Unaudited Condensed Consolidated Interim

Financial Statements of

ALARIS EQUITY PARTNERS INCOME TRUST

For the three and nine months ended September 30, 2022 and 2021

Alaris Equity Partners Income Trust

Condensed consolidated interim statements of financial position (unaudited)

$ thousands	Note	30-Sep 2022	31-Dec 2021
Assets			
Cash and cash equivalents		$ 26,390	$ 18,447
Derivative contracts	10	-	71
Accounts receivable and prepayments	4	10,485	3,181
Income taxes receivable		25,807	28,991
Promissory notes and other assets	4	2,738	13,555
Current Assets		$ 65,420	$ 64,245
Deposits and other assets	9	32,748	24,979
Property and equipment		530	658
Investments	4	1,322,307	1,185,327
Non-current assets		$ 1,355,585	$ 1,210,964
Total Assets		**$ 1,421,005**	**$ 1,275,209**
Liabilities			
Accounts payable and accrued liabilities	8	$ 9,095	$ 8,214
Distributions payable	5	14,943	14,899
Derivative contracts	10	1,915	-
Office Lease		388	500
Income tax payable		251	740
Current Liabilities		$ 26,592	$ 24,353
Deferred income taxes	9	60,269	43,903
Loans and borrowings	6	291,889	326,569
Convertible debenture		92,451	89,592
Senior unsecured debenture	7	62,494	-
Other long-term liabilities	8	1,244	1,933
Non-current liabilities		$ 508,347	$ 461,997
Total Liabilities		**$ 534,939**	**$ 486,350**
Equity			
Unitholders' capital	5	$ 757,220	$ 754,622
Translation reserve		58,311	15,052
Retained earnings		70,535	19,185
Total Equity		**$ 886,066**	**$ 788,859**
Total Liabilities and Equity		**$ 1,421,005**	**$ 1,275,209**
Commitments and contingencies	9, 11		
Subsequent events	12		

Alaris Equity Partners Income Trust

Condensed consolidated interim statements of comprehensive income (unaudited)

		Three months ended September 30		Nine months ended September 30	
$ thousands except per unit amounts	Note	**2022**	**2021**	**2022**	**2021**
Revenues, including realized foreign exchange gain	4	$ 42,870	$ 42,878	$ 138,931	$ 110,045
Net realized gain / (loss) from investments	4	5,845	(10,259)	17,793	(10,259)
Net unrealized gain / (loss) of investments at fair value	4	(12,945)	26,122	(15,333)	47,880
Bad debt recovery	4	-	-	-	4,030
Total revenue and other operating income		**$ 35,770**	**$ 58,741**	**$ 141,391**	**$ 151,696**
General and administrative		5,432	3,920	15,092	8,235
Transaction diligence costs		1,495	109	3,348	2,845
Unit-based compensation	8	204	1,371	2,004	3,977
Depreciation and amortization		55	45	161	165
Total operating expenses		7,186	5,445	20,605	15,222
Earnings from operations		**$ 28,584**	**$ 53,296**	**$ 120,786**	**$ 136,474**
Finance costs	6, 7	7,081	6,858	20,642	18,265
Unrealized loss on derivative contracts	10	2,711	1,338	1,984	1,614
Foreign exchange (gain) / loss		(13,990)	(5,653)	(17,336)	408
Earnings before taxes		**$ 32,782**	**$ 50,753**	**$ 115,496**	**$ 116,187**
Current income tax expense / (recovery)	9	(735)	(4,553)	6,786	3,593
Deferred income tax expense	9	3,376	9,128	12,538	14,452
Total income tax expense		2,641	4,575	19,324	18,045
Earnings		**$ 30,141**	**$ 46,178**	**$ 96,172**	**$ 98,142**
Other comprehensive income					
Foreign currency translation differences		38,800	12,327	43,259	(541)
Total comprehensive income		**$ 68,941**	**$ 58,505**	**$ 139,431**	**$ 97,601**
Earnings per unit					
Basic		$ 0.67	$ 1.03	$ 2.13	$ 2.25
Fully diluted		$ 0.65	$ 0.97	$ 2.05	$ 2.16
Weighted average units outstanding					
Basic	5	45,281	45,032	45,238	43,615
Fully Diluted	5	49,760	49,530	49,717	48,113

