Unaudited Condensed Consolidated Interim

Financial Statements of

ALARIS EQUITY PARTNERS INCOME TRUST

For the three and nine months ended September 30, 2023 and 2022

Alaris Equity Partners Income Trust

Condensed consolidated interim statements of financial position (unaudited)

$ thousands	Note	30-Sep 2023	31-Dec 2022
Assets			
Cash		$ 17,270	$ 60,193
Derivative contracts	10	1,113	2,507
Accounts receivable and prepayments		10,367	2,689
Income taxes receivable		16,708	22,675
Current Assets		$ 45,458	$ 88,064
Property and equipment		360	485
Deferred income taxes	9	2,423	-
Other long-term assets	9,10	34,490	33,395
Investments	4	1,395,660	1,248,159
Non-current assets		$ 1,432,933	$ 1,282,039
Total Assets		**$ 1,478,391**	**$ 1,370,103**
Liabilities			
Accounts payable and accrued liabilities		$ 9,333	$ 11,517
Distributions payable	5	15,469	15,395
Derivative contracts	10	1,540	2,818
Office Lease		245	352
Convertible debenture	7	96,608	-
Income tax payable		-	306
Current Liabilities		$ 123,195	$ 30,388
Deferred income taxes	9	77,279	67,386
Loans and borrowings	6	262,597	216,077
Convertible debenture	7	-	93,446
Senior unsecured debenture		62,983	62,613
Other long-term liabilities	10	1,355	1,938
Non-current liabilities		$ 404,214	$ 441,460
Total Liabilities		**$ 527,409**	**$ 471,848**
Equity			
Unitholders' capital	5	$ 760,891	$ 757,220
Translation reserve		49,139	51,391
Retained earnings		140,952	89,644
Total Equity		**$ 950,982**	**$ 898,255**
Total Liabilities and Equity		**$ 1,478,391**	**$ 1,370,103**
Commitments and contingencies	9,11		

Alaris Equity Partners Income Trust

Condensed consolidated interim statements of comprehensive income (unaudited)

$ thousands except per unit amounts	Note	Three months ended September 30 2023	Three months ended September 30 2022	Nine months ended September 30 2023	Nine months ended September 30 2022
Revenues, including realized foreign exchange gain	4	$ 47,165	$ 42,870	$ 120,706	$ 138,931
Net realized gain from investments	4	167	5,845	12,716	17,793
Net unrealized gain / (loss) on investments at fair value	4	39,428	(12,945)	37,688	(15,333)
Total revenue and other operating income		**$ 86,760**	**$ 35,770**	**$ 171,110**	**$ 141,391**
General and administrative	11	4,015	5,432	25,522	15,092
Transaction diligence costs		1,696	1,495	3,252	3,348
Unit-based compensation	8	448	204	2,891	2,004
Depreciation and amortization		58	55	169	161
Total operating expenses		6,217	7,186	31,834	20,605
Earnings from operations		**$ 80,543**	**$ 28,584**	**$ 139,276**	**$ 120,786**
Finance costs	6,7	8,510	7,081	21,909	20,642
Net unrealized (gain) / loss on derivative contracts	10	599	2,711	(1,401)	1,984
Foreign exchange (gain) / loss		(3,947)	(13,990)	156	(17,336)
Earnings before taxes		**$ 75,381**	**$ 32,782**	**$ 118,612**	**$ 115,496**
Current income tax expense / (recovery)	9	6,954	(735)	13,156	6,786
Deferred income tax expense	9	4,657	3,376	7,746	12,538
Total income tax expense		11,611	2,641	20,902	19,324
Earnings		**$ 63,770**	**$ 30,141**	**$ 97,710**	**$ 96,172**
Other comprehensive income					
Foreign currency translation differences		12,439	38,800	(2,252)	43,259
Total comprehensive income		**$ 76,209**	**$ 68,941**	**$ 95,458**	**$ 139,431**
Earnings per unit					
Basic		$ 1.40	$ 0.67	$ 2.15	$ 2.13
Fully diluted		$ 1.31	$ 0.65	$ 2.08	$ 2.05
Weighted average units outstanding					
Basic	5	45,498	45,281	45,433	45,238
Fully Diluted	5	50,086	49,760	50,021	49,717

Alaris Equity Partners Income Trust
Condensed consolidated interim statement of changes in equity (unaudited)
For the nine months ended September 30, 2023

