Alaris' interest expense on the escrowed funds until they are released in order to offset the borrowing cost to Alaris. The distribution from 3E will reset +/- 6% annually based on the change in gross profit, with the first reset commencing in January 2022.

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ALARIS
EQUITY PARTNERS INCOME TRUST

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