Alaris Equity Partners Income Trust

Condensed consolidated interim statement of changes in equity (unaudited)

For the nine months ended September 30, 2022

$ thousands, except for number of units (000's)	Notes	Units Outstanding	Unitholders' Capital	Translation Reserve	Retained Earnings	Total Equity
Balance at January 1, 2022		45,149	$ 754,622	$ 15,052	$ 19,185	$ 788,859
Earnings for the period		-	-	-	96,172	96,172
Other comprehensive income						
Foreign currency translation differences		-	-	43,259	-	43,259
Total comprehensive income for the period		-	$ -	$ 43,259	$ 96,172	$ 139,431
Transactions with unitholders, recognized directly in equity						
Distributions to unitholders	5	-	$ -	$ -	$ (44,822)	$ (44,822)
Units issued under RTU plan	5	132	2,598	-	-	2,598
Total transactions with Unitholders		132	$ 2,598	$ -	$ (44,822)	$ (42,224)
Balance at September 30, 2022		**45,281**	**$ 757,220**	**$ 58,311**	**$ 70,535**	**$ 886,066**

Alaris Equity Partners Income Trust
Condensed consolidated interim statement of changes in equity (unaudited)
For the nine months ended September 30, 2021

$ thousands, except for number of units (000's)	Notes	Units Outstanding	Unitholders' Capital	Equity Reserve	Translation Reserve	Retained Earnings / (Deficit)	Total Equity
Balance at January 1, 2021		38,996	$ 659,988	$ 17,621	$ 12,431	$ (85,026)	$ 605,014
Earnings for the period		-	-	-	-	98,142	98,142
Other comprehensive income / (loss)							
Foreign currency translation differences		-	-	-	(541)	-	(541)
Total comprehensive income / (loss) for the period		-	$ -	$ -	$ (541)	$ 98,142	$ 97,601
Transactions with unitholders, recognized directly in equity							
Distributions to unitholders	5	-	$ -	$ -	$ -	$ (42,755)	$ (42,755)
Units issued under RTU plan	5	180	3,126	-	-	-	3,126
Units issued in the period by short form prospectus	5	5,909	94,550	-	-	-	94,550
Unit issuance costs	5	-	(4,263)	-	-	-	(4,263)
Total transactions with Unitholders		6,089	$ 93,413	$ -	$ -	$ (42,755)	$ 50,658
Balance at September 30, 2021		**45,085**	**$ 753,401**	**$ 17,621**	**$ 11,890**	**$ (29,639)**	**$ 753,273**

Alaris Equity Partners Income Trust

Condensed consolidated interim statements of cash flows (unaudited)