$ thousands, except for number of units (000's)	Notes	**Units Outstanding**	**Unitholders' Capital**	**Translation Reserve**	**Retained Earnings**	**Total Equity**
Balance at January 1, 2023		45,281	$ 757,220	$ 51,391	$ 89,644	$ 898,255
Earnings for the period		-	-	-	97,710	97,710
Other comprehensive income						
Foreign currency translation differences		-	-	(2,252)	-	(2,252)
Total comprehensive income / (loss) for the period		-	$ -	$ (2,252)	$ 97,710	$ 95,458
Transactions with unitholders, recognized directly in						
Distributions to unitholders	5	-	$ -	$ -	$ (46,402)	$ (46,402)
Units issued under RTU plan	5	217	3,671	-	-	3,671
Total transactions with Unitholders		217	$ 3,671	$ -	$ (46,402)	$ (42,731)
Balance at September 30, 2023		**45,498**	**$ 760,891**	**$ 49,139**	**$ 140,952**	**$ 950,982**

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 statements of cash flows (unaudited)

$ thousands	Notes	Nine months ended September 30 2023	2022
Cash flows from operating activities			
Earnings for the period		$ 97,710	$ 96,172
Adjustments for:			
Finance costs	6,7	21,909	20,642
Deferred income tax expense		7,746	12,538
Depreciation and amortization		169	161
Net realized gain from investments	4	(12,716)	(11,948)
Net unrealized (gain) / loss on investments at fair value	4	(37,688)	15,333
Unrealized (gain) / loss on derivative contracts	10	(1,401)	1,984
Unrealized foreign exchange (gain) / loss		157	(16,493)
Transaction diligence costs		3,252	3,348
Unit-based compensation	8	2,891	2,004
Cash from operations, prior to changes in working capital		$ 82,029	$ 123,741
Changes in working capital:			
Accounts receivable and prepayments		(7,511)	(7,304)
Income tax receivable / payable		5,385	6,524
Other long-term assets	9,10	(143)	(7,769)
Accounts payable, accrued liabilities		(4,984)	(524)
Cash generated from operating activities		$ 74,776	$ 114,668
Cash interest paid	6,7	(16,648)	(15,704)
Net cash from operating activities		$ 58,128	$ 98,964
Cash flows from investing activities			
Acquisition of investments	4	$ (130,103)	$ (120,387)
Transaction diligence costs		(3,252)	(3,348)
Proceeds from partner redemptions	4	28,929	58,275
Promissory notes and other assets issued		-	(2,738)
Promissory notes and other assets repaid		-	13,572
Net cash used in investing activities		$ (104,426)	$ (54,626)
Cash flows from financing activities			
Repayment of loans and borrowings	6	$ (82,445)	$ (172,078)
Proceeds from loans and borrowings	6	130,480	121,901
Debt amendment and extension fees		-	(2,111)
Proceeds from senior unsecured debenture, net of fees		-	62,192
Distributions paid	5	(46,328)	(44,778)
Office lease payments		(107)	(112)
Net cash from / (used in) financing activities		$ 1,600	$ (34,986)
Net increase / (decrease) in cash		$ (44,698)	$ 9,352
Impact of foreign exchange on cash balances		1,775	(1,409)
Cash, Beginning of period		60,193	18,447
Cash, End of period		$ 17,270	$ 26,390
Cash taxes paid		$ 7,572	$ 2,732

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, 2023, and 2022 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"), Salaris USA Royalty Inc. ("Salaris USA") and their subsidiaries. The Trust's operations consist 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. In the year ended December 31, 2022 the Trust's wholly-owned subsidiary in the Netherlands, Alaris Cooperatief U.A. ("Alaris Cooperatief") was liquidated.

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 2022 consolidated annual financial statements.

These condensed consolidated interim financial statements were approved by the Board of Trustees on November 8, 2023.

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

(d) 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 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. The Trust monitors forecasted liquidity requirements to ensure it can meet operational needs through sufficient availability of both cash and credit facility capacity, while also ensuring Alaris is able to meet its financial covenants related to debt agreements.

Typically the Trust ensures that it has sufficient cash on hand to meet expected operational expenses for a period of 30 to 90 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 $450 million revolving credit facility maturing in 2026, and has $265.0 million drawn at September 30, 2023 ($219.1 million at December 31, 2022).

As the Convertible Debentures mature on June 30, 2024, they are classified as current. As of September 30, 2023, current liabilities totaled $123.2 million and current assets totaled $45.5 million, resulting in a working capital deficit of $77.7 million. The Trust expects to be able to meet all of its obligations as they become due, including the repayment or settlement of the convertible debentures as they become due by utilizing some or all of the following sources of liquidity: (i) cash on hand of $17.3 million, (ii) cashflows generated from operations, (iii) current credit facilities under the stipulated terms of the agreement, (iv) refinancing or amendments to current credit facilities, (v) issuance of common shares, subject to market conditions, and (vi) alternative financing.

(e) 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. Significant assumptions used in the valuation of the convertible preferred unit investments include the discount rate, changes in future distributions, estimated future cash flows, cash flow multiple, and the probability weighting of scenarios.

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, 2022.

4. Investments

The following table lists the Trust's investments at September 30, 2023 and December 31, 2022. 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 translated into Canadian dollars from USD 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-23**	**31-Dec-22**	**30-Sep-23**
Body Contour Centers, LLC ("BCC") Convertible Preferred units	US $ 153,500	US $ -	US $ 145,000
BCC Preferred units	-	165,303	-
Ohana Growth Partners, LLC ("Ohana") **Note 1**	106,829	99,329	94,629
Fleet Advantage, LLC ("Fleet")	74,400	45,000	28,000
D&M Leasing ("D&M")	69,300	71,800	74,500
Brown & Settle Investments, LLC ("Brown & Settle")	69,294	63,894	66,394
Accscient, LLC ("Accscient")	66,177	77,277	72,000
DNT Construction, LLC ("DNT")	63,143	63,943	62,800
GWM Loan Receivable at amortized cost	62,678	62,678	62,946
GWM Holdings, Inc ("GWM")	17,299	16,699	43,054
The Shipyard, LLC ("Shipyard")	59,500	-	59,500
3E, LLC ("3E")	40,000	40,000	39,500
Edgewater Technical Associates, LLC ("Edgewater")	37,200	34,600	34,000
Federal Management Partners, LLC ("FMP")	36,500	-	36,500
Sagamore Plumbing and Heating, LLC ("Sagamore")	24,000	24,000	24,000
Heritage Restoration, LLC ("Heritage")	18,400	20,000	18,500
Carey Electric Contracting LLC ("Carey Electric")	14,780	14,680	14,000
Unify Consulting, LLC ("Unify")	12,228	12,628	11,000
Stride Consulting LLC ("Stride")	4,000	4,000	4,500
Total Investments (based in United States) - USD	929,228	815,831	890,823
Total Preferred Equity and Debt (based in United States) - USD	US $ 786,161	US $ 724,864	US $ 772,536
Total Common Equity (based in United States) - USD	143,067	90,967	118,287
Total Investments (based in United States) - CAD	**$ 1,254,644**	**$ 1,105,124**	**$ 1,202,789**
Amur Financial Group ("Amur")	$ 74,800	$ 72,200	$ 70,000
Lower Mainland Steel Limited Partnership ("LMS")	42,213	42,232	60,564
SCR Mining and Tunneling, LP ("SCR")	24,003	28,603	40,000
Total Investments (based in Canada)	**$ 141,016**	**$ 143,035**	**$ 170,564**
Total Preferred Equity and Debt (based in Canada)	$ 119,316	$ 123,235	$ 150,564
Total Common Equity (based in Canada)	21,700	19,800	20,000
Total Investments Preferred Equity and Debt	**$ 1,180,791**	**$ 1,105,135**	**$ 1,193,642**
Total Investments Common Equity	**214,869**	**143,024**	**179,711**
Total Investments	**$ 1,395,660**	**$ 1,248,159**	**$ 1,373,353**

Note 1 - Formerly known as PF Growth Partners, LLC ("PFGP")

Transactions closed in the nine months ended September 30, 2023

Partner	Date	Investment / Redemption	Investment Type	Contribution / (Proceeds)	Annualized Distributions
Carey Electric	4-Jan-23	Redemption - Partial	Preferred	US ($ 1,000)	US ($ 143)
BCC **(Note 1)**	14-Feb-23	Redemption - Partial	Preferred	US ($ 165,303)	US ($ 21,236)
BCC **(Note 1)**	14-Feb-23	Investment - New Units	Convertible Preferred	US $ 145,000	US $ 13,825
FMP	27-Apr-23	Investment - New Partner	Preferred & Common	US $ 36,500	US $ 4,270
Shipyard	31-Aug-23	Investment - New Partner	Preferred & Common	US $ 59,500	US $ 5,950

Note 1 - On February 14, 2023, Alaris completed a strategic transaction involving BCC and co-sponsor Brookfield, through its Special Investment Fund. The transaction included exchanging US$145.0 million of its existing preferred units in BCC for newly issued convertible preferred units and receiving cash proceeds of US$20.3 million for the redemption of its remaining preferred units which had a cost basis of US$156.0 million, resulting in a US$9.3 million realized gain.