		Nine months ended September 30	
$ thousands	Notes	2022	2021
Cash flows from operating activities			
Earnings for the period		$ 96,172	$ 98,142
Adjustments for:			
Finance costs	6, 7	20,642	18,265
Deferred income tax expense		12,538	14,452
Depreciation and amortization		161	165
Bad debt recovery		-	(4,030)
Net realized (gain) / loss from investments	4	(11,948)	10,259
Net unrealized (gain) / loss of investments at fair value	4	15,333	(47,880)
Unrealized (gain) / loss on derivative contracts	10	1,984	1,614
Unrealized foreign exchange (gain) / loss		(16,493)	408
Transaction diligence costs		3,348	2,845
Unit-based compensation	8	2,004	3,977
Cash from operations, prior to changes in working capital		$ 123,741	$ 98,217
Changes in working capital:			
Accounts receivable and prepayments		(7,304)	(1,146)
Income tax receivable / payable		6,524	(8,794)
Deposits and other assets	9	(7,769)	-
Accounts payable, accrued liabilities		(524)	1,905
Cash generated from operating activities		$ 114,668	$ 90,182
Cash interest paid	6, 7	(15,704)	(13,585)
Net cash from operating activities		$ 98,964	$ 76,597
Cash flows from investing activities			
Acquisition of investments	4	$ (120,387)	$ (264,900)
Transaction diligence costs		(3,348)	(2,845)
Proceeds from partner redemptions	4	58,275	14,913
Promissory notes and other assets issued	4	(2,738)	(5,818)
Promissory notes and other assets repaid	4	13,572	14,435
Net cash used in investing activities		$ (54,626)	$ (244,215)
Cash flows from financing activities			
Repayment of loans and borrowings	6	$ (172,078)	$ (146,913)
Proceeds from loans and borrowings	6	121,901	269,585
Debt amendment and extension fees		(2,111)	(552)
Issuance of unitholders' capital, net of unit issue costs	5	-	90,287
Proceeds from senior unsecured debenture, net of fees	7	62,192	-
Distributions paid	5	(44,778)	(39,966)
Office lease payments		(112)	(121)
Net cash from / (used in) financing activities		$ (34,986)	$ 172,320
Net increase in cash and cash equivalents		$ 9,352	$ 4,702
Impact of foreign exchange on cash balances		(1,409)	(1,836)
Cash and cash equivalents, Beginning of period		18,447	16,498
Cash and cash equivalents, End of period		$ 26,390	$ 19,364
Cash taxes paid		$ 2,732	$ 11,777

1. Reporting entity:

Alaris Equity Partners Income Trust is an entity domiciled in Calgary, Alberta, Canada. The condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2022 and 2021 are composed of Alaris Equity Partners Income Trust and its subsidiaries (collectively referred to as "Alaris" or the "Trust"). The Trust's Canadian investments are made through a wholly-owned Canadian corporation, Alaris Equity Partners Inc. ("AEP", formerly known as Alaris Royalty Corp.) and its American investments are made through two Delaware corporations, Alaris Equity Partners USA Inc. ("Alaris USA") and Salaris USA Royalty Inc. ("Salaris USA"). The Trust's operations consist primarily of investments in private operating entities, typically in the form of preferred or common limited partnership interests, preferred or common interest in limited liability corporations in the United States and loans receivable. The Trust also has a wholly-owned subsidiary in the Netherlands, Alaris Cooperatief U.A. ("Alaris Cooperatief").

2. Statement of compliance:

(a) Statement of compliance

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

These condensed consolidated interim financial statements were approved by the Board of Trustees on November 9, 2022.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

Significant judgments

A significant judgment relates to the consideration of control, joint control and significant influence in each of our investments. Through subsidiaries, the Trust has agreements with various private businesses to whom it invests capital into (collectively the "**Partners**") and these agreements include not only clauses as to distributions but also various protective rights. The Trust has assessed these rights under IFRS 10 and 11 and determined that consolidation is not appropriate as control does not exist. The Trust has also assessed the rights under IAS 28 and determined that significant influence does not exist. In a number of our investments we have protective rights, which provides the Trust the right to demand repayment of our investment if it is in default of the terms of our operating agreement. Failure to satisfy the demand for repayment can lead to the Trust's rights to allow it to control or significantly influence the investment.

Key estimates used in determining investments at fair value

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

Key estimates used in the provision for expected credit losses

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

Income taxes

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

3. Significant accounting policies:

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

4. Investments

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

Investments at Fair Value & Amortized Cost *$ thousands*	**Carrying Value**		**Acquisition Cost**
As at	**30-Sep-22**	**31-Dec-21**	**30-Sep-22**
Body Contour Centers, LLC ("BCC")	US $ 158,604	US $ 90,604	US $ 156,000
PF Growth Partners, LLC ("PFGP")	96,700	99,700	92,500
Accscient, LLC ("Accscient")	75,477	49,477	72,000
D&M Leasing ("D&M")	74,500	77,900	74,500
Brown & Settle Investments, LLC ("Brown & Settle")	64,694	64,694	66,394
DNT Construction, LLC ("DNT")	63,943	62,743	62,800
GWM Loan Receivable at amortized cost	62,678	62,678	62,946
Falcon Master Holdings LLC ("FNC")	51,726	47,450	40,000
3E, LLC ("3E")	40,000	40,000	39,500
Fleet Advantage, LLC ("Fleet")	35,900	35,000	35,000
Edgewater Technical Associates, LLC ("Edgewater")	33,600	31,400	34,000
Unify Consulting, LLC ("Unify")	28,700	28,300	25,000
GWM Holdings, Inc ("GWM")	26,198	43,698	43,054
Heritage Restoration, LLC ("Heritage")	19,300	15,200	18,500
Carey Electric Contracting LLC ("Carey Electric")	15,180	16,180	15,000
Stride Consulting LLC ("Stride")	4,000	5,500	4,500
Kimco Holdings, LLC ("Kimco")	-	35,753	-
Total Investments (based in United States) - USD	851,200	806,277	841,694
Total Preferred and Debt (based in United States) - USD	761,808	708,309	742,956
Total Common (based in United States) - USD	89,392	97,968	98,738
Total Investments (based in United States) - CAD	**$ 1,165,463**	**$ 1,030,502**	**$ 1,152,447**
Amur Financial Group ("Amur")	79,400	73,200	70,000
Lower Mainland Steel Limited Partnership ("LMS")	46,641	47,722	60,564
SCR Mining and Tunneling, LP ("SCR")	30,803	33,903	40,000
Total Investments (based in Canada)	**$ 156,844**	**$ 154,825**	**$ 170,564**
Total Preferred and Debt (based in Canada)	131,544	133,425	150,564
Total Common (based in Canada)	25,300	21,400	20,000
Total Investments	**$ 1,322,307**	**$ 1,185,327**	**$ 1,323,011**

4. Investments (continued):

Transactions closed in the nine months ended September 30, 2022

Partner	Date	Investment / Redemption	Investment Type	Contribution / (Proceeds)	Annualized Distributions
Carey Electric	05-Jan-22	Redemption - Partial	Preferred	US ($ 1,000)	US ($ 150)
BCC	11-Mar-22	Investment - Follow-on	Preferred	US $ 65,000	US $ 8,450
Kimco **(Note 1)**	01-Apr-22	Redemption - Full	Preferred	US ($ 43,656)	US ($ 4,692)
Heritage	10-May-22	Investment - Follow-on	Preferred & Common	US $ 3,500	US $ 375
Stride	29-Jun-22	Redemption - Partial	Preferred	US ($ 1,500)	US ($ 190)
Accscient	08-Aug-22	Investment - Follow-on	Preferred & Common	US $ 26,000	US $ 2,133

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

Transactions closed in the nine months ended September 30, 2021

Partner	Date	Investment / Redemption	Investment Type	Contribution / (Proceeds)	Annualized Distributions
FNC	07-Jan-21	Investment - New Partner	Preferred & Common	US $ 40,000	US $ 4,501
Brown & Settle	09-Feb-21	Investment - New Partner	Preferred & Common	US $ 66,000	US $ 7,518
Accscient	18-Feb-21	Investment - Follow-on	Preferred	US $ 8,000	US $ 1,144
3E (**Note 2**)	22-Feb-21	Investment - New Partner	Preferred	US $ 30,000	US $ 4,200
Carey Electric	14-May-21	Redemption - Partial	Preferred	US ($ 1,000)	US ($ 150)
D&M	28-Jun-21	Investment - New Partner	Preferred & Common	US $ 70,000	US $ 8,750
ccComm (**Note 3**)	02-Jul-21	Redemption - Full	Preferred	US ($ 11,000)	$nil