The new convertible preferred units are entitled to an 8.5% distribution payable in cash or in-kind, and are convertible at the option of the holder, for a period of up to five years, into common equity of BCC at a predetermined valuation. These units also participate in any common distribution paid above 8.5%. As with all our common distributions these amounts are declared and paid as cashflow permits. In addition, Alaris will be entitled to an annual transaction fee of US$1.5 million payable quarterly.

Alaris is entitled to receive an over allocation of profits relative to the approximate US$400 million of convertible preferred units not held by Alaris if certain return-based performance thresholds are achieved. This over allocation of profits allows Alaris to receive a higher portion of distributions if the following thresholds are met with respect to the convertible preferred units; the greater of 12.5% net internal rate of return and 1.80x multiple on invested capital, and a second hurdle with further additional sharing above the greater of net 18% internal rate of return and a 2.50x multiple on invested capital. As of period end, these hurdles have not been met.

Transactions closed in the nine months ended September 30, 2022

Partner	Date	Investment / Redemption	Investment Type	Contribution / (Proceeds)	Annualized Distributions
Carey Electric	5-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)**	1-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	8-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$43.6 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.

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 convertible preferred unit investments using discounted cash flows of the future distributions and the estimated conversion 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 convertible preferred unit investments include the discount rate, changes in future distributions, estimated future cash flows, cash flow multiple and the probability weighting of scenarios. 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. Information about recent transactions carried out in the market as well as other considerations with respect to relevant market transactions may be used for the purposes of the valuation of common equity investments. 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. Discount rates used to determine fair value, inclusive of those used to determine cashflow multiples range from 12.4% - 23.8%.

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, 2023 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:

Total Revenues:	**Three months ended September 30**		**Nine months ended September 30**	
$ thousands	**2023**	**2022**	**2023**	**2022**
Preferred Equity and Debt Investment Distributions	$ 38,941	$ 39,136	$ 112,133	$ 131,799
Common Equity Investments Distributions	8,815	4,128	10,903	6,887
Total Distributions	$ 47,756	$ 43,264	$ 123,036	$ 138,686
Interest	-	38	-	458
Realized gain / (loss) on derivative contracts	(591)	(432)	(2,330)	(213)
Revenues, including realized foreign exchange gain	**$ 47,165**	**$ 42,870**	**$ 120,706**	**$ 138,931**

5. Unitholders' capital:

The Trust is authorized to issue an unlimited number of trust units. At September 30, 2023, the number of units issued and outstanding is 45,498,191 (December 31, 2022 – 45,280,685).

Issued Trust Units	Number of Units	Amount ($)
	thousands	*$ thousands*
Balance at January 1, 2022	45,149	$ 754,622
RTUs vested	132	2,598
Balance at December 31, 2022	45,281	757,220
RTUs vested	217	3,671
Balance at September 30, 2023	**45,498**	**$ 760,891**

Outlined below are the weighted average units outstanding for the three and nine months ended September 30, 2023 and 2022, respectively.

Weighted Average Units Outstanding	Three months ended September 30		Nine months ended September 30	
thousands	2023	2022	2023	2022
Weighted average units outstanding, basic	45,498	45,281	45,433	45,238
Effect of outstanding convertible debentures	4,124	4,124	4,124	4,124
Effect of outstanding RTUs	464	355	464	355
Weighted average units outstanding, fully diluted	50,086	49,760	50,021	49,717

Distributions

For the three months ended September 30, 2023, the Trust declared a quarterly distribution of $0.34 per unit, paid on October 16, 2023, totaling $15.5 million in aggregate (2022 - $0.33 per unit and $14.9 million). The total distributions declared during the nine months ended September 30, 2023, were $1.02 per unit and $46.4 million in aggregate (2022 - $0.99 per unit and $44.8 million).

Normal Course Issuer Bid

On May 23, 2023, 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 1,000,000 Trust units. The NCIB represents approximately 2% of Alaris' issued and outstanding units as at May 23, 2023. The program commenced on May 25, 2023 and will remain in effect until May 24, 2024, or such earlier time as the NCIB is completed or terminated at the option of the Trust.