Note 2 - The investment in 3E on February 22, 2021 was an initial contribution of US$30.0 million; however, initially there was US$22.5 million of preferred equity and US$7.5 million placed into escrow and to be funded into additional preferred units in two additional tranches, once additional performance thresholds were met. These thresholds were met during the remainder of 2021 and therefore the total preferred equity investment is US$30.0 million, with an initial annualized distribution of US$4.2 million

Note 3 - On July 2, 2021 Alaris received US$11.0 million from ccComm as a negotiated redemption of the ccComm preferred units, as well as potential additional proceeds as cash flows permit. During Q4 2021, Alaris received an Additional $1.0 Million from ccComm related to the negotiated redemption of the ccComm preferred units. The original cost of the units was US$19.2 million, resulting in a realized loss on redemption of US$8.2 million for the nine months period end September 30th. For the three and nine months ended September 2021, Alaris received $nil distributions related to the investment of ccComm preferred units

Assumptions used in fair value calculations:

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

For each individual Partner, Alaris considered a number of different discount rate and cash flow multiple factors including what industry they operate in, the size of the entity, the health of the balance sheet and the ability of the historical earnings to cover the future distributions. This was supported by the historical yield of the original investment, current investing yields, and the current yield of other similar public companies. Cash flows have been discounted at rates ranging from 12% - 19.8%.

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 September 30, 2022 are based on the information available to the Trust as of the date of these financial statements. Refer to Note 10 for additional information, including sensitivity analyses to these inputs.

Revenues:

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

Partner Distributions:	**Three months ended September 30**		**Nine months ended September 30**	
$ thousands	**2022**	**2021**	**2022**	**2021**
Preferred Equity and Debt Investment Distributions	$ 39,136	$ 41,449	$ 131,799	$ 104,740
Common Equity investments Distributions	4,128	526	6,887	1,877
Total Distributions	$ 43,264	$ 41,975	$ 138,686	$ 106,617
Interest	38	341	458	1,521
Realized gain / (loss) on derivative contracts	(432)	562	(213)	1,907
Revenues, including realized foreign exchange gain	**$ 42,870**	**$ 42,878**	**$ 138,931**	**$ 110,045**

Included in total revenue and other operating income is net realized and unrealized gain and loss from investments at fair value. In the three months ended September 30, 2022, Fleet declared a common dividend to distribute excess cash to common unit holders. As at June 30, 2022, due to the value of this excess cash, the fair value of Fleet common equity was increased by US$4.4 million, resulting in an unrealized gain of US$4.4 million at June 30, 2022. The common distribution receivable at September 30, 2022 results in a realization of this previously unrealized gain. As a result, in the nine months ended September 30, 2022, the net impact of the above to realized and unrealized fair value investments is a net realized gain on of US$4.4 million, rather than a common equity distribution included above.

Promissory Notes and Other Assets:

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

Below is a summary of changes in promissory notes and other assets for the nine months ended September 30, 2022 and for the year ended December 31, 2021.

Reconciliation of Promissory notes and other assets *($ thousands)*	**30-Sep-22**	**31-Dec-21**
Face Value - Opening	$ 13,555	$ 27,327
Opening provision for credit losses	-	(4,094)
Carrying value as at beginning of period	**$ 13,555**	**$ 23,233**
Additions	2,738	1,030
Repayments	(13,572)	(14,435)
Bad debt recovery / (expense)	-	4,030
Foreign exchange	17	(303)
Carrying value as at end of period	**$ 2,738**	**$ 13,555**
Promissory notes & other assets - current	$ 2,738	$ 13,555
Promissory notes & other assets - non-current	-	-

Alaris has the following promissory notes and other assets outstanding as of September 30, 2022 and December 31, 2021, respectively:

Promissory notes and other assets	**Note**	**Carrying Value**	
($ thousands)		*30-Sep-22*	*31-Dec-21*
Kimco - promissory notes	*(1)*	$ -	$ 12,525
D&M	*(2)*	-	1,030
Heritage	*(3)*	2,738	-
Balance		**$ 2,738**	**$ 13,555**

(1) - Remaining principal balance of the promissory notes of US$9.8 million was repaid in full on April 1, 2022 as part of the Kimco redemption.