During the three and nine months ended September 30, 2023, Alaris has not repurchased any of the Trust's units under the program.

6. Loans and borrowings:

As at September 30, 2023, AEP has a $450 million credit facility with a syndicate of Canadian chartered banks, which has a maturity date in September 2026 and is secured by a general security agreement on all of Alaris' assets. The credit facility includes a $50 million accordion feature which is available under certain conditions. The interest rate is based on a combination of the CAD Prime Rate ("Prime"), Bankers' Acceptances ("BA"), US Base Rate ("USBR") and SOFR. Alaris realized an annualized blended interest rate of 8.9% (inclusive of standby fees) for the nine months ended September 30, 2023.

At September 30, 2023, AEP had US$196.3 million (CA$265.0 million) drawn on its credit facility (December 31, 2022 – US$161.8 million or CA$219.1 million). The amount recorded in the Trust's statement of financial position of $262.6 million (December 31, 2022 – $216.1 million) is reduced by the unamortized debt amendment and extension fees of $2.4 million (December 31, 2022 – $3.0 million).

AEP met all of its covenants as required under the credit facility as of at September 30, 2023. 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 1.91x at September 30, 2023); minimum fixed charge coverage ratio of 1:1 (actual ratio is 1.61x at September 30, 2023); and a minimum tangible net worth of $550.0 million (actual amount is $951.0 million at September 30, 2023).

7. Convertible unsecured debentures:

The Trust has convertible unsecured subordinated debentures ("Convertible 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 Convertible 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 Convertible 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 Convertible debentures.

The Convertible 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. As of September 30, 2023, no Convertible debentures have been redeemed.

8. Unit-based payments:

The Trust has a Restricted Trust Unit Plan ("RTU Plan") as approved by shareholders at a special shareholders meeting on July 31, 2008 that authorizes the Board of Trustees to grant awards of Restricted Trust Units ("RTUs") subject to a maximum of 2.5% 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 1,137,455 and issued 464,024 RTUs to management and Trustees as of September 30, 2023. The RTUs issued to Trustees (72,773) vest over a three-year period. The RTUs issued to management (391,251) are a combination of time vested units (190,719) and performance vested units (200,532). The time vested units do not vest until the end of a three-year period (47,092 in 2024, 46,272 in 2025 and 97,355 in 2026). The performance vested units vest one third every year (87,684 in 2024, 64,136 in 2025 and 48,712 in 2026) 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 price of the Alaris units at September 30, 2023 and the remaining time left until vesting for each tranche. At September 30, 2023, the total liability related to the outstanding RTUs 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.

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 ("SRED") and investment tax credits ("ITCs"). Pursuant to the Reassessments, the deduction of approximately $121.2 million of non-capital losses and SRED expenditures and utilization of $9.9 million in ITCs by the Trust were denied, resulting in reassessed taxes and interest of approximately $62.2 million (2022 - $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 SRED expenditures and claim ITCs. Based on ongoing discussions with its legal counsel, the Trust remains of the opinion that all tax filings to date were filed correctly and that it will be successful in appealing such Reassessments. The Trust intends to continue to vigorously defend its tax filing position. In order to do that, the Trust was required to pay 50% of the reassessed amounts as a deposit to the Canada Revenue Agency and to the Alberta Treasury for amounts reassessed for the 2013 taxation year and onwards. The Trust has paid a total of $25.3 million (2022 - $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 and are included in Other long-term assets.

The Trust anticipates that legal proceedings through the CRA and the courts will take considerable time to resolve and the payment of the deposits, and any taxes, interest or penalties owing will not materially impact the Trust's payout ratio.

The Trust firmly believes it will be successful in defending its position and therefore, any current or future deposit paid to the CRA and Alberta Treasury would be refunded, plus interest.

Should the Trust be unsuccessful, it will be required to pay the remaining reassessed taxes and interest and will not recover the $25.3 million in deposits paid to September 30, 2023.

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

10. Fair value of financial instruments:

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

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

The following items shown on the condensed consolidated interim statement of financial position as at September 30, 2023 and December 31, 2022, 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, estimated future cash flows, and probability weighting are the primary inputs in the fair value models and are generally unobservable. Accordingly, these fair value measures are classified as level 3. There were no transfers between level 2 or level 3 classified assets and liabilities during the three and nine months ended September 30, 2023.