(2) - In August 2022, D&M repaid in full the outstanding balance of its short-term unsecured subordinated note for US$0.8 million.

(3) - Unsecured subordinated promissory note with notional amount of US$2.0 million issued in July 2022, bearing interest at 8% per annum. There is no contractual repayment date, however, Alaris expects the promissory note to be repaid in full within the next twelve months.

The expected credit loss model classifies Alaris' outstanding promissory notes and other assets in three stages based on their credit quality. Stage 1 represents the lowest credit risk and stage 3 represents loans that are credit impaired. As at September 30, 2022 the Trust had $2.7 million (December 31, 2021 - $13.6 million) of promissory notes and other assets classified as stage 1 and $nil classified as stage 3 (December 31, 2021 - $nil). The cumulative total credit loss provision as at September 30, 2022 is $nil (December 31, 2021 - $nil).

5. Unitholders' capital:

The Trust is authorized to issue an unlimited number of trust units. At September 30, 2022, the number of units issued and outstanding is 45,280,685 (December 31, 2021 – 45,149,386).

Issued Trust Units	Number of Units	Amount ($)
	thousands	*$ thousands*
Balance at December 31, 2020	38,996	$ 659,988
Trust units issued by short form prospectus	5,909	94,550
Short form prospectus costs	-	(4,263)
RTUs vested	244	4,347
Balance at December 31, 2021	45,149	$ 754,622
RTUs vested	132	2,598
Balance at September 30, 2022	**45,281**	**$ 757,220**

Outlined below are the weighted average units outstanding for the three and nine months ended September 30, 2022 and 2021, respectively.

Weighted Average Units Outstanding	Three months ended September 30		Nine months ended September 30	
thousands	2022	2021	2022	2021
Weighted average units outstanding, basic	45,281	45,032	45,238	43,615
Effect of outstanding convertible debentures	4,124	4,124	4,124	4,124
Effect of outstanding RTUs	355	374	355	374
Weighted average units outstanding, fully diluted	49,760	49,530	49,717	48,113

There were 371,627 and 984,019 options excluded from the calculation as they were anti-dilutive at September 30, 2022 and 2021, respectively.

Distributions

For the three months ended September 30, 2022, the Trust declared a quarterly distribution of $0.33 per unit, paid on October 17, 2022, totaling $14.9 million in aggregate (2021 - $0.33 per unit and $14.9 million). The total distributions declared during the nine months ended September 30, 2022 were $0.99 per unit and $44.8 million in aggregate (2021 - $0.95 per unit and $42.8 million).

Unit Offering

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

6. Loans and borrowings:

As at September 30 2022, AEP has a $450 million credit facility with a syndicate of Canadian chartered banks, which has a maturity date in September 2026 and is secured by a general security agreement on all of Alaris' assets. The interest rate is based on a combination of the CAD Prime Rate ("Prime"), Bankers' Acceptances ("BA"), US Base Rate ("USBR") and SOFR. Alaris realized a blended interest rate of 4.9% (inclusive of standby fees) for the nine months ended September 30, 2022.

At September 30, 2022, AEP had US$211.75 million and CA$5.0 million (total CA$294.9 million) drawn on its credit facility (December 31, 2021 – US$256.8 million or CA$328.2 million). The amount recorded in the Trust's statement of financial position of $291.9 million is reduced by the unamortized debt amendment and extension fees of $3.0 million.

During the three months ended September 30, 2022, Alaris completed an amendment to its credit facility with its senior lenders. The amendment increased the base of the credit facility from $400 million to $450 million and included the addition of an eighth bank to the syndicate. The amendment also extended the facility maturity from November 2023 to September 2026 and increased the minimum tangible net worth covenant from $450 million to $550 million.

At September 30, 2022, AEP met all of its covenants as required under the credit facility. Those covenants include a maximum funded debt to contracted EBITDA of 2.5:1, which can be increased to 3.0:1 for up to 90 days (actual ratio is 1.97x at September 30, 2022); minimum fixed charge coverage ratio of 1:1 (actual ratio is 1.85x at September 30, 2022); and a minimum tangible net worth of $550.0 million (actual amount is $886.1 million at September 30, 2022).

7. Senior unsecured debenture:

During the nine months ended September 30, 2022, the Trust issued $65.0 million aggregate principal amount of senior unsecured debentures ("Debentures") at a price of $1,000 per Debenture and an interest rate of 6.25% per annum, payable semi-annually on the last business day of March and September which commenced March 31, 2022 with a maturity date of March 31, 2027.

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

Senior Unsecured Debenture *($ thousands)*		**Total**
Balance at January 1, 2022		-
Face value of issuance		65,000
Issuance costs		(2,808)
Accretion expense		302
Balance at September 30, 2022	**$**	**62,494**

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

8. Unit-based payments:

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

The RTU Plan will settle in voting trust units which may be issued from treasury or purchased on the Toronto Stock Exchange. The Trust has reserved 1,132,009 and issued 354,963 RTUs to management and directors as of September 30, 2022. The RTUs issued to directors (97,165) vest over a three-year period. The RTUs issued to management (257,798) are a combination of time vested units (146,664) and performance vested units (111,134). The time vested units do not vest until the end of a three-year period (53,300 in 2023, 47,092 in 2024 and 46,272 in 2025). The performance vested units vest one third every year (56,738 in 2023, 38,972 in 2024 and 15,424 in 2025) and are subject to certain performance conditions relating to book value per unit. The unit-based compensation expense relating to the RTU Plan is based on the unit price of the Alaris units at September 30, 2022 and based on the remaining time left until vesting for each tranche of units. At

September 30, 2022, the total liability related to the RTU and Option Plan is $2.9 million, $1.7 million of which is included in Accounts payable and accrued liabilities and $1.2 million in Other long-term liabilities.

The Trust has reserved and issued 371,627 options as of September 30, 2022. The options outstanding at September 30, 2022 have an exercise price of $20.60 (2021 – $21.70) and a remaining contractual life of 0.04 years (2021 – 0.90 years). During the nine months ended September 30, 2022, 502,913 options expired and 109,479 options were forfeited.

9. Income taxes:

Beginning in 2015, the Trust began receiving notices of reassessment (the “Reassessments”) from the Canada Revenue Agency (the “CRA”) in respect of its 2009 through 2020 taxation years to deny the use of non-capital losses, accumulated scientific research and experimental development expenditures and investment tax credits. Pursuant to the Reassessments, the deduction of approximately $121.2 million of non-capital losses and experimental development expenditures and utilization of $9.9 million in investment tax credits (“ITCs”) by the Trust were denied, resulting in reassessed taxes and interest of approximately $61.0 million (2021 - $61.0 million).

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

At the time the relevant transactions were completed, the Trust received legal advice that it should be entitled to deduct the non-capital losses and claim ITCs. Based on ongoing discussions with its legal counsel, the Trust remains of the opinion that all tax filings to date were filed correctly and that it will be successful in appealing such Reassessments. The Trust intends to continue to vigorously defend its tax filing position. In order to do that, the Trust was required to pay 50% of the reassessed amounts as a deposit to the Canada Revenue Agency and to the Alberta Treasury for amounts reassessed for the 2013 taxation year and onwards. The Trust has paid a total of $25.0 million (2021 - $25.0 million) in deposits to the CRA and Alberta Treasury relating to the Reassessments to date. These deposits have been recorded on the statement of financial position.

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

Should the Trust be unsuccessful, it will be required to pay the remaining reassessed taxes and interest and will not recover the $25.0 million in deposits paid to September 30, 2022.