10. Fair value of financial instruments (continued):

Fair value classificatior *($ thousands)*	Level 1	Level 2	Level 3	Total
30-Sep-23				
Current and non-current derivative contract assets	$ -	$ 3,033	$ -	$ 3,033
Current and non-current derivative contract liabilities	-	(1,665)	-	(1,665)
Investments	-	-	1,395,660	1,395,660
Total at September 30, 2023	**$ -**	**$ 1,368**	**$ 1,395,660**	**$ 1,397,028**
31-Dec-22	**Level 1**	**Level 2**	**Level 3**	**Total**
Current and non-current derivative contract assets	$ -	$ 3,474	$ -	$ 3,474
Current and non-current derivative contract liabilities	-	(3,508)	-	(3,508)
Investments	-	-	1,248,159	1,248,159
Total at December 31, 2022	**$ -**	**($ 34)**	**$ 1,248,159**	**$ 1,248,125**

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$49.4 million as at September 30, 2023 (US$58.1 million as at December 31, 2022). At September 30, 2023, Alaris holds an interest rate swap contract that allows for a fixed interest rate of 2.99% instead of SOFR ("Secured Overnight Financing Rate") on US$50.0 million of debt that began in July 2023 and that has an expiry date in July 2026. In June 2023, two interest rate swap contracts that Alaris held expired which allowed for an interest rate swap for a fixed interest rate of 0.35% instead of SOFR on US$25.0 million of debt, and an interest rate swap for a fixed interest rate of 0.74% instead of SOFR on US$50.0 million of debt.

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

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. Significant assumptions specific to investments with conversion options include the above significant assumptions as well as assumptions around the probability of scenarios.

As outlined in Note 4, discount rates used to determine fair value, inclusive of those used to determine cashflow multiples range from 12.4% - 23.8%. If the discount rate increased (decreased) by 1%, the fair value of Level 3 investments at September 30, 2023 would decrease by $84.4 million and increase by $98.7 million. If the terminal value growth rate increased (decreased) by 1%, the fair value of Level 3 investments would increase by $48.8 million and decrease by $40.7 million. For the preferred unit and convertible preferred unit investments, if changes in future distributions increased (decreased) by 1% the fair value of these investments would increase by $9.3 million and decrease by $8.5 million. For the common equity and convertible preferred unit investments, if the estimated future cash flows increased (decreased) by 1%, the fair value of these investments would increase by $2.6 million and decrease by $2.6 million. For the common equity and convertible preferred unit investments, if the cash flow multiples increased (decreased) by 1%, the fair value of these investments would increase by $4.4 million and decrease by $4.4 million. For the convertible preferred unit investments, Alaris assigns a probability weighting to four economic scenarios which are representative of Alaris' best estimate of the likelihood of the probable scenarios underlying the investment valuation. Adjusting 100% of the probability weighting to the most favorable growth case results in the fair value of the investment increasing by $47.9 million, alternatively, adjusting 100% of the probability weighting to the least favorable downside case results in a decrease by $31.2 million to the fair value of the investment.

10. Fair value of financial instruments (continued):

Below is a summary of changes for all level 3 financial instruments for the period ended September 30, 2023, and December 31, 2022:

Investments at fair value *($ thousands)*	**Total**
Carrying value at January 1, 2022	$ 1,185,327
Additions	155,884
Redemptions	(161,838)
Fair Value Adjustment	2,075
Foreign Exchange	66,711
Carrying value at December 31, 2022	$ 1,248,159
Additions	130,103
Redemptions	(28,929)
Fair Value Adjustment	50,011
Foreign Exchange	(3,684)
Carrying value at September 30, 2023	$ 1,395,660

11. Commitments and Contingencies:

Alaris has commitments to fund an additional US$1.4 million to Ohana, US$3.5 million to FMP and US$5.5 million to Shipyard. Additional funding to FMP and Shipyard is based on certain financial thresholds being met. The timing of the above commitments is unknown at this time.

Subsequent to closing of the sale of Sandbox in February of 2020, AEP received a direct claim and protest notice (the "Notices") from the purchasers of Sandbox for amounts under the indemnification and working capital adjustment provisions. During Q2 2023, Alaris entered into a settlement agreement with the counterparty. While AEP and the Trust believe they would have ultimately prevailed in the litigation, given the inherent risks associated with the process, its protracted nature and associated costs the decision was made to proceed with the settlement. Details of the settlement are not disclosed due to confidentiality of the agreement.