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

10. Fair value of financial instruments:

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

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

10. Fair value of financial instruments

The following items shown on the condensed consolidated interim statement of financial position as at September 30, 2022 and December 31, 2021, are measured at fair value on a recurring basis using level 2 or level 3 inputs. Discount rates, terminal value growth rates, cash flow multiples, changes in future distributions from each investment and estimated future cash flows are the primary inputs in the fair value models and are generally unobservable. Accordingly, these fair value measures are classified as level 3. There were no transfers between level 2 or level 3 classified assets and liabilities during the nine months ended September 30, 2022.

Fair value classification *($ thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
30-Sep-22				
Derivative contracts	$ -	$ (1,915)	$ -	$ (1,915)
Investments	-	-	1,322,307	1,322,307
Total at September 30, 2022	**$ -**	**($ 1,915)**	**$ 1,322,307**	**$ 1,320,392**
31-Dec-21	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative contracts	$ -	$ 71	$ -	$ 71
Investments	-	-	1,185,327	1,185,327
Total at December 31, 2021	**$ -**	**$ 71**	**$ 1,185,327**	**$ 1,185,398**

The Trust purchases forward exchange rate contracts to match a portion of the quarterly distributions and expenses in Canadian dollars on a rolling 12-month basis and also a portion of the expected costs on a rolling 12 to 24 month basis. The notional value of outstanding foreign exchange contracts is US$70.7 million as at September 30, 2022 (US$51.9 million as at December 31, 2021). At September 30, 2022, Alaris holds three interest rate swap contracts. There is an interest rate swap that allows for a fixed interest rate of 0.35% instead of SOFR (“Secured Overnight Financing Rate”) on US$25.0 million of debt, and an interest rate swap that allows for a fixed interest rate of 0.74% instead of SOFR on US$50.0 million of debt, both with an expiry in June 2023. Alaris also has and an interest rate swap that allows for a fixed interest rate of 2.99% instead of SOFR on US$50.0 million of debt that begins in July 2023 and that has an expiry date in July 2026.

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

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

As outlined in Note 4, cash flows have been discounted at rates ranging from 12% to 19.8%. If the discount rate increased (decreased) by 1%, the fair value of Level 3 investments at September 30, 2022 would decrease by $94.9 million and increase by $109.7 million. If the terminal value growth rate increased (decreased) by 1%, the fair value of Level 3 investments would increase by $58.6 million and decrease by $50.6 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 $10.0 million and decrease by $9.7 million. For the common equity investments, if the estimated future cash flows increased (decreased) by 1%, the fair value of the common equity investments would increase by $3.9 million and decrease by $3.9 million. For the common equity investments, if the cash flow multiples increased (decreased) by 1%, the fair value of the common equity investments would increase by $1.4 million and decrease by $1.4 million.

11. Commitments and Contingencies:

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

Subsequent to closing of the sale of Sandbox in February of 2020, AEP received a direct claim and protest notice (the “Notices”) from the purchasers of Sandbox for amounts under the indemnification and working capital adjustment provisions.

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

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

12. Subsequent events:

Redemption of FNC Units

On October 1, 2022 FNC entered into a purchase and sale agreement with a third party pursuant to which FNC redeemed all of Alaris' outstanding preferred and common units totaling US$40.0 million. The gross proceeds to Alaris of US$58.3 million consisted of (i) US$51.7 million for the redemption of all Alaris' preferred and common equity and (ii) US$5.2 million of distributions owing up to the third anniversary date of the initial investment being January 7, 2021. Alaris agreed to fund US$1.4 million of the total proceeds into an escrow account to cover potential indemnifications obligations.

Investment in Sagamore Plumbing and Heating, LLC ("Sagamore")

On November 8, 2022, Alaris contributed an initial investment of US$24.0 million to Sagamore inclusive of US$20.0 million of preferred equity and a US$4.0 million minority common equity investment. The contribution of preferred equity is in exchange for preferred Distributions at an annualized yield of 15%. The distribution from Sagamore will reset +/- 6% annually based on the percent change of gross revenue, with the first reset commencing in January 1 2024.